Application Proof of

Nanhua Futures Co., Ltd.
南華期貨股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name 南華期貨股份有限公司 and carrying on business in Hong Kong as 橫華國際)

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Nanhua Futures Co., Ltd.
南華期貨股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name 南華期貨股份有限公司 and carrying on business in Hong Kong as 橫華國際)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**[•]**

***Sole Sponsor and* [REDACTED]**

CITIC SECURITIES

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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We are a joint stock company incorporated in the PRC with limited liability under the Chinese corporate name 南華期貨股份有限公司 and carrying on business in Hong Kong as 橫華國際. We are not in any way connected with or related to South China Financial Holdings Limited (南華金融控股有限公司, a Hong Kong company listed on the Stock Exchange (SEHK: 00619) or any of its associates (including South China Commodities Limited(南華期貨有限公司)).

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This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any investment. Some of the particular risks of investing in the **[REDACTED]** *are set out in "Risk Factors." You should read the entire document carefully before you decide to invest in the* **[REDACTED]**. *Various expressions used in this section are defined in "Definitions" and "Glossary of Technical Terms."*

OVERVIEW

We are a leading PRC-based global financial services provider specializing in futures and derivatives. Leveraging our profound understanding of the needs of both Chinese and overseas clients, coupled with our insights into global financial and derivatives markets, we offer comprehensive and customized derivatives and risk management services to industrial clients, financial institutions, and individual investors; and we also strive to offer more diverse wealth management services to investors both in China and abroad.

Founded in 1996 and headquartered in Hangzhou, China, we have consistently focused on innovations in business development, technology application, professional services, and internal controls. Emerging from our roots as a PRC futures brokerage service provider, we have evolved into a comprehensive, global financial services platform. Our offerings include PRC futures brokerage, PRC risk management service, PRC wealth management, and overseas financial services, covering the entire value chain of futures and derivatives. We believe that innovation is the primary catalyst of our past growth, and we have achieved numerous industry firsts throughout our nearly 30-year of history:

- in 2001, we established the first dedicated futures research institute in China's futures industry;
- in 2006, we became one of the first futures companies in China to establish a subsidiary in Hong Kong;
- in 2007, we became one of the initial full clearing members of the China Financial Futures Exchange;
- in 2016, we became the first futures company in China's futures industry to establish a subsidiary carrying out mutual fund management business; and
- in 2019, we became the first futures company in China to list on the A-share market (stock code: 603093.SH).

We believe that futures and derivatives markets play a crucial role in the economy and financial system by facilitating price discovery, risk management, and resource allocation. These markets are intricately linked to enterprises, investors, and consumers, contributing to operational stability, commodity circulation, and the stabilization of supply and prices. The PRC government actively encourages the utilization of futures and derivatives markets to support the real economy by optimizing commodity futures for agriculture, manufacturing, and green development, enhancing financial futures to stabilize capital markets, and promoting international market expansion.

We have executed a diversification strategy encompassing various service types, extensive geographic coverage, and diverse asset classes. This strategy has culminated in forming a comprehensive financial services product network under a globalized framework. Specifically:

- ***Global Network:*** Since 2006, we have been one of the first PRC futures companies to implement an internationalization strategy. Leveraging our overseas branch network in major financial hubs, we extend our reach across Asia, North America, and Europe, delivering round-the-clock cross-market trading services. By integrating our PRC and overseas platforms, we manage to mitigate the impact of any single market on our operations.
- ***Diverse Business Mix:*** We maintain a comprehensive and diversified business layout, covering the key value chains of the futures and derivatives markets. Our product mix covers a diverse range of asset classes, including futures and spot commodities (including agricultural, industrial, energy and chemical, and metals) as well as equity and fixed-income securities. From trade execution to risk management, and from wealth management to overseas financial services, we provide end-to-end coverage of these value chains, building a robust business framework.
- ***Exchange-traded and OTC Products.*** We integrate exchange-traded and OTC transactions to cater for diverse client needs, demonstrating our capability to consolidate and allocate a wide range of products, accurately identify market and client demands, and deliver professional, customized risk management services.
- ***Mutual funds and Private Products.*** We offer both mutual fund products and asset management services. By combining publicly and privately offered products under our wealth management umbrella, we strive to serve clients with varying risk appetites and investment needs.
- ***Futures and Spot Products.*** Our PRC risk management services business plays a pivotal role in supporting the real economy through its integrated spot and futures operations. We embed ourselves within the industrial value chain through our service offerings, helping enterprises manage market risks.
- ***Online and Offline.*** We offer seamless customer experience by integrating online platforms with our branch network. Clients benefit from personalized services at branches while enjoying convenient access to trading and support through our online channels.

We were among the first companies established in China's futures industry, contributing to its evolution from early stages to a mature market. Compared with overseas financial service providers, we enjoy strong trust among Chinese industrial and institutional clients in cross-border derivatives. The number of corporate clients of our PRC futures brokerage business steadily grow from 4,266 in 2022 to 4,672 in 2023, representing a year-on-year growth of 9.5%, and further grew to 5,089 in 2024, representing a year-on-year growth of 8.9%. The number of financial institution clients of our PRC futures brokerage business rose from 1,140 in 2022 to 1,488 in 2023, representing a year-on-year growth of 31.8%, and reached 1,770 in 2024, representing a year-on-year growth of 19.0%. As of December 31, 2024, client equity of our PRC futures brokerage reached RMB31.6 billion, up 65.4% from that of December 31, 2022, as compared to a CAGR of 1.9% of the China's futures industry. As of December 31, 2022, 2023 and 2024, total client equity from our overseas futures, securities, and leveraged foreign exchange brokerage services stood at approximately HK$11.9 billion, HK$12.5 billion, and HK$13.8 billion, respectively, while our overseas asset management business had an AUM of approximately HK$2.0 billion, HK$2.3 billion, and HK$2.5 billion, respectively.

We have established a robust and innovative IT infrastructure that is pivotal in our business operations, corporate governance, and risk management. We have been recognized with accolades that highlight our leadership in leveraging technology for excellence and innovation. Our technology infrastructure offers significant advantages, notably the client-centric Nanhua Futures App. We leverage innovative systems such as the fifth-generation NHTD trading system and the Ruihua Risk Management Services Business Risk Control System for high-frequency monitoring and robust risk management. Additionally, our global data center network comprises over 150 server cabinets, ensuring secure and efficient trading. Our resilient data center architecture, featuring a "two-location, three-center" setup, enhances operational stability and cybersecurity.

Our globally integrated, strategic business mix, comprehensive financial service offerings, and technology-enabled capabilities have fueled our robust growth over the Track Record Period. Our adjusted operating income, which is calculated as operating income minus the trading expenses of our basis trading business, increased from RMB954.4 million in 2022 to RMB1,354.8 million in 2024, representing a CAGR of 19.2%. During the same period, our profit for the year rose from RMB245.9 million in 2022 to RMB458.0 million in 2024, reflecting a CAGR of 36.5%. Our weighted ROE improved continuously during the Track Record Period, reaching 7.75%, 11.46%, and 11.71% in 2022, 2023, and 2024, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success:

- A pioneer and leader in China's futures and derivatives market
- Benefitting from the Growing Demand for Futures and Derivatives both in China and Overseas
- Industry-Leading Technological Innovation and a Comprehensive Risk Management Framework
- Highly Efficient Client Acquisition and Strong Service Capabilities
- Robust Financial Growth Driven by a Diversified and Resilient Business Model
- Management Team with Deep Industry Experience and a Market-Oriented Incentive Mechanism

OUR STRATEGIES

Our goal is to serve the real economy (such as agricultural and industrial sectors) with specialized PRC and overseas financial services, empowering Chinese enterprises to achieve sustainable growth, and becoming a trusted partner to investors. To accomplish this goal, we plan to implement the following strategies:

- Enhancing Our Capital Base and Service Capabilities Overseas
- Expanding Our Global Client Base
- Strengthening Our Overseas Marketing Capabilities
- Advancing Technological Infrastructure and Research and Development Capabilities

OUR PRODUCTS AND SERVICES

Our principal products and services include:

Business Lines	Main Products and Services	Our Business and Revenue Model
PRC futures brokerage	Brokerage	We provide futures brokerage service for both commodity futures and financial futures. Our futures brokerage business generates income from the commissions fees we charge our clients as well as the interest income on margin deposits and settlement reserve funds.
PRC risk management services	OTC derivatives	We offer our counterparty clients non-standardized financial contracts such as options, swaps, and forwards. We manage the associated market risk by conducting hedging transactions on futures, securities and other markets.
	Basis trading	We engage in spot commodity trades with our clients while executing commodity futures trades to hedge risks, thereby earning basis income.
	Market making	We provide continuous buy and sell quotes for the designated products as required by the exchanges. We generate revenue by capturing the gains from the price differences between the bid price buyers are willing to purchase the asset and the ask price sellers are willing to sell the asset.
PRC wealth management	Mutual funds	We offer mutual fund services, providing fund management, fund sales, asset management, and discretionary portfolio management services. We generate income through the collection of management fees.
	Asset management	Our asset management products offerings include both collective and targeted asset management schemes. We generate income through collection of management fees and, in some cases, performance fees as stipulated in the fund documents.
	Agency sale of funds	We act as agent for fund managers to sell funds to investors and receive commission from the sales of securities investment funds.

Business Lines	Main Products and Services	Our Business and Revenue Model
Overseas financial services	Futures services	Our futures services include brokerage, clearing, and delivery. We generate income from commission earned on executing and clearing trades as well as interest income on client balances.
	Asset management	We provide a diverse range of investment products. We generate income from management fees and performance-based fees for our overseas asset management services.
	Securities services	We primarily provide overseas securities services through our subsidiary HGNH International Securities. We generate income from commission earned on securities trades.
	Leveraged forex trading	We primarily provide overseas leveraged forex trading services through Nanhua Singapore. We generate income from commission earned on leveraged forex trades.

MARKET AND COMPETITION

PRC Futures Market: After 30 years of growth, the PRC futures industry faces significant opportunities driven by policy and market demand. It is the world's largest commodities market, covering agriculture, energy and metals with over 140 products for 41 industrial sectors. With a futures-spot price correlation over 90%, it serves as a key pricing benchmark. China operates six futures exchanges offering various futures and options. By the end of 2024, there were 146 listed products: 125 commodity products (73 futures, 52 options), 20 financial products (8 futures, 12 options), and one index futures.

In China, futures companies can be categorized into two types based on the background of the controlling shareholder: financial institution-affiliated futures companies and non-financial institution-related futures companies. Financial institution-affiliated futures companies are connected to or are part of the same financial group such as securities firms and banks. Non-financial institution-related futures companies include independent futures companies and those controlled by large-scale enterprises. For more details on the competitive landscape of the industry in which we operate, see "Industry Overview".

Overseas Derivatives Market. An increasing number of Chinese companies are actively pursuing a "going global" strategy. According to the F&S Report, A-share listed companies achieved overseas business revenue of approximately RMB3.8 trillion in the first half of 2024, reflecting a year-on-year increase of 12.8%. There is growing demand for Chinese companies to engage in global financial markets, including futures and derivatives markets. China-based futures companies with strong international presence can stand to benefit for this trend.

According to the F&S Report, in China, we ranked:

- 8th among all futures companies and ranked the 1st among all non-financial institution-related futures companies in terms of total revenue in 2023;
- 12th among all futures companies and ranked the 1st among all non-financial institution-related futures companies in terms of futures brokerage commission revenue in 2023;
- 1st among all Chinese futures companies in terms of overseas revenue in 2023; and
- 2nd among all 53 listed securities and futures companies in China and all non-financial institutional-related futures companies in terms of ROE in the nine months ended September 30, 2024.

For our PRC futures brokerage business, we compete with both financial institution-affiliated and non-financial institution-related futures companies. For PRC risk management services, our main competitors are the risk management subsidiaries of other PRC futures firms. For PRC wealth management, we face competition from mutual fund companies and the asset management departments or subsidiaries of other financial institutions. In overseas financial services, we primarily compete with China-funded entities qualified in futures and derivatives. Our competition centers on brand recognition, marketing, service quality, financial strength, pricing, talent, IT, and research capabilities.

KEY FINANCIAL AND OPERATING DATA

The table below sets out the key financial and operating data of our businesses during the Track Record Period.

	For the year ended/As of December 31,		
	2022	**2023**	**2024**
Net commission and fee income from PRC futures brokerage *(RMB in millions)*	350.4	404.3	300.0
Net commission and fee income from overseas futures services *(RMB in millions)*	74.4	100.0	145.7
Net commission and fee income from PRC wealth management *(RMB in millions)*	60.6	90.1	68.2
Interest income from margin deposits *(RMB in million)*	313.0	536.9	644.1
Comprehensive gains from risk management services *(RMB in millions)*	121.6	43.3	91.0

	Year ended/As of December 31,		
	2022	**2023**	**2024**
Client equity			
PRC futures brokerage *(RMB in millions)*	19,087	21,248	31,561
Overseas futures services *(HK$ in millions)*	9,899	10,390	11,921
Overseas securities services *(HK$ in millions)*	1,970	2,099	1,865
Transaction value			
OTC derivatives: notional value of contracts transacted *(RMB in millions)*	5,002	13,236	11,256
Market making: trading value *(RMB in millions)*	789,746	927,419	281,507
AUM			
PRC mutual funds products *(RMB in millions)*	11,698	17,255	14,805
PRC asset management *(RMB in millions)*	732	1,283	159
Overseas asset management *(HK$ in millions)*	1,953	2,303	2,520

The following table sets forth our operating income by business lines for the years indicated:

	Year ended December 31,					
	2022		**2023**		**2024**	
	(RMB in millions except for percentages)					
PRC futures brokerage	536.2	7.9%	571.1	9.1%	494.4	8.7%
PRC risk management services	5,990.5	87.8%	4,999.2	80.0%	4,485.0	78.5%
PRC wealth management	60.6	0.9%	90.1	1.4%	68.2	1.2%
Overseas financial services	231.1	3.4%	567.3	9.1%	654.2	11.4%
Others [(1)]	4.8	0.1%	19.1	0.3%	10.3	0.2%
Total	**6,823.2**	**100.0%**	**6,246.9**	**100.0%**	**5,712.2**	**100.0%**

(1) Others mainly include operating income from investment advisory business.

Our operating income includes income from trading activities which we carry out as part of our basis trading business within the PRC risk management services. As we generate profit from basis trading primarily by capturing the basis between the spot market and the futures market, operating income does not reflect the underlying profitability of the business. To provide clearer financial results and better reflect the core performance of this business, we use adjusted operating income, which is calculated as operating income minus the trading expenses of our basis trading business. The following table sets forth our adjusted operating income by business lines for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	(RMB in millions except for percentages)					
PRC futures brokerage	536.2	56.2%	571.1	44.2%	494.4	36.5%
PRC risk management services	121.7	12.8%	45.2	3.5%	127.7	9.4%
PRC wealth management	60.6	6.4%	90.1	7.0%	68.2	5.0%
Overseas financial services	231.1	24.2%	567.3	43.9%	654.2	48.3%
Others[(1)]	4.8	0.5%	19.1	1.5%	10.3	0.8%
Total	**954.4**	**100.0%**	**1,292.9**	**100.0%**	**1,354.8**	**100.0%**

(1) Others mainly include operating income from investment advisory business.

RISK FACTORS

Our operations and the **[REDACTED]** involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. These risks can be categorized into: (i) risks relating to our business and industry; and (ii) risks relating to the **[REDACTED]**. Some of the major risks we face include: (i) our historical growth rates may not be indicative of our future growth, which makes it difficult to evaluate our future prospects; (ii) our business may be materially and adversely affected by global and regional market and economic conditions and other factors beyond our control; (iii) if we lose access to any of the futures exchanges that we are a member of, our ability to undertake some or all of our clearing services would be affected; (iv) our operations may be adversely affected if we fail to obtain or renew necessary licenses, permits and approvals for conducting a particular business or offering specific products. The suspension or termination of any of our licenses, permits or approvals may have a negative impact on our business; (v) significant interest rate fluctuations could affect our financial condition and results of operations; (vi) the financial services industry is highly competitive, and we face intense competition in all of our business lines; (vii) fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment; (viii) if we fail to fully comply with the relevant regulatory requirements applicable to us, our reputation could be harmed and our business, financial condition and results of operation could be adversely affected; and (ix) we may not be successful in expanding our business, and the expansion of our business may not produce the intended results. See "Risk Factors" for details of our risk factors.

BUSINESS NAME IN HONG KONG

Our Chinese corporate name is "南華期貨股份有限公司" and we have been carrying on our business under the name "南華期貨" and/or its variations in the PRC. We are not in any way connected with or related to South China Financial Holdings Limited (南華金融控股有限公司, a company listed in Hong Kong, stock code: 00619) or any of its associates (including South China Commodities Limited (南華期貨有限公司)). To minimize any potential risks of legal proceedings, we carry on business as "橫華國際" in Hong Kong and have taken certain measures for this purpose. For more details, see "Business – Intellectual Property Rights".

SUMMARY OF KEY FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I. The summary of consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this document, including the related notes. Our consolidated financial information has been prepared in accordance with IFRSs.

Summary Consolidated Statements of Profit or Loss

The following table sets forth our results of operations for the periods indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Net commission and fee income	**498,038**	**611,659**	**542,397**
Interest income	365,952	605,166	726,092
Interest expense	(39,414)	(59,791)	(44,292)
Net interest income	**326,538**	**545,375**	**681,800**
Net investment gains	86,258	39,297	28,474
Trade income	5,886,933	5,010,248	4,413,406
Other operating income	25,456	40,322	46,112
Operating income	**6,823,223**	**6,246,901**	**5,712,189**
Staff costs	(360,008)	(434,687)	(428,655)
Reversal /(Impairment losses) of impairment losses on financial assets, net	2,817	(10,346)	(19,501)
Depreciation and amortization	(48,844)	(48,895)	(50,977)
Trade expenses	(5,870,717)	(4,954,654)	(4,357,824)
Other operating expenses	(250,427)	(311,396)	(336,664)
Operating expenses	**(6,527,179)**	**(5,759,978)**	**(5,193,621)**
Operating profit	**296,044**	**486,923**	**518,568**

	For the year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Share of profit or loss of associates and joint ventures	(496)	(375)	(574)
Other (losses)/gains, net	(715)	(38,111)	3,665
Profit before income tax	**294,833**	**448,437**	**521,659**
Income tax expenses	(48,921)	(45,615)	(63,622)
Profit for the year	**245,912**	**402,822**	**458,037**

Non-IFRSs Measures

We use adjusted operating income, expenses, and margin (non-IFRS measures) to evaluate our results and make operational and financial decisions. We use adjusted operating income, expenses and margin as additional measures, which are not required by, or presented in accordance with, IFRSs. Adjusted operating income is defined as operating income minus trading expenses from the basis trading business. Adjusted operating expenses exclude these trading expenses, and adjusted operating margin is operating profit divided by adjusted operating income. Excluding the trading expenses from spot buying activities in our PRC risk management services provide a more focused view of our core operating performance, enabling us to isolate the effects of trading scale and assess the underlying drivers of our operating income.

We believe that these non-IFRSs measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of these non-IFRSs measures may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRSs measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs. The following table sets forth our adjusted results:

	For the year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Adjusted operating income	954,407	1,292,878	1,354,846
Adjusted operating expenses	658,362	805,950	836,275
Operating profit	296,044	486,923	518,568

Our operating profit increased from RMB296.0 million in 2022 to RMB486.9 million in 2023 and further increased to RMB518.6 million in 2024. Our operating profit growth during the Track Record Period was driven by our continued international expansion, which resulted in increases in our client base, trading activities and client equity, particularly in the overseas market.

The following table sets forth the key measurements of our profitability for the periods indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
	(RMB'000, except for %)		
Operating profit	296,044	486,923	518,568
Operating margin[(1)]	4.3%	7.8%	9.1%
Profit for the year	245,912	402,822	458,037
Net margin[(2)]	3.6%	6.4%	8.0%
Adjusted operating margin[(3)]	31.0%	37.6%	38.2%

(1) Operating profit as divided by operating income.

(2) Profit for the year as divided by operating income.

(3) Operating profit as divided by adjusted operating income.

Summary Consolidated Statements of Financial Position

The following table sets forth the selected data of our statement of financial position as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	(RMB'000)		
Total current assets	33,698,976	35,822,142	48,402,123
Total non-current assets	490,209	503,380	461,274
Total assets	34,189,185	36,325,522	48,863,397
Total current liabilities	30,310,368	32,082,363	44,204,847
Total non-current liabilities	553,774	530,240	533,710
Total liabilities	30,864,142	32,612,603	44,738,557
Net current assets	3,388,608	3,739,779	4,197,276
Total equity	3,325,043	3,712,919	4,124,840
Non-controlling interests	8,484	9,542	9,585

Summary Consolidated Statements of Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Net cash inflow/(outflow) from operating activities	557,980	1,152,500	(700,408)
Net cash (outflow)/inflow from investing activities	(1,450,928)	(462,987)	1,342,952
Net cash inflow/(outflow) from financing activities	691,015	(414,862)	(381,579)
Net (decrease)/increase in cash and cash equivalents	(176,903)	278,177	266,204
Cash and cash equivalents at beginning of year	671,359	494,456	772,633
Cash and cash equivalents at end of year	**494,456**	**772,633**	**1,038,837**

REGULATORY NON-COMPLIANCE AND INSPECTIONS

We operate in China, Hong Kong, Singapore, the UK and the US and are, therefore, subject to various regulatory requirements and guidelines promulgated by regulatory authorities and exchanges in these jurisdictions, such as the CSRC, SFC, MAS, FCA, CFTC, as well as HKCC and CME Group. During the Track Record Period and up to the Latest Practicable Date, regulatory actions have not identified any significant risks or non-compliance events but have found some deficiencies in our business operations and risk management practices. While these issues have not materially affected our business, financial position, or operational results, we have implemented measures to prevent similar incidents in the future. See "Business – Legal and Regulatory."

RECENT DEVELOPMENTS

As a public company listed on the Shanghai Stock Exchange, we are required to disclose unaudited financial results prepared under PRC GAAP for the first quarter of 2025 pursuant to the relevant PRC securities laws and regulations. We intend to publish our quarterly results on or around April 22, 2025. During the first quarter of 2025, our results of operations remained stable compared to the same period in 2024. However, both of our operating income and operating expenses fell during the period as a result of the new requirements recommended by the China Futures Association. See "Financial Information – Recent Developments."

The global financial markets have experienced significant volatility and uncertainty in recent months, driven by a combination of geopolitical tensions, economic policy shifts, and trade disruptions. Futures markets have also been affected, with heightened volatility and risk aversion among investors. Our Directors confirm that, as of the date of this document, market fluctuations have not had a material adverse impact on our client's trading activities and business operations.

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial, operational and trading positions or prospects since December 31, 2024, being the end date of the periods reported on in the Accountant's Report included in Appendix I to this document, and there had been no event since December 31, 2024, that would materially affect the information shown in the Accountant's Report set out in Appendix I to this document.

OUR CONTROLLING SHAREHOLDERS

Given that, upon completion of the **[REDACTED]** (assuming that (i) there will be no change of shareholding between the Latest Practicable Date and the **[REDACTED]** Date and (ii) the **[REDACTED]** is not exercised), (i) Dongyang Hengdian Association will directly and indirectly hold **[REDACTED]**% equity interests in Hengdian Holdings; (ii) Hengdian Holdings will directly and indirectly hold approximately **[REDACTED]**% interests in our Company, our Controlling Shareholders (as defined in the Listing Rules) will be comprised of the following entities: Hengdian Holdings, Dongyang Hengdian Association, Dongyang Henghua LLP, Hengdian DMEGC Magnetics, and Hengdian Import and Export. See "Relationship with Our Controlling Shareholders".

DIVIDEND POLICY

After the completion of the **[REDACTED]**, we may distribute dividends in the form of cash or by other means that we consider appropriate. Any proposed distribution of dividends shall be formulated by our Board and will be subject to our Shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, capital adequacy ratio, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important.

According to the relevant PRC laws and regulations governing A-share listed companies and our Articles of Association, our annual profit distributed in cash shall not be less than 10% of our distributable profit realized in that year. In 2022, 2023 and 2024, we distributed cash dividends of RMB24.4 million, RMB34.2 million and RMB40.3 million to our Shareholders, respectively. Dividends paid in prior years shall not be indicative of future dividend payment.

[REDACTED]

This document is published in connection with the **[REDACTED]** as part of the **[REDACTED]**. The **[REDACTED]** comprises:

- the **[REDACTED]** of **[REDACTED]** Shares (subject to reallocation) for subscription by the public in Hong Kong as described in "Structure of the **[REDACTED]** – The **[REDACTED]**"; and

- the **[REDACTED]** of **[REDACTED]** Shares (subject to reallocation and the **[REDACTED]**) outside the United States (including professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in "Structure of the **[REDACTED]** – the **[REDACTED]**."

The **[REDACTED]** will represent approximately **[REDACTED]**% of the total Shares in **[REDACTED]** of our Company immediately after completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised. If the **[REDACTED]** is exercised in full, the **[REDACTED]** will represent approximately **[REDACTED]**% of the total Shares in issue of our Company immediately after completion of the **[REDACTED]** and the exercise of the **[REDACTED]**.

[REDACTED] STATISTICS

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK$[REDACTED]] per [REDACTED]
[REDACTED] of our Shares[1]	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited **[REDACTED]** adjusted net tangible assets per **[REDACTED]** share[2]	HK$**[REDACTED]**	HK$**[REDACTED]**

(1) The calculation of the **[REDACTED]** is based on **[REDACTED]** Shares expected to be in issue immediately after completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

(2) The unaudited **[REDACTED]** adjusted net tangible assets per **[REDACTED]** has been arrived at after adjustments referred to in "Appendix II – Unaudited **[REDACTED]** Financial Information" and on the basis that **[REDACTED]** Shares were in issue at the respective **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]**, assuming that the Shares issued pursuant to the **[REDACTED]** were issued on December 31, 2024, which does not take into account (i) any Share which may be allotted and issued upon the exercise of the **[REDACTED]**, or (ii) any Share which may be allotted and issued or repurchased by our Company under the general mandates for **[REDACTED]** or repurchase of Shares granted to our Directors.

For further details, see "Appendix II – Unaudited **[REDACTED]** Financial Information – A. Unaudited **[REDACTED]** Statement of Adjusted Net Tangible Assets".

FUTURE PLANS AND USE OF [REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]** Range of between HK$**[REDACTED]** and HK$**[REDACTED]** per **[REDACTED]**), we estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** million from the **[REDACTED]** after deducting the **[REDACTED]** and other estimated expenses in connection with the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised. We intend to allocate all net **[REDACTED]** from the **[REDACTED]** to HGNH International, which plans to enhance the capital base of our overseas subsidiaries in Hong Kong, the United Kingdom, the United States, and Singapore. This initiative aims to expand our overseas operations, optimize our overseas business structure, and enhance our competitiveness and risk resilience in global markets. See "Future Plans and Use of **[REDACTED]**" for further details.

[REDACTED] EXPENSES

We expect to incur **[REDACTED]** expenses of approximately RMB**[REDACTED]** million (assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the indicative **[REDACTED]** range as stated in this document, and assuming the **[REDACTED]** is not exercised), accounting for approximately **[REDACTED]**% of the estimated gross **[REDACTED]** of the **[REDACTED]** accruing to us. Our estimated **[REDACTED]** expenses include (i) **[REDACTED]**-related expenses, representing **[REDACTED]** and fees of approximately RMB**[REDACTED]** million; and (ii) non-**[REDACTED]**-related expenses, comprising professional fees to the legal advisors and reporting accountant of approximately RMB**[REDACTED]** million for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**, and other fees and expenses of approximately RMB**[REDACTED]** million. Our **[REDACTED]** expenses are expected to be incurred after December 31, 2024, of which RMB**[REDACTED]** million is expected to be charged to our consolidated statements of comprehensive income and RMB**[REDACTED]** million is expected to be accounted for as a deduction from equity. The **[REDACTED]** expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. We do not expect such expenses to have a material adverse impact on our results of operations for the year ending December 31, 2025.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain technical terms are explained in "Glossary of Technical Terms."

"Accountant's Report"	the accountant's report of our Company, the text of which is set out in Appendix I
"A Share(s)"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on main board of the Shanghai Stock Exchange
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"Apeloa Pharmaceutical"	Apeloa Pharmaceutical Co., Ltd. (普洛藥業股份有限公司), a company established in China with limited liability on May 6, 1997 and listed on the Shenzhen Stock Exchange (SZEX: 000739)
"Articles" or "Articles of Association"	the articles of association of our Company, as amended, which shall become effective on the **[REDACTED]**, a summary of which is set out in Appendix V to this document
"Board" or "Board of Directors"	the board of Directors of our Company
"business day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAC"	the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)

[REDACTED]

"CBOT"	Chicago Board of Trade

[REDACTED]

"CFA" or "China Futures Association"	the China Futures Association (中國期貨業協會)
"CFMMC"	the China Futures Market Monitoring Center (中國期貨市場監控中心), formerly known as the China Futures Margin Monitoring Center Co., Ltd. (中國期貨保證金監控中心)
"CFTC"	Commodity Futures Trading Commission
"China Financial Futures Exchange" or "CFFEX"	China Financial Futures Exchange (中國金融期貨交易所)
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this document (unless otherwise indicated), the Hong Kong Special Administrative Region, the Macau Special Administrative Region, and the Taiwan Region
"COMEX"	Commodity Exchange
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Company," "our Company," or "the Company"	Nanhua Futures Co., Ltd. (南華期貨股份有限公司), a joint stock company with limited liability incorporated in China on May 28, 1996 (including its predecessor, Zhejiang Nanhua Futures Brokerage House Ltd. (浙江南華期貨經紀有限責任公司), which was renamed as Nanhua Futures Brokerage Co., Ltd. (南華期貨經紀有限公司) and then Nanhua Futures Ltd. (南華期貨有限公司)) and carrying on business in Hong Kong as 橫華國際; the A Shares of which have been listed on the Shanghai Stock Exchange since August 2019 (Stock Code: 603093)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and as of the Latest Practicable Date, "Controlling Shareholders" of our Company include Hengdian Holdings, Dongyang Hengdian Association, Dongyang Henghua LLP, Hengdian Import and Export, and Hengdian DMEGC Magnetics
"CME"	Chicago Mercantile Exchange

DEFINITIONS

"CME Group"	CME Group Inc.
"CSDCC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Dalian Commodity Exchange" or "DCE"	Dalian Commodity Exchange (大連商品交易所)

[REDACTED]

"Director(s)"	the director(s) of our Company
"Dongyang Hengdian Association"	Dongyang Hengdian Social Organization and Economic Enterprise Association (東陽市橫店社團經濟企業聯合會), a non-profit association organisation established in China on November 22, 1999 under the management of Dongyang Municipal Bureau of Economy and Information (東陽市經濟和信息局), which was and will be one of our Controlling Shareholders as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**
"Dongyang Henghua LLP"	Dongyang Henghua Investment Limited Partnership (Limited Partnership) (東陽市橫華投資合夥企業(有限合夥)), a company established in China with limited liability on April 28, 2015, which was and will be one of our Controlling Shareholders as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**
"EIT"	Enterprise income taxation

[REDACTED]

"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below

"FCA"	the United Kingdom Financial Conduct Authority

[REDACTED]

"F&S"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant and an Independent Third Party
"F&S Report"	an independent market research report prepared by F&S, which was commissioned by our Company for the purpose of this document
"Futures and Derivative Law"	the Futures and Derivative Law of the People's Republic of China (《中華人民共和國期貨和衍生品法》), as amended, supplemented, or otherwise modified from time to time

[REDACTED]

"Group," "our Group," "the Group," "we," "us," or "our"	our Company and its subsidiaries, or our Company and any one or more of its subsidiaries, as the context may require
"Guangzhou Futures Exchange" or "GFEX"	Guangzhou Futures Exchange (廣州期貨交易所)
"Guide for New Listing Applicants" or "Guide"	the Guide for New Listing Applicants issued by the Stock Exchange in December 2023, with effect from January 1, 2024, as amended, supplemented, or otherwise modified from time to time
"Hengdian DMEGC Magnetics"	Hengdian Group DMEGC Magnetics Co., Ltd (橫店集團東磁股份有限公司), a company established in China with limited liability on March 30, 1999 and listed on the Shenzhen Stock Exchange (SZEX:002056), which was and will be one of our Controlling Shareholders as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**
"Hengdian Entertainment"	Hengdian Entertainment Co., Ltd. (橫店影視股份有限公司), a company established in China with limited liability on September 4, 2008 and listed on the Shanghai Stock Exchange (SSE: 603103)

"Hengdian Holdings"	Hengdian Group Holdings Co., Limited (橫店集團控股有限公司), a company established in China with limited liability on November 22, 1999, which was and will be one of our Controlling Shareholders as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**
"Hengdian Import and Export"	Zhejiang Hengdian Import and Export Co., Ltd. (浙江橫店進出口有限公司), a company established in China with limited liability on June 3, 1997, which was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**
"Hengdian Tospo"	Hengdian Group Tospo Lighting Co., Ltd. (橫店集團得邦照明股份有限公司), a company established in China with limited liability on December 30, 1996 and listed on the Shanghai Stock Exchange (SSE: 603303)
"H Shareholder(s)"	holder(s) of H Share(s)
"H Share(s)"	shares in the share capital of our Company with a nominal value of RMB1.0 each, which are to be subscribed for and traded in HK dollars and to be listed on the Stock Exchange

[REDACTED]

"HGNH International"	HGNH International Financial Corporation Limited (橫華國際金融股份有限公司), a company with limited liability incorporated in Hong Kong on August 16, 2011 and our wholly-owned subsidiary
"HGNH International AM"	HGNH International Asset Management Co., Limited (橫華國際資產管理有限公司), a company with limited liability incorporated in Hong Kong on May 18, 2011 and our indirect wholly-owned subsidiary
"HGNH International Futures"	HGNH International Futures Co., Limited (橫華國際期貨有限公司), a company with limited liability incorporated in Hong Kong on June 20, 2006 and our indirect wholly-owned subsidiary
"HGNH International Securities"	HGNH International Securities Co., Limited (橫華國際證券有限公司), a company with limited liability incorporated in Hong Kong on August 5, 2013 and our indirect wholly-owned subsidiary
"HKCC"	HKFE Clearing Corporation Limited

DEFINITIONS

[REDACTED]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars," "HKD," or "HK$"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HK Futures Exchange" or "HKFE"	Hong Kong Futures Exchange

[REDACTED]

DEFINITIONS

[REDACTED]

"ICE"	Intercontinental Exchange, Inc.
"IFRSs"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	any entity(ies) or person(s) who, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
"Innuovo Technology"	Innuovo Technology Co., Ltd. (英洛華科技股份有限公司), a company established in China with limited liability on August 4, 1997 and listed on the Shenzhen Stock Exchange (SZEX: 000795)

[REDACTED]

DEFINITIONS

[REDACTED]

"Latest Practicable Date"	April 9, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[REDACTED]

"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"LME"	London Metal Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
"MAS"	Monetary Authority of Singapore
"MIAX Exchange"	Miami Futures Exchange

"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Nanhua Capital"	Zhejiang Nanhua Capital Management Co., Ltd. (浙江南華資本管理有限公司), a company with limited liability incorporated in the PRC on May 20, 2013 and our wholly-owned subsidiary
"Nanhua Development"	Nanhua Development Group Limited (南華發展集團有限公司), a company established in China with limited liability on December 12, 1994
"Nanhua Fund"	Nanhua Fund Management Co., Ltd. (南華基金管理有限公司), a company with limited liability incorporated in the PRC on November 17, 2016 and our wholly-owned subsidiary
"Nanhua SG"	Nanhua Asset Management SG Pte. Ltd., a company with limited liability incorporated in Singapore on January 23, 2019 and our indirect majority-owned subsidiary
"Nanhua Singapore"	Nanhua Singapore Pte. Ltd., a company with limited liability incorporated in Singapore on November 24, 2016 and our indirect wholly-owned subsidiary
"Nanhua UK"	Nanhua Financial (UK) Co Limited, a company with limited liability incorporated in the United Kingdom on July 17, 2018 and our indirect wholly-owned subsidiary
"Nanhua USA"	Nanhua USA LLC, a company with limited liability incorporated in the state of Delaware, USA, on August 5, 2013 and our indirect wholly-owned subsidiary
"Nanhua USA Investment"	Nanhua USA Investment LLC, a company with limited liability incorporated in the state of Illinois, USA, on May 19, 2016 and our indirect wholly-owned subsidiary
"NFA"	the National Futures Association, a self-regulatory organization for the U.S. derivatives industry
"NYMEX"	New York Mercantile Exchange

[REDACTED]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented, or otherwise modified from time to time
"PRC GAAP"	the generally accepted accounting principles in the PRC

[REDACTED]

"Receiving Bank"	[•]
"Regulation S"	Regulation S under the U.S. Securities Act

"Relevant Persons"	the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, any of their or our Company's respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the **[REDACTED]**
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAC"	the Securities Association of China (中國證券業協會)
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAT"	the State Administration of Taxation of the PRC (國家稅務總局)
"Securities Law"	the Securities Law of the People's Republic of China (中華人民共和國證券法), as amended, supplemented, or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Shanghai Futures Exchange" or "SHFE"	Shanghai Futures Exchange (上海期貨交易所)
"Shanghai International Energy Exchange" or "INE"	Shanghai International Energy Exchange (上海國際能源交易中心)
"Shanghai Stock Exchange" or "SSE"	Shanghai Stock Exchange (上海證券交易所)
"Shenzhen Stock Exchange" or "SZSE"	Shenzhen Stock Exchange (深圳證券交易所)
"SGX"	Singapore Exchange
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.0 each

"Shareholder(s)"	holder(s) of our Share(s)
"SOE(s)"	state-owned enterprise(s)

[REDACTED]

"Sole Sponsor"	CITIC Securities (Hong Kong) Limited

[REDACTED]

"sq.m."	square meter(s)

[REDACTED]

"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Supervisor(s)"	the supervisor(s) of our Company
"Track Record Period"	the period comprising the years ended December 31, 2022, 2023, and 2024

[REDACTED]

"United States," "U.S.," or "US"	the United States of America, its territories, its possessions, and all areas subject to its jurisdiction
"U.S. dollars," "US dollars," "USD," or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

[REDACTED]

"Zhejiang Holland & Muh"	Zhejiang Holland & Muh Investment Management Co., Ltd. (浙江紅藍牧投資管理有限公司), a company established in China with limited liability on March 6, 2006, which was held by our Company as to approximately 24.90% as of the Latest Practicable Date
"Zhejiang Xinna"	Zhejiang Xinna Material Technology Co., Ltd (浙江新納材料科技股份有限公司), a company established in China with limited liability on October 12, 1994
"Zhengzhou Commodity Exchange" or "ZCE"	Zhengzhou Commodity Exchange (鄭州商品交易所)
"%"	per cent

In this document, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," and "subsidiary" shall have the meanings ascribed to such terms under the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, companies, natural persons or other entities (including certain of our subsidiaries) have been included in this document in both the Chinese and English languages. In the event of any inconsistency, the Chinese version shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this document. These terms and their meanings may not correspond to standard industry meanings or usage, and may not be comparable to similar terms adopted by other companies.

"active clients"	accounts registered with us that have generated either income or loss for us during the relevant financial year
"ADP"	alternative delivery procedure, a provision of a futures contract that allows buyers and sellers to make and take delivery under terms or conditions that differ from those prescribed in the contract
"AI"	artificial intelligence
"App"	software applications designed to perform specific tasks on devices such as smartphones, tablets, computers, or other electronic devices
"AUM"	the amount of assets under management
"bps"	basis points (1 basis point = 0.01%)
"CAGR"	compound annual growth rate
"client equity"	cash and cash equivalents deposited by our brokerage clients with us for trading purposes
"CTP System"	Continuous Transaction Processing System, a trading system used in Chinese futures exchanges that facilitates real-time order matching and execution
"collective asset management scheme"	an asset management contract entered into with multiple clients by an asset managment scheme manager, pursuant to which the clients' assets are placed in the custody of commercial banks qualified to hold client transaction settlement funds or in other institutions approved by the CSRC, and the asset manager provides asset management services to the clients through designated accounts
"Comprehensive Return Index"	an index that measures the performance of a portfolio of long or short positions in commodity futures contracts
"CRM"	client relationship management
"Dow Jones Industrial Average"	a stock market index that tracks 30 large publicly traded companies in the United States

"EFP"	exchange for physicals, a transaction negotiated off-market in which one party buys physical assets and sells futures contracts while the opposite party sells the physical market products and buys futures contracts
"ETF"	exchange-traded funds
"FOF"	a fund of funds
"IT"	information technology
"Long Commodity Return Index"	an index that measures the performance of a portfolio of long positions in commodity futures contracts
"margin call"	a futures broker's demand on an investor using margin to deposit additional money so that the margin account is brought up to the minimum margin required
"margin deposits"	unrestricted and unutilized cash balances deposited at commercial banks in designated margin account
"Net Capital"	a comprehensive risk regulatory metric derived by adjusting net assets based on the liquidity and risks of its balance sheet and other items
"OA"	office automation, software systems designed to support and streamline daily administrative and office tasks, enhancing overall organizational efficiency and productivity
"PTA"	Purified Terephthalic Acid, a futures product listed on the Zhengzhou Commodity Exchange, with the code TA
"OTC"	over-the-counter
"QFII"	Qualified Foreign Institutional Investor (合格境外機構投資者)
"registered clients"	client accounts registered with us
"ROE"	return on equity
"RQFII"	Renminbi Qualified Foreign Institutional Investor (人民幣合格境外機構投資者)

"settlement reserve funds"	unrestricted and unutilized cash balances reserved for the settlement and clearing of the futures trading, which are deposited with the futures exchanges. Settlement reserve funds include client settlement reserve funds and our own settlement reserve funds
"Short Commodity Return Index"	an index that measures the performance of a portfolio of short positions in commodity futures contracts
"Standard & Poor's 500"	a stock market index that tracks the 500 largest publicly traded companies in the United States
"stock index futures"	cash-settled standardized futures contracts with a particular stock market index as the underlying asset
"targeted asset management scheme"	a targeted asset management contract entered into with a single client by an asset manager in China, pursuant to which the asset manager provides asset management services to the client through accounts under the client's name

Unless otherwise indicated, futures brokerage trading volume and value data in this document are presented on a bilateral comparable basis.

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets, and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by, or that include the words "believe," "expect," "estimate," "predict," "aim," "target," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties, and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends, and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the rules, regulations and policies of the relevant governmental authorities relating to any aspect of our business and our business plans;
- general political and economic conditions in the jurisdictions in which we have or intend to have business operations;
- changes or volatility in interest rates, foreign exchange rates, equity prices, or other rates or prices, including those pertaining to the industry and markets in which we operate;
- various business opportunities that we may pursue; and
- changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause our actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. In light of these risks, uncertainties, and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

An investment in our H Shares involves various risks. You should carefully consider all the information in this document, including the risks and uncertainties described below, before making an investment in our H Shares. These risks could materially and adversely affect our business, financial condition, and results of operations. The trading price of our H Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given will not be updated after the date hereof and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this document. You should seek professional advice from relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our historical growth rates may not be indicative of our future growth, which makes it difficult to evaluate our future prospects.

Founded in 1996 and headquartered in Hangzhou, China, we are a leading PRC-based global financial services provider specializing in futures and derivatives. Our operating income in 2022, 2023 and 2024 amounted to RMB6,823.2 million, RMB6,246.9 million, and RMB5,712.2 million, respectively, while our adjusted operating income amounted to RMB954.4 million, RMB1,292.9 million, and RMB1,354.8 million, respectively. For discussion about the operating income and adjusted operating income, see "Business – Our Business." Our adjusted operating income increased by 35.5% from 2022 to 2023, and further by 4.8% in 2024. However, our historical growth rates may not be indicative of future growth, and we cannot assure you that we will maintain similar growth rates. Our efforts may prove more costly than anticipated, potentially hindering our ability to increase operating income sufficiently to offset higher expenses.

We may face challenges in managing our expansion effectively. Continuous growth could increase the complexity of our business and strain our management, operations, technical systems, financial resources, and internal control functions. Our current and planned personnel, systems, resources, and controls may not be sufficient to support and manage our future operations effectively.

You should consider our business and prospects in light of the risks and uncertainties that growing companies in an evolving and extensively regulated industry may encounter. These risks and challenges include, among other things, our ability to:

- Sustaining growth in the future
- Navigating a complex and evolving regulatory environment as well as economic condition and fluctuation

- Offering competitive financial services
- Offering attractive commission rates while fostering business growth and profitability
- Maintaining and enhancing relationships with business partners
- Enhancing our technological infrastructure to support business expansion while ensuring security and confidentiality
- Improving operational efficiency
- Attracting, retaining and motivating talented employees to support business growth
- Defending against legal and regulatory actions

As we continue to grow, especially with international expansion, we may face challenges in maintaining our culture to meet the needs of our future and evolving operations. Failure to maintain our culture could have a material adverse effect on our business.

Our business may be materially and adversely affected by global and regional market and economic conditions and other factors beyond our control.

Our business is dependent on the market and economic conditions in the jurisdictions where we operate and across the globe, as substantially all of our revenue is derived from the financial markets in China, Hong Kong, the United States, Singapore, and the United Kingdom. Our business is subject to macroeconomic and monetary policies of the jurisdictions we operate in, legislation and regulations affecting the financial services industry, volatility in the futures, derivatives, commodities and other financial markets, fluctuations in the value of the portfolio investment funds we invested in, upward and downward trends in the financial sectors, import and export volumes, inflation, currency fluctuations, availability of short-term and long-term market funding sources, cost of funding and the level and volatility of interest rates. Our businesses are also directly affected by the risks inherent in the financial markets, such as market volatility, investment sentiments, fluctuations in trading volumes, and supply of liquidity. As the global financial market conditions may adversely affect financial market conditions in the jurisdictions we operate, any sudden and dramatic changes in global and local financial market conditions could materially and adversely affect our results of operations and financial condition.

Downturns in general economic conditions and adverse market conditions in the jurisdictions where we operate may result in declines in trading volume and turnovers by our clients and general trading activities in the financial markets, which could adversely affect our income. General global economic and market conditions may materially affect the general economic and market conditions in the PRC and in turn affect the PRC futures market and hence our operations and financial condition. Recent trade frictions have introduced a degree of volatility into the global finance market, which may impact our business. These changes can lead to increased costs for businesses and a slowdown in economic growth, all of which could affect market sentiment and trading volumes. In particular, heightened trade tensions may result in fluctuations in commodity prices and increased market volatility, creating challenges for our operations. Consequently, our ability to execute trades effectively and manage client positions might be impacted, potentially leading to decreased revenue and profitability in our business. The interconnectedness of global markets suggests that these disruptions could have a cascading effect, further complicating the challenges we face in the financial markets where we operate.

In addition, under unfavorable financial or economic conditions, the value of our wealth management portfolio may be adversely affected, which may, in turn, reduce the management fees and performance-based compensation we could earn from our wealth management business. Furthermore, we may be faced with an influx of client redemptions in our wealth management portfolio, which, in turn, could also adversely affect the revenue from our wealth management business. Moreover, our commodity trading and risk management services business may also be adversely affected by the reduction in the value of our trading and investment positions.

If we lose access to any of the futures exchanges that we are a member of, our ability to undertake some or all of our clearing services would be affected.

We have membership to all six of the futures exchanges in China and 14 of the overseas exchanges. Our memberships with these futures exchanges allow us to generate revenue through commissions earned on executing and clearing trades. In order to maintain these memberships, we are required to comply with the rules of the relevant exchanges. We have in the past been, and may in the future be, subject to inquiries or actions by exchanges for non-compliance with applicable rules. If we fail to comply with such rules or default on our membership obligations (for example, by failing to pay the required margin), we may be subject to potential actions from such exchanges including warnings, monetary penalties, suspension or cancellation of membership. If we lose some or all of our memberships, or if any of the relevant exchanges cease their operations, we would lose access to these revenue streams.

If any exchange implements structural changes, such as adverse fee structures or higher margin requirements, our business could be adversely affected. If the exchanges relax membership requirements, certain of our clients may decide to become members, and the demand for our services may decline as a result, in turn adversely affecting our business, financial condition, results of operations and prospects.

Our operations may be adversely affected if we fail to obtain or renew necessary licenses, permits and approvals for conducting a particular business or offering specific products. The suspension or termination of any of our licenses, permits or approvals may have a negative impact on our business.

We operate in a highly regulated financial industry where many aspects of our business depend upon obtaining and maintaining the necessary approvals, licenses, permits or qualifications from relevant PRC and overseas regulators. We are required to comply with the relevant regulatory requirements when applying for approvals, licenses or permits for conducting new business or offering new products. As the legal system and financial services industry in the jurisdictions where we operate continue to evolve, it is difficult for us to comply with the changing regulatory requirements. In addition, further regulatory approvals, licenses, permits or qualifications may be required in the future, and some of our current approvals, licenses, permits or qualifications are subject to periodic renewal. If any of our business activities fail to meet the regulatory requirements, or if we fail to obtain or renew the required permits, licenses, approvals or qualifications, our business, financial condition and results of operations may be materially adversely affected.

Significant interest rate fluctuations could affect our financial condition and results of operations.

We earn interest income on client funds as well as from our own funds. In 2022, 2023, and 2024, our net interest income was RMB326.5 million, RMB545.4 million, and RMB681.8 million, respectively, representing 4.8%, 8.7%, and 11.9% of our operating income for the same years, respectively, and 34.2%, 42.2%, and 50.3% of our adjusted operating income, respectively. Interest rates are influenced by national monetary policy and prevailing market interest rates. In China, the PBOC can adjust interest rates to manage inflation. Significant changes in the PBOC's monetary policy can result in variations in interest rates. Furthermore, China's economic environment, encompassing factors such as GDP growth rates and inflation, can influence interest rates. On the international stage, interest rate policies established by major central banks, including the U.S. Federal Reserve and the European Central Bank, have the potential to impact global financial markets. Adjustments in these interest rates can influence foreign exchange rates, investment flows, and overall market conditions. A decline in interest rates may have a negative impact on our interest income and could adversely affect our financial condition and results of operations. For further details of how interest rates can affect our business, please see "Financial Information – Factors Affecting Our Results of Operations – Interest Rates."

The following are risks associated with each of our four business segments: PRC futures brokerage business, PRC risk management services, PRC wealth management business and overseas financial services.

Risks Relating to Our PRC Futures Brokerage Business

Operating income and profits from our PRC futures brokerage business constitute as important components of our operating income and profits.

Operating income and profits from our PRC futures brokerage business were important components of our operating income and profits during the Track Record Period. In 2022, 2023, and 2024, operating income from our PRC futures brokerage business represented 7.9%, 9.1%, and 8.7% of our operating income for the same years, respectively, and 56.2%, 44.2%, and 36.5% of our adjusted operating income for the same years, respectively. Segment operating profit from our PRC futures brokerage business in 2022, 2023, and 2024 represented 41.5%, 21.8% and 6.9% of our operating profits for the same years, respectively. This revenue source is dependent on client trading volumes. A decrease in trading volumes could adversely affect our business and results of operations.

The trading volume of futures and derivatives transactions is affected by a number of market factors, including those described under "– Our business may be materially and adversely affected by global and regional market and economic conditions and other factors beyond our control." Factors affecting trading volume on the futures and derivatives market are complex and difficult to predict. For example, trading volume on futures exchanges tends to increase during periods of market uncertainties due to increased hedging activities and the needs to manage the risks associated with, or to speculate on, volatility in the commodity markets. In addition, the introduction of new futures and derivatives products on the market may also increase trading volume. However, a slowdown in futures and derivatives trading activities due to reduced volatility of commodity prices, changes in trading rules or other factors could cause futures trading volume to decrease. Any reduction in trading volumes could have a material and adverse effect on our business, financial condition and results of operations.

While we continue to diversify our business and expand overseas, our futures brokerage business is expected to remain our important component of revenue and cash flow in the near future. As a result, any decline or slowdown in our futures brokerage business could have a material and adverse effect on our results of operations, financial condition and prospects.

Commission fees from our PRC futures brokerage business constitute a significant portion of our operating income. Any decline or slowdown in our commission fee income may materially and adversely affect our business, financial condition and results of operations.

In 2022, 2023, and 2024, brokerage commission earned from our PRC futures brokerage business amounted to RMB350.4 million, RMB404.3 million, and RMB300.0 million, respectively, representing approximately 5.1%, 6.5% and 5.3% of our operating income for the same years, respectively, and 36.7%, 31.3% and 22.1% of our adjusted operating income for the same years, respectively. Our commissions fee income is directly influenced by our commission rates and the futures trading volume of our clients. There is no assurance that our commission rate may not decrease in the future. The development in China's futures industry and rising competition in futures brokerage are causing a decline in fee rates. We may also fail to adapt to new technologies, particularly, the internet trading that keeps evolving and affecting the overall competitive landscape of the futures industry. Trading volume is subject to various factors beyond our control, including, among others, general economic conditions, macro-economic and monetary policies in China and overseas, volatility of commodity markets and securities market conditions, fluctuations in interest rates and investor behavior. Adverse changes in these factors can lead to a futures market downturn, reduced activity, and lower investor confidence, resulting in decreased trading volume. While we intend to further diversify our business portfolios, we expect that the brokerage commission fees income will continue representing a substantial portion of our revenue. As a result, any decline in brokerage commission fees we generate materially and adversely affect our business, financial condition and results of operations.

Our business operations are concentrated in Zhejiang and Guangdong provinces, as well as Shanghai, and our business, financial condition and results of operations may be materially and adversely affected by a significant deterioration in our business in Zhejiang and Guangdong Provinces and Shanghai.

Our business originated in, and has historically been focused on, Zhejiang Province, and further expanded to Guangdong Province and Shanghai, and other provinces, municipalities, and autonomous regions in China and overseas. As of December 31, 2024, we had 39 branch companies and branch offices (comprising 28 branch offices and 11 branch companies) in China, among which 10 were located in Zhejiang Province, five were located in Guangdong Province, and three were located in Shanghai. We derived a majority of our futures brokerage commission fee income from our business in Zhejiang and Guangdong Provinces and Shanghai. In 2022, 2023, and 2024, 78.0%, 77.1%, and 65.5%, respectively, of our PRC commission fee income originated from Zhejiang and Guangdong Provinces and Shanghai.

The significant change of the businesses and the financial conditions of our customers in Zhejiang and Guangdong Provinces and Shanghai will affect their ability and willingness to trade in the futures markets. If our presence in Zhejiang and Guangdong Provinces and Shanghai weakens or if we cannot compete against other futures companies in these locations, we may be challenged by loss in our commission fee income and reduction of client equity. Our business, financial condition and results of operations may be materially and adversely affected as a result.

We may face financial losses and regulatory risks if we fail to exert our risk management measures in relation to futures brokerage business.

We face risks associated with futures brokerage business in client account opening and trading activities. While we have established risk management systems in line with legal requirements such as the suitability principles for the account opening process, there is no guarantee that such measures will be complied with all the time during daily operation. Failure to exert our internal control measures may subject us to reputation damages or inspections, fines and penalties imposed by competent authorities.

Furthermore, we require our clients to maintain margin deposits in their accounts opened with us for futures trading. We also require the client margin rate for a particular futures product to be greater than the minimum margin rate set by the futures exchanges. At the end of each trading day, the client's account is adjusted to reflect the client's gain or loss, a practice referred to as "marking to market" the account. If the balance in the client's brokerage account falls below the margin balance as calculated against our margin requirements, we issue a margin call and request that the client either brings the account balance up to the margin requirement, or closes out the position voluntarily. If the clients do not fulfill the margin call in a timely manner, we may under our brokerage service contracts with the clients close out the position by executing a reverse transaction that neutralizes the existing contract.

Although we are entitled to close out client positions under such circumstances, our ability to do so is affected by market volatilities. In case of thin trading, marked by a limited number of market participants and an imbalance between buy and sell orders, we may face challenges in locating a counterparty willing to assume the opposite position. Due to the lack of market liquidity, we may be unable to timely and effectively implement a series of risk control measures such as forced liquidation when a client has insufficient margin and is unable to add more margin. In this case, we need to initially cover the client's insufficient margin, but if the client is unwilling or unable to return the funds advanced by us on their behalf according to the contract, it may result in us facing potential losses. In 2022, 2023, and 2024, we used RMB5,902.7, nil, and RMB490,557.0 from the risk reserve to cover the loss from a margin call. In addition, such mandatory liquidation mechanism may trigger disputes between us and our clients and subject us to litigation risks.

Risks Relating to Our PRC Risk Management Services

In our PRC risk management business, we generate income from transactions on derivatives and investment gains from hedging under OTC derivatives, from spread between the purchase and sale of commodities or assets and investment gains on derivatives instruments under basis trading, and receive revenue by capturing the gains from the price differences between the bid price buyers are willing to purchase the asset and the ask price sellers are willing to sell the asset under market making. We are challenged by various risks associated with our PRC risk management businesses, which may materially and adversely affect our results of operations, financial condition and prospects:

We may suffer losses from market risks, operation risks, credit risks, and liquidity risks in our OTC derivatives business.

In our OTC derivatives business, we offer our counterparty clients non-standardized financial contracts such as options, swaps, and forwards. We face market risk when hedging OTC derivatives. Unfavorable asset price movements can lead to losses. We also face operation risks from employee errors during the transaction due to inadequate training or system failures. We encounter credit risks if a counterparty defaults. Although we regularly review our credit exposure to specific clients or counterparties and to specific industries that we believe may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee. We may also fail to receive all relevant information with respect to the credit risks of our clients and counterparties. We are also challenged by liquidity risks when market illiquidity prevents effective hedging. If the market lacks sufficient liquidity for our hedging instruments, trading at desired prices or quantities may not be possible, leading to higher hedging costs or under-hedging.

We may suffer losses from market risks, operation risks, credit risks, and inventory risks in our basis trading business.

In our basis trading business, we analyze commodity and futures markets to hedge risks and seize arbitrage opportunities for gains. Our success relies on market price forecasts and investment experience, driven by human judgment and assumptions. If our decisions fail to minimize losses or our predictions are inaccurate, our hedging and arbitrage may not succeed. If we cannot match the categories and structure of futures and derivatives with the existing basis trading strategy, we will be unable to fully implement the investment strategy set for basis trading, which may lead to losses during the trading process. Similar to our OTC derivatives business, we face operation risks from employee errors or misconduct, as well as credit risks if counterparties are unable to fulfill their obligations due to financial instability or intentional default.

Separately, we engage in physical commodity trades with our clients in our basis trading business, under which we hold legal titles to commodities before delivery to counterparties pursuant to relevant contracts. If there is any loss to the commodities as a result of various factors, such as storage losses, fire and natural disaster, we may be unable to meet our contractual obligations to counterparties and may be subject to legal liabilities and material losses. In addition, the insurance for such commodities may not be sufficient to cover our losses.

We may suffer losses from model risks, operation risks, and liquidity risks in our market making business.

In our market making business, we provide continuous or responsive quotes for specific futures, options, and other derivative contracts, in accordance with the relevant exchange regulations. We may experience significant trading losses from our market making activities. Our trading model is used to provide continuous buy and sell quotes for on-exchange futures and options, which are subject to price volatility. Discrepancies between the assumptions of our trading model and actual market conditions, or flaws in the model's implementation, may lead to inaccurate predictions of market behavior, affecting our trading decisions and profitability. Additionally, similar to our OTC derivatives and basis trading businesses, we face operation risks when employees make errors or improperly handle the information technology systems used for market making. We also face liquidity risks if we are unable to execute trades at desired prices or quantities in a thin trading market.

Risks Relating to Our PRC Wealth Management Business

Increased competition, unsatisfactory performance of our AUM, reduced fee rates, or compliance risk may affect the profitability of our mutual funds business.

We face increased competition in mutual funds business. As of February 28, 2025, there were over 160 companies licensed to carry out mutual funds business in China. Market participants also include securities companies, insurance asset management companies, and asset management institutions specializing in the management of privately raised securities investment funds which may engage in mutual funds business under certain circumstances, which intensifies market competition. Our profitability is also affected by market fluctuations, poor investment choices, and inadequate management, impacting the scale and performance of our operations. We are exposed to operation risks arising from potential failures in internal procedures, personnel, or systems, as well as external events. Furthermore, there may occur violations of laws, regulations, fund contracts, or internal policies by us or our employees due to inadequate internal controls, insufficient employee training, or a lack of awareness of regulatory requirements. This may result in legal sanctions, regulatory penalties, significant financial losses, and reputational damage.

Unsatisfactory performance of or a significant reduction in our AUM may materially and adversely affect our asset management business.

We receive fees based on the size of each asset management scheme and may earn performance fees for certain schemes. Investment performance affects our AUM, client retention, and new business acquisition. Factors such as market fluctuations, investment risks, and decisions can cause products to underperform, affecting client trust and business revenue. Our asset management performance also depends on our personnel's skills, internal systems, and external events. The expertise and judgment of our employees influence investment outcomes. Operational failures due to negligence or misconduct can lead to losses and underperformance. The departure of key investment managers can diminish our capabilities, causing clients to redeem investments and reducing our revenue.

The following factors could adversely affect our asset management business and revenue:

- Clients may withdraw funds, reducing our management fees;
- Growth of new clients might fall short of expectations;
- Clients may demand lower fees for our services; and
- Performance fees, based on investment returns, could decline.

Our asset management business faces challenges due to limitations in client reach, assets under management, distribution channels, and capital strength compared to other financial institutions. Increased competition from various financial entities in China may lower our asset management performance and impact revenue. Market volatility, adverse economic conditions, failure to outperform competitors, or regulatory changes could reduce our AUM and affect the performance of managed assets, thereby affecting our management or performance fees.

Our failure to identify and disclose the risks in third parties in our wealth management business may have adverse effect on our client relationships and business and may expose us to significant reputational and legal risks.

We use qualified financial intermediaries to market our wealth management products to a broader client base. We have limited control over the conduct of our intermediaries as they are third parties that are not fully under our supervision and management. If our intermediaries mislead customers, execute unauthorized trades, or conduct other illegal or improper activities that are difficult to detect and deter and which may result in great losses to customers, we may be subject to legal disputes and regulatory investigations even though we do not control our intermediaries' activities.

Furthermore, we sell publicly and privately issued securities investment funds developed by third-party financial institutions. These investment funds may have complex structures and involve various risks, including credit, interest, liquidity and other risks. Our risk management policies and procedures may not be fully effective in identifying the risks inherent in these investment funds, and our employees may fail to fully disclose such risks to our customers. These factors may cause our clients to suffer significant losses as a result of their investment in securities investment funds that are too risky for their risk tolerance and investment preferences. This may subject us to regulatory measures and fines, client complaints and litigations, which in turn could harm our reputation, client relationships, business and prospects.

As such, if we fail to identify the risks in intermediaries or disclose risks associated with third-party securities investment funds, there may be adverse effect on our business and may expose us to significant reputational and legal risks.

Risks Relating to Our Overseas Financial Services

We provide overseas financial services business through HGNH International and its subsidiaries in Hong Kong, the United States, Singapore, and the United Kingdom. In 2022, 2023, and 2024, operating income from our overseas financial services business amounted to RMB231.1 million, RMB567.3 million, and RMB654.2 million, respectively. Below sets forth risks associated with our overseas financial services business:

Operating in international markets increases our operational, regulatory and other risks.

Our provision of overseas financial services and plan to continue expanding our international operations expose us to additional risks, including, but not limited to, the following:

- difficulties in managing international operations, including complying with various regulatory and legal requirements of different jurisdictions, and obtaining approvals and necessary licenses;

- litigation risks, reputational damage to our brand image, and financial damage due to failure of our overseas subsidiaries to comply with local regulatory and legal requirements;

- operation risks due to failure to follow client instructions or investment strategies;
- challenges in keeping up with the constantly changing international financial market landscape and the competitive dynamics of the global financial services industry;
- challenges in providing products, services and support, in recruiting in these overseas markets, and in managing our sales channels and any overseas distribution networks effectively;
- differences in accounting treatment in different jurisdictions, potential adverse tax implications and foreign exchange losses;
- our failure to recover the margin we advanced for clients;
- inability to effectively enforce contractual or legal rights; and
- changes in laws, regulations and policies as well as political, economic and market instability or civil unrest in the relevant jurisdictions.

Our overseas financial services businesses are subject to diverse regulatory frameworks, market practices, and client bases, which may expose us to unique factors absent in the domestic market. Fluctuations in the performance of our overseas financial services businesses, particularly the overseas futures business, could adversely impact our revenue. If we are unable to effectively manage these risks, our ability to expand our international business will be impaired, which could have a material and adverse effect on our business, financial condition and results of operations. See "– General Risks Relating to Our Business and Industry – We may not be successful in expanding our business, and the expansion of our business may not produce the intended results."

Geopolitical tensions could have a material adverse effect on our overseas business.

Given our strategy of global expansion, changes in geopolitical relationships could have a significant impact on our business, financial condition, results of operations, and prospects. During the Track Record Period, operating income from our overseas financial services business amounted to RMB231.1 million, RMB567.3 million and RMB654.2 million, respectively, representing 3.4%, 9.1% and 11.4% of our operating income during those periods, respectively, and representing 24.2%, 43.9% and 48.3% of our adjusted operating income during those periods, respectively. As geopolitical relationships become more strained, we may face difficulties in expanding overseas and experience higher costs in enlarging our client base. Businesses and investors may prefer to work with companies based in countries they view as being more politically aligned with their own, potentially affecting our growth and market share.

As we expand our overseas business, we might encounter some regulatory scrutiny and varying treatment from local companies. In certain countries, governments may implement stricter regulations or establish barriers for foreign companies, reflecting a protective stance. This could be manifested in several ways:

- *Geographical Limitations*: Geopolitical tensions may influence our operational landscape, potentially affecting the types of services we can offer and the markets we can access. This could present challenges to our business expansion in foreign jurisdictions.

- *Decreased Collaboration with Overseas Clients*: Increased geopolitical tensions may affect the willingness of local clients overseas to collaborate with non-local companies. This could lead to fewer partnerships and potentially limit business opportunities in international markets.

- *Decreased Demand for Overseas Financial Services*: As non-local companies face greater scrutiny and challenges when expanding internationally, there may be a decrease in the number of businesses seeking overseas financial services. This shift in demand could affect our revenue and growth potential in international markets.

- *Licensing Difficulties*: We might face some challenges in obtaining or renewing the necessary licenses to operate in certain countries. Regulatory bodies could experience delays in approvals, apply stricter conditions, or occasionally deny our applications, regardless of our qualifications.

- *Operational Restrictions*: There could be limitations on the types of services we can offer, the clients we can serve, or the manner in which we conduct our business in particular jurisdictions.

- *Increased Compliance Costs*: We may need to allocate additional time and resources to comply with new or changing regulations specifically targeting non-local companies or companies operating in certain sectors.

These regulatory challenges could elevate our operating costs, restrict our ability to expand into new markets, and potentially harm our reputation.

General Risks Relating to Our Business and Industry

The financial services industry is highly competitive, and we face intense competition in all of our business lines.

The financial services industry is highly competitive, and we expect competition to continue to intensify in the future, especially if the PRC government and the governments of other jurisdictions where we operate relax the relevant regulatory requirements. As of December 31, 2024, there were over 150 futures firms in China.

We have encountered intensive competition in all our business lines. Our competitors in China include, but not limited to, other futures companies, securities companies, fund management companies, and investment banks. We face competition in terms of pricing, geographic coverage of branch networks and the financial strengths and market positions of controlling shareholders. Our competitors in our overseas markets include large financial groups, wealth management institutions, and specialized derivative brokerage firms operating globally in a mixed business model. We face competition in terms of brand recognition, marketing and distribution capacity, service quality, financial strength, pricing, talent, information technology and research capabilities. Price competition may lead to an industry-wide trend of decreasing brokerage commission rates, which may force us to lower our commission rates and adjust our other fee structures to maintain our customer base and market share.

We also face increasing competition because of new trading technology currently being developed or which may be developed in the future by both our existing competitors as well as new market entrants. We cannot accurately predict how emerging and future technological changes in Internet trading will affect our operation or the competitiveness of our services. The current mode of our business operations may be subject to intense competition from new technologies that emerge in the future, and if we are unable to adapt to new technological changes in the industry and improve our trading services quickly, we may lose market share and competitive advantage, and our business and prospects may be materially and adversely affected.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment.

Our operating income from our overseas financial services was RMB231.1 million, RMB567.3 million, and RMB654.2 million in 2022, 2023, and 2024, respectively, accounting for 3.4%, 9.1%, and 11.4% of our operating income for the same years, respectively, and 24.2%, 43.9%, and 48.3% of our adjusted operating income for the same years, respectively. As a result, we are subject to risks associated with fluctuations in foreign exchange rates. We convert our operating income in foreign currencies into Renminbi from time to time. Any appreciation or depreciation of Renminbi against foreign currencies could result in gains or losses from foreign currency conversion transactions.

Moreover, we prepare our consolidated financial statements in RMB for reporting purposes. Assets and liabilities denominated in foreign currencies are translated into RMB amounts at the exchange rate effective at the end of the reporting period. This translation process can lead to recognized gains or losses in our statement of profit or loss, directly affecting our results of operations. During the Track Record Period, we recorded net foreign exchange losses of RMB10.6 million, RMB1.7 million, and RMB8.1 million in 2022, 2023, and 2024, respectively. We cannot guarantee that future fluctuations in foreign exchange rates would not have a material adverse impact on our financial condition and results of operations. Unfavorable fluctuations may result in consolidated financial statements reflecting significant adverse period-over-period changes, which could adversely affect our results of operations. In addition, to manage our exposure to exchange rate risk, we may need to enter into hedging arrangements and incur relevant costs from time to time. However, there is no assurance that we will be able to mitigate the risk of foreign exchange loss through these arrangements effectively or at reasonable cost.

We may suffer significant losses from credit risks in our main business lines.

We face credit risks from counterparties not fulfilling their contractual obligations across our business lines, including PRC futures brokerage, PRC risk management services, PRC wealth management, and overseas financial services businesses. In PRC futures brokerage business, our clients may fail to meet margin calls due to insufficient balances, forcing us to advance funds, which could lead to losses if our clients do not reimburse us. In PRC risk management services business, particularly in OTC derivatives and basis trading, contract defaults by our counterparties may occur because of their financial distress or intentional breaches. In PRC wealth management business, poor asset selection or management strategies by us or our employees may deteriorate the credit of our investments, lowering yields and impacting our competitiveness against our competitors. We face similar risks in our overseas financial services business but with added complexity in assessing international clients' and counterparties' creditworthiness, especially upstream brokers, due to diverse regulations and varying transparency levels. There is no assurance that we can detect and the credit risks, default risk and risk of fraud of our counterparties, which may result in material and adverse impact on our financial position.

Our investment may not always be profitable and could incur loss.

We generate investment income from various investment activities, such as gains from holding and disposal of contracts in OTC derivatives and basis trading, long-term equity investment, and treasury management. In 2022, 2023, and 2024, we generated net investment gains of RMB85.8 million, RMB38.9 million, and RMB27.9 million, respectively. However, past performance is not indicative of future results, and there can be no assurance that we will achieve investment objectives or maintain profitability in these areas. There is a risk that the profitability of these investments may decline due to market volatility, economic downturns, or unfavorable regulatory changes and such declines in investment performance could result in financial losses for us, affecting our overall financial condition and operational results.

We are subject to capital requirements, including the Net Capital requirement, which may restrict our business activities.

According to the CSRC's requirements, our Net Capital may not be less than RMB30 million, the ratio between our Net Capital and risk capital reserves may not be less than 100%, the ratio between our Net Capital and net assets may not be less than 20%, the ratio between our current assets and current liabilities may not be less than 100%, and the ratio between our liabilities and net assets may not be over 150%. Our overseas financial services business is primarily conducted through subsidiaries in Hong Kong, Singapore, London, and Chicago, and we adhere to the regulatory requirements of each jurisdiction. Foreign regulatory authorities may impose various requirements on us, including capital requirements. If we fail to meet regulatory capital requirements, regulatory authorities may impose penalties on us or limit the scope of our business, which could, in turn, have a material and adverse effect on our business, financial condition and operating results. For additional details, see "Regulatory Overview."

A significant decrease in our liquidity could negatively affect our business and reduce client confidence in us.

Maintaining adequate liquidity is crucial to maintaining and expanding our business operations as the majority of our business activities have substantial cash requirements. We meet our liquidity needs primarily through cash generated from operating activities. Reduced liquidity could affect our ability to develop our business, reduce the confidence of our clients or counterparties in us, and result in a loss of business and customer accounts.

Factors that may adversely affect our liquidity position include a significant increase in capital requirements for our businesses, more stringent regulatory requirements for capital, substantial investments, loss of market or client confidence, and other regulatory changes. When cash generated from our operating activities is not sufficient to meet our liquidity or regulatory capital needs, we may need to seek external financing. If the conditions in the credit and capital markets are not favorable, or if there are changes in the regulatory environment, potential sources of external financing could be limited, and our borrowing costs could increase and financing may not be available on terms acceptable to us or at all.

Operational failure of our employees may expose us to risk of loss.

We face the risk of operational failure caused by employees, such as human errors occurring during the daily operations. Our employees may wrongly input instructions when executing orders and lead to trading losses. In our business, human errors or mistakes may happen when processing orders placed by clients or trading futures and derivatives in our hedging and arbitrage activities. Upon discovery of any human error, we may have to take immediate action to close out any resulting erroneous trade positions. We may also bear losses arising from such erroneous trades. Despite implementing internal control measures, including strengthened transaction review and enhanced standard operation training to mitigate the risk of employee operational failure, it may not be possible to completely prevent or detect every instance of operational failure in a timely manner. Future operational failures could negatively impact our business and reputation, as well as our ability to execute transactions, service clients, and manage exposure to various risks.

Our business is susceptible to the operational failure of third parties.

We face the risk of operational failure or termination of any of the futures exchanges, custodians or other financial intermediaries we use to facilitate our futures trading transactions. Any operational failure or termination of a particular financial intermediary that we use could adversely affect our ability to execute transactions, serve our clients and manage our exposure to various risks. Any disputes or difficulties in cooperating with these financial intermediaries could adversely affect our business operations.

We face increasing risks as a result of business innovation, the failure of which may materially and adversely affect our business, financial condition and results of operations.

We may continue to diversify and grow our business lines and offer new products and services within our traditional and new business lines in response to changes in market trends, market conditions, and regulations in the jurisdictions where we operate. However, there are greater risks and uncertainties associated with innovative business lines and new products or services, particularly in instances where the markets are not fully developed, which may have different operational parameters and risk profiles from our established existing businesses. As a result, these innovative business lines and new products or services may expose us to further potentially challenging risks. For example:

- Due to little historical information and insufficient data about the new market, we may have poor business judgment and inaccurate predictions about profit and loss;

- Due to little historical data and insufficient experience or expertise in offering new products and services and dealing with new counterparties and clients, we may be subject to disputes with or complaints from our customers;

- Initial timetables for the introduction and development of new lines of business and new products or services may not be achieved, and pricing and profitability targets may not prove feasible;

- We may be subject to greater regulatory scrutiny and increased credit risks, market risks and operational risks;

- We may suffer from reputational concerns or even legal disputes with counterparties and clients due to deficiencies in our new products and inadequate levels of services, or due to our dealing with counterparties and clients lacking credibility or experience;

- Our internal controls and risk management may prove to be ineffective with respect to any new lines of business and new products or services;

- We may not be able to hire additional competent qualified personnel to design and manage the offering of a broader range of products and services;

- Our new products and services may not be accepted by our clients or meet our expectation about profitability; and

- We may not be able to obtain sufficient financing from internal and external sources to support our business expansion.

Should any of the risks discussed above occur, our business, financial condition and results of operations, as well as our reputation and prospects may be materially and adversely affected.

We may not be successful in expanding our business, and the expansion of our business may not produce the intended results.

We have established branches in 18 provinces, municipalities, and autonomous regions in China and have established overseas presence to provide our overseas financial services. We have expanded, and intend to further expand, our operations both in China and overseas. We also intend to transition from on-site to online client facing. Such expansion may expose us to additional risks, including, but not limited to:

- We may not be able to establish a presence in saturated markets where our competitors have already established a historical presence and large market shares;
- We may not be able to anticipate competitive conditions in new markets that are different from those in our existing markets, such as market saturation;
- We may be unfamiliar with the local cultural, commercial and operating environments of our new markets;

Our overseas expansion may expose us to below risks, in particular:

- We may experience currency exchange restrictions or costs and exchange rate fluctuations;
- We may face exposure to local economic instability, threatened or actual acts of terrorism and security concerns in general;
- We may not attract sufficient number of new clients due to our limited presence and brand recognition, and particularly in the international market, due to preferences by local populations for local service providers;
- We may experience difficulties in recruiting and retaining qualified personnel, especially in certain international markets, due to increased complexity, distance, time zones, language and cultural differences;
- We may experience economic instability and recessions in the new markets;
- We may have difficulties managing our expanding overseas operations, including compliance with various legal and regulatory provisions in new and unfamiliar foreign jurisdictions;
- We may be exposed to risks of fluctuations in overseas financial markets;
- We may not be able to anticipate potential adverse tax consequences; and

- We may face uncertainty regarding liability for services and content, including ambiguity due to local laws and lack of precedent, which poses challenges, and may encounter difficulties effectively enforcing contractual or legal rights.

See "– Risks Relating to Our Overseas Financial Services – Operating in international markets increases our operational, regulatory and other risks."

If we are unable to effectively avoid or mitigate these risks, we may have difficulty expanding our business in China and/or overseas, which could have a material and adverse effect on our business, financial condition, operating results and prospects.

If we cannot successfully maintain and increase our client base, our business, financial condition and results of operations could be materially and adversely affected.

Our ability to maintain the size of our client base and the level of client satisfaction with our products and services are critical to our future success. Clients in the financial services industry are sensitive to, among other things, the costs of trading futures and derivatives through us, the quality of our products and services, the availability and security of online trading, the speed and reliability of order execution and breadth and effectiveness of the information we provide. Our service quality, online trading systems, the speed and reliability of order execution, the industry information and analysis we provide, and our product innovation abilities may no longer be satisfactory to our clients. In addition, we may be unable to provide competitive brokerage rate to our clients.

In addition, our clients are not bound to use our products and services and can freely switch to other financial services companies and decrease their trading activities conducted through us at any time. As a result, we may lose our existing clients to our competitors or fail to attract new clients. If any of the foregoing events happen, our business, financial condition and results of operations may be materially and adversely affected.

Any legal or regulatory proceedings against us could be costly and time-consuming to defend or settle and could harm our reputation.

Our business is subject to a variety of litigation and legal compliance risks. The results of legal and regulatory proceedings can be difficult to assess or quantify. Regardless of merit, legal and regulatory proceedings may be both time-consuming and disruptive to our operations and could divert the attention of our management and key personnel from our business operations. Such proceedings could also generate significant adverse publicity and have a negative impact on our reputation and brand image, regardless of the existence or amount of liability. Claimants in such proceedings may seek recovery of large or indeterminate amounts, and the magnitude of potential losses relating to such disputes may remain unknown for a substantial period of time. The cost of defending ourselves in legal disputes or proceedings may be significant and could negatively affect our results of operations. As a result, any significant disputes or proceedings could adversely affect our business, results of operations, financial condition, and reputation.

Our risk management and internal control policies and procedures, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business.

We have implemented internal risk management framework and procedures to manage our risk exposures, primarily including market, credit, operational, liquidity, compliance and legal risks. Our risk management policies, procedures and internal controls may not be adequate or effective in mitigating our risk exposures or protecting us against unidentified or unanticipated risks. In particular, certain of our risk management methods are based upon historical market behaviors and our experience in the financial services industry. These methods may fail to accurately predict future risk exposures, which could be significantly greater or more complex than those indicated by our historical measures. Other risk management methods depend upon an evaluation of available information regarding operating and market conditions and other matters, which may not be accurate, complete, up-to-date or properly evaluated. In addition, in markets that are rapidly developing, the information and historical data on which we rely for our risk management methods may become quickly outdated.

Management of operational, compliance and legal risks requires, among other things, policies and procedures to properly record and verify a large number of transactions and business activities, as well as appropriate and consistent application of internal control systems. Our risk management and internal control policies and procedures may not be adequate or effective in mitigating unanticipated or unforeseen risks, and our business, financial condition and results of operations could be materially and adversely affected by the corresponding increase in our risk exposures and actual losses as a result of the failures of our risk management policies, procedures and internal controls. The risk mitigation strategies and techniques that we adopt may not be fully effective and sufficiently encompassing and may leave us exposed to unidentified and unanticipated risks. In addition, if we fail to promptly adjust and improve our risk management and internal control systems and procedures in response to the development of our branch outlets and the expansion of our business and products, our business operations and financial condition could be materially and adversely affected.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, clients, or other third parties on a timely basis, which may materially and adversely affect our reputation, business, financial condition and results of operations.

We may be exposed to fraud or other misconduct committed by our employees, representatives, agents, clients or other third parties, including, among other things, unauthorized trading, misusing or disclosing confidential information, providing false information, forging corporate seals, misappropriation of client deposits, illegal fundraising, and misrepresentation to clients. These incidents of misconduct could subject us to financial losses and sanctions imposed by governmental authorities, as well as adversely affect our reputation. In addition, alleged or actual employee misconduct could result in client complaints and claims, regulatory investigations or prosecutions of the employees engaged in the subject activities or litigation or regulatory sanctions against us, which could cause reputational harm, litigation costs and management distraction for us regardless of whether we are alleged to have any responsibility.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all incidents of non-compliance, misconduct or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be fully effective. We cannot assure you that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result. Our failure to detect and prevent fraud and other misconduct may have a material adverse effect on our business reputation, financial condition and results of operations.

If we fail to fully comply with the relevant regulatory requirements applicable to us, our reputation could be harmed and our business, financial condition and results of operation could be adversely affected.

We operate in a highly regulated industry and must comply with various guidelines from authorities. Our activities require approval or filing, and we remain under constant supervision.

Regulatory authorities assess our capital, risk management, corporate governance, personnel, structure, and compliance when deciding on our qualifications. For instance, the suitability principle has become integral to our operations in the futures, securities, and wealth management businesses. Failure to meet these standards may result in revocation, non-renewal, or denial of new qualifications. This could hinder our operations, prevent recovery of investments, and impact our competitiveness and financial performance.

In addition, regulatory authorities in the jurisdictions where we operate conduct inspections, examinations and inquiries with respect to our compliance with relevant regulatory requirements. For details, see "Regulatory Overview". We may be subject to more stringent compliance requirements and may incur additional costs in the future if there is any change to the existing requirements. Failure to comply with any applicable legal requirements may subject us to inspections, fines and penalties imposed by competent authorities, as well as reputation damages. Accordingly, any failure to continuously monitor relevant regulatory changes and timely update our internal policies to comply with evolving laws and regulations may adversely affect our business, financial condition and results of operations.

In addition, according to PRC laws and regulations, we are required to make social insurance and housing fund contributions for employees. Employers who fail to pay the required contributions may be subject to late fees, fines, and/or other penalties. During the Track Record Period and up to the Latest Practicable Date, we have not received any administrative penalties imposed by the relevant regulatory authorities regarding social insurance and housing fund matters in China. We cannot guarantee that there will not be any new laws or interpretations and enforcement of existing and new laws that could require us to pay any shortfall or face any penalties or fines. We also cannot guarantee that the ongoing evolution of laws and policies related to social insurance and housing funds will not lead to additional costs for employee benefit plans, which could adversely affect our operating performance and financial condition.

Any failure by us or our business partners to comply with anti-corruption, anti-bribery, anti-money laundering, anti-terrorism, and other relevant laws and regulations in the jurisdictions where we operate could lead to penalties and damages to our reputation.

We are subject to anti-corruption, anti-bribery, anti-money laundering, anti-terrorism, and other relevant laws and regulations in the jurisdictions where we operate. Certain such laws and regulations restrict or prohibit the import and export of controlled products and technologies. We are also obligated to conduct "Know Your Client" procedures and monitor transactions for any suspicious activity. Although we have implemented relevant policies and procedures, they may not be exhaustive and may not entirely prevent instances where other parties might use our services for money laundering, sanctioned activities, or other illegal or improper actions. Non-compliance with these laws and regulations could subject us to whistleblower complaints, fines and penalties, negative media coverage, investigations, and administrative penalties, among others. Additionally, there might be collateral consequences, remedial measures, and significant legal expenses, all of which could materially and adversely affect our business operations, financial condition and reputation. While we have internal policies in place to ensure compliance, we cannot assure you that there will be no violation by us, our business partners, or any of the shareholders, directors, officers, employees, agents, or other parties acting on our behalf or on behalf of our business partners.

Our operations across multiple jurisdictions make it challenging in ensuring compliance. We cannot provide any assurance that our future business will be completely free of risks of violations of anti-corruption, anti-bribery, anti-money laundering, anti-terrorism, and other relevant laws and regulations, or will conform to the changing expectations and requirements of the authorities in any jurisdiction. Our business and reputation could be adversely affected if regulatory authorities in any of the jurisdictions where we operate determine that any of our future activities constitutes a violation of these laws and regulations that they impose, and we may be subject to penalties from the regulatory authorities as a result.

Our future success depends on our ability to attract, retain and motivate our senior management and key personnel.

The success of our business depends, to a large extent, on the continued services of our senior management and key personnel who possess in-depth knowledge and understanding of, and extensive working experience in, the futures and other financial markets in which we operate. These personnel include members of our core management, experienced brokerage and asset managers, OTC derivatives experts, industry analysts, IT specialists, sales staff and other key employees. We devote considerable resources in recruiting and retaining these personnel. However, the market for quality professionals is highly competitive and we face increasing competition in recruiting and retaining these individuals as other futures companies and financial institutions are competing for the same pool of talent. Intense competition may require us to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could result in additional expenditures. We may be unable to attract or retain these personnel and the failure to do so could severely disrupt our business and prospects.

Some of our employees may resign at any time to join our competitors and may seek to divert client relationships that they have developed while working for us. We cannot guarantee that we will be able to recruit staff in sufficient numbers or with sufficient experience, or that competition in recruitment will not lead to increases in our employment costs. The loss of the services of any of our management team and key personnel or the inability to identify, recruit and retain a sufficient number of qualified staff in the future could materially and adversely affect our business, financial condition and results of operations.

In addition, due to the rapid development of the PRC futures industry, our current professionals' knowledge and skills may be insufficient to meet our needs for product and service innovations, which may adversely affect the development of our business.

We may be subject to liability and regulatory action if we are unable to protect the personal data and confidential information of our clients.

Various laws, rules and regulations require us to protect the personal data and confidential information of our clients. The relevant authorities may issue sanctions or orders against us if we fail to protect the personal information of our clients, and we may have to provide compensation for economic loss arising from our failure to protect the personal information of our clients in accordance with relevant laws and regulations. Incidents of mishandling personal information or the failure to protect the confidential information of our clients could create a negative public or client perception of our operations or our brand name, which may materially and adversely affect our reputation and prospects.

Any actual or perceived breaches, hacks, failures, or disruption of our information technology systems could negatively impact our business, results of operations and reputation.

We rely upon our information technology systems to operate and manage our business and to process, store, and safeguard information, including important operational and financial information and confidential information obtained from our clients, representatives, agents and other third parties we collaborate with. Our information technology systems may fail on their own accord and are subject to disruptions or damages due to various factors such as system glitches, power outages, human error or abuse, new system installations, security breaches, catastrophic events such as natural disasters and other events beyond our control. Moreover, hacking and data theft techniques are continuously evolving, and our anti-virus systems and security measures may not be able to adjust to these changes in a timely manner. If our information technology systems are compromised, degraded, damaged, or breached, or otherwise cease to function properly, we may suffer disruptions to our business operations. For example, we may fail to provide continuous quotations or respond to quotations, or we may experience pricing errors. In addition, we may unintentionally allow misappropriation of proprietary or confidential information, which could materially affect our reputation and result in significant expenses and legal claims. Similarly, breaches or failures of the information technology systems of our clients and other third-party collaborators may also result in similar consequences. Moreover, should our information technology systems fail to upgrade in accordance with business development and company expansion, our business management capabilities, customer service levels, risk management, and internal control capabilities may suffer adverse effects. In the case of significant volatility in the futures market, if our trading and risk control systems are unable to process demands adequately, we could encounter customer complaints or legal disputes, potentially harming our market reputation. Any of these events could materially and adversely affect our business, results of operations, and reputation.

Any failure to appropriately identify and address conflicts of interest could materially and adversely affect our business.

As we continue to expand our business scope and client base, it is critical for us to be able to properly identify and address potential conflicts of interest, including situations where two or more interests within our business legitimately exist but are in competition or conflict. See "Business – Internal Control – Conflict of Interest." In light of the complexity and difficulty in appropriately identifying and dealing with potential conflicts of interest, our internal control and risk management procedures that are designed to identify and address conflicts of interest may not be sufficient. Appropriately identifying and dealing with potential conflicts of interest is difficult. Any failure to manage conflicts of interest could harm our reputation, erode our clients' confidence in us, or even give rise to litigation or regulatory measures. Any of the foregoing could adversely affect our business, financial condition and results of operations.

Our insurance coverage may not sufficiently cover all losses or potential claims that could affect our business, results of operations and financial condition.

We face various risks in connection with our business and maintain insurance policies to safeguard against these risks and unexpected events related to our operations. Our current insurance coverage complies with mandatory requirements under applicable laws and regulations and aligns with industry practice. See "Business – Insurance" for the insurances we provide. However, there can be no assurance that our insurance coverage will be adequate to fully protect against all our risk exposures and prevent us from incurring losses. In addition, there is no guarantee that we will be able to successfully claim on our current insurance policies in a timely manner or at all, due to possible exclusions and limitations on coverage. If our insurance coverage is unavailable or insufficient to address any such exposures, we may face substantial costs and resources diversion, which, in turn, could materially and adversely affect our business, results of operations, and financial condition.

The use of our Chinese name in this document and the use of it in the course of trade or business in Hong Kong may be challenged due to potential trademark infringement and passing off.

We commenced our business in 1996 under the name of "浙江南華期貨經紀有限責任公司", which we changed to "南華期貨經紀有限公司" in August 2005, to "南華期貨有限公司" in April 2009, and further changed to "南華期貨股份有限公司" in October 2012. We established the subsidiary Nanhua Futures (Hong Kong) Co., Limited (南華期貨(香港)有限公司), which was approved by SFC to engage in Type 2 regulated activity (dealing in futures contracts) in October 2007 and further approved by SFC to engage in Type 5 regulated activity (advising on futures contracts) in November 2010. We had used the company names with "南华," "南華," "Nanhua," and variances in Hong Kong, covering the services of our business in Hong Kong, including futures services, securities brokerage, and asset management.

On December 10, 2014, South China Financial Holdings Limited, a Hong Kong company listed on the Stock Exchange (SEHK: 00619), and its subsidiaries (the"**South China**") initiated a lawsuit in the Hong Kong High Court against our subsidiaries, formerly known as Nanhua Futures (Hong Kong) Co., Ltd., Nanhua Asset Management (Hong Kong) Corporation Limited (南華資產管理(香港)有限公司), Nanhua Forex (Hong Kong) Company Limited (南華外滙(香港)有限公司), Nanhua Securities (Hong Kong) Company Limited (南華證券(香港)有限公司), Nanhua Investment Advisory (Hong Kong) Company Limited (南華投資顧問(香港)有限公司), Nanhua Commodity (Hong Kong) Company Limited (南華商貿(香港)有限公司) and our Company on December 10, 2014 and January 15, 2015, respectively, seeking to prohibit our subsidiaries from using the name "南华" and "Nanhua" and any variances in the company names in Hong Kong. South China Financial Holdings Limited and its group of companies will herein be referred to as "South China". In 2015, Nanhua Futures (Hong Kong) Co., Limited changed its name to HGNH International Finance Co., Limited and further changed its name to HGNH International Futures Co., Limited, Nanhua Asset Management (Hong Kong) Corporation Limited to HGNH International Asset Management Co., Limited, Nanhua Forex (Hong Kong) Company Limited to HGNH International Forex Co., Limited, Nanhua Securities (Hong Kong) Company Limited to HGNH International Securities, Nanhua Investment Advisory (Hong Kong) Company Limited to HGNH International Investment Advisory Company Limited and further to HGNH International Financial Corporation Limited, and Nanhua Commodity (Hong Kong) Company Limited to HGNH International Commodity Co., Limited. In December 2015, we reached settlement with South China and paid the compensation and litigation costs, and cancelled the relevant registered trademarks in full and final settlement of the lawsuit.

To minimize any potential risks of legal proceedings, we carry on business in Hong Kong as "橫華國際" and have taken certain measures, such as:

(i) not making use of the name comprising "南华", "南華" or "Nanhua" in the course of any business carried on by us in Hong Kong save and except for using such words or equivalent phrases for the purpose of identifying that certain subsidiaries are group companies of our Group and/or part of our Group based in mainland China;

(ii) the registration of "橫華國際" as our business name in Hong Kong; and

(iii) we have also provided guidelines to our employees that they should introduce our Company to our potential clients in the name of "橫華國際" in Hong Kong; and they should use the name of "橫華國際" for all external communication in Hong Kong.

there is no guarantee that even with the steps and measures as described above, South China will not make any future claim against us. Intellectual property rights litigation can be costly and time-consuming, and could divert our management's attention from business operations. In addition, should we be held liable for trademark infringement, our reputation as well as our business, financial condition and results of operations may be materially and adversely affected. Separately, by adopting a business name in Hong Kong that is different from our corporate names in mainland China, we may not be able to benefit from our well-known brand name in China.

Any future force majeure events, natural disasters, acts of war or terrorism, pandemic outbreak, or occurrence of other incidents that are beyond our control may adversely affect our business, results of operations and financial condition.

With operations in multiple jurisdictions, we face various risks and potential interruptions beyond our control in these geographical regions, including natural disasters such as fires, earthquakes, hurricanes, floods, tornadoes, and other severe weather conditions, as well as risks related to pandemic outbreaks, global health emergencies, terrorist acts, or disruptive global political events. The unpredictable nature of these events makes it difficult to predict their frequency, timing, and severity. Any of these occurrences could have a material and adverse impact on our business operations and financial performance. Public health emergencies in any market where we operate, such as swine flu, avian influenza, severe acute respiratory syndrome, or SARS, Ebola, Zika, COVID-19, could cause material fluctuations in the local financial markets, decrease demand for our services, impact the productivity of our workforce, or disrupt the public infrastructure we rely upon in our business, thereby adversely affecting our business and results of operations.

RISKS RELATED TO THE [REDACTED]

Our A Shares are listed on the Shanghai Stock Exchange, and the characteristics of the A Share and H Share markets may differ.

Our A Shares are listed on the Shanghai Stock Exchange. Following the **[REDACTED]**, our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be traded on the Stock Exchange. Under the current PRC laws and regulations, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different trading characteristics, the H-Share and A-Share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Furthermore, due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the investment decision in our H Shares.

There has been no prior public market for our H Shares and there can be no assurance that an active market will develop or be sustained after the [REDACTED].

Prior to this **[REDACTED]**, there was no public market for our H Shares. The **[REDACTED]** is the result of negotiations between us and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and may differ significantly from the market price of our H Shares following the **[REDACTED]**. We have applied for the **[REDACTED]** of, and permission to deal in, our H Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, will be sustained following the **[REDACTED]** or that the market price of our H shares will not drop below the **[REDACTED]** at any time after the completion of the **[REDACTED]**.

The liquidity and market price of our H Shares may be volatile.

The market price and trading volume of our H Shares may be volatile and fluctuate materially due to various factors, such as the following:

- actual or anticipated fluctuations in our revenues and results of operations;
- news regarding the recruitment or loss of key personnel by ourselves or our competitors;
- announcements of competitive developments, acquisitions, or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts, regardless of the accuracy of the information on which their estimates are based;
- potential litigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- sales or perceived sales of additional H Shares by us or other Shareholders.

Moreover, the Stock Exchange and other securities markets have from time to time experienced material price and volume fluctuations that were unrelated, or not directly related, to the operating performance of specific companies. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares. In addition, the volatility in the trading price and volume of our H Shares may negatively impact our ability to raise capital in the future through the issuance of additional equity securities.

You will incur immediate and substantial dilution and may experience further dilution if we issue additional H Shares in the future.

As the **[REDACTED]** of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the **[REDACTED]**, purchasers of our H Shares in the **[REDACTED]** may experience an immediate dilution in the **[REDACTED]** consolidated net tangible asset value. To expand our business, we may consider offering and issuing additional H Shares in the future. Purchasers of the **[REDACTED]** may also experience dilution in the net tangible asset value per Share of their H Shares if we issue additional H Shares in the future at a price lower than the net tangible asset value per Share at that time.

Future sales or the market perception of sales of a substantial number of our H Shares on the public market could adversely affect the trading price of our H Shares.

After the completion of the **[REDACTED]**, future sales of a substantial number of our H Shares or other securities relating to our H Shares on the public market, the issuance of new H Shares or other securities relating to our H Shares, or the market perception that such sales or issuances may occur, could adversely affect the market price of our H Shares and our ability to raise future capital at a favorable time and price. We cannot predict the effect of any future sales or market perception of sales of a substantial number of our H Shares on the public market on the market price of our H Shares.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

The ability to enforce foreign judgments differs across the world. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with China or if there are reciprocal relationships between China and such jurisdiction. The recognition and enforcement in China of a court judgment obtained in other jurisdictions related to any matter that is not subject to a binding arbitration provision may be difficult or impossible. We are established under the laws of China, and most of our assets are located in China. In addition, our Directors, Supervisors and senior management reside within China, and most of their assets are located within China. As a result, if a foreign legal action is brought against us, our Directors, Supervisors or senior management, there is no guarantee that such foreign judgment will be enforceable in our home jurisdiction.

On July 14, 2006, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"). Pursuant to such arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement. On January 18, 2019, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"), which took effect in January 2024. The 2019 Arrangement will supersede the 2006 Arrangement and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2006 Arrangement will remain applicable to a "choice of court agreement in writing" entered into before the 2019 Arrangement taking effect. However, there remain uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in China.

Although we will be subject to the Hong Kong Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases upon the **[REDACTED]** of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Hong Kong Listing Rules and Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law in Hong Kong.

We cannot guarantee the accuracy of facts, forecasts, and other statistics obtained from official government sources contained in this document.

Certain facts, forecasts, and other statistics in this document are derived from various official government resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by us, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

You should read the entire document carefully and only rely on the information included in this document to make your investment decision. We strongly caution you not to rely on any information contained in press articles or other media coverage relating to us or the [REDACTED].

We strongly caution our investors not to rely on any information contained in press articles or other media coverage regarding us or the **[REDACTED]**. Prior to the publication of this document, there may be press and media coverage regarding us, our business, our industry, and the **[REDACTED]**. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations, and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it, and you should not rely on such information.

We cannot assure you whether and when we will declare and pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of shareholders at the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under the relevant generally accepted accounting principles, our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions, and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when, and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information – Dividend".

Under existing foreign exchange regulations, following the completion of the **[REDACTED]**, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we cannot assure you that there will be no future changes to these foreign exchange policies regarding payment of dividends in foreign currencies.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro-forma information and other matters. The words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "might", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a result, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance, and investors should not place undue reliance.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange.

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in China. As a result, from time to time, we publicly release information relating to us on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in China, which are different from those applicable to the **[REDACTED]**. The presentation of financial and operational information for the Track Record Period disclosed on the Shanghai Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. As a result, prospective investors in our H Shares should be reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase our H Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the **[REDACTED]**.

Holders of our H Shares may be subject to PRC income tax on dividends from us or any gains realized on the transfer of our H Shares.

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have an establishment or place of business in China if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% (or a lower rate) PRC income tax rate if such gains are regarded as income from sources within China unless a treaty or similar arrangement provides otherwise.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. It is unclear whether dividends we pay with respect to our H Shares, or the gains realized from the transfer of our H Shares, would be treated as income derived from sources within China and as a result be subject to PRC income tax. If PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

In preparation for the **[REDACTED]**, we have applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires an issuer to have sufficient management presence in Hong Kong. This normally means that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Currently, none of our executive director resides in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Since our principal business and operations are in China, our executive Director is based in China as the Board believes it would be more effective and efficient for its executive Director to be based in a location where our operations are conducted. It would be practically difficult and commercially unnecessary for us to relocate our executive Director to Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. Therefore, we do not and, for the foreseeable future, will not have executive Director who is ordinarily resident in Hong Kong for the purposes of satisfying the requirements of Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted us,] a waiver pursuant to Rule 19A.15 of the Listing Rules from strict compliance with Rule 8.12 of the Listing Rules, subject to, among other conditions, our appointment of:

- two authorized representatives, Dr. Luo Xufeng and Mr. Zhong Yiqiang, who will act at all times as our principal channel of communication with the Stock Exchange; and

- our compliance adviser, Innovax Capital Limited, who will act as our principal channel of communication with the Stock Exchange, in addition to our authorized representatives, pursuant to Rule 3A.19 of the Listing Rules.

We have made arrangements to maintain effective communication with the Stock Exchange as follows:

- we have appointed Dr. Luo Xufeng and Mr. Zhong Yiqiang as our authorized representatives pursuant to Rule 3.05 of the Listing Rules to serve as the principal channel of communication with the Stock Exchange on our behalf and will be readily contactable by telephone, facsimile and e-mail, and if required, will be able to meet with the Stock Exchange in Hong Kong to discuss any matters in relation to us within a reasonable time frame upon the request of the Stock Exchange;

- each of our Directors has provided his or her mobile phone number, office phone number, facsimile number and e-mail address to our authorized representatives and the Stock Exchange. In the event that a Director expects to travel and/or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to our authorized representatives or maintain an open line of communication via his or her mobile phone. Therefore, our authorized representatives have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters;

- each of our Directors who is not ordinarily resident in Hong Kong possesses or can apply valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time, when required;

- pursuant to Rule 3A.19 of the Listing Rules, we have appointed Innovax Capital Limited as our compliance adviser to serve as an additional channel of communication of us with the Stock Exchange for the period from the **[REDACTED]** to the date on which we comply with Rule 13.46 of the **[REDACTED]** in respect of its financial results for the first full financial year commencing after the **[REDACTED]**. The compliance adviser will have access at all times to our authorized representatives, our Directors and other officers of our Company to ensure that they are in a position to provide prompt responses to any queries or requests from the Stock Exchange with respect to us;

- meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. We will also inform the Stock Exchange promptly in respect of any change in the compliance adviser;

- we will also appoint professional advisors (including legal advisors and accountants) after the **[REDACTED]**, if necessary, to assist us in dealing with any questions or queries raised by us and to ensure that there will be efficient communication with the Stock Exchange; and

- the compliance advisor will also advise on the on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the **[REDACTED]**.

APPOINTMENT OF JOINT COMPANY SECRETARIES

According to Rule 8.17 of the Listing Rules, the issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules.

According to Rule 3.28 of the Listing Rules, the secretary must be a person who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance, Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance, Chapter 50 of the Laws of Hong Kong).

In assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Future Ordinance, the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Codes on Takeovers and Mergers and Share Buy-backs;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Zhong Yiqiang ("**Mr. Zhong**") and Ms. Zhang Xiao ("**Ms. Zhang**") as joint company secretaries. Mr. Zhong joined our Company in July 2007 and is responsible for ordinary business management of the Board, information disclosure and investor relations management of our Company. Mr. Zhong has a thorough understanding of the operations of the Board and our Company, and has gained experience in handling corporate governance and general administrative matters relating to our Company. Since Mr. Zhong does not possess the professional or academic qualifications as stipulated in Rule 3.28 of the Listing Rules, we appointed Ms. Zhang, who is a Hong Kong resident and possesses the qualification and relevant experience as stipulated under Rule 3.28 of the Listing Rules, as the joint company secretary. For more details of the biographies of Mr. Zhong and Ms. Zhang, see "Directors, Supervisors and Senior Management – Joint Company Secretaries"

Over a period of three years from the **[REDACTED]**, we propose to implement the following measures to assist Mr. Zhong to become a company secretary with the requisite qualifications or relevant experience as required under the Listing Rules:

(a) Mr. Zhong will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange or other relevant organizations for listed issuers from time to time, in addition to the 15 hours minimum requirement under Rule 3.29 of the Listing Rules;

(b) Ms. Zhang will communicate regularly with Mr. Zhong on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Zhang will also work closely with, and provide assistance to, Mr. Zhong in the discharge of his duties as a joint company secretary, including organizing our Board meetings and Shareholders' general meetings, as well as to enable Mr. Zhong to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules); and

(c) in addition, Mr. Zhong will also be assisted by our compliance adviser, particularly in relation to Hong Kong corporate governance practices and compliance issues, and the Hong Kong legal advisors of our Company, on matters concerning our ongoing compliance with the Listing Rules and the applicable laws and regulations upon **[REDACTED]**.

We have applied to the Stock Exchange for[, and the Stock Exchange has granted us,] a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, provided that Ms. Zhang will act as a joint company secretary and provide assistance to Mr. Zhong. The waiver is valid for an initial period of three years commencing from the **[REDACTED]**, and may be revoked immediately if Ms. Zhang ceases to provide assistance and guidance to Mr. Zhong and if there are material breaches of the Listing Rules by our Company. Prior to the expiry of the initial three-year period, we will re-evaluate the qualifications and experiences of Mr. Zhong. Upon our determination that no on-going assistance to Mr. Zhong is necessary, we will demonstrate to the Stock Exchange that, with the assistance of Ms. Zhang over such three-year period, Mr. Zhong has acquired the requisite knowledge and experience as prescribed in Rule 3.28 of the Listing Rules, such that a further waiver would not be necessary.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Director		
Dr. Luo Xufeng (羅旭峰)	Building 14, South Garden Shuicheng Garden Shangcheng District Hangzhou Zhejiang Province China	Chinese
Non-Executive Directors		
Dr. Xu Wencai (徐文財)	Room 1401, Unit 3, Building 1 Sunshine Coast Apartments Shangcheng District Hangzhou Zhejiang Province China	Chinese
Mr. Hu Tiangao (胡天高)	Room 402, Unit 1 Building 0, Gongren New Village Dongyang City Zhejiang Province China	Chinese
Mr. Li Baoping (厲寶平)	No. 9 Royal Forest Villa Huancheng South Road, Dongyang Zhejiang Province China	Chinese
Independent Non-Executive Directors		
Dr. Xu Lin (徐林)	Room 701, Building 1 Harbour Bay Garden Xihu District Hangzhou Zhejiang Province China	Chinese

Name	Address	Nationality
Dr. Chen Rong (陳蓉)	Room 302, No. 2 Xiamen University North Village Siming District Xiamen Fujian Province China	Chinese
Ms. Zhang Hongying (張紅英)	No. 303 Ziyun Court Xizi Garden Hangzhou Zhejiang Province China	Chinese

SUPERVISORS

Name	Address	Nationality
Mr. Li Guoping (厲國平)	No. 212, Chengnan East Road Dongyang City Zhejiang Province China	Chinese
Mr. Jin Longhua (金龍華)	No. 6, Building 39 Nanxian New Village Dongyang City Zhejiang Province China	Chinese
Mr. Xia Haibo (夏海波)	Room 503, Unit 2, Building 29 Cuiyuan New Village, Second District Xihu District Hangzhou Zhejiang Province China	Chinese

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**CITIC Securities (Hong Kong) Limited** 18/F, One Pacific Place 88 Queensway Hong Kong

[REDACTED]

[•]

[REDACTED]

Legal Advisors to our Company	*As to Hong Kong law:* **King & Wood Mallesons** 13/F, Gloucester Tower The Landmark 15 Queen's Road Central Central Hong Kong *As to PRC law and PRC cybersecurity and data compliance matters:* **King & Wood Mallesons** 18th Floor, East Tower, World Financial Center No. 1 Dongsanhuan Zhonglu Chaoyang District Beijing 100020 PRC
Legal Advisors to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law:* **Norton Rose Fulbright Hong Kong** 38/F, Jardine House 1 Connaught Place Central Hong Kong *As to PRC law:* **Beijing Jincheng Tongda & Neal Law Firm** 10/F, China World Tower A No. 1 Jianguo Menwai Avenue Chaoyang District Beijing 100004 PRC

Reporting Accountants and Independent Auditor	**Confucius International CPA Limited** *Certified Public Accountants and Registered Public Interest Entity Auditor* Room 1501–08, 15/F, Tai Yau Building 181 Johnston Road Wanchai Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square 1717 Nanjing West Road Jing'an District Shanghai 200041 PRC
Compliance Adviser	**Innovax Capital Limited** Unit B, 13/F, Neich Tower 128 Gloucester Road Wanchai Hong Kong
Receiving Bank[s]	[•]

CORPORATE INFORMATION

Registered office and Headquarters in the PRC	Room 301, Room 401, Room 501, Room 701, Room 901, Room 1001, Room 1101, Room 1201, Hengdian Building Shangcheng District Hangzhou Zhejiang Province PRC
Principal Place of Business in Hong Kong	17/F, Centre Point, 181–185 Gloucester Road Hong Kong
Company's Website	www.nanhua.net *(the information contained on this website does not form part of this document)*
Joint Company Secretaries	**Mr. Zhong Yiqiang** Room 102, Building 23 Baidanghai Community No. 66, Wenyi Road Xihu District Hangzhou Zhejiang Province PRC **Ms. Zhang Xiao** *(Associate Member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom)* **SWCS Corporate Services Group (Hong Kong)** 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong

Authorized Representatives	**Dr. Luo Xufeng** Building 14, Nanyuan, Shuicheng Garden Shangcheng District Hangzhou, Zhejiang Province PRC
	Mr. Zhong Yiqiang Room 102, Building 23 Baidanghai Community No. 66, Wenyi Road Xihu District Hangzhou, Zhejiang Province PRC
Audit Committee	Ms. Zhang Hongying *(Chairperson)* Dr. Xu Wencai Dr. Xu Lin
Remuneration and Review Committee	Dr. Xu Lin *(Chairperson)* Dr. Luo Xufeng Dr. Chen Rong
Nomination Committee	Dr. Chen Rong *(Chairperson)* Mr. Hu Tiangao Dr. Xu Lin
Strategy Committee	Dr. Xu Wencai *(Chairperson)* Dr. Luo Xufeng Mr. Li Baoping
Risk Management Committee	Dr. Luo Xufeng *(Chairperson)* Mr. Hu Tiangao Mr. Li Baoping
Compliance Adviser	**Innovax Capital Limited** Unit B, 13/F, Neich Tower 128 Gloucester Road Wanchai Hong Kong

CORPORATE INFORMATION

[REDACTED]

Principal Banks	[•]

*The information contained in this section, unless otherwise indicated, has been derived from various official government publications and other publications and the market research report prepared by Frost & Sullivan which we commissioned (the "**F&S Report**"). We engaged Frost & Sullivan for preparing the F&S Report in respect of the* **[REDACTED]**. *We have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. We have not, nor have any of the Sole Sponsor,* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *any of the* **[REDACTED]**, *or any of their respective directors, officers or representatives or any other parties involved in the* **[REDACTED]** *independently verified the information in the various official government publications nor give any representation as to the accuracy or completeness of such information. As of the Latest Practicable Date, our Directors confirm that, after taking reasonable care, there has been no material adverse change in the market information presented in this section.*

OVERVIEW OF THE CHINA FUTURES MARKET

After over 30 years of development, China's futures industry, driven by policy and market demand, faces significant opportunities. In 2022, the "Futures and Derivatives Law" took effect, providing a legal foundation for high-quality market growth. In 2024, the CSRC and six other departments issued guidelines to enhance regulation, mitigate risks, and promote market development, with a focus on serving the real economy, ensuring the prudent expansion of financial futures, and advancing market opening.

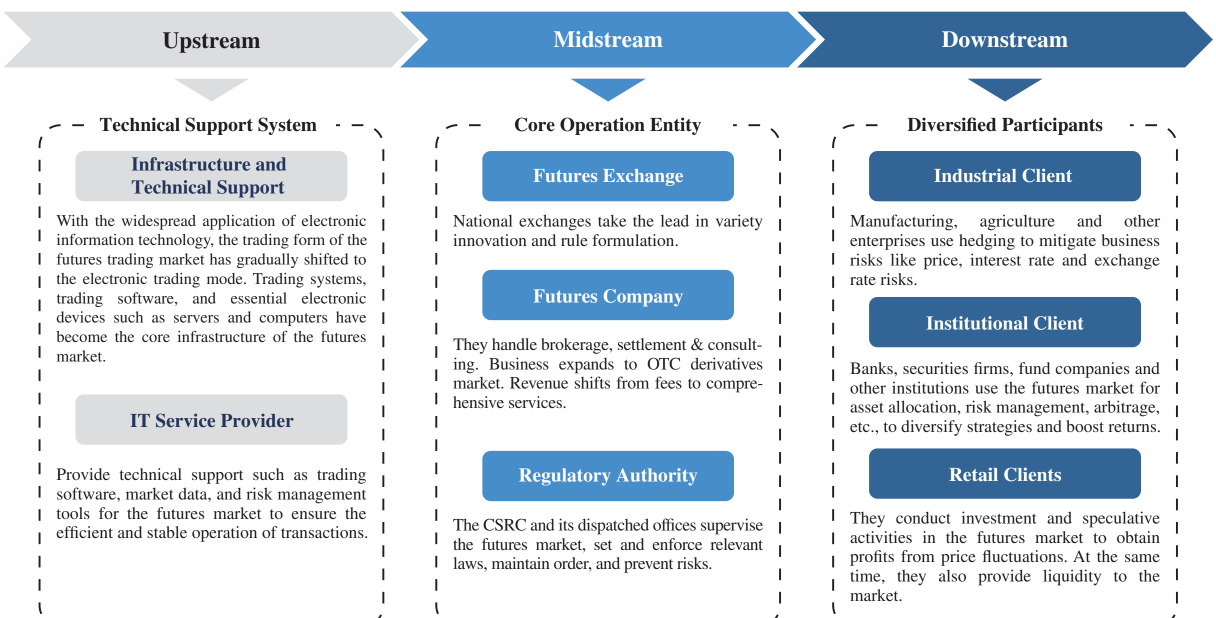
China's futures market, the world's largest for commodities, covers agriculture, energy, metals, and others with over 140 products serving 41 industrial sectors. Futures – spot price correlation exceeds 90%, making it a key pricing benchmark. Notably, China's financial futures market has been experiencing a remarkably rapid growth rate, with trading volumes and values at an accelerating pace, reflecting its increasing significance in the global financial derivatives landscape. Future products will align with national strategies like agricultural and manufacturing strength, and green development, expanding their service scope.

The market participants in Chinese futures industry refers to financial institutions and service institutions engaged in futures contract trading and related businesses, mainly including futures exchanges, futures companies, clearing houses, etc. Its main businesses cover services such as futures trading, settlement, delivery, and risk management. The development of the futures industry is closely related to the commodity market, financial market, and the macro-economy. By providing functions such as price discovery, hedging, and risk management, it helps enterprises and investors manage risks and optimize resource allocation, playing an important role in stabilizing the operation of enterprises, invigorating the circulation of commodities, and ensuring supply and stabilizing prices.

China currently operates six futures exchanges: the Shanghai Futures Exchange, Shanghai International Energy Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange, China Financial Futures Exchange, and Guangzhou Futures Exchange. These exchanges offer a diverse range of futures and options. By the end of 2024, the total number of listed futures and options products reached 146, comprising 125 commodity products (73 futures and 52 options), 20 financial products (8 futures and 12 options), and 1 index product. These products span critical sectors of the national economy, including agricultural products, metals, energy, chemicals, building materials, shipping, and finance, with option coverage exceeding 80% for mature commodity futures.

CHINA FUTURES MARKET INDUSTRY CHAIN

The futures market is a complex and integrated ecosystem. The upstream technical support system provides the necessary technological foundation, the midstream core operating entities ensure the normal operation and regulation of the market, and the downstream diversified participants bring vitality and various demands to the market. All these elements interact and cooperate with each other, jointly promoting the development, innovation, and stability of the futures market, playing an important role in resource allocation, risk management, and price discovery in the modern financial system.



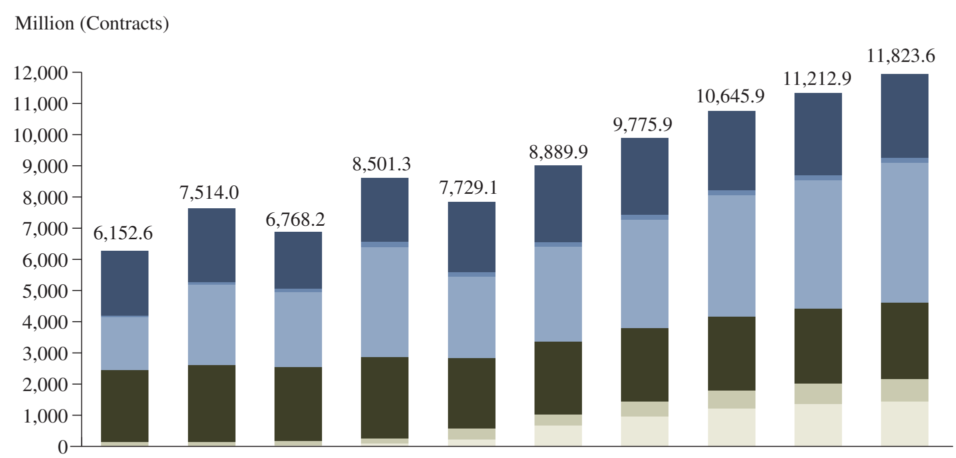
Source: Frost & Sullivan

CHINA FUTURES MARKET SIZE

From 2020 to 2024, the Chinese futures market experienced various trends. In 2020, the global pandemic triggered widespread economic uncertainties, driving a year-on-year increase of over 35% in trading volumes across major exchanges worldwide. Meanwhile, China's futures market saw trading activity surge by nearly 50%, significantly expanding its share of the global market. In 2021, sharp commodity price rises, especially in coal and ferrous metals, drove a 22.1% and 32.8% year-on-year growth in national futures market trading volume and transaction value respectively, with new listed varieties adding vitality. In 2022, due to commodity fundamentals, competition, and macro policy expectations, the national futures market trading volume and value decreased by 9.9% and 8.0% respectively. In 2023, the economy was gradually recovering and product replenishment boosted the market, with new energy and metals being popular, and the national futures market trading volume and value increased by 25.6% and 6.3% respectively. In 2024, the global economic slowdown which IMF forecasts growth at 3.2%, down 0.1 percentage points from 2023 and the Fed's cumulative 100 basis points rate cuts amplified market uncertainties. Resulting in lower risk appetite, reduced trading volume, and more cautious market behaviour compared to 2023.

Looking ahead, as China's economy grows steadily, corporate activities will get more vigorous, increasing commodity demand and boosting related futures trading. For example, manufacturing expansion will raise demand for raw materials, pushing firms to use the futures market for hedging. The government will roll out more policies to support the futures market, like optimizing trading, cutting costs, and widening market access, ensuring its stable development. The State Council's guiding opinions have guided the market's growth. More industrial clients will use the futures market for hedging. For example, agricultural processors can lock in raw material prices through futures to reduce cost risks. The futures market continue to launch new types of futures and options, giving investors more choices for investment and risk management, and enhancing its resource – allocation efficiency and service to the real economy.

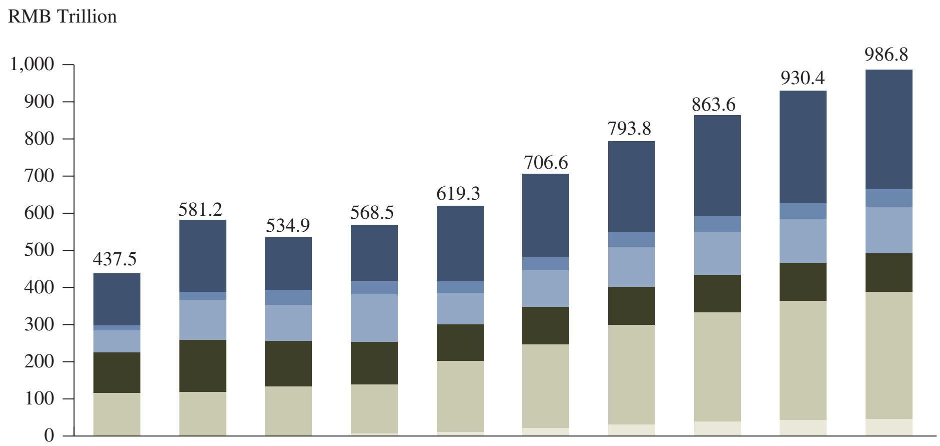
Trading Volume of China Futures (by exchanges), China, 2020–2029E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
SHFE	2,072.3	2,370.5	1,823.3	2,060.7	2,260.0	2,460.2	2,469.3	2,561.2	2,635.4	2,687.9	2.2%	3.5%
INE	56.3	75.2	120.2	166.3	141.1	150.7	156.6	161.2	164.1	166.6	25.8%	3.4%
ZCE	1,701.4	2,581.8	2,397.5	3,533.0	2,609.6	3,039.9	3,481.6	3,878.2	4,112.7	4,472.8	11.3%	11.4%
DCE	2,207.3	2,364.4	2,275.2	2,508.3	2,268.4	2,334.6	2,348.3	2,375.3	2,406.0	2,458.1	0.7%	1.6%
CFFEX	115.3	122.0	151.9	168.3	253.4	361.9	477.7	574.9	659.7	723.6	21.8%	23.3%
GFEX	0.0	0.0	0.2	64.7	196.7	542.7	842.4	1,095.1	1,235.1	1,314.6	NA	46.2%
Total	6,152.6	7,514.0	6,768.2	8,501.3	7,729.1	8,889.9	9,775.9	10,645.9	11,212.9	11,823.6	5.9%	8.9%

Source: CFA, Frost & Sullivan

Trading Value of China Futures (by exchanges), China, 2020–2029E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	**CAGR (20-24)**	**CAGR (24-29E)**
SHFE	140.0	193.1	141.3	151.3	202.6	224.9	245.7	272.1	301.9	321.6	9.7%	9.7%
INE	12.8	21.5	40.0	35.9	31.4	35.7	38.7	41.7	43.7	47.3	25.2%	8.6%
ZCE	60.1	108.0	96.8	128.4	85.1	98.5	107.9	115.9	119.1	126.6	9.1%	8.3%
DCE	109.2	140.5	123.7	113.6	98.4	100.9	102.0	101.5	101.5	102.8	-2.6%	0.9%
CFFEX	115.4	118.2	133.0	133.2	190.9	225.3	269.0	294.0	321.2	342.9	13.4%	12.4%
GFEX	0.0	0.0	0.0	6.1	10.9	21.2	30.5	38.5	43.0	45.6	NA	33.2%
Total	437.5	581.2	534.9	568.5	619.3	706.6	793.8	863.6	930.4	986.8	9.1%	9.8%

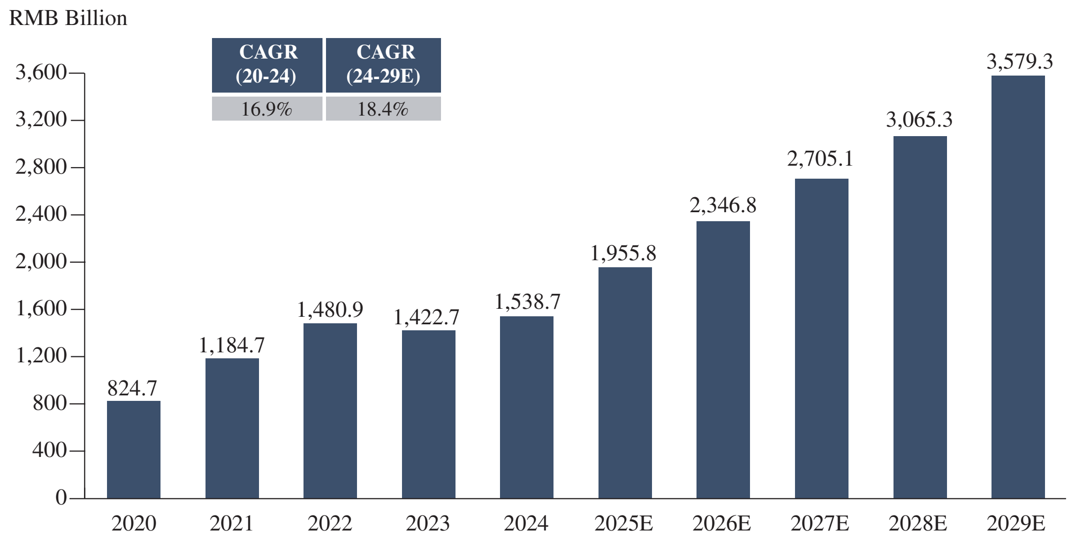
Note: Include trading volume and value of futures and options.

Source: CFA, Frost & Sullivan

From 2020 to 2024, the total client's equity in China's futures market grew significantly from RMB824.7 billion to RMB1,538.7 billion, with a CAGR of 16.9%. The government's stimulus and supportive policies boosted market confidence and trading volumes. New trading mechanisms and products attracted more players by offering risk management and portfolio diversification tools. Regulatory support, like stronger supervision and innovation encouragement, promoted the market's healthy development.

For 2024 to 2029, the total client's equity is projected to increase to RMB3,579.3 billion, with an estimated CAGR of 18.4%. Heightened external uncertainties have fueled significant commodity price volatility, driving increased corporate demand for risk management solutions, as evidenced by rising penetration rates of hedging instruments across industries. Government steering and facilitation or market stability will further fuel market growth.

Total Client's Equity of Futures Market, China, 2020–2029E

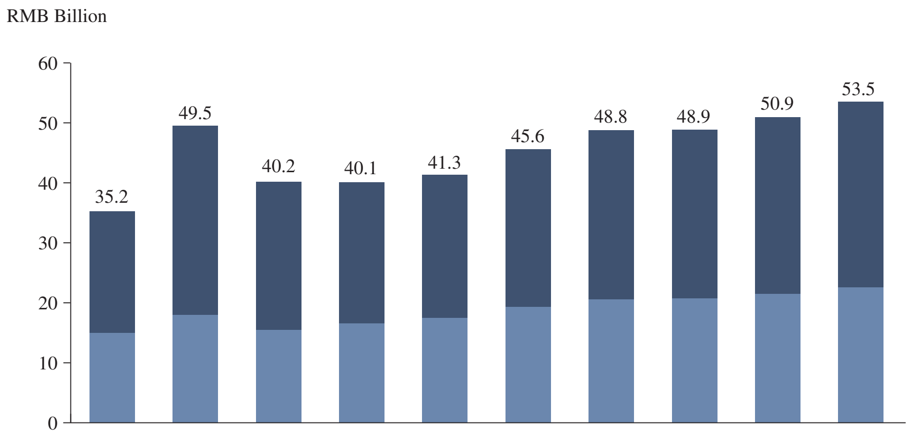


Source: CFA, Frost & Sullivan

From 2020 to 2024, total revenue of China's futures market grew from RMB35.3 billion to RMB41.3 billion, with a CAGR of 4.0%. Stable economic growth, spurred by government policies, lifted trading. New trading mechanisms and products attracted more investors. Regulatory support, including supervision and innovation incentives, increased market confidence.

Looking ahead to the period from 2024 to 2029, the total revenue of China's futures market is expected to rise from RMB41.3 billion to RMB53.5 billion, with an estimated CAGR of 5.3%. The continuous economic growth, coupled with the expansion of the technology sector and the increasing interest of investors in the stock market, will further drive the trading in the futures market. In terms of technology, advancements such as the development of more advanced artificial intelligence in trading will improve market efficiency and attract more participants. The diversification of China's futures market through expanded listings of globally aligned contracts has catalyzed heightened participation from international investors, driven by enhanced product accessibility and hedging efficiency. The phased relaxation of QFII quotas and streamlined cross-border collateralization rules will lower entry barriers for global institutional participants, directly stimulating trading liquidity.

Total Revenue of Futures Market (by business segments), China, 2020–2029E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Brokerage	20.2	31.5	24.7	23.5	23.8	26.3	28.2	28.2	29.4	30.9	4.2%	5.3%
Others	15.0	18.0	15.5	16.6	17.5	19.3	20.6	20.7	21.5	22.6	3.8%	5.3%
Total	35.2	49.5	40.2	40.1	41.3	45.6	48.8	48.9	50.9	53.5	4.0%	5.3%

Note: Total revenue refers to revenues of the parent companies of futures firms; Brokerage revenues include revenues from commission, investment advisory and asset management; Others include investment profit and part of asset management revenues.

Source: CFA, Frost & Sullivan

COMPETITION LANDSCAPE OF CHINA FUTURES MARKET

Based on the background of the controlling shareholder, futures companies in China can be categorized into two types: financial institution-affiliated futures companies, and non-financial institution-related futures companies.

Financial institution-affiliated futures companies are closely linked to or within the same financial group such as securities firms and banks. They can share customer resources, funding channels, and financial license advantages, offering clients comprehensive financial services. non-financial institution-related futures companies included independent futures company and futures companies controlled by large-scale entity enterprises. They have its own strengths, including independent decision-making and vitality, and it possesses a deeper understanding of the industry and sector.

Ranking of Futures Companies

As the 2024 annual reports of some companies have not yet been disclosed, data from 2023 is used. In terms of total revenue in 2023, the leading futures companies in China were mainly financial institution-affiliated futures companies.

Ranking of Futures Companies (by total revenue), China, 2023

Rank	Company Name	Revenue (RMB Billion)	Types
1	Company A	23.8	Financial institution-affiliated
2	Company B	16.5	Financial institution-affiliated
3	Company C	12.6	Financial institution-affiliated
4	Company D	10.1	Financial institution-affiliated
5	Company E	7.8	Financial institution-affiliated
6	Company F	7.3	Financial institution-affiliated
7	Company G	6.8	Financial institution-affiliated
8	**Nanhua Futures (南華期貨)**	**6.2**	**Non-financial institution-related**
9	Company H	5.3	Financial institution-affiliated
10	Company I	5.1	Financial institution-affiliated

Note: The revenue includes all revenues from entities in Mainland China and overseas entities. As the 2024 annual reports of some companies have not yet been disclosed, data from 2023 is used.

Source: Company data, Frost & Sullivan

In terms of total revenue in 2023, Nanhua Futures ranked 8th among all futures companies and ranked the 1st among all non-financial institution-related futures companies, with a total revenue of RMB6.2 billion.

In terms of brokerage commission revenue in 2023, Nanhua ranked 12th among all futures companies and ranked the 1st among all non-financial institution-related futures companies, with a total revenue of RMB0.6 billion.

In terms of ROE in 2023, Nanhua ranked 3rd among all futures companies and ranked the 1st among all non-financial institution-related futures companies, with a ROE of 11.4%.

Ranking of Futures Companies (by ROE), China, 2023

Rank	Company Name	ROE (%)	Types
1	Company J	16.7	Financial institution-affiliated
2	Company L	13	Financial institution-affiliated
3	**Nanhua Futures (南華期貨)**	**11.4**	**Non-Financial institution-affiliated**
4	Company Q	9.6	Financial institution-affiliated
5	Company R	9.3	Financial institution-affiliated

Note: As the 2024 annual reports of some companies have not yet been disclosed, data from 2023 is used.

Source: Company data, Frost & Sullivan

In terms of ROE in 2024Q1-Q3, Nanhua ranked 2nd among all listed securities and futures companies and ranked the 2nd among all non-financial institution-related futures companies, with a ROE of 9.3%.

Ranking of Listed Securities Companies and Futures Companies (by ROE), China, 2024Q1-Q3

Rank	Company Name	ROE (%)	Types
1	Company N	9.9	Non-Financial institution-affiliated
2	**Nanhua Futures (南華期貨)**	**9.3**	**Non-Financial institution-affiliated**
3	Company GG	8.1	Financial institution-affiliated
4	Company H	6.9	Financial institution-affiliated
5	Company II	6.0	Financial institution-affiliated

Note: As the 2024 annual reports of some companies have not yet been disclosed, data from 2024Q1-Q3 is used; The scope is limited to securities and futures companies listed on the A-share market in China.

Source: Company Data, Frost & Sullivan

DRIVERS OF CHINA FUTURES MARKET

Growth in Real Economy Demand: With the transformation and upgrading of China's economic structure, enterprises' demand for risk management has significantly increased. The futures market provides enterprises with hedging tools to cope with price fluctuation risks in the fields of metals, agricultural products, and energy. Chinese enterprises' overseas expansion enhances global industrial integration and international competitiveness. This globalization also drives financial innovation in cross-border risk management and strengthens multilateral cooperation in green and digital transformation, bolstering both domestic and global economic resilience.

Continuous Product Diversification: The China futures market continuously introduces new trading products to meet diverse needs. Derivatives such as options and futures enrich investment strategies, and the application of financial technology enhances trading efficiency, risk management capabilities, and market transparency.

Policy Support and Regulatory Improvement: The government attaches great importance to the futures market and provides legal safeguards for the market by promulgating supporting laws and policies such as the Futures and Derivatives Law. Regulatory agencies have improved the regulatory framework, promoted market standardization and transparency, and enhanced investor confidence.

Accelerated Internationalization Process: The China futures market is gradually opening up to the outside world. Some products have attracted overseas participants, and the influence on the pricing of international bulk commodities has been enhanced. This has attracted more international participants and deepened cooperation with international exchanges, promoting market connectivity.

DEVELOPMENT TRENDS OF CHINA FUTURES MARKET

Enhancing the Ability to Serve the Real Economy: In the future, China's futures market will provide various risk management tools (such as hedging) and innovative financial products. This will assist enterprises in the agricultural, energy, chemical, and other industrial chains in dealing with price fluctuation risks and enhancing operational stability. This trend is reflected not only in the diversification of futures products and the optimization of trading mechanisms but also in the deep integration with the real economy. It helps enterprises reduce costs, improve efficiency, and thus promotes high-quality economic development.

Accelerated Internationalization Process: China's futures market will further open up to foreign investors and promote the internationalization of more futures products denominated in RMB (such as crude oil, iron ore, etc.). This trend will enhance China's futures market's say in the global pricing of bulk commodities, attract international capital participation, and increase market liquidity and influence.

Widespread Application of Financial Technology: Technologies such as artificial intelligence, and big data will be widely applied in the fields of trading, clearing, risk control, and regulation. This aims to enhance market operation efficiency, reduce trading costs, strengthen risk management and regulatory capabilities, and promote the extensive application of intelligent services such as algorithmic trading and advisory.

Promoting Green Finance and Sustainable Development: The development trend includes the introduction of futures products related to the environment (such as carbon emission rights, green electricity, etc.) to facilitate the application of relevant principles in the futures market. This supports the national "dual carbon" goals, aids the development of the green economy, and meets the market's demand for sustainable investment tools.

ENTRY BARRIERS OF CHINA FUTURES MARKET

Regulatory Barriers: The China futures market is subject to strict regulation by the CSRC. New entrants must meet complex compliance requirements, including capital adequacy, risk management capabilities, and information technology systems. Futures companies are required to obtain relevant business licenses, and the licensing process is intricate and time-consuming, creating a high barrier for new entrants.

Capital Barriers: Futures companies are required to maintain high levels of registered capital and net capital to manage market risks and client margin requirements. Building the necessary technological systems, risk control frameworks, and talent teams for the futures market demands significant financial investment, particularly for the high-cost technical infrastructure needed for derivatives businesses.

Technological Barriers: The futures market places extremely high demands on the stability, speed, and security of trading systems, requiring new entrants to invest substantial resources in developing or acquiring advanced trading systems. The high-leverage nature of the futures market necessitates robust risk management and settlement capabilities, which rely on long-term technological accumulation and system optimization. Leading futures companies have already widely adopted technologies such as artificial intelligence and big data, potentially leaving new entrants at a technological disadvantage.

Market and Brand Barriers: Established futures companies have built long-term partnerships with numerous enterprises, financial institutions, and individual investors, making it difficult for new entrants to gain client trust in the short term. Leading futures firms hold significant brand influence and market reputation, requiring new entrants to invest substantial resources in brand development.

OVERVIEW OF THE CHINA RISK MANAGEMENT MARKET

From 2020 to 2024, the cumulative new notional principal of risk management companies' OTC derivatives business surged from RMB845.7 billion to RMB2,991.1 billion, achieving a compound annual growth rate of 37.1%. Meanwhile, basis trading volumes grew moderately from RMB444.9 billion to RMB524.9 billion, driven by regulatory reforms, rising demand for bespoke hedging tools, and cross-border product innovation.

With the evolution of the market, risk management companies will further optimize their business structures based on their own strengths and market demands. Innovative segments such as market-making business, warehouse receipt and OTC derivatives are expected to continue expanding, while traditional operations will also undergo continuous model innovation to enhance service quality and efficiency.

Looking ahead, the risk management market will become more closely integrated with the real economy, delivering more precise and efficient risk management services to enterprises across industries. By facilitating industrial upgrading, stabilizing industrial and supply chains, and improving resource allocation capabilities, the sector is poised to play an increasingly vital role in supporting high-quality economic development in China.

OVERVIEW OF THE CHINA WEALTH ASSET MANAGEMENT MARKET

The total AUM of China's public offered asset management industry shows an upward trend from 2020 to 2024, from RMB19.9 trillion by the end of 2020 to RMB32.8 trillion by the end of 2024. Nanhua Fund Management is the first public offering fund management company in China that is wholly owned and controlled by a futures company. As the end of 2024, the total management scale of public offering funds under Nanhua Fund was RMB14.8 billion.

Amid this growth, the industry is witnessing a rising demand for rights-embedded products and specialized wealth management solutions, derivatives-linked strategies, and customized risk-return profiles. Nanhua Fund, leveraging its unique positioning under a futures conglomerate, is poised to capitalize on this trend by integrating commodity futures expertise with innovative wealth management tools, catering to high-net-worth individuals and institutional clients seeking alpha generation in volatile markets. This shift underscores the broader evolution toward professionalized wealth management, marked by technology-driven portfolio optimization, ESG integration, and cross-asset allocation capabilities.

ANALYSIS OF DERIVATIVES MARKETS IN SELECTED OVERSEAS REGIONS

An increasing number of Chinese companies are actively adopting a "going global" strategy, for example, in the first half of 2024, A-listed companies achieved overseas business revenue of around RMB3.8 trillion, representing a year-on-year increase of 12.8%. Under this context, there is also increasing demand for Chinese companies to participate in the global derivative markets, including futures and options markets, in which overseas futures subsidiaries of Chinese companies with a strong global presence could be a strong support.

In terms of overseas revenue by Chinese futures companies in 2023, Nanhua ranked the 1st among all futures companies, with a total revenue of RMB0.57 billion.

Ranking of Chinese Futures Companies (by overseas revenue), China, 2023

Rank	Company Name	Revenue (RMB Billion)	Types
1	**Nanhua Futures (南華期貨)**	**0.6**	**Non-financial institution-related**
2	Company E	0.5	Financial institution-affiliated
3	Company H	0.4	Financial institution-affiliated
4	Company A	0.3	Financial institution-affiliated
5	Company D	0.1	Financial institution-affiliated
6	Company P	0.1	Financial institution-affiliated
7	Company B	0.1	Financial institution-affiliated
8	Company J	0.1	Financial institution-affiliated
9	Company I	0.1	Financial institution-affiliated
10	Company M	0.1	Financial institution-affiliated

Note: Overseas revenue refers to revenues of overseas futures subsidiaries of Chinese futures companies. As the 2024 annual reports of some companies have not yet been disclosed, data from 2023 is used.

Source: Frost & Sullivan

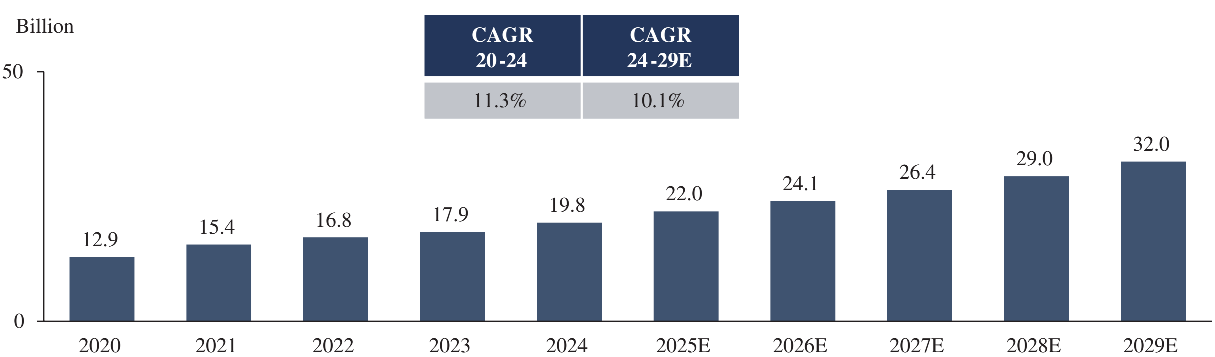
Overview of North America Derivatives Market

The major futures exchanges in North America primarily include the CME Group and Intercontinental Exchange (ICE). CME Group, the world's largest derivatives exchange, offers a wide range of futures and options products, such as S&P 500 index futures, gold futures, and crude oil futures. ICE specializes in energy, agricultural commodities, and financial derivatives trading, with its Brent crude oil futures and natural gas futures holding significant global prominence.

Trading volumes in North America's futures markets have shown sustained growth in recent years. From 2020 to 2024, contract volumes increased from 12.9 billion to 19.8 billion, representing a CAGR of 11.3%. Projections for 2024 to 2029 anticipate further expansion to 32.0 billion contracts, maintaining a CAGR of 10.1%. This growth has been primarily driven by heightened market volatility and increased participation from both institutional and retail investors.

Looking ahead, North America's futures market is poised for continued growth. Technological advancements in high-frequency trading and automation, institutional hedging demand for interest rates and commodities, and retail investor diversification via commission-free platforms will drive this growth.

Total Volume of Futures and Options, North America, 2020–2029E



Source: FIA, Frost & Sullivan

CME Group as one of major derivatives marketplaces in North America and a top global futures and options marketplace worldwide, was founded in 1898 and is based in Chicago. Its trading members include CME, CBOT, COMEX, and NYMEX, forming a large trading network across financial and commodity markets. CME Group offers six categories of financial derivatives, such as interest rate, stock index, foreign exchange, agricultural, energy, and precious metal futures. In trading innovation, CME Group's Globex electronic trading platform supports 24/7 global trading and processes millions of high-frequency trades daily, boosting trading efficiency and market activity. CME Group provides global companies with a powerful risk-management tool through its broad product range. For example, energy companies use crude oil futures to hedge price-fluctuation risks. CME Group holds a key position in the global financial market. Its gold and crude oil prices are global benchmarks, and its federal funds interest rate futures are a major indicator of Federal Reserve policy. CME Group has a strict clearing mechanism and is supervised by the CFTC, ensuring transaction security and market order.

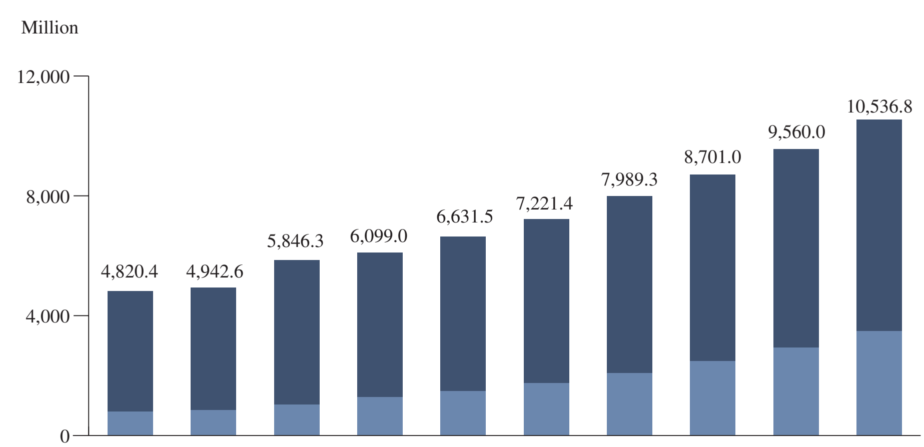
Given global macro-economic fluctuations and dramatic price changes in agricultural and energy markets, CME Group leads in agricultural and energy futures and options trading. Investors urgently need CME Group's tools for risk hedging. CME Group's advanced trading system, CME Globex, has attracted global investors, increasing the number of contracts from 4.8 billion in 2020 to 6.6 billion in 2024, with an 8.3% annual growth rate.

With loose global monetary policies and increased market liquidity, prices of assets like energy, agricultural products, and precious metals on CME Group have risen sharply, driving the contract total value from USD1,468.6 trillion to USD2,511.5 trillion at a higher annual growth rate.

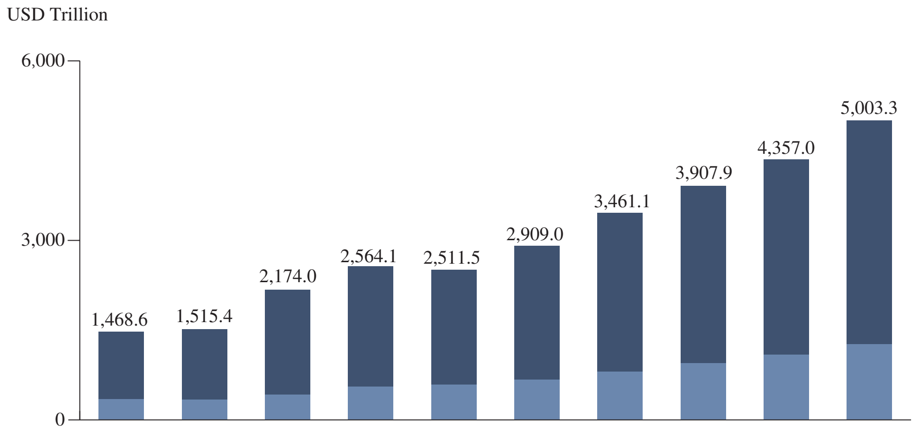
As climate change concern grows, CME Group's upcoming climate derivatives are expected to attract new investors for environmental risk management. Amid the digital-asset boom, CME Group plans to expand related futures and options products to explore new growth, with the total futures and options contracts volume expected to reach 10.5 billion by 2029 and the total value to increase to USD5,003.3 trillion.

In trading types, futures contracts outnumber and exceed options in total value. Futures are widely used in traditional commodities like agriculture and energy, with a familiar trading mechanism for large-scale asset allocation and risk management. Options, being more complex, require greater investor expertise and risk tolerance.

Total Volume and Nominal Value of Futures and Options, CME Group, 2020–2029E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	**CAGR (20-24)**	**CAGR (24-29E)**
Futures	4,021.7	4,099.5	4,812.7	4,829.8	5,146.7	5,484.4	5,907.8	6,220.8	6,627.4	7,060.1	6.4%	6.5%
Options	798.7	843.0	1,033.6	1,269.2	1,484.8	1,736.9	2,081.6	2,480.2	2,932.6	3,476.7	16.8%	18.5%
Total	**4,820.4**	**4,942.6**	**5,846.3**	**6,099.0**	**6,631.5**	**7,221.4**	**7,989.3**	**8,701.0**	**9,560.0**	**10,536.8**	**8.3%**	**9.7%**



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Futures	1,119.7	1,174.1	1,756.8	2,005.7	1,923.5	2,234.0	2,657.6	2,957.7	3,270.5	3,736.3	14.5%	14.2%
Options	348.9	341.3	417.2	558.5	588.0	675.0	803.6	950.2	1,086.5	1,267.0	13.9%	16.6%
Total	**1,468.6**	**1,515.4**	**2,174.0**	**2,564.1**	**2,511.5**	**2,909.0**	**3,461.1**	**3,907.9**	**4,357.0**	**5,003.3**	**14.4%**	**14.8%**

Source: CME Group, Frost & Sullivan

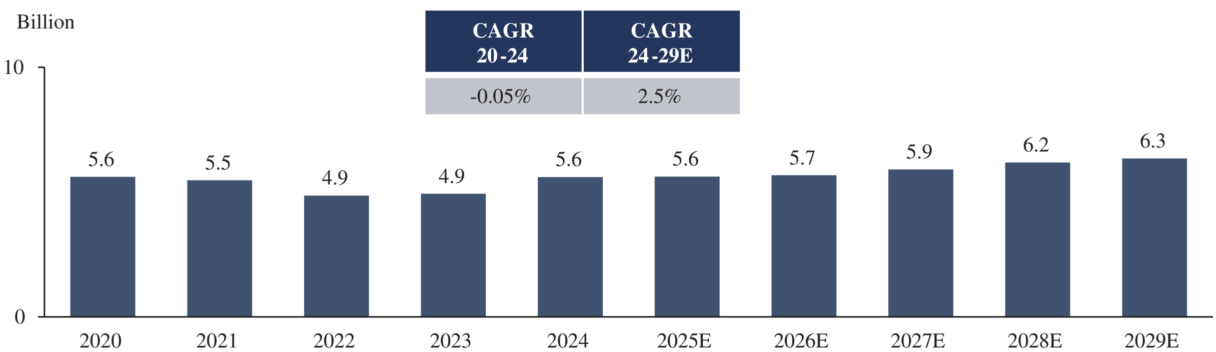
Overview of Europe Derivatives Market

The Europe futures market is dominated by several major exchanges, including Eurex, the LME, and Euronext. Eurex, one of Europe's largest derivatives exchanges, offers a broad range of financial derivatives trading services, such as German DAX index futures and Euro Stoxx 50 index futures. The LME specializes in metal futures and serves as the global hub for metal futures trading. Euronext, Europe's largest stock market, also provides diverse financial derivative trading services. These exchanges ensure high liquidity and trading efficiency through advanced electronic trading systems and extensive networks of market participants.

From 2020 to 2024, trading volumes in the Europe futures market remained largely stable with minor fluctuations, reflecting a CAGR of -0.05%. Market fluctuations during this period were primarily due to global economic uncertainties, geopolitical risks, and evolving regulatory policies.

From 2024 to 2029, the Europe futures market is projected to achieve a CAGR of 2.5%, with contract volumes rising from 5.6 billion in 2024 to 6.3 billion by 2029. This growth is expected to be driven by regulatory tech compliance (e.g., MiFID II), increased engagement with euro-denominated derivatives from emerging market participants, and hedging demands arising from EU energy transition and post-Brexit financial realignments.

Total Volume of Futures and Options, Europe, 2020–2029E

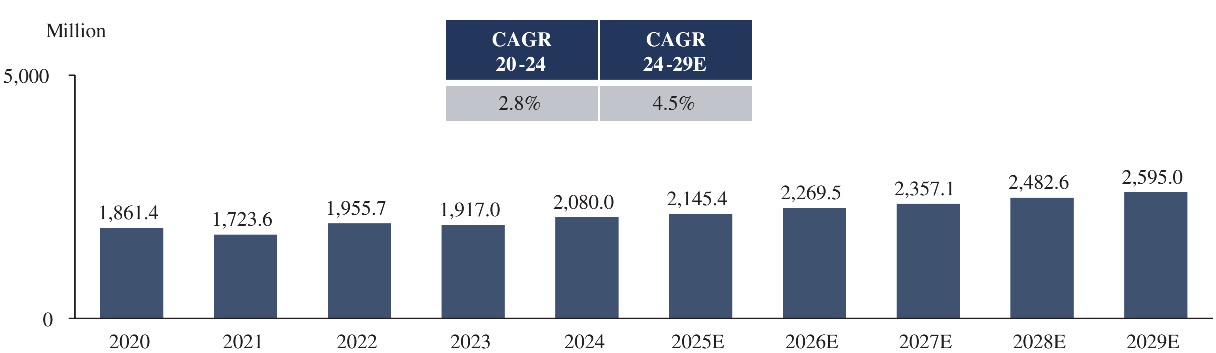


Source: FIA, Frost & Sullivan

Eurex, a leading European derivatives exchange, was established in 1998 through the merger of Switzerland's SOFFEX and Germany's DTB, and is now part of the Deutsche Börse Group. It ranks among the world's largest venues for derivatives trading, particularly dominant in interest rate products that shape global fixed-income markets.

Because of increased volatility in global financial markets and growing hedging needs of institutional investors, the volume of futures and options contracts traded on the Eurex variably increased from 1,861.4 million in 2020 to 2,080.0 million in 2024, with a CAGR of 2.8%. Driven by the trend toward global asset allocation diversification and the continuous launch of innovative products by the exchange, it is expected that the total volume of futures and options contracts will reach 2,595.0 million in 2029.

Total Volume of Futures and Options, Eurex, 2020–2029E



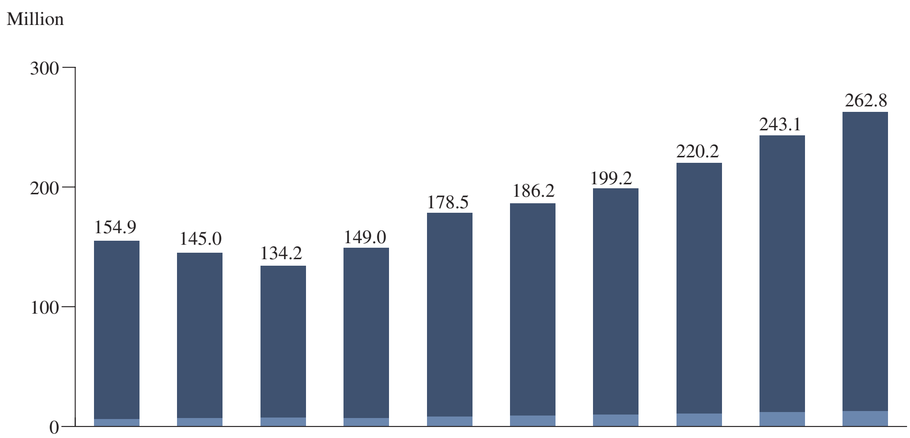
Source: FIA, Frost & Sullivan

The LME as one of major derivatives exchange in Europe, was founded in 1877 and acquired by HKEX in 2012, which is the world's largest and most historic non-ferrous metal trading market, with dominant influence on global non-ferrous metal pricing. The LME's core trading items cover industrial metals like copper, aluminum, lead, zinc, nickel, tin, and London Gold. The daily Official Settlement Prices are the benchmark for global metal trading, with about 70% of global copper transactions using the LME prices.

From 2020 to 2022, the pandemic caused a decline in the LME's metal futures and options contracts due to reduced demand. After 2022, with economic recovery and the LME's efforts in optimizing services and introducing new-energy metal futures and options, the trading volume grew. The volume of futures and options contracts rose from 154.9 million in 2020 to 178.5 million in 2024, with a 3.6% CAGR. The total value also increased.

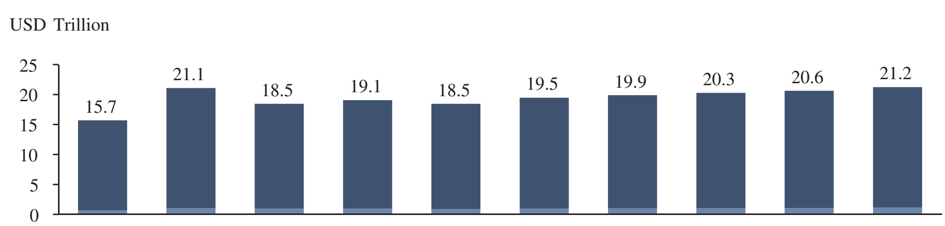
With the growth of the global new energy industry, demand for rare metals like lithium and cobalt is up. The LME is improving its rare metal futures and options product system, attracting new energy industry chain enterprises and investors. The LME is also promoting digital transformation to enhance efficiency, security, and market share. The total futures and options contracts volume is expected to reach 262.8 million in 2029, with a total value of USD21.2 trillion.

Total Volume and Nominal Value of Futures and Options, LME, 2020–2029E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Futures	148.8	138.2	126.8	142.3	170.2	177.2	189.4	209.7	231.3	249.9	3.4%	8.0%
Options	6.1	6.9	7.3	6.7	8.3	9.0	9.7	10.5	11.8	12.9	8.1%	9.2%
Total	**154.9**	**145.0**	**134.2**	**149.0**	**178.5**	**186.2**	**199.2**	**220.2**	**243.1**	**262.8**	**3.6%**	**8.0%**

Source: LME, Frost & Sullivan



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Futures	15.0	20.1	17.5	18.1	17.6	18.5	18.9	19.2	19.6	20.1	4.0%	2.7%
Options	0.7	1.0	1.0	1.0	0.9	1.0	1.0	1.0	1.1	1.1	7.5%	4.6%
Total	**15.7**	**21.1**	**18.5**	**19.1**	**18.5**	**19.5**	**19.9**	**20.3**	**20.6**	**21.2**	**4.1%**	**2.8%**

Source: LME, Frost & Sullivan

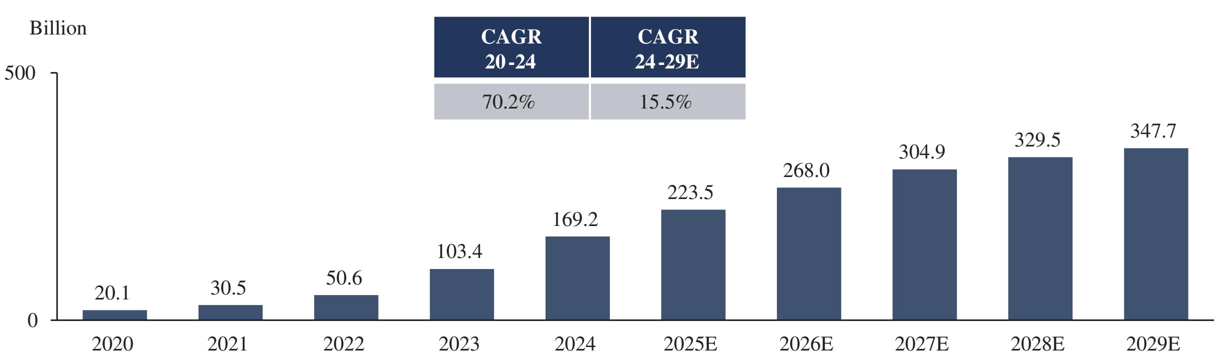
Overview of Asia Derivatives Market

The Asia futures market is dominated by several major exchanges. In addition to the exchanges in China mainland, it also includes the HKFE, the SGX, and the Tokyo Commodity Exchange (TOCOM), etc. The HKFE, Hong Kong's premier derivatives exchange, offers a wide array of financial futures products, notably including Hang Seng Index futures and stock index derivatives tied to Hong Kong and international markets. The SGX, one of Asia's leading derivatives exchanges, provides a diverse range of financial and commodity futures, such as FTSE Singapore Straits Times Index futures and FTSE China A50 Index futures. TOCOM, Japan's primary commodity futures exchange, offers a variety of metal and energy futures products.

Asia's futures markets have demonstrated robust growth in trading volumes in recent years. From 2020 to 2024, contract volumes surged from 20.1 billion to 169.2 billion, reflecting a CAGR of 70.2%. This remarkable expansion has been fueled by rising demand for risk management tools, maturation of financial derivatives markets, and increased participation from emerging market players.

From 2024 to 2029, Asia's futures market is projected to achieve a CAGR of 15.5%, with contract volumes rising from 169.2 billion in 2024 to 347.7 billion by 2029. This growth is expected to be driven by domestic policy reforms, such as market liberalization in China and India, fintech-enabled retail engagement across Southeast Asia, and hedging needs stemming from RCEP trade integration and industrialization in emerging regional economies. Moving forward, the Asian futures market will continue to provide investors with diversified risk management tools and investment opportunities, reinforcing its role as a critical hub in the global derivatives landscape.

Total Volume of Futures and Options, Asia, 2020–2029E



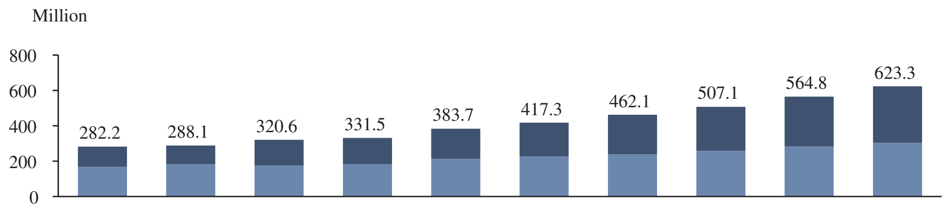
Source: FIA, Frost & Sullivan

The HKFE as one of major derivatives exchange in Asia, being a key part of Hong Kong Exchanges and Clearing Limited (HKEX), is one of the long-standing derivative trading platforms in the Asia-Pacific region, which was established in 1976. It attracts many international investors with Hong Kong's status as a global financial center and offers a wide range of trading products, including stock index, commodity, interest rate, and foreign exchange futures, such as the Hang Seng Index Futures and gold futures. The SFC of Hong Kong enforces strict, high-level regulations to ensure fair, transparent trading, reduce market manipulation risks, and boost investor confidence. The HKFE uses an advanced electronic trading system and real-time clearing mechanism, supporting trading across Asian, European, and American hours, enhancing efficiency, security, and global trading.

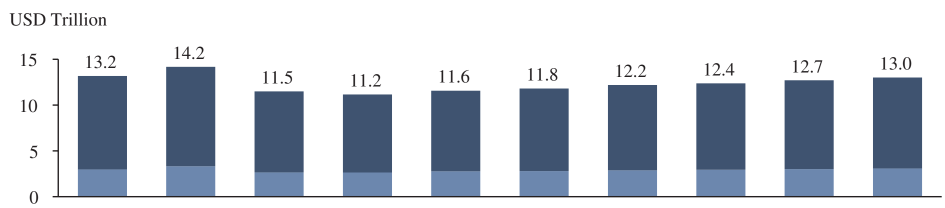
From 2020 to 2024, the emergence and recession of pandemic led to market fluctuations, driving up the risk-aversion demand of institutions. Concurrently, the HKFE continuously rolled out mechanism optimization and product innovation initiatives, such as holiday trading services and the introduction of various option contracts. These measures attracted more investors to engage in futures and options market trading. As a result, the total volume of futures and options contracts traded on the HKFE increased from 282.2 million in 2020 to 383.7 million in 2024, registering a compound annual growth rate of 8.0% over this period. However, given the slowdown in global economic growth, the price fluctuations of major trading varieties like the Hang Seng Index and the RMB exchange rate moved downward, reducing the value of contract underlying assets. Even with the rise in trading volume, the nominal value of contracts was negatively impacted. Over the same period, the nominal value of futures and options contracts decreased from USD13.2 trillion to USD11.6 trillion, with a compound annual growth rate of -3.2%.

With the deepening of cross-border connectivity, growth of climate-finance products, digital trading upgrade, expansion of emerging-market demand, popularization of digital tools and sustained growth in risk-management needs, the total futures and options contracts volume is projected to reach 623.3 million by 2029, with a nominal value of USD13.0 trillion. In contract volume, futures are expected to reach parity with options in 2028. In nominal value, futures exceed options. This is because futures are mainly linked to bulk commodities and financial indices with big trading units and high price bases, while options are more flexible and price-sensitive for individual investors' risk management.

Total Volume and Nominal Value of Futures and Options, HKEX, 2020–2029E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Futures	115.1	106.0	145.4	149.0	171.2	191.1	222.7	248.0	281.8	319.2	10.4%	13.3%
Options	167.1	182.1	175.1	182.4	212.5	226.2	239.4	259.0	283.0	304.0	6.2%	7.4%
Total	**282.2**	**288.1**	**320.6**	**331.5**	**383.7**	**417.3**	**462.1**	**507.1**	**564.8**	**623.3**	**8.0%**	**10.2%**



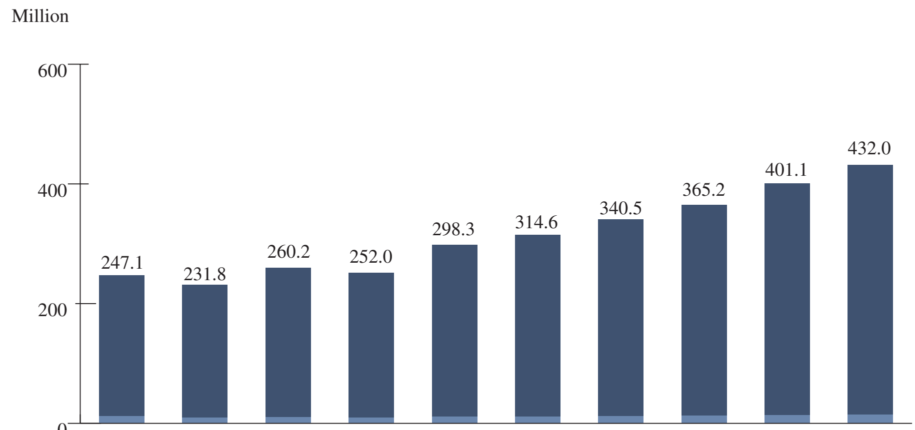
	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Futures	10.2	10.9	8.8	8.5	8.8	9.0	9.3	9.4	9.7	9.9	-3.6%	2.4%
Options	3.0	3.3	2.7	2.6	2.8	2.8	2.9	2.9	3.0	3.1	-1.7%	2.1%
Total	**13.2**	**14.2**	**11.5**	**11.2**	**11.6**	**11.8**	**12.2**	**12.4**	**12.7**	**13.0**	**-3.2%**	**2.4%**

Source: FIA, Frost & Sullivan

The SGX is another major derivatives exchange in Asia. The SGX was established in 1999 through a merger, which is the first comprehensive joint-stock exchange in the Asia-Pacific region integrating securities, derivatives, and commodity trading, and went public in 2000. The SGX's product system is highly diversified, covering stocks, bonds, commodity futures, and derivatives. It has a dominant position in Asian stock index futures, offering related products across multiple markets to meet global investors' risk-management and investment needs. The SGX uses an efficient electronic trading system supporting 24-hour global trading, with strong security and order processing capabilities. It also has strict capital adequacy requirements, comprehensive real-time monitoring, and a sound risk early-warning mechanism to maintain market stability.

In 2024, the number of futures and options contracts on the SGX was 298.3 million, up from 247.1 million in 2020, with a 5.2% CAGR. The Singapore economy and global factors affected the contract numbers in different years. Looking ahead, the total futures and options contracts volume projected to reach 432.0 million in 2029.

Total Volume of Futures and Options, SGX, 2020–2029E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Futures	234.7	222.5	250.0	241.9	286.9	303.0	328.3	352.4	387.5	417.8	5.2%	7.8%
Options	12.5	9.3	10.2	10.0	11.4	11.5	12.2	12.8	13.6	14.2	-2.2%	4.4%
Total	**247.1**	**231.8**	**260.2**	**252.0**	**298.3**	**314.6**	**340.5**	**365.2**	**401.1**	**432.0**	**4.8%**	**7.7%**

Source: SGX, Frost & Sullivan

DRIVERS OF OVERSEAS FUTURES MARKET

Policy Regulations and Market Liberalization: The liberalization of global futures markets and regulatory coordination are key drivers. Major economies like the U.S. and EU have revised derivatives regulations (e.g., the European Market Infrastructure Regulation) to reduce cross-border trade barriers. Chinese enterprises leverage these policies to expand overseas operations. For instance, Nanhua Futures established branches in Singapore and participated in the LME contract design to promote iron ore and copper trading. Additionally, China's "Belt and Road" initiatives have facilitated mutual recognition agreements with Southeast Asian and Middle Eastern exchanges, enhancing market accessibility. Moreover, in the domain of futures-related trade, the easing of tensions in areas such as regulatory cooperation and market access between China and the US has created more stable market conditions. This enables Chinese enterprises to more effectively leverage the liberalization of the global futures market.

Global Expansion of Chinese Enterprises: Chinese enterprises' global operations directly stimulate overseas futures demand. New energy firms like CATL hedge raw material price volatility through the LME nickel futures, while cross-border e-commerce giant SHEIN uses the CME forex futures to manage currency risks. State-owned enterprises like COFCO have increased their share in the CBOT soybean trading to 12%, reshaping global agricultural pricing dynamics. These activities inject liquidity into overseas markets, driving diversification of contract types.

Strategic Expansion of Chinese Financial Institutions: Chinese financial giants are expanding overseas futures trading capabilities to support corporate clients. They establish subsidiaries in global hubs and acquire stakes in foreign exchanges. Additionally, the CSRC encourages domestic futures brokers to obtain overseas licenses, enabling firms like Nanhua Futures to offer cross-border hedging solutions.

Technological Innovation and Digitalization: AI and big data are revolutionizing trading efficiency. The CME's smart contracts reduced commodity settlement cycles, while ICE's big data analytics increased trading accuracy in energy futures. Chinese firms also contribute to market liquidity through cross-border arbitrage models (e.g., time-zone spread strategies). Quantum computing is emerging in cross-border position monitoring, as seen in CME-SHFE's AI risk-control platform.

DEVELOPMENT TRENDS OF OVERSEAS FUTURES MARKET

Globalization expansion: In recent years, the overseas futures market has shown an expansion trend driven by the global layout. For instance, the North American market continues to take the lead, relying on its mature financial infrastructure and the ability to iterate products. Leading exchanges have achieved efficient cross-time zone docking through electronic trading systems, and the trading activity of interest rate and energy derivatives has significantly increased. The Southeast Asian market, on the other hand, has benefited from regional economic integration and the penetration of digital technologies. The trading scale of agricultural products and metal futures has expanded rapidly. Internet platforms and cross-border capital flows have further stimulated the hedging demands of retail investors and enterprises.

Accelerated International Strategic Expansion: Global Network Building via Overseas Subsidiaries and Clearing Qualifications. Leading Chinese futures firms such as Nanhua Futures are deepening their global presence by establishing overseas subsidiaries. This strategy not only drives the "going global" initiative for Chinese futures companies but also facilitates the "bringing in" of international investors, establishing dual-service capabilities. Furthermore, the "three-step" internationalization strategy for securities firms, including securing qualifications, capital expansion, and talent acquisition, has strengthened market penetration in emerging regions such as Southeast Asia.

Product Innovation and Cross-Border Services: Globalization of China-Led Futures Products. China's futures market is enhancing its global pricing influence through innovative product offerings. For instance, the Containerized Freight Index Futures, launched by the Shanghai International Energy Exchange, is the world's first shipping index futures product. With RMB-denominated pricing and cash settlement mechanisms, it has attracted significant international participation. Concurrently, the expansion of QFII/RQFII-eligible products has drawn foreign capital into China's market, fostering cross-border arbitrage and strategic innovation.

Policy Liberalization and Foreign Capital Inflows: Two-Way Opening Deepens Market Integration. China's six major futures exchanges further expanded QFII/RQFII trading access, introducing new products such as industrial silicon and lithium carbonate to attract global industrial capital. This liberalization aligns domestic market rules with international standards through optimized margin management and dynamic risk control frameworks while encouraging foreign investors to engage in onshore hedging activities, thereby enhancing price discovery efficiency.

Technology-Driven Globalization: Digitalization and Risk Management Capabilities. Chinese futures firms are leveraging AI and large-scale modeling technologies to bolster global competitiveness. To meet overseas investor demands, companies like Nanhua Futures are strengthening compliance frameworks and technical services, including customized settlement data solutions, multilingual trading systems, and global supply chain analysis reports for key sectors (e.g., new energy, shipping indices). These advancements address international clients' needs for sophisticated risk management tools.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan to conduct a detailed research and analysis of retail cloud solution industry in which we operate. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have agreed to pay a fee of RMB400,000 to Frost & Sullivan in connection with the preparation of the F&S Report. We are of the view that the payment of such fee does not impair the fairness of the conclusions drawn in the F&S Report. The commissioned report was prepared by Frost & Sullivan independent of the influence of the Company and other interested parties. We have extracted certain information from the F&S Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business," "Financial Information" and elsewhere in this document to provide our potential investors with a more comprehensive presentation of the industry in which we operate. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report.

Frost & Sullivan prepared its report based on its in-house database, independent third party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the F&S Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan's research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

During the preparation of the F&S Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information on and industry insights into global and China's futures industry, derivatives industry, and wealth management industry in which we operate. Primary research involved interviewing industry participants, competitors, downstream customers and recognized third-party industry associations. Secondary research involved reviewing corporate annual reports, databases of relevant official authorities, as well as the in-house database established by Frost & Sullivan. The F&S Report was compiled based on the following assumptions: (1) the social, economic and political conditions in global markets discussed will remain stable during the forecast period; (2) government policies on global and China futures market will remain consistent during the forecast period; and (3) futures market will be driven by the factors which are stated in this report.

PRC REGULATORY ENVIRONMENT

Overview

We are a financial institution established in China to engage in futures business. All our business activities in China are subject to the supervision and administration of the CSRC and other relevant authorities as well as self-regulatory organizations in the industry. Our business operations are strictly governed by the prevailing laws, regulations, rules, and other normative instruments of the PRC. The following sets forth a summary of the principal laws and regulations applicable to our business operations, encompassing market access requirements, business supervision frameworks, corporate governance and risk control mechanisms as well as other general regulatory compliance obligations, including but not limited to foreign exchange, anti-money laundering, and foreign investment market access. This summary does not purport to be an exhaustive description of all laws and regulations with which we are required to comply.

Major Regulatory Authorities

Our business operations are primarily governed and overseen by the following Chinese government authorities, industry associations, futures exchanges, other relevant authorities, as well as other self-regulatory organizations in the industry. In addition, certain business activities conducted by us are also subject to the supervision of the PBOC, the SAFE, and the National Financial Regulatory Administration (NFRA), among other regulatory authorities.

CSRC

The CSRC, in accordance with laws, regulations and the authorization of the State Council, exercises centralized supervision and administration over the national securities and futures markets to maintain market order and ensure their lawful operation. The CSRC has established dispatched offices, which perform regulatory duties in accordance with laws, administrative regulations, and authorization of the CSRC.

Pursuant to the Futures and Derivatives Law (《期貨和衍生品法》) and the Regulations on the Administration of Futures Trading (《期貨交易管理條例》), the CSRC exercises regulatory oversight over the futures market and performs the following statutory functions:

- To formulate rules and regulations pertaining to the supervision and administration of the futures market, and conduct examinations and approvals, verifications, registrations and record-filing in accordance with the law;
- To exercise regulatory oversight over futures trading and related activities, including but not limited to the listing, trading, settlement, and delivery of commodities;

- To supervise and regulate the futures business activities of market participants, including futures operating institutions, futures trading venues, futures clearing institutions, futures service institutions, and non-futures operating institutions acting as clearing participants;

- To establish codes of conduct for futures practitioners and oversee their implementation;

- To oversee and regulate the disclosure of futures trading-related information;

- To safeguard the lawful rights and interests of traders and conduct trader education;

- To investigate and penalize violations of futures regulations;

- To monitor, prevent, and manage risks in the futures market;

- To supervise fintech applications and information security in the futures industry;

- To guide and oversee the self-regulatory activities of the futures association; and

- Other duties prescribed by laws and administrative regulations.

CFA

The China Futures Association (CFA) is a self-regulatory organization of the futures industry, established as a non-profit social organization with legal person status. It operates under the professional guidance and supervision of both the CSRC and the national social organization registration authority.

Pursuant to the Futures and Derivatives Law (《期貨和衍生品法》) and the Regulations on the Administration of Futures Trading (《期貨交易管理條例》), futures companies and other institutions specialized in futures business shall join the CFA. The CFA shall perform the following duties:

- To formulate and implement self-regulatory rules for the industry; supervise and inspect the business activities of its members and the professional conduct of practitioners; impose disciplinary sanctions or adopt other self-regulatory measures in accordance with applicable provisions against violations of laws and administrative regulations, relevant State provisions, the Association's Articles of Association, or self-regulatory rules;

- To be responsible for the recognition, management, and revocation of qualifications for futures practitioners.

- To accept the clients' complaints relating to the futures business, and to mediate disputes arising between members or between members and traders;

- To safeguard the lawful rights and interests of members in accordance with the law, and present members' proposals and requests to the futures regulatory authority under the State Council;

- To organize professional training for futures practitioners and facilitate business exchanges among members;
- To educate members and futures practitioners on compliance with futures laws, regulations, and policies, promote integrity within the industry, and establish incentive and restraint mechanisms to uphold ethical standards;
- To conduct investor education and protection initiatives, oversee members' implementation of investor suitability management systems, and promote public awareness of the futures market;
- To implement self-regulatory oversight of members' information security practices, ensuring adherence to national and industry-specific information security regulations and technical standards;
- To organize members to conduct research on the development, operation and related topics of the futures industry, collect, compile and disseminate futures-related information, provide member services, facilitate industry exchanges, and guide industry innovation and development;
- Other duties stipulated in the CFA's Articles of Association.

Futures Exchanges

Pursuant to the Regulations on the Administration of Futures Trading (《期貨交易管理條例》) and the Measures for the Administration of Futures Exchanges (《期貨交易所管理辦法》), futures exchanges shall provide venues and facilities for centralized futures trading; organize and oversee futures trading activities; and operate on a non-profit basis while implementing self-regulation in accordance with their Articles of Association. Futures exchanges shall perform the following duties:

- To provide trading venues, facilities and services;
- To organize futures trading clearing and delivery;
- To establish and enforce the exchange's trading rules;
- To design futures contracts and standardized option contract products, and arrange the listing of futures contracts and standardized option contract products;
- To perform real-time market oversight and risk monitoring of futures transactions;
- To release market information;
- To provide inquiry services related to futures trading clearing and delivery;

- To conduct self-discipline management over members, traders and futures service institutions in accordance with the Articles of Association and trading rules;
- To conduct investor education and market development initiatives;
- To ensure the security and stability of information technology systems;
- To investigate and penalize violations; and
- Other duties stipulated by the CSRC.

AMAC

Pursuant to the Securities Investment Fund Law of the People's Republic of China (《中華人民共和國證券投資基金法》), the Asset Management Association of China (AMAC) shall function as a self-regulatory organization governing China's securities investment fund industry and a social organization with legal person status. Its primary duties include:

- To educate and organize members to comply with the relevant laws and administrative regulations on securities investment, while safeguarding investors' legitimate rights;
- To safeguard the lawful rights and interests of members in accordance with the law, and present members' proposals and requests;
- To formulate and implement self-regulatory rules for the industry; supervise and inspect the professional conduct of members and practitioners; impose disciplinary sanctions in accordance with applicable provisions against violations of self-regulatory rules and the Association's Articles of Association;
- To establish professional practice standards and operational guidelines, while administering licensing examinations, credentialing, and continuing education for fund industry practitioners;
- To deliver membership services, facilitate industry exchanges, drive innovation initiatives, and implement investor outreach and investor education programs;
- To mediate disputes arising from fund-related business between members, or between members and their clients;
- To conduct registration and filing of privately offered funds in accordance with the law; and
- Other duties stipulated in AMAC's Articles of Association.

China Futures Market Monitoring Center Co., Ltd.

China Futures Market Monitoring Center Co., Ltd. is a futures margin depository and monitoring entity established by the futures regulatory authority under the State Council pursuant to the Regulations on the Administration of Futures Trading (《期貨交易管理條例》), aiming to establish and improve the margin deposit and monitoring system. Pursuant to the Supervisory Measures for Futures Companies ((《期貨公司監督管理辦法》) and the Regulations on the Administration of Futures Trading (《期貨交易管理條例》), its core mandate is to supervise the safety of margin funds pursuant to applicable rules, perform day-to-day verification, and promptly notify the futures regulatory authority under the State Council of any irregularities.

Provisions on Foreign Investment Market Access

Pursuant to the Catalogue of Encouraged Industries for Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄(2022年版)》) and the Special Administrative Measures for Foreign Investment Access (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單) (2024年版)》) issued jointly by the National Development and Reform Commission of the People's Republic of China (NDRC) and the Ministry of Commerce of the People's Republic of China (MOFCOM), together with the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) and its implementing regulations and ancillary regulation, China implements a pre-establishment national treatment regime with negative list management for foreign investment. For sectors prohibited from investment under the Negative List, foreign investors shall not make any investments. For sectors with restricted investment under the Negative List, foreign investors shall comply with the specified conditions set forth in the Negative List when making investments. For sectors not listed in the Negative List, management shall be implemented under the principle of equal treatment for domestic and foreign investment. The competent government authorities shall formulate the Catalogue of Encouraged Industries for Foreign Investment, specifying specific industries, sectors, and regions where foreign investment is encouraged and guided, based on the needs of national economic and social development.

Pursuant to the Implementing Regulations of the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法實施條例》), for sectors with restricted investment under the Negative List, foreign investors shall comply with the special administrative measures for market access specified therein, including but not limited to equity requirements and senior management qualifications. The registration of foreign-invested enterprises shall be processed by the market supervision and administration department of the State Council or its authorized local counterparts in accordance with the law. Foreign investors or foreign-invested enterprises shall submit investment information to the competent commerce authority through the enterprise registration system and the National Enterprise Credit Information Publicity System (NECIPS).

Pursuant to the Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》), futures companies with foreign shareholding shall apply to the competent commerce department of the State Council and the foreign exchange administrative authorities for completing relevant procedures in accordance with applicable laws and administrative regulations.

PROVISIONS ON INDUSTRY ACCESS

Establishment

The Regulations on the Administration of Futures Trading (《期貨交易管理條例》) and the Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》) stipulate the establishment requirements for futures companies. The establishment of a futures company shall be registered with the company registration authority and approved by the futures regulatory authority under the State Council. To establish a futures company, the applicant shall comply with the Company Law and meet the following requirements:

- The minimum registered capital shall be not less than RMB100 million;
- Directors, supervisors, and other senior management personnel shall possess requisite qualifications, and all practitioners shall hold valid futures practice qualifications;
- The company shall have Articles of Association that comply with the provisions of laws and administrative regulations;
- Major shareholders and de facto controllers shall demonstrate sustained profitability, maintain a good reputation, and have no record of material violations of laws or regulations over the past three (3) years;
- The company shall possess qualified business premises and operational facilities;
- The company shall have sound risk management and internal control systems;
- The company shall have no fewer than 15 personnel holding valid futures practice qualifications;
- The company shall have at least 3 senior management personnel meeting requisite qualification standards; and
- Other conditions prescribed by the futures regulatory authority under the State Council.

Additionally, the futures regulatory authority under the State Council may, based on prudential supervision principles and the risk levels of business activities, raise the minimum registered capital requirements. The registered capital shall be paid-in capital. Shareholders shall make capital contributions in monetary form or non-monetary assets essential to the futures company's operations, with the monetary contribution ratio not less than 85%.

Pursuant to the Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》), where a major shareholder of a futures company is a legal person or unincorporated organization, such shareholder shall satisfy the following requirements:

- Both paid-in capital and net assets shall be not less than RMB100 million;
- Net assets shall be not less than 50% of the paid-in capital, or liabilities shall be below 50% of net assets, with no other risks that may materially affect the financial condition;
- The shareholder shall possess sustainable profitability, having operated for more than three (3) full fiscal years, with consecutive profits in the most recent three (3) fiscal years;
- The investment amount shall not exceed the shareholder's net assets, with legitimate and verified funding sources. Capital contributions shall not be made using entrusted funds, debt financing, or similar means;
- The shareholder shall demonstrate sound creditworthiness, standardized corporate governance, a well-defined organizational structure, and transparent ownership arrangements, with its core business being relevant to futures operations;
- The shareholder shall have no significant overdue debts outstanding;
- The shareholder has not been subject to any administrative penalties or criminal sanctions for material legal or regulatory violations over the past three (3) years;
- The shareholder is neither under investigation by competent authorities nor subject to compulsory measures for suspected material legal or regulatory violations;
- The shareholder has not engaged in any acts of bad faith such as abuse of shareholder rights or evasion of shareholder obligations as a shareholder or de facto controller of the company (including financial institutions) over the past three (3) years; and
- No other circumstances exist that would render the shareholder unsuitable to hold equity in a futures company as determined by the CSRC under prudential supervision principles.

Pursuant to the Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》), where a major shareholder, controlling shareholder, or largest shareholder of a futures company is a foreign shareholder, in addition to meeting the aforementioned requirements, the futures company shall also satisfy the following requirements:

- It is a financial institution duly established and validly existing under the laws of its jurisdiction of incorporation;

- All financial and regulatory metrics have complied with the legal provisions and regulatory requirements of its home jurisdiction over the past three (3) years;

- The home jurisdiction maintains a comprehensive legal and supervisory framework for futures trading, and its designated futures regulatory authority has executed a Memorandum of Regulatory Cooperation (MORC) with the CSRC, with sustained effective supervisory collaboration;

- The total foreign shareholding or equity interest in a futures company (including both direct and indirect holdings) shall not exceed the limits committed by China's futures industry in its market access commitments to foreign entities or to the Hong Kong, Macao, and Taiwan region of China; Foreign shareholders shall make capital contributions in freely convertible currencies or lawfully obtained RMB funds; and

- Such other requirements as may be prescribed by the CSRC under prudential supervision principles.

Pursuant to the Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》), a major shareholder and the largest shareholders of futures companies shall not only meet the requirements applicable to major shareholders of futures companies but also satisfy the following conditions:

- Net capital of no less than RMB500 million; net assets of no less than RMB1 billion for shareholders not subject to net capital or similar metrics;

- Strong advantages in technical capabilities, management services, personnel training, or marketing channels;

- Capability to provide ongoing capital replenishment to the futures company and the ability to properly address risks that may render the futures company unable to operate normally;

- Such other requirements as may be prescribed by the CSRC under prudential supervision principles.

Pursuant to the Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》), where a major shareholder of a futures company is a natural person, or where a natural person indirectly holds 5% or more of the futures company's equity, such shareholder shall satisfy the following requirements:

- The personal financial assets shall be not less than RMB30 million;

- The shareholder shall demonstrate sound creditworthiness, with no record of being directly responsible for business failures or material regulatory violations of invested enterprises within the preceding three (3) years;

- The investment amount shall not exceed the shareholder's net assets, with legitimate and verified funding sources. Capital contributions shall not be made using entrusted funds, debt financing, or similar means;
- The shareholder shall have no significant overdue debts outstanding;
- The shareholder has not been subject to any administrative penalties or criminal sanctions for material legal or regulatory violations over the past three (3) years;
- The shareholder is neither under investigation by competent authorities nor subject to compulsory measures for suspected material legal or regulatory violations;
- The shareholder has not engaged in any acts of bad faith such as abuse of shareholder rights or evasion of shareholder obligations as a shareholder or de facto controller of the company (including financial institutions) over the past three (3) years; and
- No other circumstances exist that would render the shareholder unsuitable to hold equity in a futures company as determined by the CSRC under prudential supervision principles.

Additionally, pursuant to the Provisions on the Governance of Controlling and Non-controlling Shareholdings in Futures Companies (《關於規范控股、參股期貨公司有關問題的規定》), no single entity may control or hold equity in more than two futures companies, of which only one may be a controlled entity.

Establishment of Branches

Pursuant to the Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》), a futures company applying to establish domestic branches shall file a report with the local CSRC office at its domicile within five (5) business days after completing the relevant industrial and commercial registration, and satisfy the following requirements:

- The company shall maintain robust corporate governance with an internal control system that is both compliant with applicable regulations and rigorously enforced;
- The company shall comply with the risk supervision metrics standard for the three (3) months prior to the application date;
- The company shall comply with all applicable rules governing client asset protection and the segregated custody monitoring of futures margins;
- The company is not under investigation by competent authorities for suspected illegal or irregular business operations, or has not been subject to any administrative penalties or criminal sanctions due to illegal or irregular business operations over the past year;

- The company shall develop a branch establishment plan aligned with business development needs and a stable operational plan; and

- Such other requirements as may be prescribed by the CSRC under prudential supervision principles.

A futures company establishing a domestic branch shall submit the required filing materials to the local CSRC office at its domicile, with duplicate filings to the local CSRC office at the target branch location. Upon establishment of the branch, the futures company shall make a public announcement on media designated by the CSRC.

In addition, pursuant to the Futures and Derivatives Law (《期貨和衍生品法》), the Regulations on the Administration of Futures Trading (《期貨交易管理條例》), the Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》), and other relevant laws, regulations, and rules, the CSRC shall exercise supervisory authority over overseas branches of domestic futures companies.

Establishment of Risk Management Subsidiaries

Pursuant to the Guidelines for the Pilot Operation of Risk Management Subsidiaries of Futures Companies (《期貨公司風險管理公司業務試點指引》), a futures company shall satisfy the following requirements for filing a risk management subsidiary:

- At the time of registration, the futures company's latest classification rating shall be not lower than Class B Grade BB, and its net capital shall be not less than RMB300 million;

- All of its risk supervision metrics have consistently complied with regulatory requirements over the past year, and will continue to satisfy applicable standards following the establishment of the risk management subsidiary;

- The company shall have sound corporate governance with well-established internal control and risk management systems;

- The company shall have a complete management system in place, capable of overseeing the business activities of the risk management subsidiary and ensuring proper risk isolation;

- The company, over the past three (3) years, has not incurred any administrative regulatory sanctions specified under Article 55(2) of the Regulations on the Administration of Futures Trading (《期貨交易管理條例》), or subject to any administrative penalties or criminal sanctions for material legal or regulatory violations;

- The company has not incurred any administrative regulatory sanctions attributable to deficiencies in corporate governance, internal control mechanisms, or risk management systems over the past year; it is not currently undergoing any rectification process related to such deficiencies; it is neither under investigation by competent authorities nor subject to compulsory measures for suspected material legal or regulatory violations; and

- Such other requirements as may be prescribed by the China Futures Association under the prudential principle.

The futures company shall submit the required filing materials to the CFA within five (5) business days after the completion of the industrial and commercial registration of its risk management subsidiary. Furthermore, where there are changes to the management policies of the risk management subsidiary, the futures company shall report such changes to the CFA within five (5) business days.

The risk management subsidiary shall also submit the required filing materials to the CFA within five (5) business days after the completion of the industrial and commercial registration. Where there are changes to the basic information, equity structure, personnel information, the articles of association and basic management systems of the risk management subsidiary, the subsidiary shall report such changes to the CFA within five (5) business days. For changes involving industrial and commercial registration updates, the reporting timeline shall be calculated from the date of completion of such updates.

The Guidelines for the Pilot Operation of Risk Management Subsidiaries of Futures Companies (《期貨公司風險管理公司業務試點指引》) impose additional restrictions on futures companies failing to satisfy prescribed requirements. Where a futures company with an established risk management subsidiary either: (1) fails to maintain the required classification rating for two consecutive years, or (2) receives a latest classification rating of Class D or below, the competent regulatory authority shall, from the date of receiving the latest rating: (a) impose scaling limits on the risk management subsidiary's pilot business operations; (b) prohibit new business initiation; and (c) require termination of existing transactions upon maturity. Where the futures company's classification rating is restored to the required tier, the aforementioned scaling limits shall be lifted from the date of receiving the updated rating. For the risk management subsidiary engaged in single-stock over-the-counter (OTC) derivatives business: if the futures company's classification rating falls below the required tier, the competent regulatory authority shall, from the date of receiving the latest rating, (a) impose scaling limits on the risk management subsidiary's business operations; (b) prohibit new business initiation; and (c) require termination of existing transactions upon maturity.

Material Changes

Pursuant to the Regulations on the Administration of Futures Trading (《期貨交易管理條例》), futures companies shall obtain approval from the futures regulatory authority under the State Council for the following matters:

- Merger, division, termination, dissolution, or bankruptcy;

- Alteration of business scope;

- Amendment of the registered capital and Adjustment of the shareholding structure;

- Addition of shareholders obtaining more than 5% equity or change in controlling shareholders; and

- Other matters prescribed by the futures regulatory authority under the State Council.

Pursuant to the Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》), changes in the shareholding of futures companies shall require prior approval from the CSRC under any of the following circumstances:

- Change of the controlling shareholders or the largest shareholder; or

- Where the shareholding of a single shareholder or affiliated shareholders exceeds 5% and involves foreign shareholders.

Except for the aformentioned circumstances, any increase in shareholding causing a single shareholder or affiliated shareholders to exceed 5% ownership requires prior approval from the local CSRC office where the futures company is domiciled.

Pursuant to the Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》), where a futures company proposes to change its legal representative, the proposed representative shall satisfy the requisite qualifications. The futures company shall, within five (5) business days after completing the relevant industrial and commercial registration amendments, submit the required filing materials to the local CSRC office at its domicile. For change of the company's domicile or business premises, the futures company shall submit the required filing materials the local CSRC office at the proposed new location. For establishing, acquiring, or taking equity stakes in overseas entities, the futures company shall, within 5 working days from the effective date of the company's resolution, file with the CSRC, and shall submit the required filing materials to the CSRC within five (5) business days after obtaining approval documents from the relevant overseas regulatory authority. Futures companies shall make public announcements on media designated by the CSRC for the following matters: (1) incorporation, modification, suspension of operations, dissolution, bankruptcy, or revocation of futures business licenses; or (2) establishment, modification, or termination of their branches.

Pursuant to the Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》), in the event of any of the following circumstances, the futures company shall submit a written report to the local CSRC office at its domicile within five (5) business days:

- Changing the company's name, form, or Articles of Association;

- Proportional capital increase or decrease;

- Changes in equity or registered capital that without introducing new shareholders holding 5% or more equity;

- Changes in branch managers or business premises;

- Material resolutions such as business termination;

- Being under investigation by competent authorities or subject to compulsory measures;

- Occurrence of a material event, which affects or may potentially affect the operational management, financial condition, or the safety of client assets of the futures company; and

- Other matters stipulated by the CSRC.

Where the aforementioned matters involve the branch(es) of the futures company, the futures company shall concurrently submit a written report to the local CSRC office of the branch's jurisdiction.

Business Regulation

The Regulations on the Administration of Futures Trading (《期貨交易管理條例》) establish a licensing regime for futures companies, requiring them to obtain operational permits issued by the futures regulatory authority under the State Council based on their approved business categories, including commodity futures and financial futures. In addition to domestic futures brokerage, futures companies may also apply to engage in overseas futures brokerage, futures investment consulting, and other futures-related business approved by the futures regulatory authority under the State Council.

Futures companies are prohibited from conducting futures proprietary trading business, either directly or indirectly. Futures companies may, in accordance with regulations, use their own funds to invest in stocks, investment funds, bonds, and other financial assets, as well as business-related equity and other activities stipulated by the CSRC, but shall not engage in any business prohibited by the Regulations on the Administration of Futures Trading (《期貨交易管理條例》).

Futures Brokerage

The Regulations on the Administration of Futures Trading (《期貨交易管理條例》) and the Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》) establish a licensing regime for futures companies, requiring them to obtain operational permits issued by the futures regulatory authority under the State Council based on their approved business categories, including commodity futures and financial futures. Futures trading shall strictly implement the margin system. Futures exchanges shall collect margins from their members, and futures companies from their clients, at rates no lower than the standards prescribed by the futures regulatory authority under the State Council and the relevant futures exchanges. Such margins shall be segregated from proprietary funds and deposited in separately designated accounts. When conducting brokerage business, futures companies shall accept client authorizations and execute futures transactions in their own name as agent for clients, with trading results borne by the clients.

Pursuant to the Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》), a futures company qualifying for a financial futures brokerage license shall meet the following requirements:

- The risk supervision metrics have remained in compliance with regulatory standards for two consecutive months immediately preceding the application date;

- The company shall have sound corporate governance, risk management systems, and internal control systems, and implementing such systems effectively;

- The company shall comply with the CSRC's rules governing the segregated custody monitoring of futures margins;

- The business facilities and technical systems shall comply with relevant technical specifications and maintain sound operational conditions;

- The senior managers have not been subject to any criminal sanctions over the past two (2) years, have not been subject to any administrative sanctions due to illegal or irregular business operations, have no unfavorable credit record, and are not under investigation by competent authorities for suspected illegal or irregular business operations;

- The company has not been subject to any regulatory sanctions specified under Article 55(2) and Article 56 of the Regulations on the Administration of Futures Trading as imposed by the CSRC or its local offices;

- There is no ongoing investigation by competent authorities for suspected violations of laws and regulations;

- The futures company has not been subject to any administrative penalties or criminal sanctions for violations of laws and regulations over the past two (2) years. However, if the controlling shareholders or de facto controllers of the futures company change or if the proportion of senior managers changes by more than 50%, the senior managers and business leaders responsible for such changes are no longer employed by the company, and rectification has been completed and approved by the local CSRC office at the company's domicile, this restriction may not apply; and

- Such other requirements as may be prescribed by the CSRC under prudential supervision principles.

The Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》) further prohibit futures companies from accepting client authorizations for futures trading from the following restricted parties: state organs and public institutions; employees of the CSRC and its local offices, futures exchanges, futures margin monitoring and custodian institution, or the CFA, and their spouses; futures company employees and their spouses; persons prohibited from securities/futures market participation; entities or individuals that fail to submit required account-opening materials, and other parties prohibited from engaging in futures trading under the CSRC regulations.

Furthermore, pursuant to the Interim Measures for the Administration of Trading in Domestic Specific Futures Products by Overseas Traders and Overseas Brokerage Institutions (《境外交易者和境外經濟機構從事特定品種期貨交易管理暫行辦法》), overseas traders may engage in trading of domestic specific futures products by appointing onshore futures companies. An overseas brokerage institution, upon accepting a valid trading authorization from an overseas trader, may appoint an onshore futures company as its agent for domestic specific futures products. The onshore futures company shall conduct trading activities in its own name as authorized.

Wealth Management

The wealth management business we conduct consist of asset management business, public fund business and securities investment fund distribution business.

Asset Management

Pursuant to the Supervisory Measures for Futures Companies (《期貨公司監督管理辦法》), futures companies may engage in asset management business in accordance with the law, whereby they accept duly authorized client mandates and invest client assets. Investment returns shall belong to the customers, and losses shall be borne by the customers. Futures companies engaging in asset management business shall complete statutory registration and filing procedures.

Pursuant to the Measures for the Private Asset Management Business of Securities and Futures Institutions (《證券期貨經營機構私募資產管理業務管理辦法》), securities and futures operators engaging in private asset management business shall obtain approval from the CSRC and satisfy the following requirements:

- Financial and risk indicators, including net assets and net capital, shall comply with applicable laws, administrative regulations and CSRC provisions;

- The company shall maintain sound corporate governance with comprehensive internal control, compliance management, and risk management systems;

- The company shall have compliant senior management and no fewer than three (3) qualified investment managers;

- The company shall set up an investment research department with no fewer than three (3) full-time research professionals;

- The company shall have business premises, security facilities, and information technology systems that meet regulatory requirements;

- The company has not been subject to any administrative penalties or criminal sanctions for material legal or regulatory violations over the past two (2) years; the company has not been subject to administrative regulatory measures imposed by regulators due to material violations of laws or regulations over the past year, nor is it currently under investigation by regulators or competent authorities for suspected material violations; and

- Such other requirements as may be prescribed by the CSRC under prudential supervision principles.

In addition, futures companies engaging in asset management business shall also comply with the Filing Administration Rules for Futures Companies' Asset Management Business (《期貨公司資產管理業務備案管理規則》).

Public Fund Business

In China, we conduct public fund offering, distribution, asset management, specific client asset management, and other business permitted by the CSRC through Nanhua Fund.

Pursuant to the Securities Investment Fund Law of the People's Republic of China (《中華人民共和國證券投資基金法》), a company intending to establish a fund management company to manage publicly offered funds shall meet the following conditions and obtain the approval from the securities regulatory body under the State Council:

- It shall have in place the articles of association that comply with the Securities Investment Fund Law of the People's Republic of China (《中華人民共和國證券投資基金法》) and the Company Law;
- Its registered capital is no less than RMB100 million, being fully paid-up monetary capital;
- Its major shareholders shall possess proven experience in operating financial businesses or managing financial institutions, sound financial conditions, good social credibility, and asset scale meeting standards prescribed by the State Council, with no violations of laws or regulations in the past three years;
- It has a legally required number of qualified personnel with fund practice qualifications;
- Its directors, supervisors and senior management personnel shall meet corresponding qualification requirements;
- It shall possess qualified business premises, security facilities and other facilities related to fund management operations;
- It has developed a sound internal governance structure, well-established internal audit and monitoring systems and risk control systems; and
- Other conditions stipulated by laws, administrative regulations and requirements prescribed by the securities regulatory authority under the State Council with its approval.

When applying to raise a fund, the fund manager shall submit application materials pursuant to the Securities Investment Fund Law (《證券投資基金法》) and CSRC regulations. Fund units may be offered only after successful registration of the fund offering with the regulatory authority. The offering of fund units shall be conducted by the fund manager or a fund distribution institution duly authorized by such manager.

Pursuant to the Supervisory Measures for Publicly Offered Securities Investment Fund Managers (《公開募集證券投資基金管理人監督管理辦法》), funds management companies may engage in private asset management and other related business subject to prior approval or formal accreditation by the CSRC.

In addition, fund management companies shall also comply with the Measures for the Private Asset Management Business of Securities and Futures Institutions (《證券期貨經營機構私募資產管理業務管理辦法》).

Securities Investment Fund Distribution Business

Pursuant to the Measures for the Supervision and Administration of Distributors of Publicly Offered Securities Investment Funds (《公開募集證券投資基金銷售機構監督管理辦法》), futures companies engaging in fund distribution business shall apply to the local CSRC office for the registration of fund distribution business qualification and obtain the Securities and Futures Business Permit. Futures companies applying for the registration of fund distribution business qualification shall satisfy the following conditions:

- The company shall maintain sound financial condition and standardized operations;
- The company shall possess business premises and security facilities compatible with fund distribution business, with an information management platform complying with CSRC requirements;
- The company shall establish and maintain robust business administration and risk governance systems; AML/CFT/FATCA compliance programs fully aligned with statutory requirements; fund sales settlement fund management, investor suitability management, and internal control systems fully complying with the provisions of the CSRC;
- The company shall have no fewer than twenty (20) personnel holding valid fund practice qualifications;
- The company has not been subject to criminal penalties or material administrative sanctions over the past three (3) years;
- The company has not been subject to significant administrative regulatory measures concerning comparable business activities over the last year;
- The company is not subject to any ongoing rectification requirements arising from material legal/regulatory violations, or has no active investigations by competent authorities for suspected material breaches;
- There have been no material adverse changes, legal proceedings, arbitrations, or other events that have affected or may affect the company's normal operations;

- The company shall have a dedicated department for fund distribution business;

- Financial risk monitoring and other supervision metrics of the company shall comply with the requirements of the national financial regulatory authorities;

- The company shall staff the department with ≥ 50% personnel with valid fund practice qualifications, and the department head shall possess the fund practice qualification as well as two (2) years of fund business experience or five (5) years of experience in financial institutions;

- The heads of fund distribution business at branch offices shall hold valid fund practice qualifications; and

- Such other requirements as may be prescribed by the CSRC.

Risk Management Business

Pursuant to the Guidelines for Business Pilot Programs by the Risk Management Companies of Futures Companies (《期貨公司風險管理公司業務試點指引》), a futures company shall satisfy the following requirements for filing a risk management subsidiary:

- At the time of registration, the futures company's latest classification rating shall be not lower than Class B Grade BB, and its net capital shall be not less than RMB300 million;

- All of its risk supervision metrics have consistently complied with regulatory requirements over the past year, and will continue to satisfy applicable standards following the establishment of the risk management subsidiary;

- The company shall have sound corporate governance with well-established internal control and risk management systems;

- The company shall have a complete management system in place, capable of overseeing the business activities of the risk management subsidiary and ensuring proper risk isolation;

- The company, over the past three (3) years, has not incurred any administrative regulatory sanctions specified under Article 55(2) of the Regulations on the Administration of Futures Trading (《期貨交易管理條例》), or subject to any administrative penalties or criminal sanctions for material legal or regulatory violations;

- The company has not incurred any administrative regulatory sanctions attributable to deficiencies in corporate governance, internal control mechanisms, or risk management systems over the past year; it is not currently undergoing any rectification process related to such deficiencies; it is neither under investigation by competent authorities nor subject to compulsory measures for suspected material legal or regulatory violations; and

- Such other requirements as may be prescribed by the Association under the prudential principle.

Pursuant to the Guidelines for Business Pilot Programs by the Risk Management Companies of Futures Companies (《期貨公司風險管理公司業務試點指引》), a risk management company filing to conduct risk management services shall satisfy the following requirements:

- The classification rating of the futures company shall be not lower than Class B Grade BB;

- The company shall possess sound corporate governance structures with clearly defined decision-making hierarchies and authorization systems as well as robust internal control mechanisms;

- The company shall maintain sufficient capital for its pilot operations, with paid-in capital no less than RMB100 million;

- The company shall possess business premises, qualified professionals, technical systems, and sound compliance/risk control mechanisms commensurate with pilot operations, with no fewer than five (5) personnel holding valid futures practice qualifications; and

- The company shall implement comprehensive client interest protection measures.

In addition, a risk management company shall satisfy the following requirements for filing to conduct OTC derivatives business:

- The classification rating of the futures company shall be not lower than Class B Grade BBB; and

- The OTC derivatives business of the risk management company shall establish dedicated compliance, legal, trading, risk control, and settlement positions, with strict segregation of duties among personnel holding these positions.

Pursuant to the Guidelines for the Pilot Operation of Risk Management Subsidiaries of Futures Companies (《期貨公司風險管理公司業務試點指引》), risk management companies may conduct the following pilot business: basis trading, warehouse receipt services, cooperative hedging, OTC derivatives services, market making, and other risk management-related business. The CFA exercises self-regulatory oversight over pilot business activities of futures companies and their risk management subsidiaries, with such activities subject to prior completion of CFA filing procedures before implementation.

CORPORATE GOVERNANCE AND RISK CONTROL

Corporate governance

The PRC Company Law, the Measures for the Supervision and Administration of Futures Companies (《期貨公司監督管理辦法》), and other applicable laws, regulations, and normative documents have established explicit corporate governance requirements. The Measures for the Administration of Futures Practitioners (《期貨從業人員監督管理辦法》) have strengthened qualification management and regulate the professional practices of futures practitioners. Futures practitioners shall comply with all applicable laws, administrative regulations, and CSRC provisions; adhere to the self-regulatory rules established by the Association and futures exchanges; refrain from participating in, or facilitating others to engage in, any unlawful conduct including fraud, insider trading, manipulation of futures trading prices, or fabrication and dissemination of false information regarding futures transactions.

Pursuant to the Regulations on the Administration of Futures Trading (《期貨交易管理條例》) and the Measures for the Supervision and Administration of Futures Companies (《期貨公司監督管理辦法》), futures companies shall implement strict separation from their shareholders, de facto controllers, and other related parties in terms of operations, personnel, assets, and financial management, ensuring independent operation and accounting.

Administrative Measures for Appointment of Directors, Supervisors and Senior Executives of Futures Companies (《期貨公司董事、監事和高級管理人員任職管理辦法》), and other senior management personnel of futures companies through eligibility standards, filing procedures for appointments, conduct rules, regulatory supervision, and legal liabilities.

Risk Control

Pursuant to the Measures for the Supervision and Administration of Futures Companies (《期貨公司監督管理辦法》) and the Regulation on the Administration of Futures Trading (《期貨交易管理條例》), where a futures company operates both brokerage and other futures business, it shall maintain complete separation between different business lines and funds, with no commingling of operations allowed. The futures regulatory authority under the State Council shall establish risk supervision metrics for futures companies, including ongoing compliance rules, net capital to net asset ratios, net capital to business scale ratios (covering domestic/overseas brokerage), and current asset to liability ratios, and mandate operational requirements for futures companies and their branches regarding business conditions, risk management, internal control, margin custody, and related-party transactions. Futures companies shall establish risk management departments or positions to administer and control operational risks, as well as compliance review departments or positions to conduct reviews and audits of business operations and their adherence to applicable laws and regulations. Futures companies shall implement centralized management of their branches, and be prohibited from jointly operating branches with third parties or from contracting, leasing, or entrusting branch management to third parties.

Pursuant to the Administrative Provisions on Chief Risk Officers of Futures Companies (《期貨公司首席風險官管理規定》), the CRO, as a senior manager of the futures company, shall oversee and examine the legality of the futures company's operations and the risk management status; and conduct inquiries and investigations into potential regulatory violations and risk exposures in the futures company's operational and managerial activities. The inspection shall prioritize verifying whether the futures company has established and enforced systems essential for its sustained and sound operations – including client asset protection and transaction security – in compliance with applicable laws, administrative regulations, and rules.

Pursuant to the Measures for the Administration of Risk-Based Regulatory Indicators of Futures Companies (《期貨公司風險監管指標管理辦法》) Companies, futures companies shall maintain continuous compliance with the following risk supervision metrics:

- Minimum net capital of RMB30 million;
- Net capital to risk capital reserve ratio ≥ 100%;
- Net capital to net assets ratio ≥ 20%;
- Current assets to current liabilities ratio ≥ 100%;
- Liabilities to net assets ratio ≤ 150%; and
- Required minimum settlement reserves.

The Guidelines for the Preparation and Submission of Risk Supervision Reports by Futures Companies (《期貨公司風險監管報表編製與報送指引》) stipulate that futures companies shall submit monthly risk supervision reports within seven (7) business days following month-end and annual risk supervision reports (audited by a qualified accounting firm) within four (4) months after year-end, through the Futures Industry Supervision System (FISS). We have duly submitted the required monthly and annual risk supervision reports in compliance with the above risk supervision indicator requirements.

Classified Supervision

Pursuant to the Provisions on the Classified Supervision of Futures Companies (《期貨公司分類監管規定》), the CSRC has established a Classification Review Committee for Futures Companies to assess and classify futures companies in accordance with prescribed rules. The CSRC classifies futures companies into five categories with eleven tiers – A (AAA, AA, A), B (BBB, BB, B), C (CCC, CC, C), D, and E – based primarily on their risk management capabilities, supplemented by evaluations of their ability to serve the real economy, market competitiveness, and sustained compliance record. The classification serves as the basis for differentiated regulatory treatment including regulatory resource allocation, frequency of on-site and off-site inspections, and risk capital reserve calculation coefficients (which vary by category). The classification results of futures companies may serve as the prudential criteria for business expansion by futures companies and their subsidiaries; the basis for determining pilot scopes for new business, prioritizing business rollouts, and differential contribution rates to the Futures Investors Protection Fund; key references for the CSRC and its local offices, futures exchanges, the China Futures Monitoring Center (CFMC), and the CFA.

OTHER REGULATORY PROVISIONS

Exchange control

Pursuant to the Regulations on Foreign Exchange Administration of the People's Republic of China (《中華人民共和國外匯管理條例》), international payments and transfers shall be classified into current account transactions and capital account transactions. China maintains full convertibility for current account international payments and transfers, while capital account transactions require prior approval from the SAFE and subsequent registration with the foreign exchange regulatory authorities. Foreign exchange earnings from current account transactions may be retained or sold to authorized financial institutions conducting foreign exchange settlement and sale business in accordance with relevant regulations of the State. Foreign exchange earnings from capital account transactions may be retained or sold to authorized financial institutions conducting foreign exchange settlement and sale business only upon approval by the foreign exchange regulatory authorities, unless exempted under relevant State provisions. Domestic institutions and individuals engaging in overseas direct investments or the issuance and trading of overseas negotiable securities and derivatives shall register in accordance with the regulations of the foreign exchange administration authority under State Council. If the State mandates prior approval or filing with the relevant competent authorities, such procedures shall be completed before the foreign exchange registration.

Pursuant to the Notice of the State Administration of Foreign Exchange on Issues Concerning Foreign Exchange Management for Overseas Listings《國家外匯管理局關於境外上市外匯管理有關問題的通知》, the SAFE, its local branches and foreign exchange regulatory departments shall supervise, administer and inspect the business registration, account opening and usage, cross-border receipts and payments and currency exchange relation to overseas listings of domestic companies. A domestic company shall complete the overseas listing registration with the local SAFE branch at its incorporation place by submitting required documents within fifteen (15) business days after the closing of its overseas offering. Proceeds raised by a domestic company through overseas listing may either be repatriated to China or retained offshore, provided that their use strictly conforms to the purposes disclosed in the offering prospectus or bond issuance documents, shareholder circulars, and Board meeting/shareholders' meeting resolutions.

Pursuant to the Notice on Further Simplifying and Improving Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), banks shall directly review and process foreign exchange registration for inbound direct investment (FDI) and outbound direct investment (ODI). The SAFE and its local branches shall exercise indirect supervision over foreign exchange registration for direct investment through banks.

Pursuant to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), domestic institutions may use their foreign exchange income under capital accounts and the RMB funds obtained from its settlement for current account expenditures within their business scope and capital account expenditures permitted by applicable laws and regulations.

Information Disclosure

The Provisions on the Administration of Information Disclosure by Futures Companies (《期貨公司信息公示管理規定》) specify detailed requirements regarding the methods, standards, and content of information disclosure by futures companies. Futures companies shall disclose the basic information about the futures company and its branches, details of senior management and practitioners, shareholder information, integrity records, and other information prescribed by the CSRC. A futures company shall appoint a designated senior manager to oversee information disclosure compliance, and establish a dedicated department responsible for information disclosure and ongoing updates, with such arrangements filed with the local CSRC office at the company's registered domicile.

Anti-Money Laundering and Counter-Terrorist Financing

Futures companies shall comply with anti-money laundering (AML) requirements under the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Provisions on Anti-Money Laundering for Financial Institutions (《金融機構反洗錢規定》), and the Measures for the Administration of Customer Identity Identification, Customer Identity Data and Transaction Records Preservation by Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》) jointly issued by PBOC, the China Banking Regulatory Commission, the CSRC, and the China Insurance Regulatory Commission. On August 12, 2022, the CSRC amended the Implementation Measures for Anti-Money Laundering in the Securities and Futures Industry ((《證券期貨業反洗錢工作實施辦法》), further specifying AML rules for the sector. Securities and futures business institutions shall fulfill AML obligations in their business activities, and establish and improve internal AML control mechanisms.

Pursuant to the Notice on Issuing the 'Guidelines for Anti-Money Laundering and Counter-Terrorist Financing Risk Management by Legal Person Financial Institutions (Trial) (《關於印發<法人金融機構洗錢和恐怖融資風險管理指引(試行)>的通知》)' issued by PBOC, legal person financial institutions shall establish a sound, well-structured, and clearly-defined AML risk management framework. This framework shall define the respective responsibilities of the Board, the Supervisory Committee, senior management, business departments, the AML compliance department, the internal audit department, the human resources department, the IT department, domestic and overseas branches, and relevant subsidiaries; and establish a tiered, coordinated, and effective operational mechanism to govern AML risk management.

Pursuant to the Administrative Measures for the Reporting of Large-Value and Suspicious Transactions by Financial Institutions (《金融機構大額交易和可疑交易報告管理辦法》), financial institutions, including futures companies, shall fulfill reporting obligations for large-value and suspicious transactions, establish internal management systems and operational procedures for reporting such transactions, and develop and maintain robust monitoring systems for such transactions. In addition, the PBOC has issued the Notice on the Implementation Requirements for the 'Administrative Measures for the Reporting of Large-Value and Suspicious Transactions by Financial Institutions (《關於<金融機構大額交易和可疑交易報告管理辦法>有關執行要求的通知》)', which further specifies detailed implementation rules.

Taxation Provisions

Enterprise income tax

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), PRC resident enterprises typically pay enterprise income tax at the rate of 25%, unless otherwise eligible for preferential tax treatments under specific industries or projects. Qualifying small and low-profit enterprises shall be subject to a reduced enterprise income tax rate of 20%.

Value-added tax (VAT)

Pursuant to the Interim Regulations on Value-Added Tax of the People's Republic of China (《中華人民共和國所得稅法暫行條例》) and the Implementing Rules for the Interim Regulations on Value-Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》), entities and individuals that engage in any of the following activities within the territory of China shall be VAT taxpayers and pay tax on value added through production, sales or service supply: sale of goods; provision of processing, repair, and replacement services; sale of services, intangible assets, and real estate; and importation of goods.

Pursuant to the Notice on the Nationwide Implementation of the Pilot Program to Replace Business Tax with Value-Added Tax (《關於全面推開營業稅該增值稅試點的通知》), effective May 1, 2016, the pilot program to replace Business Tax (BT) with VAT was implemented nationwide, encompassing all former BT taxpayers in the construction, real estate, financial services, and consumer service sectors, who were thereafter subject to VAT obligations instead of BT.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-Added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) (effective May 2018), for taxpayers engaged in VAT-taxable transactions or importing goods that were previously subject to 17% or 11% tax rates, the applicable rates have been adjusted to 16% and 10% respectively. Pursuant to the Announcement of the Ministry of Finance, the State Taxation Administration, and the

General Administration of Customs on Deepening Value-Added Tax (VAT) Reform Policies (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) (effective April 2019), for general VAT taxpayers engaged in VAT-taxable transactions or importing goods that were previously subject to 16% or 10% tax rates, the applicable rates have been adjusted to 13% and 9% respectively.

Provisions on Labor, Social Insurance, and Housing Provident Fund

Pursuant to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), and the Regulations for the Implementation of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》), an employer shall strictly observe all applicable national standards, provide requisite training to employees, and safeguard their labor rights while ensuring the fulfillment of labor obligations. The employer shall conclude a written labor contract with the employee. The wages paid by the employer to the employee shall not be lower than the local minimum wage standard. The employer shall establish a comprehensive occupational health and safety (OHS) management system, rigorously implement applicable national OHS standards, and provide relevant training to employees. Violations of the aforementioned labor and social security laws and regulations shall be subject to fines and other administrative liabilities. In cases of severe violations, criminal liabilities may be pursued.

Pursuant to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) and the Interim Regulations on the Collection of Social Insurance Contributions (《社會保險費徵繳暫行條例》), enterprises in China shall make mandatory social insurance contributions for their employees, covering pension, unemployment, maternity, work-related injury, and basic medical insurance, based on the statutory contribution base and prescribed contribution rates. Where an employer fails to make full payment of the relevant contributions to the competent local authorities by the statutory deadline, it may be ordered to make rectification and/or be subject to fines. Meanwhile, regulations including the Work-Related Injury Insurance Regulations (《工傷保險條例》), the Unemployment Insurance Regulations (《失業保險條例》), and the Interim Measures on Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) contain specific provisions governing different types of social insurance. Enterprises governed by these regulations shall make statutory contributions to the respective social insurance programs for their employees.

Pursuant to the Regulations on the Management of Housing Provident Fund (《住房公積金管理條例》), employers shall register with the Housing Provident Fund Management Center for mandatory housing fund contributions and complete the account opening procedures for their employees. Where an employer fails to complete housing provident fund registration, or establish employee housing provident fund accounts, the Housing Provident Fund Management Center shall order rectification within a prescribed period. Failure to comply shall result in an administrative fine ranging from RMB10,000 to RMB50,000. Employers shall contribute to the housing provident fund in full and on time. If an employer fails to make full housing provident fund contributions or underpays, the Housing Provident Fund Management Center shall order rectification within a specified period. Should the employer persist in non-compliance beyond the deadline, the Center may apply to the People's Court for compulsory enforcement.

Provisions on Information Security and Privacy Protection

Pursuant to the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), promulgated by the Standing Committee of the NPCSC on November 7, 2016 and effective as of June 1, 2017, network operators shall not collect personal information irrelevant to their services, or collect/use such information in violation of laws or user agreements. Network operators shall process retained personal information in accordance with applicable laws, administrative regulations, and contractual terms agreed with users. Where the individual identifies inaccuracies in the information collected or stored by the operator, the individual shall have the right to demand rectification. The network operator shall take measures to delete or correct such information. No individual or organization shall obtain personal information through theft or other unlawful means, nor shall they illegally sell or provide such information to others.

Pursuant to the Data Security Law of People's Republic of China (《中華人民共和國數據安全法》) promulgated by the Standing Committee of the NPCSC on June 10, 2021 and effective as of September 1, 2021, the data processing activities shall comply with laws and regulations, respect social mores and ethics, comply with commercial ethics and professional ethics, be honest and trustworthy, perform obligations to protect data security, and undertake social responsibility; and it shall not endanger national security, the public interest, or individuals' and organizations' lawful rights and interests. Each organization or individual collecting data shall adopt legal and proper methods, and shall not steal or obtain data by any illegal methods.

Pursuant to the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》), promulgated by the Standing Committee of the NPCSC on August 20, 2021 and effective as of November 1, 2021, prior to processing personal information, the processor shall inform the individual of the following matters in a conspicuous manner and in plain language, ensuring that the disclosure is truthful, accurate and exhaustive: the name and contact information of the processor; the purpose of personal information processing, processing method, types of personal information processed and the retention period; the methods and procedures for individuals to exercise their rights as stipulated in the Personal Information Protection Law (《個人信息保護法》); and other information required to be disclosed under applicable laws and administrative regulations. Personal information processors shall take the measures stipuleted by applicable laws or administrative regulations based on the processing purpose, methods, types of personal information involved, potential impact on individuals' rights and interests and possible security risks, to ensure compliance with laws and administrative regulations, and to prevent unauthorized access, leakage, alteration or loss of personal information. The processing of personal information shall serve a clearly defined and reasonable purpose and shall be directly relevant to such purpose, while minimizing impact on individuals' rights and interests. Personal information shall only be collected to the extent strictly necessary for the specified processing purpose, with any excessive collection expressly prohibited. The processor shall be accountable for its personal information processing activities and shall adopt necessary measures to ensure the security of processed personal information. No organization or individual shall illegally collect, use, process, or transmit others' personal information; illegally trade, provide, or disclose others' personal information; or engage in personal information processing activities that endanger national security or public interests.

Lease-Related Provisions

Under the Civil Code of the People's Republic of China (《中華人民共和國民法典》), the owner of real estate or movable property shall, in accordance with law, enjoy the rights to possess, use, reap profits from, and dispose of such property. The lessee may sublease the leased premises to a third party with the lessor's consent. In case of sublease by the lessee, the original lease agreement between the lessee and lessor shall remain valid. However, the lessor shall have the right to terminate the lease agreement if the sublease is conducted without the lessor's prior consent. Notwithstanding any transfer of ownership of the leased premises during the lessee's occupancy period pursuant to the lease terms, such transfer shall not invalidate the lease agreement. Pursuant to the Civil Code of the People's Republic of China (《中華人民共和國民法典》), where the leased property was lawfully leased prior to mortgage creation and is subsequently transferred, the pre-existing leasehold interest shall take priority over the subsequently created mortgage interest.

Pursuant to the Administrative Measures for the Leasing of Commercial Residential Housing (《商品房屋租賃管理辦法》), the lessor and lessee shall jointly file the lease registration with the municipal/county-level construction (real estate) authority in the jurisdiction where the leased property is located within thirty (30) days following the execution of the lease contract. Where a company fails to comply with the aforementioned requirements, it shall be ordered to rectify within a prescribed period; and if rectification is not made, a fine ranging from RMB1,000 to RMB10,000 per lease agreement may be imposed.

Intellectual Property Provisions

Trademark

Pursuant to the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) and the Implementing Regulations of the Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》), trademarks approved for registration by the Trademark Office shall be registered trademarks, including goods trademarks, service trademarks, collective trademarks, and certification trademarks. The trademark registrant shall enjoy the exclusive right to use the registered trademark, which is protected by law. Any natural person, legal entity, or other organization that requires trademark protection for its goods or services in commercial activities shall file a trademark application with the CNIPA Trademark Office. China adopts the "first-to-file" principle for trademark registration. A trademark registration application shall be rejected if the applied-for mark is identical or similar to, and designates the same or similar goods/services as a prior registered or preliminarily approved trademark of another party. No applicant for trademark registration shall infringe upon any existing prior rights of others or maliciously preempt the registration of a trademark that has been used by others and has acquired certain influence through improper means. A registered trademark shall be valid for ten (10) years, renewable for subsequent ten-year periods upon request by the trademark owner. Any trademark license agreement shall be recorded with the CNIPA Trademark Office for registration. Any of the following acts undertaken without the trademark owner's authorization shall constitute infringement of exclusive trademark rights: using a trademark identical or confusingly similar to a registered mark, and applying such mark to identical or similar goods/services. In such case, the infringer shall be ordered to immediately cease the infringing acts, and be subject to administrative fines. The infringer shall also be liable for compensating the right holder's damages. The compensation amount shall equal either the infringer's illegal gains derived from the infringement or the right holder's actual losses caused by the infringement, including reasonable expenses incurred by the right holder to stop the infringement.

Copyright

Pursuant to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) and its implementing regulations, Chinese citizens, legal entities, or other organizations shall enjoy copyright in their works (whether published or not) in accordance with the law. Such works shall include, but not be limited to literary works, oral works, musical, dramatic, and quyi (Chinese folk performance art) works, choreographic and acrobatic art works, fine art and architectural works, photographic works, audiovisual works, computer software, and other intellectual creations meeting the characteristics of works. Unless otherwise provided in the Copyright Law, any of the following acts undertaken without the copyright owner's authorization shall constitute copyright infringement: reproduction or distribution of the works; public performance, screening, or broadcasting; compilation; or communication to the public through information networks.

Pursuant to the Regulations on the Protection of Computer Software (《計算機軟件保護條例》), the copyright owner of software may register the software with a software registration authority recognized by the Copyright Administration Department of the State Council. The registration certificate issued by the software registration authority shall constitute prima facie evidence of the registration. The licensee shall not exercise any rights not expressly licensed in the software copyright license agreement. Where no written contract is executed or the contract does not explicitly stipulate an exclusive license, the licensed rights shall be deemed non-exclusive.

Domain Name

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), the Ministry of Industry and Information Technology shall exercise regulatory oversight over Internet domain names in China, assigning domain names to applicants under the "first-to-file" registration principle. Upon completion of the registration procedures, the applicant shall be officially recognized as the registrant of the domain name. Any use of registered domain names for Internet information services shall comply with all applicable laws, administrative regulations, and regulatory requirements issued by the telecommunications authority, and not facilitate or engage in any unlawful activities.

Lease-related Provisions

Pursuant to the Securities Law, the Measures for the Administration of Convertible Corporate Bonds (《可轉換公司債券管理辦法》) and the Administrative Measures for Sponsorship Business of Securities Issuance and Listing (《證券發行上市保薦業務管理辦法》), where an issuer applies to issue convertible corporate bonds through a legally mandated underwriting process, it shall engage a securities company qualified for sponsorship business to fulfill sponsorship duties.

A listed company shall meet the following requirements for issuing corporate bonds convertible into shares: maintain sound and well-functioning corporate governance structures; have average distributable profits over the last three (3) years sufficient to cover one (1) year's bond interest payments; and fulfill additional requirements promulgated by the State Council. In addition to meeting the aforementioned requirements, the listed company shall maintain sustainable operating capacity.

Funds raised through public corporate bond offerings shall be exclusively used for the purposes specified in the bond offering documents, and require a bondholders' meeting resolution for any alteration of use. Funds raised through public corporate bond offerings shall not be used for covering operating losses or non-productive expenditures.

The Administrative Measures for Securities Issuance and Underwriting (《證券發行與承銷管理辦法》) set forth provisions governing the participation of issuers, securities companies, and investors in bookbuilding and pricing, securities offering, securities Underwriting, and information disclosure. These Measures shall apply to the following activities conducted within China: issuing shares or convertible corporate bonds, securities Underwriting business conducted by securities companies, and subscription of domestically issued securities by investors. Pursuant to these Measures, where a listed company conducts the public offering of shares or public issuance of convertible corporate bonds to unspecified investors, it may implement a preferential allocation mechanism for existing shareholders (in whole or in part), subject to mandatory disclosure of the exact allocation percentage in the offering prospectus.

Pursuant to the Administrative Measures for the Issuance and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》), the issuance of corporate bonds may incorporate terms such as equity warrants and convertibility into underlying shares. Listed companies may issue corporate bonds incorporating terms that allow exchange for their listed shares. Commercial banks and other financial institutions may issue corporate bonds to replenish capital in accordance with applicable regulations. A listed company issuing corporate bonds incorporated with terms such as equity warrants and convertibility into shares shall comply with all applicable regulations governing securities issuance by listed companies.

PROVISIONS ON OVERSEAS SECURITIES OFFERINGS AND LISTINGS BY DOMESTIC ENTERPRISES

Securities Laws and Regulations

The Securities Law comprehensively regulates activities in China's securities market, including securities issuance and trading, listed company governance, stock exchange operations, acquisitions of securities firms, and duties of securities regulatory authorities. The Securities Law further provides that domestic enterprises issuing securities overseas, whether directly or indirectly, or listing securities on overseas markets, shall comply with the relevant regulations of the State Council, and that specific measures governing the subscription and trading of domestic company shares in foreign currencies shall be separately prescribed by the State Council. The CSRC, a securities regulatory authority established by the State Council, shall supervise and administer the securities market in accordance with the law, maintain market order, and ensure lawful market operations. The issuance and trading of H shares are currently governed by administrative regulations promulgated by the State Council, departmental rules issued by the CSRC, and normative documents.

Overseas Listing

Pursuant to the Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) and its five supporting regulatory guidelines, China has comprehensively reformed its regulatory regime for overseas listings – whereby domestic enterprises, either directly or indirectly, issue securities overseas or list their securities on overseas markets – by implementing a unified filing-based framework. Pursuant to the Trial Measures of Overseas Securities Offering and Listing, domestic Chinese companies seeking to issue or list securities on overseas markets – whether through direct or indirect structures – shall file required documents with the CSRC within three (3) business days after submitting their overseas listing application.

Pursuant to the Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》), for direct overseas listings by domestic enterprises, the issuer shall complete filing procedures with the CSRC. Overseas securities offering and listing shall be prohibited under any of the following circumstances:

- Where listing and financing are expressly prohibited by laws, administrative regulations, or other relevant State provisions;

- Where the relevant competent authorities of the State Council determine, upon examination in accordance with law, that the overseas securities offering and listing may endanger national security;

- Where, within the preceding three (3) years, a domestic enterprise or its controlling shareholders or de facto controllers has been convicted of criminal offenses including corruption, bribery, embezzlement, misappropriation of property, or disruption of socialist market economic order;

- Where a domestic enterprise is currently under official investigation for suspected criminal offenses or material regulatory violations pursuant to law, and no definitive determination has yet been rendered; and

- Where material ownership disputes exist regarding: shares held by the controlling shareholders or shares held by shareholders under the control of such controlling shareholders and/or the de facto controllers.

Pursuant to the Provisions on Strengthening Confidentiality and Archives Management for Overseas Securities Offerings and Listings by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), where a domestic enterprise provides or discloses to securities firms, securities service institutions, overseas regulatory authorities, or other entities/individuals any documents or materials containing State secrets or confidential government information, it shall obtain prior approval from the competent regulatory authority with jurisdictional power, and subsequently file the approval with the confidentiality administration department at the corresponding administrative level. The working papers generated within the territory of the PRC by securities companies and securities service institutions providing services for the overseas issuance and listing of domestic enterprises shall be stored within the PRC. Any cross-border transfer of such working papers shall be subject to examination and approval procedures in accordance with the relevant provisions of the State.

OVERVIEW OF THE LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATIONS IN HONG KONG

As we provide overseas financial services from our subsidiaries in Hong Kong, our business operations are subject to the laws of Hong Kong. The key laws and regulations which relate to our business and operations in Hong Kong are summarized as follows:

Introduction

The SFO, including its subsidiary legislation, is the principal legislation regulating the securities and futures industry in Hong Kong, including the regulation of securities, futures and leveraged foreign exchange markets, the offering of investments to the public in Hong Kong, and intermediaries and their conduct of regulated activities. In particular, Part V of the SFO deals with licensing and registration matters.

The SFO is administered by the Securities and Futures Commission of Hong Kong ("**SFC**") which is an independent statutory body in Hong Kong set up to regulate the securities and futures markets and the non-bank leveraged foreign exchange market in Hong Kong.

In addition, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) ("**CWUMPO**"), including its subsidiary legislation provides that the SFC is responsible for authorizing the registration of prospectuses for offerings of shares and debentures in Hong Kong and/or granting exemptions from strict compliance with the provisions in the CWUMPO. The SFO provides that the SFC is also responsible for authorizing certain securities (including the relevant offering documents) that are not shares or debentures.

The Hong Kong securities and futures industry (with respect to listed instruments) is also governed by the rules and regulations introduced and administered by the Hong Kong Stock Exchange and the Hong Kong Futures Exchange.

Types of regulated activities

The SFO provides a licensing regime where a person needs to obtain a license to carry on a business in any of the following regulated activities as defined in Schedule 5 to the SFO:

License	Regulated Activity
Type 1:.	Dealing in securities
Type 2:	Dealing in futures contracts
Type 3:	Leveraged foreign exchange trading
Type 4:	Advising on securities
Type 5:	Advising on futures contracts
Type 6:	Advising on corporate finance
Type 7:	Providing automated trading services
Type 8:	Securities margin financing
Type 9:	Asset management
Type 10:	Providing credit rating services
Type 11:	Dealing in OTC derivative products or advising on OTC derivative products
Type 12:	Providing client clearing services for OTC derivative transactions
Type 13:	Providing depositary services for SFC-authorized collective investment schemes

As of the date of this document, below subsidiaries were licensed under the SFO to conduct the following regulated activities:

	Regulated Activities by Type of License
HGNH International Futures	Type 2, Type 5
HGNH International AM	Type 4, Type 9
HGNH International Securities	Type 1, Type 4

Overview of Licensing Requirements under the SFO

Under the SFO, any person who carries on a business in a regulated activity or holds itself out as carrying on a business in a regulated activity must be licensed under the relevant provisions of the SFO to carry on that regulated activity, unless any exemption under the SFO applies. This applies to a corporation carrying on a business in a regulated activity and to any individuals acting on behalf of that corporation in carrying on such activities, as further described below. It is an offense for a person to conduct any regulated activity without the appropriate license issued by the SFC.

Further, if a person (whether by itself or another person on his behalf, and whether in Hong Kong or from a place outside of Hong Kong) actively markets to the public in Hong Kong any services that it provides and such services, if provided in Hong Kong, would constitute a regulated activity, then that person is also subject to the licensing requirements under the SFO.

Responsible Officers

In order for a licensed corporation to carry on any of the regulated activities, it must appoint no less than two Responsible Officers ("**Responsible Officers**") for each regulated activity conducted by a licensed corporation, at least one of whom must be an executive director, to supervise each regulated activity.

An "executive director" of a licensed corporation is defined as a director of the corporation who (a) actively participates in or (b) is responsible for directly supervising, the business of a regulated activity or activities for which the corporation is licensed. Every executive director of the licensed corporation who is an individual must apply to the SFC to be approved as a Responsible Officer of such licensed corporation in relation to the regulated activities.

Managers-in-Charge of Core Functions ("MICs")

A licensed corporation is required to designate certain individuals as MICs and provide to the SFC information about its MICs and their reporting lines. MICs are individuals appointed by a licensed corporation to be principally responsible, either alone or with others, for managing each of the following eight core functions of the licensed corporation:

(a) overall management oversight;

(b) key business lines;

(c) operational control and review;

(d) risk management;

(e) finance and accounting;

(f) information technology;

(g) compliance; and

(h) anti-money laundering and counter-terrorist financing.

The management structure of a licensed corporation (including its appointment of MICs) should be approved by the board of the licensed corporation. The board should ensure that each of the licensed corporation's MICs has acknowledged his or her appointment as MIC and the particular core function(s) for which he or she is principally responsible.

Licensed Representatives

In addition to the licensing requirements for corporations that carry on regulated activities, any individual who:

(a) performs any regulated function for his principal which is a licensed corporation in relation to a regulated activity carried on as a business; or

(b) holds himself out as performing such regulated function,

(c) must separately be licensed under the SFO as a Licensed Representative accredited to his principal.

Fit and Proper Requirement

Persons who apply for licenses to carry on regulated activities under the SFO must satisfy, and continue to satisfy the SFC after the grant of such licenses by the SFC, that they are fit and proper persons to be so licensed. The Fit and Proper Guidelines issued by the SFC under section 399 of the SFO ("**Fit and Proper Guidelines**") summaries certain matters that the SFC will generally consider when determining whether the applicant is a fit and proper person to be licensed under the SFO. Effective from January 1, 2022, the additional fit and proper guidelines for corporations and authorized financial institutions applying or continuing to act as sponsors and compliance advisers are addressed under the Guidelines on Competence and Guidelines on Continuous Professional Training.

Under the Fit and Proper Guidelines, the SFC will consider the following matters of the applicant in addition to any other issues as it may consider to be relevant:

(a) the financial status or solvency;

(b) the educational or other qualifications or experience having regard to the nature of the functions to be performed;

(c) the ability to carry on the regulated activity competently, honestly and fairly; and

(d) the reputation, character, reliability and financial integrity.

The SFC will consider the above matters in respect of the person (if an individual), the corporation and any of its officers (if a corporation) or the institution, its directors, chief executive, managers and executive officers (if an authorized financial institution).

In addition to the above, the SFC may also take into account of the following matters:

(a) any decisions made by the Hong Kong Monetary Authority, the Insurance Authority, the Mandatory Provident Fund Schemes Authority or any other authorities or organizations performing similar functions as those of SFC (in the SFC's opinion) whether in Hong Kong or elsewhere in respect of the applicant;

(b) any information relating to:

(c) any person who is or is to be employed by, or associated with, the applicant for the purpose of the regulated activity in question;

(d) any person who will be acting for or on behalf of the applicant in relation to the regulated activity in question; and

(e) if the applicant is a corporation in a group of companies, any other corporation within the same group of companies or any substantial shareholder or officer of any such corporation;

(f) whether the applicant has established effective internal control procedures and risk management systems to ensure its compliance with all applicable regulatory requirements under any of the relevant provisions; and

(g) the state of affairs of any other business which the person carries on or proposes to carry on.

Continuing Obligations of Licensed Corporations

Licensed corporations, Licensed Representatives and Responsible Officers must remain fit and proper at all times. They are required to comply with all applicable provisions of the SFO and its subsidiary rules and regulations, as well as the codes and guidelines issued by the SFC.

Outlined below are some of the key continuing obligations of our licensed corporations under the SFO:

- maintenance of minimum paid-up share capital and liquid capital, and submission of financial resources returns to the SFC in accordance with the requirements under the Securities and Futures (Financial Resources) Rules of Hong Kong ("**FRR**");
- maintenance of segregated account(s), and custody and handling of client securities in accordance with the requirements under the Securities and Futures (Client Securities) Rules (Chapter 571H of the Laws of Hong Kong);
- maintenance of segregated account(s), and holding and payment of client money in accordance with the requirements under the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong);

- issuance of contract notes, statements of account and receipts in accordance with the requirements under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules (Chapter 571Q of the Laws of Hong Kong);

- maintenance of proper records in accordance with the requirements prescribed under the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong);

- submission of audited accounts and other required documents in accordance with the requirements under the Securities and Futures (Accounts and Audit) Rules (Chapter 571P of the Laws of Hong Kong);

- maintenance of insurance against specific risks for specified amounts in accordance with the requirements under the Securities and Futures (Insurance) Rules (Chapter 571AI of the Laws of Hong Kong);

- payment of annual fees and submission of annual returns to the SFC within one month after each anniversary date of the license;

- notification to the SFC of certain changes and events in accordance with the requirements under the Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong);

- notification to the SFC of any changes in the appointment of MICs or any changes in certain particulars of MICs pursuant to the Circular to Licensed Corporations Regarding Measures for Augmenting the Accountability of Senior Management dated December 16, 2016 issued by the SFC;

- compliance with the continuous professional training and related record keeping requirements under the Guidelines on Continuous Professional Training issued by the SFC;

- implementation of appropriate policies and procedures relating to client acceptance, client due diligence, record keeping, identification and reporting of suspicious transactions and staff screening, education and training in accordance with the requirements under the Guideline on Anti-Money Laundering and Counter- Financing of Terrorism (For Licensed Corporations) issued by the SFC ("**AMLCTF Guideline**");

- compliance with the business conduct requirements under the Code of Conduct for Persons Licensed by or Registered with the SFC, the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the Securities and Futures Commission, the Fund Manager Code of Conduct and the Fit and Proper Guidelines;

- compliance with employee dealings requirements under the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, which requires licensed corporations to implement procedures and policies on employee trading, to actively monitor the trading activities in their employees' accounts and their related accounts;

- compliance with the Advertising Guidelines Applicable to Collective Investment Schemes Authorized under the Product Codes, the Guidelines on Disclosure of Fees and Charges Relating to Securities Services and other applicable codes, circulars and guidelines issued by the SFC; and

- compliance with the requirements in relation to provision of order execution, distribution or advisory services in respect of investment products via online platforms under the Guidelines on Online Distribution and Advisory Platforms issued by the SFC.

The Securities and Futures (Financial Resources) Rules of Hong Kong

Subject to certain exemptions specified under the FRR, a licensed corporation is required to maintain minimum paid-up share capital in accordance with the FRR. The following table sets out a summary of the key requirements on minimum paid-up share capital under the FRR which are applicable to certain HGNH Companies:

	Regulated Activities	**Minimum Amount of Paid-up Share Capital**
HGNH International Futures	Type 2, Type 5	HK$5,000,000
HGNH International AM	Type 4, Type 9	HK$5,000,000
HGNH International Securities	Type 1, Type 4	HK$5,000,000

In addition, the FRR also requires a licensed corporation to maintain minimum liquid capital. The minimum liquid capital requirement under the FRR that is applicable to certain of our subsidiaries is as below:

	Regulated Activities	**Minimum Amount of Paid-up Share Capital**
HGNH International Futures	Type 2, Type 5	HK$3,000,000
HGNH International AM	Type 4, Type 9	HK$3,000,000
HGNH International Securities	Type 1, Type 4	HK$3,000,000

Securities and Futures (Client Securities) Rules (Chapter 571H of the Laws of Hong Kong) (the "Client Securities Rules")

The repledging limit stipulated under section 8A of the Client Securities Rules applies to an intermediary which is licensed for dealing in securities and/or securities margin financing and where the intermediary or an associated entity of such intermediary repledges securities collateral of the intermediary. On each business day, the intermediary shall ascertain the aggregate market value of the repledged securities collateral, which shall be calculated by reference to the respective closing prices of the collateral on that business day.

Pursuant to section 8A of the Client Securities Rules, if the aggregate market value of the repledged securities collateral as calculated above exceeds 140% of the intermediary's aggregate margin loans on the same business day ("**Relevant Day**"), the intermediary shall by the close of business on the next business day following the Relevant Day ("**Specified Time**"), withdraw, or causes to be withdrawn, from deposit an amount of repledged securities collateral such that the aggregate market value of the repledged securities collateral at the Specified Time, which is calculated by reference to the respective closing prices on the Relevant Day, does not exceed 140% of the intermediary's aggregate margin loans as of the close of business on the Relevant Day.

Exchange and Clearing Participantship

As of date hereof, certain of our subsidiaries were participants of the following:

HGNH International Futures:

Exchange/Clearing House	Type of Participantship
HKCC	Clearing Participant
Hong Kong Futures Exchange	Futures Commission Merchant

HGNH International Securities:

Exchange/Clearing House	Type of Participantship
Hong Kong Stock Exchange	Participant
	China Connect Exchange Participant
HKSCC	Direct Clearing Participant China Connect Clearing Participant

Trading Rights

In addition to the licensing requirements under the SFO, the rules promulgated by the Stock Exchange of Hong Kong and the Hong Kong Futures Exchange require any person who wishes to trade on or through their respective facilities to hold a trading right ("**Trading Right**"). The Trading Right confers on its holder the eligibility to trade on or through the relevant exchange. However, the holding of a Trading Right does not, of itself, permit the holder to actually trade on or through the relevant exchange. In order to do this, it is also necessary for the person to be registered as a participant of the relevant exchange in accordance with its rules, including those requiring compliance with all relevant legal and regulatory requirements.

The Stock Exchange of Hong Kong Trading Rights and the Hong Kong Futures Exchange Trading Rights are issued by the Stock Exchange of Hong Kong and the Hong Kong Futures Exchange at a fee and in accordance with the procedures set out in their respective rules. Alternatively, the Stock Exchange of Hong Kong Trading Rights and the Hong Kong Futures Exchange Trading Rights can be acquired from existing Trading Right holders subject to the rules of the respective exchanges.

Exchange Participantship

The table below sets out a summary of the key requirements for becoming an exchange participant of the relevant exchange:

	Stock Exchange Participant/Stock Options Exchange Participant	Futures Exchange Participant
Legal Status	Being a company limited by shares incorporated in Hong Kong	
SFC Registration	Being a licensed corporation qualified to carry out Type 1 regulated activity under the SFO	Being a licensed corporation qualified to carry out Type 2 regulated activity under the SFO
Trading Right	Holding a Stock Exchange Trading Right	Holding a Futures Exchange Trading Right
Financial Standing	Having good financial standing and integrity	
Financial Resources Requirement	Complying with the minimum capital requirement, liquid capital requirement and other financial resources requirements as specified by the FRR	

Clearing Participantship

An entity must be an exchange participant of the relevant exchange before it can become a clearing participant of the following clearing houses, namely the HKSCC and HKCC.

HKSCC

HKSCC has, among others, two categories of participantship: (1) the Direct Clearing Participant; and (2) the General Clearing Participant. The requirements of Direct Clearing Participantship are as follows:

- to be an Exchange Participant of the Stock Exchange of Hong Kong;
- to undertake to (i) sign a participant agreement with HKSCC; (ii) pay to HKSCC an admission fee of HK$50,000 in respect of each Stock Exchange Trading Right held by it; and (iii) pay to HKSCC its contribution to the guarantee fund of HKSCC as determined by HKSCC from time to time subject to a minimum cash contribution of the higher of HK$50,000 or HK$50,000 in respect of each Stock Exchange Trading Right held by it;
- to open and maintain a single current account with one of the CCASS designated banks and execute authorizations to enable the designated bank to accept electronic instructions from HKSCC to credit or debit the account for CCASS money settlement, including making payment to HKSCC;
- to provide a form of insurance to HKSCC as security for liabilities arising from defective securities deposited by it into CCASS, if so required by HKSCC; and
- to have a minimum liquid capital of HK$3,000,000.

HKCC

HKCC has two categories of participantship: (1) the General Clearing Participant; and (2) the Clearing Participant. The requirements of Clearing Participantship are as follows:

- be an Exchange Participant of the Hong Kong Futures Exchange;
- have a liquid capital of not less than the higher of:
  - (a) its required liquid capital under the Securities and Futures (Financial Resources) Rules; or
  - (b) HK$5,000,000; and
- contribute HK$1,500,000 participant deposit to the reserve fund under the rules of HKCC.

China Connect Exchange Participant

China Connect is open to all Exchange Participants, but Exchange Participants who wish to participate must satisfy certain eligibility requirements published on the Stock Exchange website at **http://www.hkex.com.hk/mutualmarket**.

Only the following Exchange Participants shall be eligible to apply for registration and to remain registered as China Connect Exchange Participants: (1) Exchange Participants that are CCASS Clearing Participants, and (2) Exchange Participants that are not CCASS Clearing Participants but have entered into a valid, binding and effective CCASS Clearing Agreement with a CCASS GCP which is and remains registered by HKSCC as a China Connect CCASS Clearing Participant for the clearing of its China Connect Securities Trades (capitalized terms of which are defined in the Rules of the Hong Kong Stock Exchange).

The Stock Exchange may publish the China Connect Exchange Participant Registration Criteria (as defined in the Rules of the Stock Exchange) and a list of the China Connect Exchange Participants registered from time to time on the website of the Stock Exchange or by other means that it considers appropriate.

China Connect Clearing Participant

Only China Connect Clearing Participants may use China Connect Clearing Services relating to the clearing and settlement of China Connect Securities Trades. The requirements for being accepted for registration and remaining registered as a China Connect Clearing Participant are as follows:

- to be a Direct Clearing Participant or a General Clearing Participant;

- to undertake to pay HKSCC such amount of Mainland Settlement Deposit, Mainland Security Deposit, Marks and Collateral as may be specified by HKSCC in accordance with the Operational Procedures of HKSCC in relation to CCASS; and

- to meet all other relevant China Connect Clearing Participant Registration Criteria.

HKSCC may from time to time prescribe additional eligibility criteria for participants to be accepted for registration and to remain registered as China Connect Clearing Participants. HKSCC may publish the China Connect Clearing Participant Registration Criteria and a list of China Connect Clearing Participants on the website of the Stock Exchange or by other means that it considers appropriate.

Anti-Money Laundering and Counter-Terrorist Financing

Licensed corporations are required to comply with the applicable anti-money laundering and counter-terrorist financing laws and regulations in Hong Kong as well as the AMLCTF Guideline and the Prevention of Money Laundering and Terrorist Financing Guideline issued by the Securities and Futures Commission for Associated Entities.

The AMLCTF Guideline provides practical guidance to assist licensed corporations and their senior management in formulating and implementing their own policies, procedures and controls in order to meet applicable legal and regulatory requirements in Hong Kong. Under the AMLCTF Guideline, licensed corporations should, among other things:

- assess the risks of any new products and services before they are introduced and ensure that appropriate additional measures and controls are implemented to mitigate and manage the risks associated with money laundering and terrorist financing;

- consider the delivery and distribution channels (which may include sales through online, postal or telephone channels where a non-face-to-face account opening approach is used and business sold through intermediaries) and the extent to which they are vulnerable to abuse for money laundering and terrorist financing;

- identify the client and verify the client's identity and any beneficial owner's identity by reference to any documents, information or data from reliable and independent sources, and take steps from time to time to ensure that the client information obtained is up-to-date and relevant;

- conduct on-going monitoring of activities of the clients to ensure that they are consistent with the nature of business, the risk profile and source of funds, as well as identify transactions that are complex, large or unusual, or patterns of transactions that have no apparent economic or lawful purpose and which may indicate money laundering and terrorist financing;

- maintain a database of names and particulars of terrorist suspects and designated parties which consolidates the information from various lists that have been made known to them, as well as conduct comprehensive on-going screening of the client database; and

- conduct on-going monitoring for identification of suspicious transactions and ensure compliance with their legal obligations of reporting funds or property known or suspected to be proceeds of crime or terrorist property to the Joint Financial Intelligence Unit, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs and Excise Department to monitor and investigate suspicious financial or money laundering activities.

The below is a brief summary of the principal legislation in Hong Kong that is concerned with anti-money laundering and counter-terrorist financing.

Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) ("AMLO")

Among other things, the AMLO imposes on certain institutions (which include licensed corporations as defined under the SFO) certain requirements relating to customer due diligence and record-keeping. The AMLO empowers the relevant regulatory authorities to supervise compliance with the requirements under the AMLO. In addition, a financial institution must take all reasonable measures to (1) ensure that proper safeguards exist to prevent contravention of specific provisions in the AMLO, and (2) mitigate money laundering and terrorist financing risks.

Licensing Requirements for Trust or Company Service Providers ("TCSP") under the AMLO

A person who carries on or wishes to carry on a trust or company service business in Hong Kong is required to apply for a licence under the AMLO, unless any exemption under the AMLO applies. The Companies Registry of Hong Kong is responsible for the administration of the licensing regime for TCSPs. It is an offense for a person to carry on a trust or company service business in Hong Kong without a licence.

A TCSP licence, once granted, will generally be valid for three years. The Companies Registry of Hong Kong is empowered to grant, refuse to grant, renew, suspend or revoke a licence, and impose or vary any conditions in relation to a licence. TCSP licensees are required to obtain prior approval from the Registrar of Companies of Hong Kong before any person becomes an ultimate owner, a partner or a director of a licensee. They should also give notifications to the Registrar of Companies of Hong Kong of any changes in particulars previously provided in connection with an application for the grant or renewal of a licence within one month of the change. A TCSP licensee who intends to cease to carry on the trust or company service business is also required to, before the intended date of cessation, notify the Registrar of Companies of Hong Kong of that intention and the intended date of cessation.

TCSP licensees are also required to comply with the statutory customer due diligence and record-keeping requirements as set out in Schedule 2 to the AMLO.

The Companies Registry of Hong Kong published the "Guideline on Licensing of Trust or Company Service Providers" to provide information on the licensing requirements and the "Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers" to provide guidance on the ongoing obligations of TCSP licensees. The register of licensees, which contains the name and business address of every TCSP licensee, is maintained by the Registrar of Companies of Hong Kong and is available for public inspection.

Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) ("DTROP")

Among other things, the DTROP contains provisions for the investigation of assets suspected to be derived from drug trafficking activities, the freezing of assets on arrest and the confiscation of the proceeds from drug trafficking activities by the competent authorities. It is an offense under the DTROP for a person to deal with any property knowing or having reasonable grounds to believe it to represent the proceeds from drug trafficking. The DTROP requires a person to report to an authorized officer if he/she knows or suspects that any property (in whole or in part directly or indirectly) represents the proceeds of drug trafficking or is intended to be used or was used in connection with drug trafficking, and failure to make such disclosure constitutes an offense under the DTROP.

Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) ("OSCO")

Among other things, the OSCO empowers officers of the Hong Kong Police Force and the Hong Kong Customs and Excise Department to investigate organized crime and triad activities, and confers jurisdiction on the Hong Kong courts to confiscate the proceeds of organized and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of specified offenses under the OSCO. The OSCO extends the money laundering offense to cover the proceeds from all indictable offenses in addition to drug trafficking.

United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) ("UNATMO")

Among other things, the UNATMO stipulates that it is a criminal offense to: (1) provide or collect property (by any means, directly or indirectly) with the intention or knowledge that the property will be used to commit, in whole or in part, one or more terrorist acts; or (2) make any property or financial (or related) services available, by any means, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate, or collect property or solicit financial (or related) services, by any means, directly or indirectly, for the benefit of a person knowing that, or being reckless as to whether, the person is a terrorist or terrorist associate. The UNATMO also requires a person to disclose his knowledge or suspicion of terrorist property to an authorized officer, and failure to make such disclosure constitutes an offense under the UNATMO.

Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), ("PDPO")

The PDPO imposes a statutory duty on data users to comply with the requirements of the six data protection principles (the "**Data Protection Principles**") contained in Schedule 1 to the PDPO. The PDPO provides that a data user shall not do an act, or engage in a practice, that contravenes a Data Protection Principle unless the act or practice, as the case may be, is required or permitted under the PDPO. The six Data Protection Principles are:

- Principle 1 – purpose and manner of collection of personal data;

- Principle 2 – accuracy and duration of retention of personal data;

- Principle 3 – use of personal data;

- Principle 4 – security of personal data;

- Principle 5 – information to be generally available; and

- Principle 6 – access to personal data.

Non-compliance with a Data Protection Principle may lead to a complaint to the Privacy Commissioner for Personal Data (the "**Privacy Commissioner**"). The Privacy Commissioner may serve an enforcement notice to direct the data user to remedy the contravention and/or instigate prosecution actions. A data user who contravenes an enforcement notice commits an offense which may lead to a fine and imprisonment.

The PDPO also gives data subjects certain rights, *inter alia*:

- the right to be informed by a data user whether the data user holds personal data of which the individual is the data subject;

- if the data user holds such data, to be supplied with a copy of such data; and

- the right to request correction of any data they consider to be inaccurate.

The PDPO criminalizes, including but not limited to, the misuse or inappropriate use of personal data in direct marketing activities, non-compliance with a data access request and the unauthorized disclosure of personal data obtained without the relevant data user's consent. An individual who suffers damage, including injured feelings, by reason of a contravention of the PDPO in relation to his or her personal data may seek compensation from the data user concerned.

Hong Kong Taxation

Hong Kong profits tax is chargeable on every person, including corporations, carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets). However, profits arising from the sale of capital assets are not subject to Hong Kong profit tax. Whether (i) an activity amounted to trade, profession or business; (ii) an asset is capital in nature or revenue in nature; and/ or (iii) profits are arising in or derived from Hong Kong are questions of fact. Under the current Hong Kong Inland Revenue Ordinance, Hong Kong profits tax for a corporation from the year of assessment 2018/2019 onwards is generally 8.25% on assessable profits up to HK$2.0 million; and 16.5% on any part of assessable profits over HK$2.0 million.

In addition, if the transfer of a share is required to be registered in a share register in Hong Kong, or Hong Kong Share, stamp duty will be payable by the person(s) who effects any sale or purchase of such Hong Kong Share. As at the date hereof, the stamp duty in relation to transfer of Hong Kong Share is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the shares transferred on each of the seller and purchaser. In other words, a total of 0.2% of the consideration for, or (if greater) the value of, the shares transferred is currently payable on a typical sale and purchase transaction of Hong Kong Share. In addition, the instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5.00.

Regulations on Employment in Hong Kong

The principle legislations that govern employment matters in Hong Kong include: (i) the Employment Ordinance (Chapter 57 Laws of Hong Kong); (ii) Minimum Wage Ordinance (Chapter 608 Laws of Hong Kong); (iii) Occupational Retirement Schemes Ordinance (Chapter 426 Laws of Hong Kong); (iv) Mandatory Provident Fund Schemes Ordinance (Chapter 485 Laws of Hong Kong); (v) Employees' Compensation Ordinance (Chapter 282 Laws of Hong Kong); and (vi) Occupational Safety and Health Ordinance (Chapter 509 Laws of Hong Kong).

According to the legislations above, although there is no specific requirement that employment contracts must be in written form, an employer is required to provide particulars of the terms of employment to the employee upon request. Wages should not be lower than the statutory minimum wage and shall be paid to the employees within seven days from the end of the relevant wage period. Employers also required to take out sufficient employees compensation insurance in respect of their liability to compensate employees for any injury or accident arising out of and in the course of employment. In addition, all employers are required to provide a safe and healthy work environment to all employees and put in place appropriate measures in the workplace. Violations of the relevant legislation may result in the imposition of fines or imprisonments and also claims from the employees.

Regulations on Social Welfare in Hong Kong

Employers in Hong Kong are required by Hong Kong laws to enroll all eligible employees to their mandatory provident fund ("**MPF**") scheme. Both the employer and the employee are each required to contribute an amount equal to at least 5% of an employee's salary (subject to a statutory cap at HK$1,500) per month to a retirement scheme that is registered as a MPF scheme. Some employers in Hong Kong may provide occupational retirement scheme as an alternative or additional benefit through occupational retirement scheme. Failure to maintain a retirement scheme, enroll eligible employees to its retirement scheme, or make the required contributions would be a criminal offence. Employers who are in breach may be subject to fine or imprisonment.

OVERVIEW OF THE LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATIONS IN SINGAPORE

As we provide overseas financial services from our subsidiaries in Singapore, our business operations are subject to the laws of Singapore. The key laws and regulations which relate to our business and operations in Singapore are summarized as follows:

Regulatory Requirements under the Securities and Futures Act

The SFA is the principal legislation regulating activities and institutions in the securities and derivatives industry in Singapore.

The SFA is administered by the MAS, which is Singapore's central bank and integrated financial regulator. As an integrated financial supervisor, the MAS has oversight of all financial institutions in Singapore, including banks, insurers, capital market intermediaries (such as Nanhua Singapore and Nanhua SG), and financial advisors. To this end, the MAS also establishes rules for such financial institutions which are implemented through legislation, regulations, directions and notices. MAS guidelines are also formulated and published to encourage best practices among financial institutions in Singapore.

In particular, Part 4 of the SFA provides for the licensing and regulation of certain regulated activities typically carried out by capital markets intermediaries (such as Nanhua Singapore and Nanhua SG).

Types of Regulated Activities under Part 4 of the SFA

Part 4 of the SFA governs the conduct of regulated activities typically carried out by capital market intermediaries. Under Section 82(1) of the SFA, a person carrying on business in a regulated activity is required to hold a Capital Markets Services Licence ("**CMSL**"), issued by the MAS, unless an exemption applies. The CMSL system is a modular licensing system, in that an entity will hold one single CMSL covering the different types of regulated activities under the SFA which it engages or intends to engage in. It is an offense for a person to carry on business, or hold himself out as carrying on business, in any regulated activity without the appropriate licence issued by the MAS.

In addition, where a CMSL has been granted by the MAS, the grant may be subject to such conditions and restrictions as the MAS thinks fit. It is an offence for a person to contravene any such condition or restriction in the licence.

Activities which Nanhua Singapore and Nanhua SG are Licensed to Conduct in Singapore

As of the Latest Practicable Date, Nanhua Singapore holds a CMSL (License No. CMS 100651) and is licensed under the SFA to conduct dealings in capital markets products, specifically in Exchange-Traded Derivatives Contracts, Over-The-Counter Derivatives Contracts, and Spot Foreign Exchange Contracts for the Purposes of Leveraged Foreign Exchange Trading.

Under the SFA, "capital markets products" means any securities[1], units in a collective investment scheme, derivatives contracts, and spot foreign exchange contracts for the purposes of leveraged foreign exchange trading and such other products as the MAS may prescribe as capital market products. The term "dealing in capital markets products" in turn means (whether as principal or agent) making or offering to make with any person, or inducing or attempting to induce any person to enter into or to offer to enter into any agreement for or with a view to acquiring, disposing of, entering into, effecting, arranging, subscribing for, or underwriting any capital markets product. This definition thus captures both the role of executing transactions involving capital markets products as well as the role of soliciting transactions involving capital markets products. Currently, under the CMSL granted to Nanhua Singapore, it may carry on business in dealing with capital market products only in respect to three specific products as mentioned above (i.e., Exchange-Traded Derivatives Contracts, Over-The-Counter Derivatives Contracts, and Spot Foreign Exchange Contracts for the Purposes of Leveraged Foreign Exchange Trading).

On the other hand, Nanhua SG holds a CMSL (License No. CMS 100920) and is licensed under the SFA to conduct fund management. "Fund management" is defined under the SFA to mean managing the property of, or operating a collective investment scheme, or undertaking, on behalf of a customer (whether on a discretionary authority granted by the customer or otherwise) the management of a portfolio of capital market products or the entry into spot foreign exchange contracts for the purpose of managing customer's funds, excluding any real estate investment trust management.

The CMSL granted to both entities, Nanhua Singapore and Nanhua SG, are subject to certain conditions stipulated by MAS.

Representatives, Directors, and CEO Requirements

Under Section 99B(1) of the SFA, individuals who are employed by or who are acting for a CMSL holder in Singapore to carry out the regulated activities are required to be appointed, provisional or temporary representatives under the SFA, unless exempted.

Pursuant to the MAS Guidelines SFA 04-G01 on Criteria for the Grant of a Capital Markets Services Licence other than for Fund Management and Real Estate Investment Trust Management (last revised January 21, 2025) ("**MAS Guidelines SFA 04-G01**"), Nanhua Singapore is required to employ at least two full-time individuals as appointed representatives for each of the regulated activities they are licensed to conduct. Additionally, Nanhua Singapore is to ensure that its board of directors comprises a minimum of two members, with at least one resident in Singapore. The CEO of Nanhua Singapore should also be resident in Singapore. Furthermore, the approval of MAS must be obtained before appointing the chief executive officer, any resident director, or any director directly responsible for the business operations in Singapore.

[1] Under the SFA, the term "securities" generally refers to shares, debentures, units in a business trust or any instrument conferring or representing a legal or beneficial ownership interest in a corporation, partnership or limited liability partnership.

For Nanhua SG, which is licensed for fund management, the regulatory requirements for representatives, directors and CEO differ slightly from those applicable to Nanhua Singapore. Based on the MAS Guidelines SFA 04-G05 on Licensing and Conduct of Business for Fund Management Companies (last revised January 13, 2025) ("**MAS Guidelines SFA 04-G05**"), at least two full-time representatives residing in Singapore must be employed for licensed fund management companies dealing with accredited and/or institutional investors ("**A/I LFMC**") or at least three if it is a licensed fund management company dealing with retail investors ("**retail LFMC**"). These representatives must be directly involved in the fund management activities of the company, such as portfolio management, investment research, trade execution, and client servicing, and must meet MAS's prescribed competency and examination requirements. Unlike Nanhua Singapore, representatives engaged in control functions (e.g., risk management, compliance, operations, finance) should not be appointed as representatives of Nanhua SG.

In terms of directorship requirements, similar to the MAS Guidelines SFA 04-G01, Nanhua SG must have at least two directors, with at least one being an executive director who is resident in Singapore and actively involved in the day-to-day management of the company. Additionally, the executive director must have a minimum of five years of relevant portfolio management experience in asset classes or markets in which Nanhua SG intends to invest. Nominee directors, such as legal advisers or corporate secretaries, do not count toward this requirement.

The CEO of Nanhua SG must be resident in Singapore and meet MAS's experience requirements which differs based on the type of fund management licence. For A/I LFMCs, the CEO must have at least five years of managerial or supervisory experience, while for retail LFMCs, this requirement is increased to ten years. The CEO must be actively engaged in the company's operations and be responsible for ensuring compliance with MAS regulations, governance, and risk management requirements. The approval of MAS must be obtained before appointing the chief executive officer, any resident director, or any director directly responsible its fund management activities.

"Fit and Proper" Requirement

Persons applying to the MAS for a CMSL under the SFA, as well as its directors, representatives, and shareholders, must satisfy, and continue to satisfy after the grant of the CMSL by the MAS, that they are fit and proper persons. Generally, a fit and proper person means one who is financially sound, competent, honest, and has not been in breach of relevant laws and regulations. MAS administers this regime through a set of Fit and Proper Guidelines which all classes of regulated entities (including CMSL holders) are ordinarily expected to follow.

Base Capital Requirements

As both companies hold a CMSL, they would need to satisfy base capital requirements. For Nanhua Singapore, the base capital requirements would depend on the MAS Guidelines SFA 04-G01 and Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations ("**SF(FMR)R**").

By Regulation 4 of the SF(FMR)R, a CMSL holder shall not cause or permit its base capital to fall below the base capital requirement applicable to it. Where the base capital falls below the base capital requirement or where the CMSL holder becomes aware that the base capital will fall below the base capital requirement, the MAS must be notified immediately.

As for Nanhua SG, the base capital requirements would depend on the MAS Guidelines SFA 04-G05. The applicable base capital requirement for Nanhua SG depends on its client base and whether it manages retail funds. If Nanhua SG only serves accredited and institutional investors, it will be subject to the lower S$250,000 requirement. However, if Nanhua SG engages in retail fund management or manages non-CIS discretionary portfolios for retail clients, the requirement increases to S$500,000 or S$1 million, respectively.

Risk Capital Requirements

Furthermore, a CMSL holder shall at all times meet the risk-based capital requirement in the SF(FMR)R and Notice SFA 04-N13 Risk Based Capital Adequacy Requirements for Holders of Capital Markets Services Licence upon obtaining its licence. The particular capital requirements are generally based on various risk factors faced by the CMSL holder, and the risk measurements are proxied from various items of information within the CMSL holder's financial statements.

In this regard, under Regulations 6 and 7 of the SF(FMR)R, a licensed corporation shall:

(a) not cause or permit its financial resources or adjusted net head office funds, whichever is applicable, to fall below its total risk requirement; and

(b) immediately notify the Mas if its financial resources or adjusted net head office funds, whichever is applicable, fall below 120% of its total risk requirement.

Continuing Obligations

An entity licensed under Part 4 of the SFA would typically expect that various ongoing operational obligations would apply, in addition to any specific conditions which the MAS may impose when granting its license. There are different ongoing business conduct compliance obligations depending on the relevant licensing category. In respect of Nanhua Singapore and Nanhua SG, these include, but are not limited to, the following requirements under the SF(LCB)R:

(a) maintenance of a minimum deposit sum of S$100,000 with the MAS (Regulation 7 of the SF(LCB)R);

(b) implement, and ensure compliance with, effective written policies on all operational areas, including financial policies, accounting and internal controls, and internal auditing (Regulation 13(b)(i) of the SF(LCB)R);

(c) identify, address and monitor the risks associated with the trading or business activities (Regulation 13(b)(iii) of the SF(LCB)R);

(d) ensure that its business activities are subject to adequate internal audit (Regulation 13(b)(iv) of the SF(LCB)R);

(e) ensure that its business activities are subject to adequate internal audit (Regulation 13(b)(iv) of the SF(LCB)R);

(f) provision of statements to customers (Regulation 40 of the SF(LCB)R); and

(g) regulations on product advertisements (Regulation 46 of the SF(LCB)R).

In addition to the general ongoing compliance obligations applicable to all CMS licence holders, Nanhua SG as CMSL holder for fund management would be subject to additional continuing obligations under Regulation 13B of the SF(LCB)R. These obligations are specific to its role in management customer assets and include:

(a) risk management framework that is proportionate to the nature, scale, and complexity of the managed assets;

(b) assets under Nanhua SG's management must be independently valued to determine their Net Asset Value (NAV). An independent party must convey these valuations to the relevant customers or, in the case of closed-end funds or collective investment schemes (CISs), to the unitholders of such funds;

(c) Nanhua SG is required to segregate customer assets from its proprietary assets, ensuring that client funds are maintained separately to safeguard investor interests. These assets must be held in trust or custody accounts with a financial institution approved by MAS or a licensed custodian in an overseas jurisdiction;

(d) when executing transactions involving capital markets products traded on approved exchanges or recognized market operators, Nanhua SG must give priority to customer transactions over those of the firm itself, its officers, employees, and other related persons;

(e) Nanhua SG must mitigate and manage conflicts of interest in the course of its fund management activities. Where conflicts cannot be fully avoided, Nanhua SG must disclose them to the affected customers in a transparent manner.

Licensing Regime under the Financial Advisers Act

For completeness, the provision of financial advisory services is regulated in Singapore under the Financial Advisers Act 2001 ("**FAA**"), and its related subsidiary legislation.

Under Section 6(1) of the FAA, a person is not to act as a financial adviser in Singapore in respect of any financial advisory services unless he is authorised to do so in respect of that financial advisory service by a financial adviser's licence ("**FAL**"), or is an exempt financial adviser. Further, under Section 6(4) of the FAA, a person who contravenes Section 6(1) will be liable on conviction to a maximum fine of S$75,000 or imprisonment for a term of up to 3 years or both.

The term "financial adviser" generally refers to a person who carries on a business of providing any financial advisory service under the FAA. Financial advisory services under the FAA include, but are not limited to:

(a) advising others, either directly or through publications or writings, and whether in electronic, print or other form, concerning any investment product;[2]

(b) advising others by issuing or promulgating research analyses or research reports, whether in electronic, print or other form, concerning any investment product; and

(c) arranging of any contract of insurance in respect of life policies (other than a contract of reinsurance).

Nanhua Singapore is an exempt financial adviser under the FAA, and can conduct the above regulated activities in Singapore.

Anti-Money Laundering and Counter-Terrorist Financing ("AML/CTF")

Sector-specific requirements applicable to capital markets intermediaries

In Singapore, corporations which are licensed by the MAS are required to comply with the applicable anti-money laundering and counter-terrorist financing laws and regulations in Singapore as well as various notices and guidelines. In particular, Nanhua Singapore and Nanhua SG as CMSL holders will be required to comply with the Notice on Prevention of Money Laundering and Countering the Financing of Terrorism – Capital Markets Intermediaries (last revised on April 20, 2022) ("**SFA 04-N02**") issued by the MAS, read together with the Guidelines to MAS Notice SFA 04-N02 (collectively, the "**AML/CTF Notices and Guidelines**").

2 Under the FAA, "investment product" includes any capital markets products, spot foreign exchange contracts other than for the purposes of leveraged foreign exchange trading, any life policy; or any other product as may be prescribed.

Aside from the AML/CTF Notices and Guidelines, Singapore's AML/CTF legal framework is governed by a patchwork of legal instruments. The key legislations in Singapore applicable to NSG and Nanhua SG which concern money laundering and terrorist financing, include the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act 1992 of Singapore ("**CDSA**") and the Terrorism (Suppression of Financing) Act 2002 of Singapore ("**TSOFA**").

OVERVIEW OF THE LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATIONS IN THE UNITED KINGDOM

As we provide overseas financial services from our subsidiaries in the UK, our business operations are subject to the laws of the UK. The key laws and regulations which relate to our business and operations in the UK are summarized as follows:

Key Law and Regulation Impacting Our Business

Financial Services and Markets Act 2000 ("FSMA")

The FSMA is the cornerstone legislation governing financial regulation in the UK, granting, with its secondary legislation, the FCA the authority to supervise and enforce compliance of financial services firms. It covers a wide range of activities including the regulation of financial markets, consumer protection, and the prudential oversight of firms.

FCA Handbook of Rules & Guidance

The FCA Handbook is an extensive repository of rules and guidance covering all regulated activities. Sections relevant to us include, among others:

- Threshold Conditions ("**COND**"): The COND sourcebook outlines the Threshold Conditions that firms must meet to become and remain authorised by the FCA in the UK. These conditions are essential criteria that firms must meet to support the FCA's objectives of protecting consumers, enhancing market integrity, and promoting competition. The conditions include: "Location of Offices", "Effective Supervision by the FCA", "Appropriate Resources" – financial, human resources and systems, "Suitability" – management and employees must be fit and proper (i.e. having the appropriate qualifications, competence, integrity, and financial soundness to operate responsibly and ethically), and "Business Model viability".

- Principles for Businesses ("**PRIN**") and Code of Conduct ("**COCON**"): The PRIN sourcebook outlines the fundamental obligations and ethical standards that all FCA-regulated firms must adhere to. It consists of high-level principles designed to ensure that firms conduct their business with integrity and in a way that promotes fair and transparent markets.

  The COCON sourcebook sets out the standards of personal conduct expected from individuals working at FCA-regulated firms. It applies to senior managers and employees performing key functions within these firms.

  Key principles/conduct rules cover "Integrity", "Skill, Care and Diligence", "Management & Control", "Financial Prudence", "Market Conduct", "Communication with Regulators".

- The FCA's Senior Managers and Certification Regime ("**SMCR**") is designed to enhance individual accountability within firms by ensuring that responsibilities are clearly defined and assigned. Firms must identify and assign clear responsibilities to senior managers, who are held personally accountable for the conduct and outcomes of their areas of responsibility. Employees who are not senior managers but whose roles can impact our risk or harm to consumers must be certified as fit and proper. This ensures that they are competent and understand their responsibilities.

- Prudential sourcebook for MiFID Investment Firms ("**MIFIDPRU**"): Outlines prudential standards for capital adequacy, liquidity, and risk management specific to investment firms. Introduced in Jan 2022 to tailor prudential requirements specifically for investment firms, the Investment Firm Prudential Regime ("**IFPR**") simplifies the previous regime and introduces proportionate rules on capital adequacy, liquidity, and risk management. As a Non-Small and Non-Interconnected ("**Non-SNI**") MIFIDPRU investment firm, we must adhere to these enhanced prudential standards to ensure its financial resilience and effective risk management. The IFPR introduces an internal capital and risk assessment ("**ICARA**") process. The ICARA process is the centrepiece of MIFID investment firms' documented risk management framework. The process incorporates business model assessment, forecasting and stress testing, recovery planning and wind-down planning. The new regime also introduces the Overall Financial Adequacy Rule ("**OFAR**"), which establishes the level of adequate financial resources (own funds) which we must retain as regulatory capital.

- Senior Management Arrangements, Systems and Controls ("**SYSC**"): Defines requirements for governance, risk management, and internal controls. The MIFIDPRU Remuneration Code (SYSC 19G) applies to us. The requirements in the MIFIDPRU Remuneration Code set out the minimum regulatory requirements that a MIFIDPRU investment firm must comply with in connection with staff remuneration, in particular variable remuneration e.g. bonuses.

- Conduct of Business Sourcebook ("**COBS**"): Sets out conduct rules to ensure fair treatment of clients including rules on the best execution of trades undertaken for clients.

- Client Money and asset safeguarding: Since we can hold and control client money, it must also adhere to the FCA's rules on client asset protection, ensuring proper segregation and protection of client monies pursuant to the FCA's client money rules ("**CASS**").

- The FCA's Supervision Manual ("**SUP**") addresses the day-to-day relationship between the FCA, authorised person and key individuals within them. SUP includes obligations to ensure transaction reporting requiring us to report detailed information about all executed transactions to the FCA. This includes data such as instrument identification, price, volume, and client details. The goal is to provide regulators with transparency over market activity to detect and deter market abuse.

The FCA can take enforcement action for failure to comply with its rules which could result, inter alia, in fines or cancellation of authorisation.

Markets in Financial Instruments Directive II (MiFID II) and Markets in Financial Instruments Regulation (MiFIR)

MiFID II and MiFIR are crucial EU regulations retained in UK law post-Brexit, setting the framework for the operation of financial markets, including commodity derivatives. These regulations cover extensive requirements on transparency, investor protection, and market integrity, directly influencing how a firm conducts its trading activities and interacts with clients. Secondary legislation, such as the MiFID Org Reg, provides detailed requirements for firms and contains key conduct and systems and controls obligations for investment firms. The FCA is currently proposing to incorporate requirements from the MiFID Org Reg into the FCA Handbook.

UK Anti-Money Laundering ("AML") Regulations and Related Primary Legislation

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 require firms to implement stringent AML controls. This includes conducting customer due diligence, ongoing monitoring of transactions, and reporting suspicious activities to the appropriate authorities. Our Money Laundering Reporting Officer ("**MLRO**") must submit a report to the Board at least annually.

Other important related UK primary legislation that we must comply with includes:

- Proceeds of Crime Act 2002 ("**POCA**");

- Serious Organised Crime and Police Act 2005 ("**SOCPA**");

- Criminal Justice Act 1993 ("**CJA**");

- Terrorism Act 2000 ("**TA**");

- Counter-Terrorism Act 2008 ("**CTA**");
- Bribery Act 2010 ("**BA**");
- Financial Services Act 2012 (Misleading Statements & Impressions)
- Criminal Finances Act 2017 ("**CFA**");
- Sanctions and Anti-Money Laundering Act ("**SAMLA 2018**") governs the UK's regime on sanctions. We must ensure that it does not deal with sanctioned individuals.

European Market Infrastructure Regulation ("EMIR")

The UK EMIR covers derivatives, central counterparties and trade repositories ("**TR**"). It imposes requirements to improve transparency and reduce the risks associated with the derivatives market. UK EMIR requires firms that enter into derivative contracts, including interest rate, foreign exchange, equity, credit and commodity and emission derivatives, to:

- report details of derivative contracts to an FCA registered, or recognised TR;
- clear, via a CCP, those OTC derivatives subject to a mandatory clearing obligation; implement risk mitigation techniques for bilateral over-the-counter (OTC) derivatives that are not cleared by a CCP. These risk mitigation techniques include timely confirmation of trades, portfolio compression, dispute resolution mechanisms, and regular portfolio reconciliation with counterparties.
- in some circumstances, depending on the type and volume of derivatives traded, we may need to adhere to initial and variation margin requirements as well as other collateral management practices.

The onshored UK EMIR REFIT also brings into UK legislation amendments to UK EMIR that make the regime more proportionate for certain firms. The major change which impacts us is:

- A streamlined reporting regime, including mandatory delegation to FCs (Financial Counterparties) when facing an NFC (Non-Financial Counterparty).

Market Abuse Regulation (MAR)

The EU Market Abuse Regulation ("**EU MAR**"), effective from July 3, 2016, was onshored into UK law on December 31, 2020 by the European Union (Withdrawal) Act 2018.

UK MAR aims to increase market integrity and investor protection, enhancing the attractiveness of securities markets for capital raising. It contains prohibitions of insider dealing, unlawful disclosure of inside information and market manipulation, and provisions to prevent and detect these behaviours.

General Data Protection Regulation ("GDPR") and Data Protection Act 2018 ("DPA 2018"):

These regulations govern the processing of personal data within the UK, ensuring that firms protect client data privacy and security. After Brexit, the GDPR was retained in domestic law as the UK GDPR. The UK GDPR sits alongside an amended version of the DPA 2018. Compliance involves implementing robust data protection policies, obtaining consent from data subjects where required, and ensuring transparency in data processing activities.

London Metal Exchange ("LME") Rules:

As a Category 2 member of the LME. Category 2 members are entitled to trade on LMEselect and the telephone market. They can issue LME contracts – buying and selling material for their clients. They are also members of LME Clear.

We must comply with the specific rules and regulations established by the LME and LME Clear. These rules govern membership criteria, trading conduct, clearing, and settlement processes, ensuring orderly market behaviour, participant integrity and an overall governance framework that supports orderly market behaviour. Failure to comply with the LME's rules can result in disciplinary action.

OVERVIEW OF THE LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATIONS IN THE U.S.

As we provide overseas financial services from our subsidiaries in the US, our business operations are subject to the laws of the US. The key laws and regulations which relate to our business and operations in the US are summarized as follows:

General

The U.S. Commodity Exchange Act ("**CEA**") is a federal statute that regulates transactions and markets involving different types of derivatives. The CEA is administered by the U.S. Commodity Futures Trading Commission ("**CFTC**"), which is an independent federal agency that has broad powers to adopt rules; interpret statutory provisions; oversee the markets, industry professionals and end user market participants; and take enforcement action against persons for their non-compliance. The CEA also relies upon self-regulation as an important element for overseeing persons regulated under the CEA. The CEA establishes a framework for registration and regulation of exchanges, derivatives clearing organizations and other market facilities. It also establishes registration and oversight regimes for different categories of market intermediaries and other industry professionals.

Registration Status of Nanhua USA

Our U.S. subsidiary Nanhua USA is registered under the CEA with the CFTC under one of the industry professional categories, specifically, as a futures commission merchant, or "FCM." An FCM is a person that is engaged in soliciting or accepting orders from customers for different types of transactions regulated under the CEA, including futures and options on futures listed on exchanges (collectively, "**futures**") and swaps, and which in connection with those activities accepts any money, securities or other property from customers to margin, guarantee or secure their resulting transactions. Nanhua USA is an FCM under this definition because it acts as an intermediary for its customers to give them access to U.S. and certain non-U.S. exchange markets and their associated derivatives clearing organizations to execute and clear transactions in futures. Nanhua USA currently does not provide execution or clearing services with respect to swaps.

The discussion in this section provides a high-level overview of the primary areas where Nanhua USA has regulatory obligations as an FCM. FCMs are subject to significant regulation. The discussion is not an exhaustive explanation of all requirements that apply to an FCM.

Self-Regulatory Oversight

Nanhua USA is a member of the National Futures Association ("**NFA**"). NFA is a "registered futures association" under the CEA. As such, it serves as a self-regulatory organization for industry professionals registered with the CFTC including FCMs. FCMs and other CFTC-registrants are generally required to join NFA. Individuals who solicit orders or customers for a CFTC-registered firm or who supervise that activity must (with limited exception) register with the CFTC as associated persons of the firm and must also join NFA. NFA performs certain functions for the CFTC pursuant to delegated authority, such as processing registration applications, conducting fitness screening of associated persons and individuals who are principals of the firm and imposing proficiency requirements on associated persons. NFA incorporates by reference many CFTC rules applicable to FCMs into its own rulebook and thus such rules are also NFA rules.

As a member of NFA, Nanhua USA is subject to NFA rules and oversight. Nanhua USA is also a member of six U.S. futures exchanges and one non-U.S. futures exchange and a clearing member of three derivatives clearing organizations. The exchanges and derivatives clearing organizations have self-regulatory responsibilities as well and thus Nanhua USA is also subject to their rules and jurisdiction. (Regardless of exchange membership status, by virtue of trading on a U.S. exchange, a person is subject to that exchange's rules, as applicable to its activities.)

A "Joint Audit Committee" ("**JAC**") comprised of representatives of the U.S. exchanges and NFA develops audit programs that they follow when conducting financial or other audits of FCM members. The CFTC oversees the audit programs developed by the JAC. When an FCM belongs to one or more exchanges and NFA, to mitigate duplicative oversight, the JAC assigns a lead self-regulatory organization, called the designated self-regulatory organization ("**DSRO**"), to the FCM that is responsible for conducting audits of the firm. The DSRO for Nanhua USA is the Chicago Mercantile Exchange, where the firm is a clearing member.

Financial Requirements and Reporting; Related Obligations

Because an FCM may hold and receive funds from customers to margin their cleared positions, various requirements apply that are designed to protect customers' funds and the financial integrity of the cleared derivatives markets. For example, an FCM must comply with stringent minimum capital and financial reporting requirements imposed by the CFTC. An FCM will also have to comply with NFA's financial requirements and, if it is a member of a derivatives clearing organization, with the financial requirements of the derivatives clearing organization as well. Under the CFTC's net capital rule for FCMs, an FCM must at all times maintain "adjusted net capital" equal to or greater than the highest amount prescribed under one of several standards. The default requirement for a futures FCM is $1 million in adjusted net capital, but typically the requirement will be higher under one of the other standards, for example under a risk-based calculation or under NFA's financial requirements. An FCM must calculate its adjusted net capital in the manner specified in the CFTC's net capital rule. It must prepare monthly financial statements showing that calculation along with annual audited financial reports and submit them electronically to the CFTC and its DSRO.

Other measures apply to protect and monitor an FCM's financial soundness. An FCM must prepare records and file reports concerning the activities of its affiliates that could reasonably be expected to have a material impact on an FCM's financial or operational condition and must maintain records of its policies, procedures and systems for monitoring and controlling financial and operational risks that could be caused by its affiliates. An FCM is also required to notify the CFTC and its DSRO about certain adverse financial or operational changes, such as a failure to meet the minimum capital requirements or to maintain adjusted net capital in excess of a higher "warning" level, failure to hold sufficient funds on deposit in segregated accounts on behalf of its customers or failure to keep its books and records current.

Protection of Customer Funds

An FCM is subject to stringent customer funds segregation requirements imposed under the CEA and detailed CFTC rules. In basic terms, segregation means that an FCM must hold its customers' funds separate and apart from its own funds and funds in any "proprietary accounts" it carries for affiliates or other insiders, both in terms of the internal bookkeeping accounts it maintains for customers and how the FCM holds the funds on deposit with another party, such as a custodian bank, a derivatives clearing organization or another FCM. As a general matter, persons receiving segregated funds from an FCM must acknowledge that the funds belong to the FCM's customers and are subject to the segregation protections afforded under the CEA and CFTC rules. Different CFTC rules apply to FCMs based on the classification of the accounts by account class. For example, the CFTC has separate rules governing an FCM's treatment of customer funds associated with trading futures on U.S. exchanges and customer funds associated with trading futures on non-U.S. exchanges. An FCM may invest customer segregated funds that it holds, but only in highly liquid instruments permitted by CFTC rule and must maintain such investments in segregation. To support the customer funds segregation framework, an FCM is required to maintain accurate internal books and records of the accounts it carries for customers and to prepare accurate customer account statements. An FCM must prepare and file daily statements of the amounts of segregated funds it holds on deposit by account class and the amounts it is required to so hold in segregation.

The segregation requirements help to assure that customer funds are available to meet obligations into the central clearing systems for derivatives. They also help assure the funds are available to return to customers, including in the unlikely event of an FCM's insolvency. Special CFTC rules apply under U.S. insolvency law to the "commodity broker" liquidation of an FCM, which govern among other matters the transfer of customer positions, treatment of customer claims, liquidation of assets and distribution of customer property. If there is a shortfall in segregated funds to distribute to customers in an account class that is not covered from other sources, the loss is shared *pro rata* by such customers.

Clearing Obligations

As a clearing member, an FCM generally has obligations to deposit performance bond margin with a derivatives clearing organization to secure its customers cleared transactions even if it has not received the margin funds from its customers. In other words, the FCM effectively guarantees financial performance to the clearing organization on its customers' cleared transactions. To be approved and maintain status as a clearing member, an FCM typically must meet higher capital requirements than otherwise apply and must also meet strict operational standards. A clearing member FCM is subject to rules of the clearing organization regarding margin requirements, variation (mark-to-market) payment flows, default management, guaranty fund deposits and other matters. A clearing member could face risk of mutualized loss in the event another clearing member defaults, and the clearing organization is unable to cover the losses with the defaulter's margin or guaranty fund deposit or other layers of the financial resources prescribed for covering losses.

An FCM may indirectly access the services of a derivatives clearing organization through another FCM that is a clearing member or through a non-U.S. broker to clear futures transactions executed on a non-U.S. exchange through that exchange's associated clearing organization. In that scenario, the FCM faces potential risk of the clearing broker's default. The relationship between the firms is typically covered by contract and applicable segregation requirements and other applicable law.

Risk Management

An FCM must have a reasonably designed risk management program to monitor and manage risks associated with its FCM activities, including segregation risk. The program must include written policies and procedures and be administered by a risk management unit independent of the FCM's business unit. An FCM must also have a reasonably designed supervisory system to ensure its required policies and procedures are diligently followed and review and test its risk management program at least annually. For segregation risk, the policies and procedures must establish a target amount of the FCM's own funds that it will maintain in the different pools of customer funds it is required to hold in segregation to provide a buffer of excess segregated funds to cover potential losses that could otherwise cause a segregation shortfall and is subject to restrictions on withdrawing its residual interest.

Customer Protection Duties

CFTC rules impose obligations on FCMs with respect to their business conduct dealings with their customers, including requirements to provide risk disclosures to customers and governing how they handle customer orders to be executed on an exchange. To protect customers against conflicts of interest, the CFTC also requires an FCM to maintain a separation between its business groups and research analysts to prevent business interests from improperly influencing research reports. NFA also has rules that impose obligations on FCMs beyond specific CFTC requirements. For example, NFA prohibits members from engaging in fraudulent or deceptive activities and requires them to conduct their business following high standards of commercial honor and just and equitable principles of trade and imposes requirements with respect to soliciting customers and communicating with members of the public. An FCM is also subject to an exchange's trade practice rules with respect to how it handles execution of customer orders on or subject to the rules of that exchange, even when it is not a member of the exchange. An FCM may also be subject the business conduct rules of the exchanges.

Supervision

An FCM has a general duty under CFTC rules to supervisor the accounts its carries and the activities of its personnel including sales personnel (associated persons) engaged in activities relating to the FCM's. NFA also requires an FCM to diligently supervise the conduct of its employees and agents relating to the FCM's business.

Chief Compliance Officer

An FCM is required to appoint an individual as its chief compliance officer ("**CCO**"). The CCO has duties and responsibilities that are prescribed in the CEA and by CFTC rule. Among others, the CCO is responsible for administering the FCM's policies and procedures, which must be reasonably designed to ensure compliance with the CEA and CFTC rules; resolving conflicts of interest in consultation with the FCM's board or senior officer; taking reasonable steps to ensure compliance by the FCM with its policies and applicable rules; and establishing procedures to remediate non-compliance issues the CCO identifies. An FCM is subject to certain requirements to assure the CCO's independence in performing his responsibilities.

The CCO must prepare an annual report covering the FCM's recently completed fiscal year. The report must contain a review of each applicable requirement under the CEA and CFTC rules and must highlight certain matters, such as areas for improvement to the compliance program, adequacy of staffing resources, and any issues of non-compliance identified by the CCO and the actions taken to address them. The CCO must provide the Annual Report to the firm's board or a senior officer for review. The annual report is filed with the CFTC with a certification by the FCM's CCO or chief executive officer that, to the best of his knowledge and reasonable belief, and under penalty of law, the information contained in the Annual Report is accurate and complete.

Account Ownership and Control Reporting

The CFTC has a multi-layered set of reporting rules for collecting "ownership and control" information on large traders in the futures markets. Under the rules, an FCM must file daily reports electronically with the CFTC with respect to each account it carries that holds or controls open positions or has daily trading volumes in futures traded on U.S. exchanges that equal or exceed prescribed "reportable" levels, referred to as a "special account." FCMs must provide detailed information in the filings for each special account, including contact information on persons identified as owning or controlling the accounts and must also report updates to that information.

Anti-Money Laundering

The CFTC rules require FCMs to comply with anti-money laundering ("**AML**") provisions of the U.S. Bank Secrecy Act and the regulations of the U.S. Department of the Treasury thereunder. NFA also imposes obligations on FCMs to have reasonably designed AML programs. The programs must be approved in writing by senior management and must meet certain minimum requirements. The program should include a"customer identification program," procedures to identify and verify beneficial owners of legal entity customers, and systems and procedures for detecting and reporting suspicious AML activity.

Recordkeeping

An FCM is required under various CFTC rules to prepare and maintain regulatory records. It must maintain such records in the form and manner and for the retention period (generally five years for an FCM not engaged in swaps activities) required by the CFTC. The CFTC imposes standards with respect to storage of both electronic records and records created and maintained exclusively in paper form. An FCM must ensure that its regulatory records are retained in a form and manner that ensures their authenticity and reliability and must have appropriate systems and controls in place with respect to electronic regulatory records to ensures their authenticity and reliability.

Consumer Data Privacy

The CFTC has two sets of rules that impose requirements and restrictions on FCMs with respect to use of information on customers who are individuals and considered "consumers" under the rules. One set of rules implements certain privacy provisions of the U.S. Gramm-Leach-Bliley Act and governs an FCM's treatment of nonpublic personal information about consumers it receives. The rules require an FCM to provide customers with notice about the FCM's privacy policies and practices, describe the conditions under which an FCM may share nonpublic personal information on its consumer customers with non-affiliated third parties, and provide a method by which consumers may opt out of having their nonpublic personal information shared with most non-affiliated third parties. The other set of rules implements provisions of the U.S. Fair Credit Reporting Act that afford certain protections to consumer information. They address sharing of such information for marketing purposes with affiliates and provide for an opt-out mechanism. They supplement and do not limit an FCM's obligations under the first set of rules described above. Certain states in the U.S. also have privacy laws that could apply to an FCM.

Enforcement

The CFTC has broad authority to oversee registered industry professionals including FCMs. This includes authority to initiate civil or administrative proceedings to enforce the provisions of the CEA and CFTC rules. The U.S. Department of Justice has complementary authority to prosecute persons involved in willful violations of the CEA or CFTC rules or other wrongdoing designated as criminal offenses under the CEA. The CFTC may assist the Department of Justice or other regulators (including state and foreign regulators) in their investigations, including sharing of information.

An FCM is also subject to the rules and oversight of NFA and must comply with applicable rules of any exchange on which it conducts business (as a member or otherwise) and any derivatives clearing organization in which it is a member. These self-regulatory bodies also have authority to conduct investigations and take enforcement action for alleged violations of their rules. An FCM is also subject to periodic routine financial or other audits conducted by its DSRO.

OVERVIEW

Our Company was incorporated under the name of Zhejiang Nanhua Futures Brokerage House Ltd. (浙江南華期貨經紀有限責任公司) in the PRC on May 28, 1996 as a limited liability company with a registered capital of RMB10 million. After decades of operations and development, our Company has grown into a PRC-based global financial services provider specializing futures and derivatives, and offering comprehensive and customized derivatives and risk management services to industrial clients, financial institutions and individual investors. We also strive to offer more diverse wealth management services to investors in China and abroad.

In October 2012, our Company was converted into a joint stock company with limited liability and was renamed as Nanhua Futures Co., Ltd. (南華期貨股份有限公司). In August 2019, our A Shares were listed on the Shanghai Stock Exchange (stock code: 603093).

KEY DEVELOPMENT MILESTONES

Key milestones in our development are as follows:

Year	Development Milestone(s)
1996	We were incorporated under the name of Zhejiang Nanhua Futures Brokerage House Ltd.
2005	We launched the first commodity index in the PRC – Nanhua Commodity Index.
2006	Our wholly-owned subsidiary HGNH International Futures, formerly known as Nanhua Futures (Hong Kong) Co., Limited (南華期貨(香港)有限公司)) was incorporated in Hong Kong.
2007	We were among the first general clearing members of China Financial Futures Exchange.
2009	HGNH International Futures became one of the first exchange participants of the Hong Kong Futures Exchange Limited.
2011	We were one of the first batch companies to obtain the qualification to conduct investment consulting business in the PRC.

Year	Development Milestone(s)
2012	We obtained qualification to provide asset management services and were one of the first batch companies in China to obtain the qualification to conduct asset management business.
	We were converted into a joint stock company and renamed as Nanhua Futures Co., Ltd. (南華期貨股份有限公司).
2013	Our wholly-owned subsidiary HGNH International Securities (formerly known as Nanhua Securities (Hong Kong) Company Limited (南華證券(香港)有限公司)) was incorporated in Hong Kong.
	Our wholly-owned subsidiary NANHUA USA LLC was incorporated in the United States.
2015	We were one of the first batch companies to participate in stock option trading at the Shanghai Stock Exchange.
	Our pricing services business was approved by China Futures Association.
	NANHUA USA became the clearing member of Chicago Mercantile Exchange, CBOT, New York Mercantile Exchange and The Commodity Exchange, Inc.
2016	We obtained the qualification to conduct securities investment fund sales business in the PRC.
	Our wholly-owned subsidiary Nanhua Fund was incorporated and became the first futures company in China to conduct public fund services.
	Our wholly-owned subsidiary HGNH International Financial (Singapore) Pte. Ltd. was incorporated in Singapore.
2017	We became the first batch members of Shanghai International Energy Exchange.

Year	Development Milestone(s)
2018	Our wholly-owned subsidiary Nanhua UK was incorporated in the United Kingdom.
	HGNH International Financial (Singapore) Pte. Ltd. became the trading member of Singapore Exchange Derivatives Trading Limited and a clearing member of Singapore Exchange Derivatives Clearing Limited.
2019	Our A Shares were listed on the Shanghai Stock Exchange in August 2019, marking us as the first ever futures company listed on the PRC stock exchange.
	Nanhua UK became a member of London Metal Exchange.
2021	We completed the non-public offering in March 2021, raising gross proceeds of approximately RMB365 million.
	Our subsidiary HGNH International Asset Management (SG) Pte. Ltd. became a qualified foreign institutional investor.
2023	NANHUA USA became a member of MIAX Futures Exchange, LLC (formerly known as Minneapolis Grain Exchange)
2024	NANHUA USA became the clearing member of Intercontinental Exchange Inc (ICE.US).

MAJOR CHANGES IN SHARE CAPITAL AND SHAREHOLDING

Early Development of our Company

Our Company was incorporated in the PRC on May 28, 1996 as a limited liability company with an initial registered capital of RMB10 million. At the time of establishment, our Company was owned as to 55% and 45% by Zhejiang Huadian Real Estate Development Company (浙江華電房地產開發公司) ("**Zhejiang Huadian**") and Hangzhou Huaneng United Development Company (杭州華能聯合開發有限公司) ("**Hangzhou Huaneng**"), respectively. The initial registered capital of our Company was funded by the then shareholders.

Following completion of several rounds of capital increases and share transfers between September 1999 to September 2012, our registered capital was increased to RMB450 million by October 2012, of which Hengdian Holdings directly held 58.16% equity interests in our Company, and four other then shareholders held the remaining 41.84% equity interests in our Company.

Conversion into a Joint Stock Company in October 2012

On October 18, 2012, our Company was converted into a joint stock company with a registered capital of RMB450 million and was renamed as Nanhua Futures Co., Ltd.

Our Company further underwent several rounds of capital increases and share transfers by the then shareholders since its conversion into a joint stock company.

December 2012	Shenzhen Jianyin Nanshan Investment Co., LTD (深圳市建銀南山投資有限公司), Hengdian Import and Export, Hengdian DMEGC Magnetics, Wuxi Lingfeng Copper Co., Ltd. (無錫市淩峰銅業有限公司), Dongyang Zhongchao Investment Co., LTD (東陽市中超投資有限公司), Zhejiang Lingqing Venture Capital Co., LTD (浙江領慶創業投資有限公司), Shanghai Shanheng Investment Management Co., LTD (上海山恆投資管理有限公司), Gansu Fuxiang Materials Co., LTD (甘肅富祥物資有限公司) and Shanghai Dawei Freight Co., LTD (上海大微貨運代理有限公司) made capital contributions of RMB11.5 million, RMB10 million, RMB10 million, RMB10 million, RMB3 million, RMB2.5 million, RMB1 million, RMB1 million and RMB1 million, respectively, in cash to our Company. In addition, Everbright Financial Holding (Tianjin) Venture Capital Co., LTD (光大金控(天津)創業投資有限公司) made capital contribution of RMB10 million in cash to our Company. Following such capital contribution, the registered capital of our Company increased to RMB510 million.
October 2014	Nanhua Development, Wuxi Lingfeng Copper Co., Ltd. and Dongyang Zhongchao Investment Co., LTD transferred their respective equity interests of 25.59%, 1.96% and 0.59% in our Company to Hengdian Holdings.
May 2015	Hengdian Holdings transferred its 4.8% equity interest in our Company to Dongyang Henghua LLP, an employee share ownership platform of our Company.
June 2015	Dongyang Feida Chemical Co., LTD and Dongyang Zhenghong Chemical Co., LTD respectively transferred their respective equity interests of 4.38% and 4.32% in our Company to Hengdian Holdings.

Listing on the Shanghai Stock Exchange in August 2019

As approved by the CSRC, our Company completed the initial public offering and listing of 70,000,000 A Shares on the Shanghai Stock Exchange (stock code: 603093) on August 30, 2019 (the "**A Share Offering**"). Our Company raised gross proceeds of RMB338.8 million from the A Share Offering. Upon completion of the A Share Offering, our registered share capital was increased to RMB580 million.

The shareholding structure of our Company as of the completion of the A Shares listing was as follows:

Shareholder	**Number of Shares held**	**Approximate percentage of shareholding (%)**
Hengdian Holdings	425,120,900	73.30
Dongyang Henghua LLP	24,480,000	4.22
Beijing Yiguang Investment Management Co., Ltd. (北京怡廣投資管理有限公司)	13,399,100	2.31
Shenzhen Jianyin Nanshan Investment Co., LTD	11,500,000	1.98
Everbright Financial Holding (Tianjin) Venture Capital Co., LTD	10,000,000	1.72
Hengdian Import and Export	10,000,000	1.72
Hengdian DMEGC Magnetics	10,000,000	1.72
Zhejiang Lingqing Venture Capital Co., LTD	2,500,000	0.43
Shanghai Shanheng Investment Management Co., LTD	1,000,000	0.17
Gansu Fuxiang Materials Co., LTD	1,000,000	0.17
Dawei Investment Management Co., Ltd. (大微投資管理有限公司) (formerly known as Shanghai Dawei Freight Co., Ltd)	1,000,000	0.17
Other A-Share Shareholders	70,000.000	12.07
Total	**580,000,000**	**100.00**

As of the Latest Practicable Date, our Company was listed on the Shanghai Stock Exchange, and our Directors confirmed that since our listing on the Shanghai Stock Exchange, there are no instances of material non-compliance with the rules of the Shanghai Stock Exchange. To the best knowledge of our Directors upon due and reasonable inquiry, there has been no matter that should be brought to the attention of potential investors of our Company in relation to our compliance record on the Shanghai Stock Exchange. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would cause them to disagree with our Directors' confirmation with regard to the compliance records of the Company on the Shanghai Stock Exchange.

Non-public offering in March 2021

In order to obtain further financing for our business development, in March 2021, upon approval by the CSRC, our Company completed a non-public offering of 30,065,893 A Shares at RMB12.14 per Share and raised gross proceeds of approximately RMB365 million. Upon completion of such non-public offering, our registered share capital was increased to RMB610,065,893.

Issuance of the Convertible Bonds

On March 31, 2023, April 12, 2024 and March 31, 2025, our shareholders approved our plan to issue convertible bonds for replenishing our working capital. See "Financial Information" for further details.

MAJOR SUBSIDIARIES

The principal business activities and date of establishment of each of our major subsidiaries are shown below:

Name of subsidiaries	Place of incorporation	Date of incorporation and commencement of business	Equity interest attributable to our Company (%)	Principal Business Activities
1. Nanhua Fund	PRC	November 17, 2016	100%	Funds management and asset management
2. Nanhua Capital	PRC	May 20, 2013	100%	Risk management services
3. HGNH International	Hong Kong	August 16, 2011	100%	Investment holding
4. HGNH International Futures	Hong Kong	June 20 2006	100%	Futures services
5. HGNH International Securities	Hong Kong	August 5, 2013	100%	Security services
6. HGNH International AM	Hong Kong	May 18, 2011	100%	Asset management
7. NANHUA USA	USA	August 5, 2013	100%	Future services

Name of subsidiaries	Place of incorporation	Date of incorporation and commencement of business	Equity interest attributable to our Company (%)	Principal Business Activities
8. Nanhua Singapore	Singapore	November 24, 2016	100%	Future services
9. Nanhua SG	Singapore	January 23, 2019	70%	Asset management
10. Nanhua UK	UK	July 17, 2018	100%	Financial services

For details of other subsidiaries of our Company, see "Appendix I – Accountant's Report – note 27."

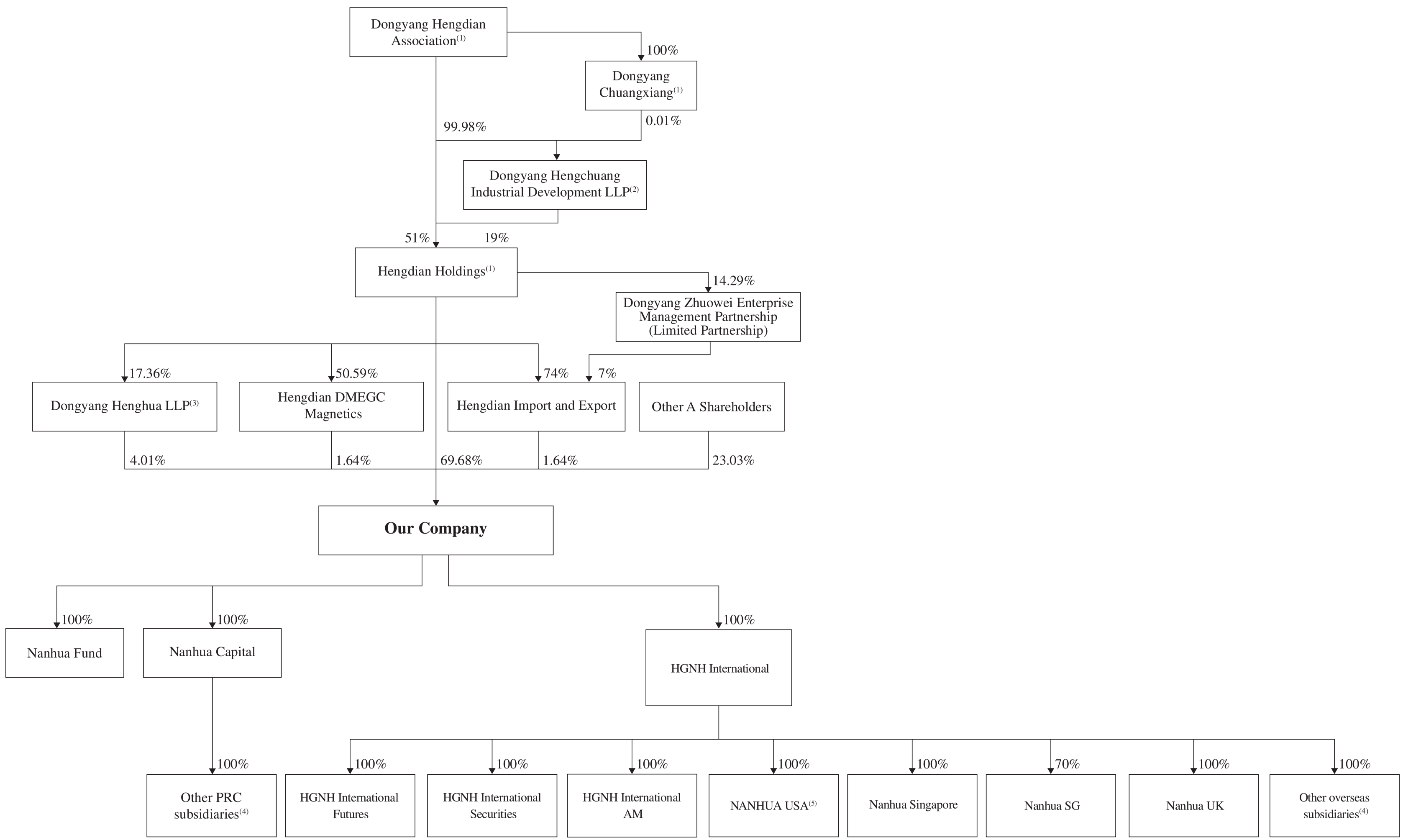
REASONS FOR THE [REDACTED] ON THE STOCK EXCHANGE

Our Company is seeking a **[REDACTED]** of its H Shares on the Stock Exchange in order to expand our overseas operations, optimize our overseas business structure, and enhance our competitiveness and risk resilience in global markets, as described in more details in "Business – Our Strategies" and "Future Plans and Use of **[REDACTED]**".

CORPORATE STRUCTURE

Corporate Structure of as the Latest Practicable Date

The following shareholding diagram displays the corporate and shareholding structure of our Company as of the Latest Practicable Date.



Notes:

(1) In December 2022, (i) Dongyang City Chuangxiang Investment Co., Ltd. ("**Dongyang Chuangxiang**", 東陽市創享投資有限公司) entered into a trust agreement with Huaxin International Trust Co., Ltd. ("**Huaxin Trust**", 華鑫國際信託有限公司) to establish a single fund trust (the "**Trust**"). The beneficiary of the Trust is Dongyang Chuangxiang; (ii) Hengdian Holdings entered into an equity interest earning right transfer agreement with Huaxin Trust, pursuant to which, Hengdian Holdings transferred its future earning right of all the equity interest in our Company held by it to the Trust; (iii) Dongyang Hengdian Association entered into another trust agreement with Huaxin Trust to establish an educational charity trust (the "**Charity Trust**"), the underlying asset of which is Dongyang Hengdian Association's own funds mainly raised through Dongyang Chuangxiang's entitlements under the Trust. The underlying asset of the Charity Trust will be used for educational charitable projects benefiting social groups.

According to the aforementioned trust arrangements and equity interest earning right transfer agreement, Hengdian Holdings only transferred its earning right of all the equity interest in our Company to the Trust, while it retained both the beneficial ownership of these equity interests and the corresponding voting rights in our Company.

(2) As of the Latest Practicable Date, Dongyang Chuangxiang was the general partner of Dongyang Hengchuang Industrial Development LLP.

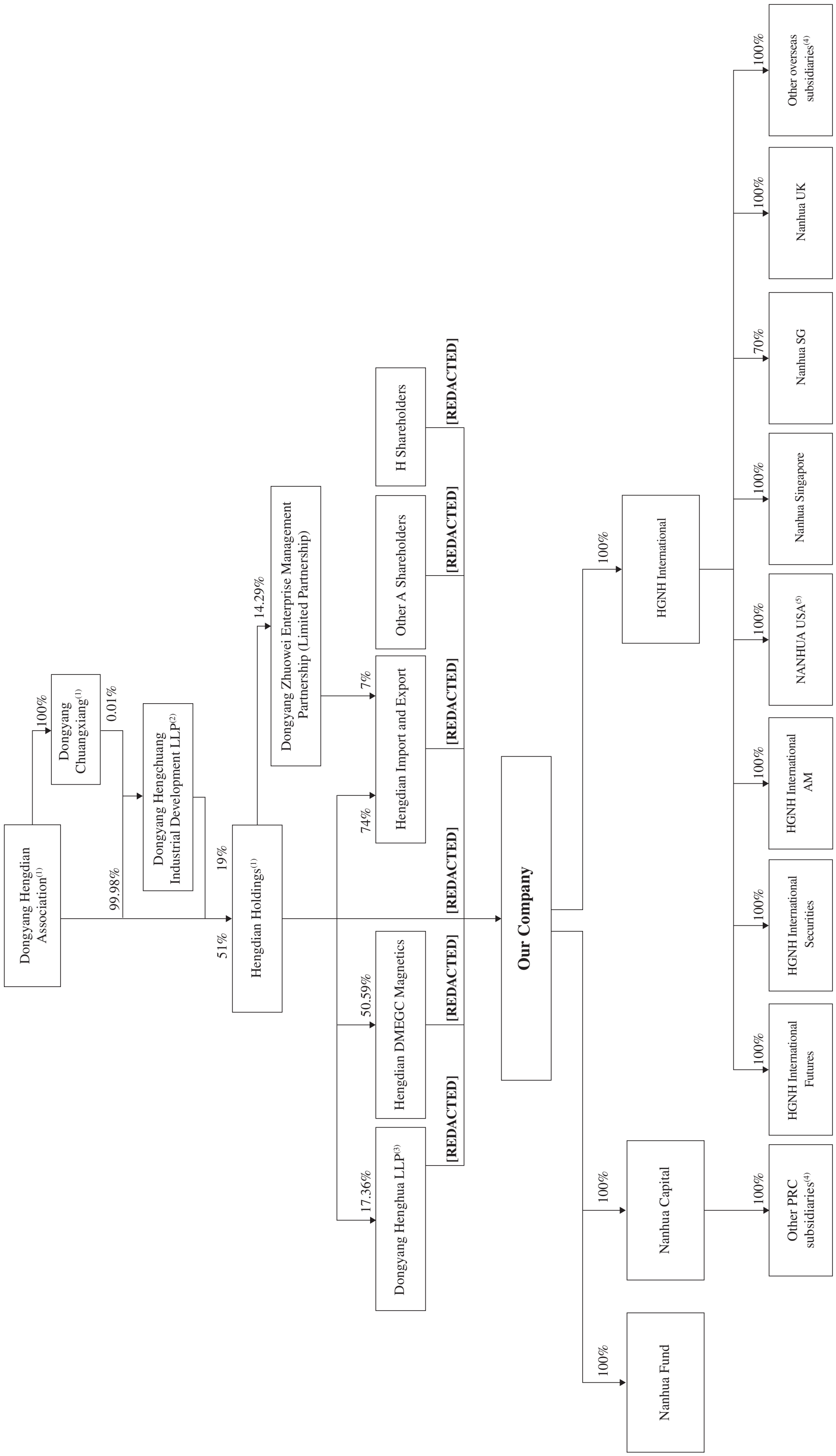
(3) As of the Latest Practicable Date, Hengdian Holdings was the general partner of Dongyang Henghua LLP, and the equity interest of Dongyang Hengdian LLP was held as to approximately 17.36% by Hengdian Holdings, approximately 21.65% by Dr. Luo Xufeng, 1.23% by Mr. Xia Haibo, 1.23% by Mr. Jia Xiaolong, while the remainder was held by 38 other existing or former employees of our Group whose respective percentage of partnership interest ranged from approximately 0.41% to 4.09%.

(4) As of the Latest Practicable Date, there were 14 other subsidiaries of our Company, which are not considered as our principal subsidiaries. For further details of the subsidiaries of our Company, see "Appendix I – Accountant's Report – II Notes to the Historical Financial Information – 1. General Information."

(5) As of the Latest Practicable Date, HGNH International indirectly held 100% equity interests in NANHUA USA through its wholly-owned subsidiary NANHUA USA Holding LLC.

Corporate Structure Immediately after Completion of the [REDACTED]

The following chart sets out the shareholding and group structure of our Company immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).



Note: (1)-(5) See notes under "– Corporate Structure of as the Latest Practicable Date".

Public Float

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Dongyang Hengdian Association, Hengdian Holdings, Dongyang Henghua LLP, Hengdian Import and Export and Hengdian DMEGC Magnetics will be our Controlling Shareholders, and hence be core connected persons of our Company. Therefore, the shares held by them will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules.

Save as disclosed above, upon the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the Shares held by our other Shareholders (including our A Shareholders and H Shareholders) will be counted towards the public float. It is expected that upon the **[REDACTED]**, our Company will be able to meet the public float requirements under Rule 8.08(1) of the Listing Rules.

OVERVIEW

We are a leading PRC-based global financial services provider specializing in futures and derivatives. Leveraging our profound understanding of the needs of both Chinese and overseas clients, coupled with our insight into global financial and derivatives markets, we offer comprehensive and customized derivatives and risk management services to industrial clients, financial institutions and individual investors, and we also strive to offer more diverse wealth management services to investors in China and abroad.

Founded in 1996 and headquartered in Hangzhou, China, we have consistently focused on innovations in business development, technology application, professional services, and internal controls. Emerging from our roots as a PRC futures brokerage service provider, we have evolved into a comprehensive, global financial services platform. Our offering include PRC futures brokerage, PRC risk management services, PRC wealth management, and overseas financial services, covering the entire value chain of futures and derivatives. We believe that innovation is the primary catalyst of our past growth, we have achieved numerous industry firsts throughout our nearly 30-year of history:

- in 2001, we established the first dedicated futures research institute in China's futures industry;
- in 2006, we became one of the first futures companies in China to establish a subsidiary in Hong Kong;
- in 2007, we became one of the initial full clearing members of the China Financial Futures Exchange;
- in 2016, we became the first futures company in China's futures industry to establish a subsidiary carrying out mutual fund management business; and
- in 2019, we became the first futures company in China to list on the A-share market (stock code: 603093.SH).

We believe futures and derivatives markets play a crucial role in the economy and financial system by facilitating price discovery, risk management, and resource allocation. These markets are intricately linked to enterprises, investors, and consumers, contributing to operational stability, commodity trading and the stabilization of supply and prices. The PRC government actively promotes the roles of the futures and derivatives markets in serving the real economy by optimizing commodity futures for agriculture, manufacturing, and green development, enhancing financial futures to stabilize capital markets, and enhancing international market expansion. Guided by government policies, market demand, and industry trends, we have executed a diversification strategy encompassing various service types, extensive geographic coverage, and diverse asset classes. This strategy has culminated in forming a comprehensive financial services product network under a globalized framework. Specifically:

- ***PRC and Overseas.*** Our PRC operations deliver high-quality futures, risk management and wealth management services to a wide-range of investors and corporate clients. In our overseas markets, we provide comprehensive risk management tools to Chinese companies seeking to "go global", offering a 24-hour uninterrupted global financial services network. By integrating our PRC and overseas platforms, we mitigate the impact of any single market on our operations.

- ***Exchange-traded and OTC Products.*** Exchange trading provides standardization and liquidity, while OTC trading offers flexibility for specialized risk management services. We integrate exchange-traded and OTC transactions to cater for diverse client needs, showcasing our ability to consolidate and allocate diverse products, accurately identify market and client demands, and deliver professional and customized risk management services.

- ***Mutual Funds and Private Products.*** Our mutual fund offerings, characterized by lower entry threshold and higher liquidity, allow us to reach a wider investor base. Meanwhile, our service and products offerings such as private asset management services, QFII services and RQFII services are designed for high-net-worth individuals and institutional investors requiring more tailored and flexible investment strategies. By bringing together public and private products under our wealth management umbrella, we strive to serve clients with varying risk appetites and investment needs.

- ***Futures and Spot Products.*** Our PRC risk management services business plays a critical role in supporting the real economy through its integrated spot and futures operations. We embed ourselves deeply within the industrial value chain through our services offering. Utilizing derivatives like futures and options, we help enterprises transfer price volatility risks from the over-the-counter market to the on-exchange market for effective hedging. For example, in basis trading, we introduce a futures pricing mechanism by signing purchase and sales contracts, enabling upstream and downstream enterprises to lock in procurement costs or sales prices. This approach helps smooth the impact of price fluctuations on production and operations. Additionally, through options-embedded trading, we customize personalized risk management solutions, converting risks such as regional price differences and product price spreads of non-standard products into standardized on-exchange contracts. This "futures and spot integration" mechanism not only alleviates financial pressure on enterprises but also strengthens the resilience of the industrial value chain. Our risk control systems, embedded within these innovative business models, ensure dynamic monitoring of risk exposures and compliance in operations. In doing so, we complete the "last mile" of financial services for the real economy, creating a closed-loop system that effectively bridges the finance and industrial sectors.

- ***Online and Offline.*** Our online platforms and branch network work in tandem to deliver a seamless customer experience. At our offline branches, clients benefit from face-to-face professional guidance and personalized services, fostering deeper client engagement. At the same time, our online platforms enable convenient access to trading, information, and support. By integrating these channels, we provide comprehensive, uninterrupted services to our diverse client base.

Global Network

In recent years, as China's global influence has grown, the PRC government has introduced policies to support Chinese enterprises in "going global," creating favorable conditions for overseas expansion. Capitalizing on this trend, we have developed our overseas business by addressing the needs of Chinese enterprises through providing their overseas entities with professional overseas financial services. This approach has supported Chinese enterprises' international ventures while expanding our own global presence. Additionally, the increasing openness of China's futures market has attracted overseas clients, whose needs we are able to meet through our cross-border servicing network. This dual focus has strengthened our integration into global markets.

We believe we are the Chinese futures and derivatives service provider with the most profound understanding of international futures and derivatives financial business, and also the international futures and derivatives services provider with the closest affinity to Chinese clients. By implementing a diversification strategy across service types, geographic coverage, and asset classes, we have established a comprehensive network of financial services and products within a globalized framework.

Overseas: Since 2006, we have, through our overseas subsidiary, HGNH International, been among the first in the futures industry to implement an internationalization strategy. Leveraging our overseas branch network in major financial hubs including Hong Kong, Chicago, Singapore, and London, we extend our reach across Asia, North America, and Europe, delivering round-the-clock cross-market trading services. As of December 31, 2024, we held memberships on 14 overseas exchanges and maintained 11 clearing seats, including those at CME, LME, SGX, and ICE-US. According to the F&S Report, we are also one of the few Chinese futures companies capable of fulfilling the delivery of spot commodities in the overseas market, enabling deeper involvement in the commodity and trade delivery process and offering comprehensive risk management services to overseas entities of Chinese enterprises expanding abroad.

PRC: We are a member of all six futures exchanges in China and a trading participant on both the Shanghai Stock Exchange and the Shenzhen Stock Exchange, providing investors with a full range of futures brokerage services. As of the Latest Practicable Date, we had established 11 branch companies and 28 business offices across provinces and municipalities such as Zhejiang, Shanghai, Guangdong, Sichuan, Chongqing, and Liaoning, covering regions that collectively account for over 75% of China's GDP. In addition, through our wholly-owned subsidiaries Nanhua Fund and Nanhua Capital, we offer wealth management and risk management services to our clients, respectively.

Diversified Business Mix

We maintain a comprehensive and diversified business layout, covering the key value chains of the futures and derivatives markets. Our product mix covers a diverse range of asset classes, including futures and spot commodities (including agricultural, industrial, energy and chemical, and metals) as well as equity and fixed-income securities. From trade execution to risk management, from wealth management to overseas financial services, we provide end-to-end coverage of the futures and derivatives market value chain, establishing a complete and robust business framework. Our principal business lines include:

- ***PRC Futures Brokerage.*** Our PRC futures brokerage business provides a solid bridge for clients to participate in commodity and financial futures trading. Through professional services and diverse channels, we bring together a wide range of market participants, promoting robust development and efficient operation. As of December 31, 2022, 2023 and 2024, client equity in our PRC futures brokerage business stood at RMB19.1 billion, RMB21.2 billion, and RMB31.6 billion, respectively, representing a CAGR of approximately 28.6% from 2022 to 2024. As of December 31, 2024, our PRC futures brokerage business had in total 124,043 registered clients, including 117,184 individual investors, 5,089 corporates, and 1,770 financial institutions. Our client base also included 169 publicly listed companies and 561 state-owned enterprises as of December 31, 2024.

- ***PRC Risk Management Services.*** Our PRC risk management services offer tailored hedging services for enterprises and institutions using specialized tools, which aim to help our clients stabilize operations and mitigate relevant risks. Our PRC risk management services business primarily comprises basis trading, OTC derivatives, and market making activities. Our basis trading coverage extends to the core commodity products listed on the exchanges in China. Through OTC derivatives, we offer customizable risk management services to meet diverse institutional and investor needs. In addition, we act as a market maker for options and futures products, helping enhance market liquidity. As of the Latest Practicable Date, we were one of only seven first-tier single-stock OTC derivatives counterparties in China's futures industry, with the capability to hedge exposures directly in the secondary market.

- ***PRC Wealth Management.*** With deep market knowledge and extensive experience, we precisely identify investor needs and deliver customized wealth management solutions, meeting diverse demands for wealth growth. Our PRC wealth management services include mutual funds, asset management, and agency sale of funds, leveraging our specialized expertise in futures and derivatives to expand our client base. Our subsidiary, Nanhua Fund, is the first mutual fund management company established by a futures company in China and one of the only two Chinese mutual fund managers affiliated with a futures company. As of December 31, 2024, the mutual funds products under our management amounted to RMB14,804.8 million in total.

- ***Overseas Financial Services.*** We capitalize on our overseas licenses to actively engage in international markets, offering core services such as brokerage, clearing, and asset management. By building an efficient business system, we have successfully connected PRC and key overseas markets, enabling the optimized allocation of cross-border financial resources. As of December 31, 2022, 2023 and 2024, total client equity from our overseas brokerage services (covering securities, futures, and foreign exchange) amounted to approximately HK$11.9 billion, HK$12.5 billion, and HK$13.8 billion, respectively. By December 31, 2024, we had cumulatively served around 1,500 Chinese-funded enterprises expanding globally and over 30,000 individual clients.

Technology-Driven Infrastructure

We have established a robust and innovative IT infrastructure that is essential in our business operations, corporate governance, and risk management. Our innovation and technology capabilities had been recognized at the People's Bank of China's Fintech Development Awards in 2021, 2022 and 2023. We were also recognized as the Best Digital Transformation Futures Brokerage in both 2023 and 2024 by Futures Daily, and the Outstanding IT Service Futures Company Jun Ding Award in 2023 by Securities Times and Securities China. These accolades highlight our leadership in leveraging technology for excellence and innovation. Our technology infrastructure provides us with crucial advantages:

- ***Client-Centric Application:*** Our flagship Nanhua Futures App is available across different platforms and devices, offering comprehensive functionality from real-time trading to advanced analytics, providing both convenience and expertise to investors. In 2024, this App achieved an average of 61,161 monthly active users, representing a CAGR of 24.0% from 2022. This growth was driven by enhanced App functionality and increased marking efforts, boosting brand visibility and market impact.

- ***Innovative Systems:*** our fifth-generation NHTD trading system processes up to 30 million transactions daily with a median latency under two microseconds. Our proprietary Ruihua Risk Management Services Business Risk Control System (睿華風險管理業務風控系統) combines advanced resource control, data governance, and intelligent computing to deliver precise, high-frequency monitoring across on- and off-market, PRC and overseas markets, and futures and spot markets. Our proprietary Shenghua Financial Derivatives Integrated Platform supports our PRC risk management services business and offers comprehensive yet highly sophisticated functionality across trading, risk control, back-end management, and data applications. In Hong Kong, we utilize a dedicated risk control platform offering pre-trade restrictions, real-time monitoring, and post-trade analysis, including stress testing, to ensure seamless oversight throughout the trading process. By transitioning to a digital-driven, proactive, and adaptive risk control model, we deliver robust risk management and operational stability.

- ***Global Data Network:*** we maintain dedicated servers in key data centers of major exchanges in China and overseas, including the China Financial Futures Exchange, Shanghai Futures Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange, Guangzhou Futures Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, Chicago Mercantile Exchange, and Singapore Exchange. As of the Latest Practicable Date, we had over 150 server cabinets deployed globally at major exchanges with premium hosting environments and connected through a redundant low-latency network, providing secure, reliable, and highly efficient trading services to a wide range of clients.

- ***Resilient Architecture:*** to ensure operational stability, we have implemented a "two-location, three-center" data architecture across Shanghai and Hangzhou, with the primary data center and same-site active backup center in Shanghai and a remote disaster recovery center in Hangzhou, providing redundancy and disaster recovery capabilities. Additionally, we have built an integrated PRC and overseas cybersecurity framework, supported by a global data center network in Hong Kong, Shanghai, and Chicago. This architecture enhances system resilience through rapid fault switching and multi-point defense mechanisms, ensuring security and continuity for global operations.

Robust Financial Growth

Our globally integrated, strategic business mix, comprehensive financial service offerings, and technology-enabled capabilities had driven our robust growth over the Track Record Period. Our adjusted operating income increased from RMB954.4 million in 2022 to RMB1,354.8 million in 2024, representing a CAGR of 19.2%. During the same period, our profit for the year rose from RMB245.9 million in 2022 to RMB458.0 million in 2024, reflecting a CAGR of 36.5%. Our weighted average ROE continuously improved during the Track Record Period, reaching 7.75%, 11.46%, and 11.71% for 2022, 2023, and 2024, respectively.

OUR STRENGTHS

We believe that the following are our key competitive strengths:

A Pioneer and Leader in China's Futures and Derivatives Market

We were among the first companies established in China's futures industry, contributing to its evolution from early stages to a mature market. Over the years, we have introduced numerous industry firsts. In 2019, we became the first futures company to list on the A-share market. This listing has broadened our access to capital and strengthened our brand, supporting our continued expansion. With an active client engagement, we maintain our market influence. As of December 31, 2024, client equity of our PRC futures brokerage reached RMB31.6 billion, represented a CAGR of 28.6% from that of December 31, 2022, as compared to a CAGR of 1.9% of China's futures industry. We were named as China's Best Futures Company by Futures Daily consecutively from 2022 to 2024.

We believe we are the Chinese futures and derivatives service provider with the most profound understanding of international futures and derivatives business, and also the international futures and derivatives services provider with the closest affinity to Chinese clients. We established our overseas operations early on, becoming one of the first Chinese futures companies to set up a branch in Hong Kong in 2006. According to the F&S Report, we have one of the most extensive clearing networks among Chinese futures companies in terms of exchange memberships. We had a broad international presence with extensive overseas clearing capabilities supported by 14 overseas exchange memberships and 11 overseas clearing seats as of December 31, 2024. This foundation enables us to provide futures, securities, leveraged forex trading and clearing services. Notably, we are one of the few Chinese futures companies capable of fulfilling the delivery of spot commodities in the overseas market, according to the F&S Report. In Singapore, we are capable of offering ADP and EFP physical deliveries for rubber products on the Singapore Exchange. In London, we are able to facilitate physical deliveries for aluminum, copper, and lead futures contracts. In the United States, we possess physical deliveries capabilities for silver, gold, and copper futures contracts. By overseeing settlement and delivery processes directly, we minimize intermediaries, reduce counterparty risk, and enhance overall efficiency and security. Our efforts had earned us recognition as the "SGX SICOM Top Rubber Clearing Member" by SGX in both 2023 and 2024. In addition, HGNH International Futures, Nanhua Singapore, and Nanhua UK all hold offshore brokerage qualifications for key Chinese futures exchanges such as the Dalian Commodity Exchange, Zhengzhou Commodity Exchange, and Shanghai International Energy Exchange. This enables overseas investors to trade internationalized futures products in Chinese markets seamlessly through our global platforms.

Compared with overseas financial service providers, we enjoy strong trust among Chinese industrial and institutional clients in cross-border derivatives. As of December 31, 2022, 2023 and 2024, our overseas financial services business had in total 33,392 registered clients, 33,098 registered clients and 32,577 registered clients, respectively, of which, 1,306 registered clients, 1,555 registered clients and 1,916 registered clients were corporate clients, respectively. We ranked first among all Chinese futures companies in terms of overseas revenue in 2023, according to the F&S Report. As of December 31, 2022, 2023 and 2024, total client equity from our overseas futures, securities, and leveraged foreign exchange brokerage services stood at approximately HK$11.9 billion, HK$12.5 billion, and HK$13.8 billion, respectively, while our overseas asset management business had an AUM of approximately HK$2.0 billion, HK$2.3 billion, and HK$2.5 billion, respectively.

The growing demand for futures trading and risk management services among Chinese enterprises created opportunities for us to expand our client base for the PRC markets and overseas markets. As we continue to strengthen our global footprint and introduce innovative products, we expect to capture a broader range of opportunities in both China's and overseas futures and derivatives markets.

Benefitting from the Growing Demand for Futures and Derivatives both in China and Overseas

In the PRC markets, we benefit from the increasing demand by Chinese enterprises for comprehensive derivatives services, as well as the appeal of internationalized futures products to overseas investors. China's futures industry is transitioning from traditional brokerage to full-service derivative trading and risk management, including OTC derivatives, hedging, and basis trading services. According to the F&S Report, since 2017, the notional principal of China's OTC derivatives transactions has grown from RMB333.1 billion to RMB3,181.7 billion in 2024, with an average CAGR of 45%. Despite this growth, the market size remains smaller than that of the United States, which totaled US$12.3 trillion as of December 31, 2024. In 2024, 1,503 A-share listed companies which are non-financial institutions participated in hedging activities, a 14.7% increase from 2023, raising the participation rate to 28.6%.

In addition, China's introduction of the QFII/RQFII regimes and the internationalization of futures products such as crude oil and iron ore have attracted a growing number of overseas traders. As of the Latest Practicable Date, QFII and RQFII qualified foreign investors were permitted to trade 75 futures and options products within China. In total, 15 types of futures and 9 types of options are designated as internationalized products, allowing participation by overseas traders. This will invite higher foreign participation in the PRC markets, presenting greater opportunities for our growth.

In overseas markets, we benefit from Chinese-funded enterprises' "go global" strategy, which drives demand for international derivatives and risk management services and increases overseas revenue. In the first half of 2024, listed Chinese companies generated RMB3.8 trillion in overseas revenue, a 12.8% increase from the first half of 2023, according to the China Association for Public Companies. Over the years, as overseas entities of Chinese companies have actively expanded their presence abroad, they have accumulated a substantial and mature portfolio of overseas assets. This sizeable scale of Chinese-funded assets abroad presents significant opportunities for risk management services, particularly as these entities face increasingly complex market risks such as exchange rate fluctuations, interest rate changes, commodity price volatility, and geopolitical uncertainties. We are well positioned to support these overseas entities by providing tailored risk management services that address these challenges. We aim to capitalize on this established asset base and the growing market demand for futures and derivatives services to foster our revenue growth.

Industry-Leading Technological Innovation and a Comprehensive Risk Management Framework

We place technological innovation at the core of our corporate strategy, continuously advancing financial and digital technologies to strengthen our data infrastructure and upgrade our core proprietary systems. Our efforts have earned numerous accolades. Our Futures-Spot Transactions Risk Management System (期現交易風險管理系統), Shenghua Financial Derivatives Integrated System (盛華金融衍生品綜合平台), and Integrated Platform for Investment, Research, Production and Service (投研產服一體化平台) were awarded Third Prize, Second Prize and Third Prize, respectively, at the PBOC's Fintech Development Awards in 2021, 2022 and 2023, respectively. We were also recognized as the Best Digital Transformation Futures Brokerage in both 2023 and 2024 by Futures Daily, and received the Outstanding IT Service Futures Company Jun Ding Award in 2023 from Securities Times and Securities China. These accolades highlight our achievements in leveraging technology for excellence and innovation. These recognitions underscore our leadership in driving innovation and excellence in the futures and derivatives industry.

Supporting our business operations and enhancing client experience, we have developed proprietary systems and introduced applications. Our proprietary NHTD trading system processes up to 30 million transactions daily with a median latency of under two microseconds, providing speed and reliability. Our flagship Nanhua Futures App has demonstrated growth in user engagement, with an average of 61,161 monthly active users in 2024. The Nanhua Futures App offers diverse features, including practical tools and professional insights.

We have established a comprehensive PRC and international cybersecurity framework to ensure the security and continuity of our global operations. In China, our "two-location, three-center" architecture in Shanghai and Hangzhou serves as the foundation, while internationally, our global data center network spans three key hubs in Hong Kong, Shanghai, and Chicago, enabling geographical redundancy and efficient coordination. This architecture enhances system resilience through rapid fault switching and multi-point defense mechanisms, effectively mitigating various risks. With over 150 server cabinets deployed globally at major exchanges with premium hosting environments (including CFFEX, SHFE, DCE, ZCE, GFEX, SSE, SZE, CME, and SGX) and connected through a redundant low-latency network, we deliver secure, efficient, and highly reliable transaction support for both onshore and offshore clients.

Further strengthening our operations, our proprietary Ruihua Risk Management Services Business Risk Control System underpins a comprehensive risk management framework. Ruihua Risk Management Services Business Risk Control System allows for real-time data processing managing majority of business risks, ensuring precise, high-frequency monitoring and operational stability. This system has significantly enhanced efficiency, reducing the time to simulate 100,000 paths from 14,000 seconds to just 17 seconds – a nearly 1,000-fold improvement over a traditional model. Another of our proprietary systems, Shenghua Financial Derivatives Integrated Platform, supports our PRC risk management services business and offers comprehensive yet highly sophisticated functionality across trading, risk control, backend management, and data applications.

The coordinated local and international layout not only demonstrates our robustness in cybersecurity but also reflects our deep understanding of global customer needs and our ability to respond swiftly. Looking ahead, we will continue to optimize our global network infrastructure to deliver safer and more efficient services to our clients.

We are also actively embracing advancements in AI and big data to further enhance our capabilities. By conducting in-depth testing and application research on leading large language models and deploying a privatized version based on existing large language models, we have developed a range of AI-powered tools. These include a large language model-based employee assistant, intelligent Q&A systems, and automated research writing platforms. Additionally, we are building a comprehensive global futures industry database, enabling institutional clients to leverage the database and AI tools to assist in formulating trading strategies. Through AI-driven advancements, we continue to build a unique competitive edge and lead the industry's shift toward smarter, more innovative solutions.

Highly Efficient Client Acquisition and Strong Service Capabilities

Leveraging our strategic PRC and overseas business presence, extensive network of branches, and a diverse business mix spanning multiple asset classes, we are well positioned to attract a substantial base of outstanding Chinese enterprises and their overseas subsidiaries, and meet their specialized needs in derivatives services in China and overseas. Leveraging our broad service offerings and research capabilities, we address the diverse needs of industrial clients, financial institutions, and individual investors. For example, our futures brokerage business acts as an entry point, attracting clients by providing trading channels, while our risk management business offers customized hedging strategies, basis trading, and over-the-counter derivative services. These capabilities ensure that clients benefit from our services and deepen their engagement with us. Additionally, our integrated research resources – ranging from commodity price forecasts to macroeconomic insights – enable us to provide actionable investment advice and optimize client service strategies across all business lines.

Our operations are supported by our global server cabinet network, system-level support for millisecond high-frequency trading, and extensive research coverage of market, macroeconomic conditions, and derivatives. As a result, we have attracted a significant number of industrial clients and financial institutions of our PRC futures brokerage business. The number of industrial clients of our PRC futures brokerage business steadily grow from 4,266 in 2022 to 4,672 in 2023, representing a year-on-year growth of 9.5%, and further grew to 5,089 in 2024, representing a year-on-year growth of 8.9%. The number of financial institution clients of our PRC futures brokerage business rose from 1,140 in 2022 to 1,488 in 2023, representing a year-on-year growth of 31.8%, and reached 1,770 in 2024, representing a year-on-year growth of 19.0%. In addition, our advanced fintech infrastructure underpins a robust online marketing capability that expands our reach to potential clients. Over 60% of newly acquired individual investors in 2024 originated from digital channels, and our Nanhua Futures App saw an average of 61,161 monthly active users.

In overseas markets, our broad global clearing access, unique physical delivery capability, and bespoke "personalized" service approach have helped us forge long-term, stable relationships with many overseas Chinese-funded enterprises and institutions. As of December 31, 2024, our overseas financial services business had more than 1,900 registered clients that were corporates. Moreover, our extensive offshore footprint allows us to better understand overseas clients' needs, enabling us to provide more customized solutions as they enter the PRC markets. As of December 31, 2024, we had around 200 in-bound overseas registered clients.

Robust Financial Growth Driven by a Diversified and Resilient Business Model

Our diversified business mix has proven to be a key driver of sustainable financial growth, allowing us to adapt to market dynamics and mitigate risks associated with individual business lines. By maintaining flexibility in resource allocation, we are able to strategically invest in high-growth areas while controlling the scale of businesses facing challenges. This agility ensures our overall resilience and positions us for long-term success, even amid fluctuating market conditions.

This strategic approach has translated into exceptional financial performance. According to data published by the China Futures Association, the futures industry in China experienced modest growth during the Track Record Period, with total industry revenue of RMB40.2 billion, RMB40.1 billion, and RMB41.3 billion in 2022, 2023 and 2024, respectively, and industry-wide net profits of RMB11.0 billion, RMB9.9 billion, and RMB9.5 billion over the same period, respectively. In contrast, we achieved remarkable growth, driven by our comprehensive PRC and overseas presence and our diversified product and service offerings. Specifically, our adjusted operating income grew from RMB954.4 million in 2022 to RMB1,354.8 million in 2024, reflecting a CAGR of 19.2%. Meanwhile, our profit for the year increased from RMB245.9 million in 2022 to RMB458.0 million in 2024, representing a CAGR of 36.5%. Additionally, our weighted average ROE improved continuously during the Track Record Period, reached 7.8%, 11.5% and 11.7% for 2022, 2023, and 2024, respectively. Notably, our ROE ranked 7th, 2nd and 2nd among 53 A-share listed securities firms and futures companies in 2022, 2023 and nine months ended September 30, 2024, according to the F&S Report, further demonstrating our strong financial performance relative to peers.

Our leadership in the international market also underscores the strength of our business model. In 2023, we ranked first among Chinese futures companies in terms of overseas revenue, highlighting our ability to leverage global opportunities to drive growth.

By combining a diversified business layout with strategic agility, we have built a financial foundation capable of delivering robust growth while maintaining resilience against market uncertainties. This competitive strength positions us as a leader in the industry and a reliable partner for sustainable value creation.

Management Team with Deep Industry Experience and a Market-Oriented Incentive Mechanism

Our senior management team combines extensive leadership experience, robust professional capabilities, and a relatively youthful composition, collectively underpinning our rapid yet stable growth. Led by Chairman Dr. Luo Xufeng, who has over 30 years of experience in the futures sector and has been recognized multiple times as "Best Leader of a Chinese Futures Company," our core executives collectively possess an average of more than 20 years of expertise across futures brokerage, risk management, asset management, and investment consulting. They have also served with us for an average of 15 years, granting them a solid command of market dynamics and operational processes. This depth of experience enables them to guide our teams in executing diverse business activities while effectively navigating market fluctuations. We have also cultivated a young workforce, with an average age of around 36 years as of December 31, 2024, capable of rapid learning and flexible adaptation, allowing us to swiftly respond to market developments, capitalize on emerging opportunities, and continually refine our corporate strategies. Through these collective efforts, our management team has earned the "Gold Medal Management Team among Chinese Futures Companies" award for several consecutive years.

Behind our sustained capacity for innovation lies an organizational culture that champions pioneering initiatives, underpinned by a long-term vision of becoming a "century enterprise." Aligned with national strategies, we focus on talent acquisition and development, consistently invest in research and development, and attentively track market changes to introduce diversified products and services that meet evolving client needs, driving our continued innovation.

Our Controlling Shareholder, Hengdian Holdings, is a major private conglomerate in China with six A-share listed subsidiaries (Nanhua Futures (Stock Code: 603093.SH), Hengdian DMEGC Magnetics (Stock Code: 002056.SZ), Innuovo Technology (Stock Code: 000795.SZ), Apeloa Pharmaceutical (Stock Code: 000739.SZ), Hengdian Tospo (Stock Code: 603303.SH), and Hengdian Entertainment (Stock Code: 603103.SH)), spanning sectors such as electronics, healthcare, film and cultural tourism, and modern services. Drawing on this background, we have established effective and market-based talent incentive policies to attract and retain high-caliber professionals who infuse our business with continual vitality and momentum. Driven by these incentives, the per capita adjusted operating income generated by our front-office employees rose from RMB1.8 million in 2022 and RMB2.4 million in 2023 to RMB2.6 million in 2024.

OUR STRATEGIES

Our goal is to serve the real economy (such as industrial and agricultural sectors) with specialized PRC and overseas financial services, empowering Chinese and overseas enterprises to achieve sustainable growth, and becoming a trusted partner to clients. To accomplish this goal, we plan to implement the following strategies:

Enhancing Our Capital Base and Service Capabilities Overseas

We intend to strengthen the capital base of our overseas subsidiaries to expand our overseas financial services, optimize our business structure abroad, and enhance our competitiveness and risk resilience in global markets. We intend to allocate all net **[REDACTED]** from the **[REDACTED]** to HGNH International which will be used to strengthen the capital base of our licensed overseas subsidiaries. See "Future Plans and Use of **[REDACTED]**".

We aim to enhance operations in the United States, United Kingdom, and Singapore, aligning with China's "Belt and Road" initiative and the internationalization of the futures industry. To support this expansion, we plan to enhance clearing, physical delivery, and low-volatility asset management. To boost our edge in supporting overseas entities of Chinese-funded enterprises, we will seek more overseas qualifications, exchange memberships and clearing seats, including ICE-Europe and ICE-Singapore clearing seats. This will strengthen our global clearing network, protect client funds, and better serve industrial clients with in-demand futures contracts, especially large central state-owned enterprises and outward-bound private companies. In the future, we also aim to broaden our overseas physical delivery capabilities through our global network. By leveraging our global clearing advantage, we will provide cross-border trading, settlement, and physical delivery services that enable businesses to net off positions – the holding or balancing of a long position and a short position in the same asset to reduce risk – in a faster and safer way and to lower exposure risks in import and export activities.

As Chinese-funded enterprises expand their overseas operations, we will integrate our PRC and overseas futures and derivatives capabilities to deliver effective risk management services. Initiatives include supporting private equity firms in their overseas expansion, collaborating with asset managers, enhancing our market and industry data library, and optimizing exchange data-center resources.

Additionally, we plan to expand our specialized investment management operations, focusing on commodity-related and cross-border products. We plan to train and attract high-quality fund managers and develop innovative products, capitalizing on opportunities arising from the global interest rate cycles and cross-market strategies. Further, we will leverage our membership and qualifications to offer a diverse range of products with different volatility profiles, meeting the varied investment needs of our clients.

For our brokerage and clearing services in the overseas markets, we plan to further penetrate both institutional and retail segments. For professional clients such as private equity firms and QFII, we plan to attract high net-worth clients by leveraging our global clearing capabilities and cross-border presence to create new investment and trading opportunities. At the retail level, we plan to employ both online and offline strategies, including investor education and community engagement, to improve customer stickiness and activity.

Through these initiatives, we are positioned to strengthen client relationships and capitalize on the increasing demand for risk management services and cross-border trading services in both the PRC and overseas markets.

We believe these initiatives will drive our sustainable growth globally.

Expanding Our Global Client Base

As of December 31, 2024, we had more than 140,000 registered clients across different business lines. A key element of our growth strategy is leveraging our global business network and extensive service offerings to deepen client relationships and increase revenue from both new and existing clients.

With the growing demand for futures trading and risk management services among Chinese enterprises, we plan to further expand our range of PRC and overseas futures and derivatives services. We will focus particularly on supporting companies in their "go global" initiatives by addressing their expanding overseas risk management needs. According to the F&S Report, outbound capital from Chinese enterprises grew by 11% in 2023 compared to 2022, while the number of overseas entities of Chinese-funded enterprises increased by 23%. We believe these trends will continue to create substantial opportunities for us to expand our client base in overseas markets.

We plan to enhance our positions in the existing markets we operate and further broaden our global footprint, aligning with China's "Belt and Road" initiative and the internationalization of the futures industry:

- in **Hong Kong**, we will focus on enhancing service capabilities across securities, futures, and asset management to meet the evolving needs of clients and capitalize on emerging market opportunities. We will emphasize client acquisition for U.S. stock options, targeting customers of existing online brokers, U.S. stock retail investors, and open-ended fund companies in Hong Kong.

- in the **United States**, we aim to develop relationships with introducing broker to deepen our local presence, attracting institutional clients, and expanding services to non-clearing clients beyond North America. We also plan to focus on building on our experience in assisting overseas investors to invest in internationalized products of the PRC markets.

- in the **United Kingdom**, we are in the process of applying for ICE Europe membership, which will allow us to broaden our scope of services and strengthen our market presence. Such clearing membership, once obtained, will increase our opportunities in the European region.

- in **Singapore**, we will expand our institutional client base with tailored services and OTC clearing. For our asset management business, we aim to expand FOF offerings to meet diverse client needs.

- in **Southeast Asia**, we plan to establish a subsidiary in Malaysia and develop clearing capabilities in Malaysia and other Southeast Asian countries, focusing on palm oil and agricultural products. We aim to enhance hedging and investment services. By engaging in regional industry events, we plan to boost our brand visibility as a cross-border financial services provider.

Strengthening Our Overseas Marketing Capabilities

We intend to fully leverage our global business network and financial service platform to deepen existing client relationships while attracting new clients:

- ***Expanding Marketing Teams.*** We plan to strengthen our overseas marketing presence in Hong Kong, Singapore, the United States, and the United Kingdom. In particular, we plan to attract and hire experienced professionals with deep knowledge of local markets. By building a highly skilled and regionally diverse team, we aim to deepen client relationships, improve service quality, and enhance our ability to provide tailored solutions that meet the unique needs of clients in these regions.

- ***Building Diverse Marketing Channels.*** We plan to expand our marketing channels to offer a range of services including futures brokerage, securities brokerage, and family office services to serve both trading-focused and professional clients. In particular,

  - We aim to collaborate with overseas brokerages, family offices, and branches and futures subsidiaries of Chinese securities firms to bring in additional overseas clients.

  - We also seek to host events to boost client engagement and broaden partnerships with exchanges and brokers.

  - For traders, we plan to provide up-to-date research on hot stocks and conduct overseas listed-company roadshows.

  - For professional clients, we will integrate services such as futures brokerage, asset management, and Singapore-based family offices.

Advancing Technological Infrastructure and Research and Development Capabilities

As part of our core strategy and to meet the growing demands of our clients, we are committed to advancing our technological infrastructure and strengthening our research and development capabilities. We aim to focus on the following:

- ***Upgrade Our Internal Information Technology Systems.*** We will enhance our internal CRM system to better cater for the tailored needs of our clients. By customizing our IT systems, we aim to significantly improve operational efficiency and ensure seamless client service delivery.

- ***Build Client-Focused Software Applications.*** Following our success with Nanhua Futures App in the PRC markets, we aim to develop and deploy similar software platforms that enable clients to trade seamlessly while providing them with access to valuable industry data, and thus offering a superior client experience.

- ***Expansion of Information Technology Team.*** IT personnel will play a critical role in maintaining and improving our technological capabilities. We aim to further develop our existing IT team overseas by hiring skilled professionals with expertise in software development, infrastructure management, and data analytics to support our strategic focus to advance our IT capabilities.

- ***Strengthen Information Technology Infrastructure.*** A robust trading IT infrastructure, including advanced networking and colocation facilities, is key for our overseas brokerage business by allowing low-latency trade execution, reliability, and scalability. It enhances client experience, supports high-frequency trading, and provides the technological foundation to capitalize on market opportunities and drive growth. We plan to make investments to upgrade our IT infrastructure, including our servers, GPU computing power resource pool and networking equipment to support our overseas business growth.

- ***Enhance our Research Capabilities.*** We will harness the power of big data to analyze market trends, client behavior, and industry developments. We also aim to expand our access to overseas exchange data center resources to obtain real-time market data. By leveraging data-driven insights, we will be able to provide better consultancy services to our clients, helping them make informed investment decisions.

By advancing our technological infrastructure and research capabilities, we aim to deliver innovative, efficient, and client-focused services across global markets.

OUR AWARDS AND RECOGNITIONS

During the Track Record Period, we have received a number of representative awards, including:

Year	Organizers/Media	Awards
2024	Financial Times Press (金融時報社)	2023 Outstanding Case of Financial Support for Rural Revitalization (2023金融支持鄉村振興優秀案例)
2024	Securities Times (證券時報) and Securities China (券商中國)	2024 China Innovation Pioneer Futures Company Jun Ding Award (2024中國創新先鋒期貨公司君鼎獎)
		2024 China Outstanding IT Service Futures Company Jun Ding Award (2024中國傑出IT服務期貨公司君鼎獎)
2024	Financial Associated Press (財聯社)	2024 Annual Financial Associated Press Zhiyuan Award Social Responsibility (S) Pioneer Enterprise Award (2024年度財聯社致遠獎社會責任(S)先鋒企業獎)
2024	Futures Daily (期貨日報)	2024 China Best Digital Intelligence Futures Construction and Operation Institution Selection (2024年中國最佳數智期貨建設經營機構評選): Best Digital Transformation Futures Institution (最佳數字化轉型期貨經營機構)
2023	The People's Bank of China	2023 Fintech Development Awards (2023年度金融科技發展獎)

Year	Organizers/Media	Awards
2023	Securities Times (證券時報) and Securities China (券商中國)	Outstanding IT Service Futures Company Jun Ding Award (中國傑出IT服務期貨公司君鼎獎)
2023	Securities Times (證券時報)	17th China Best Futures Institutions and Best Futures Research Teams Selection (第十七屆中國最佳期貨經營機構暨最佳期貨研究團隊評選): China Best Futures Company (中國最佳期貨公司)
2023	Securities Star (證券之星)	2023 Capital Power Annual Selection (2023年資本力量年度評選): Most Socially Responsible Futures Company of the Year (年度最具社會責任期貨公司)
		ESG New Benchmark Enterprise Award (ESG新標杆企業獎)
2023	Futures Daily (期貨日報)	2023 China Best Digital Intelligence Futures Construction and Operation Institution Selection (2023年中國最佳數智期貨建設經營機構評選): Best Digital Transformation Futures Institution (最佳數字化轉型期貨經營機構)
		16th China Best Futures Institutions Selection (第十六屆中國最佳期貨經營機構評選): China Best Futures Company (中國最佳期貨公司)
2022	The People's Bank of China	2022 Fintech Development Awards (2022年度金融科技發展獎)
2022	Securities Star (證券之星)	2022 Capital Power Annual Selection (2022年資本力量年度評選): Outstanding Brand Award (卓越品牌獎)
2022	Futures Daily and Securities Times (期貨日報、證券時報)	15th China Best Futures Institutions Selection (第十五屆中國最佳期貨經營機構評選): China Best Futures Company (中國最佳期貨公司)

OUR BUSINESS

We provide financial products and services in China and overseas. Our principal business lines include:

Business Lines	**Main Products and Services**
PRC futures brokerage	• Brokerage
PRC risk management services	• OTC derivatives
	• Basis trading
	• Market making
PRC wealth management	• Mutual funds
	• Asset management
	• Agency sale of funds
Overseas financial services	• Futures services
	• Securities services
	• Asset management
	• Leveraged forex trading

The following table sets forth our operating income by business lines for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	(RMB in millions except for percentages)					
PRC futures brokerage	536.2	7.9%	571.1	9.1%	494.4	8.7%
PRC risk management services	5,990.5	87.8%	4,999.2	80.0%	4,485.0	78.5%
PRC wealth management	60.6	0.9%	90.1	1.4%	68.2	1.2%
Overseas financial services	231.1	3.4%	567.3	9.1%	654.2	11.4%
Others[1]	4.8	0.1%	19.1	0.3%	10.3	0.2%
Total	**6,823.2**	**100.0%**	**6,246.9**	**100.0%**	**5,712.2**	**100.0%**

(1) Others mainly include operating income from investment advisory business.

Our operating income includes income from trading activities which we carry out as part of our basis trading business within the PRC risk management services. As we generate profit from basis trading primarily by capturing the basis between the spot market and the futures market, operating income does not reflect the underlying profitability of the business. To provide clearer financial results and better reflect the core performance of this business, we use adjusted operating income, which is calculated as operating income minus the trading expenses of the basis trading business. The following table sets forth our adjusted operating income by business lines for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	(RMB in millions except for percentages)					
PRC futures brokerage	536.2	56.2%	571.1	44.2%	494.4	36.5%
PRC risk management services	121.7	12.8%	45.2	3.5%	127.7	9.4%
PRC wealth management	60.6	6.4%	90.1	7.0%	68.2	5.0%
Overseas financial services	231.1	24.2%	567.3	43.9%	654.2	48.3%
Others[1]	4.8	0.5%	19.1	1.5%	10.3	0.8%
Total	**954.4**	**100.0%**	**1,292.9**	**100.0%**	**1,354.8**	**100.0%**

(1) Others mainly include operating income from investment advisory business.

PRC Futures Brokerage

Overview

We are a member of all futures exchanges in China, namely the China Financial Futures Exchange, the Dalian Commodity Exchange, the Guangzhou Futures Exchange, the Shanghai Futures Exchange, the Shanghai International Energy Exchange and the Zhengzhou Commodity Exchange. We are also an exchange participant of the Shanghai Stock Exchange and Shenzhen Stock Exchange. We were among the first futures companies approved by the CSRC to conduct futures investment advisory services. These qualifications enable us to provide our clients with comprehensive brokerage services.

PRC futures brokerage is our founding business and our cornerstone. It serves as an enabler and driver of growth for our other business segments. From a functional perspective, it plays a key role in price discovery, risk management, and optimizing resource allocation during the procurement and sales processes of real economy enterprises. During the Track Record Period, operating income from our PRC futures brokerage business amounted to RMB536.2 million, RMB571.1 million and RMB494.4 million, respectively, representing 7.9%, 9.1% and 8.7% of our operating income during those periods, respectively, and representing 56.2%, 44.2% and 36.5% of our adjusted operating income during those periods, respectively.

Brokerage Products and Services

We provide futures brokerage service for both commodity futures products and financial futures products. The table below sets forth the main futures categories we offered at each of the six futures exchanges in China as of December 31, 2024.

Futures Exchange	Futures Categories
China Financial Futures Exchange	Stock index and treasury bond
Dalian Commodity Exchange	Agricultural and industrial
Guangzhou Futures Exchanges	New energy and chemical
Shanghai Futures Exchange	Metals, energy and chemical
Shanghai International Energy Exchange	Metals, energy and chemical, Shanghai (export) Containerized Freight Index based on Settled Rates (SCFIS) (Europe service)
Zhengzhou Commodity Exchange	Agricultural and industrial

The following table sets forth the breakdown of our trading value and our market share in each of the six futures exchanges in China:

	Year ended December 31,					
	2022		2023		2024	
	Amount	*Market share*	*Amount*	*Market share*	*Amount*	*Market share*
	(RMB in millions except for %)					
Trading value						
China Financial Futures Exchange	3,947,863	1.48%	2,703,446	1.02%	2,223,593	0.58%
Dalian Commodity Exchange	3,049,863	1.23%	2,981,208	1.31%	2,836,787	1.44%
Guangzhou Futures Exchange	196	0.62%	116,916	0.96%	106,118	0.49%
Shanghai Futures Exchange	3,276,219	1.16%	3,150,805	1.04%	4,936,582	1.22%
Shanghai International Energy Exchange	610,380	0.76%	407,443	0.57%	934,742	1.49%
Zhengzhou Commodity Exchange	1,858,268	0.96%	2,751,363	1.07%	2,295,077	1.35%
Total	**12,742,789**	**1.19%**	**12,111,181**	**1.07%**	**13,332,900**	**1.08%**

The following table sets forth the breakdown of our trading value and our market share by futures categories:

	Year ended December 31,					
	2022		2023		2024	
	Amount	*Market share*	*Amount*	*Market share*	*Amount*	*Market share*
	(RMB in millions except for %)					
Commodity futures						
Agricultural	2,333,361	1.14%	2,647,856	1.15%	2,928,310	1.52%
Industrial	2,574,770	1.09%	3,084,715	1.21%	2,203,554	1.27%
Energy and chemical	1,101,078	0.81%	957,148	0.68%	1,309,123	0.93%
Metals	2,785,717	1.23%	2,698,138	1.11%	4,596,662	1.34%
Others[(1)]	–	–	19,878	0.85%	71,658	1.27%
Subtotal	8,794,926	1.09%	9,407,735	1.08%	11,109,306	1.30%
Financial futures						
Stock index futures	2,285,546	1.32%	1,689,514	1.09%	1,874,541	0.76%
Treasury bond futures	1,662,317	1.79%	1,013,931	0.91%	349,053	0.26%
Subtotal	3,947,863	1.48%	2,703,446	1.02%	2,223,593	0.58%
Total	**12,742,789**	**1.19%**	**12,111,181**	**1.07%**	**13,332,900**	**1.08%**

(1) Others mainly refer to Shanghai (export) Containerized Freight Index based on Settled Rates (SCFIS) (Europe service) available in Shanghai International Energy Exchange.

Commission and Interest Income

Our PRC futures brokerage business generates income from the commissions fees we charge our clients as well as the interest income on margin deposits and settlement reserve funds.

Commission fee income is affected by trading value and the commission rate we charge. We determine the commission rate by referencing prevailing market rates, client type, and trading value. The final rate is typically negotiated with clients and is generally set at a premium to the fee standards established by the relevant exchanges. We collect commission fee by deducting the amount from the client's futures trading accounts held with us.

In addition to commission fee income, we earn interest income on margin deposits and settlement reserve funds, which may either be deposited with banks or exchanges. We negotiate deposit interest rates with banks, referencing benchmarks including the one-year term negotiable certificate of deposit rate or the one-day current deposit rate. During the Track Record Period, the one-year term negotiable certificate of deposit rate ranged from 1.95% to 3.50% while the one-day current deposit rate ranged from 0.35% to 2.00%. Deposit interest rate at futures exchanges is generally determined by the futures exchanges. During the Track Record Period, we earned interest from deposit with futures exchanges at a rate ranging from 1.62% to 1.66%.

The following table sets forth the operating and financial metrics of our PRC futures brokerage business during the Track Record Period:

	Year ended/As of December 31,		
	2022	**2023**	**2024**
Brokerage commission earned			
Amount *(RMB in millions)*	350.4	404.3	300.0
Average brokerage commission rates *(bps)*[(1)]	0.275	0.334	0.225
Client equity			
Average daily client equity *(RMB in millions)*	20,617.2	20,430.0	24,220.6
Interest income *(RMB in millions)*	194.4	164.2	195.5

(1) Average brokerage commission rate equals the aggregate of net commission and fee income from the PRC futures brokerage business as divided by our futures brokerage trading value.

Clients

As of December 31, 2022, 2023 and 2024, our PRC futures brokerage business had in total of 107,797 registered clients, 117,825 registered clients and 124,043 registered clients, respectively. The following table sets forth the breakdown of registered clients as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
Retail	102,391	111,665	117,184
Corporates and financial institutions	5,406	6,160	6,859
Of which:			
Publicly listed companies[(1)]	123	150	169
State-owned enterprises[(2)]	333	419	561
Publicly listed and state-owned enterprises	36	36	50
Total	**107,797**	**117,825**	**124,043**

(1) A listed corporation refers to any entity that is listed on the Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange and Hong Kong Stock Exchange and any subsidiary or branch of such entity, with each being counted a separate client.

(2) A state-owned enterprise refers any entity in the PRC that is owned or controlled by the local, provincial or central government of the PRC.

In 2022, 2023, and 2024, the total number of active accounts in our PRC futures brokerage business during each respective year was 18,484, 19,191, and 19,859.

Marketing and Customer Services

We have meticulously built a collaborative marketing and service network that integrates online and offline channels to meet diverse client market demands.

Online Outreach

We have developed a multi-dimensional communication network that spans domestic and international markets, utilizing formats such as text, video, and live-streaming. By managing a diverse portfolio of self-media accounts, we engage with audiences across various platforms. To ensure effective and targeted messaging, we adopt strategies tailored to each channel: publishing in-depth articles on social media platforms to showcase our brand value and industry insights; creating short videos to educate investors; and leveraging overseas social media platforms to introduce China's futures market to global audiences.

We also maintain strong partnerships with leading domestic and international media outlets to amplify our brand presence. Our management team and industry experts regularly participate in interviews and publish articles on topics such as market trends and rural revitalization initiatives. By contributing research-driven opinion pieces to respected platforms, we strengthen our reputation for professionalism and expertise. Additionally, we use global media channels to share insights into the development of China's derivatives market, enhancing international investors' understanding and confidence in the Chinese market.

Across all promotional and corporate materials, we adhere to unified brand standards, ensuring consistent visual design and messaging across major conferences, digital marketing campaigns, and other initiatives. This cohesive approach conveys professionalism and credibility, reinforcing our brand image. Through frequent forums, industry summits, and training sessions, we integrate brand exposure with business development, turning each event into a platform to highlight the role of futures in supporting the real economy.

Online Services

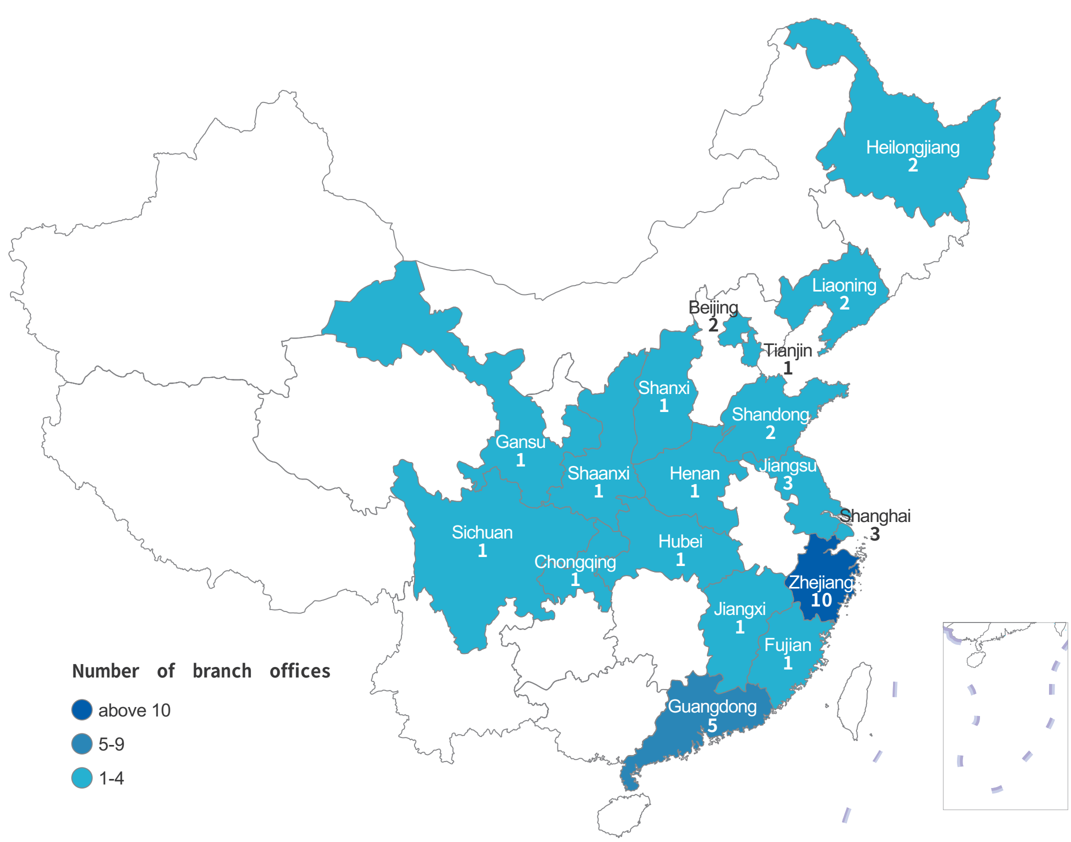
As a key component of our client outreach strategy, we provide a comprehensive range of digital platforms and services to ensure seamless access to our offerings. Our online business hall serves as a one-stop hub, giving clients access to essential services like account opening and trading. Convenient links are provided to download our apps and software, enabling secure and efficient account setup and trading.

Our flagship application, Nanhua Futures App, is compatible with both mobile devices and computers across different platforms. It provides real-time market data covering stocks, options, and futures, along with detailed contract information, interactive charts, and historical data to support informed decision-making. Users can efficiently execute trades through features that support various order types and utilize portfolio management tools to monitor account balances, track positions, review transaction histories, and set alerts for specific assets. With secure login options such as fingerprint and facial recognition, cloud synchronization, and multi-account management capabilities, the App delivers a safe, efficient, and flexible trading experience, strengthening connectivity with clients.

Offline Marketing and Services

We have developed a highly skilled marketing team, employing a dual management structure that combines client managers as the primary focus and introducing brokers as a complementary component. Through our internal marketing management system, we implement differentiated strategies for these two groups, offering competitive compensation to support their career development and personal growth. Our mature and comprehensive training programs enhance professional capabilities, including onboarding training to improve professionalism and on-the-job training to help marketing personnel grow into future leaders. This program integrates personal, corporate, and societal values, empowering employees to achieve both personal and professional growth.

With our roots in Zhejiang Province, we have expanded our PRC futures brokerage network nationwide. As of December 31, 2024, our network in China comprised 11 branch companies and 28 branch offices, with locations in Zhejiang, Shanghai, Guangdong, Beijing, Jiangsu, Liaoning, Heilongjiang, Gansu, Fujian, Shandong, Hubei, Shanxi, Sichuan, Henan, Chongqing, Jiangxi, Tianjin, and Shaanxi. The following diagram shows the distribution of our futures brokerage branch companies and branch offices as of December 31, 2024:



As of December 31, 2024, we had 375 in-house personnel and 27 introducing brokers.

To effectively serve different client segments, we employ tailored marketing strategies:

- ***Retail Clients:*** we focus on experiential and interactive offline events, inviting industry experts to share investment insights and hosting award ceremonies and social gatherings to enhance client loyalty and foster a sense of community.

- ***Corporate and Institutional Clients:*** leveraging our highly skilled research team and innovative service portfolio, we host in-depth discussions on macroeconomic trends and industry cycles, organizing specialized seminars on current market developments. Additionally, we use online channels – such as our Apps, official social media accounts, and other reputable investment platforms – to expand our brand visibility and reach a broader audience of potential investors.

PRC Risk Management Services

In our PRC risk management services business, we assist our clients with managing market risks using financial derivatives. Our PRC risk management services offering include OTC derivatives, basis trading and market making. Our PRC risk management services are primarily conducted by Nanhua Capital. Nanhua Capital holds the necessary qualifications to conduct futures-based risk management business in China.

During the Track Record Period, operating income from our PRC risk management services business amounted to RMB5,990.5 million, RMB4,999.2 million and RMB4,485.0 million, respectively, representing 87.8%, 80.0% and 78.5% of our operating income during those periods, respectively. During the same periods, adjusted operating income from our PRC risk management services business amounted to RMB121.7 million, RMB45.2 million and RMB127.7 million, respectively, representing 12.8%, 3.5% and 9.4% of our adjusted operating income during those periods, respectively.

OTC Derivatives

In an OTC derivatives transaction, we offer our counterparty clients non-standardized financial contracts such as options, swaps, and forwards. We manage the associated market risk by conducting hedging transactions on futures, securities and other markets.

Our OTC derivatives services provide customized risk management tools, addressing the diverse needs of clients. Through tailored strategies, we help clients reduce procurement costs, improve sales profitability, and enhance portfolio returns, enabling them to optimize risk exposure and improve financial stability.

We are one of only seven primary dealers in the PRC futures industry authorized to trade single-stock OTC derivatives. This designation allows us to hedge risk exposures directly in the securities market, enhancing our ability to manage market fluctuations and optimize risk-adjusted returns.

We closely monitor market demand and refine our product design strategies to expand the use of various derivatives, including forwards, options, and swaps. The underlying assets include commodities, stocks, indices, funds, and interest rates.

Since 2016, we began engaging in "Insurance + Futures" projects. An "Insurance + Futures" project combines agricultural insurance with commodity futures based on derivatives to help agricultural producers to manage risks against price fluctuations in their produce. In a typical transaction, agricultural producers purchase agricultural insurance from insurance companies to protect against price risk arising natural disasters, pests, or yield losses. Insurance companies hedge against price risk by trading in related OTC derivatives with us. This innovative product allows us to increase trading volumes of agricultural futures products and expand our reach into the agricultural sector. In 2024, we launched the first OTC derivatives product based on the Nanhua Commodity Index, and derivatives linked to this index grew to RMB236 million as of December 31, 2024.

In 2022, 2023, 2024, the scale of our OTC derivatives business as measured by the notional principal amount of newly added contracts amounted to RMB71,746.4 million, RMB79,113.8 million and RMB64,392.6 million, respectively, achieving a market share of 3.50%, 2.49% and 2.15%, respectively, based on the total notional principal amount of the newly added contracts as published by the China Futures Association. The table below sets forth the breakdown of the notional principal amount of the newly added contracts transacted by derivative type and by product type during the Track Record Period:

	Year ended December 31,		
	2022	**2023**	**2024**
	(RMB in millions)		
By type of derivatives:			
Options	59,264	53,124	41,015
Futures	7,479	12,754	12,121
Swaps	5,002	13,236	11,256
Total	**71,746**	**79,114**	**64,393**
By product:			
Commodity	60,655	70,615	60,653
Equity	11,091	8,499	3,739
Total	**71,746**	**79,114**	**64,393**

As of December 31, 2022, 2023 and 2024, our OTC derivatives business had in total 1,860 registered clients, 2,807 registered clients, and 3,645 registered clients, respectively. Our client base covers a diverse range of corporate and institutional clients, including publicly listed companies, micro, small and medium-sized enterprises and state-owned enterprises.

The following hypothetical case study illustrates how our OTC derivatives business works in practice:

Case Study – Rebar

A machinery manufacturing client sought to lock in the cost of raw materials for the next month. To achieve this, the client purchased an at-the-money rebar call option contract for 10,000 tons from us, with a strike price of RMB3,300/ton and a premium of RMB74/ton (implied volatility of 20%). Such at-the-money rebar call option would provide the client with a right to buy 10,000 tons of rebar at RMB3,300/ton regardless of how the market price changes. To acquire this right, the client paid a premium of RMB74/ton.

Our income and risk management process for this transaction is as follows:

- ***Premium Income:*** The client paid an option premium of RMB74/ton × 10,000 tons = RMB740,000, which represents our direct income from this transaction.

- ***Dynamic Hedging and Volatility Management:*** To manage the risk associated with this option, we used a dynamic hedging strategy in the futures market. At the start of the transaction, we purchased 500 lots of rebar futures at RMB3,300/ton to hedge the Delta risk (Delta ≈ 0.5). Delta measures how much the price of an option changes in response to a change in the price of the underlying asset. As the futures price rose and Delta increased (e.g., Delta = 0.6), we bought an additional 100 lots. Conversely, when the price fell and Delta decreased (e.g., Delta = 0.4), we sold 200 lots. This dynamic hedging process continued until the option expired. Over the course of the hedging period, the realized volatility decreased to 19.3%, which was lower than the implied volatility of 20% at the time of the transaction. This allowed us to profit from the time decay of the option (Theta) and the decline in volatility. Time decay, or Theta, measures the rate at which an option loses value over time, assuming all other factors remain constant. After accounting for the futures hedging loss (including transaction fees) of RMB710,300, the net profit from this transaction was: RMB740,000 (premium income) − RMB710,300 (hedging loss) = RMB29,700.

This case study demonstrates how we generate income not only from the premiums paid by clients but also from effective risk management strategies. By dynamically adjusting our positions in the futures market, we hedge risks while achieving gains.

* The above case study is hypothetical and for illustration purpose only.

During the Track Record Period, operating income from our OTC derivatives business amounted to RMB28.3 million, RMB28.4 million and RMB70.3 million, respectively, representing 0.4%, 0.5% and 1.2% of our operating income during those periods, respectively, and representing 3.0%, 2.2% and 5.2% of our adjusted operating income during those periods, respectively.

Basis Trading

In our basis trading business, we engage in spot commodity trades with our clients while executing commodity futures trades to hedge risks, thereby earning basis income. We assist our clients by facilitating the procurement and sale of physical commodities, thereby expanding their procurement and sales channels. By tailoring basis trading strategies to meet the specific needs of clients, particularly industrial enterprises, we deliver value by controlling their procurement costs or enhancing their sales revenue. Our basis trading business primarily serves industry leaders in relevant product categories as well as small and medium-sized enterprises within the supply chain.

We diversify our product offerings to align with market demands. During the Track Record Period, our product portfolio had evolved, expanding from energy and chemicals, ferrous metals, and agricultural products to include non-ferrous metals. This broad range of commodities underscores our expertise and adaptability in basis trading business. During the Track Record Period, we traded in the following commodities across several key sectors:

- *Energy and chemicals:* purified terephthalic acid, styrene, methanol, ethylene glycol, and rubber.
- *Ferrous metals:* rebar, hot-rolled coil, iron ore, and steel billet.
- *Agricultural:* soybean oil, palm oil, cotton, soybeans, and soybean meal.
- *Non-ferrous metals:* copper, tin, and silver.

In a typical basis trading transaction, we make trades on both the spot market and the futures market.

- On the spot market, based on our seller and buyer clients' targeted business and risk management needs, we enter into a contract with each of them under which we purchase and agree to take delivery of, or sell, a specific quantity and type of commodities from or to them at a predetermined price during a future period, usually up to one month. We are typically required to prepay a portion, usually up to 15%, of the total commodity price, to the seller clients upon entering into contracts with them while the remainder will be paid in accordance with the terms of the contract. We typically store the purchased commodities in third-party warehouses, which also insure the commodities against potential damage. When buyer clients request us to deliver the commodities to a designated location, we conduct thorough assessments of shipping risks, carefully evaluate the qualifications of the shipping companies, and purchase adequate insurance to ensure the safe and secure transportation of the commodities.

- On the futures market, we engage in futures trading to manage risks and capture potential gains. Our strategies include hedging and arbitrage, which are tailored based on the type of commodities, prevailing market conditions, and other relevant factors. For hedging, when we enter into purchase contracts with seller clients for physical commodities to be delivered on a future date, we simultaneously establish a back-to-back short position in the futures market for the same or closely related commodity. This approach helps us mitigate the risk of potential price declines in the commodity. Similarly, once we enter into sales contracts with buyer clients for these physical commodities, we close out the corresponding short futures positions to neutralize our exposure. For arbitrage, we capitalize on price discrepancies between (i) futures contracts of the same commodity with different maturity dates, and (ii) futures contracts of related commodities. By taking offsetting positions in these related products, we aim to lock in a profit based on the price differential. Arbitrage opportunities arise when we identify mispricing between the two products and anticipate that the price relationship will correct itself. In such cases, the gain on one leg of the trade is expected to exceed the loss on the other, allowing us to generate a net profit.

The following hypothetical case study illustrates how this process works in practice:

Case Study – Methanol

Basis trading is a strategy that capitalizes on the difference, also known as "basis", between the spot price of an asset and its corresponding futures price.

Background: In 2023, we facilitated a basis trading transaction to help Company A manage its price risk in methanol procurement. The transaction involved leveraging the spot procurement price of methanol and the main futures contract price of methanol on the Zhengzhou Commodity Exchange to execute a basis trading strategy.

Trading Details: **Initial Situation (February 1, 2023):**

Spot Price: Company A's methanol procurement price was RMB2,580/ton.

Futures Price: The methanol futures 2305 contract on ZCE was trading at RMB2,781/ton.

Basis: -201 (Spot Price – Futures Price), which expanded to an unreasonable level.

To manage the price risk, Nanhua Capital initiated a basis trading transaction:

- Purchased 500 tons of methanol spot from Company B at RMB2,580/ton. After accounting for delivery, the actual received quantity was 495.62 tons.
- Shorted 46 lots of methanol futures 2305 contract at RMB2,781/ton (1 lot = 10 tons).

Closing the Position (February 10, 2023)

Basis: Narrowed to -65, returning to a reasonable range.

Actions:

- We signed a sales contract with Company A to sell the methanol at RMB2,565/ton (adjusted for a RMB5 discount).
- Closed the 46 lots of methanol futures 2305 contract at RMB2,630/ton.

Profit: The basis profit of RMB62,881.

	February 1, 2023	February 10, 2023	Quantity	VAT	Profit (RMB)
Spot Price	2,580	2,565	495.6 tons	0.13	-6,579.0
Futures Price	2,781	2,630	460 tons	–	69,460
Basis	-201	-65	–	–	**62,881**

Our Value: We acted as a bridge between upstream suppliers (Company B) and downstream manufacturers (Company A), combining the resource advantages of Company A, the distribution capabilities of Company B, and our operational expertise to improve the efficiency of production and trading activities, providing a "safe harbor" for enterprises during periods of market volatility.

* The above case study is hypothetical and for illustration purpose only.

During the Track Record Period, trading income from our basis trading business amounted to RMB5,884.7 million, RMB5,009.6 million and RMB4,401.1 million, respectively, representing 86.2%, 80.2% and 77.0% of our operating income during those periods, respectively. As we generate profit from basis trading primarily by capturing the basis between the spot market and the futures market, trading income alone does not reflect the underlying profitability of the business. Hedging gains from the futures or derivatives market should be taken into account in order to understand the comprehensive gains from our basis trading business.

The following table sets forth the comprehensive gains from our basis trading business during the Track Record Period:

	For the year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Trading income from basis trading	5,884,696	5,009,624	4,401,080
Trading expenses from basis trading	(5,868,817)	(4,954,029)	(4,357,346)
Net investment gains from basis trading	10,931	(23,843)	(14,553)
Comprehensive gains from basis trading	**26,810**	**31,751**	**29,182**

Using comprehensive gains from basis trading business allows us to consider the combined impacts of spot transactions and futures or OTC options contracts, providing a useful analysis of investment gains and effectiveness of our basis trading.

Market Making

We provide market making services in China for futures contracts and options, providing liquidity for 22 future products and 14 options as of December 31, 2024.

In our market making business, we provide continuous buy and sell quotes for the designated products as required by the exchanges. Our market making services are provided in all futures exchanges in China. During the Track Record Period, the trading value of our market making business amounted to RMB789.7 billion, RMB927.4 billion and RMB281.5 billion.

We generate revenue by capturing the gains from the price differences between the bid price buyers are willing to purchase the asset and the ask price sellers are willing to sell the asset. In 2022, operating income from our market making business amounted to RMB66.4 million, representing 1.0% of our operating income during the period, respectively, and representing 7.0% of our adjusted operating income during the period, respectively. In 2023 and 2024, operating loss from our market making business amounted to RMB16.8 million and RMB8.4 million, respectively, representing -0.3% and -0.2% of our operating income during those periods, respectively, and representing -1.3% and -0.6% of our adjusted operating income during those periods, respectively.

PRC Wealth Management

Our wealth management business in China includes the provision of mutual funds, asset management, and agency sale of funds services. Our PRC wealth management business helps cultivate and grow the base of institutional investors, which improves the structure of market participants, and enhances pricing efficiency. Our specialization in derivatives enables us to offer wealth management services focused on hedging and arbitrage, meeting investors' diverse needs while showcasing our strengths in the field.

During the Track Record Period, operating income from our PRC wealth management business amounted to RMB60.6 million, RMB90.1 million and RMB68.2 million, respectively, representing 0.9%, 1.4% and 1.2% of our operating income during those periods, respectively, and representing 6.3%, 7.0% and 5.0% of our adjusted operating income during those periods, respectively.

Mutual Funds

Through Nanhua Fund, we engage in mutual funds business, providing fund management, fund sales, asset management, and discretionary portfolio management services in compliance with regulations set by the CSRC. We were the first PRC futures company to obtain approval from the CSRC to operate a mutual funds business.

Our products offerings encompass various funds spanning equity funds, fixed-income instruments funds, and mixed-type funds (which include a combination of equities and fixed-income instruments), catering to a wide range of investor preferences. Our featured products include the following:

- ***Nanhua CSI Hangzhou Bay Area ETF:*** this is the first bay area economy-themed ETF in China, designed to track the CSI Hangzhou Bay Area Index. This product offers an investment tool that focuses on high-quality listed enterprises in the Hangzhou Bay area and contributes to the development of the Common Prosperity Demonstration Zone.

- ***Nanhua Fenghui Mixed Fund:*** this fund follows value investing principles, focusing on constructing a "margin of safety," avoiding value traps, and pricing potential returns. It screens undervalued stocks to address market uncertainties through portfolio diversification, reflecting turnaround opportunities in distressed situations.

- ***Nanhua Ruiheng Short-Medium Term Bond Fund:*** this fund primarily invests in bonds with a remaining maturity of no more than three years, offering a risk-return profile positioned between money market funds and medium-to-long-term bond funds. In terms of strategy execution, this fund seeks to avoid excessive exposure to interest rate and credit risks. Under a risk-controlled framework, this fund aims to enhance returns through a combination of sub-strategies, including flexible duration adjustments, selective investment in credit bonds, leverage carry trades, and yield curve riding strategies. This fund strives to balance risk and return, providing investors with a relatively stable cash management product.

- ***Nanhua Ruiying Mixed Fund:*** this has garnered a four-star rating (over a five-year horizon) from Morningstar as of December 31, 2024, indicating that its risk-adjusted returns in the year place it in the top 22.5% among comparable funds during such period. The fund has also been selected for inclusion in the "Fund Manager Confidence Index" compiled by the Asset Management Association of China, further underscoring its standing in the market.

We generate income through the collection of management fees as stipulated in the fund documents. We determine management fees based on factors including fund type, management costs, market competition, investor demand, regulatory compliance, target fund size, and distribution channels, ensuring a balanced and informed fee structure. The core client base of our mutual funds business is institutional clients. The following table sets forth the number of mutual fund products and their scale under our mutual funds business as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
Mutual Fund Products			
Number	14	15	19
AUM *(RMB in millions)*	11,697.6	17,254.7	14,804.8

In addition, as part of our mutual funds business, we also had under our management 14, 15 and 15 targeted products, with an AUM of RMB3,528.7 million, RMB3,856.5 million and RMB5,273.8 million, respectively, as of December 31, 2022, 2023 and 2024, respectively.

During the Track Record Period, operating income from our mutual funds business amounted to RMB39.1 million, RMB64.0 million and RMB57.1 million, respectively, representing 0.6%, 1.0% and 1.0% of our operating income during those periods, respectively, and representing 4.1%, 4.9% and 4.2% of our adjusted operating income during those periods, respectively.

Asset Management

We commenced our asset management business in 2012. We were among the first futures companies in China that were licensed to provide asset management business. Our clients include both retail investors and institutional investors.

Our asset management products offerings include both collective and targeted asset management schemes. For collective asset management schemes, we manage assets with diverse risk and return profiles for multiple clients through designated accounts. For targeted asset management schemes, we manage assets for a single client through a designated account. The following table sets forth the number of asset management schemes and AUM under our management as of the dates indicated:

	As of December 31,					
	2022		2023		2024	
	Number	*AUM*	*Number*	*AUM*	*Number*	*AUM*
			(AUM in RMB millions)			
Collective asset management schemes	12	537	21	1,222	11	116
Targeted asset management schemes	5	195	3	62	3	43
Total	**17**	**732**	**24**	**1,283**	**14**	**159**

Compared to 2023, our AUM decreased in 2024. This reduction was primarily due to a decrease in the number of schemes under our management as we initiated a clean-up of bond-related business under our asset management operations out of prudence. This shift refocused our collective schemes on commodities, futures, and derivatives, aligning our asset management business more closely with our core strengths and market opportunities. These adjustments reflect our commitment to an efficient and compliant asset management business for long-term sustainability.

We generate income through collection of management fees and, in some cases, performance fees on schemes under our management. We set the fee rates of each scheme with reference to its type and characteristics taking into consideration of market competition, and investor demand. Management fees are charged at a pre-determined fee rate while performance fees are charged at a rate that is tied to the performance of the scheme. During the Track Record Period, operating income from our asset management business amounted to RMB9.6 million, RMB12.7 million and RMB7.1 million, respectively, representing 0.1%, 0.2% and 0.1% of our operating income during those periods, respectively, and representing 1.0%, 1.0% and 0.5% of our adjusted operating income during those periods, respectively.

We market our asset management products using multiple channels. We have established a dedicated sales team. We also seek opportunities to market our products through qualified financial intermediaries to extend our reach to a broader client base. We plan to enhance our marketing capabilities by improving internal collaboration, expanding external channels, and refining the roles of our sales team to build independent marketing strength. At the same time, we will empower our investment team with clear objectives, encouraging deeper expertise and close collaboration with the sales team to drive asset growth. While ensuring compliance, we will explore new product models, such as customized solutions for large institutions, research resource-sharing through data platforms, and FOF investment management, to steadily expand our AUM.

Agency Sale Funds

We act as agent for fund managers to sell funds to investors.

We receive commission from the agency sales of securities investment funds. Our commission is typically pre-agreed with the fund administrator. During the Track Record Period, the total sales of securities investment funds completed by us amounted to RMB1,518.1 million, RMB507.8 million and RMB171.3 million, respectively. During the Track Record Period, operating income from our agency sale of funds business amounted to RMB1.7 million, RMB4.5 million and RMB1.0 million, respectively, representing 0.03%, 0.07% and 0.02% of our operating income during those periods, respectively, and representing 0.2%, 0.3% and 0.1% of our adjusted operating income during those periods, respectively.

Overseas Financial Services

In overseas financial services business, we provide futures services, securities services, asset management and leveraged forex trading. Through HGNH International and its subsidiaries, we have been actively expanding our business in global markets. We were one of the first futures companies in China to establish a presence in Hong Kong with the establishment of HGNH International. Since 2006, HGNH International and its subsidiaries have developed operations in key strategic financial centers: Hong Kong, Chicago, Singapore, and London, covering the Asia, North America, and Europe time zones and enabling 24-hour cross-market trading services.

We play a role in helping overseas clients, especially overseas entities of Chinese enterprises, to navigate global financial markets, facilitating cross-border transactions and expanding investment opportunities beyond China. We also attract overseas clients to PRC futures and derivatives market.

During the Track Record Period, operating income from our overseas financial services business amounted to RMB231.1 million, RMB567.3 million and RMB654.2 million, respectively, representing 3.4%, 9.1% and 11.4% of our operating income during those periods, respectively, and representing 24.2%, 43.9% and 48.3% of our adjusted operating income during those periods, respectively.

Our Overseas Network

Our overseas financial services business is conducted through HGNH International and its subsidiaries.

We have established presence in Hong Kong, Chicago, Singapore, and London, allowing us to deliver seamless financial solutions across jurisdictions. As of the Latest Practicable Date, our overseas subsidiaries hold the following licenses in the jurisdictions indicated.

Location	Entity	Licenses as of the Latest Practicable Date
Hong Kong	HGNH International Securities	Type 1 (dealing in securities) under SFO Type 4 (advising on securities) under SFO
	HGNH International Futures	Type 2 (dealing in futures contracts) under SFO Type 5 (advising on futures contracts) under SFO Registered with the NFA as an exempt foreign firm
	HGNH International AM	Type 9 (asset management) under SFO

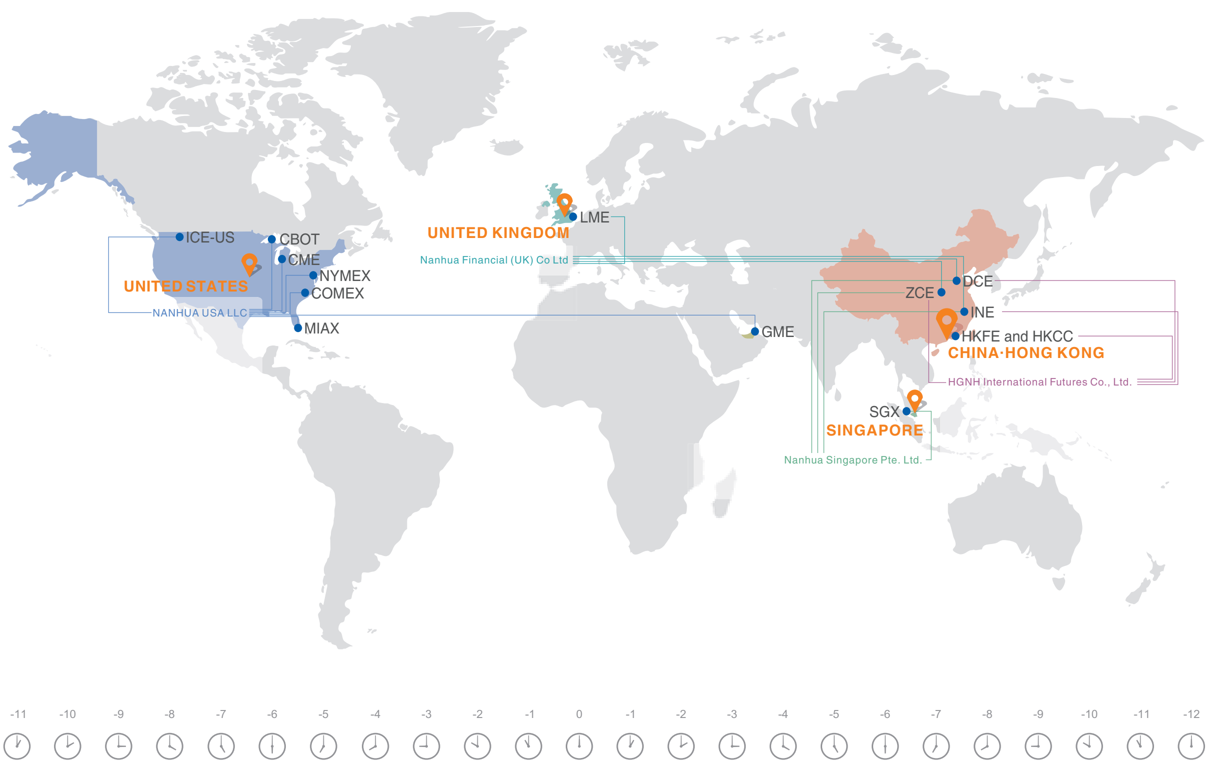
Location	Entity	Licenses as of the Latest Practicable Date
Singapore	Nanhua Singapore	Capital Markets Services License (futures contracts trading and leveraged foreign exchange trading) of MAS
		Registered with the NFA as an exempt foreign firm
	Nanhua SG	Capital Markets Services License (fund management) of MAS
United Kingdom	Nanhua UK	Approved by the UK FCA to deal in commodity futures, options, and other derivatives, and arrange investment transactions
United States	Nanhua USA	Futures Commission Merchant
	Nanhua USA Investment	Commodity Trading Advisor
		Commodity Pool Operator

As of December 31, 2024, we held 14 overseas exchange memberships and 11 clearing memberships, including those with CME Group, LME, and SGX. We are also applying for the clearing membership with ICE Europe.

Futures

We provide services to facilitate trades of futures products on multiple exchanges overseas. In addition, we are also qualified to assist overseas investors to trade futures products in three futures exchanges in China. Through our platform, overseas investors can trade internationalized futures contracts listed in China, such as crude oil and international copper on the Shanghai International Energy Exchange, as well as PTA, rapeseed oil, rapeseed meal, and peanuts on the Zhengzhou Commodity Exchange. In addition, we are one of the few PRC futures companies with the capability to facilitate physical commodity delivery overseas, providing end-to-end risk management services to overseas entities of Chinese enterprises expanding internationally.

We serve a stable base of retail and institutional clients overseas. As of December 31, 2022, 2023 and 2024, our overseas futures services business had in total 14,027 registered clients, 14,001 registered clients and 13,824 registered clients, respectively, of which, the number of active accounts was 1,067, 1,016 and 1,037, respectively, as of the same dates. The map below depicts our services network.



Scope of Services

Our futures services include brokerage, clearing, and delivery.

Brokerage

We provide futures brokerage services overseas where we assist clients in executing trades per client's instructions. We are licensed to provide futures brokerage service in Hong Kong, Singapore, the United Kingdom and the United States. The table below sets forth the breakdown of the number of overseas futures services client accounts and trading volume in lots by geography as of the dates and for the periods indicated:

	As of/For the year ended December 31,					
	2022		2023		2024	
	Number of accounts	*Trading volume*	*Number of accounts*	*Trading volume*	*Number of accounts*	*Trading volume*
	(Trading volume in lots in thousands)					
Hong Kong	13,701	18,730.0	13,585	33,531.2	13,417	61,527.1
Singapore	261	8,743.5	324	12,342.0	304	20,282.8
United Kingdom	27	1,942.8	43	2,665.5	50	3,345.6
United States	38	9,191.5	49	15,011.4	53	34,563.0
Total	**14,027**	**38,607.8**	**14,001**	**64,550.1**	**13,824**	**119,718.5**

Clearing

We also offer clearing services covering a variety of commodity and financial futures and options traded in different regions. The table below sets forth the main products that we had provided clearing services at each overseas exchange as of December 31, 2024:

Location	**Futures Exchange**	**Main Products (as of December 31, 2024)**
Hong Kong	Hong Kong Futures Exchange and HKFE Clearing Corporation Limited	USD/CNH futures and the Hang Seng Index futures, the Mini Hang Seng Index options, Hang Seng China Enterprises Index options, Mini Hang Seng China Enterprises Index options, and Hang Seng Tech Index options
Singapore	Singapore Exchange	USD/CNH futures and options, FTSE China A50 Index futures, iron ore swaps, futures and options, TSR20 rubber options, and the Nifty index futures and options

Location	Futures Exchange	Main Products (as of December 31, 2024)
United Kingdom	London Metal Exchange	Copper, nickel, zinc, lead, aluminum, and tin
United States	Chicago Mercantile Exchange COMEX Chicago Board of Trade New York Mercantile Exchange ICE Futures U.S. MIAX Futures Exchange	S&P 500 Index, U.S. treasury futures and the USD Index; gold, soybeans, wheat, corn, crude oil, coffee, cocoa and cotton

The number of lots cleared by us had been steadily growing. During the Track Record Period, we cleared a total of 18.7 million lots, 29.3 million lots, 55.6 million lots, respectively, with a trading value totaling HK$9,195,172.2 million, HK$13,635,588.9 million and HK$22,165,043.8 million, respectively. The table below sets forth the number of product types, number of lots and trading value by exchanges during the Track Record Period:

	Year ended December 31,		
	2022	**2023**	**2024**
Hong Kong Futures Exchange			
Number of product types cleared	49	63	40
Number of lots cleared by us	727,049	1,570,330	2,642,199
Trading value *(HK$ in millions)*	311,483.1	714,919.5	1,451,143.9
Singapore Exchange			
Number of product types cleared	31	38	36
Number of lots cleared by us	7,158,787	10,279,940	15,170,586
Trading value *(HK$ in millions)*	2,135,999.5	4,245,259.3	6,388,398.1
London Mercantile Exchange			
Number of product types cleared	19	19	12
Number of lots cleared by us	1,527,428	2,390,485	3,000,772
Trading value *(HK$ in millions)*	496,538.3	585,623.7	816,686.1

	Year ended December 31,		
	2022	2023	2024
Chicago Mercantile Exchange			
Number of product types cleared	104	110	114
Number of lots cleared by us	3,560,685	8,866,435	28,130,797
Trading value *(HK$ in millions)*	2,772,854.3	4,758,493.0	9,012,743.3
Chicago Board of Trade			
Number of product types cleared	30	33	55
Number of lots cleared by us	1,827,164	2,245,528	2,166,857
Trading value *(HK$ in millions)*	932,211.6	1,093,736.8	1,023,704.7
COMEX			
Number of product types cleared	44	48	72
Number of lots cleared by us	1,806,599	2,166,050	2,886,345
Trading value *(HK$ in millions)*	1,704,974.1	2,173,562.7	3,055,096.6
New York Mercantile Exchange			
Number of product types cleared	17	30	36
Number of lots cleared by us	2,091,718	1,778,939	1,503,056
Trading value *(HK$ in millions)*	841,111.3	63,993.9	389,993.3
ICE Futures U.S.			
Number of product types cleared			8
Number of lots cleared by us	–	–	100,179
Trading value *(HK$ in millions)*	–	–	24,426.8
MIAX Futures Exchange			
Number of product types cleared			1
Number of lots cleared by us	–	–	12,014
Trading value *(HK$ in millions)*	–	–	2,851.2

Delivery

Our delivery capabilities cover a wide range of asset classes, including foreign exchange, commodities, and financial derivatives, with support for major global currencies such as the US dollar, Euro, British pound, Japanese yen, and Chinese yuan.

One of our key strengths lies in our ability to facilitate delivery, particularly for commodities and currency futures. We are capable to deliver a wide range of futures products, including metals such as LME Aluminum, Copper, Nickel, Lead, Tin, Zinc, COMEX Gold, Silver, and Copper. In the currency market, we support USD/CNY and USD/CNY options, while in agriculture, we offer delivery for corn futures. Additionally, we facilitate delivery for rubber products like TSR 20, SICOM RSS3, and TSR20 futures. These capabilities demonstrate our expertise in meeting clients' physical and financial risk management needs across diverse markets.

The complexity of logistics and warehouse requirements limit the number of futures firms offering delivery services across different markets. By addressing these challenges, we differentiate ourselves in the market, enhancing our service offerings and increasing client stickiness through comprehensive support in both financial and physical markets.

Commissions and Interest Income

We generate income from commission earned on executing and clearing trades. We also earn interest income on client funds and accrued interest at a rate as negotiated between the bank and us.

During the Track Record Period, operating income from our overseas futures services amounted to RMB203.8 million, RMB484.8 million and RMB625.4 million, respectively, representing 3.0%, 7.8% and 11.0% of our operating income during those periods, respectively, and 21.4%, 37.5% and 46.2% of our adjusted operating income during those periods.

Asset Management

We provide overseas asset management services through our Hong Kong-incorporated subsidiary HGNH International AM and our Singapore-incorporated subsidiary Nanhua SG. These entities each holds the required license in their respective jurisdictions to provide asset management services: HGNH International AM holds a Type 9 (asset management) licenses under the SFO and Nanhua SG holds a capital markets services license from the Monetary Authority of Singapore. Further, HGNH International AM is authorized as a RQFII while Nanhua SG is authorized as a QFII, enabling us to assist our clients to invest in China's onshore capital markets. By leveraging our multi-market presence and regulatory licenses, we are qualified to deliver a diverse range of investment products and solutions, including:

- *Global Multi-Asset Funds:* providing exposure to equities, fixed income, and alternative investments across international markets.

- *China-Focused Investment Strategies:* facilitating foreign investment into China's financial markets through RQFII and QFII programs.

- *Commodity and Derivatives Investment Solutions:* offering structured products and fund management services centered on commodity trading, hedging, and arbitrage strategies.

We receive management fees plus performance-based fee as income from our overseas asset management services. Our fees are affected by our service with reference to prevailing market rates. The following table sets forth the number of funds and scale under management of our overseas asset management during the Track Record Period:

	As of December 31,		
	2022	**2023**	**2024**
Number of funds	38	47	52
AUM *(in HK$ millions)*	1,953	2,303	2,520

During the Track Record Period, operating income from our overseas asset management services amounted to RMB14.0 million, RMB19.2 million and RMB20.9 million, respectively, representing 0.2%, 0.3% and 0.4% of our operating income during those periods, respectively, and representing 1.5%, 1.5% and 1.5% of our adjusted operating income during those periods, respectively.

Securities

We primarily provide overseas securities services in Hong Kong through our subsidiary HGNH International Securities. HGNH International Securities holds licenses under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. Our overseas securities services primarily serve as an extension of our futures business, enabling us to deliver comprehensive, multi-asset services to our existing futures clients. By offering an integrated platform that encompasses both futures and securities, we address a broader range of risk management and investment needs for retail and institutional clients, with the goal of enhancing client satisfactory and deepening long-term relationships.

HGNH International Securities became a China Connect (Shanghai-Hong Kong Stock Connect) clearing and trading participant in 2014 and Shenzhen-Hong Kong Stock Connect clearing and participant in 2016, allowing it to serve PRC and international clients on cross-border securities trades.

HGNH International Securities assists clients on trading and dealing a diverse range of securities investment products, including Hong Kong-listed equities, callable bull/bear contracts, derivative warrants, equity-linked instruments, primary offerings, and exchange-traded funds. Additionally, it offers access to equities in the United States, Japan, Australia, and the United Kingdom. During the Track Record Period, we assisted our clients to trade securities in the aggregate amount of HK$5,947.1 million, HK$6,896.4 million and HK$13,901.6 million, respectively.

The following table sets forth the number of client accounts and client equity of our overseas security trading services during the Track Record Period:

	As of December 31,		
	2022	2023	2024
Number of cash client accounts	10,350	10,211	10,003
Number of margin client accounts	9,023	8,902	9,761
Client equity *(in HK$ millions)*	1,970	2,099	1,865

We generate income from commission earned on securities trades based on instructions received from clients. During the Track Record Period, the average commission rate calculated by commission received divided by trading value was 0.1158%, 0.0498% and 0.0559%, respectively. During the Track Record Period, operating income from our overseas securities services amounted to RMB10.3 million, RMB10.1 million and RMB16.0 million, respectively, representing 0.2%, 0.2% and 0.3% of our operating income during those periods, respectively, and representing 1.1%, 0.8% and 1.2% of our adjusted operating income during those periods, respectively.

Other Services

We also provide other overseas financial services which primarily include leveraged forex trading.

We primarily provide overseas leveraged forex trading in through Nanhua Singapore. Nanhua Singapore provides services covering a wide range of forex products including currency pair CFDs such as EUR/USD, GBP/USD, and USD/JPY.

Clients

Chinese-funded enterprises investing overseas as well as overseas entities seeking for investment in China. As of December 31, 2022, 2023 and 2024, our overseas financial services business had in total 33,392 registered clients, 33,098 registered clients and 32,577 registered clients, respectively, of which, 1,306 registered clients, 1,555 registered clients and 1,916 registered clients were corporate clients, respectively. Among our registered corporate clients, 74.2%, 75.0% and 77.7% were Chinese-funded enterprises as of the same dates, respectively, while 25.8%, 25.0% and 22.3% of the registered corporate clients were from overseas, respectively. The cumulative total number of overseas clients we assisted in reaching the financial markets in China exceeded 200 as of December 31, 2024.

RESEARCH

We established the Futures Research Institute, which was the first futures research institute in the industry, in 2001 to assist our clients in identifying and evaluating investment and hedging opportunities. Our research team produces regular research reports, event-driven reports, and specialized research studies, covering non-ferrous metals, precious metals, agriculture, energy, crude oil, and distinctive products such as cotton and PTA. In addition to serving our clients, our research team also supports various business operations including sales, investor education, trading, risk management and compliance, branding, and management, by providing comprehensive market analysis, strategic recommendations, risk assessments, and industry insights to enhance client service and inform strategic decision-making. As of December 31, 2024, there are 43 analysts in Futures Research Institute, 38 of whom held postgraduate degrees, and four of whom held undergraduate degrees.

In March 2004, the Futures Research Institute successfully launched China's first commodity index – the Nanhua Commodity Index. The Futures Research Institute also compiled several additional indices, including the Long Commodity Return Index, Short Commodity Return Index, and Comprehensive Return Index. Our research team has received several awards and recognition for its excellence, including:

- From 2022 to 2024, in the 15th, 16th, and 17th selection "China's Best Futures Operating Institutions and Best Futures Research Teams" by Futures Daily and Securities Times, our Nanhua Futures Research Institute was awarded "China's Gold Medal Futures Research Institute" for three consecutive years;

- From 2022 to 2023, in the selection of "Gold Medal Futures Research Award" by Wind, we were recognized as the most popular research institution;

- From 2022 to 2023, in the selection of Excellent Analysts (Teams) by the Shanghai Futures Exchange, our Futures Research Institute was awarded "Excellent Research Team";

- In 2022, during the 20th China Financial Awards hosted by Hexun, we were awarded the "Outstanding Futures Research Team."

We have pursued research collaborations with universities. Our notable project with Beijing Technology and Business University and Beijing Beishang Industrial Internet Information Consulting Co., Ltd., Research on the Development Strategy of Private Futures Companies in the New Situation (《新形勢下民營期貨公司發展戰略研究》), was completed in August 2024 with positive outcomes.

We have partnered with universities for projects commissioned by external organizations. For example, we collaborated with Zhejiang University on project "The Application of Credit Derivatives in the Urban Investment Bond Market" (《信用衍生品在城投市場中的應用》) and completed it in April 2023. We remain committed to fostering research partnerships with universities, exploring market frontiers, and contributing to the development of the futures market.

To support innovative research and the development of the futures market, our Futures Research Institute actively participates in the CFA's 17th joint research program. By July 2024, we completed a study titled "The Necessity and Development Model of Commodity Index Futures Listing" (《商品指數類期貨上市必要性及發展模式研究》) which received a good evaluation but is pending a completion certificate as of the Latest Practicable Date. We also completed research on financial technology applications and the futures market's role in serving the real economy in 2021, receiving a completion certificate from the CFA in 2022.

In addition, we have utilized information technology to present our research results. Our Nanhua Futures App provides detailed market analysis, company information, daily and weekly reports, hot topic analysis, and special research reports to help investors understand market trends.

INFORMATION TECHNOLOGY

We prioritize development of fintech and digital finance innovation. Since 2011, our tech team has innovated in fintech, developing products like the Nanhua High-Speed Trading System ("**NHTD**"), Nanhua Futures App, Nanhua Tong App, futures-spot trading risk management system, Shenghua Financial Derivatives Integrated Platform, and Ruihua Risk Management Services Business Risk Control System. The NHTD system is now in its fifth generation.

Our IT system is pivotal to our highly effective operation and performance of our business, playing a crucial role in our success and future growth. We have established a robust IT management infrastructure to support our expanding business operations, corporate governance, and risk management needs. As of December 31, 2024, our IT department comprised 94 employees. Our IT department organized into three divisions: the data division, the network engineering division, and the E-commerce division. Our data segment drives technology development and data governance; our E-commerce segment enhances customer experience via website and app design; and our network engineering segment ensures stable online operations, system security, and technical services, and manages critical information systems and network security plans. The network engineering segment works with E-commerce segment and data segment to set IT policies, execute strategy, and handle daily IT governance.

We have received several awards and recognition for our dedication in IT innovation:

- Fintech Development Awards in 2021, 2022 and 2023 by the People's Bank of China;

- Recognized at the 2024 Artificial Intelligence Large Model Financial Innovation and Application Showcase (2024年度人工智能大模型金融領域示範場景及創新應用案例徵集宣傳展示活動) by Shanghai FinTech Industry Alliance (上海金融科技產業聯盟) in 2024;

- China's Best Intelligent Futures Operating Institution Selection – Best Digital Transformation Futures Operating Institution in 2024 by Futures Daily;

- 17th China's Best Futures Brokerage and Best Futures Research Team Selection – Annual Best Futures Company APP Outstanding Performance Award in 2024 by Futures Daily;

- China's Best Intelligent Futures Operating Institution Selection – Best Digital Transformation Futures Operating Institution in 2023 by Futures Daily; and

- China's Outstanding IT Service Futures Company Jun Ding Award in 2023 by Securities Times and Securities China.

We have the following principal IT systems and platforms for our business operations, risk control and management:

- ***Data centers:*** To ensure that our technological advancements also safeguard the stability of our operations, we have implemented a "two-location, three-center" architecture across Shanghai and Hangzhou. This structure includes a primary data center and a same-city active back-up center in Shanghai and a remote disaster recovery center in Hangzhou, providing redundancy and disaster recovery capabilities. With over 150 server cabinets deployed globally at major exchanges with premium hosting environments (including CFFEX, SHFE, DCE, ZCE, GFEX, SSE, SZE, HKEX, CME, and SGX) and connected through a redundant low-latency network, we deliver secure, efficient, and highly reliable transaction support for both onshore and offshore clients.

- ***Trading system:*** We have adopted the CTP System by Shanghai Futures Information Technology Co., Ltd. as our primary trading system facing consumers and also developed our own NHTD series of trading systems to meet the evolving needs of our professional clients. These systems can be configured according to our specific requirements, accommodating various trading needs. They offer real-time traffic control, risk management, bank-to-futures account transfers, trading and settlement, generation, recording and storage of necessary log information, connection to the margin monitoring center's investor query service system, and prevention of client terminals from directly accessing core data by bypassing the application. The comprehensive suite of features provided by our system ensures that our clients can trade with confidence, knowing their transactions are secure and efficient.

- ***Office Automation System:*** We have independently developed the Nanhua OA System, a proprietary enterprise collaboration software meticulously built on an open-source framework. Guided by the principles of "simplicity, practicality, and efficiency," this system is designed to closely align with our actual enterprise needs. With its universal product design, the system highlights the core objectives of standardized corporate management and enhanced office efficiency. It provides users with a comprehensive and standardized office automation solution.

- ***Business Mid-office Platform:*** We have also independently developed a business mid-office data integration platform and the HGNH CRM system, designed specifically to address the core needs of financial derivatives businesses. Focusing on our PRC futures brokerage business, PRC wealth management business, PRC risk management services business and overseas financial services business, the platform addresses challenges in business operations, compliance and risk control, and operational management by incorporating advanced technologies and innovative concepts. Through the implementation of standardized measures – such as unified client account management, suitability management, document management, and foundational information management – the platform optimizes and re-engineers business processes, significantly enhancing operational efficiency and improving the client service experience. This initiative has gradually enabled the centralized management of client resources, laying a solid foundation for achieving intelligent operations in the future.

- ***Risk Management system:*** We have developed a comprehensive risk management system which oversees the entire trading process. Before trading, it enforces pre-trade risk controls. During trading, it monitors price fluctuations and client equity in real time, identifies risks through ratios, tracks order errors, and alerts trading risk management staff to handle issues promptly. After trading, the system auto-generates position statements, margin call notices, forced liquidation reports, and expiration product statements for post-trade risk analysis. It also flags clients with abnormal trading patterns based on predefined indicators and issues alerts. Additionally, the system supports various risk simulations and stress tests to prepare for potential risk scenarios.

  Separately, our Ruihua Risk Management Services Business Risk Control System has constructed a multi-dimensional risk management matrix, which includes an algorithm-optimized model algorithm library that covers majority of varieties in the futures and derivatives markets. The risk indicator library monitors the risks of each business and stage in real-time. The business parameter library establishes an early warning system, while the risk data warehouse contains various data sources, providing a panoramic view of risk information. The system features an intelligent computing engine that ensures effective risk monitoring across all business scenarios, including on-exchange, off-exchange, domestic, international, futures and spot markets, while performing rapid and accurate data calculations and risk assessments. The Ruihua system unifies the management of data from various business systems, quickly identifies risks, dynamically tracks and mitigates risks, and connects on-exchange and off-exchange data through APIs.

To manage the risks inherent in our online trading system, we have utilized various IT safety controls, including:

- ***Staffing and Procedures:*** We ensure adequate technical staff to support our system operations and maintenance. Individual roles are clearly defined with responsibilities for network, system, security, and server room management. All our staff sign confidentiality agreements, and we have established procedures for staff turnover to safeguard information security.

- ***Certified Security Products:*** We procure certified network security products and deploy high-performance firewalls at internet nodes adopting a least privilege access policy. We monitor our network devices and traffic in real-time to alert via email in case of anomalies, ensuring our network security. We conduct annual professional security scans to identify and patch system vulnerabilities.

- ***Network Isolation:*** We open only necessary ports, using a secure bastion host (a security gateway that controls access and monitors activity to protect a network) for internal management. This setup records all operations for audits and problem tracing. Critical systems are layered to isolate important data, and office and trading networks are separated with regular logging checks.

- ***Data Backup:*** We conduct daily backups of post-settlement data, transmitting it over internal networks to offsite locations for periodic archiving. Our backup medium is preserved for a minimum of 20 years, ensuring capability of data recovery in case of system failures.

- ***Comprehensive Contingency Plans:*** We have an emergency response team to swiftly address unforeseen events. We conduct at least two full-scale emergency drills annually, covering various scenarios like system failures, network issues, and disaster recovery, enhancing inter-departmental coordination and response speed.

- ***Virus Prevention and System Security:*** We perform regular weekly virus scans, promptly install operating system patches, and continuously monitor our IT system. We send email alerts for abnormal activities, ensuring the integrity and security of our systems.

- ***Video Surveillance:*** Our server room is equipped with a 24/7 video monitoring system, with recordings retained for at least six months. Unauthorized access to the server room is strictly prohibited unless it's an emergency, especially during trading hours.

We also employ systems and equipment developed by leading IT providers, placing a strong emphasis on timely maintenance and upgrades. Each year, we allocate significant resources to optimize and enhance our IT systems. In 2022, 2023, and 2024, we incurred IT-related expenditures amounting to RMB62.1 million, RMB90.4 million, and RMB94.2 million, respectively, for hardware, software, daily operations and maintenance, data center and line rental, IT service fees and salaries for IT personnel.

We also value data governance and have established a dedicated department for enterprise-level data infrastructure. By integrating various systems and eliminating data silos, we now offer services across all departments.

DATA PRIVACY AND SECURITY

Protecting privacy and data security is one of our responsibilities. We have established a series of strict data security policies to ensure that the collection, use, storage, transmission, and dissemination of data comply with all applicable laws and regulations, optimize data management, and protect the interests of data subjects. For detailed information on relevant laws and regulations, see "Regulatory Overview." These policies include:

- ***Data Collection and Use:*** Based on the types of products and services selected by our customers, and with their consent or in accordance with applicable legal exemptions, we may collect certain categories of personal data during our business operations. When opening an account and selecting our products and services, customers must confirm that they have read and agreed to relevant terms and conditions, including our Nanhua Futures Privacy Policy, which informs customers how we collect, use, store, and provide access to their personal data, as well as how customers can access, update, control, and protect their personal data and the rights associated with the data.

- ***Data Storage and Transmission:*** We will encrypt customer personal data to prevent unauthorized access, use, or modification of customer's information and to avoid data corruption or loss. Additionally, we conduct regular data backup and data recovery tests, and organize personal data safety training and disaster recovery simulation drills on a regular basis for our employees. As the processor of the personal data collected from our customers, we do not share or transfer personal data with third parties without the customer's explicit authorization or unless exempted under applicable laws and regulations. We also implement measures to choose and supervise third-party service providers in fulfilling their obligations. Legal actions may be pursued against any business partner who fails to comply with data privacy and protection provisions within executed agreements.

- ***Data Protection:*** We have established a strict customer personal data protection policy and have implemented a series of internal control measures from organizational, managerial, and technical perspectives to preserve individual personal data and protect customer privacy, which comply with the aforementioned laws and regulations. Specifically, we have developed the Nanhua Futures Customer Information Protection Management Measures, which set out the key principles and policies governing the personal data protection. We have implemented strict perimeter defense strategies, using technologies such as zero trust and sandboxing to enforce access control and data leakage prevention functions, thus preventing unauthorized access by non-relevant departments and personnel. If personal data is compromised, we require immediate remedial action from relevant departments, strict disciplinary actions for involved employees, and prompt reporting to regulatory authorities if necessary.

Our PRC Legal Advisors are of the view that, during the Track Record Period and as of the Latest Practicable Date, we had complied with the Personal Information Protection Law (《个人信息保护法》) of the PRC as well as other related laws and regulations in all material aspects.

ENVIRONMENTAL, SOCIAL RESPONSIBILITY AND GOVERNANCE

As a leading futures firm in Zhejiang, China, we are committed to sustainable growth. Our comprehensive ESG framework integrates environmental, social, and governance principles into our strategies. We will set metrics and targets for ESG projects and regularly assess our performance. We will formulate and manage our ESG strategies, objectives, and related risks.

Corporate Governance

We recognize our obligations towards environmental protection and social responsibility, and understand the potential impact of climate-related issues on our operations. We are committed to adhering to environmental, social, and governance reporting requirements upon **[REDACTED]**.

As a leading futures firm, we maintain high standards of corporate governance and ethics. We recognize the importance of transparency, accountability and sound decision-making to build and maintain trust with our stakeholders. We have established governance frameworks, with the general meeting of shareholders serving as the power institution, the Board of Directors as the decision-making institution, the Board of Supervisors as the supervisory institution, and the management as the executive institution. The Board of Directors has five specialized committees including Strategy and Asset and Liability Management, Risk Management, Audit, Nomination, and Remuneration. The management has three committees and 28 departments including committees of IT Management, Risk Management, and Business Strategy as well as departments of Marketing, Compliance Review, Legal Affairs, Internal Review, Risk Management, Human Resources, Office, Party and Mass Work Office, Branding, Finance Management, Board Office, Nanhua Research Institute, Nanhua Investment Academy, Customer Service Center, Network Engineering, Data, Settlement, Audit, VIP Customer, Business Coordination, Capital, Wealth Management Business Headquarters, Asset Management, Industrial Services Headquarters, Internet Business, Internet Operations, E-commerce Department, and Investment. We believe that our corporate governance structure is well structured with independent oversight, effective risk management systems and robust internal controls. By adhering to these principles, we ensure that our operations are conducted with integrity and uphold the interests of our customers, shareholders and the wider investor community.

We ensure compliance by regularly reviewing and updating our management systems to address new regulations, business needs, and emerging issues. We also reinforce compliance awareness and professional ethics through compliance education, including external lectures and training classes. To comply with regulations, we have created and submitted our regular report to the CSRC, which covers policy guidance, management oversight, staffing, daily operations, and outreach in rural revitalization, price stabilization, and supporting small- and medium-sized enterprises. We have also established the Information Disclosure Management System which helps us meet regulatory requirements, such as carbon emission disclosures and potential ESG-related reviews. We embed energy saving and emission reduction into daily operations, adhering to environmental laws. We promote green office practices by leveraging technology, using an online office system, and encouraging electronic conferencing. We have established the Settlement Statement Management Measures and switched from paper to electronic statements for customer billing, enhancing efficiency and reflecting our commitment to low-carbon development.

Environmental Responsibility

We are a financial services company. Unlike industries such as manufacturing or energy, our environmental footprint is minimal. Our primary focus is providing financial services, assisting clients in managing risk, and offering investment advice. Consequently, we believe that our business operation did not have any significant impact on the environment and climate change during the Track Record Period. We are, however, dedicated to environmental awareness and energy efficiency. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with health, work safety, social or environmental regulations.

Impact of ESG-related Risks

Climate-related issues, including extreme weather conditions such as storms and typhoons, may affect our business operations by disrupting essential equipment and facilities. Additionally, these weather conditions may impact the health and safety of our employees and the energy used in the working sites, potentially leading to increased operational, maintenance, and labor costs. Furthermore, evolving social trends and political policies related to ESG, such as transitioning to a lower-carbon economy, may result in more stringent regulations that require us to incur additional compliance costs. For example, we may need to allocate significant time and resources to monitor developments in ESG laws and regulations relevant to our business. This could also involve increased expenses to implement stricter measures for monitoring emissions and resource consumption. Non-compliance with environmental regulations could result in penalties, fines, suspensions, or other legal actions.

Metrics and Targets

The venue for our daily operations is our offices, where the primary resource consumption includes electricity, water and paper. We also generate waste and emit greenhouse gases during our business operations. We monitor the following metrics to assess and manage the environmental and climate-related risks arising from our business operations:

- ***Electricity and water usage.*** We assess our electricity and water use according to regulations, striving to conserve energy as per government initiatives. Electricity use is the main source of our GHG emissions during operations. To save energy, we monitor consumption and reduce electronic equipment use outside working hours, raising employee awareness about efficient electricity use and conservation. We measure annual electricity consumption in our headquarter office, which was approximately 1,908,186 kWh in 2022, 1,729,726 kWh in 2023, and 1,930,780 kWh in 2024. We also intend to organize more activities and events to foster water conservation culture in our Group. We continually evaluate our water usage level. We mainly use annual water consumption per capita to assess our water usage level in our headquarter office. In 2022, 2023, and 2024, we recorded annual water usage per capita of approximately 8.6 tons per capita, 9.5 tons per capita, and 9.8 tons per capita, respectively.

- ***Paperless operation.*** We emphasize paper conservation and aim to reduce paper usage through initiatives such as paperless operations. Additionally, we seek to enhance our digital operations by further developing our business and internal management systems. We primarily monitor the number of pieces of paper used in our headquarter office to assess the effectiveness of our paperless operation. In 2022, 2023, and 2024, we used approximately 327.5 thousand, 310.0 thousand, and 305.0 thousand pieces of paper, respectively. These figures were calculated based on the purchase amount of paper at the beginning of each period. Our goal is to reduce paper usage by approximately 1-5% per year over the next three years.

To fulfill our environmental and social responsibilities, we have set the following environmental goals and indicators as well as action plans to be implemented to achieve the expected results:

Category	Key Performance Goals	Environmental Goals	Indicators	Action Plans
GHG Emissions	Emission Targets	Encourage Green Commuting	Strengthen the management of company-owned vehicles	Strictly limit the number of company-owned vehicles and reasonably maintain them to extend their service life
Waste Generation	Waste Reduction Targets	Reduce Paper Usage	Reduce use of paper in the office	Convert to no-paper operation
Energy Usage	Energy Efficiency Targets	Improve Energy Efficiency	Reduce office energy consumption	Convert to energy saving lighting equipment

Category	Key Performance Goals	Environmental Goals	Indicators	Action Plans
All Above Environmental Goal Categories	Emission Targets Waste Reduction Targets Energy Efficiency Targets	Promote Environmental Awareness	Provide environmental training/publicity to employees	1 Encourage employees to cultivate an awareness of energy conservation and environmental protection and to use office resources like paper responsibly 2 Posting signs in common areas and on energy-using equipment o promote energy saving, water conservation, and environmental protection

Measures to Achieve the Goals

We have adopted comprehensive environmental policies and practices with a strong emphasis on (i) green office; (ii) green finance; (iii) employee education and training; and (iv) green supply chain.

- *Green office:* We have initiated several green office measures to achieve low-carbon and sustainable development. We have established and utilized our own Office Automation (OA) system and promoted the use of video and telephone conferencing, electronic workflows, and the reduction of paper documents in customer billing service.

- *Green finance:* We have planned to increase our client base in the new energy sector and enhance our service.

- *Employee education and training:* We have invested in promoting our employee's awareness of environment protection. We urge employees to be mindful of energy conservation and environmental protection and to use office resources, like paper, responsibly. We post signs in common areas and on equipment to promote awareness of saving energy, conserving water, and protecting the environment by reminding employees to turn off lights when leaving and close faucets completely to prevent waste.

- *Green Supply Chain:* We require suppliers to meet high social responsibility standards, ensuring ethical business practices and compliance with sustainable development goals. Products and services must be sourced legally and ethically, without unfair competition. In addition, during the construction and renovation of our headquarters, we used eco-friendly materials and smart lighting. The property management company regularly maintains equipment to conserve electricity.

Social Responsibility

We have launched multiple initiatives focused on supporting underserved communities, promoting financial literacy, and encouraging diversity and inclusivity within our workforce. Our major corporate social responsibility initiatives include:

Rural Revitalization

We have identified and supported projects tailored to the local context in underdeveloped regions, contributing to local economic growth and improved living standards. Since 2016, we have pioneered a specialized support model called "Insurance + Futures," focusing on agriculture, rural areas, and farmers. As of the Latest Practical Date, our projects have covered 26 provinces and 103 counties and cities across China, including Heilongjiang, Jilin, Yunnan, Hainan, and Xinjiang, serving more than 350,000 farming households. In 2024, we have provided in total of RMB3.4 million to rural revitalization. See "– Our Business – PRC Risk Management Services – OTC Derivatives".

We established the Hangzhou Ganlin Student Aid Foundation to support education for disadvantaged students in China's ethnic minority and impoverished regions. During the Track Record Period, we had provided RMB643,211 to the Hangzhou Ganlin Student Aid Foundation and sponsored 151 students to finish the college entrance exam.

Social Public Welfare

On August 1, 2024, we partnered with a commercial bank based in Zhejiang to establish the "Shanben Trust Zhejin – Nanhua Charity Trust," with an initial capital of RMB1 million. The primary purpose of this trust is to provide educational assistance in Changshan County, Quzhou, Zhejiang and to support the development of the Hangzhou Ganlin Student Aid Foundation.

In 2023, we mobilized employees to donate to the earthquake-stricken area of Jishishan County, raising RMB163,300. This action demonstrated our commitment to social responsibility.

Rapid Disaster Relief and Support

On January 7, 2025, after the 6.8 magnitude earthquake occurred in Dingri County, Shigatse City, Tibet, we responded promptly by donating RMB122,200 to support emergency rescue, relocation, medical treatment, livelihood assistance, and post-disaster reconstruction. Furthermore, we encouraged employees to donate funds and warm clothing for the affected place.

During the COVID-19 pandemic, we demonstrated our corporate commitment by donating funds and supplies to affected areas. We contributed approximately RMB1 million to the Shangcheng District Charity Federation in Hangzhou and provided medical gloves to the Second Affiliated Hospital of Zhejiang University. Additionally, we utilized futures and options to assist a medical glove manufacturer in Jiangxi, a non-ferrous metal trader in Shanghai, and a livestock enterprise in Inner Mongolia in managing the risk of rising raw material prices, thereby ensuring stable production and supply.

Employees

We respect gender, age, and ethnicity among individuals and have implemented policies on compensation, dismissal, equal opportunities, diversity, and anti-discrimination. As of December 31, 2024, we employed 1,038 individuals, with approximately 50.5% female and 49.5% male. We adhere to relevant regulations during recruitment processes, prioritizing equal opportunity, diversification, and anti-discrimination in the workplace. All qualified candidates are considered equally, regardless of their gender, age, nationality, or cultural background. Regarding terminations, we comply with applicable regulations and procedures, including the termination of labor contracts when employees violate rules and regulations.

We place strong emphasis on employee growth and development by offering extensive training and internal resources, including mentorship programs and job rotation opportunities. See "- Employee". We align compensation with job responsibilities, performance, and skills, focusing on performance-based allocation, efficiency, fairness, and sustainable development to foster employee enthusiasm and innovation. We adhere to labor laws in all regions of operation, ensuring our work environments comply with legal standards. Additionally, we prioritize safety and health by providing the necessary facilities to maintain a safe and healthy workplace.

OUR CLIENTS AND SUPPLIERS

We serve a diverse base of clients comprising corporate, institutional, and individual clients across a spectrum of sectors. During the Track Record Period, trading income from our basis trading business amounted to RMB5,884.7 million, RMB5,009.6 million and RMB4,401.1 million, respectively, representing 86.2%, 80.2% and 77.0% of our operating income during those periods, respectively. Majority of our clients of our basis trading business are located in Zhejiang province.

In 2022, 2023, and 2024, income from our top five clients accounted for 16.2%, 32.0% and 23.8% of our total income, respectively. The following table sets forth the background information of our five largest clients for each year during the Track Record Period:

Year 2022

Rank	Clients	Client business profile	Service we provide	Starting year of business relationship	Sales amount	Percentage of our operating income
					(RMB'000)	
1	Zhejiang Hanggang International Trade Co., Ltd.	Trade of steel, stainless steel products, and metallurgical raw materials	Basis Trading	2018	352,564.3	5.2%
2	Yuanda Energy Chemical Co., Ltd.	Trade of energy chemical products	Basis Trading	2018	203,405.0	3.0%
3	Xiamen International Trade Petrochemical Co., Ltd.	Supply chain, advanced manufacturing, urban construction and operation, consumption and operation, consumer services	Basis Trading	2021	195,801.1	2.9%
4	Hangzhou Financial Investment Industrial Co., Ltd.	Trade of bulk commodity	Basis Trading	2019	188,243.5	2.8%
5	Zhongji Petrochemical Co., Ltd.	Production and sales of various chemical products such as polypropylene and polyethylene	Basis Trading	2019	165,017.5	2.4%

Year 2023

Rank	Clients	Client business profile	Services we provide	Starting year of business relationship	Sales amount	Percentage of our operating income
					(RMB'000)	
1	Hangzhou Yuehang Chemical Fiber Technology Co., Ltd.	Production and sale of chemical fibers	Basis Trading	2022	995,315.9	15.9%
2	Hangzhou Financial Investment Industrial Co., Ltd.	Trade of bulk commodity	Basis Trading	2019	414,630.6	6.6%
3	Zhehai Supply Chain Management (Zhejiang) Co., Ltd.	Logistics, warehousing, and distribution services	Basis Trading	2022	215,246.4	3.4%
4	Zhejiang Hanggang International Trade Co., Ltd.	Trade of steel, stainless steel products, and metallurgical raw materials	Basis Trading	2018	203,173.0	3.3%
5	Shanghai Gangyin E-commerce Co., Ltd.	B2B e-commerce platform for steel	Basis Trading	2018	168,394.9	2.7%

Year 2024

Rank	Clients	Client business profile	Service we provide	Starting year of business relationship	Sales amount	Percentage of our operating income
					(RMB'000)	
1	Hangzhou Yuehang Chemical Fiber Technology Co., Ltd.	Production and sale of chemical fibers	Basis Trading	2022	637,658.3	11.2%
2	Zhehai Supply Chain Management (Zhejiang) Co., Ltd.	Logistics, warehousing, and distribution services	Basis Trading	2022	262,451.2	4.6%
3	Shanghai Gangyin E-commerce Co., Ltd.	B2B e-commerce platform for steel	Basis Trading	2018	170,731.3	3.0%
4	Zhejiang Hangshi Chemical Co., Ltd.	Spot trading of commodities. futures-spot hedging, and industry services	Basis Trading	2020	153,635.9	2.7%
5	Wuchan Zhongda Group Co., Ltd.	Supply chain integration service provider	Basis Trading	2023	135,008.2	2.4%

The following summarizes the salient terms of a typical agreement that we enter into with a client:

Key Terms	Descriptions
Duration of the agreement	Generally under three months
Fee model	Not applicable
Payment terms	Generally payment in advance except for limited clients with excellent credit records
Terms and renewal	Termination upon the fulfillment of our services

In 2022, 2023, and 2024, purchases from our top five suppliers accounted for 20.1%, 36.7% and 26.6% of our operating expenses, respectively. The following table sets forth the background information of our five largest suppliers for each year during the Track Record Period:

Year 2022

Rank	Suppliers	Suppliers business profile	Service we purchase	Starting year of business relationship	Purchase amount	Percentage of our operating expenses
					(RMB'000)	
1	Zhejiang Hanggang International Trade Co., Ltd.	Trade of steel, stainless steel products, and metallurgical raw materials	Basis Trading	2018	339,158.3	5.2%
2	Hengli Petrochemical (Dalian) Co., Ltd.	Industry chain of oil refining, petrochemical, new polyester materials, and textile	Basis Trading	2019	309,524.9	4.7%
3	BASF Chemical Trading (Shanghai) Co., Ltd.	Trade of chemical products	Basis Trading	2021	264,634.8	4.1%
4	Fujian Huajin Trade Co., Ltd.	Import and export trade of chemicals and related products, building materials, iron ore, and non-ferrous metal raw materials, as well as the export of various electromechanical products	Basis Trading	2022	213,068.1	3.3%
5	Xiamen International Trade Petrochemical Co., Ltd.	Supply chain, advanced manufacturing, urban construction and operation, consumption and operation, consumer services	Basis Trading	2021	183,964.3	2.8%

Year 2023

Rank	Suppliers	Suppliers business profile	Service we purchase	Starting year of business relationship	Purchase amount	Percentage of our operating expenses
					(RMB'000)	
1	Beijing Toodudu E-commerce Co., Ltd.	Providing one-stop online-to-offline (O2O) e-commerce services for paint companies	Basis Trading	2021	905,944.2	15.7%
2	Hengli Petrochemical (Dalian) Co., Ltd.	Industry chain of oil refining, petrochemical, new polyester materials, and textile	Basis Trading	2019	437,203.2	7.6%
3	Shanghai Gangyin E-commerce Co., Ltd.	B2B e-commerce platform for steel	Basis Trading	2018	388,253.5	6.7%
4	Zhejiang Hanggang International Trade Co., Ltd.	Trade of steel, stainless steel products, and metallurgical raw materials	Basis Trading	2018	203,084.8	3.5%
5	Ningbo Urban Investment and Produce Co., Ltd.	Wholesale and retail business	Basis Trading	2023	177,508.0	3.1%

Year 2024

Rank	Suppliers	Suppliers business profile	Service we purchase	Starting year of business relationship	Purchase amount	Percentage of our operating expenses
					(RMB'000)	
1	Beijing Toodudu E-commerce Co., Ltd.	Providing one-stop online-to-offline (O2O) e-commerce services for paint companies	Basis Trading	2021	717,105.1	13.8%
2	Shanghai Gangyin E-commerce Co., Ltd.	B2B e-commerce platform for steel	Basis Trading	2018	406,398.8	7.8%
3	Shanghai Zhaogang Information Technology Co., Ltd.	Steel industry full-chain e-commerce platform	Basis Trading	2021	114,264.0	2.2%
4	Zheshang Development Group Co., Ltd.	Supply chain integration service provider	Basis Trading	2022	73,236.1	1.4%
5	Wuchan Zhongda Metal Group Shanghai Co., Ltd.	Supply chain integration service provider	Basis Trading	2023	71,200.4	1.4%

The following summarizes the salient terms of a typical purchase agreement that we enter into with a supplier:

Key Terms	**Descriptions**
Duration of the agreement	Generally under three months
Fee percentage	Not applicable
Payment terms	Generally payment in advance except for clients with less than average credit records
Terms and renewal	Termination upon the fulfillment of services

Certain of our five largest clients are also among our suppliers, and vice versa. In 2022, 2023 and 2024, these clients contributed 16.2%, 25.3%, and 23.8% of our operating income, respectively, and these suppliers contributed 12.8%, 26.0%, and 12.8% of our operating cost, respectively. This overlap was due to the nature of our basis trading business where our counterparty in basis trading can act as the seller or a buyer. We primarily engage in the spot and futures trading of bulk commodities such as rebar, hot-rolled coil, methanol, PTA, and ethylene glycol. We engage with industry-leading enterprises when we have trading needs so that we can better leverage the customer, channel, and resource advantages. Transactions with these enterprises are highly standardized. To the knowledge of our Directors, none of our Directors, Supervisors and their respective associates or any Shareholders holding more than 5% of our issued share capital had any interests in any of our five largest clients or suppliers as of the Latest Practicable Date.

MARKET AND COMPETITION

For our PRC futures brokerage business, we compete primarily with financial institution-affiliated futures companies, and non-financial institution-related futures companies; for our PRC risk management services business, we compete primarily with risk management subsidiaries of other PRC futures companies; for our PRC wealth management business, we compete primarily with other mutual fund companies and the asset management departments or asset management subsidiaries of other financial institutions; for our overseas financial services business, we compete primarily with China-funded financial services providers with qualifications in futures and derivatives businesses. We compete with our competitors in terms of brand recognition, marketing and distribution capacity, service quality, financial strength, pricing, talent, information technology and research capabilities.

Our competitors may have certain competitive advantages over us, including greater financial resources, higher brand recognition and more extensive experience.

INTELLECTUAL PROPERTY RIGHTS

As of December 31, 2024, we registered 109 trademarks in China, seven trademarks in Hong Kong, eight trademarks in Taiwan, eight trademarks under the Madrid International Trademark System, 18 software copyrights in China and six domain names in China. See "Appendix VI – Statutory and General Information – B. Further Information about Our Business – 2. Intellectual Property Rights".

To minimize any possible risks arising from further claims that may be brought by South China, we have resolved not to make use of the name comprising "南华", "南華" or "Nanhua" in the course of any business carried on by us in Hong Kong but instead carry on business in Hong Kong under the name "橫華國際". Consequently, we have applied for the registration of "橫華國際" as our business name in Hong Kong. We have also provided guidelines to our employees that: (i) they should introduce our Company to our potential clients in the name of "橫華國際" in Hong Kong; and (ii) they should use the name of "橫華國際" for all external communication in Hong Kong. See "Risk Factors – The use of our Chinese name in this document and the use of it in the course of trade or business in Hong Kong may be challenged due to potential trademark infringement and passing off".

We rely on a combination of trademark passing off, copyright, trade secret and fair business practice laws in China and other jurisdictions to protect our intellectual property rights and our brand. We will seek registration for our brands, marks, and software from time to time when our management determines that it is competitively advantageous and cost effective for us to do so. We maintain and renew our intellectual property rights to avoid any lapses. Additionally, our cooperation agreements include clauses for intellectual property protection, outlining infringement liabilities and compensation mechanisms. In cases of intellectual property infringement, we work with legal counsel to seek legal remedies. Despite our precautions, third parties may obtain and use our intellectual property or license without our consent. Instances of impersonation on our intellectual property were resolved after a business report led to the other party's withdrawal. We are not aware of any other breaches of our intellectual property rights during the Track Record Period.

We have not experienced any material disputes or claims for infringement of intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date.

EMPLOYEES

As of December 31, 2022, 2023, and 2024, we had 978, 1,023, and 1,038 employees, respectively, who had entered into employment contracts with us. As of December 31, 2024, 629 employees had undergraduate degrees, accounting for 60.6% of our total employees; 328 employees had postgraduate degrees, accounting for 31.6% of our total employees. The following table sets forth a breakdown of our employees by departments as of December 31, 2024:

	As of December 31, 2024
PRC Futures Brokerage	375
PRC Risk Management Services	56
PRC Wealth Management	59
Overseas Financial Services	32
Research	53
Compliance	34
IT	94
Finance	51
Administration	51
Others	233
Total	**1,038**

The following table sets forth a breakdown of our employees by geographic regions as of December 31, 2024:

	As of December 31, 2024
China	
Zhejiang Province	688
Outside Zhejiang Province	260
Overseas	
Hong Kong	33
Singapore	22
United Kingdom	22
United States	13
Total	**1,038**

Our long-term growth relies on the knowledge, experience, and development of our employees. We use a hybrid recruitment process, incorporating both online and traditional methods to recruit candidates. We focus on recruiting, training, and retaining skilled and experienced individuals throughout our operations. This is achieved by offering competitive remuneration packages and emphasizing training and career development, including tailored training resources, internal rotation opportunities, and mentorship programs.

As required under PRC laws and regulations, we participate in various employee social security plans that are organized by the applicable local municipal and provincial governments, including housing, pension, medical, maternity, work-related injury, and unemployment benefit plans. We are required under PRC laws to make contributions to employee benefit plans at specified percentages of salaries, bonuses, and certain allowance of our employees, up to a maximum amount specified by the local government.

We have established a labor union dedicated to safeguarding the rights and interests of our employees. We consider our relationship with our employees to be positive and have never experienced disruptions in our operations due to labor disputes. We are confident that our senior management, labor union, and employees will continue to maintain strong and cooperative relationships.

INSURANCE

We provide PRC legally required social security insurance including medical insurance, maternity insurance, workplace injury insurance, unemployment insurance and pension benefits for our PRC-based employees. We contribute to Mandatory Provident Fund, provide labor insurance, and provide health insurance for certain of our Hong Kong-based employees and maintain property insurance for our office facilities in Hong Kong. In accordance with the Securities and Futures (Insurance) Rules of Hong Kong (Chapter 571AI of the laws of Hong Kong), we have purchased and maintained insurance for any loss incurred by us due to any loss to our clients' assets in our custody that are caused by fraudulent conduct of our employees, robbery, theft or other misconduct. We provide our Singapore-based employees with contributions to the Central Provident Fund, a compulsory comprehensive savings and pension plan for working Singaporeans and permanent residents, as well as group medical insurance (i.e., PRUtreasury Flexi II). We provide our U.K.-based employees with pension benefits, group medical insurance, and directors and officers liability insurance and Nanhua UK has in place employer's liability insurance as required by UK law. In addition, We provide our U.S.-based employees with a retirement plan and various welfare benefits, including group health insurance. We believe that our insurance coverage is adequate to cover our key assets, facilities and liabilities. We believe that we have maintained insurance coverage we consider necessary and sufficient for our operations and customary for the industry in which are operate.

Our policies are subject to standard deductibles, exclusions, and limitations. Therefore, insurance might not cover all potential losses, and we cannot guarantee that we will not incur losses or claims beyond the limits or outside the scope of our insurance policies.

PROPERTIES

Our headquarters are located at Hangzhou, Zhejiang, China.

Owned Properties in the PRC

As of the Latest Practicable Date, we had property ownership certificates for two properties located in Hangzhou and Chengdu, respectively, for office purposes, with an aggregate gross floor area of approximately 15,391.7 sq.m.

Leased Properties in the PRC

As of the Latest Practicable Date, in China, we leased and occupied 44 properties with an aggregate leased area of 11,530.0 square meters, which were primarily used for business operations and office purposes. As of the Latest Practicable Date, we had not registered 25 lease agreements for 25 leased properties. In all cases, landlords of our rented premises are in possession of the property certificate. As advised by our PRC Legal Advisor, such non-compliance does not affect the validity of the relevant property lease agreement, but could result in the imposition of fines up to RMB10,000 for each leased property that is unregistered if we fail to rectify the non-compliance within the time frame prescribed by the relevant authorities. We believe such non-compliance will not have a material adverse effect on our business.

Leased Properties outside the PRC

We leased one property in each of Chicago and London, with a gross floor area of approximately 3,622 square feet and 3,913 square feet, respectively. We leased one property in Singapore with a gross floor area of approximately 3,262 square feet. We use all of these properties as office space.

We leased two properties in Hong Kong, with one property for office space and the other as staff dormitory. The property for office space has a total gross floor area of 5,240 square feet and the property for dormitory purpose has a total gross floor area of 37 square metres.

RISK MANAGEMENT

Overview

The primary risks in relation to our operations include operation risk, market risk, credit risk, liquidity risk, investment risk and legal and compliance risk. We have established an integrated risk management system with comprehensive risk coverage and continuously invested in its upgrade and optimization. Our comprehensive risk management system enables us to effectively manage primary risks associated with our daily operations and achieve sustainable business growth.

Our success is predicated on our ability to effectively control and manage systemic, institutional, and operational risks. Through a robust and well-defined risk management organizational governance structure, we aim to achieve comprehensive risk management across the entire enterprise so that we can effectively mitigate risks and develop our business in a sustainable way. To achieve these objectives, we have implemented the following principles in our risk management:

- *Comprehensive.* We have established, maintained, and will continuously improve a comprehensive risk management framework that is fully aligned with our overall corporate development goals and encompass all company levels, departments, and personnel.

- *Material.* Our risk management system ensures the effective implementation and execution of our internal control policies. We prioritize main business areas and risk-prone operations and allocate risk management resources to high-risk business to manage key risk points effectively.

- *Compliant.* We ensure that the design and implementation of the risk control system adhere to relevant laws, industry self-regulatory standards, and our internal policies.

- *Independent.* We ensure that the risk management system and risk management personnel operate independently from other business departments. The responsible individuals report directly to senior management or the Board of Directors, thereby preventing any interference from business departments and ensuring the independence and effectiveness of supervision and control.

- *Dynamic.* We recognize the importance of innovation for our continued success and our risk management system will facilitate and support business innovation, provided that such innovation occurs within acceptable and controlled risk parameters, promoting sustainable development and improving our operational efficiency. We ensure that our risk management system align with our strategy, business type, operation scale, and risk tolerance, and is timely adjusted and optimized based on market changes, regulations, and policies to remain adaptive and flexible, avoiding delays.

- *Preventive.* We ensure that our risk management system should not only control the risks that have occurred but also take measures in advance to prevent the occurrence of potential risks through prediction and analysis.

- *Confidential.* We ensure the confidentiality of the large amount of sensitive information.

- *Advanced.* We proactively incorporate advanced technologies, including artificial intelligence, big data, and cloud computing, to enhance the intelligence and automation of our risk management system. Additionally, we develop a unified data platform to integrate both internal and external data resources, enabling comprehensive risk monitoring and management. We conduct regular assessments and audits to evaluate the operational effectiveness of the system.

We have established a comprehensive risk management system that integrates all aspects of our operations, including corporate governance, transaction management, and daily activities. Our risk management process encompasses risk identification, risk assessment, monitoring and control, and risk reporting:

- *Risk Identification:* We undertake a thorough and systematic review of all business processes, departments, and personnel. Our analysis encompasses risk and their evolving patterns within our operational scope, with particular attention to new risks emerging from environmental changes. By summarizing and organizing both internal and external events, and utilizing methods such as scenario analysis and process analysis, we have developed an event database to facilitate risk identification.

- *Risk Assessment:* We use methods such as checklists, statistical classification, and narrative descriptions for internal self-assessment and evaluation. When necessary, we invite external third parties to participate in the risk assessment.

- *Monitoring and Control:* We employ advanced management systems (including OA office automation systems, transaction risk control systems, and anti-money laundering systems) to establish comprehensive risk controls for business processes. This includes implementing emergency mechanisms and risk reserve systems for major risks. We leverage contemporary information technology to conduct real-time risk monitoring of our operational and management activities. By deploying an OA modern management system, we manage various tasks in daily operations through process-based management and hierarchical authorization, thereby strengthening the legal and compliance review of personnel, fund transfers, contracts, and other matters. The account opening system ensures the compliance of customer account openings and assesses investor suitability. The futures trading management system oversees risk control and review of customer margins, trading risks, and trading outcomes. The futures risk monitoring system provides real-time surveillance of customer risks and abnormal trading behavior, enabling prompt control measures. The anti-money laundering monitoring system is responsible for monitoring suspicious transactions. Additionally, the financial accounting system supervises customer funds, bank accounts, and other related items.

- *Risk Reporting:* Through regular testing, we develop a risk map to continuously enhance the early warning indicator system. We assess the effectiveness of risk management and provide reports on the outcomes. The Compliance Review Department performs both on-site and off-site inspections to evaluate each department's adherence to our company's risk management system. They measure, analyze, assess, and report on business risks. We employ various audit methods, including on-site audits, off-site audits, comprehensive audits, and special audits, to conduct internal evaluations of the performance of all business and functional departments. These efforts culminate in written reports that facilitate post-event control of risks across all business areas.

Our Directors confirm that, during the Track Record Period, there have not been any material erroneous trades or departures from our risk management system.

Risk Management System

We have established a four-level risk management structure, consisting of: (i) the Board and its Specialized Committee; (ii) the executive management; (iii) the functional management departments; and (iv) frontline risk management teams at our business departments and branches.

Board and Specialized Committee

The Board represents the highest level of authority within our risk management framework. The Board is responsible for approving our overall business strategy and major policies, defining our risk appetite and risk tolerance levels, and approving the risk management policies, systems, and procedures for all our business operations. The Board is further charged with overseeing, inspecting, and evaluating the effectiveness of our risk management system, bearing ultimate responsibility for our overall risk management performance. The Board has established two specialized committees:

Risk Management Committee (under the Board)

The Risk Management Committee (under the Board) consists of three Directors and is chaired by Dr. Luo Xufeng, who are chiefly responsible for executing the Board's risk management functions. Their specific duties include: (i) designing our risk management policies and procedures, as well as issuing risk management guidelines; (ii) establishing our overall risk control objectives and policies, and reviewing our risk control and management measures; (iii) reviewing major, high-risk business decision proposals; (iv) adjusting our overall risk management objectives when necessary; (v) assessing market risks to ensure our overall risk level and structure align with our strategic goals; (vi) evaluating the performance of personnel within our risk control functions; and (vii) handling other related matters as authorized by the Board.

Audit Committee

Our Audit Committee, also comprised of three Directors and chaired by Ms. Zhang Hongying, is primarily responsible for liaising with our external accounting firm, reviewing our financial information, and overseeing our financial reporting system and internal control procedures. Its specific duties include: (i) supervising and evaluating the work of external auditors and proposing the appointment and replacement of external auditors; (ii) supervising and evaluating the work of internal auditors and coordinating between internal audit and external audit; (iii) reviewing our financial information and disclosure; (iv) reviewing and evaluating our internal control system; and (v) handling other related matters authorized by laws and regulations, Articles of Association and the Board.

Executive Management

Our executive management team, led by the General Manager, oversees the practical application of risk management. This responsibility is primarily handled by the Chief Risk Officer and the Risk Control Committee. These groups ensure that the Board's risk management policies are implemented and monitored across all operations.

Chief Risk Officer (CRO)

The Chief Risk Officer, a key member of our senior management team, is responsible for overseeing the legal compliance and risk management of our company's operations. The responsibilities of the CRO include ensuring that internal systems and business rules comply with legal standards; conducting risk assessments and compliance reviews for major decisions and providing recommendations; offering compliance consultancy to all levels of management; auditing the effectiveness of compliance and risk management practices; investigating potential violations and risks; reporting to the Board, shareholders, and regulators; serving as the regulatory liaison; and promoting risk awareness via training, oversight, and other proactive measures.

Risk Management Committee (executive)

Comprising senior executives and relevant department heads, our Risk Management Committee (executive) manages operational risks, ensuring we handle business threats effectively. Their responsibilities include: (i) reviewing our risk management system, appetite, tolerance, and limits; (ii) establishing a comprehensive risk management framework; (iii) assessing risks in major decisions; (iv) regularly evaluating overall and specific risks; (v) overseeing the risk management system, including subsidiaries; (vi) approving subsidiary risk indicators; and (vii) ensuring adequate internal audit resources. Additionally, they supervise and evaluate audits, propose changes to external auditors, review financial information and disclosures, assess our internal control system, and handle other matters as authorized by laws, regulations, our Articles of Association, and the board of directors.

Functional Management Departments

Our operational risk management is executed by functional management departments, each with specific responsibilities to ensure comprehensive risk mitigation across our business:

Risk Management Headquarter

The Risk Management Headquarter is responsible for (i) overseeing our trading risks, as well as (ii) managing risk control for our business operations, and (iii) risk management processes. Their duties include formulating risk management policies, identifying and quantifying risks, conducting business reviews, monitoring and mitigating risks, compiling risk reports, constructing information systems, and undertaking research and evaluation.

The Finance Management Department

The Finance Management Department is responsible for managing our liquidity risk and proprietary capital. Their key functions include assessing, monitoring, and controlling liquidity risk and risk-adjusted returns, overseeing the financial and capital status of each department, and managing financial and capital risks at all organizational levels.

The Legal Affairs Department

The Legal Affairs Department is responsible for managing our legal risks. This includes evaluating the legality of contracts and agreements with external entities, ensuring the comprehensiveness of terms, and maintaining the balance of agreed rights and obligations.

The Compliance Review Department

The Compliance Review Department is tasked with managing compliance risk. This includes establishing foundational compliance management systems, offering compliance advice and consultation, implementing anti-money laundering measures and other risk prevention controls, organizing audits and inspections, and assessing and ensuring the legality and compliance of various departments.

Internal Review Department

The Internal Review Department is tasked with evaluating the whitelist access application materials submitted by different business lines. It organizes due diligence and credit assessments based on the business risk profile and approves whitelist qualifications in accordance with our regulations.

Investment Department

The Investment Department is responsible for managing our proprietary capital investments. This includes assessing, monitoring, and controlling the investment risks and ensuring risk-adjusted returns on proprietary capital.

Audit Department

The Audit Department is tasked with routinely inspecting and assessing the efficacy of our risk management processes, as well as recommending necessary improvements.

Business Departments and Branches

Each business department and branch office are essential for executing risk management and preventing potential risks. Their duties include following internal control requirements, managing client suitability, handling complaints, and monitoring and reporting risks under guidance.

Monitoring and Management of Major Risks

We focus on monitoring and managing operation risk, market risk, credit risk, liquidity risk, investment risk and legal and compliance risk.

Operation Risk

Operation risk refers to the risk of loss caused by improper operation of our employees, problematic procedures and information system or external incidents. The operation risks faced by us mainly include employee violations, security incidents, security failures, business interruptions, information system failures, and transaction execution, delivery, and business process management defects.

We have developed a transparent system of daily operating procedures. This encompasses the creation of business processes and authority divisions, the implementation of dual review for key positions to minimize human error, and the establishment of a robust performance appraisal mechanism. We also address risks arising from errors in trading and risk control systems by formulating contingency plans, ensuring data backup, conducting system testing, and enhancing the development of emergency backup channels.

Market Risk

Market risk refers to the potential adverse changes in the market prices of underlying assets, which can affect the prices or values of derivatives. In futures brokerage, this risk can lead to fluctuations in trading volume, declining commission rates, customer loss, reduced margins, and overall negative impacts on our revenue and financial health. In risk management services, market risk manifests when we need to hedge their positions in the securities and futures markets due to price changes, which can adversely affect our performance. In wealth management, the returns on managed financial products are significantly influenced by market volatility, which can hinder investment strategies. Additionally, in overseas financial services, we face similar market risks and must also contend with the risks associated with international market fluctuations, especially in futures clearing operations.

To combat market risks in futures brokerage, we conduct comprehensive market risk assessments and adjust margin levels accordingly to mitigate position risks at various risk levels. For risk management service, we calculate hedge thresholds and dynamically adjust position sizes to avoid adverse market fluctuations, employing stop-loss points and real-time asset price monitoring to control risks. In wealth management, we analyze liquidity conditions and asset size changes to ensure a match between fund usage and sources, while continuously monitoring the liquidity of investment portfolios. For overseas financial services, we enhance product investigation procedures to analyze price volatility and market liquidity, implementing effective market risk control measures for proposed trading products. Additionally, we employ measures such as adjusting trading funds and limiting trading scales to further manage market risks.

Credit Risk

Credit risk affects our various operations. In PRC futures brokerage business, credit risks arise from insufficient client margin, unmet margin calls, and market illiquidity. PRC risk management services business involves potential counterparty default in OTC derivatives and basis trading. In PRC wealth management business, we face creditworthiness issues from poor investment selection or asset management practices. We also encounter credit risk in our overseas financial services given difficulties in assessing clients and counterparties affecting performance.

In order to control credit risk, we have stringent control in place during the account opening process. We will assess each of our new clients' identity, creditworthiness, and adequacy of funds that our new client will be using to fund the futures trading. We also conduct the necessary training and examinations to ensure our clients are well aware of the risks involved in futures trading, as well as providing them with training on transaction skills so as to reduce the likelihood of a massive loss. We manage risk by monitoring price trends in the futures and derivatives market, overseeing changes in positions and margin levels, making prompt margin calls, and liquidating positions if clients do not respond.

Liquidity Risk

Liquidity risk relates to the possibility of not obtaining funds at a reasonable cost in time to repay debts, fulfill obligations, or meet capital needs. In addition, we face liquidity risks when we cannot effectively carry our hedging due to the lack of liquidity in the hedging target or the excessive concentration of positions. Our goal is to manage this risk within tolerable limits by establishing an effective liquidity risk management system. This helps balance fund efficiency and safety, ensuring our ongoing and healthy operations.

To minimize liquidity risk, we accurately identify, measure, monitor, and control our company's liquidity levels. The Finance Management Department oversees liquidity risk, financial status, and risk controls. The Risk Management Department monitors market liquidity indicators such as trading volume and open interest. For active products, we track price fluctuations and trading depth, while for less active products, we alert investors to risks and set cautious position limits. We also manage client margin by setting margin ratios based on factors such as the client's trading volume, position holdings, and risk level. When there are market fluctuations, we promptly notify clients to add margin to prevent margin calls that could trigger liquidity risks.

Investment Risk

Investment risk pertains to the potential loss or reduction in income that may arise from pursuing business growth through investment activities.

Our Investment Department manages proprietary fund investment by conducting pre-investment due diligence, investment feasibility assessments, and organizing the Business Decision Committee to approve investment decisions. It handles account opening, trading procedures, review of proposed cooperative projects, coordination of financial payments, and monitors post-investment activities like project tracking, data collection, performance evaluation, and report preparation. It is responsible for timely redemption of underperforming products and manages settlement and project assessment to prevent investment risks.

Legal and Compliance Risk

Legal and compliance risk encompasses potential legal sanctions, prosecutions, litigation claims, penalties, financial loss, as well as damage to our reputation resulting from non-compliance with legal rules and regulations, supervisory authorities' requirements, self-discipline codes of conduct, or any guidelines related to our futures brokerage business. The major compliance risk areas lie in (i) our employees, (ii) our Introducing Brokers and (iii) newly installed compliance requirements in relation to our overseas financial services business.

The compliance risks associated with employee activities include managing client finances, opening accounts, and conducting trades without client consent or authority. To mitigate these risks, we have enhanced our internal control measures and implemented an accountability system to identify such instances.

Our compliance risk related to Introducing Brokers stems from: (i) Introducing Brokers misrepresenting themselves as our employees, and (ii) Introducing Brokers infringing on clients' interests by accepting unauthorized requests and engaging in futures trading without consent for higher commissions. To mitigate these risks, we (i) assess the creditworthiness of Introducing Brokers before agreements, and (ii) manage and supervise their performance continuously.

Furthermore, we have overseas subsidiaries in Hong Kong, the United States, Singapore, the United Kingdom, and other locations. In the course of operations, our overseas subsidiaries must comply with the laws and regulations of the jurisdiction they operate in, and they are subject to regulatory oversight by the relevant regulatory bodies in these jurisdictions. Given difference of the regulatory oversight of overseas regulatory bodies from that of China, we may have a different understanding of overseas regulatory laws and regulations than the local regulatory bodies intend. To mitigate compliance risks internationally, we have implemented detailed policies and procedures to oversee the capital operations of each subsidiary. This includes regular reporting on the business activities and capital utilization of each subsidiary to prevent potential business risks.

INTERNAL CONTROL MEASURES

Our internal controls are formulated and implemented in compliance with the relevant regulations of the CSRC and other regulatory authorities. The elements of our internal control are set out below:

- **Controlling the Environment**

  o *Implementation of Integrity and Ethical Values:* We cultivate this atmosphere through internal norms enforced by a strict accountability system and leadership actions.

  o *Emphasis on Competence:* We provide post-training education to meet work needs and ensure employees can effectively perform their duties.

  - o *Well-Established Corporate Governance Structure:* We have established a corporate governance structure that suits our needs, following modern enterprise management system requirements.

  - o *Management's Philosophy and Management Style:* We manage our business operations and strategies, focusing on environmental, business, accounting, information system, transmission, and internal audit controls. We promptly address internal control deficiencies and follow a philosophy of solidity, meticulousness, pragmatism, efficiency, self-discipline, honesty, trustworthiness, and sound operation.

  - o *Organizational Structure:* We clearly define responsibilities among our internal organizations to plan, coordinate, and control business activities. We ensure positions are separated to balance responsibilities and authorities, creating a mutual check mechanism.

- **Risk Assessment:** We use an effective risk assessment mechanism to handle operational, environmental, and financial risks. We also assess the risks of new businesses or products before their launch.

- **Information Systems and Communication:** We use several information systems and a customer service call center. We have also established communication channels for discussing employee responsibilities and accountability. Our major incident reporting system ensures timely updates to department managers and regulatory agencies about operational management and risks.

- **Controlling procedures:** To effectively achieve our objectives, we have implemented control procedures, including authorization control, division of responsibility, business segregation, and independent audit.

  - o *Authorization Control:* The scope, authority, procedure, and responsibilities of the authorization are clearly defined. Management at all levels must operate within their authorized limits, and staff must conduct business accordingly.

  - o *Division of Responsibilities:* We strategically assign responsibilities, scientifically delineate roles and authorities, adhere to the principle of separation of incompatible positions, and establish mutual inspection and supervision mechanisms to create an effective system of checks and balances.

  - o *Business Segregation:* We have implemented a business segregation system to maintain the relative independence of our futures brokerage, asset management, investment consulting, risk management, and overseas businesses.

  - o *Independent Audit:* We have set up a Compliance Review Department and Audit Department to conduct audits of various departments and work processes such as account opening, trading, and settlement.

- **Monitoring:** We conduct regular evaluations of our internal control system. Additionally, we enhance internal controls through check-and-balance mechanisms between departments. Our management attaches great importance to the reports and recommendations of various functional departments of internal control. We take various measures to rectify deviations arising from the operation of control in a timely manner.

Our Main Internal Control System

We have implemented the below internal control system:

Corporate Governance System

We maintain a robust corporate governance structure to ensure checks and balances. We comply with standardized operations and have developed comprehensive governance systems. Our directors, supervisors, and senior management meet the qualifications outlined in the Management and Supervision Measures for Futures Companies. They adhere to laws, regulations, and our articles of association, fulfilling their duties responsibly. We have established appropriate functional departments with clearly defined management roles and a scientific division of responsibilities to manage assets effectively.

Settlement Management System

We have developed a settlement management system to protect investors' and our rights. We use methods like the margin system and same-day debt-free settlement to monitor our futures brokerage activities and manage settlement risks.

Financial Accounting System

We have established our financial accounting system and clearly defined the procedures for the management of cash flow, including the receipt and disbursement of monetary funds, the handling of accounting vouchers, accounting books, and accounting reports. We have hired a sufficient number of accounting staff and provided adequate resources to establish and improve our computerized accounting operation system, enabling them to complete assigned tasks according to established procedures.

Margin Management System

To standardize our margin management and effectively safeguard our clients' margin security while preventing risks, we have developed a margin management system which includes management of deposits and withdrawals, settlement management of margins, financial accounting of margins, management of designated settlement banks' dedicated margin accounts and management of exchange settlement reserves. Client margins are closely managed and settled daily. They are kept in futures margin accounts and dedicated settlement accounts at the futures exchange, supervised by the exchange, banks, and the China Futures Market Monitoring Center. These margins are separate from our own funds.

Risk Control System

We have established systems for the management of job duties, operational management, and risk control to ensure that risks in our daily operations are effectively controlled.

Branch Management Practices

Following the Regulations on Administration of Futures Transactions (期貨交易管理辦法) and Measures for Supervision of Futures Companies (期貨公司監督管理辦法), we have created management measures for our branches. These define the roles and authorities of sales departments and branches, business scope, assessment methods, and management for personnel, financial oversight, and transaction settlements. We also implemented a regular and temporary reporting system to headquarters and standardized contract and seal management to enhance control. The business department follows the principles of unified settlement, unified risk control, unified funds transfer, and unified financial management and accounting requirements. This approach ensures consistent practices in account opening, trading, risk control, funds transfer, and other related activities.

Internal Audit

We established a Compliance Review Department and Audit Department to audit compliance operations and internal controls in our business. Periodically, we review these processes to enhance our internal management. We implemented risk management and control measures to address specific business risks.

We have also established corresponding measures to manage the risks associated with our businesses:

PRC Futures Brokerage Business

We adopt the following internal control measures to manage the risks associated with our PRC futures brokerage business:

Account and Client Management

We have established and improved the account management system for PRC futures brokerage business, conducting strict reviews of client qualifications to prevent any violations during the account opening process. During the account opening phase, we strictly adhere to the real-name account opening system and the suitability assessment framework. We adhere to the principle of "matching suitable products with suitable investors" by rigorously assessing investors' product understanding and risk tolerance according to the suitability requirements of relevant exchanges. During the account opening process, we have implemented strict rules to verify the client's identity, creditworthiness, and financial conditions and ensure that the client has a sufficient degree of understanding regarding the risks involved. We prioritize investor education and provide full disclosure of associated risks. A thorough evaluation of investors' financial capacity, expertise in futures trading, cognitive abilities, trading experience, risk appetite, and risk tolerance is conducted to ensure they meet the necessary qualifications. Account opening procedures are carried out exclusively for eligible investors. We strictly comply with unified account opening requirements, including verifying investor identities and retaining image data for proper documentation. Before completing the account opening process, we will disclose risks to new clients and inform them of prohibited industry practices, ensuring that investor protection measures are fully implemented.

We have also developed and enhanced the client development and service system, strengthening investor education to protect clients' legitimate rights and interest.

Trading Management

We have established and improved the trading management system and trading risk control system to ensure the standardized, smooth, and safe operation of all business units. For example, when a client's account equity drops below the exchange's required margin level, and the client does not deposit the necessary additional margin by the specified deadline, control measures such as forced liquidation will be implemented.

Specification of Duties

We have defined the responsibilities of various positions, such as the customer service center, Risk Management Headquarter, and settlement department, to standardize the behavior of relevant staff.

Management of Introducing Brokers

We have established a management system for Introducing Brokers, including guidelines for their rights and obligations, mobility management, file handling, breach procedures, and notification systems. Our headquarter sets management guidelines, handles broker qualifications, organizes documents, and reviews information. Introducing Broker agreements detail both parties' rights and obligations and prohibited clauses. We maintain an integrity record for brokers, documenting complaints and violations. In cases of major legal breaches, we report to local associations or regulatory authorities and terminate the broker's agreement immediately.

Client Follow-up

In order to prevent misleading or fraudulent representations by our employees and business partners to our clients, and also to ensure that our employees are carrying out instructions within the permitted scope of job duty, we have established a coordinated system to follow-up with our clients.

PRC Risk Management Services

We adopt the following internal control measures to manage the risks associated with our PRC risk management services:

Evaluation and Approval of Trading Strategies

The board of Nanhua Capital is tasked with formulating the overall business strategy, while the management team is responsible for its promotion and implementation. Nanhua Capital has established various divisions, including OTC derivatives and market-making departments, as well as various basis trading departments by main products, each responsible for the development of specific risk management service. The heads of each department formulate business plans, which are strictly executed after obtaining internal approval, thereby facilitating the development of related businesses.

Controlling Transaction Risks

We have established a multi-level, dynamic risk management framework to ensure effective control of potential transaction risk exposure while managing clients' credit risks.

The hedging strategy for OTC derivatives involves several components. OTC transactions use underlying assets for risk hedging, while allowing for exceptions based on liquidity constraints or other considerations, following approved emergency plans. The positions held for hedging must not exceed the maximum necessary exposure and we conduct intraday risk-neutral hedging. Additionally, specialized risk indicators may be employed for unique derivative contracts, and in cases of operational or system risks, the OTC derivatives department must follow internal control systems to address and mitigate these risks, ensuring timely communication with the risk management team.

In spot transactions, we have established a comprehensive review and assessment mechanism for the underlying assets which include (i) thoroughly evaluating market liquidity and the effectiveness of hedging tools and strategies before engaging in new asset types; (ii) setting limits on asset scale, hedging ratios, and exposure amounts; (iii) defining valuation methods for each asset and hedging transaction; and (iv) conducting regular assessments of market risks associated with spot assets and the effectiveness of hedging strategies. We hedge for the procurement and sale of any product, maintaining a hedging ratio of 80% to 120% of the net exposure. When market prices deviate from their fair value, we adjust the hedging ratio in accordance with our understanding and recognition of market risks.

Evaluating Client Creditworthiness

In compliance with regulatory requirements, we have implemented a customer assessment system and conduct thorough due diligence on clients, engaging only those who meet the established criteria. Additionally, based on the clients' involvement in OTC derivatives trading, OTC derivatives clients are required to provide a performance bond to mitigate the risk of default.

PRC Wealth Management Business

We have established internal control measures to for our mutual funds business, asset management business and agency sale of funds business.

Mutual funds internal control measures

Our Board of Directors has formed a Risk Management Committee to develop our risk strategy and policies. The committee oversees and evaluates the implementation and effectiveness of these policies, and guides the construction of our risk management and internal control systems. It assesses the legality, compliance, and risk of our operations and fund activities, supervises our financial condition, audits financial statements, evaluates performance, and ensures legal and accounting compliance.

At the management level, we have established a Risk Prevention Committee, which holds the primary responsibility for developing risk control policies within our business operations and coordinating the creation of internal risk control systems. The Risk Prevention Committee oversees our risk control measures in areas such as investment, market, credit, and operations, and conducts regular or ad-hoc evaluations of the risk status in our business management practices.

We have established an Investment Decision Committee, serving as the highest authority for investment decisions. A Chief Inspector has been appointed to report directly to the Board of Directors, primarily responsible for reviewing the legality, effectiveness, and reasonableness of our internal controls. In accordance with relevant regulations from regulatory authorities, the Chief Inspector communicates and reports to the Board or regulatory agencies. Additionally, we have established an Supervision and Audit Department, tasked with identifying, assessing, and controlling risks associated with the investments of our funds and other entrusted assets, as well as assuming other risk management responsibilities. It conducts secondary risk control based on the primary risk control measures implemented by various business units.

Investment decision procedures

We have enhanced our investment authorization system by clearly defining the responsibilities and authority of each investment decision-making entity. Investment portfolio managers are empowered to make independent decisions within their designated scope of authority. Additionally, we have implemented a comprehensive management and confidentiality system for investment information. This ensures that significant non-public investment information, such as holdings and transactions, is segregated among different portfolio managers through a combination of role assignments, institutional constraints, and technical measures. As a result, each portfolio has equal access to research information, investment advice, and the execution of investment decisions.

Trade execution management

A centralized trading system is implemented to ensure trade execution control. The trading department leverages various functions within the trading system, such as fair trading, to guarantee equitable treatment of all investment portfolios. For over-the-counter transactions, including primary market subscriptions, relevant distribution mechanisms have been established and refined based on the principle of fair trading.

Asset management internal control measures

We have adopted the following internal control measures to manage the risks associated with our asset management business:

Investment Decision-Making Procedures

During the product development phase, we submit our project proposal after we design the project development plan based on needs. Based on regulatory policies and our internal risk management requirements, we must design a comprehensive risk control plan to configure the risk monitoring module within the system and pre-define for each product and across various trading stages distinct risk control parameters. The Asset Management Department is responsible for product design and development, drafting a product launch approval form, and submitting it to the Business Decision Committee. The Business Decision Committee gathers input from departments such as risk control, compliance, and legal affairs, and conducts project initiation, review, and evaluation of the product launch approval form. Once approved by the Product Review Committee, the Asset Management Department drafts the official contract and manages external sales and fundraising. Following the establishment of the product, we file it with the Asset Management Association of China.

Trading

We designate separate personnel for issuing investment orders and executing trades. Investment managers issue trading orders in compliance with the authorization, instructions, and investment scope outlined in asset management agreements. Traders are required to strictly adhere to these orders when executing trades, while risk control personnel are responsible for monitoring risks.

Real-time Risk Monitoring

Our real-time risk monitoring framework ensures seamless operation of our risk management systems by integrating automated alerts and manual oversight. The Asset Management Department oversees the system's functionality, ensuring it can calculate risk values in real time based on pre-set warning thresholds and promptly trigger alerts when necessary. The system is also designed to automatically notify risk controllers of potential risks. During trading hours, risk controllers closely monitor intraday trading activities, maintaining constant vigilance for emerging risks. When required, they can perform manual assessments or utilize additional tools to evaluate the system's performance, ensuring comprehensive and timely risk management.

Segregation of Business

We implement an information barrier system in between the PRC asset management business and other businesses, and between different asset management schemes, preventing conflicts of interest.

Risk Disclosure

We conduct both regular and ad-hoc assessments of pressures tests and business risks on our asset management products, which include evaluating new business ventures, major events, special matters, or ongoing operations. In the event of a significant risk occurrence, we promptly report to the relevant offices of the CSRC and the industry association.

Agency Sales of fund internal control measures

We record, analyze, and monitor fund sales activities and implement trading frequency and limit controls in the system for effective trading management. We rigorously supervise abnormal transactions and continuously monitor fund product sales. Additionally, we ensure that the IT department establishes disaster recovery and emergency response systems.

A clear reporting mechanism is established for risk data statistics and analysis, with monthly reports submitted to the risk control department. Our risk control and compliance departments conduct both regular and ad-hoc inspections of the fund sales business, which include evaluations of internal control systems and the execution of business processes.

Overseas Financial Services Business

HGNH International has policies and procedures for capital operations and managing its subsidiaries. Regular reporting on business activities and fund usage helps monitor and mitigate risks, promoting smooth development. Internal audits ensure compliance with legal and regulatory requirements.

HGNH International and its licensed subsidiaries have set up risk control systems tailored to their business needs and regulatory requirements. They have a financial reporting system and mechanisms to monitor operational risks. Each subsidiary must have policies for credit, market, liquidity, and operational risks, along with business continuity plans to ensure uninterrupted operations.

HGNH International has a thorough reporting policy and procedure. They monitor and train staff to ensure compliance with regulations:

- HGNH International and its licensed subsidiaries handle credit risk through effective credit assessment systems. They evaluate clients' financial status, investment purposes, trading history, and risk tolerance to set appropriate credit limits. For counterparties, they monitor financial status, news reports, and stock prices to allocate capital effectively and reduce credit risk.

- HGNH International and its licensed subsidiaries have enhanced product investigation procedures, analyzed the price volatility and market liquidity of intended trading products, and implemented market risk control measures. They also manage market risk by adjusting trading capital and limiting trading scale.

- HGNH International and its licensed subsidiaries monitor cash flow daily and conduct liquidity tests to ensure adequate liquidity and prevent risk.

- HGNH International and its licensed subsidiaries have streamlined their structure, clarified departmental responsibilities, and ensured supervision between offices. They have also implemented staff training and a code of conduct to meet regulatory requirements and prevent fraud and errors.

HGNH International AM and Nanhua SG have established investment management policies and procedures that match their business scale, including but not limited to client suitability management, due diligence review of investment targets, investment decision-making, and investment risk control, in order to manage the risks related to asset management.

Treasury Management

We have developed the settlement management system to effectively protect the legitimate rights and interests of both our investors and our company. We implement systems such as a margin system and a daily mark-to-market settlement system, and we dynamically monitor our futures brokerage activities to control our company's settlement risks.

In China, our Finance Management Department implements a centralized supervision and management system for client margin funds. It is responsible for selecting the settlement banks where client margin funds are deposited and promptly reports to the local branches of CSRC and the China Futures Market Monitoring Center as well as notifies clients through our websites. The Finance Management Department strengthens the supervision and management of all margin-specific accounts, regularly conducting random checks and reconciliations of account balances, and performing monthly bank reconciliations for margin accounts. Client margin funds are subject to closed-loop management and a daily debt-free settlement system. They are deposited, as stipulated, in segregated futures margin accounts and specialized settlement accounts of the futures exchange. These funds are supervised by the exchange, banks, and the China Futures Market Monitoring Center, and are kept independent and separately managed from our proprietary funds.

We have also put in place the investment and treasury policies and internal control measures to control the investment risks with respect to our financial investments. The Investment Department reviews the investment projects and coordinates with the Business Decision Committee to review and approve the projects. We have also set investment amount limits based on the risk levels of different products.

When subscribing to various asset management products, we conduct due diligence on the prospective products and prudently perform investment analysis. All proposed cooperative products must be evaluated and accompanied by a due diligence report and an investment feasibility report before being submitted to the Business Decision Committee for investment approval and implementation.

In our overseas business, we have also established policies governing the monitoring of the fund status and client margins. We monitor the fund status on a regular basis and significant fund movements require senior management approval. In Singapore and Hong Kong, our investment projects are reviewed and approved by the board of directors or the general meeting of shareholders.

Inventory Control

Our capital risk control team is responsible for: (i) standardizing operating procedures for warehousing, logistics, inventory counting, and other processes; (ii) strengthening the supervision and verification of elements such as quantity and quality in the circulation of cargo rights; (iii) standardizing the management of warehousing documents, cargo rights certificates, and ledger accounts; and (iv) conducting regular and irregular inventory checks to confirm consistency in inventory elements, ensuring that stored goods are properly maintained, and protecting cargo rights. The team has established a timely monitoring system for inventory flow and will report to the Risk Control Department any instances where inventory transfer or fund payment has not been completed within the specified period.

Information Barriers

To control or isolate the flow of inside information and sensitive information internally, and to prevent insider trading and avoid conflicts of interest, we have created the Business Firewall System. This system outlines specific measures to keep information separate between our various business departments – such as our futures brokerage, asset management, and risk management services divisions. These measures cover things like personnel, information systems, funds, accounts, and even our office spaces.

Segregation of Duties

We have separate functional departments, each working independently to maintain orderly operations.

We strictly adhere to legal and regulatory requirements, including the Futures and Derivatives Law, the Regulations on the Administration of Futures Trading, and the Measures for the Supervision and Administration of Futures Companies. To prevent conflicts of interest and operational risks, we implement the principle of segregation of duties through departmental setups, position assignments, authority controls, and business process designs.

Our internal systems, such as the Measures for the Administration of Branches, the Measures for the Administration of Futures Investment Consulting Business, and the Measures for the Administration of Asset Management Business Practitioners, along with the job responsibilities of each department, explicitly prohibit personnel from holding concurrent incompatible positions. For instance, trading, clearing, and financial operations are managed by separate departments and personnel; marketing staff are not permitted to handle account openings or customer follow-up; compliance and risk management staff cannot hold positions that conflict with their compliance and risk management responsibilities; individuals involved in futures investment consulting must operate independently from trading, settlement, risk control, finance, technology, and other business areas; and roles such as investment managers, trade execution, and risk control must remain separate.

Using our OA system, business management, and other platforms, we assign permissions based on job responsibilities following the principle of minimum authorization. In cases of personnel position changes, the technical department adjusts the corresponding system permissions to ensure alignment with employees' new job responsibilities.

Conflict of Interest

Conflict of interest may arise between (i) our various operating units; (ii) our clients and us; (iii) our employees and us; or (iv) our clients and our employees. To prevent conflicts of interest, we have implemented the Business Segregation Wall System and various business management measures. These include the Asset Management Business Management Measures, Futures Investment Consulting Business Management Measures, and Securities Investment Fund Sales Business Management Measures. These measures are designed to effectively prevent potential risks, conflicts of interest, and protect the legitimate rights and interests of customers. They involve the segregation of business operations, office space and equipment, personnel and positions, funds and accounts, and information systems and their permissions.

Anti-Money Laundering

In order to comply with the rules and regulations set by the government of China, Hong Kong, Singapore, the UK and the US, and in order to prevent money laundering and terrorist financing, we have the appropriate policies and procedures in place.

We have designated officers to report money-laundering risks and anti-money laundering activities. We verify client identity information, maintain records of client identity information and transactions. If we suspect money laundering, we may restrict, suspend, or terminate our business relationship with clients.

We have introduced extensive anti-money laundering training for our employees. Staff members are required to verify the identities of clients who wish to open new accounts thoroughly. They must also carefully review, archive identification documents, and keep transaction records.

As at the Latest Practicable Date, we have not received any administrative penalties from regulatory authorities as a result of violation of laws and regulations related to anti-money laundering in the jurisdictions we operate in.

LEGAL AND REGULATORY

Licensing Requirements

We conduct our business in China, Hong Kong, Singapore, the United States and the United Kingdom and are subject to local restrictions and regulatory requirements in jurisdictions we operate. As of the Latest Practicable Date, we had duly obtained and maintained all material licenses, permits and certificates required by laws and regulations for our operations, and such licenses, permits and certificates have remained in full effect. To the best knowledge of our Directors after due enquiry, our Directors confirm that, as of the Latest Practicable Date, all of our employees have, where required, obtained the relevant qualifications for their business activities.

China

As of the Latest Practicable Date, we held the Securities and Futures Business License issued by the CSRC to engage in securities and futures business in China (including commodity futures brokerage, financial futures brokerage, futures investment consulting, and fund sales). In addition, we have the qualifications and licenses required to conduct our asset management, mutual fund services and risk management services businesses in China.

As of the Latest Practicable Date, we have membership of the following exchanges in China:

Exchanges	Date of Membership
China Financial Futures Exchange	October 22, 2007
Shanghai Stock Exchange	November 28, 2012
Dalian Commodity Exchange	December 26, 2012
Zhengzhou Commodity Exchange	March 25, 2013
Shanghai International Energy Exchange	May 31, 2017
Guangzhou Futures Exchange	June 1, 2022

Hong Kong

Our Hong Kong subsidiaries are required to obtain licenses to conduct their businesses in Hong Kong under the licensing regime regulated by the SFC and are subject to Hong Kong restrictions and regulatory requirements. As of the Latest Practicable Date, our Hong Kong subsidiaries have obtained the following licenses and memberships:

Entity	Membership/License/Qualification	Date of Membership/ License/Qualification
HGNH International Securities	Type 1 (dealing in securities) under SFO	January 8, 2014
	Direct clearing participant of HKSCC	March 25, 2014
	Exchange participant of HKEX	April 1, 2014
	China Connect (Shanghai-Hong Kong Stock Connect) clearing participant of HKSCC; China Connect (Shanghai-Hong Kong Stock Connect) exchange participant of HKEX	November 10, 2014
	China Connect (Shenzhen-Hong Kong Stock Connect) clearing participant of HKSCC; China Connect (Shenzhen-Hong Kong Stock Connect) exchange participant of HKEX	December 5, 2016
	Type 4 (advising on securities) under SFO	April 18, 2017
HGNH International Futures	Type 2 (dealing in futures contracts) under SFO	June 26, 2007
	Exchange participant of HK Futures Exchange	July 8, 2009
	Clearing participant of HKCC	July 8, 2009
	Registered holder of trading rights of HK Futures Exchange	July 8, 2009

Entity	Membership/License/Qualification	Date of Membership/ License/Qualification
	Type 5 (advising on futures contracts) under SFO	November 1, 2010
	Trading member of Eurex Exchange	March 21, 2011
	Overseas intermediary institution of Shanghai International Energy Exchange	August 8, 2017
	Overseas brokerage institution of Dalian Commodity Exchange	April 9, 2018
	Overseas brokerage institution of Zhengzhou Commodity Exchange	January 9, 2018
	Exemption from foreign company registration with the NFA and can act as an agent for U.S. investors to trade futures products on other SFC recognized trading markets, except for the US futures market	September 30, 2022
HGNH International AM	Type 9 (asset management) under SFO	October 24, 2011
	RQFII	July 15, 2013
	Type 4 (advising on securities) under SFO	January 26, 2017

Singapore, the United Kingdom, and the United States

In addition to China and Hong Kong, our business operations extend to other jurisdictions including Singapore, the United Kingdom and the United States and have obtained the following license and membership to carry on our business as of the Latest Practicable Date:

Location	Membership/ License/ Qualification Holder	Membership/License/ Qualification	Date of Issue/ Admission
Singapore	Nanhua Singapore	Capital Markets Services License (dealing in capital markets products – exchange traded derivatives contracts, over-the-counter derivatives contracts, spot foreign exchange contracts for the purposes of leveraged foreign exchange trading) of MAS	December 14, 2017
		Overseas brokerage institution of Dalian Commodity Exchange	April 16, 2018
		Trading Member of Singapore Exchange Derivatives Trading Limited and Clearing Member of Singapore Exchange Clearing Limited	December 6, 2018
		Overseas intermediary institution of Shanghai International Energy Exchange	January 21, 2019
		Overseas brokerage institution of Zhengzhou Commodity Exchange	March 6, 2019
		Exempt foreign firm under NFA	February 25, 2025
	Nanhua SG	Capital Markets Services Licence (fund management) of MAS	February 11, 2020
		QFII	November 9, 2021

Location	Membership/ License/ Qualification Holder	Membership/License/ Qualification	Date of Issue/ Admission
United Kingdom	Nanhua UK	Approved by the UK FCA to deal in commodity futures, options, and other derivatives, and arrange investment transactions.	Initial: May 17, 2019 Expanded: February 29, 2024
		Category 2 Member of London Metal Exchange	October 25, 2019
		Overseas brokerage institution of Zhengzhou Commodity Exchange	December 18, 2020
		Overseas brokerage institution of Dalian Commodity Exchange	December 22, 2020
		Overseas brokerage institution of Shanghai International Energy Exchange	February 10, 2021
		QFII	April 7, 2025
United States	Nanhua USA	Registered with CFTC and NFA as an NFA member and Futures Commission Merchant	July 16, 2014
		Clearing Member of CME Group including CME, CBOT, NYMEX, and COMEX	February 13, 2015
		Clearing Member of Gulf Mercantile Exchange (previously, Dubai Mercantile Exchange)	July 6, 2015
		Clearing Member of MIAX Exchange (previously, Minneapolis Grain Exchange)	October 30, 2023
		Clearing Member of ICE Clear U.S.	March 28, 2024
	Nanhua USA Investment	NFA member, Commodity Trading Advisor and Commodity Pool Operator	June 8, 2016

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we complied with the relevant regulatory requirements and guidelines in all material respects and obtained the necessary permits and licenses for our operations according to the laws and regulations of those jurisdictions where we operate.

Legal Proceedings

We are a party to a number of legal proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, we were the defendants in two pending lawsuits where there was a claimed principal amount exceeding RMB10.0 million, and the aggregate claimed principal amount in such legal proceedings was approximately RMB150.6 million. We are actively defending ourselves in these cases. None of our Directors or senior management was involved in these litigations. We set out below summary of these two cases:

1 On May 22, 2024, one of our clients sued Nanhua Futures at the Beijing Financial Court over a tort dispute related to a forced liquidation. The plaintiff claimed the forced liquidation was unreasonable and sought RMB38.0 million in damages (later increased to RMB55.2 million), RMB300,000 in legal fees and litigation costs. On June 20, 2024, we applied for inconvenient jurisdiction with the Beijing Financial Court. On July 15, 2024, the court ruled to transfer the case to the Hangzhou Intermediate People's Court in Zhejiang Province. The plaintiff appealed, but the Beijing Higher People's Court upheld the ruling with decision on September 13, 2024. On November 25, 2024, the Hangzhou Intermediate People's Court issued a notice to us asking us to provide certain material. The case is still in the process of trial.

2 On January 10, 2025, one client and an indirect client filed a lawsuit with the Hangzhou Intermediate People's Court. They claimed that they had invested in underlying wealth management products issued by Nanhua Capital among other companies through the private wealth management products of a third-party asset management firm, which ultimately resulted in investment losses. They argued that they lacked investment capability and suitability, and requested the court to rule that Nanhua Capital, being one of the five defendants, should jointly bear their economic loss of RMB95.1 million, the cost of fund taken up, as well as litigation costs and legal fees. The case is still in the process of trial. Previously, on April 24, 2024, one of the plaintiffs had filed a lawsuit on the same matter with the Hangzhou Shangcheng District People's Court. However, the court granted the withdrawal of the lawsuit on November 28, 2024.

During the Track Record Period and up to the Latest Practicable Date, none of the legal proceedings to which we were a party, individually or in the aggregate, would have a material adverse effect on our business, financial condition or results of operations.

Data Security Compliance

As a leading financial services provider, we operate in a complex and constantly evolving regulatory environment regarding data privacy and security. Our operations span multiple jurisdictions, and we are subject to a wide range of data protection laws.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material incidents of non-compliance with any applicable data privacy laws across our global operations, nor have we received any penalties from data protection regulatory bodies regarding material violations of any applicable data privacy laws. This reflects our proactive approach to data protection and our commitment to maintaining the highest standards of data security. We understand that maintaining this record requires continuous effort and vigilance.

Compliance and Regulatory Inspection

We operate in China, Hong Kong, Singapore, the UK and the US and are, therefore, subject to various regulatory requirements and guidelines promulgated by regulatory authorities and exchanges in these jurisdictions, such as the CSRC, SFC, MAS, FCA, CFTC, as well as HKCC and CME Group.

During the Track Record Period and up to the Latest Practicable Date, we have been involved in certain regulatory actions and received notices or warnings from, or been fined by, the relevant authorities. While such actions did not have a material adverse impact on our business and results of operations, they revealed certain deficiencies in our business operations and risk management practices. These incidents include:

Regulatory actions	Our primary remedial measures
On May 9, 2024, the Chongqing Bureau of the CSRC issued a regulatory decision to our Chongqing branch, finding that our business departments did not strictly implement our "Brokerage Business Risk Control Management System" during futures accounts opening, and the compliance risk management was not sufficient, with internal control deficiencies.	We have conducted self-examination, took rectification measures, submitted the rectification report to the Chongqing Bureau of the CSRC.
On October 31, 2023, the Zhejiang branch of the CSRC issued a regulatory measure to make correction to us and issued a warning letter to the executive in charge of our asset management business, finding that our asset management business had not been accounted for in accordance with accounting standards, and there were deficiencies in the relevant internal controls.	We conducted self-examination, took rectification measures from the aspects of internal rules, procedures, systems, and personnel, and the rectification has been implemented and accepted by the CSRC.
On January 19, 2024, Nanhua USA was order to pay CME U.S.$50,000.00 pursuant to an offer of settlement for holding customer invested funds in excess of CFTC Regulation 1.25 concentration limits on multiple occasions in violation of CME Rule 971.A.	We have fully paid the U.S.$50,000.00. We have set up new procedures to monitor 1.25 concentration limit and have implemented enhanced internal procedures among the risk management team and accounting team.

Regulatory actions	Our primary remedial measures
On September 26, 2022, and July 20, 2023, HGNH International Futures, while sending closing instructions to the HKFE, resulted in significant margin calls on September 27, 2022, and July 20, 2023, and experienced delays of meeting the margin call amount due to capital allocation issues. As a result of these delays, HKCC notified HGNH International Futures in writing to implement restrictions on September 30, 2022 and on July 25, 2023, respectively. On January 16, 2024, given the repeated violation, HKCC issued a fine of HKD10,000 to HGNH International Futures and issued a warning regarding this matter.	We have taken measures to comprehensively review our fund allocation procedures, fund management policies, and the issuance and review of close-out order instructions for locked positions, and have provided training to the relevant employees to enhance the management of these matters.

Our Directors confirm that, as advised by our external counsels, the above regulatory actions will not have any material adverse impact on our business, financial condition or results of operations.

In order to prevent the recurrence of regulatory actions, we will adopt or have adopted the following measures:

- We have established and improved our internal control and risk management framework by updating the internal control and corporate governance system in accordance with the development of relevant laws and regulations;

- We have enhanced employee training programs to focus on compliance awareness, professional ethics, and regulatory updates. Individuals directly responsible for violations are held accountable, and we have also intensified efforts in compliance inspections; and

- Regarding the disciplinary actions we have received from the relevant departments of the CSRC, we have submitted a rectification report and passed the on-site acceptance. In the future, we will reinforce compliance awareness, comprehensively strengthen management, implement compliance requirements, and achieve steady and sustainable development.

None of our current Directors nor any current member of our senior management was directly involved in the foregoing regulatory actions. We confirm that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we have complied with the relevant regulatory requirements in all material aspects, and there were no other material incidents of regulatory non-compliance that led to regulatory measures or material fines imposed by any regulatory authorities in China or other regulatory authorities in the jurisdictions where we operate.

OVERVIEW

Upon **[REDACTED]**, the directors (including persons who were directors in the last 12 months), supervisors, and general managers of the Company and its subsidiaries (apart from insignificant subsidiaries) and their respective associates will become our connected persons (as defined under Chapter 14A of the Listing Rules). In addition, as of the Latest Practicable Date, Hengdian Holdings directly and indirectly controlled approximately 76.97% of our total issued share capital and will directly and indirectly control approximately **[REDACTED]**% of our total issued share capital immediately after completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised). Therefore, Hengdian Holdings is, and will continue to be, our Controlling Shareholder upon **[REDACTED]**, and hence, Hengdian Holdings and its associates (excluding our Group, the "**Hengdian Holdings Group**") are connected persons of our Company.

Upon **[REDACTED]**, the following transactions between members of our Group and our connected persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Provision of Brokerage and other Financial Services by our Group to certain directors (including persons who were directors in the last 12 months), supervisors, and general managers of the Company and its subsidiaries and their respective associates

We provide brokerage and other financial services (including but not limited to futures and securities brokerage and wealth management services) to some of the directors (including persons who were directors in the last 12 months), supervisors, and general managers of the Company and its subsidiaries (apart from insignificant subsidiaries) and their respective associates (who are our connected persons) in our ordinary and usual course of business. The terms and conditions of the brokerage and other financial services (including but not limited to the commission and fee charged by us) which we offered to such connected persons are on normal commercial terms comparable to those offered to Independent Third Parties. It is expected that we will continue to provide such services to such connected persons after **[REDACTED]**, which will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of these transactions are expected to be less than 0.1% on annual basis, the brokerage and other financial services to some of the directors (including persons who were directors in the last 12 months), supervisors, and general managers of the Company and its subsidiaries (apart from insignificant subsidiaries) and their respective associates will be exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Procurement of Goods and Services from Hengdian Holdings Group

On [•], we entered into a framework agreement (the "**Procurement Framework Agreement**") with Hengdian Holdings, for itself and on behalf of the Hengdian Holdings Group, pursuant to which our Group will procure different types of goods and services from Hengdian Holdings Group, including but not limited to accommodation services, conference and hospitality services, gift certificates, tickets, workwear, daily necessities, electronic products and other office supplies for our daily management, marketing and employee welfare purposes from time to time. The pricing of such goods and services shall be determined by our Group and Hengdian Holdings Group on normal commercial terms through arm's length negotiation, subject to applicable laws and regulations and with reference to factors including the costs, quantities, quality and reliability of relevant goods and services, the prevailing market price and other terms such as payment terms. The terms are to be no less favourable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions. The Procurement Framework Agreement is for a fixed term of three years effective on the **[REDACTED]**, subject to renewal.

As all of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the Procurement Framework Agreement are expected to be less than 0.1% on annual basis, the Procurement Framework Agreement will be exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Sales of Goods and Services to Hengdian Holdings Group

On [•], we entered into a framework agreement (the "**Sales Framework Agreement**") with Hengdian Holdings, for itself and on behalf of Hengdian Holdings Group, pursuant to which our Group will provide Hengdian Holdings Group with goods and services, including agricultural products and services from time to time. The pricing of such goods and services shall be determined by our Group and Hengdian Holdings Group on normal commercial terms, through arm's length negotiation, subject to applicable laws and regulations and with reference to factors including the costs, quantities, quality and reliability of relevant goods and services, the prevailing market price and other terms such as payment terms. The terms are to be no less favourable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions. The Sales Framework Agreement is for a fixed term of three years effective on the **[REDACTED]**, subject to renewal.

As all of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the Sales Framework Agreement are expected to be less than 0.1% on annual basis, the Sales Framework Agreement will be exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Provision of Financial Services by our Group to Hengdian Holdings Group

On [•], we entered into a financial services framework agreement (the "**Financial Services Framework Agreement**") with Hengdian Holdings, for itself and on behalf of Hengdian Holdings Group, pursuant to which our Group will provide the following financial services to Hengdian Holdings Group in our ordinary and usual course of business from time to time. The Financial Services Framework Agreement is for a fixed term of three years effective on the **[REDACTED]**, subject to renewal.

A. **Brokerage Services:** we will provide brokerage services to Hengdian Holdings Group (covering futures, securities and other financial products) in our ordinary and usual course of business on a continuing basis.

B. **Wealth Management Services:** we will provide wealth management services to Hengdian Holdings Group in our ordinary and usual course of business on a continuing basis, including but not limited to asset management, mutual fund services and agency sale of funds services.

C. **Risk Management Services:** we will provide risk management services to Hengdian Holdings Group in our ordinary and usual course of business on a continuing basis, including but not limited to OTC derivatives products.

With respect to the brokerage services, the commission fee to be charged under the Financial Services Framework Agreement shall be determined through arm's length negotiation with reference to the prevailing market commission rates of futures or securities of similar type and trading volume, such as commission fee charged by the China Financial Futures Exchange or charged by our Group to clients who are Independent Third Parties. With respect to asset management, management fees and, in some cases, performance fees are determined through arm's length negotiation with reference to factors including the prevailing market rates, the size of assets, the complexity of the particular services provided and fee rates charged by our Group to the Independent Third Parties. With respect to mutual funds business, the management fees are determined through arm's length negotiation with reference to factors including the type, value and performance of the mutual funds, the prevailing market rates and the complexity of the particular services provided by our Group. With respect to agency sale of funds services, the commissions are determined through arm's length negotiation with reference to factors including prevailing market prices, industry practice and the total amount of financial products under the agency sale arrangements with reference to the commissions charged by our Group for similar agency sale services provided to Independent Third Parties. With respect to the risk management services, we generate income from the premiums paid by clients and also from effective risk management strategies. The pricing for OTC derivatives transactions shall be mainly determined according to OTC derivatives pricing models taking into account the risk hedging and transaction costs, and with reference to the fees charged by our Group to the Independent Third Parties.

As all of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the Financial Services Framework Agreement are expected to be less than 0.1% on annual basis, the Financial Services Framework Agreement will be exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BOARD OF DIRECTORS

The table below sets out certain information in relation to our Directors:

Name	Age	Position(s)	Timing of joining our Company	Date of appointment as a Director	Principal responsibilities
Luo Xufeng (羅旭峰)	57	Chairman of the Board and Executive Director	May 1996	October 18, 2012	Overall strategic planning and business direction and management of our Group
Xu Wencai (徐文財)	59	Non-executive Director	July 2005	October 18, 2012	Participating in formulating general business plans, strategies, and major decisions of our Company through the Board
Hu Tiangao (胡天高)	59	Non-executive Director	April 2021	April 23, 2021	Participating in formulating general business plans, strategies, and major decisions of our Company through the Board
Li Baoping (厲寶平)	61	Non-executive Director	October 2012	October 18, 2012	Participating in formulating general business plans, strategies, and major decisions of our Company through the Board
Xu Lin (徐林)	54	Independent non-executive Director	July 2024	July 24, 2024	Supervising and providing independent advice to the Board
Chen Rong (陳蓉)	49	Independent non-executive Director	February 2019	February 20, 2019	Supervising and providing independent advice to the Board
Zhang Hongying (張紅英)	58	Independent non-executive Director	February 2019	February 20, 2019	Supervising and providing independent advice to the Board

Executive Director

Dr. Luo Xufeng (羅旭峰), aged 57, is an executive Director and the chairman of the Board of our Company.

Dr. Luo has over 30 years of experience in futures business and is one of the first generation of industry leaders advocating for futures business in the PRC. Having proactively participated in various roles in the industry throughout his tenure, Dr. Luo has accumulated the wealth of experience and skills for the overall operational management and strategic planning to promote the growth of our Company. Dr. Luo joined our Company in May 1996 and since then has been working in various positions, including deputy general manager and general manager of our Company. Dr. Luo was appointed as the chairman of the Board in November 2019. Dr. Luo has also served as a director in certain major subsidiaries of our Company namely, Nanhua Fund, Nanhua Capital, HGNH International, HGNH International Futures, HGNH International AM, HGNH International Securities, Nanhua USA, Nanhua UK, Nanhua Singapore, and Nanhua SG.

Dr. Luo obtained his bachelor's degree in industrial management and engineering from Zhejiang University in December 1992 and his executive master of business administration (EMBA) degree from Shanghai Jiao Tong University in the PRC in March 2014. Dr. Luo obtained his degree of Doctor of Philosophy from University of Technology, Sydney in March 2012. Dr. Luo was recognized as a senior economist by Zhejiang Province Human Resources and Social Security Department Senior Economist Job Qualification Assessment Committee (浙江省人力資源和社會保障廳正高級經濟師職務任職資格評審委員會) in December 2024. Dr. Luo was qualified for engaging in futures business by China Futures Association in 2003. Dr. Luo obtained his qualification for futures investment consultancy by China Futures Association in August 2012.

Dr. Luo was awarded Top Ten Leaders of Financial Investment in Zhejiang of 2015 and of 2017 (2015年度和2017年度的浙江金融投資十大領軍人物) in 2016 and 2018 by Organizing Committee of Zhejiang Financial Investment Forum, the Best Helmsman of China Futures Company of the Year (中國期貨公司年度最佳掌舵人) by Futures Daily in 2018, 2019, 2020, 2021, 2023 and 2024, respectively.

Non-executive Directors

Dr. Xu Wencai (徐文財), aged 59, is a non-executive Director of our Company.

Dr. Xu has over 20 years of experience in futures business. Dr. Xu joined our Company in July 2005 and since then has been working in various positions, including Director, legal representative and chairman of the Board of our Company. Dr. Xu has successively served as the assistant president, the vice president, senior vice president and a director of Hengdian Holdings since August 2001. Dr. Xu has been serving as a director of Apeloa Pharmaceutical (a company listed on the Shenzhen Stock Exchange (SZEX: 000739)) since December 2001, a director of Hengdian DMEGC Magnetics (a company listed on the Shenzhen Stock Exchange (SZEX:002056)) since February 2005, a director of Innuovo Technology (a company listed on the Shenzhen Stock Exchange (SZEX: 000795), formerly known as Taiyuan Twin Tower Aluminum Oxide Co., Ltd. (太原雙塔剛玉股份有限公司)) since August 2003, a director of Hengdian Tospo (a company listed on the Shanghai Stock Exchange (SSE: 603303)) since January 2013, a director of Hengdian Entertainment (a company listed on the Shanghai Stock Exchange (SSE: 603103)) since June 2015, a director of Zhejiang Xinna since August 2019, and an independent director of Hangzhou Haikang Robot Co., Ltd (杭州海康機器人股份有限公司) since July 2022, an applicant seeking to list on ChiNext market of the Shenzhen Stock Exchange (深圳證券交易所創業板) as the Latest Practicable Date. Dr. Xu has also served as a director in Nanhua Capital since May 2013.

Dr. Xu obtained his master's and doctoral degree in agronomy from Zhejiang Agricultural University in the PRC in July 1994 and in January 1998, respectively. Dr. Xu obtained his qualification a certified public accountant in the PRC in December 1993 and conferred the title of associate professor in September 1998. Dr. Xu was recognized as a senior economist by Zhejiang Province Human Resources and Social Security Department Senior Economist and Economist Job Qualification Assessment Committee (浙江省人力資源和社會保障廳正高級經濟師及高級經濟師職務任職資格評審委員會) in October 2023.

Mr. Hu Tiangao (胡天高), aged 59, is a non-executive Director of our Company.

Mr. Hu has over 30 years of working experience in finance industry. Mr. Hu joined our Company in April 2021 and since then has been serving as a Director of our Company. Since July 1995, Mr. Hu has successively served as the director of the fund settlement committee, an assistant president and the vice president, and currently he has been serving as the senior vice president and a director of Hengdian Holdings. Mr. Hu has been serving as a director of Hengdian DMEGC Magnetics (a company listed on the Shenzhen Stock Exchange (SZEX: 002056)) since March 2008, a director of Apeloa Pharmaceutical (a company listed on the Shenzhen Stock Exchange (SZEX: 000739)) since April 2008, a director of Innuovo Technology (a company listed on the Shenzhen Stock Exchange (SZEX: 000795)) since April 2011, a director of Hengdian Tospo (a company listed on the Shanghai Stock Exchange (SSE: 603303)) since January 2013, a director of Hengdian Entertainment (a company listed on the Shanghai Stock Exchange (SSE: 603103)) since June 2015 and a director of Zhejiang Xinna since August 2019. Mr. Hu has also served as a director in Hangzhou Ruiyi Trading Co., Ltd. (杭州瑞熠貿易有限公司), a wholly-owned subsidiary of our Company since December 2020.

Mr. Hu obtained his EMBA degree from Zhejiang University in February 2013.

Mr. Li Baoping (厲寶平), aged 61, is a non-executive Director of our Company.

Mr. Li has over 26 years of experience in company management. Mr. Li joined our Company in October 2012 and since then has been serving as a Director of our Company. Mr. Li served as an assistant to general manager of Hengdian Group Tospo Co., Ltd. (橫店集團得邦有限公司) from December 1999 to September 2000. Mr. Li successively served as an assistant to the executive vice president, the director of talent management committee, an assistant to the president, the head of the human resources department, the vice president, and the head of the investment supervision department in Hengdian Holdings since September 2000, and currently he has been serving as a director and the vice president of Hengdian Holdings. Mr. Li served as a director and the chairman of the board of Innuovo Technology (a company listed on the Shenzhen Stock Exchange (SZEX: 000795)) from January 2015 to September 2021. Mr. Li has been serving as a director of Hengdian DMEGC Magnetics (a company listed on the Shenzhen Stock Exchange (SZEX: 002056)) since April 2022, a director of Hengdian Tospo (a company listed on the Shanghai Stock Exchange (SSE: 603303)) since January 2013, a director of Hengdian Entertainment (a company listed on the Shanghai Stock Exchange (SSE: 603103)) since June 2015, and a director of Zhejiang Xinna since August 2019. Mr. Li has also served as a director in certain subsidiaries of our Company.

Mr. Li obtained his bachelor's degree in marine management from Dalian Maritime Transportation College (大連海運學院, currently known as Dalian Maritime University (大連海事大學)) in the PRC in July 1987 and his EMBA degree from Peking University in July 2006. Mr. Li was recognized as a senior economist by Zhejiang Province Human Resources and Social Security Department Senior Economist Qualification Review Committee (浙江省人力資源和社會保障廳正高級經濟師職務任職資格評審委員會) in October 2023.

Independent non-executive Directors

Dr. Xu Lin (徐林), aged 54, is an independent non-executive Director of our Company.

Dr. Xu has over 24 years of experience in teaching and scientific research. Dr. Xu joined our Company in July 2024. Dr. Xu served as a teacher within the local government staffing system since June 1997 and is currently serving as a professor of the public administration faculty of Zhejiang University.

Dr. Xu obtained his bachelor's degree and master's degree in biomedical engineering and instrumentation from Zhejiang University in June 1993, and June 1997, respectively, and his doctoral degree in political economy from Zhejiang University in March 2005.

Dr. Chen Rong (陳蓉), aged 49, is an independent non-executive Director of our Company.

Dr. Chen has over 18 years of experience in the financial industry. Dr. Chen joined our Company in February 2019 and since then has been serving as an independent Director of our Company. Dr. Chen has successively served as a lecturer, the vice professor, a professor and a doctoral advisor in Xiamen University since August 2003.

Dr. Chen obtained her bachelor's degree in international finance from Xiamen University in the PRC in July 1997, her master's degree in finance from Xiamen University in June 2000 and her doctoral degree in economics from Xiamen University in June 2003. Dr. Chen obtained her qualification as a Certified Public Accountant in the PRC in December 1999.

Ms. Zhang Hongying (張紅英), aged 58, is an independent non-executive Director of our Company.

Ms. Zhang has over 36 years of experience in the accounting and finance industry. Ms. Zhang joined our Company in February 2019 and since then has been serving as an independent Director of our Company. Ms. Zhang has been working in various positions in the accounting faculty of Zhejiang University of Finance and Economics (浙江財經大學) since July 1988, including deputy secretary of the party general branch of accounting faculty from 2005 to 2013, and party secretary of accounting faculty from 2013 to 2020 and she served as the director of the social cooperation office and the alumni office of

Zhejiang University of Finance and Economics from December 2019 to December 2023. Ms. Zhang has been serving as an independent director of Zhejiang Xianju Pharmaceutical Co., Ltd. (浙江仙琚製藥股份有限公司) (a company listed on the Shenzhen Stock Exchange (SZEX: 002332)) since December 2019, and an independent director of Zhejiang Orient Gene Biotech Co.,Ltd. (浙江東方基因生物製品股份有限公司) (a company listed on the Shanghai Stock Exchange (SSE: 688298)) since May 2023.

Ms. Zhang obtained her bachelor's degree in statistics from Jiangxi University of Finance and Economics (江西財經學院) in the PRC in July 1988, and she completed a study of advanced studies course for postgraduate in accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in January 2000. Ms. Zhang is recognized as a Certified Internal Auditor (國際註冊內部審計師) by China Institute of Internal Auditors in March 2004.

SUPERVISORS

The table below sets out certain information regarding our Supervisors:

Name	Age	Position(s)	Timing of joining our Company	Date of appointment as a Supervisor	Principal responsibilities
Li Guoping (厲國平)	52	Chairman of the Supervisory Committee	July 2005	October 18, 2012	Responsible for supervising the performance of duties by our Directors and our senior management
Jin Longhua (金龍華)	62	Supervisor	November 2019	November 25, 2019	Responsible for supervising the performance of duties by our Directors and our senior management
Xia Haibo (夏海波)	55	Employee Representative Supervisor	September 2000	October 18, 2012	Responsible for supervising the performance of duties by our Directors and our senior management

Mr. Li Guoping (厲國平), aged 52, is the chairman of the Supervisory Committee of our Company.

Mr. Li joined our Company in July 2005 and since then was appointed as Supervisor in October 2012 and the chairman of the Supervisory Committee in April 2020.

Mr. Li successively served as a supervisor, the director of the legal discipline committee and an assistant president of Hengdian Holdings since November 2003 and has been serving as the vice president, the director of legal discipline committee and a director of auditing of Hengdian Holdings since February 2015. He has been serving as the chairman of supervisory board at Innuovo Technology (a company listed on the Shenzhen Stock Exchange (SZEX: 000795)) since September 2015. He has been serving as the chairman of the supervisory board at Hengdian Tospo (a company listed on the Shanghai Stock Exchange (SSE: 603303)) since January 2016. He has been serving as the chairman of the supervisory board at Hengdian Entertainment (a company listed on the Shanghai Stock Exchange (SSE: 603103)) since June 2015. He has been serving as the chairman of the supervisory board at Apeloa Pharmaceutical (a company listed on the Shenzhen Stock Exchange (SZEX: 000739) since February 2017. He has been serving as the chairman of the supervisory board at Hengdian DMEGC Magnetics (a company listed on the Shenzhen Stock Exchange (SZEX: 002056)) since April 2017. He has been serving as the chairman of the supervisory board at Zhejiang Xinna since August 2019. Mr. Li has also served as a supervisor in certain subsidiaries of our Company.

Mr. Li obtained his bachelor's degree in criminal photography from the Criminal Investigation Police University of China (中國刑事警察學院) in the PRC in July 1994 and his EMBA degree from Zhejiang University in December 2018. Mr. Li was recognized as a senior economist by Zhejiang Province Human Resources and Social Security Department Senior Economist Qualification Review Committee (浙江省人力資源和社會保障廳正高級經濟師職務任職資格評審委員會) in December 2024.

Mr. Jin Longhua (金龍華), aged 62, is a Supervisor of our Company.

Mr. Jin joined our Company in November 2019 and was appointed as a Supervisor in November 2019.

Mr. Jin successively served as the deputy finance director, the chief financial officer, a senior director and a consultant of Hengdian Holdings from September 2008 to December 2024.

Mr. Jin obtained his bachelor's degree in accounting from Nanjing University in the PRC in September 2014 through online courses. Mr. Jin obtained the senior accountant qualification awarded by the Senior Accountant Qualification Review Committee of Zhejiang Province (浙江省高級會計師職務任職資格評審委員會) in November 2019.

Mr. Xia Haibo (夏海波), aged 55, is an employee representative supervisor of our Company.

Mr. Xia joined our Company in September 2000 and since then has been working in various positions, including accountant of the finance department, deputy manager of the finance department, assistant director of the finance department and manager of the treasury department of our Company.

Mr. Xia obtained his bachelor's degree in management accounting from Tianjin Business College (天津商學院) in the PRC in July 1994 and his master's degree in business administration from Central South University (中南大學) in the PRC in June 2012. Mr. Xia was recognized as a senior international financial manager by the Chinese Institute of Chief Accountants and International Financial Management Association in August 2010.

Save as disclosed in this document, to the best of the knowledge, information and belief of the Directors and Supervisors, having made all reasonable inquiries, there were no additional matters in respect of each of the Directors and Supervisors that need to be brought to the attention of the Shareholders and there were no additional information relating to the Directors or Supervisors that are required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our executive Director and senior management are responsible for the day-to-day operations and management of our business.

The table below sets out certain information regarding our senior management.

Name	Age	Position(s)	Timing of joining our Company	Date of appointment as a current Senior Management	Principal responsibilities
Jia Xiaolong (賈曉龍)	47	General manager	March 2005	February 11, 2022	Responsible for the Company's daily operations and overall business strategy and planning
Li Jianping (李建萍)	41	Chief risk officer	April 2017	November 7, 2017	Responsible for the Company's risk control affairs, formulating and implementing the Company's internal control and risk management plans
Zhong Yiqiang (鍾益強)	43	Secretary of the Board and Joint Company Secretary	July 2007	October 18, 2012	Responsible for corporate governance, capital market financing, investor relations maintenance, and information disclosure for the Company
Li Li (李莉)	39	Chief financial officer	February 2024	May 14, 2024	Responsible for the overall financial management of the Company and its subsidiaries
Gu Song (顧松)	52	Deputy general manager	August 1996	January 18, 2022	Responsible for the overall construction, maintenance, management, and development of the Company's information technology
Chen Donghua (陳冬華)	58	Deputy general manager	May 2021	December 12, 2023	Daily operational management of the Company's asset management business, securities investment fund distribution business, and other related activities

Mr. Jia Xiaolong (賈曉龍), aged 47, is a general manager and the secretary of the party committee of our Company.

Mr. Jia has over 20 years of working experience in the futures business. Mr. Jia joined our Company in March 2005 and since then has been working in various positions, including the customer relationship developer at Fangdian Road business unit of our Shanghai unit, the deputy manager of our Fangdian Road business unit of our Shanghai unit, the manager of the Shanghai Hongqiao Road branch, the general manager of the Southern Region, the general manager of the Shanghai branch, an assistant to the general manager, the deputy general manager of the brokerage business headquarters, the general manager of the market management headquarters, and the deputy general manager of our Company. From November 2021 to February 2022, Mr. Jia has been serving as the general manager of the market management headquarters, and the deputy general manager of our Company. Mr. Jia has been serving as the general manager of our Company since February 2022. Mr. Jia has been serving as the chairman of the board Nanhua Capital since January 2023. Mr. Jia has also served as a director in certain major subsidiaries of our Company, namely, Nanhua Capital, HGNH International and Nanhua USA.

Mr. Jia obtained his bachelor's degree in accounting from Chinese People's Armed Police Force Engineering College (中國人民武裝警察部隊工程學院) in the PRC in July 2000, his master's degree in business management and his EMBA degree from Shanghai Jiao Tong University in June 2010 and June 2017, respectively. Mr. Jia was qualified for engaging in futures business by China Futures Association in 2004.

Ms. Li Jianping (李建萍), aged 41, is the chief risk officer of our Company.

Ms. Li joined our Company in April 2017 and since then has been working in various positions, including assistant to the general manager, head of the compliance review department, and chief risk officer of our Company. Ms. Li served as the director officer of futures supervision department and director officer of party office at the Zhejiang Branch of the CSRC (浙江證監局) from July 2007 to April 2017, during which she seconded to futures department II of the CSRC from May 2013 to November 2013.

Ms. Li obtained her bachelor's degree in law from Xiangtan University (湘潭大學) in the PRC in June 2005. Ms. Li obtained her master's degree in Law from Hunan Normal University (湖南師範大學) in the PRC in June 2007. Ms. Li obtained the legal professional qualification issued by the Ministry of Justice of the People's Republic of China in February 2006. Ms. Li was qualified for engaging in futures business by China Futures Association in April 2017. Ms. Li obtained her qualification for futures investment consultancy by China Futures Association in August 2022.

Mr. Zhong Yiqiang (鍾益強), aged 43, is the secretary of the Board of our Company.

Mr. Zhong joined our Company in July 2007 and since then has been working in various positions, including assistant to director of the general handling office, deputy director of the general handling office, business office manager, and director of the general handling office of our Company. Mr. Zhong served as a director of Nanhua UK from June 2018 to May 2020.

Mr. Zhong obtained his bachelor's degree in international economics and trade from Beijing Technology and Business University (北京工商大學) in the PRC and his master's degree in industrial economics from Beijing Technology and Business University in July 2004 and June 2007, respectively. Mr. Zhong was qualified for engaging in futures business by China Futures Association in October 2008. Mr. Zhong was recognized as an economist by Ministry of Human Resources and Social Security (中華人民共和國人力資源和社會保障部) in November 2022. Mr. Zhong obtained his qualification for futures investment consultancy by China Futures Association in July 2011.

Ms. Li Li (李莉), aged 39, is the chief financial officer of our Company.

Ms. Li joined our Group in April 2012, and she has been serving as the chief financial officer of our Company since May 2024. Ms. Li served as a financial commissioner in the financial management department of Hangzhou Lvcheng Beisheng Property Co., Ltd. (杭州綠城北盛置業有限公司) from April 2011 to March 2012. Ms Li successively served as the financial commissioner and an assistant to the manager of HGNH International Futures from April 2012 to November 2016. Ms Li successively served as an assistant to the chief financial officer and the manager of finance department of HGNH International from November 2016 to February 2024. Ms. Li served as finance department manager of our Company and the deputy director of finance department of our Company from February 2024 to May 2024.

Ms. Li obtained her bachelor's degree in accounting from Sias International University (鄭州大學西亞斯國際學院) in the PRC in June 2008 and her master's degree in accounting from Hangzhou Dianzi University (杭州電子科技大學) in the PRC in January 2011. Ms. Li was qualified for engaging in futures business by China Futures Association in July 2012.

Mr. Gu Song (顧松), aged 52, is a deputy general manager of our Company.

Mr. Gu has over 28 years of working experience in business management. Mr. Gu joined our Company in August 1996 and since then has been working in various positions, including network engineering department manager and an assistant to general manager.

Mr. Gu obtained his master's degree in business management from the Open University of Hong Kong (currently known as Hong Kong Metropolitan University) in December 2009. Mr. Gu was qualified for engaging in futures business by China Futures Association in 2003.

Mr. Chen Donghua (陳冬華), aged 58, is a deputy general manager of our Company.

Mr. Chen has over 31 years of working experience in the futures business. Mr. Chen joined our Company in June 2021 and served as a chief strategy officer of our Company from June 2021 to December 2023. Since December 2023, Mr. Chen has been serving as the deputy general manager of our Company. Mr. Chen served as a staff, the manager of trading department and assistant to general manager, the deputy general manager at Shenzhen Intermediary Futures Brokage Co., Ltd (深圳中期期貨經紀有限公司) from March 1994 to October 2003. Mr. Chen served as the vice general manager and the general manager of China International Futures Co., Ltd. (中國國際期貨經紀有限公司, currently known as 中國國際期貨

股份有限公司) from March 2008 to January 2014. Mr. Chen served as the general manager of China International Futures Co., Ltd. (中國國際期貨有限公司, currently known as 中國國際期貨股份有限公司) from March 2014 to January 2021. Mr. Chen served as the general manager of Cinda Futures Co., Ltd. (信達期貨有限公司) from February 2010 to January 2014. Mr. Chen has been serving as the chairman of the board of Zhejiang Holland & Muh since February 2023. Mr. Chen has also served as a director in Nanhua SG, a majority-owned subsidiary of our Company since September 2024.

Mr. Chen obtained his EMBA degree from Fudan University in the PRC in June 2012. Mr. Chen was qualified for engaging in futures business by China Futures Association registered by our Company in May 2021 and was qualified for engaging in funds issued by Asset Management Association of China (中國證券投資基金業協會) in January 2022. Mr. Chen obtained his qualification for futures investment consultancy by China Futures Association registered by our Company in June 2021.

To the best knowledge, information and belief of our Directors, the Directors, Supervisors and senior management of our Company do not have any relationship amongst them.

JOINT COMPANY SECRETARIES

Mr. Zhong Yiqiang (鍾益強) is a joint company secretary of the Company. Mr. Zhong is also a member of the senior management of the Company. See "Senior Management" for his detailed biography.

Ms. Zhang Xiao (張瀟) is a joint company secretary of our Company. Ms. Zhang is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services, and has over ten years of experience in the corporate secretarial field. Ms. Zhang has been admitted as an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom in 2019.

Ms. Zhang obtained her bachelor's degree in computer science from the Chinese University of Hong Kong in December 2010 and her master's degree in corporate governance from Open University of Hong Kong (currently known as Hong Kong Metropolitan University) in November 2018. Ms. Zhang has been an associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom in 2019.

BOARD COMMITTEES

Our Board has established the audit committee, the remuneration and appraisal committee, the nomination committee, strategy committee and the risk management committee.

Audit Committee

We have established the audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of our Company, risk management and internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board. The audit committee consists of three members, namely Ms. Zhang Hongying, Dr. Xu Lin and Dr. Xu Wencai. The chairman of the audit committee is Ms. Zhang Hongying, who is our independent non-executive Director with appropriate professional qualifications.

Remuneration and Appraisal Committee

We have established the remuneration and appraisal committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

The primary duties of the remuneration and appraisal committee are to establish, review and provide advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, make recommendations to our Board the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time. The remuneration committee consists of three members, namely Dr. Xu Lin, Dr. Luo Xufeng and Dr. Chen Rong. The chairperson of the remuneration committee is Dr. Xu Lin.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

The primary duties of the nomination committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board; identify, select or make recommendations to our Board on the selection of individuals nominated for directorships, and ensure the diversity of our Board members; assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors. The nomination committee consists of three members, namely Dr. Chen Rong, Mr. Hu Tiangao and Dr. Xu Lin. The chairperson of the nomination committee is Dr. Chen Rong.

Strategy Committee

We have established a strategy committee with written terms of reference.

The primary duties of the strategy committee of our Company include reviewing the overall development strategy plan of our Company, including our ESG development strategy, and advising our Board accordingly, evaluating the overall development of each business unit of our Company and making recommendations to our Board regarding any adjustments, reviewing our Company's business investment and financing plans, and making recommendations to our Board and handling other matters required by laws, rules and regulations of the jurisdictions where our Shares are listed, our Articles of Association, or as authorized by our Board. The strategy committee consists of three members, namely Dr. Luo Xufeng, Dr. Xu Wencai, Mr. Li Baoping. The chairperson of the strategy committee is Dr. Xu Wencai.

Risk Management Committee

We have established a risk management committee with written terms of reference.

The primary duties of the risk management committee are to provide guidance to our Company's overall risk management and provide support for our Board to perform risk management functions and evaluating the integrity of the risk management system and issuing opinions; and handling other matters required by laws, rules and regulations of the jurisdictions where our Shares are listed, our Articles of Association or as authorized by our Board. The risk management committee consists of three members, namely Dr. Luo Xufeng, Mr. Hu Tiangao, Mr. Li Baoping. The chairperson of the risk management committee is Dr. Luo Xufeng.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors, Supervisors and senior management receive their remuneration in the form of basic annual payments and performance-related annual payments, including fees, salaries, share-based compensation, pension schemes contribution and other benefits in kind.

For the years ended December 31, 2022, 2023 and 2024, the total remuneration paid to our Directors amounted to RMB2.58 million, RMB1.72 million and RMB2.61 million, respectively.

For the years ended December 31, 2022, 2023 and 2024, the total remuneration paid to our Supervisors amounted to RMB1.01 million, RMB1.06 million and RMB1.09 million, respectively.

For the years ended December 31, 2022, 2023 and 2024, the total emoluments paid to the five highest paid individuals (including Directors) by us amounted to RMB11.39 million, RMB17.92 million and RMB20.90 million, respectively.

For the years ended December 31, 2022, 2023 and 2024, no payment was made by us to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. Our Supervisors receive remuneration from our Company. None of the Directors or Supervisors waived their remuneration during the relevant period.

The remuneration of our Directors, Supervisors and senior management is determined with reference to factors including the responsibility, risk and commitment of our Directors, Supervisors and senior management, the completion rate of our corporate profit, the assessment result of our target responsibility system, the performance evaluation structure of each of our corporate departments and the salaries paid by comparable companies.

Save as disclosed in this document, no other payments had been made, or are payable, by any member of our Company to our Directors and Supervisors during the Track Record Period. For additional information on our Directors and Supervisors' remuneration during the Track Record Period as well as information on the highest paid individuals, see "Appendix I – Accountant's Report – II Notes to the Historical Financial Information – Note 13(2) Directors' and Supervisors' Remuneration."

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**"), which sets out the criteria in selecting candidates to our Board, to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Our Board currently consists both female and male Directors with a mix of education background, professional qualifications, skills, knowledge, and industry experience. Our Directors obtained degrees in various majors including accounting, laws, business administration, economics and engineering and from universities in mainland China and Hong Kong. We believe they can contribute different knowledge, skills and industry experience, such as overall management, strategic development, financial and accounting, investment and legal compliance. The Board is of the view that our Board achieves the board diversity requirement in our Board Diversity Policy.

Our nomination committee will review and assess the composition of the Board and make recommendations to the Board on appointment of members of the Board. The nomination committee will include in corporate governance reports a summary of the Board Diversity Policy, the progress on achieving these objectives each year and the status of maintaining diversity of our Board.

COMPLIANCE ADVISER

Our Company has appointed Innovax Capital Limited (創陞融資有限公司) as our compliance adviser upon the **[REDACTED]** of our Shares on the Stock Exchange pursuant to Rule 3A.19 of the Listing Rules. The material terms of the compliance adviser's agreement entered into between our Company and the compliance adviser are as follows:

(1) the compliance adviser shall provide our Company with services including guidance and advice as to compliance with the requirement of the Listing Rules and other applicable laws, rules, codes and guidelines, and accompany our Company to any meetings with the Stock Exchange;

(2) our Company may terminate the appointment of the compliance adviser by giving a no less than 10 days' prior written notice to the compliance adviser. Our Company will exercise such right in compliance with Rule 3A.26 of the Listing Rules. The compliance adviser will have the right to terminate its appointment as compliance adviser under certain specific circumstances and upon notification of the reason of its resignation to the Stock Exchange; and

(3) during the period of appointment, our Company must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issuance, sale or transfer of treasury shares and share repurchase;

(c) where the Company proposes to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document;

(d) when Stock Exchange makes enquiries on the Company pursuant to Rule 13.10 of the Listing Rules; and

(e) When the Company raises any other compliance enquiries regarding the requirements of the Stock Exchange or other regulatory authorities or the responsibilities or obligations that the company should fulfill under the Listing Rules.

The term of the appointment shall commence on the **[REDACTED]** and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

COMPETITION

None of our Directors has any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

OUR CONTROLLING SHAREHOLDERS

Given that, upon completion of the **[REDACTED]** (assuming that (i) there will be no change of shareholding between the Latest Practicable Date and the **[REDACTED]** and (ii) the **[REDACTED]** is not exercised), (i) Dongyang Hengdian Association will directly and indirectly hold **[REDACTED]**% equity interests in Hengdian Holdings; (ii) Hengdian Holdings will directly and indirectly hold approximately **[REDACTED]**% interests in our Company, our Controlling Shareholders (as defined in the Listing Rules) will be comprised of the following entities:

No.	Controlling Shareholder	Relationship with our Company
1	Hengdian Holdings	As of the Latest Practicable Date, our Company was directly and indirectly held by Hengdian Holdings as to approximately 76.97%, which was directly and indirectly owned by Dongyang Hengdian Association as to approximately 70%.
2	Dongyang Hengdian Association	
3	Dongyang Henghua LLP	As of the Latest Practicable Date, our Company was held by Dongyang Henghua LLP as to approximately 4.01%, whose general partner was Hengdian Holdings.
4	Hengdian DMEGC Magnetics	As of the Latest Practicable Date, our Company was held by Hengdian DMEGC Magnetics as to approximately 1.64%, which was directly owned by Hengdian Holdings as to approximately 50.59%.
5	Hengdian Import and Export	As of the Latest Practicable Date, our Company was held by Hengdian Import and Export as to approximately 1.64%, which was directly owned by Hengdian Holdings as to approximately 74%.

See "Our History and Development – Corporate Structure" for details in relation to the corporate structure regarding the relationship between our Company and our Controlling Shareholders.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are of the view that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the **[REDACTED]**:

Management Independence

Our Company and our Controlling Shareholders have boards of directors that function independently of each other. Upon **[REDACTED]**, our Board comprises one executive Director, three non-executive Directors and three independent non-executive Directors. The following table sets forth the positions held by our Directors, Supervisors and senior management in our Controlling Shareholder:

Name of Director/ Supervisors	Position held in our Company	Position held in the Controlling Shareholders
Dr. Xu Wencai	Non-executive Director	• A director and vice president of Hengdian Holdings. • A director of Hengdian DMEGC Magnetics. • A director of Hengdian Import and Export.
Mr. Hu Tiangao	Non-executive Director	• A director and vice president of Hengdian Holdings. • A director of Hengdian DMEGC Magnetics. • A director of Hengdian Import and Export.
Mr. Li Baoping	Non-executive Director	• A director and vice president of Hengdian Holdings. • A director of Hengdian DMEGC Magnetics. • A director of Hengdian Import and Export.
Mr. Li Guoping	Supervisor	• A vice president, director of legal discipline, and director of auditing of Hengdian Holdings. • A chairman of the supervisory board of Hengdian DMEGC Magnetics. • A chairman of the supervisory board of Hengdian Import and Export.

Except for the above-mentioned individuals, none of our other Directors, Supervisors and senior management of our Company holds any directorship or senior management role in our Controlling Shareholders.

Since Dr. Xu Wencai, Mr. Hu Tiangao and Mr. Li Baoping are non-executive Directors of our Company, they will not be involved in the day-to-day management or affairs and operations of our businesses. Also, Dr. Xu Wencai, Mr. Hu Tiangao and Mr. Li Baoping have a track record of devoting sufficient time and energy to discharge their duties as our Directors. Mr. Li Guoping, as a Supervisor, is responsible for supervising the operational and financial activities of our Company and is not involved in the daily business management and operation of the Company.

Our executive Director and senior management, with substantial experience in the industry in which we are engaged and/or in their respective fields of expertise, have served our Group for many years. They formed part of our core management and have been responsible for overall business strategy, daily management and operation of our Group during the Track Record Period. Save as disclosed above, there was no overlapping personnel between the senior management team of our Group and our Controlling Shareholders as at the Latest Practicable Date.

In the event that the three overlapping Directors is required to abstain from any board meeting of our Company on any matter which may give rise to a potential conflict of interest with our Controlling Shareholders, the remaining non-overlapping Directors will have sufficient expertise and experience to fully consider any such matter. Notwithstanding the three overlapping Directors, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business independently from our Controlling Shareholders for the following reasons:

(a) none of the business of our Controlling Shareholders competes, or is likely to compete, with our core business and with the corporate governance measures in place to manage existing and potential conflicts of interest, the dual roles assumed by the three overlapping Director in most cases will not affect the requisite degree of impartiality of our Directors in discharging their fiduciary duties owed to our Company;

(b) we have three independent non-executive Directors, and certain matters of our Company, including continuing connected transactions, must always be referred to the independent non-executive Directors for review and they will confirm in our annual report that our continuing connected transactions have been entered into in our ordinary and usual course of business, are on normal commercial terms or better and on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and

(c) in an event of conflict of interests, the relevant Director(s) will abstain from voting and will be excluded from deliberation by our Board. We believe our Directors with no overlapping directorships in our Controlling Shareholders have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in an event of conflict of interests. See "Directors, Supervisors and Senior Management – Board of Directors" for the relevant experience and qualifications of our Directors.

Business and operational independence

Our Group will be able to operate independently of our Controlling Shareholders and their respective close associates for the reasons set out below:

We engage in businesses that are independent of those operated by our Controlling Shareholders and its associates. We have obtained the relevant qualifications and licenses, independent operating premises, trademarks, domain names and electronic information systems needed for our businesses.

We own or have the right to use all the operational facilities and technologies relating to our business. We also have our own clients and serve them with our own employees. We have sufficient capital to operate our business independently. In addition, we currently conduct our principal business independently and we have the ability to formulate and implement our own operational decisions independently. We have our own organizational structure and departments which are under specific authority independent from our Controlling Shareholders. We also maintain a comprehensive set of internal control procedures for promoting efficient business operation. With reference to relevant laws, regulations and rules, we develop sound corporate governance practice and have adopted our rules of procedure for general meeting, rules of procedure for Board meeting, rules of procedure for Supervisory Committee meeting, and connected transactions regulations.

We have entered into certain continuing connected transactions in relation to procurement of goods and services, sales of goods and services and provision of financial services to or by Hengdian Holdings and/or its associates. Such goods and services are not provided to or by Hengdian Holdings and/or its associates on an exclusive basis and may be offered to or by Independent Third Parties on similar terms. See "Connected Transactions".

Financial independence

Our Group will be able to maintain financial independence from our Controlling Shareholders and their respective close associates for the reasons set out below:

We have our own financial and accounting system, which is independent from that of our Controlling Shareholders and their respective close associates. Accounting functions and financial decision making will be carried out by our Group independently and according to our own business needs and financial conditions. Based on the above, we will be able to finance our own operations and function independently without reliance on our Controlling Shareholders and their respective close associates.

As at the Latest Practicable Date, all outstanding balance of amounts due from and/or to our Controlling Shareholders and/or their respective close associates which were not arising out of the ordinary course of our business has been settled. As of the Latest Practicable Date, there was no unsettled financial guarantee given by our Controlling Shareholders.

Our Group's future financial resource requirements will be satisfied through a combination of cash generated from its operating activities, banking facilities made available to it or **[REDACTED]** from equity financing including but not limited to the **[REDACTED]**, and will not be dependent on our Controlling Shareholders for future financing.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the **[REDACTED]**, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any board resolution in respect of any contract or arrangement or any other proposal whatsoever in which such Director or any of his/her close associates has any material interest, and if he/she shall do so his/her vote shall not be counted (nor shall such Director be counted in the quorum for the resolution);

(b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive Director, non-executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possesses sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the paragraph headed "Directors, Supervisors and Senior Management – Board of Directors – Independent non-executive Directors";

(d) we have appointed Innovax Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance; and

(e) as required by the Listing Rules, our independent non-executive Directors shall review continuing connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from Independent Third Parties and on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the **[REDACTED]** and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and **[REDACTED]**, the following persons will have an interest or short position (as applicable) in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group:

Substantial shareholders of our Company

				Assuming that the [REDACTED] are not exercised		Assuming that the [REDACTED] are fully exercised	
Shareholder	Nature of interest	Description of Shares	Number of Shares directly or indirectly held	Approximate % of shareholding in our A Shares immediately after the [REDACTED]	Approximate % of shareholding in the total share capital of our Company immediately after the [REDACTED]	Approximate % of shareholding in our A Shares immediately after the [REDACTED]	Approximate % of shareholding in the total share capital of our Company immediately after the [REDACTED]
Hengdian Holdings[1]	Beneficial owner	A Shares	425,120,900	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	Interest in controlled corporation	A Shares	44,480,000	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Dongyang Hengdian Association[2]	Interest in controlled corporation	A Shares	469,600,900	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Note:

(1) Hengdian Holdings directly holds 425,120,900 A Shares of our Company, indirectly holds 10,000,000 A Shares through its subsidiary Hengdian DMEGC Magnetics and 10,000,000 A Shares through its subsidiary Hengdian Import and Export. Since Hengdian Holdings is the general partner of Dongyang Henghua LLP, Hengdian Holdings is deemed to be interested in 24,480,000 A Shares held by Dongyang Henghua LLP for the purpose of the SFO.

(2) Hengdian Holdings is directly held by Dongyang Hengdian Association and Dongyang Hengchuang Industrial Development Partnership (Limited Partnership) as to 51% and 19%, respectively. Dongyang Hengchuang Industrial Development Partnership (Limited Partnership) is held by Dongyang Hengdian Association as to 0.01% as its general partner and as to 99.98% as its limited partner. Therefore, Dongyang Hengdian Association is deemed to be interested in all the shares held by Hengdian Holding for the purpose of the SFO.

SUBSTANTIAL SHAREHOLDERS

For further information on any other person who will be, immediately following completion of the **[REDACTED]**, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group, see "Appendix VI – Statutory and General Information – C. Further Information about our Directors, Supervisors and Substantial Shareholders – 2. Substantial Shareholders".

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued share capital of our Company was 610,065,893 A Shares of nominal value of RMB1.00 each, which are all listed on the main board of the Shanghai Stock Exchange.

Description of Shares	Number of Shares	Approximate percentage of issued share capital
A Shares in issue	610,065,893[1]	100%
Total	**610,065,893**	**100%**

Note:

(1) These A Shares include 5,681,234 A Shares which are held by our Company as treasury shares.

UPON COMPLETION OF THE [REDACTED]

Immediately following the completion of the **[REDACTED]**, assuming that the **[REDACTED]** is not exercised, the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate percentage of issued share capital
A Shares in issue	**[REDACTED]**	**[REDACTED]**
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**100%**

Note:

(1) These A Shares include 5,681,234 A Shares which are held by our Company as treasury shares.

SHARE CAPITAL

Immediately following the completion of the **[REDACTED]**, assuming that the **[REDACTED]** is fully exercised, the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate percentage of issued share capital
A Shares in issue	**[REDACTED]**	**[REDACTED]**
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**100%**

Note:

(1) These A Shares include 5,681,234 A Shares which are held by our Company as treasury shares.

OUR SHARES

Upon completion of the **[REDACTED]**, the Shares will consist of A Shares and H Shares. A Shares and H Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai – Hong Kong Stock Connect or the Shenzhen – Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between investors of the PRC.

Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between the PRC and Hong Kong. Our A Shares can be subscribed for and traded by investors in the PRC, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect. If our H Shares are eligible securities under the Southbound Trading Link, they can also be subscribed for and traded by investors in the PRC in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

RANKING

Our H Shares and our A Shares are regarded as one class of Shares under our Articles of Association and will rank pari passu with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document.

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR [REDACTED] ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and our H Shares may be different after the **[REDACTED]**. The Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) announced by the CSRC are not applicable to companies dually listed in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A share shareholders may convert A shares held by them into H shares for **[REDACTED]** on the Hong Kong Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

Approval from holders of A Shares is required for our Company to issue H Shares and seek the **[REDACTED]** of H Shares on the Hong Kong Stock Exchange. Such approval was obtained at the shareholders' general meeting of our Company held on February 6, 2025 and is subject to the following conditions:

(i) Size of the **[REDACTED]**. The proposed number of H Shares to be **[REDACTED]** shall not exceed **[REDACTED]**% of the total **[REDACTED]** share capital enlarged by the H Shares to be **[REDACTED]** pursuant to the **[REDACTED]** (before the exercise of the **[REDACTED]**). The number of H Shares to be **[REDACTED]** pursuant to the full exercise of the **[REDACTED]** shall not exceed **[REDACTED]**% of the total number of H Shares to be **[REDACTED]** initially under the **[REDACTED]**.

(ii) Method of **[REDACTED]**. The method of **[REDACTED]** shall be by way of an **[REDACTED]** to **[REDACTED]** and a **[REDACTED]** for subscription in Hong Kong.

(iii) Target investors. The H Shares shall be **[REDACTED]** to **[REDACTED]** in Hong Kong under the **[REDACTED]** and **[REDACTED]**, qualified domestic institutional investors and other investors in compliance with regulatory requirements.

(iv) **[REDACTED]** basis. The **[REDACTED]** price of the H Shares will be determined, among others, after due consideration of the interests of existing shareholders of our Company, acceptance of **[REDACTED]** and the risks related to the **[REDACTED]**, according to international practice, through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(v) Validity period. The **[REDACTED]** of H Shares and **[REDACTED]** of H Shares on the Hong Kong Stock Exchange shall be completed within 24 months from the date when the shareholders' meeting was held on February 6, 2025.

There is no other approved **[REDACTED]** plans for our Shares except the **[REDACTED]**.

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstances under which our shareholders' general meeting is required, see "Appendix V – Summary of the Articles of Association – Shareholders and General Meetings".

The following discussion and analysis should be read in conjunction with our consolidated financial statements included "Appendix I – Accountant's Report" together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from projections include, but are not limited to, those discussed in "Risk Factors" and "Forward-looking Statements" and elsewhere in this document.

OVERVIEW

We are a leading PRC-based global financial services provider specializing in futures and derivatives. Leveraging our profound understanding of the needs of both Chinese and overseas clients, coupled with our insights into global financial and derivatives markets, we offer comprehensive and customized derivatives and risk management services to industrial clients, financial institutions and individual investors, and we also strive to offer more diverse wealth management services to investors in China and abroad.

We believe we are the Chinese futures and derivatives service provider with the most profound understanding of international futures and derivatives financial business, and also the international futures and derivatives services provider with the closest affinity to Chinese clients. According to the F&S Report, among non-financial institutions affiliated futures companies in China, we rank first in terms of total revenue in 2023, and we rank first among all Chinese futures companies in terms of overseas revenue in 2023. Notably, our ROE ranked 7th, 2nd and 2nd among 53 A-share listed securities firms and futures companies in 2022, 2023 and nine months ended September 30, 2024, according to the F&S Report, further demonstrating our strong financial performance relative to peers.

We maintain a forward-looking, strategic presence across multiple segments of the trading value chain, offering a broad range of services and spanning the PRC and global markets. Our product mix covers a diverse range of asset classes, including futures and spot commodities (including agricultural, industrial, energy and chemical, and metals) as well as equity and fixed-income securities. Our principal business lines include PRC futures brokerage, PRC risk management services, PRC wealth management, and overseas financial services.

Our globally integrated, strategic business mix, comprehensive financial service offerings, and technology-enabled capabilities had driven our robust growth over the Track Record Period. We have achieved continuous growth in client equity in our brokerage business across both PRC and overseas markets during the Track Record Period. Client equity in our PRC futures brokerage business grew from RMB19.1 billion as of December 31, 2022, to RMB21.2 billion as of December 31, 2023, and further to RMB31.6 billion as of December 31, 2024, representing a CAGR of approximately 28.6%. Similarly, client equity from our overseas brokerage services (covering securities, futures, and foreign exchange) increased from approximately HK$11.9 billion as of December 31, 2022, to HK$12.5 billion as of December 31, 2023, and further to HK$13.8 billion as of December 31, 2024, representing a CAGR of approximately 7.7%. The growing demand for futures trading and risk management services among Chinese enterprises created opportunities for us to expand our client base for PRC markets and overseas markets and we believe such will continue in the future.

Our financial performance further underscores the strength of our diversified businesses. Adjusted operating income (non-IFRSs measure) increased from RMB954.4 million in 2022 to RMB1,354.8 million in 2024, achieving a CAGR of 19.1%, while profit for the year grew significantly from RMB245.9 million in 2022 to RMB458.0 million in 2024, with a CAGR of 36.5%. Our total assets rose from RMB34,189.2 million as of December 31, 2022, to RMB48,863.4 million as of December 31, 2024, representing a CAGR of 19.5%. Additionally, our weighted average ROE continuously improved, reaching 7.75%, 11.46%, and 11.71% for 2022, 2023, and 2024, respectively. These results reflect our ability to generate sustainable growth and deliver returns to shareholders while maintaining a solid financial foundation.

RECENT DEVELOPMENTS

As a public company listed on the Shanghai Stock Exchange, we are required to disclose unaudited financial results prepared under PRC GAAP for the first quarter of 2025 pursuant to the relevant PRC securities laws and regulations. We intend to publish our quarterly results on or around April 22, 2025. During the first quarter of 2025, our results of operations remained stable compared to the same period in 2024.

Starting January 1, 2025, we adopted a net recognition method for reporting operating income associated with certain trading businesses based on the Rules for the Management of Commodity Risk Management Business of Futures Risk Management Companies (《期貨風險管理公司大宗商品風險管理業務管理規則》) by the China Futures Association. Both our operating income and operating expenses fell during the period as a result of the new requirements recommended by the China Futures Association.

The global financial markets have experienced significant volatility and uncertainty in recent months, driven by a combination of geopolitical tensions, economic policy shifts, and trade disruptions. In April 2025, the United States imposed a series of new tariffs, including a universal 10% tariff on all imports effective April 5, 2025, and reciprocal tariffs ranging from 11% to 50% on imports from over 50 countries effective April 9, 2025. Global financial markets have experienced significant turbulence, with major stock indices such as the Standard & Poor's 500 and Dow Jones Industrial Average suffering steep declines. Futures markets have also been affected, with heightened volatility. Our Directors confirm that, as of the date of this document, market fluctuations have not had a material adverse impact on our client's trading activities and business operations.

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial, operational and trading positions or prospects since December 31, 2024, being the end date of the periods reported on in the Accountant's Report included in Appendix I, and there had been no event since December 31, 2024, that would materially affect the information shown in the Accountant's Report set out in Appendix I.

BASIS OF PRESENTATION

The consolidated financial statements of our Group have been prepared in accordance with IFRSs. In addition, the consolidated financial statements comply with the disclosure requirements of the Companies Ordinance.

We prepared our financial statements on the historical cost basis except for certain financial assets and liabilities that are measured at their fair value, including financial assets at fair value through profit or loss, derivative financial assets, financial assets at fair value through other comprehensive income. Our financial statements are presented in Renminbi, which is our functional currency.

The preparation of our consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information are prepared in note 2.1 to the Accountant's Report in Appendix I.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following factors are the principal factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects.

Macroeconomic and Financial Market Conditions

As a PRC-based financial services provider with global operations, our business and operating results are affected by PRC and global economic conditions, including the business environment in which we operate. Our results of operations in the past have been, and in the future may continue to be, materially affected by factors relating the economic and market conditions, including one or a combination of the following:

- the economic and political conditions within China and overseas, such as macroeconomic and monetary policies, legislation and regulation affecting the financial and futures industries;
- the effect of market conditions within China and overseas, particularly in commodities, futures, equity and credit markets;
- the level and volatility of domestic and international interest rates, exchange rates, commodity price, equity and fixed income;

- changes in clients' hedging or speculative trading activities in the markets;
- investor sentiment and confidence in the financial markets; and
- inflation, natural disasters, severe contagious diseases and acts of war or terrorism.

Economic and market conditions affecting our businesses in China, among other factors, are related to the GDP growth rate, liquid and efficient capital markets, levels of inflation and interest rates, confidence level of investors and market competition of the industry. In periods of economic expansion or heightened market volatility, trading activity typically increases as clients seek to hedge risks or capitalize on market opportunities. Additionally, fluctuations in commodity prices, foreign exchange rates, and equity markets can influence the demand for derivatives and other financial products that we offer. As we have a diverse business portfolio with an expanding global footprint, we believe we have the ability to adapt during times of market volatility and adverse financial or economic conditions.

Diversification of Services and Market Expansion

Our ability to broaden our service offerings and expand into various markets is a critical factor influencing our results of operations. By diversifying our business lines, product mix, and geographic presence, we aim to capture growth opportunities in both PRC and overseas markets. This approach allows us to better serve the evolving needs of our clients, including individuals, corporations, and financial institutions, while mitigating risks associated with reliance on a single market or product category.

In recent years, we have expanded our business overseas, offering a wide range of services such as securities, futures, foreign exchanges, and clearing services. This expansion has been complemented by the introduction of innovative products and services across asset classes, including futures and spot commodities (including agricultural, industrial, energy and chemical, and metals) as well as equity and fixed-income securities. Our ability to adapt our product mix to meet market demand and regulatory requirements has enabled us to strengthen our competitive position and attract a diverse client base.

This strategic focus on broadening our service offerings and entering new markets not only drives profit growth but also enhances our resilience to changes in market conditions, ensuring sustainable development over the long term.

Competition and Pricing

We face intense competition in our business lines in both the PRC and overseas markets.

The pricing of our products and services has been largely driven by market competition. Pricing has been a principal factor affecting our business, financial condition and results of operations. As for the brokerage services, the average brokerage commission rate for our PRC futures brokerage was 0.275 bps, 0.334 bps and 0.225 bps, respectively, in 2022, 2023 and 2024. Intensified price competition in the futures brokerage business with other futures brokerage firms may force us to charge lower rates to stay competitive going forward. We also face increased competition in asset management and mutual funds.

In the overseas markets, we face competition primarily with China-funded financial services providers with qualifications in futures and derivatives businesses. We face competition in terms of brand recognition, marketing and distribution capacity, information technology and research capabilities.

To differentiate ourselves, we focus on delivering superior client experiences through innovative products, advanced technology, and professional expertise. Our ability to offer tailored solutions, supported by robust risk management systems and a deep understanding of market dynamics, allows us to compete effectively while maintaining profitability. Additionally, our strong reputation, global capabilities, and ability to adapt to changing market conditions further enhance our competitive positioning.

We believe our competitiveness lies in the value we offer. While we expect that the competition in most of the markets in which we operate will likely remain intense, by balancing competitive pricing with high-quality services and innovation, we aim to sustain growth and solidity in our position in the industry.

Interest Rates

Interest rate fluctuations have a significant impact on our results of operations, influencing both our PRC and overseas businesses across multiple dimensions. As a key economic factor, interest rates affect market sentiment, client activity, and the profitability of our business.

In the PRC markets, changes in interest rates directly influence investor appetite and market sentiment. Higher interest rates can undermine the willingness of institutional clients to invest in the securities market, thereby affecting trading volumes and overall market activity. This, in turn, impacts our PRC futures brokerage and risk management services.

Interest rates also affect our PRC wealth management, particularly income generated from fixed-income securities. Rising interest rates may reduce the value of fixed-income investments, while falling rates can create opportunities for higher returns, influencing client demand for wealth management.

Interest rates also affect our interest income, which we earn on client funds and our own funds deposited with futures exchanges and commercial banks. In 2022, 2023, and 2024, our net interest income amounted to RMB326.5 million, RMB545.4 million, and RMB681.8 million, respectively. Changes in interest rates directly influence the returns on these deposits, contributing to our overall financial performance.

In overseas markets, interest rate changes in major economies, such as the U.S. and Europe, have broader implications for global financial markets. They affect foreign exchange rates, commodity prices, and cross-border capital flows, which in turn influence the demand for our overseas financial services. For example, rising interest rates in overseas markets may strengthen currencies like the USD, impacting commodity prices and creating opportunities or challenges for clients engaged in global trading.

Additionally, interest rate changes have a direct impact on our financing activities. Higher interest rates increase our finance costs, while lower rates reduce borrowing costs.

Our ability to adapt to changing interest rate environments is critical to maintaining competitiveness. By offering diversified services and leveraging our expertise in both the PRC and overseas markets, we help clients to navigate the challenges posed by interest rate fluctuations while supporting their derivatives trading, wealth management, and risk management needs.

Investment in Technology and Talent

Our results of operations are driven by strategic investments in advanced technology and talent recruitment and development, which form vital parts of the foundation of our competitive advantage and long-term growth.

Technology: Technology innovation is a critical factor for us to retain and attract clients. We have made significant investments into our financial technology platform, which drive to provide efficient and innovative features relating to our business operations including trading, risk management and clearing. Our focus on technology-led financial solutions is exemplified by several in-house developed systems, including the Nanhua High-Speed Trading System, Nanhua Futures App, Nanhua Tong App, futures-spot trading risk management system, Shenghua Financial Derivatives Integrated Platform and Ruihua Risk Management Services Business Risk Control System. Further, we have implemented a "two-location, three-center" data architectural framework in Shanghai and Hangzhou, supplemented by over 150 server cabinets across key PRC and overseas exchanges – such as CFFEX, SHFE, DCE, ZCE, GFEX, SSE, SZSE, CME, and SGX – ensuring secure, efficient, and stable transaction support for both onshore and offshore clients. These innovations strengthen our operational efficiency and risk controls. We will continue to invest in research and development, innovation, and technology to enhance our platform to address the diverse needs of our clients and improve operating efficiency.

Talent: Talented professional is a critical factor driving our market expansion and delivering innovative products to meet client needs. Our senior management team combines extensive leadership experience, robust professional capabilities, and a relatively youthful composition, with an average of over 20 years of expertise in key areas such as futures brokerage, risk management, and asset management. Their leadership has been instrumental in guiding our teams through market complexities and identifying growth opportunities in both domestic and international markets. Capable and motivated people are essential to our ability to expand into new markets and diversify our offerings. They bring the expertise and flexibility needed to navigate regulatory environments, build client relationships, and tailor services to regional demands. By fostering a culture of innovation and prioritizing talent development, we equip our workforce to effectively support our strategic goals, ensuring sustained growth and competitiveness.

With continuous investments in technology and talent, we believe we are well-positioned to adapt to market dynamics, drive innovation, and achieve sustainable growth.

Regulatory Environment

Our results of operations, financial condition and prospects are subject to regulatory developments and economic measures undertaken by the government in which we operate. In particular, we believe that our ability to expand our business and broaden the scope of our product and service offerings has been, and will continue to be, materially affected by changes in the policies, laws and regulations of the jurisdictions in which we operate, including the extent to which we can engage in certain businesses or adopt certain business models or fee structures.

- *PRC markets:* The regulatory regime of the PRC futures industry has been evolving. The CSRC and other regulatory authorities have been broadening the scope of new products and services that futures firms can offer. The CSRC also encouraged futures firms to diversify their product and service offerings and issued specific guidelines on product and service innovation for futures firms. We believe that the approval of new products and services by the CSRC will enable us to further expand and diversify our business and revenue streams as well as increase our profitability.

  The PRC government authorities also from time to time may roll out new legislations and laws with the aim to establish a comprehensive and systematic regime. In 2022, the promulgation of Futures and Derivatives Law (《期貨和衍生品法》) systematically established the fundamental principles, rights and obligations within the futures and derivatives sector from a legal standpoint. We believe the laws and regulations will foster a more stable and supportive business environment, enabling us to operate more efficiently and confidently within the PRC markets.

- *Overseas markets:* Our overseas financial services are also subject to diverse regulatory frameworks. Among the first futures companies in the industry in China to implement an internationalization strategy early on, we have developed deep expertise in navigating international financial regulations. This understanding enables us to comply effectively with the legal and regulatory requirements of various jurisdictions, ensuring the integrity and sustainability of our overseas operations. However, expanding our overseas operations remains contingent on meeting the specific regulatory and legal requirements of each market. These requirements may vary significantly, posing challenges to our ability to scale and adapt quickly. While we are committed to monitoring and complying with regulatory developments in these markets, doing so inevitably increases our operational costs.

To address these regulatory challenges, we continuously optimize our business operations and adjust our businesses to align with evolving regulatory requirements. By staying ahead of regulatory changes, fostering innovation, and maintaining a strong compliance culture, we aim to turn regulatory developments into opportunities for growth and differentiation in both the PRC and overseas markets.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies and estimates significant to the preparation of our financial statements in accordance with IFRSs. The Accountant's Report in Appendix I sets forth these material accounting policies in note 3 to the Accountant's Report in Appendix I, which are important for an understanding of our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in note 5 to the Accountant's Report in Appendix I. In the application of our accounting policies, our management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements.

Material Accounting Policies

Revenue Recognition

Commission and Fee Income

Our Group provides brokerage service to its customers, which contains a series of distinct services that are substantially the same and have the same pattern of transfer. Therefore, the services are identified as one performance obligation. Revenue is recognized upon completion of each service, usually on the date of the transaction or the completion of fund settlement with the exchange.

Our Group provides asset management service to its customers, which contains a series of distinct services that are substantially the same and have the same pattern of transfer. Therefore, the services are identified as one performance obligation. Revenue is recognized when services are rendered according to the provisions of the underlying contracts.

Consultancy and advisory fees are recognized when the relevant transactions have been arranged or the relevant services have been rendered.

Interest income is recognized using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, our Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

Dividend income is recognized when the right to receive payment is established.

Trading gains from financial assets at fair value through profit or loss is recognized on a trade date basis whilst the unrealized profits or losses are recognized from valuation at the end of reporting period. Gains/(losses) on physical commodities trading is realized on delivering the physical commodities to customers, which generally coincides with the time when physical commodities are delivered to the customers and the ownership has been transferred.

Trade income mainly comes from the bulk commodities sales of our Group's PRC risk management subsidiary.

Our Group recognizes sales revenue from bulk commodity goods when fulfill our Group's performance obligations in the contract, that is, the revenue is recognized when the customer obtains control of the relevant bulk commodity goods.

In the process of selling goods, our Group, as the primary obligor, has the primary responsibility of providing goods and performing orders to customers; our Group is exposed to inventory risk before or after the bulk commodity goods have been ordered by a customer; our Group has discretion in establishing prices of bulk commodity goods and exposed to credit risk for the amount receivable from customers in exchange for the other party's goods and commodity risk for inventory. Our Group satisfies the performance obligation above and recognized revenue in the gross amount. When our Group acts as an agent, the net amount of the consideration received or receivable after deducting the price payable to other parties shall be recognized as income.

Financial Instruments

Initial Recognition, Classification and Measurement of Financial Instruments

Financial assets and financial liabilities are recognized when our Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade date, the date on which our Group commits to purchase or sell the asset.

At initial recognition, our Group measures a financial asset or financial liability at its fair value, in the case of a financial asset or financial liability not at fair value through profit or loss, plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Financial assets are classified on the basis of our Group's business model for managing the asset and the cash flow characteristics of the assets:

- Amortized cost;
- Fair value through other comprehensive income ("**FVOCI**"); or
- Fair value through profit or loss ("**FVPL**").

Financial assets are not reclassified subsequent to their initial recognition unless our Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Business model reflects how our Group manages the assets in order to generate cash flows. That is, whether our Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by our Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, our Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("**SPPI**"). In making this assessment, our Group considers whether the contractual cash flows are consistent with a basic lending arrangement. i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determine whether their cash flows are SPPI.

The classification requirements for debt instruments and equity instruments are described as below:

(i) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on: (i) our Group's business model for managing the asset; and (ii) the cash flow characteristics of asset.

Based on these factors, our Group classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVPL, are measured at amortized cost.

- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVPL, are measured at FVOCI.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

Our Group may also irrevocably designate financial assets at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

(ii) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

Our Group subsequently measures all equity investments at FVPL, except where our Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

(iii) Financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities at FVPL, which is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading books) and other financial liabilities designated as such at initial recognition.

Contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognized in profit or loss.

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss: (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch'); (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about our Group is provided internally on that basis to the entity's key management personnel.

Reclassification of Financial Assets

When our Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. Our Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by our Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair values of quoted financial assets and financial liabilities in active markets are based on quoted market prices. If there is no active market, our Group establishes fair value by using valuation techniques. These include the use of market approach, income approach and cost approach. When using valuation techniques, our Group uses observable inputs. Unobservable market inputs would not be used unless relevant observable inputs are not available or not practicable to access.

Default Valuation Adjustments are applied to our Group's financial liabilities at fair value through profit or loss, and assumes that Default Valuation Adjustments stay the same before and after the transfer of the liability. Default Valuation Adjustments refer to risk that enterprises fail to perform the obligation, including but not limited to their own credit risk.

Our Group uses the following hierarchy for determining and disclosing the fair values of financial assets and financial liabilities based on the inputs used when determining the fair value:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The level of fair value measurement depends on the lowest level of input that is significant to the entire fair value measurement.

Subsequent Measurement of Financial Instruments

Subsequent measurement of financial instruments depends on the categories:

(i) Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; and (iii) for financial assets, adjusted for any loss allowance. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("**ECL**") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("**POCI**") financial assets, our Group calculates the credit adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When our Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "Interest income", except for: (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss allowance). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

(ii) Financial assets at fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest revenue on the instrument's amortized cost which are recognized in profit or loss. Interest income from these financial assets is included in "interest income" using the effective interest rate method. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Investment income".

Equity instruments

The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when our Group's right to receive payments is established, and it is probable that future economic benefits associated with the item will flow to our Group, and the amounts of the dividends can be measured reliably.

(iii) Financial assets at fair value through profit or loss

Debt instruments

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within "Investment income" in the period in which it arises.

Equity instruments

Gains and losses on equity investments at FVPL are included in the "Investment income" line in the statement of profit or loss.

Impairment of Financial Instruments

Our Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to our Group in accordance with the contract and all the cash flows that our Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

Our Group measures the ECL of a financial instrument reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(ii) the time value of money; and

(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL model, our Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

(i) Stage I: Our Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL if the credit risk of that financial instrument has not increased significantly since initial recognition.

(ii) Stage II: Our Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, but is not yet deemed to be credit-impaired.

(iii) Stage III: Our Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the financial instrument is credit-impaired.

Our Group applies the impairment requirements for the recognition and measurement of loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in OCI and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

Our Group has measured the loss allowance for a financial instrument at an amount equal to the lifetime ECL in the previous reporting period, but determines to measure it at an amount equal to the next 12 months ECL at the current reporting date since the credit risk of that financial instrument has increased significantly since initial recognition is no longer met, and the amount of ECL reversal is recognized in profit or loss. Excluding POCI financial assets.

The inputs, assumptions and estimation techniques our Group used in ECL models for its debt instrument assets carried at amortized cost and FVOCI refer to note 3.2 to the Accountant's Report in Appendix I.

Derecognition of Financial Instruments

A financial asset is derecognized, when one of the following criteria is satisfied:

- the contractual rights to receive cash flows from the assets have expired; or

- our Group has transferred its rights to receive cash flows from the asset; or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and (a) our Group has transferred substantially all the risks and rewards of ownership of the financial asset; or (b) our Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but not retain control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

When our Group has made substantial modifications to a part of the contract terms of an existing financial liability, the relevant portion of the existing financial liability is derecognized, while the financial liability under modified terms is recognized as a new financial liability.

On derecognition of a financial liability in its entirety or partially, the difference between the carrying amount and the consideration paid (including non-cash assets transferred or new financial liabilities assumed) shall be recognized in profit or loss.

If our Group repurchases a part of a financial liability, our Group shall allocate the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) for the part derecognized shall be recognized in profit or loss.

Material Accounting Judgment and Estimates

Classification of Financial Assets

When our Group determines the classification of financial assets, a number of significant judgments in the business model and the contractual cash flow characteristics of the financial assets are required.

Factors considered by our Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers or trustees are compensated.

When our Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgments are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

Fair Value of Financial Instruments

The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques. These techniques include discounted cash flow analysis model, Binomial Model and Black-Scholes Model etc. Observable input are used at arm's length in spite of areas such as credit risk (both own and counterparty) require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Income Taxes

Our Group is mainly subject to income taxes in China. There are many transactions and calculations for which the ultimate tax determination is uncertain. Our Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Taxation matters such as tax deductible due to asset impairment loss are subject to the decision of taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax and deferred tax assets and liabilities in the period in which such determination is made.

Determination of Consolidation Scope

All facts and circumstances must be taken into consideration in the assessment of whether our Group, as an investor, controls the investee. The principle of control includes three elements: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of investors' returns. Our Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table summarizes our results of operations for the years indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Net commission and fee income	**498,038**	**611,659**	**542,397**
Interest income	365,952	605,166	726,092
Interest expense	(39,414)	(59,791)	(44,292)
Net interest income	**326,538**	**545,375**	**681,800**
Net investment gains	86,258	39,297	28,474
Trade income	5,886,933	5,010,248	4,413,406
Other operating income	25,456	40,322	46,112
Operating income	**6,823,223**	**6,246,901**	**5,712,189**
Staff costs	(360,008)	(434,687)	(428,655)
Reversal/(Impairment losses) of impairment losses on financial assets, net	2,817	(10,346)	(19,501)
Depreciation and amortization	(48,844)	(48,895)	(50,977)
Trade expenses	(5,870,717)	(4,954,654)	(4,357,824)
Other operating expenses	(250,427)	(311,396)	(336,664)
Operating expenses	**(6,527,179)**	**(5,759,978)**	**(5,193,621)**
Operating profit	**296,044**	**486,923**	**518,568**
Share of profit or loss of associates and joint ventures	(496)	(375)	(574)
Other (losses)/gains, net	(715)	(38,111)	3,665
Profit before income tax	**294,833**	**448,437**	**521,659**
Income tax expenses	(48,921)	(45,615)	(63,622)
Profit for the year	**245,912**	**402,822**	**458,037**

Net Commission and Fee Income

The following table summarizes our net commission and fee income for the years indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Futures brokerage services	423,940	503,331	446,298
Asset management services	21,351	33,873	25,763
Mutual fund services	40,301	67,601	58,093
Other commission income	12,446	6,854	12,243
Net commission and fee income	**498,038**	**611,659**	**542,397**

Futures Brokerage Services

We generate a majority of our net commission and fee income from futures brokerage services in 2022, 2023 and 2024, which represented 85.1%, 82.3%, and 82.3% of our net commission and fee income for the same periods, respectively.

The commission and fee income from our futures brokerage services are generated by trading futures on behalf of clients. During the Track Record Period, our commission and fee income from futures brokerage services were primarily affected by (i) the average brokerage commission rate in the PRC markets, (ii) the trading value in the PRC markets and the trading volume in the overseas markets, and (iii) the scale of client equity. In 2022, 2023 and 2024, our average brokerage commission rate in the PRC markets was 0.275 bps, 0.334 bps, and 0.225 bps, respectively. For the same periods, our trading value in the PRC markets amounted to RMB12,742.8 billion, RMB12,111.2 billion and RMB13,332.9 billion, respectively, and our trading volume in the overseas markets amounted to 38.6 million lots, 64.6 million lots and 119.8 million lots, respectively. As of December 31, 2022, 2023 and 2024, our client equity in the PRC futures brokerage business stood at RMB19.1 billion, RMB21.2 billion and RMB31.6 billion, respectively, and our client equity in the overseas futures brokerage business stood at HK$9.9 billion, HK$10.4 billion and HK$11.9 billion, respectively.

Asset Management Services

We generate commission and fee income from asset management services by managing our customers' asset portfolio. During the Track Record Period, our commission and fee income from asset management services were primarily affected by the number of schemes and the AUM. As of December 31, 2022, 2023 and 2024, for our PRC asset management, we had 17 schemes with an AUM of RMB732 million, 24 schemes with an AUM of RMB1,283 million, and 14 schemes with an AUM of RMB159 million, respectively. As of December 31, 2022, 2023 and 2024, for our overseas asset management, we had 38 funds with an AUM of HK$1,953 million, 47 funds with an AUM of HK$2,303 million, and 52 funds with an AUM of HK$2,520 million, respectively.

Mutual Fund Services

We generate commission and fee income from mutual funds business by managing mutual funds issued by us and from the agency sale of funds from other financial institutions to investors. During the Track Record Period, our commission and fee income from mutual funds business were primarily affected by (i) the number of mutual funds and the AUM, and (ii) the agency sale of securities investment funds. As of December 31, 2022, 2023 and 2024, we had 14 mutual funds with an AUM of RMB11,697.6 million, 15 mutual funds with an AUM of RMB17,254.7 million, and 19 mutual funds with an AUM of RMB14,804.8 million, respectively. In 2022, 2023 and 2024, the agency sale of securities investment funds completed by us amounted to RMB1,518.1 million, RMB507.8 million and RMB171.3 million, respectively.

Other Commission Income

We also generate other commission income from stock option fee income, foreign exchange income and securities business income.

Net Interest Income

The following table summarizes our net interest income for the years indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Interest income from own funds	52,993	66,917	81,971
Interest income from client funds	312,959	536,914	644,121
Interest expense on loans, bonds and others	(37,605)	(59,791)	(42,362)
Consolidated structured entities' distribution	(1,809)	1,335	(1,930)
Net interest income	**326,538**	**545,375**	**681,800**

Our interest income includes (i) interest income from own funds deposits, (ii) interest income from client funds, and (iii) consolidated structured entities' distribution, which includes distributions of earnings to shareholders other than the Company, or continuing inputs received from other shareholders. Our interest expense primarily includes interest expense on loans, bonds and others.

Interest income from client funds is the largest component of our net interest income, which accounted for 95.8%, 98.4% and 94.5% of our net interest income in 2022, 2023 and 2024, respectively. We generate interest income from client funds deposited with exchanges or banks. During the Track Record Period, our interest income from client funds was mainly affected by (i) interest rates as determined based on the market conditions, and (ii) the scale of client equity. As of December 31, 2022, 2023 and 2024, our client equity in PRC futures brokerage business stood at RMB19.1 billion, RMB21.2 billion and RMB31.6 billion, respectively, and our client equity in the overseas futures brokerage business stood at HK$9.9 billion, HK$10.4 billion and HK$11.9 billion, respectively. As of the same time, our total client equity from our overseas futures, securities, and leveraged foreign exchange brokerage services stood at HK$11.9 billion, HK$12.5 billion and HK$13.8 billion, respectively.

Net Investment Gains

The following table summarizes our net investment gains for the years indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Net realized gains/(losses) of			
Financial assets at fair value through profit or loss	(146,323)	(22,894)	(250,001)
Financial liabilities at fair value through profit or loss	97,462	198,650	312,998
Unrealized fair value changes of			
Financial assets at fair value through profit or loss	104,700	(79,760)	12,765
Financial liabilities at fair value through profit or loss	26,950	6,243	(36,644)
Executory contracts	26,415	67,690	(1,748)
Physical commodities	(12,331)	6,433	(750)
Exchange losses	(10,615)	(1,685)	(8,146)
Net investment gains	**86,258**	**39,297**	**28,474**

Our net investment gains are primarily attributable to (i) our risk management services which utilize futures, derivatives and other financial assets to hedge risks, (ii) proprietary investment, and (iii) exchange gains or losses from overseas business and foreign exchange operations.

To add clarity to the analysis of our investment activities, we have included a separate table below that illustrates our net investment gains by the type of activity:

	For the year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Risk management services	105,691	(12,248)	47,295
Proprietary investment	(8,819)	53,230	(10,675)
Exchange losses	(10,614)	(1,684)	(8,145)
Net investment gains	**86,258**	**39,297**	**28,474**

Risk Management Services

We use comprehensive gains, which consist of basis trading income, basis trading expenses and net investment gains or losses relating to risk management services, to evaluate the performance of our risk management services. Using comprehensive gains from risk management services allows us to consider the combined impact of spot transactions and hedging transactions on the futures and derivatives and equity markets, providing a more useful analysis of investment gains and effectiveness of our risk management services. The following table illustrates the calculation of comprehensive gains from our risk management services:

	For the year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Basis trading income	5,884,696	5,009,624	4,401,080
Basis trading expenses	(5,868,817)	(4,954,029)	(4,357,346)
Net investment gains/(losses) of risk management services	105,691	(12,248)	47,295
Comprehensive gains from risk management services	**121,570**	**43,346**	**91,029**

The differences between basis trading income and expenses represent the gross margin of spot trading of the risk management services. Net investment gains of risk management services represent the gains or losses of futures, equities and other derivatives transactions in our risk management services.

We generated comprehensive gains from risk management services of RMB121.6 million, RMB43.3 million and RMB91.0 million in 2022, 2023 and 2024, respectively.

Proprietary Investment

We generate net investment gains from proprietary investment primarily through investment in low-risk financial products, including fixed income securities, asset management products and cash management products.

Exchange Losses

Although our reporting currency is Renminbi, our overseas operations generated income and expenses principally from foreign currencies, primarily HKD and USD. Exchange losses represent the market fluctuations of foreign exchange rates between Renminbi and other currencies.

Trade Income

The following table summarizes our trade income for the years indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Basis trading income	5,884,696	5,009,624	4,401,080
Other trading income	2,237	624	12,326
Trade income	**5,886,933**	**5,010,248**	**4,413,406**

Our trade income primarily includes basis trading income from our basis trading business in China, and to a lesser extent, other trading income from our agricultural trading business.

Other Operating Income

The following table summarizes our other operating income for the years indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Government grants	9,054	13,057	1,367
"Insurance + Futures" income	2,230	14,031	28,640
Other income	14,172	13,234	16,105
Other operating income	**25,456**	**40,322**	**46,112**

Our other operating income consists of (i) government grants, which are one-off grants we received from the local government to support our business, (ii) the income from "Insurance + Futures" business, and (iii) other income comprising income for investor education and IT infrastructure fee from clients.

Operating Expenses

The following table summarizes our operating expenses for the years indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Staff costs	(360,008)	(434,687)	(428,655)
Reversal/(Impairment losses) of impairment losses on financial assets, net	2,817	(10,346)	(19,501)
Depreciation and amortization	(48,844)	(48,895)	(50,977)
Trade expenses	(5,870,717)	(4,954,654)	(4,357,824)
Other operating expenses[(1)]	(250,427)	(311,396)	(336,664)
Operating expenses	**(6,527,179)**	**(5,759,978)**	**(5,193,621)**

(1) Other operating expenses mainly consist of (i) information service fees, (ii) office expenses, (iii) "Insurance + Futures" expenses, (iv) information system maintenance fees, and (v) other expenses.

Staff Costs

Our staff costs mainly consist of salaries and bonuses paid to employees, pension, employee social security plans, labor union charges, employee education fees, and other welfare.

Reversal/(Impairment losses) of Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets consist of net impairment losses on deposits receivable and account receivable. In the overseas markets, we deposit certain funds with qualified financial service providers and/or dealers who are clearing members of exchanges, to assist with the clearing of certain products. We will make a provision for impairment losses based on the scale of the deposited funds at the end of the accounting period.

Depreciation and Amortization

Our depreciation and amortization mainly consist of (i) depreciation of right-of-use assets, (ii) depreciation of property and equipment, (iii) amortization of intangible assets, (iv) amortization of long-term deferred expenses, and (v) depreciation of investment properties.

Trade Expenses

Our trade expenses primarily include basis trading expenses from our basis trading business. During the Track Record Period, our basis trading expenses were affected by the scale of spot transactions in basis trading.

Operating Profit

Our operating profit is calculated as our operating income less operating expenses.

Income Tax Expenses

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. During the Track Record Period, the statutory EIT rate in the PRC is 25% and the Hong Kong profit tax rate is 16.5%. Our effective income tax rate was 16.6%, 10.2%, and 12.2% in 2022, 2023 and 2024, respectively. As of the Latest Practicable Date and during the Track Record Period, we fulfilled all our tax obligations and did not have any unresolved tax disputes. See note 19 to the Accountant's Report in Appendix I.

RESULTS OF OPERATIONS

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Net Commission and Fee Income

Our net commission and fee income decreased by 11.3% from RMB611.7 million in 2023 to RMB542.4 million in 2024 primarily due to decreases in those attributable to futures brokerage services, asset management services, and mutual fund services. In particular:

- *Futures brokerage services*: Our net commission and fee income from futures brokerage decreased by 11.3% to RMB446.3 million in 2024 from RMB503.3 million in 2023, mainly due to lower income in the PRC markets. In the PRC markets, our net commission and fee income from futures brokerage decreased by 25.8% to RMB300.0 million in 2024 from RMB404.3 million in 2023. Despite higher trading value and growing client equity in the PRC markets, our average commission rate for PRC futures brokerage fell from 0.334 bps in 2023 to 0.225 bps in 2024. Overseas, net commission and fee income rose by 45.7% from RMB100.0 million in 2023 to RMB145.7 million in 2024, as a result of increasing trading volume. Although our net commission and fee income declined, the growth in trading value and client equity in the PRC markets and the trading volume in the overseas markets highlight our ability to attract and retain clients, ensuring we adapt to market and regulatory changes while maintaining stability.

- *Asset management services*: Our net commission and fee income from asset management services decreased by 23.9% to RMB25.8 million in 2024 from RMB33.9 million in 2023. This was primarily attributable to a reduction in the number of schemes under management in our PRC asset management, resulting in a decrease of AUM for the business. The reduction of AUM was a result of our initiation of a clean-up of bond-related business under our asset management operations out of prudence. This shift refocused our schemes on commodities, futures, and derivatives, aligning our asset management business more closely with our core strengths and market opportunities. These adjustments reflect our commitment to an efficient and compliant asset management business for long-term sustainability. Overseas, the AUM under asset management rose from HK$2,303 million as of December 31, 2023 to HK$2,520 million as of December 31, 2024. Our operating income from overseas asset management services rose by 8.9% from RMB19.2 million in 2023 to RMB20.9 million in 2024.

- *Mutual fund services*: Our net commission and fee income from mutual fund services decreased by 14.1% to RMB58.1 million in 2024 from RMB67.6 million in 2023. This decline was primarily attributable to the redemption of funds in consideration of market conditions and clients' risk preference adjustment, which resulted in a decrease of the AUM of our mutual funds. Our net commission and fee income from agency sale of funds business decreased by 77.8% from RMB4.5 million in 2023 to RMB1.0 million in 2024, primarily attributed to a decline in sales volume by 66.3% from RMB507.8 million in 2023 to RMB171.3 million in 2024.

- *Other commission income*: Our net commission and fee income from other commission income increased by 78.6% to RMB12.2 million in 2024 from RMB6.9 million in 2023. This growth was driven by higher commission income from overseas securities services, increased commission income from stock options, and a rise in investment consulting income. Net commission and fee income from overseas securities services rose by 152.4% from RMB2.1 million in 2023 to RMB5.3 million in 2024. This increase highlights the success of our efforts to diversify revenue streams and capitalize on opportunities in other service areas.

Net Interest Income

Our net interest income increased by 25.0% to RMB681.8 million in 2024 from RMB545.4 million in 2023, primarily due to higher interest income from our own funds and client funds. The increase of net interest income from client funds was attributed to the growth in client equity for both the PRC futures brokerage and the total overseas business from 2023 to 2024. Despite the downward trend in the PRC and overseas markets interest rates in the second half of 2024, we took active and effective interest rate management measures to lock in favorable rates which helped with mitigating the impact of the rate reduction.

Net Investment Gains

Our net investment gains decreased by 27.5% to RMB28.5 million in 2024 from RMB39.3 million in 2023. This decline was primarily attributable to a decrease in net investment gains generated from proprietary investment as a result of our investment strategies and changes in market conditions. The increase in gains from hedging transactions in our risk management services partially offsetted the effect of the decline.

Trade Income

Our trade income decreased by 11.9% to RMB4,413.4 million in 2024 from RMB5,010.2 million in 2023. This decline was primarily attributable to a reduction of the scale of spot transactions from our basis trading business. In response to macroeconomic and market conditions, we adjusted the strategy of our basis trading business, and focused on transactions with whitelist clients to control our risk exposure and improve capital utilization efficiency.

Other Operating Income

Our other operating income from government grants decreased by 89.5% to RMB1.4 million in 2024 from RMB13.1 million in 2023, primarily due to the non-recurring subsidies we received in 2023.

Our other operating income from "Insurance + Futures" increased by 104.1% to RMB28.6 million in 2024 from RMB14.0 million in 2023. This growth was primarily driven by the increase in the scale of our "Insurance + Futures" business.

Our other operating income from other income amounted to RMB16.1 million in 2024, which primarily consists of income from investor education and IT infrastructure fee from clients.

Operating Expenses

Staff Costs

Our staff costs remained stable, which amounted to RMB428.7 million in 2024 as compared to RMB434.7 million in 2023.

Reversal/(Impairment Losses) of Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets increased by 88.5% to RMB19.5 million in 2024 from RMB10.3 million in 2023, primarily due to higher receivable deposits with dealers balance in the overseas markets as of December 31, 2024, as a result of our overseas services expansion.

Depreciation and Amortization

Our depreciation and amortization increased by 4.3% to RMB51.0 million in 2024 from RMB48.9 million in 2023, primarily due to our increased leasing of office properties which are right-of-use assets.

Trade Expenses

Our trade expenses decreased by 12.0% to RMB4,357.8 million in 2024 from RMB4,954.7 million in 2023. This decline was primarily attributable to a reduction of the scale of spot transactions from our basis trading business, which was in line with the reduction of trade income for the same periods.

Other Operating Expenses

Our other operating expenses increased by 8.1% to RMB336.7 million in 2024 from RMB311.4 million in 2023, primarily due to the rising cost of our "Insurance + Futures" business, in line with the expanding business scale.

Operating Profit

As a result of the foregoing, our operating profit increased by 6.5% to RMB518.6 million in 2024 from RMB486.9 million in 2023.

Other (Losses)/Gains, Net

Our other gains amounted to RMB3.7 million in 2024 while we had a loss of RMB38.1 million in 2023, primarily due to the recovery of certain losses from previous years and an increase in breach penalty from clients due to their contractual breach.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by 16.3% to RMB521.7 million in 2024 from RMB448.4 million in 2023.

Income Tax Expenses

Our income tax expenses increased by 39.5% to RMB63.6 million in 2024 from RMB45.6 million in 2023, which was in line with the increase of our taxable profit.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Net Commission and Fee Income

Our net commission and fee income increased by 22.8% to RMB611.7 million in 2023 from RMB498.0 million in 2022. We recorded growth in net commission and fee income across futures brokerage services, asset management services, and mutual fund services, which offset the decline in net commission income and fee income from other commission income. In particular:

- *Futures brokerage services*: Our net commission and fee income from futures brokerage services increased by 18.7% to RMB503.3 million in 2023 from RMB423.9 million in 2022. This growth was primarily attributed to an increase of the average PRC futures brokerage commission rate from 0.275 bps in 2022 to 0.334 bps in 2023 and a growth of trading volume in the overseas markets.

- *Asset management services*: Our net commission and fee income from asset management services increased by 58.6% to RMB33.9 million in 2023 from RMB21.4 million in 2022, primarily due to an increase in the number of schemes under management and AUM for both of our PRC asset management and overseas asset management.

- *Mutual fund services*: Our net commission and fee income from mutual fund services increased by 67.7% to RMB67.6 million in 2023 from RMB40.3 million in 2022. This increase was primarily due to an increase of mutual funds under management with an AUM of RMB11,697.6 million as of December 31, 2022, to an AUM of RMB17,254.7 million as of December 31, 2023.

- *Other commission income*: Our net commission and fee income from other commission income decreased by 44.9% to RMB6.9 million in 2023 from RMB12.4 million in 2022, mainly due to reduced commission income from securities services and stock options.

Net Interest Income

Our net interest income increased by 67.0% to RMB545.4 million in 2023 from RMB326.5 million in 2022. This growth was primarily attributed to (i) higher interest income from own funds and client funds, which aligned with the growth in client equity for both the PRC futures brokerage and the total overseas business from 2022 to 2023, and (ii) higher interest rates in the overseas markets during 2023.

Net Investment Gains

Our net investment gains decreased by 54.4% to RMB39.3 million in 2023 from RMB86.3 million in 2022. This decrease was primarily due to (i) a reduction in net investment gains generated from hedging transactions in our risk management services and (ii) a reduction of gains from our market making business as a result of volatile market conditions and the increasing competition for the market making business. However, the decline in gains generated from risk management services was partially mitigated by a significant increase in the scale of proprietary investment and exchange gains during the same period.

Trade Income

Our trade income decreased by 14.9% to RMB5,010.2 million in 2023 from RMB5,886.9 million in 2022. This decline was primarily attributable to a reduction of the scale of spot transactions from our basis trading business. In response to macroeconomic and market conditions, we adjusted the strategy of our basis trading business, and focused on transactions with whitelist clients to control our risk exposure and improve capital utilization efficiency.

Other Operating Income

Our other operating income from government grants increased by 44.2% to RMB13.1 million in 2023 from RMB9.1 million in 2022, primarily due to certain non-recurring government grants we received in 2023 to support our business.

Our other operating income from "Insurance + Futures" increased by 529.2% to RMB14.0 million in 2023 from RMB2.2 million in 2022, primarily due to the growth of our "Insurance + Futures" business.

Our other operating income from other income slightly decreased by 6.6% to RMB13.2 million in 2023 from RMB14.2 million in 2022.

Operating Expenses

Staff Costs

Our staff costs increased by 20.7% to RMB434.7 million in 2023 from RMB360.0 million in 2022, primarily due to an increase of incentive payments and bonuses we paid to employees, which was in line with the growth of our business scale.

Reversal/(Impairment Losses) of Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets amounted to RMB10.3 million in 2023 as compared to a credit impairment reverse of RMB2.8 million in 2022, primarily due to higher receivable deposits with dealers balance in the overseas markets as of December 31, 2023, as a result of our overseas services expansion.

Depreciation and Amortization

Our depreciation and amortization increased slightly from RMB48.8 million in 2022 to RMB48.9 million in 2023.

Trade Expenses

Our trade expenses decreased by 15.6% to RMB4,954.7 million in 2023 from RMB5,870.7 million in 2022. This decline was primarily attributable to a reduction of the scale of spot transactions from our basis trading business, which is in line with the reduction of trade income for the same periods.

Other Operating Expenses

Our other operating expenses increased by 24.3% to RMB311.4 million in 2023 from RMB250.4 million in 2022, primarily due to increases in (i) information service fees, and (ii) office expenses.

Operating Profit

As a result of the foregoing, our operating profit increased by 64.5% to RMB486.9 million in 2023 from RMB296.0 million in 2022.

Other (Losses)/Gains, Net

Our other losses amounted to RMB38.1 million in 2023 as compared to RMB0.7 million in 2022, primarily due to the accounting treatment for inventory with recourse.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by 52.1% to RMB448.4 million in 2023 from RMB294.8 million in 2022.

Income Tax Expenses

Our income tax expenses decreased by 6.8% to RMB45.6 million in 2023 from RMB48.9 million in 2022, primarily due to a decrease of taxable income domestically and increases of non-taxable income and low tax rate income for our overseas business.

Non-IFRSs Measures

We use adjusted operating income (non-IFRSs measure), adjusted operating expenses (non-IFRSs measure) and adjusted operating margin (non-IFRSs measure) in evaluating our operating results and for financial and operational decision-marking purposes. We use adjusted operating income and adjusted operating margin as additional measures, which are not required by, or presented in accordance with, IFRSs. We define adjusted operating income as operating income minus trading expenses of the basis trading business, adjusted operating expenses as operating expenses minus trading expenses of the basis trading business and adjusted operating margin as operating profit divided by adjusted operating income. Given the income and expenses from spot trading activities are relatively large and concurrently affect our operating income and operating expenses, the scale of basis trading has limited impact on our operating profit. Excluding the trading expenses from spot buying activities provide a more focused view of our core operating performance, enabling us to isolate the effects of trading scale and assess the underlying drivers of our operating income.

We believe that these non-IFRSs measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of these non-IFRSs measures may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRSs measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

Profit for the Year and Net Margin

The following table sets forth the key measurements of our profitability for the periods indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
	(RMB'000, except for %)		
Unadjusted			
Operating profit	296,044	486,923	518,568
Operating margin(1)	4.3%	7.8%	9.1%
Profit for the year	245,912	402,822	458,037
Net margin(2)	3.6%	6.4%	8.0%
Adjusted			
Adjusted operating margin(3)	31.0%	37.6%	38.2%

(1) Operating profit as divided by operating income.

(2) Profit for the year as divided by operating income.

(3) Operating profit as divided by adjusted operating income.

Our business lines and services have different operating margins, growth prospects and driving forces. Despite varying growth trends under different economic conditions, our business lines and services collectively contribute to the overall growth of our business operations. With diverse business lines and a growing domestic and international footprint, we are able to strategically allocate resources to maximize returns. Our continuous improvements highlight the effectiveness of our strategic focus on key business segments and operational efficiency. Specifically, our performance has been driven by the "four pillars" of PRC futures brokerage, PRC wealth management, PRC risk management services and overseas financial services. These segments have been further supported by our disciplined cost control measures, ensuring that we maximize operational efficiency while scaling our business.

Additionally, our robust mid-and back-office capabilities, including in-depth research, IT infrastructure, and system support, have played a critical role in enhancing our operational resilience and ability to capture market opportunities. These capabilities not only enable us to deliver high-quality services to clients but also ensure seamless execution across our diversified business lines. By leveraging these strengths, we have achieved consistent improvements in operating margin and net margin, reflecting our ability to manage costs effectively while driving growth in our businesses.

Comparisons between 2024 and 2023

In 2024, our profit for the year grew by 13.7%, rising from RMB402.8 million in 2023 to RMB458.0 million. This growth was accompanied by an improvement in both operating margin and net margin, primarily driven by higher profitability from overseas financial services and PRC risk management services, as well as a reduction in losses from our PRC wealth management.

Comparisons between 2023 and 2022

In 2023, our profit for the year increased by 63.8%, from RMB245.9 million in 2022 to RMB402.8 million. The improvement in operating margin and net margin during this period was largely attributable to enhanced profitability from overseas financial services.

SUMMARY SEGMENT RESULTS

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

We have five principal financial segments: (i) PRC futures brokerage, (ii) PRC wealth management, (iii) PRC risk management services, (iv) overseas financial services, and (v) others. The following discussions of our segment operating income, segment operating expenses and segment results take into account our intersegment operating income and inter-segment operating expenses.

Operating Income

The following table sets forth our segment operating income for the years indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
PRC futures brokerage	536,200	571,100	494,386
PRC wealth management	60,603	90,133	68,220
PRC risk management services	5,990,520	4,999,222	4,485,032
Overseas financial services	231,104	567,312	654,204
Others	4,797	19,135	10,347
Operating income	**6,823,223**	**6,246,901**	**5,712,189**

The following table sets forth our adjusted operating income for the years indicated representing the operating income after netting off trading costs from the PRC risk management services:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
PRC futures brokerage	536,200	571,100	494,386
PRC wealth management	60,603	90,133	68,220
PRC risk management services (adjusted)	121,703	45,193	127,686
Overseas financial services	231,104	567,312	654,204
Others	4,797	19,135	10,347
Adjusted operating income	**954,407**	**1,292,872**	**1,354,843**

Operating Expenses

The following table sets forth our segment operating expenses for the years indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
PRC futures brokerage	413,426	465,062	458,600
PRC wealth management	72,183	99,321	71,568
PRC risk management services	5,942,806	5,025,409	4,475,405
Overseas financial services	98,764	170,186	188,048
Others	–	–	–
Operating expenses	**6,527,179**	**5,759,978**	**5,193,621**

The following table sets forth our adjusted operating expenses for the years indicated representing the operating expenses after netting off trading costs from the PRC risk management services:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
PRC futures brokerage	413,426	465,062	458,600
PRC wealth management	72,183	99,321	71,568
PRC risk management services (adjusted)	73,983	71,381	118,060
Overseas financial services	98,764	170,186	188,048
Others	–	–	–
Adjusted operating expenses	**658,362**	**805,950**	**836,275**

Operating Profits or Losses

The following table sets forth our segment operating profits or losses for the years indicated. The operating profits or losses for the year is calculated as segment operating income minus segment operating expenses and the netting off trading costs from the PRC risk management services would not affect the operating profits or losses.

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
PRC futures brokerage	122,773	106,037	35,786
PRC wealth management	(11,580)	(9,188)	(3,348)
PRC risk management services	47,714	(26,181)	9,627
Overseas financial services	132,340	397,126	466,156
Others	4,797	19,135	10,347
Operating profits or losses	**296,044**	**486,923**	**518,568**

Segment Margins

The following table sets forth our segment margins for the years indicated, which is calculated as the segment operating profit or losses divided by the segment operating income:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(%)	
PRC futures brokerage	22.9	18.6	7.2
PRC wealth management	(19.1)	(10.2)	(4.9)
PRC risk management services	0.8	(0.5)	0.2
Overseas financial services	57.3	70.0	71.3
Others	100.0	100.0	100.0
Margin	**4.3**	**7.8**	**9.1**

The following table sets forth our adjusted segment margins for the years indicated, which is calculated as the segment operating profit or losses divided by the adjusted operating income:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(%)	
PRC futures brokerage	22.9	18.6	7.2
PRC wealth management	(19.1)	(10.2)	(4.9)
PRC risk management services (adjusted)	39.2	(57.9)	7.5
Overseas financial services	57.3	70.0	71.3
Others	100.0	100.0	100.0
Adjusted margin	**31.0**	**37.7**	**38.3**

PRC Futures Brokerage

Our PRC futures brokerage involves commodity futures and financial futures. Futures brokerage is our founding business and our cornerstone. It serves as an enabler and driver of growth for our other business segments. Segment operating income from our PRC futures brokerage primarily consists of commission income and interest income. Segment operating expenses primarily consist of staff costs, information service costs, office expenses and other operating expenses.

Comparisons between 2024 and 2023

Segment operating income of our PRC futures brokerage decreased by 13.4% to RMB494.4 million in 2024 from RMB571.1 million in 2023, primarily due to the decrease of average brokerage commission rates from 0.334 bps in 2023 to 0.225 bps in 2024. Despite a growing trading value from RMB12,111.2 billion in 2023 to RMB13,332.9 billion in 2024 and a rising client equity from RMB21.2 billion as of December 31, 2023, to RMB31.6 billion as of December 31, 2024, such increases for our PRC futures brokerage only partially set off the deduction of commission rates. Segment operating expenses of our PRC futures brokerage business decreased by 1.4% to RMB458.6 million in 2024 from RMB465.1 million in 2023.

As a result, the segment operating profit of our PRC futures brokerage decreased by 66.3% to RMB35.8 million in 2024 from RMB106.0 million in 2023. The segment margin of our PRC futures brokerage decreased to 7.2% in 2024 from 18.6% in 2023.

Comparisons between 2023 and 2022

Segment operating income increased by 6.5% to RMB571.1 million in 2023 from RMB536.2 million in 2022, primarily due to the increase of average brokerage commission rates from 0.275 bps in 2022 to 0.334 bps in 2023. Our segment operating expenses increased by 12.5% from RMB413.4 million in 2022 to RMB465.1 million in 2023 as a result of increasing staff costs.

As a result, the segment operating profit of our PRC futures brokerage decreased by 13.6% to RMB106.0 million in 2023 from RMB122.8 million in 2022. The segment margin of our PRC futures brokerage business decreased to 18.6% in 2023 from 22.9% in 2022.

PRC Wealth Management

Our PRC wealth management includes the provision of asset management, mutual fund management, and the agency sale of funds to retail and institutional clients in China. Segment operating income from our PRC wealth management primarily consists of management fees. Segment operating expenses primarily consist of staff costs, information service costs, office expenses, and other operating expenses.

Comparisons between 2024 and 2023

Segment operating income decreased by 24.3% to RMB68.2 million in 2024 from RMB90.1 million in 2023, primarily due to a reduction in the number of schemes under management and a decline in AUM in the PRC for our asset management service, from 24 asset management schemes with an AUM of RMB1,283 million as of December 31, 2023, to 14 asset management schemes with an AUM of RMB159 million as of December 31, 2024. Such reduction was a result of our initiation of a clean-up of bond-related business under our asset management operations out of prudence. In addition, in terms of our mutual funds business, the AUM decreased due to the redemption of funds in consideration of market conditions and clients' risk preference adjustment. Segment operating expenses decreased by 27.9% to RMB71.6 million in 2024 from RMB99.3 million in 2023, primarily in line with the reduced AUM. Despite the reduction, as we took prudent cost control measures, the segment operating loss of our PRC wealth management decreased by 63.6% to RMB3.3 million in 2024 from RMB9.2 million in 2023.

Comparisons between 2023 and 2022

Segment operating income increased by 48.7% from RMB60.6 million in 2022 to RMB90.1 million in 2023, primarily due to the increase of income from asset management business and mutual fund management fees. The increase was mainly attributable to the growth of (i) our PRC asset management, from 17 asset management schemes with an AUM of RMB732 million as of December 31, 2022, to 24 asset management schemes with an AUM of RMB1,283 million as of December 31, 2023, and (ii) our mutual fund services, from 14 mutual funds with an AUM of RMB11,697.6 million as of December 31, 2022 to 15 mutual funds with an AUM of RMB17,254.7 million as of December 31, 2023. Segment operating expenses increased by 37.6% to RMB99.3 million in 2023 from RMB72.2 million in 2022, primarily in line with the expanding AUM. As a result, the segment operating loss of our PRC wealth management decreased by 20.7% to RMB9.2 million in 2023 from RMB11.6 million in 2022.

PRC Risk Management Services

Our PRC risk management services offering includes OTC derivatives, basis trading and market making. Segment operating income from our PRC risk management services business primarily consists of trading income and investment income. Segment operating expenses primarily consist of trading expenses, staff costs, storage costs for spot trading, and other operating expenses.

Comparisons between 2024 and 2023

The adjusted operating income for our PRC risk management services increased by 182.5% to RMB127.7 million in 2024 from RMB45.2 million in 2023, primarily due to increases of income from our OTC derivatives business. The adjusted operating expenses increased by 65.4% to RMB118.1 million in 2024 from RMB71.4 million in 2023, primarily due to increased staff costs.

As a result, the segment operating profit for our PRC risk management services was RMB9.6 million in 2024 compared to a segment operating loss of RMB26.2 million in 2023. The adjusted operating margin of our PRC risk management services was 7.5% in 2024 while this segment had an operating loss in 2023.

Comparisons between 2023 and 2022

The adjusted operating income for our PRC risk management services decreased by 62.9% from RMB121.7 million in 2022 to RMB45.2 million in 2023 due to the decrease of income from our market making business as a result of volatile market conditions and the increasing competition for the market making business. The adjusted operating expenses decreased slightly by 3.5% from RMB74.0 million in 2022 to RMB71.4 million in 2023. As a result, our PRC risk management services had an operating loss of RMB26.2 million in 2023, compared to a segment operating profit of RMB47.7 million in 2022.

Overseas Financial Services

Our overseas financial services include futures services, asset management, securities services, and leveraged forex trading. Segment operating income from our overseas financial services primarily consists of overseas commission income and interest income. Segment operating expenses primarily consist of staff costs, information service costs, and other operating expenses.

Comparisons between 2024 and 2023

Segment operating income increased by 15.3% to RMB654.2 million in 2024 from RMB567.3 million in 2023, primarily due to increases in (i) client equity from our overseas brokerage services (covering securities, futures, and foreign exchange), which increased from HK$12.5 billion as of December 31, 2023 to HK$13.8 billion as of December 31, 2024, and (ii) our trading volume for our futures brokerage in the overseas markets, which increased from 64.6 million lots in 2023 to 119.8 million lots in 2024. The increases were in line with the continuous implementation of our strategies overseas as we continue engaging in international markets and offering core services such as brokerage, clearing, and asset management. Segment operating expenses increased by 10.5% to RMB188.0 million in 2024 from RMB170.2 million in 2023, in line with the increase of segment operating income.

The segment operating profit of our overseas financial services increased by 17.4% to RMB466.2 million in 2024 from RMB397.1 million in 2023. Among one of the firsts in the industry to implement an internationalization strategy, we have laid a solid foundation for our international expansion into various markets and continue to seize market opportunities. In line with the rising demand that comes with Chinese enterprises expanding overseas, our overseas financial services have significant potential for further growth. As a result, the segment margin of our overseas financial services remained at a high level and further increased slightly to 71.3% in 2024 from 70.0% in 2023.

Comparisons between 2023 and 2022

Segment operating income increased by 145.5% to RMB567.3 million in 2023 from RMB231.1 million in 2022 as a result of increases in (i) client equity from our overseas brokerage services (covering securities, futures, and foreign exchange) amounted to HK$12.5 billion as of December 31, 2023, from HK$11.9 billion as of December 31, 2022, (ii) our trading volume for our futures brokerage in the overseas markets, which increased from 38.6 million lots in 2022 to 64.6 million lots in 2023, and (iii) the overseas interest rate. The rise in client equity and trading volume is attributed to our internationalization strategy as we continue engaging in international markets and offering core services such as brokerage, clearing, and asset management. Segment operating expenses increased by 72.3% to RMB170.2 million in 2023 from RMB98.8 million in 2022, in line with the increase of segment operating income.

The segment operating profit of our overseas financial services increased by 200.1% to RMB397.1 million in 2023 from RMB132.3 million in 2022. With the implementation of our internationalization strategy and expanding global footprint, the segment margin of our overseas financial services remained at a high level and further increased to 70.0% in 2023 from 57.3% in 2022.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have in the past funded our working capital and other capital requirements primarily by cash flows from our business operations, with subordinated debts and bank loans as supplement. We manage liquidity primarily by monitoring the maturities of our assets and liabilities in an effort to ensure that we have sufficient funds to meet payment obligations when they fall due, through the use of low-risk instruments such as bank deposits.

We seek to maintain stable sources of funding and liquidity but will vary our positions in such low-risk instruments, primarily on the basis of the interest rates offered or charges on different instruments at different times. We prepare our annual budget to forecast our cash flows and cash balances and to estimate our working capital needs for business expansion and other investments.

After the **[REDACTED]**, we intend to finance our future capital requirements through cash flows from operating activities.

Taking into account the net **[REDACTED]** from the **[REDACTED]** and the financial resources available to us, including cash and bank balances and cash flows from operating activities, our Directors believe that we have sufficient working capital for our present requirements, that is at least 12 months from the date of this document.

The following discussion of liquidity and capital resources principally focuses on our consolidated statements of cash flows, assets and liabilities, and indebtedness.

Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Net cash inflow/(outflow) from operating activities	557,980	1,152,500	(700,408)
Net cash (outflow)/inflow from investing activities	(1,450,928)	(462,987)	1,342,952
Net cash inflow/(outflow) from financing activities	691,015	(414,862)	(381,579)
Effect of exchange rate changes on cash and cash equivalents	25,030	3,526	5,239
Net (decrease)/increase in cash and cash equivalents	(176,903)	278,177	266,204
Cash and cash equivalents at beginning of year	671,359	494,456	772,633
Cash and cash equivalents at end of year	494,456	772,633	1,038,837

Operating Activities

Our cash flows from operating activities primarily include cash-related profit before income tax operating items from our various businesses, such as futures brokerage and asset management. Cash flows from operating activities reflect (i) profit before income tax adjusted for non-cash and non-operating items (such as depreciation, amortization, and impairment losses or gains); (ii) the effects of movement in working capital, such as changes in bank balances held for clients, margins deposited with exchange-clearing organizations, and changes in financial assets measured at fair value through profit or loss; and (iii) other cash items such as income taxes paid.

In 2024, our net outflow used for operating activities was RMB700.4 million. The cash outflow was primarily due to (i) cash outflows related to other operating liabilities of RMB1,264.2 million, resulting from a decrease in margin received from clients of our OTC derivatives business; and (ii) profit before income tax of RMB574.1 million from cash-related operating items.

In 2023, our net cash inflow from operating activities was RMB1,152.5 million. The cash inflow was primarily due to (i) net cash inflows related to futures brokerage clients of RMB239.8 million, mainly due to changes in the scale of client equity related to futures brokerage; (ii) profit before income tax from cash-related operating items of RMB449.6 million; and (iii) cash inflows related to other operating liabilities of RMB591.9 million, mainly resulting from an increase in margin received from clients of our OTC derivatives business.

In 2022, our net cash inflow from operating activities was RMB558.0 million. The cash inflow was primarily due to (i) cash inflows related to other operating liabilities of RMB550.0 million, mainly resulting from an increase in margin received from clients of our OTC derivatives business; and (ii) profit before income tax from cash-related operating items of RMB300.8 million; and these inflows were partially offset by net cash outflows related to brokerage clients of RMB361.6 million.

Investing Activities

Our cash flow from investing activities consists primarily of **[REDACTED]** on disposal of property and equipment, intangible assets and other long-term assets, net cash received from investment of financial instruments, and net other cash received relating to investing activities.

In 2024, we had net cash inflow generated from investing activities of RMB1,343.0 million primarily due to net cash received from investment of financial instruments of RMB1,536.8 million, partially set off by net other cash received relating to investing activities of RMB182.9 million.

In 2023, we had net cash outflow generated from investing activities of RMB463.0 million primarily due to net cash received from investment of financial instruments of RMB668.7 million, partially set off by net other cash received relating to investing activities of RMB258.5 million.

In 2022, we had net cash outflow generated from investing activities of RMB1,450.9 million primarily due to net cash received from investment of financial instruments of RMB1,389.0 million.

Financing Activities

Our cash flow from financing activities consists primarily of cash received from external investment, cash received from borrowings, net other cash received relating to financing activities, cash paid for repayment of debts and cash paid for distribution of dividend and profit or repayment of interest.

In 2024, we had net cash outflow generated from financing activities of RMB381.6 million primarily due to the outflow as a result of (i) cash paid for repayment of debts of RMB565.7 million, and (ii) cash paid for distribution of dividend and profit or repayment of interest of RMB81.8 million, partially set off by cash received from borrowings of RMB336.2 million.

In 2023, we had net cash outflow generated from financing activities of RMB414.9 million primarily due to the outflow as a result of cash paid for repayment of debts due to (i) cash paid for repayment of debts of RMB923.7 million, and (ii) cash paid for distribution of dividend and profit or repayment of interest of RMB85.4 million, partially set off by cash received from borrowings of RMB606.4 million.

In 2022, we had net cash inflow generated from financing activities of RMB691.0 million due to the cash inflow from (i) cash received from borrowings of RMB1,067.0 million, and (ii) cash received from external investment of RMB498.7 million, partially set off by cash paid for repayment of debts of RMB829.4 million.

Assets and Liabilities

To ensure appropriate cash liquidity management and capital allocation, we monitor the scale and composition of our balance sheet and seek to maintain our balance sheet with sufficient liquidity. Given the highly liquid nature of our business, major portion of our balance sheet consists of current assets and liabilities.

Current Assets and Liabilities

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of February 28,
	2022	**2023**	**2024**	**2025**
		(RMB'000)		*(RMB'000)* *(unaudited)*
Current assets				
Inventories	150,463	112,022	204,126	307,374
Deposits with exchange-clearing organizations	12,443,556	10,939,043	11,782,759	12,802,185
Other current assets	364,285	360,105	109,115	366,009
Prepayments and trade receivables	25,830	30,431	38,482	31,688
Commission receivable	–	12,071	13,433	3,788
Buyback financial assets	–	7,064	–	–
Financial assets at fair value through profit or loss	1,476,462	2,754,122	1,968,109	1,749,492
Derivative financial assets	1,587,179	1,070,105	410,360	460,481
Financial assets at fair value through other comprehensive income	36,664	40,917	50,616	53,080
Bank balances held for clients	15,924,857	18,723,106	31,551,141	21,308,356
Cash and bank balances	1,689,680	1,773,156	2,273,982	3,154,954
Total current assets	**33,698,976**	**35,822,142**	**48,402,123**	**40,237,407**

	As of December 31,			As of February 28,
	2022	2023	2024	2025
		(RMB'000)		*(RMB'000)* *(unaudited)*
Current liabilities				
Trade and other payables	1,410,451	1,958,700	695,375	597,152
Lease liabilities	13,747	14,983	18,355	4,389
Contract liabilities	116,059	29,611	21,440	41,667
Current tax liabilities	12,433	18,239	12,449	18,735
Borrowings	926,290	609,661	380,677	464,410
Financial liabilities at fair value through profit or loss	9,328	44,944	32,172	29,490
Derivative financial liabilities	44,474	20,058	80,710	8,996
Employee benefit obligations	82,444	131,217	135,887	59,126
Accounts payable to brokerage clients	27,505,794	29,039,353	42,596,980	34,507,760
Commission payable	–	4,913	5,715	4,367
Futures investors' security funds payable	706	670	750	123
Futures risk reserves	188,642	210,014	224,337	225,895
Total current liabilities	**30,310,368**	**32,082,363**	**44,204,847**	**35,962,110**
Net current assets	**3,388,608**	**3,739,779**	**4,197,276**	**4,275,297**

Adjusted Assets and Liabilities

Deposits from clients in our futures brokerage business represent major components of our current assets and current liabilities. We include various client equity as current assets and current liabilities. Client equity fluctuates based on our customers' trading activities, market conditions and other external factors beyond our control. As a result, client equity in our brokerage business is not a meaningful indicator of our financial condition or results of operations. We have therefore adjusted our assets and liabilities in the following table to exclude the effect of client equity:

	As of December 31,			As of February 28,
	2022	2023	2024	2025
	(RMB'000, except for %)			
				(unaudited)
Adjusted current assets[(1)]	6,193,182	6,782,789	5,805,143	5,729,647
Adjusted current liabilities[(2)]	2,804,574	3,043,010	1,607,867	1,454,350
Net current assets	3,388,608	3,739,779	4,197,276	4,275,297
Current ratio[(3)]	2.2	2.2	3.6	3.9

(1) Adjusted current assets equal total current assets minus client equity.

(2) Adjusted current liabilities equal total current liabilities minus client equity.

(3) Current ratio is calculated by dividing the adjusted current assets by the adjusted current liabilities.

We believe the current ratio is a more meaningful indicator of our financial condition because it does not include the impact of deposits from brokerage clients, which as discussed above, is largely unrelated to our financial condition but reflected in our balance sheet.

Our adjusted current assets consist primarily of inventories, financial assets at fair value through profit or loss, and cash and bank balances. Our adjusted current liabilities consist primarily of trade and other payables and borrowings.

As of February 28, 2025, our net current assets increased to RMB4,275.3 million as compared to RMB4,197.3 million as of December 31, 2024, primarily due to the increase of cash and bank balances.

As of December 31, 2024, our net current assets increased to RMB4,197.3 million as compared to RMB3,739.8 million as of December 31, 2023, primarily due to the increase of cash and bank balances.

As of December 31, 2023, our net current assets decreased to RMB3,739.8 million as compared to RMB3,388.6 million as of December 31, 2022, primarily due to the increase of trade and other payables.

Inventories

Our inventories primarily consist of spot commodities during the operations of our PRC risk management services. Hedged items refer to inventories designated as such for hedging purposes, whereas others are regular inventories. The following table sets forth details of our inventories as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Hedged item	150,367	104,503	176,454
Other	96	7,519	27,672
	150,463	**112,022**	**204,126**

Our inventories increased by 82.2% from RMB112.0 million as of December 31, 2023 to RMB204.1 million as of December 31, 2024, primarily due to the increased commodity holding of basis trading at the reporting period end. Our inventories decreased by 25.5% from RMB150.5 million as of December 31, 2022 to RMB112.0 million as of December 31, 2023, primarily due to reduced commodity holding of our basis trading business at the reporting period end.

Since holding spot commodities in third-party warehouses is temporary and is only relevant to our basis trading business in China, we do not consider inventory turnover days as a meaningful indicator of our overall financial condition.

Deposits with Exchange-Clearing Organizations

Our deposits with exchange-clearing organizations primarily consist of currency margin receivable, pledge margin receivable, settlement guarantees receivable, and settlement provision.

Our deposits with exchange-clearing organizations increased by 7.7% to RMB11,782.8 million as of December 31, 2024 from RMB10,939.0 million as of December 31, 2023, primarily due to growing PRC futures brokerage and overseas financial services, resulting in the increase in currency margin receivable. Our deposits with exchange-clearing organizations decreased by 12.1% to RMB10,939.0 million as of December 31, 2023 from RMB12,443.6 million as of December 31, 2022, primarily due to the decrease of pledge margin receivable as a result of the decrease of client's pledge collateral offsetting margin in futures exchanges.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss primarily consist of (i) fixed-income securities, (ii) asset management products, and (iii) cash management products.

Our financial assets at fair value through profit or loss increased by 86.5% from RMB1,476.5 million as of December 31, 2022 to RMB2,754.1 million as of December 31, 2023, while decreased by 28.5% to RMB1,968.1 million as of December 31, 2024, reflecting our liquidity management decisions.

Details of the fair value measurement of financial assets at FVPL and debt instrument FVOCI, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, and the relationship of unobservable inputs to fair value are disclosed in note 3.2 to the Accountant's Report in Appendix I. We intend to continue our investments strictly in accordance with our internal control policy, Articles of Association and, to the extent that such investment is a notifiable transaction under Chapter 14 of the Listing Rules, our Company will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements (if applicable).

Our investment strategy related to such products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns. To control our risk exposure, we make investment decisions related to low-risk fixed income securities and wealth management products, after thoroughly considering a number of factors, including, but not limited to, the macroeconomic environment, general market conditions, risk control and credit of issuing financial institutions, our own working capital conditions, and the expected profit or potential loss of the investment.

Level 3 of Fair Value Measurement

In respect of the valuation of level 3 financial instruments of wealth management products, equity instrument investments, derivatives, hedged items and etc., with reference to the guidance under the "Guidance note on directors' duties in the context of valuations in corporate transactions" issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures:

(i) selected qualified persons with adequate knowledge and conducted valuation on the financial instruments above without readily determinable fair value;

(ii) carefully considered available information in assessing the financial data and assumptions including but not limited to interest rate, price, volatility level, etc.; and

(iii) reviewed the valuation reports where applicable.

Based on the above procedures, our Directors are of the view that the valuation analysis is fair and reasonable and our financial statements are properly prepared.

Derivative Financial Assets

Our derivative financial assets primarily include hedging transactions on the futures and derivatives. Our derivative financial assets decreased by 32.6% from RMB1,587.2 million as of December 31, 2022 to RMB1,070.1 million as of December 31, 2023 and further decreased by 61.7% to RMB410.3 million as of December 31, 2024, primarily due to settlement of the client's OTC derivatives contracts.

Trade and Other Payables

Our trade and other payables primarily consist of other payables, including the funds payable to clients, construction fees, and software fees.

Our trade and other payables decreased by 64.5% from RMB1,958.7 million as of December 31, 2023 to RMB695.4 million as of December 31, 2024 primarily due to the settlement of the client's OTC derivatives contracts, causing in a decrease in the funds payable to clients. Our trade and other payables increased by 38.9% from RMB1,410.5 million as of December 31, 2022 to RMB1,958.7 million as of December 31, 2023 primarily due to the increase in OTC derivatives contracts, causing in an increase in the funds payable to clients.

Non-current Assets and Liabilities

The following table sets forth the components of non-current assets and non-current liabilities as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Non-current assets			
Property, plant and equipment	229,077	242,891	226,230
Investment properties	235	157	79
Right-of-use assets	195,321	184,466	186,341
Intangible assets	6,109	8,354	8,025
Investments in associates and joint ventures	2,725	2,351	1,777
Deferred tax assets	7,456	7,533	2,458
Other non-current assets	49,286	57,628	36,364
Total non-current assets	**490,209**	**503,380**	**461,274**
Non-current liabilities			
Debt instrument issued	510,291	510,951	511,611
Lease liabilities	23,138	14,789	18,213
Deferred income tax liabilities	18,975	2,715	2,144
Employee benefit obligations	1,370	1,785	1,742
Total non-current liabilities	**553,774**	**530,240**	**533,710**

Our non-current assets consist primarily of property, plant and equipment, right-of-use assets and other non-current assets. Our non-current liabilities consist primarily of debt instruments issued.

As of December 31, 2024, our total non-current assets decreased by 8.4% to RMB461.3 million as compared to RMB503.4 million as of December 31, 2023, primarily due to a decrease of property, plant and equipment as a result of depreciation and amortization. As of December 31, 2024, our total non-current liabilities increased slightly by 0.7% to RMB533.7 million from RMB530.2 million as of December 31, 2023.

As of December 31, 2023, our total non-current assets increased slightly by 2.7% to RMB503.4 million as compared to RMB490.2 million as of December 31, 2022. As of December 31, 2023, our total non-current liabilities decreased by 4.2% to RMB530.2 million from RMB553.8 million as of December 31, 2022 mainly due to the decrease of deferred tax liabilities.

INDEBTEDNESS

The following table sets forth the balance and breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of February 28,
	2022	2023	2024	2025
		(RMB'000)		*(RMB'000)* *(unaudited)*
Current:				
Borrowings	926,290	609,661	380,677	464,410
Lease liabilities	13,747	14,983	18,355	4,389
Non-Current:				
Debt instrument issued	510,291	510,951	511,611	515,871
Lease liabilities	23,138	14,789	18,213	29,382
Total	**1,473,466**	**1,150,384**	**928,856**	**1,014,052**

Our borrowings mainly contain guaranteed loans, pledged loans, and credit loans. Our borrowings decreased from RMB926.3 million as of December 31, 2022 to RMB609.7 million as of December 31, 2023, primarily due to the repayment of prior loans. Our borrowings further decreased to RMB380.7 million as of December 31, 2024, as a result of the repayment of outstanding guaranteed loans while no additional guaranteed loans were secured. We also finance our long-term business by issuing subordinated bonds with a term exceeding one year. Our debt instrument issued remained stable over the Track Record Period and as of February 28, 2025, we had two outstanding subordinated issuances, with a remaining balance of RMB515.9 million.

Our lease liabilities pertain to payment obligations for properties leased primarily involve our offices. Our lease liabilities decreased from RMB36.9 million as of December 31, 2022 to RMB29.8 million as of December 31, 2023 due to payment of lease contracts and the expiry of certain leasing contracts. Our lease liabilities further increased to RMB36.6 million as of December 31, 2024, as we entered into new leasing contracts in our normal course of business.

As of February 28, 2025, our borrowings increased to RMB464.4 million from RMB380.7 million to meet our growing liquidity needs. Our debt instrument issued increased slightly to RMB515.9 million as of February 28, 2025 from RMB511.7 million as of December 31, 2024. Our lease liabilities decreased to RMB33.8 million as of February 28, 2025 from RMB36.6 million as of December 31, 2024.

Convertible Bonds

On March 31, 2023, April 12, 2024 and March 31, 2025, our shareholders approved our plan to issue convertible bonds for replenishing our working capital. Our Directors confirmed that the offering size is not more than RMB1.2 billion. As of the Latest Practicable Date, it was still pending final approval by the CSRC and Shanghai Stock Exchange. The exact timing, size and terms of the issuance are still subject to market conditions, regulatory approvals and our working capital needs.

Subordinated Bonds

On March 12, 2025, we received the approval from Shanghai Stock Exchange for the issuance of subordinated bonds to qualified professional investors, with an offering size no more than RMB500.0 million. We expect to complete this bond offering in 2025, however, the exact size and terms of the issuance are still subject to market conditions and our working capital needs.

Except as disclosed above, as of the Latest Practicable Date, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that there has not been any material change in our indebtedness since the Latest Practicable Date and up to the date of this document.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period were primarily for IT equipment and servers.

Our capital expenditures amounted to RMB10.8 million, RMB40.9 million and RMB9.4 million in 2022, 2023 and 2024, respectively.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Our capital commitments are related to contracted, but not provided for purchase of property, plant and equipment and the acquisition consideration to be paid. The details of our capital commitments as of the dates indicated are set forth below:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Contracted, but not provided for	2,467	484	6,969

Contingent Liabilities

As of the Latest Practical Date, we were not involved in any material legal, arbitration or administrative proceedings that if adversely determined, we expect would materially adversely affect our financial position or results of operations, although there can be no assurance that this will be the case in the future.

Our Directors confirm that there has been no material change in our contingent liabilities since December 31, 2024 to the date of this document.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with certain of our related parties, such as engaging in futures trading, subscribing to funds and asset management products, subscribing to subordinated debts and engaging in OTC derivatives transactions. These transactions were conducted on normal commercial terms and in the ordinary course of our business. Our Directors believe that these related party transactions were carried out on an arm's-length basis and would not distort our results of operations during the Track Record Period or cause such results not to be reflective of our future performance. See "Appendix I – Accountant's Report – II Notes to the Historical Financial Information – Note 48 Related Party Transactions." for further details.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any off-balance sheet commitments or arrangements.

CAPITAL ADEQUACY AND RISK CONTROL INDEX REQUIREMENTS

According to the Administrative Measures for the Risk Control Indicators of Futures Firms in China, we have established a dynamic net capital monitoring mechanism to comply with statutory net capital requirements and other regulatory standards to maintain capital adequacy.

The following table sets forth certain information relating to our net capital and key regulatory risk control index as of the dates indicated.

	As of December 31,			Regulatory index	Warning index
	2022	**2023**	**2024**		
Net capital *(RMB in millions)*	1,116.9	1,518.0	1,509.7	≥30	36
Net capital/total risk capital reserves *(%)*	203	246	166	≥100	120
Net capital/net assets *(%)*	36	47	48	≥20	24
Current assets/current liabilities *(%)*	534	511	525	≥100	120
Total liabilities/net assets *(%)*	28	28	28	≤150	120
Reserve settlement funds *(RMB in millions)*	148.6	1,169.7	1,160.4	≥26.8	–

DIVIDEND POLICY

After the completion of the **[REDACTED]**, we may distribute dividends in the form of cash or by other means that we consider appropriate. Any proposed distribution of dividends shall be formulated by our Board and will be subject to our shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, capital adequacy ratio, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important.

According to the relevant PRC laws and regulations governing A-share listed companies and our Articles of Association, our annual profit distributed in cash shall not be less than 10% of our distributable profit realized in that year. In 2022, 2023 and 2024, we distributed cash dividends of RMB24.4 million, RMB34.2 million and RMB40.3 million to our shareholders, respectively. Dividends paid in prior years shall not be indicative of future dividend payment.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

The following unaudited **[REDACTED]** statement of adjusted consolidated net tangible assets of our Group as of December 31, 2024 was prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effects of the **[REDACTED]** as if it had taken place on December 31, 2024, and was based on the audited consolidated net tangible assets of our Group attributable to the owners of the Company as of December 31, 2024, assuming the **[REDACTED]** is not exercised.

The unaudited **[REDACTED]** statement of adjusted consolidated net tangible assets is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of the Company immediately after completion of the **[REDACTED]** or any future date after completion of the **[REDACTED]**.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2024(1)	Estimated net [REDACTED] from the [REDACTED](2)	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to the owners of the Company as of December 31, 2024(3)	Unaudited [REDACTED] adjusted consolidated net tangible assets per H Share as of December 31, 2024(4)	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB)*	*(HK$)*
Based on an **[REDACTED]** of HK$**[REDACTED]** per H Share	4,107,230	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per H Share	4,107,230	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2024 is extracted from the Accountant's Report set out in Appendix I, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as of December 31, 2024 of RMB4,115,255,000 with adjustments for the intangible assets of RMB8,025,000 attributable to the owners of the Company.

(2) The estimated net **[REDACTED]** from the **[REDACTED]** are based on **[REDACTED]** H Shares at the indicative **[REDACTED]** of HK$**[REDACTED]**, and HK$**[REDACTED]** per share, respectively, after deduction of the **[REDACTED]** fees and other related expenses payable by the Company and takes no account of any H Shares which may be allotted and issued by the Company pursuant to the exercise of the **[REDACTED]**.

(3) The unaudited **[REDACTED]** adjusted consolidated net tangible assets per H Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that **[REDACTED]** Shares were in issue assuming that the **[REDACTED]** has been completed on December 31, 2024, but takes no account of any H Shares which may be allotted and issued by the Company pursuant to the exercise of the **[REDACTED]**.

(4) For the purpose of this unaudited **[REDACTED]** adjusted consolidated net tangible assets per H Share, the amounts stated in Hong Kong dollars are converted into Renminbi at the rate of RMB1.00 to HK$[1.0762]. No representation is made that Hong Kong dollars has been, could have been or may be converted to Renminbi, or vice versa, at that rate.

(5) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2024. In particular, the unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group attributable to owners of the Company have not been adjusted to illustrate the effect of the following:

Pursuant to a shareholders' resolution dated March 31, 2025, it was resolved that a dividend of RMB0.076 per A Share totaling RMB45.93 million would be paid for year 2024. This dividend is not recorded in the financial statements of the Company for the year ended December 31, 2024 or this unaudited **[REDACTED]** financial information. Had this dividend been adjusted in the unaudited **[REDACTED]** financial information, the net tangible assets of the Group would decrease by RMB45.93 million and the net tangible assets per H Share would decrease by RMB0.0640 (equivalent to HK$0.0689).

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates, interest rates, equity prices and commodity prices and other changes in the economic environment. The market risk to which we are primarily exposed includes credit risk, price risk, interest rate risk, currency risk and liquidity risk.

Credit Risk

Credit risk refers to the risk of counterparty's failure or inability to meet its payment obligations, or the risk of loss due to declining credit rating.

Our Group's credit risks mainly come from financial assets which include bank balances, financial assets held under resale agreements, bank balances held for clients, deposits with exchange-clearing organizations, financial assets at fair value through profit or loss, contract assets, refundable deposits and other current assets.

In terms of the default risk from its commodity trading and risk management business, our Group has established certain criteria in selecting the counterparty, including but not limited to inspection on the credit status and credit enhancement measures on a case-by-case basis, so as to determine its credit exposure to each counterparty. Our Group also reviews the credit status of individual customers at least once in a year, including business performance, repayment ability, as well as industrial outlook in which the customers operate.

Our Group's bank balances and bank balances held for clients are mainly deposited with state-owned commercial banks, joint-stock commercial banks and major city commercial banks. Meanwhile, deposits with exchange-clearing organizations and refundable deposits are all placed with authorized exchange-clearing organizations, with a relatively low level of credit risk.

Our Group's credit risk also arises from its futures brokerage service. Under clearing rules, a minimum margin requirement is set by the respective futures exchanges. Therefore, a minimum margin deposit is to be placed with the futures broker when an individual customer has a position. However, our Group has to fulfill the obligation on daily settlements by using its own funds if the customer margin deposit balance is insufficient and the customer fails to replenish the balance by the end of each trading day. Credit risks are mainly associated to customer's inability to meet the daily settlement obligation. To mitigate the credit risk from futures brokerage service, our Group usually requires the customers to maintain a margin deposit balance that is higher than the minimum margin required by futures exchanges. Our Group also monitors each customer's credit status on a real-time basis and, therefore, may require customers to deposit additional collateral and/or reduce positions when necessary. Since trading rules set a daily limit move for every futures contract, our Group's credit exposure under normal market conditions at the end of each trading day is generally not significant.

To mitigate risks, our Group also requests the customers to provide standard warehouse warrants or government bonds as collateral where appropriate. An operating procedure for such collateral has been developed, and there is a guideline to specify the suitability of accepting such collateral. Fair value of the collateral is estimated by our Group with reference to the latest prices of the underlying physical commodities of standard warehouse warrants or the latest tradable prices of government bonds.

Our Group maintains an ECL model to recognize a loss allowance for assets carried at amortized cost. Our Group assesses whether or not the credit risk of relevant instrument has increased significantly since the initial recognition and measures their impairment allowance, ECL and future variance in ECL under the "three stage" impairment model.

Forward-looking Information Incorporated in the ECL Models

Both the assessment of SICR and the calculation of ECL allowances incorporate forward-looking information. Our Group has performed historical analysis and identified the key economic variables regarding credit risk for each portfolio.

As of December 31, 2022, 2023 and 2024, the key economic variables used by our Group is the growth rate of GDP. Under the 2023 baseline scenario, the average forecast value is about 5.10%, the optimistic scenario forecast is 0.60 percentage points higher than the baseline, and the pessimistic scenario forecast is 0.30 percentage points lower than the baseline. Under the 2024 baseline scenario, the average forecast value is about 4.80%, the optimistic scenario forecast is 0.30 percentage points higher than the baseline, and the pessimistic scenario forecast is 0.30 percentage points lower than the baseline. Under the 2025 baseline scenario, the average forecast value is about 4.70%, the optimistic scenario forecast is 0.40 percentage points higher than the baseline, and the pessimistic scenario forecast is 0.40 percentage points lower than the baseline.

The weightings assigned to each economic scenario as of December 31, 2024 are as follows:

	Base	*Optimistic*	*Pessimistic*
All portfolios	60%	10%	30%

Impairment of Financial Assets

Our Group's bank balances, bank balances held for clients, deposits with exchange-clearing organizations and refundable deposits are all deposited in banks and exchange-clearing organizations which have decent credit rating and no history of default. There are no unfavorable current conditions and forecast of future economic conditions for these assets as of December 31, 2022, 2023 and 2024. Therefore, their credit risk is considered low and the expected credit loss is limited. For financial assets held under resale agreements, our Group receives sufficient debt securities or warehouse receipts as collateral. Therefore, the expected credit loss is immaterial.

All of these assets are classified under stage 1.

Maximum Exposure to Credit Risk

Before considering collaterals or other credit enhancement methods, the maximum credit risk exposure is the carrying amount of financial assets (net of provisions for impairment). The maximum credit risk exposure is as follows:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Deposits with exchange-clearing organizations	12,443,556	10,939,043	11,782,759
Prepayment and trade receivables (excluding prepayments)	1,214	2	71
Commission receivable	–	12,071	13,433
Buyback financial assets	–	7,064	–
Financial assets at FVOCI	36,664	40,917	50,616
Bank balances held for clients	15,924,857	18,723,106	31,551,141
Cash and bank balances	1,689,615	1,773,052	2,273,931
Financial assets at fair value through profit or loss	1,476,462	2,754,122	1,968,109
Derivative financial assets	1,587,179	1,070,105	410,360
Other current assets (excluding non-financial assets)	326,973	343,625	68,338
	33,486,520	**35,663,107**	**48,118,758**

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Our Group's price risk exposure mainly relates to investments in equity securities, derivatives, asset management schemes, private securities investment funds and trust schemes with the underlying investments in equity instruments. The market prices of those financial instruments could lead to the fluctuation of investment value. A majority of these investments are traded in relevant capital markets, such as domestic and overseas futures exchanges as well as domestic stock exchanges. Our Group is facing high market risk due to the volatility of those investments.

Our Group's price risk management policy involves setting investment objectives, scales and loss-cut limits for each individual investment. Two main measures are adopted by management level to mitigate the risk: (i) holding an appropriately diversified investment portfolio, setting limits for investments in different type of investments and monitoring the investment portfolio to reduce the risk of concentration in any one specific commodity type, industry or issuer; and (ii) monitoring the fluctuation of market price and execution of investment limit management.

Sensitivity Analysis

The analysis below shows the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of equity instruments and derivatives by 5%, assuming all other variables remain unchanged. A positive result indicates an increase in profit before income tax, while a negative result indicates otherwise.

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Profit before income tax			
Increase by 5%	1,200	1,274	1,710
Decrease by 5%	(1,200)	(1,274)	(1,710)

Interest Rate Risk

Interest rate risk is defined that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The main interest bearing assets of our Group are bank deposits, bank balances held for clients, deposits with exchange-clearing organizations, buyback financial assets and investments. The interest rates of bank deposits are determined by the agreement established with banks, and the interest rate of deposits with exchange-clearing organizations is determined by the clearing organizations.

The table below presents the contractual re-pricing dates or the residual maturities of the financial assets and liabilities (whichever are earlier):

As of December 31, 2022	**Within 1 month**	**1-3 months**	**3 months to 1 year**	**1 year to 3 years**	**over 3 years**	**Non-Interest bearing**	**Total**
Cash and bank balances	849,306	207,258	216,605	416,446	–	–	1,689,615
Deposits with exchange-clearing organizations	9,346,274	–	–	–	–	3,097,282	12,443,556
Bank balances held for clients	4,504,967	1,491,460	9,928,430	–	–	–	15,924,857
Other current assets (excluding non-financial assets)	–	–	–	–	–	326,973	326,973
Prepayments and trade receivables (excluding prepayments)	–	–	–	–	–	1,214	1,214
Financial assets at fair value through profit or loss	2,000	101,122	11,973	10,065	–	1,351,302	1,476,462
Financial assets at fair value through other comprehensive income	–	–	–	–	–	36,664	36,664
Derivative financial assets	–	–	–	–	–	1,587,179	1,587,179
	14,702,547	1,799,840	10,157,008	426,511	–	6,400,614	33,486,520
Borrowings	462,154	39	440,000	–	–	24,097	926,290
Debt instrument issued	–	–	–	510,291	–	–	510,291
Accounts payable to brokerage clients	–	–	–	–	–	27,505,794	27,505,794
Derivative financial liabilities	–	–	–	–	–	44,474	44,474
Financial liabilities at fair value through profit or loss	–	–	–	–	–	9,328	9,328
Lease liabilities	–	–	18,410	15,736	2,739	–	36,885
Trade and other payables (excluding non-financial liabilities)	–	61,821	–	–	–	1,325,019	1,386,840
	462,154	61,860	458,410	526,027	2,739	28,908,712	30,419,902
Interest rate sensitivity gap	14,240,393	1,737,980	9,698,598	(99,516)	(2,739)	(22,508,098)	3,066,618

As of December 31, 2023	Within 1 month	1-3 months	3 months to 1 year	1 year to 3 years	over 3 years	Non-Interest bearing	Total
Cash and bank balances	673,394	591,743	19,031	488,884	–	–	1,773,052
Deposits with exchange-clearing organizations	8,363,406	–	–	–	–	2,575,637	10,939,043
Bank balances held for clients	8,418,525	1,011,300	9,293,281	–	–	–	18,723,106
Other current assets (excluding non-financial assets)	–	–	–	–	–	343,625	343,625
Commission receivable	–	–	–	–	–	12,071	12,071
Prepayments and trade receivables (excluding prepayments)	–	–	–	–	–	2	2
Buyback financial assets	–	–	–	–	–	7,064	7,064
Financial assets at fair value through profit or loss	308	2,067,220	6,305	10,474	–	669,815	2,754,122
Derivative financial assets	–	–	–	–	–	1,070,105	1,070,105
Financial assets at fair value through other comprehensive income	–	–	–	–	–	40,917	40,917
	17,455,633	3,670,263	9,318,617	499,358	–	4,719,236	35,663,107
Borrowings	20,517	179,023	395,000	–	–	15,121	609,661
Debt instrument issued	–	–	–	510,951	–	–	510,951
Accounts payable to brokerage clients	–	–	–	–	–	29,039,353	29,039,353
Derivative financial liabilities	–	–	–	–	–	20,058	20,058
Financial liabilities at fair value through profit or loss	–	–	–	–	–	44,944	44,944
Lease liabilities	–	–	16,055	12,066	1,651	–	29,772
Trade and other payables (excluding non-financial liabilities)	–	16,948	–	–	–	1,924,354	1,941,302
	20,517	195,971	411,055	523,017	1,651	31,043,830	32,196,041
Interest rate sensitivity gap	17,435,116	3,474,292	8,907,562	(23,659)	(1,651)	(26,324,594)	3,467,066

As of December 31, 2024	Within 1 month	1-3 months	3 months to 1 year	1 year to 3 years	over 3 years	Non-Interest bearing	Total
Cash and bank balances	1,686,017	299,917	287,997	–	–	–	2,273,931
Deposits with exchange-clearing organizations	4,088,739	–	–	–	–	7,694,020	11,782,759
Bank balances held for clients	21,370,028	1,650,457	8,530,656	–	–	–	31,551,141
Other current assets (excluding non-financial assets)	–	–	–	–	–	68,338	68,338
Commission receivable	–	–	–	–	–	13,433	13,433
Prepayments and trade receivables (excluding prepayments)	–	–	–	–	–	71	71
Financial assets at fair value through profit or loss	517,699	842,354	10,570	–	–	597,486	1,968,109
Derivative financial assets	–	–	–	–	–	410,360	410,360
Financial assets at fair value through other comprehensive income	–	–	–	–	–	50,616	50,616
	27,662,483	2,792,728	8,829,223	–	–	8,834,324	48,118,758
Borrowings	279	47,915	332,483	–	–	–	380,677
Debt instrument issued	–	–	511,611	–	–	–	511,611
Accounts payable to brokerage clients	–	–	–	–	–	42,596,980	42,596,980
Derivative financial liabilities	–	–	–	–	–	80,710	80,710
Financial liabilities at fair value through profit or loss	–	–	–	–	–	32,172	32,172
Lease liabilities	187	675	16,941	16,727	2,038	–	36,568
Trade and other payables (excluding non-financial liabilities)	–	6,032	–	–	–	673,651	679,683
	466	54,622	861,035	16,727	2,038	43,383,513	44,318,401
Interest rate sensitivity gap	27,662,017	2,738,106	7,968,188	(16,727)	(2,038)	(34,549,189)	3,800,357

Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to the interest rate risks for interest-bearing assets and liabilities. A 25 basis points increases or decreases in the relevant interest rates will be applied in the sensitivity analysis as possible reasonable shift, assuming all other variables remain unchanged. A positive result below indicates an increase in profit before income tax, while a negative result indicates otherwise.

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Net interest income			
Increases by 25bps	63,937	74,479	95,874
Decreases by 25bps	(63,937)	(74,479)	(95,874)

When conducting interest rate sensitivity analysis, our Group makes the following general assumptions in determining commercial terms and financial parameters:

- different interest-bearing assets and interest-bearing liabilities have the same amplitude of interest rate volatility;
- all assets and liabilities are re-priced in the middle of relevant period;
- analysis is based on the static gap on the financial position reporting date, without considering subsequent changes;
- impact of interest rate changes on customer behaviors not considered;
- impact of interest rate changes on market prices not considered;
- interest rate of demand deposits moving in the same direction and extend; and
- necessary measures that may be adopted by our Group in response to interest rate changes not considered.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

Our Group's currency risk primarily relates to our Group's operating activities whose settlements and payments are denominated in foreign currencies different from the functional currency of our Group.

The foreign currency assets and liabilities held by our Group are not material compared to the total assets and liabilities. In terms of our Group's revenue structure, the majority of the business transactions are denominated in RMB, with only insignificant revenue from foreign currency transactions. Our Group considers that its currency risk is immaterial.

As of December 31, 2022 and 2023 and 2024, our Group's major financial assets/liabilities exposed to foreign exchange risk, representing those financial assets/liabilities denominated in USD and HKD and included in a group entity with different functional currency:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Financial assets denominated in:			
USD	7,412,284	7,531,012	9,949,613
HKD	1,448,195	496,055	407,872
Others	924,868	839,476	244,205

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Financial liabilities denominated in:			
USD	1,373,120	8,171,353	9,633,237
HKD	7,104,849	531,134	372,617
Others	665,753	1,012,578	234,108

As shown in the table above, our Group is primarily exposed to changes in USD and HKD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD and HKD denominated financial instruments is as below:

	As of December 31,		
	2022	2023	2024
		(RMB'000)	
USD exchange rate			
Increase 5%	301,958	(32,017)	15,819
Decrease 5%	(301,958)	32,017	(15,819)
HKD exchange rate			
Increase 5%	(282,833)	(1,754)	1,763
Decrease 5%	282,833	1,754	(1,763)

Other foreign currencies of changes have no significant impact on foreign exchange risk.

Liquidity Risk

Liquidity risk is the risk that our Group will encounter difficulty in meeting obligations associated with financial liabilities due to lack of capital or funds. During the normal course of business, our Group may suffer from liquidity risk caused by macroeconomic policy changes, market volatility, poor operations, credit downgrades, mismatches between assets and liabilities, low turnover rate of assets, significant proprietary trading position, or an excessive high ratio of long-term investments. If our Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, our Group could be faced with penalties by the regulatory authorities in the form of restrictions on our Group's business operations, which would cause bad effects on our Group's operations and reputation.

Our Group manages and controls funds in a centralized manner. Our Group's liquidity risk management principles are comprehensiveness, prudence and foreseeability and the overall objective is to build a sound liquidity risk management system so that we can identify, measure, monitor and control liquidity risk effectively and ensure that the requirement of liquidity could be met timely with an appropriate cost.

Our Group's finance department organizes the cash budget annually and sets up the fund plan based on it. Under the approval of the Company, the funds will be scheduled and arranged uniformly in order to ensure the consistence of funds demand and cost of the capital control.

After approved by the Board of Directors, the finance department decides the scale and the structure of a high quality liquid assets, by analyzing the condition of the Company's business scale, total liability, financing ability, and duration of the asset and liability prudently, so as to improve the liquidity and the risk resistance.

Our Group invests surplus cash above balance required for working capital management in time deposits, and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The tables below present the cash flows payable by our Group for financial liabilities by remaining contractual maturities as of December 31, 2022, 2023, 2024. The amounts disclosed in the tables are the contractual undiscounted cash flows, including both interest and principal cash flows. For items with floating interest rates, the undiscounted amounts are derived using interest rates at the end of each reporting period.

The liquidity risk will be offset by the movement of deposits with exchange-clearing organizations and bank balances held for clients.

The tables below analyze our Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at each balance sheet date to their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As of December 31, 2022

	Overdue/ repayable on demand	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Over 1 year	Total
			(RMB'000)			
As of December 31, 2022						
Borrowings	398,215	64,797	6,480	471,809	–	941,301
Accounts payable to brokerage clients	27,505,794	–	–	–	–	27,505,794
Financial liabilities at fair value through profit or loss	9,328	–	–	–	–	9,328
Lease liabilities	–	–	–	18,410	20,844	39,254
Trade and other payables (excluding non-financial liabilities)	1,359,879	(18,219)	–	50,163	1,938	1,393,761
Debt instrument issued	–	–	–	24,900	549,800	574,700
Futures investors' security funds payable	706	–	–	–	–	706
	29,273,216	46,578	6,480	565,282	572,582	30,464,138
Derivative financial liabilities:						
Cash inflow	683,315	–	–	–	–	683,315
Cash outflow	–	–	–	–	–	–

As of December 31, 2023

	Overdue/ repayable on demand	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Over 1 year	Total
			(RMB'000)			
As of December 31, 2023						
Borrowings	–	22,486	188,099	412,579	–	623,164
Accounts payable to brokerage clients	28,938,814	100,539	–	–	–	29,039,353
Financial liabilities at fair value through profit or loss	44,944	–	–	–	–	44,944
Commission payable	4,912,653	–	–	–	–	4,912,653
Lease liabilities	–	–	–	16,055	15,462	31,517
Trade and other payables (excluding non-financial liabilities)	1,832,704	7,635	–	106,385	1,447	1,948,171
Debt instrument issued	–	–	–	24,900	524,900	549,800
Futures investors' security funds payable	670	–	–	–	–	670
	35,729,115	130,660	188,099	559,919	541,809	37,149,602
Derivative financial liabilities:						
Cash inflow	–	–	–	–	–	–
Cash outflow	197,447	–	–	–	–	197,447

As of December 31, 2024

	Overdue/ repayable on demand	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Over 1 year	Total
			(RMB'000)			
As of December 31, 2024						
Borrowings	–	716	49,490	337,304	–	387,510
Accounts payable to brokerage clients	42,596,980	–	–	–	–	42,596,980
Financial liabilities at fair value through profit or loss	32,172	–	–	–	–	32,172
Commission payable	5,715	–	–	–	–	5,715
Lease liabilities	–	–	–	19,164	19,567	38,731
Trade and other payables (excluding non-financial liabilities)	590,461	33,469	365	61,916	–	686,211
Debt instrument issued	–	–	–	524,900	–	524,900
Futures investors' security funds payable	750	–	–	–	–	750
	43,225,328	34,185	49,855	943,284	19,567	44,272,219
Derivative financial liabilities:						
Cash inflow	–	–	–	–	–	–
Cash outflow	80,710	–	–	–	–	80,710

DISTRIBUTABLE RESERVES

As of December 31, 2024, we had RMB1,946.9 million in retained profits, as determined under IFRSs, available for distribution to our shareholders.

DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in our financial and trading position or prospects since December 31, 2024, being the date to which our latest audited consolidated financial statements have been prepared.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

We confirm that, as of the Latest Practicable Date, we are not aware of any circumstances that would give rise to a disclosure under Rules 13.13 to 13.19 of Chapter 13 of the Hong Kong Listing Rules.

[REDACTED] EXPENSES

We expect to incur **[REDACTED]** expenses of approximately RMB**[REDACTED]** million (assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the indicative **[REDACTED]** range as stated in this document, and assuming the **[REDACTED]** is not exercised), accounting for approximately **[REDACTED]**% of the estimated gross **[REDACTED]** of the **[REDACTED]** accruing to us. Our estimated **[REDACTED]** expenses include (i) **[REDACTED]**-related expenses, representing **[REDACTED]** and fees of approximately RMB**[REDACTED]** million; and (ii) non-**[REDACTED]**-related expenses, comprising professional fees to the legal advisors and reporting accountant of approximately RMB**[REDACTED]** million for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**, and (iii) other fees and expenses of approximately RMB**[REDACTED]** million. Our **[REDACTED]** expenses are expected to be incurred after December 31, 2024, of which RMB**[REDACTED]** million is expected to be charged to our consolidated statements of comprehensive income and RMB**[REDACTED]** million is expected to be accounted for as a deduction from equity. The **[REDACTED]** expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. We do not expect such expenses to have a material adverse impact on our results of operations for the year ending December 31, 2025.

FUTURE PLANS

See "Business – Our Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

Assuming that the **[REDACTED]** is not exercised, after deducting the **[REDACTED]** and other estimated **[REDACTED]** expenses payable by us in connection with the **[REDACTED]**, and assuming an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the indicative **[REDACTED]** range), we estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** million from the **[REDACTED]**.

We intend to allocate all net **[REDACTED]** from the **[REDACTED]** to HGNH International, which plans to enhance the capital base of our overseas subsidiaries in Hong Kong, the United Kingdom, the United States, and Singapore. This initiative aims to expand our overseas operations, optimize our overseas business structure, and enhance our competitiveness and risk resilience in global markets. Specifically, we intend to use the **[REDACTED]** from the **[REDACTED]** as follows:

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** million, is expected to be used to increase the capital base of our Hong Kong operations to accommodate our potential business growth in Hong Kong and East Asia, and to establish a subsidiary in Malaysia to expand our business capabilities in the region;

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** million, is expected to be used to increase the capital base of our operations in the United Kingdom to accommodate our potential business growth in the UK and Europe, primarily for futures brokerage and clearing services;

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** million, is expected to be used to increase the capital base of our operations in the United States to accommodate our potential business growth in North America, primarily for futures brokerage and clearing services; and to build a local marketing network to continue growing our client base in North America;

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** million, is expected to be used to increase the capital base of our Singapore operations to accommodate our potential growth in Singapore and other Southeast Asian countries, primarily for futures brokerage and clearing services and asset management services, and to expand our physical commodity delivery capabilities for Southeast Asian clients; and

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** million, is expected to be used for general corporate purposes and to supplement the working capital of our overseas operations.

In the event that the **[REDACTED]** is set at the maximum **[REDACTED]** or the minimum **[REDACTED]** of the indicative **[REDACTED]** range, the net **[REDACTED]** of the **[REDACTED]** will increase by approximately HK$**[REDACTED]** million or decrease by approximately HK$**[REDACTED]** million.

The additional net **[REDACTED]** that we would receive if the **[REDACTED]** was to be exercised in full would be: (i) HK$**[REDACTED]** million (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the maximum **[REDACTED]** of the indicative **[REDACTED]** range); (ii) HK$**[REDACTED]** million (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range); and (iii) HK$**[REDACTED]** million (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the minimum **[REDACTED]** of the indicative **[REDACTED]** range).

To the extent that the net **[REDACTED]** from the **[REDACTED]** are either more or less than expected, we will adjust our allocation of the net **[REDACTED]** for the above purposes on a pro rata basis.

To the extent that the net **[REDACTED]** of the **[REDACTED]** are not immediately used for the aforementioned purposes, we will only deposit such funds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance, or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Hong Kong Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages [I-1 to I-86], received from the Company's reporting accountant, Confucius International CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

PAN-CHINA 天健國際會計師事務所有限公司
Confucius International CPA Limited Certified Public Accountants

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ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NANHUA FUTURES CO., LTD. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Nanhua Futures Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages [I-4 to I-86], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2022, 2023 and 2024, and the consolidated statements of profit or loss, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2022, 2023 and 2024, (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages [I-4 to I-86] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated **[REDACTED]** (the "**Document**") in connection with the initial **[REDACTED]** of H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2022, 2023 and 2024 and the consolidated financial position of the Group as at December 31, 2022, 2023 and 2024 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 20 to the Historical Financial Information which contains information about the dividends paid by Nanhua Futures Co., Ltd. in respect of the Track Record Period.

[Confucius International CPA Limited]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Confucius International CPA Limited in accordance with Hong Kong Standards on Auditing (HKSA) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended December 31, 2022	2023	2024
Net commission and fee income	*8*	498,038	611,659	542,397
Interest income		365,952	605,166	726,092
Interest expense		(39,414)	(59,791)	(44,292)
Net interest income	*9*	326,538	545,375	681,800
Net investment gains	*10*	86,258	39,297	28,474
Trade income	*11*	5,886,933	5,010,248	4,413,406
Other operating income	*12*	25,456	40,322	46,112
Operating income		6,823,223	6,246,901	5,712,189
Staff costs	*13*	(360,008)	(434,687)	(428,655)
Reversal/(Impairment losses) of impairment losses on financial assets, net	*15*	2,817	(10,346)	(19,501)
Depreciation and amortization	*14*	(48,844)	(48,895)	(50,977)
Trade expenses	*16*	(5,870,717)	(4,954,654)	(4,357,824)
Other operating expenses	*17*	(250,427)	(311,396)	(336,664)
Operating expenses		(6,527,179)	(5,759,978)	(5,193,621)
Operating profit		296,044	486,923	518,568
Share of profit or loss of associates and joint ventures		(496)	(375)	(574)
Other (losses)/gains, net	*18*	(715)	(38,111)	3,665
Profit before income tax		294,833	448,437	521,659
Income tax expenses	*19*	(48,921)	(45,615)	(63,622)
Profit for the year		245,912	402,822	458,037

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended December 31, 2022	2023	2024
Other comprehensive income				
Items that cannot be reclassified into profit or loss:				
Fair value changes of other equity instrument investments		–	–	1,487
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		57,266	19,127	42,782
Other comprehensive income attributable to Shareholders of the Company for the year, net of tax		57,266	19,127	44,269
Other comprehensive income attributable to non-controlling interests for the year, net of tax		136	6	(21)
		57,402	19,133	44,248
Total comprehensive income for the year		303,314	421,955	502,285
Profit attributable to:				
Shareholders of the Company		246,060	401,855	457,972
Non-controlling interests		(148)	967	65
Total comprehensive income attributable to:				
Shareholders of the Company		303,326	420,982	502,241
Non-controlling interests		(12)	973	44
Earnings per share attributable to shareholders of the Company for the year (expressed in RMB per share)				
Basic earnings per share	*21*	0.40	0.66	0.75
Diluted earnings per share	*21*	0.40	0.66	0.75

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2022	2023	2024
Assets				
Non-current assets				
Property, plant and equipment	*22*	229,077	242,891	226,230
Investment properties	*23*	235	157	79
Right-of-use assets	*24*	195,321	184,466	186,341
Intangible assets	*25*	6,109	8,354	8,025
Investments in associates and joint ventures	*26*	2,725	2,351	1,777
Deferred income tax assets	*28*	7,456	7,533	2,458
Other non-current assets	*29*	49,286	57,628	36,364
Total non-current assets		490,209	503,380	461,274
Current assets				
Inventories	*30*	150,463	112,022	204,126
Deposits with exchange-clearing organizations	*31*	12,443,556	10,939,043	11,782,759
Other current assets	*32*	364,285	360,105	109,115
Prepayments and trade receivables		25,830	30,431	38,482
Commission receivable		–	12,071	13,433
Buyback financial assets		–	7,064	–
Financial assets at fair value through profit or loss	*33*	1,476,462	2,754,122	1,968,109
Derivative financial assets	*34*	1,587,179	1,070,105	410,360
Financial assets at fair value through other comprehensive income		36,664	40,917	50,616
Bank balances held for clients		15,924,857	18,723,106	31,551,141
Cash and bank balances	*36*	1,689,680	1,773,156	2,273,982
Total current assets		33,698,976	35,822,142	48,402,123
Total assets		34,189,185	36,325,522	48,863,397

		As at December 31,		
	Notes	**2022**	**2023**	**2024**
Equity				
Equity attributable to shareholders of the Company		3,316,559	3,703,377	4,115,255
Share capital	*45*	610,066	610,066	610,066
Capital reserve	*46*	1,190,728	1,190,728	1,140,629
Other reserves	*46*	309,263	360,309	417,706
Retained earnings		1,206,502	1,542,274	1,946,854
Non-controlling interests		8,484	9,542	9,585
Total equity		3,325,043	3,712,919	4,124,840
Liabilities				
Non-current liabilities				
Debt instrument issued	*35*	510,291	510,951	511,611
Lease liabilities	*37*	23,138	14,789	18,213
Deferred income tax liabilities	*28*	18,975	2,715	2,144
Employee benefit obligations	*38*	1,370	1,785	1,742
Total non-current liabilities		553,774	530,240	533,710

		As at December 31,		
	Notes	**2022**	**2023**	**2024**
Current liabilities				
Trade and other payables	*39*	1,410,451	1,958,700	695,375
Lease liabilities	*37*	13,747	14,983	18,355
Contract liabilities		116,059	29,611	21,440
Current tax liabilities		12,433	18,239	12,449
Borrowings	*40*	926,290	609,661	380,677
Financial liabilities at fair value through profit or loss	*41*	9,328	44,944	32,172
Derivative financial liabilities	*34*	44,474	20,058	80,710
Employee benefit obligations	*38*	82,444	131,217	135,887
Accounts payable to brokerage clients	*42*	27,505,794	29,039,353	42,596,980
Commission payable		–	4,913	5,715
Futures investors' security funds payable	*43*	706	670	750
Futures risk reserves		188,642	210,014	224,337
Total current liabilities		30,310,368	32,082,363	44,204,847
Total liabilities		30,864,142	32,612,603	44,738,557
Total equity and liabilities		34,189,185	36,325,522	48,863,397

COMPANY'S STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31,		
		2022	**2023**	**2024**
Assets				
Non-current assets				
Property, plant and equipment		224,628	237,357	221,733
Investment properties		235	157	79
Right-of-use assets		180,925	173,221	171,033
Intangible assets		3,896	6,091	6,093
Investments in associates and joint ventures		2,075	1,694	1,117
Investments in subsidiaries	*27*	1,667,072	1,667,072	1,667,072
Deferred income tax assets		6,066	6,239	2,458
Other non-current assets		41,913	51,860	32,511
Total non-current assets		2,126,810	2,143,691	2,102,096
Current assets				
Deposits with exchange-clearing organizations	*31*	8,701,397	8,219,025	8,088,977
Other current assets		10,746	45,363	12,794
Commission receivable		–	2,614	290
Buyback financial assets		–	5,163	–
Financial assets at fair value through profit or loss		1,165,458	189,562	319,479
Financial assets at fair value through other comprehensive income		1,400	1,400	1,400
Bank balances held for clients		10,973,678	14,800,173	25,586,909
Cash and bank balances		402,192	407,582	316,409
Total current assets		21,254,871	23,670,882	34,326,258
Total assets		23,381,681	25,814,573	36,428,354

	Notes	As at December 31, 2022	2023	2024
Equity				
Equity attributable to shareholders of the Company				
Share capital		610,066	610,066	610,066
Capital reserve		1,328,691	1,328,691	1,278,591
Other reserves		269,237	295,005	302,216
Retained earnings		897,980	966,889	955,468
Total equity		3,105,974	3,200,651	3,146,341
Liabilities				
Non-current liabilities				
Debt instrument issued		510,291	510,951	511,611
Lease liabilities		12,500	9,134	11,608
Employee benefit obligations		1,107	1,463	1,185
Total non-current liabilities		523,898	521,548	524,404
Current liabilities				
Trade and other payables		87,686	84,654	57,617
Lease liabilities		9,367	8,758	9,594
Contract liabilities		9	409	407
Current tax liabilities		5,543	4,322	–
Employee benefit obligations		51,111	57,220	62,464
Accounts payable to brokerage clients	*42*	19,408,745	21,712,009	32,392,905
Commission payable		–	14,318	9,535
Futures investors' security funds payable		706	670	750
Futures risk reserves		188,642	210,014	224,337
Total current liabilities		19,751,809	22,092,374	32,757,609
Total liabilities		20,275,707	22,613,922	33,282,013
Total equity and liabilities		23,381,681	25,814,573	36,428,354

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Attributable to shareholders of the Company						
	Notes	Share capital	Capital reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total equity
Balance at January 1, 2022		610,066	1,190,695	220,324	1,016,517	3,037,602	17,818	3,055,420
Profit for the year		–	–	–	246,060	246,060	(148)	245,912
Other comprehensive income for the year		–	–	57,266	–	57,266	136	57,402
Total comprehensive income for the year		–	–	57,266	246,060	303,326	(12)	303,314
Dividends	*20*	–	–	–	(24,402)	(24,402)	–	(24,402)
Appropriation to surplus reserves		–	–	13,857	(13,857)	–	–	–
Appropriation to general reserves		–	–	17,816	(17,816)	–	–	–
Capital increase/(decrease)								
– Capital increase by equity holders		–	–	–	–	–	149	149
– Others		–	33	–	–	33	(9,471)	(9,438)
Balance at December 31, 2022		610,066	1,190,728	309,263	1,206,502	3,316,559	8,484	3,325,043

		Attributable to shareholders of the Company						
	Notes	Share capital	Capital reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total equity
Balance at January 1, 2023		610,066	1,190,728	309,263	1,206,502	3,316,559	8,484	3,325,043
Profit for the year		–	–	–	401,855	401,855	967	402,822
Other comprehensive income for the year		–	–	19,127	–	19,127	6	19,133
Total comprehensive income for the year		–	–	19,127	401,855	420,982	973	421,955
Dividends	*20*	–	–	–	(34,164)	(34,164)	85	(34,079)
Appropriation to surplus reserves		–	–	12,884	(12,884)	–	–	–
Appropriation to general reserves		–	–	19,035	(19,035)	–	–	–
Balance at December 31, 2023		610,066	1,190,728	360,309	1,542,274	3,703,377	9,542	3,712,919

	Notes	Attributable to shareholders of the Company						
		Share capital	**Capital reserve**	**Other reserves**	**Retained earnings**	**Subtotal**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2024		610,066	1,190,728	360,309	1,542,274	3,703,377	9,542	3,712,919
Profit for the year		–	–	–	457,972	457,972	65	458,037
Other comprehensive income for the year		–	–	44,269	–	44,269	(21)	44,248
Total comprehensive income for the year		–	–	44,269	457,972	502,241	44	502,285
Dividends	*20*	–	–	–	(40,265)	(40,265)	–	(40,265)
Appropriation to surplus reserves		–	–	3,605	(3,605)	–	–	–
Appropriation to general reserves		–	–	9,522	(9,522)	–	–	–
Repurchase of shares		–	(50,099)	–	–	(50,099)	–	(50,099)
Balance at December 31, 2024		610,066	1,140,629	417,705	1,946,854	4,115,254	9,586	4,124,840

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
	Notes	**2022**	**2023**	**2024**
Cash flows from operating activities				
Profit before income tax		294,833	448,437	521,659
Adjustments for:				
Depreciation and amortization		48,844	48,895	50,977
(Reversal)/Provision of impairment losses		(2,177)	11,063	17,939
Net increase in futures risk reserves		18,018	21,537	14,933
Net losses on disposal of property, plant and equipment and intangible assets		74	215	604
Investment gains		(82,788)	(102,239)	(39,118)
Share of profit or loss of associates and joint ventures		495	374	574
Interest expenses		48,386	55,898	50,529
Interest income from bank deposits		(24,928)	(34,547)	(44,003)
		300,757	449,633	574,094
Net increase in operating assets:				
Net increase in bank balances held for clients		(1,237,739)	(2,798,249)	(12,828,035)
Net (increase)/decrease in deposits with exchange-clearing organizations		(1,793,081)	1,504,512	(843,716)
Net decrease/(increase) in inventories		76,287	38,442	(92,104)
Net decrease/(increase) in other operating assets		61,874	(24,601)	272,607
		(2,892,659)	(1,279,896)	(13,491,248)
Net increase in operating liabilities:				
Net increase in accounts payable to brokerage clients		2,669,259	1,533,560	13,557,627
Net increase/(decrease) in contract liabilities		11,737	(86,448)	(8,171)
Net increase/(decrease) in other operating liabilities		549,973	591,860	(1,264,179)
		3,230,969	2,038,972	12,285,277
Income tax paid		(81,087)	(56,209)	(68,531)
Net cash inflow/(outflow) from operating activities		557,980	1,152,500	(700,408)

	Notes	Year ended December 31, 2022	2023	2024
Cash flows from investing activities				
Net cash flow from proceeds on disposal of property, plant and equipment, intangible assets and other long-term assets		(31,633)	(52,820)	(10,922)
Net cash flow from investment of financial instruments		(1,388,955)	(668,657)	1,536,777
Net cash flow from other investing activities		(30,340)	258,490	(182,903)
Net cash (outflow)/inflow from investing activities		(1,450,928)	(462,987)	1,342,952
Cash flows from financing activities				
Cash received from issuing bonds		498,669	–	–
Cash received from borrowings		1,067,015	606,413	336,162
Cash paid for repayment of debts		(829,385)	(923,671)	(565,732)
Cash paid for distribution of dividend and repayment of interests		(47,428)	(85,352)	(81,820)
Net cash flow from other financing activities		2,144	(12,252)	(70,189)
Net cash inflow/(outflow) from financing activities		691,015	(414,862)	(381,579)
Effect of exchange rate changes on cash and cash equivalents		25,030	3,526	5,239
Net (decrease)/increase in cash and cash equivalents		(176,903)	278,177	266,204
Cash and cash equivalents at the beginning of the year		671,359	494,456	772,633
Cash and cash equivalents at the end of the year	*44*	494,456	772,633	1,038,837

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Nanhua Futures Co., Ltd. (the "**Company**") is incorporated in Zhejiang Province, the People's Republic of China (the "**PRC**") as a joint stock financial institution.

The Company was set up upon approval from the China Securities Regulatory Commission (the "**CSRC**") in May 1996 as a limited liability company with an initial registered capital of RMB10 million. After a series of share transfers and capital increases and upon approval by relevant government authorities, the Company was converted from a limited liability company into a joint-stock company. After the conversion, the registered share capital of the Company was RMB640 million and the Company's Chinese name was changed accordingly (南華期貨股份有限公司). The Company holds the business license No. 91330000100023242A. The registered address of the Company is Hengdian Building, Shangcheng District, Hangzhou City, Zhejiang Province.

The Company and its subsidiaries (the "**Group**") are principally engaged in financial futures brokerage, commodity futures brokerage, futures investment consultancy, futures asset management, commodity trading and other business activities as permitted by the CSRC.

2 BASIS OF PREPARATION

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**").

The Financial Information have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments), which are carried at fair value.

The preparation of Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements.

Standards, amendments and interpretations that are effective during the relevant periods have been adopted and applied by the Group consistently throughout the relevant periods.

2.2 New and amendments to standards not yet adopted

At the date of this report, the Group has not adopted the following new and amendments to IFRS Accounting Standards which have been issued and are not yet effective:

Standards and amendments	**Effective for accounting periods beginning on or after**
Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined
Amendments to IAS 21 'Lack of Exchange ability'	January 1, 2025
Amendments to IFRS 9 and IFRS 7 'Amendments to the Classification and Measurement of Financial Instruments'	January 1, 2026
Annual Improvements – Volume 11 IFRS accounting standards	January 1, 2026
Amendments to IFRS 9 and IFRS 7 'Contracts Referencing Nature-dependent Electricity'	January 1, 2026
IFRS 18 'Presentation and Disclosure in Financial Statements'	January 1, 2027

The Group has already commenced an assessment of the impact of these new standards and amendments and no significant impact on the financial performance and positions of the Group is expected when they become effective.

3 MATERIAL ACCOUNTING POLICIES

3.1 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities; (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors; (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

Management applies its judgment to determine whether the Group is acting as agent or principal in relation to the structured entities ("**SEs**") in which the Group acts as an asset manager or an investor. In assessing whether the Group is acting as agent or principal, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variability of returns by other arrangements (such as direct investments).

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method, after initially being recognized at cost.

Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

(c) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

3.2 Financial instruments

(a) Initial recognition, classification and measurement of financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value, in the case of a financial asset or financial liability not at fair value through profit or loss, plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Financial assets are classified on the basis of the Group's business model for managing the asset and the cash flow characteristics of the assets:

(i) Amortised cost;

(ii) Fair value through other comprehensive income ("**FVOCI**"); or

(iii) Fair value through profit or loss ("**FVPL**").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e. g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("**SPPI**"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. i. e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determine whether their cash flows are SPPI.

The classification requirements for debt instruments and equity instruments are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on: (i) the Group's business model for managing the asset; and (ii) the cash flow characteristics of asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVPL, are measured at amortised cost.

FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVPL, are measured at FVOCI.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at FVPL, which is applied to derivatives, financial liabilities held for trading (e. g. short positions in the trading books) and other financial liabilities designated as such at initial recognition.

Contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognised in profit or loss.

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss: (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch'); (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

(b) Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

(c) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair values of quoted financial assets and financial liabilities in active markets are based on quoted market prices. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of market approach, income approach and cost approach. When using valuation techniques, the Group uses observable inputs. Unobservable market inputs would not be used unless relevant observable inputs are not available or not practicable to access.

Default Valuation Adjustments are applied to the Group's financial liabilities at fair value through profit or loss, and assumes that Default Valuation Adjustments stay the same before and after the transfer of the liability. Default Valuation Adjustments refer to risk that enterprises fail to perform the obligation, including but not limited to their own credit risk.

The Group uses the following hierarchy for determining and disclosing the fair values of financial assets and financial liabilities based on the inputs used when determining the fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The level of fair value measurement depends on the lowest level of input that is significant to the entire fair value measurement.

(d) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

Amortised cost

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; and (iii) for financial assets, adjusted for any loss allowance. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i. e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses ("**ECL**") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("**POCI**") financial assets, the Group calculates the credit adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "Interest income", except for: (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortised cost; and (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i. e. net of the expected credit loss allowance). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

Financial assets at fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest revenue on the instrument's amortised cost which are recognised in profit or loss. Interest income from these financial assets is included in "interest income" using the effective interest rate method. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Investment income".

Equity instruments

The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVOCI. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as investment income when the Group's right to receive payments is established, and it is probable that future economic benefits associated with the item will flow to the Group, and the amounts of the dividends can be measured reliably.

Financial assets at fair value through profit or loss

Debt instruments

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within "Investment income" in the period in which it arises.

Equity instruments

Gains and losses on equity investments at FVPL are included in the "Investment income" line in the statement of profit or loss.

(e) Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i. e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures the ECL of a financial instrument reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(ii) the time value of money; and

(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognise their ECL, as follows:

Stage I: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL if the credit risk of that financial instrument has not increased significantly since initial recognition.

Stage II: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, but is not yet deemed to be credit-impaired.

Stage III: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the financial instrument is credit-impaired.

The Group applies the impairment requirements for the recognition and measurement of loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognised in OCI and the impairment loss is recognised in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

The Group has measured the loss allowance for a financial instrument at an amount equal to the lifetime ECL in the previous reporting period, but determines to measure it at an amount equal to the next 12 months ECL at the current reporting date since the credit risk of that financial instrument has increased significantly since initial recognition is no longer met, and the amount of ECL reversal is recognised in profit or loss. Excluding POCI financial assets.

The inputs, assumptions and estimation techniques the Group used in ECL models for its debt instrument assets carried at amortised cost and FVOCI refer to Note 4.1 (a).

(f) Derecognition of financial instruments

A financial asset is derecognised, when one of the following criteria is satisfied:

(i) the contractual rights to receive cash flows from the assets have expired; or

(ii) the Group has transferred its rights to receive cash flows from the asset; or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and (a) the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but not retain control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

When the Group has made substantial modifications to a part of the contract terms of an existing financial liability, the relevant portion of the existing financial liability is derecognised, while the financial liability under modified terms is recognised as a new financial liability.

On derecognition of a financial liability in its entirety or partially, the difference between the carrying amount and the consideration paid (including non-cash assets transferred or new financial liabilities assumed) shall be recognised in profit or loss.

If the Group repurchases a part of a financial liability, the Group shall allocate the previous carrying amount of the financial liability between the part that continues to be recognised and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognised and the consideration paid (including any non-cash assets transferred or liabilities assumed) for the part derecognised shall be recognised in profit or loss.

3.3 Derivative financial instruments and hedge accounting

Derivative financial instruments

The Group uses derivatives, such as foreign currency contracts, interest rate swaps, contracts of stock index and contracts for difference to economically hedge its foreign currency risk, interest rate risk and stock price risk, respectively. Derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including the discounted cash flow analysis and option pricing models, as appropriate. Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA) are applied to the Group's over-the-counter derivatives to reflect the credit risk of the counterparties and the Group itself, respectively.

Hedge accounting

At the inception of a hedging relationship, the Group formally designates the hedge instruments and the hedged items, and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to meet the hedge effectiveness in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to analyse the sources of hedge ineffectiveness which are expected to affect the hedging relationship in remaining hedging period. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group would rebalance the hedging relationship.

The Group designates such hedged items as debt securities issued with floating interest that expose the Group to the risk of variability of its cash flows.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss or other comprehensive income. Among them, the circumstances affecting other comprehensive income are limited to the hedging for the risk exposure from fair value change of non-trading equity investment designated as at FVOCI. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss or other comprehensive income. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

3.4 Revenue recognition

(a) Commission and fee income

The Group provides brokerage service to its customers, which contains a series of distinct services that are substantially the same and have the same pattern of transfer. Therefore, the services are identified as one performance obligation. Revenue is recognized upon completion of each service, usually on the date of the transaction or the completion of fund settlement with the exchange.

The Group provides asset management service to its customers, which contains a series of distinct services that are substantially the same and have the same pattern of transfer. Therefore, the services are identified as one performance obligation. Revenue is recognized when services are rendered according to the provisions of the underlying contracts.

Consultancy and advisory fees are recognized when the relevant transactions have been arranged or the relevant services have been rendered.

(b) Interest income

Interest income is recognized using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

(c) Dividend income

Dividend income is recognized when the right to receive payment is established.

(d) Trading gains from financial assets at fair value through profit or loss

Trading gains from financial assets at fair value through profit or loss is recognized on a trade date basis whilst the unrealized profits or losses are recognized from valuation at the end of reporting period. Gains/(losses) on physical commodities trading is realized on delivering the physical commodities to customers, which generally coincides with the time when physical commodities are delivered to the customers and the ownership has been transferred.

(e) Trade income

Trade income mainly comes from the bulk commodities sales of the Group's PRC risk management subsidiary.

The Group recognises sales revenue from bulk commodity goods when fulfil the Group's performance obligations in the contract, that is, the revenue is recognised when the customer obtains control of the relevant bulk commodity goods.

In the process of selling goods, the Group, as the primary obligor, has the primary responsibility of providing goods and performing orders to customers; the Group is exposed to inventory risk before or after the bulk commodity goods have been ordered by a customer; the Group has discretion in establishing prices of bulk commodity goods and exposed to credit risk for the amount receivable from customers in exchange for the other party's goods and commodity risk for inventory. The Group satisfies the performance obligation above and recognised revenue in the gross amount. When the Group acts as an agent, the net amount of the consideration received or receivable after deducting the price payable to other parties shall be recognised as income.

3.5 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and it considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on either the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming that the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

4 FINANCIAL RISK MANAGEMENT

Overview

The Group's business activities expose to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing risks are core to the financial business, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Group is subject to a number of financial risks, primarily including credit risk, market risk, foreign exchange risk and liquidity risk.

This section describes the Group's position with respect to the above risk exposures, and the Group's objectives, policies and procedures in managing those risk exposures, as well as the Group's capital management.

4.1 Credit risk

Credit risk refers to the risk of counterparty's failure or inability to meet its payment obligations, or the risk of loss due to declining credit rating.

The Group's credit risks mainly come from financial assets which include bank balances, financial assets held under resale agreements, bank balances held for clients, deposits with exchange-clearing organizations, financial assets at fair value through profit or loss, contract assets, refundable deposits and other current assets.

In terms of the default risk from its commodity trading and risk management business, the Group has established certain criteria in selecting the counterparty, including but not limited to inspection on the credit status and credit enhancement measures on a case-by-case basis, so as to determine its credit exposure to each counterparty. The Group also reviews the credit status of individual customers at least once in a year, including business performance, repayment ability, as well as industrial outlook in which the customers operate.

The Group's bank balances and bank balances held for clients are mainly deposited with state-owned commercial banks, joint-stock commercial banks and major city commercial banks. Meanwhile, deposits with exchange-clearing organizations and refundable deposits are all placed with authorized exchange-clearing organizations in the PRC, with a relatively low level of credit risk.

The Group's credit risk also arises from its futures brokerage service. Under clearing rules, a minimum margin requirement is set by the respective futures exchanges. Therefore a minimum margin deposit is to be placed with the futures broker when an individual customer has a position. However, the Group has to fulfil the obligation on daily settlements by using its own funds if the customer margin deposit balance is insufficient and the customer fails to replenish the balance by the end of each trading day. Credit risks are mainly associated to customer's inability to meet the daily settlement obligation. To mitigate the credit risk from futures brokerage service, the Group usually requires the customers to maintain a margin deposit balance that is higher than the minimum margin required by futures exchanges. The Group also monitors each customer's credit status on a real-time basis and, therefore, may require customers to deposit additional collateral and/or reduce positions when necessary. Since trading rules set a daily limit move for every futures contract, the Group's credit exposure under normal market conditions at the end of each trading day is generally not significant.

To mitigate risks, the Group also requests the customers to provide standard warehouse warrants or government bonds as collateral where appropriate. An operating procedure for such collateral has been developed, and there is a guideline to specify the suitability of accepting such collateral. Fair value of the collateral is estimated by the Group with reference to the latest prices of the underlying physical commodities of standard warehouse warrants or the latest tradable prices of government bonds.

The Group maintains an ECL model to recognize a loss allowance for assets carried at amortized cost. The Group assesses whether or not the credit risk of relevant instrument has increased significantly since the initial recognition and measures their impairment allowance, ECL and future variance in ECL under the "three stage" impairment model.

(a) Forward-looking information incorporated in the ECL models

Both the assessment of SICR and the calculation of ECL allowances incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables regarding credit risk for each portfolio.

As at December 31, 2022, 2023 and 2024, the key economic variables used by the Group is the growth rate of GDP. Under the 2023 baseline scenario, the average forecast value is about 5.10%, the optimistic scenario forecast is 0.60 percentage points higher than the baseline, and the pessimistic scenario forecast is 0.30 percentage points lower than the baseline. Under the 2024 baseline scenario, the average forecast value is about 4.80%, the optimistic scenario forecast is 0.30 percentage points higher than the baseline, and the pessimistic scenario forecast is 0.30 percentage points lower than the baseline. Under the 2025 baseline scenario, the average forecast value is about 4.70%, the optimistic scenario forecast is 0.40 percentage points higher than the baseline, and the pessimistic scenario forecast is 0.40 percentage points lower than the baseline.

The weightings assigned to each economic scenario at December 31, 2022, 2023 and 2024 are as follows:

	Base	Optimistic	Pessimistic
All portfolios	60%	10%	30%

(b) Impairment of financial assets

The Group's bank balances, bank balances held for clients, deposits with exchange-clearing organizations and refundable deposits are all deposited in banks and exchange-clearing organizations which have decent credit rating and no history of default. There are no unfavorable current conditions and forecast of future economic conditions for these assets at December 31, 2022, 2023 and 2024. Therefore, their credit risk is considered low and the expected credit loss is limited. For financial assets held under resale agreements, the Group receives sufficient debt securities or warehouse receipts as collateral. Therefore, the expected credit loss is immaterial.

All of these assets are classified under stage 1.

(c) Maximum exposure to credit risk

Before considering collaterals or other credit enhancement methods, the maximum credit risk exposure is the carrying amount of financial assets (net of provisions for impairment). The maximum credit risk exposure is as follows:

	December 31, 2022	December 31, 2023	December 31, 2024
Cash and bank balances	1,689,615	1,773,052	2,273,931
Deposits with exchange-clearing organizations	12,443,556	10,939,043	11,782,759
Bank balances held for clients	15,924,857	18,723,106	31,551,141
Other current assets (excluding non-financial assets)	326,973	343,625	68,338
Commission receivable	–	12,071	13,433
Prepayments and trade receivables (excluding prepayments)	1,214	2	71
Buyback financial assets	–	7,064	–
Financial assets at fair value through profit or loss	1,476,462	2,754,122	1,968,109
Derivative financial assets	1,587,179	1,070,105	410,360
Financial assets at fair value through other comprehensive income	36,664	40,917	50,616
	33,486,520	35,663,107	48,118,758

4.2 Market risk

Market risk is from loss in fair value of financial instruments or cash flows movement, due to key factors such as price risk, interest rate risk and currency risk.

(a) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity securities, derivatives, asset management schemes, private securities investment funds and trust schemes with the underlying investments in equity instruments. The market prices of those financial instruments could lead to the fluctuation of investment value. A majority of these investments are traded in relevant capital markets, such as domestic and overseas futures exchanges as well as domestic stock exchanges. The Group is facing high market risk due to the volatility of those investments.

The Group's price risk management policy involves setting investment objectives, scales and loss-cut limits for each individual investment. Two main measures are adopted by management level to mitigate the risk: (a) holding an appropriately diversified investment portfolio, setting limits for investments in different type of investments and monitoring the investment portfolio to reduce the risk of concentration in any one specific commodity type, industry or issuer; (b) monitoring the fluctuation of market price and execution of investment limit management.

Sensitivity analysis

The analysis below shows the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of equity instruments and derivatives by 5%, assuming all other variables remain unchanged. A positive result indicates an increase in profit before income tax, while a negative result indicates otherwise.

	Year ended December 31,		
	2022	**2023**	**2024**
Profit before income tax			
Increase by 5%	1,200	1,274	1,710
Decrease by 5%	(1,200)	(1,274)	(1,710)

(b) Interest rate risk

Interest rate risk is defined that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The main interest bearing assets of Group are bank deposits, bank balances held for clients, deposits with exchange-clearing organizations, buyback financial assets, and investments in debt instruments. The interest rates of bank deposits are determined by the agreement established with banks, and the interest rate of deposits with exchange-clearing organizations is determined by the clearing organizations.

The table below presents the contractual re-pricing dates or the residual maturities of the financial assets and liabilities (whichever are earlier):

As at December 31, 2022	Within 1 month	1-3 months	3 months to 1 year	1 year to 3 years	over 3 years	Non-Interest bearing	Total
Cash and bank balances	849,306	207,258	216,605	416,446	–	–	1,689,615
Deposits with exchange-clearing organizations	9,346,274	–	–	–	–	3,097,282	12,443,556
Bank balances held for clients	4,504,967	1,491,460	9,928,430	–	–	–	15,924,857
Other current assets (excluding non-financial assets)	–	–	–	–	–	326,973	326,973
Prepayments and trade receivables (excluding prepayments)	–	–	–	–	–	1,214	1,214
Financial assets at fair value through profit or loss	2,000	101,122	11,973	10,065	–	1,351,302	1,476,462
Financial assets at fair value through other comprehensive income	–	–	–	–	–	36,664	36,664
Derivative financial assets	–	–	–	–	–	1,587,179	1,587,179
	14,702,547	1,799,840	10,157,008	426,511	–	6,400,614	33,486,520
Borrowings	462,154	39	440,000	–	–	24,097	926,290
Debt instrument issued	–	–	–	510,291	–	–	510,291
Accounts payable to brokerage clients	–	–	–	–	–	27,505,794	27,505,794
Derivative financial liabilities	–	–	–	–	–	44,474	44,474
Financial liabilities at fair value through profit or loss	–	–	–	–	–	9,328	9,328
Lease liabilities	–	–	18,410	15,736	2,739	–	36,885
Trade and other payables (excluding non-financial liabilities)	–	61,821	–	–	–	1,325,019	1,386,840
	462,154	61,860	458,410	526,027	2,739	28,908,712	30,419,902
Interest rate sensitivity gap	14,240,393	1,737,980	9,698,598	(99,516)	(2,739)	(22,508,098)	3,066,618

As at December 31, 2023	Within 1 month	1-3 months	3 months to 1 year	1 year to 3 years	over 3 years	Non-Interest bearing	Total
Cash and bank balances	673,394	591,743	19,031	488,884	–	–	1,773,052
Deposits with exchange-clearing organizations	8,363,406	–	–	–	–	2,575,637	10,939,043
Bank balances held for clients	8,418,525	1,011,300	9,293,281	–	–	–	18,723,106
Other current assets (excluding non-financial assets)	–	–	–	–	–	343,625	343,625
Commission receivable	–	–	–	–	–	12,071	12,071
Prepayments and trade receivables (excluding prepayments)	–	–	–	–	–	2	2
Buyback financial assets	–	–	–	–	–	7,064	7,064
Financial assets at fair value through profit or loss	308	2,067,220	6,305	10,474	–	669,815	2,754,122
Derivative financial assets	–	–	–	–	–	1,070,105	1,070,105
Financial assets at fair value through other comprehensive income	–	–	–	–	–	40,917	40,917
	17,455,633	3,670,263	9,318,617	499,358	–	4,719,236	35,663,107
Borrowings	20,517	179,023	395,000	–	–	15,121	609,661
Debt instrument issued	–	–	–	510,951	–	–	510,951
Accounts payable to brokerage clients	–	–	–	–	–	29,039,353	29,039,353
Derivative financial liabilities	–	–	–	–	–	20,058	20,058
Financial liabilities at fair value through profit or loss	–	–	–	–	–	44,944	44,944
Lease liabilities	–	–	16,055	12,066	1,651	–	29,772
Trade and other payables (excluding non-financial liabilities)	–	16,948	–	–	–	1,924,354	1,941,302
	20,517	195,971	411,055	523,017	1,651	31,043,830	32,196,041
Interest rate sensitivity gap	17,435,116	3,474,292	8,907,562	(23,659)	(1,651)	(26,324,594)	3,467,066

As at December 31, 2024	Within 1 month	1-3 months	3 months to 1 year	1 year to 3 years	over 3 years	Non-Interest bearing	Total
Cash and bank balances	1,686,017	299,917	287,997	–	–	–	2,273,931
Deposits with exchange-clearing organizations	4,088,739	–	–	–	–	7,694,020	11,782,759
Bank balances held for clients	21,370,028	1,650,457	8,530,656	–	–	–	31,551,141
Other current assets (excluding non-financial assets)	–	–	–	–	–	68,338	68,338
Commission receivable	–	–	–	–	–	13,433	13,433
Prepayments and trade receivables (excluding prepayments)	–	–	–	–	–	71	71
Financial assets at fair value through profit or loss	517,699	842,354	10,570	–	–	597,486	1,968,109
Derivative financial assets	–	–	–	–	–	410,360	410,360
Financial assets at fair value through other comprehensive income	–	–	–	–	–	50,616	50,616
	27,662,483	2,792,728	8,829,223	–	–	8,834,324	48,118,758
Borrowings	279	47,915	332,483	–	–	–	380,677
Debt instrument issued	–	–	511,611	–	–	–	511,611
Accounts payable to brokerage clients	–	–	–	–	–	42,596,980	42,596,980
Derivative financial liabilities	–	–	–	–	–	80,710	80,710
Financial liabilities at fair value through profit or loss	–	–	–	–	–	32,172	32,172
Lease liabilities	187	675	16,941	16,727	2,038	–	36,568
Trade and other payables (excluding non-financial liabilities)	–	6,032	–	–	–	673,651	679,683
	466	54,622	861,035	16,727	2,038	43,383,513	44,318,401
Interest rate sensitivity gap	27,662,017	2,738,106	7,968,188	(16,727)	(2,038)	(34,549,189)	3,800,357

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to the interest rate risks for interest-bearing assets and liabilities. A 25 basis points increase or decreases in the relevant interest rates will be applied in the sensitivity analysis as possible reasonable shift, assuming all other variables remain unchanged. A positive result below indicates an increase in profit before income tax, while a negative result indicates otherwise.

	Year ended December 31,		
	2022	**2023**	**2024**
Net interest income			
Increases by 25bps	63,937	74,479	95,874
Decreases by 25bps	(63,937)	(74,479)	(95,874)

When conducting interest rate sensitivity analysis, the Group makes the following general assumptions in determining commercial terms and financial parameters:

- different interest-bearing assets and interest-bearing liabilities have the same amplitude of interest rate volatility;
- all assets and liabilities are re-priced in the middle of relevant period;
- analysis is based on the static gap on the financial position reporting date, without considering subsequent changes;
- impact of interest rate changes on customer behaviors not considered;
- impact of interest rate changes on market prices not considered;
- interest rate of demand deposits moving in the same direction and extend;
- necessary measures that may be adopted by the Group in response to interest rate changes not considered.

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies different from the functional currency of the Group.

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, the majority of the business transactions are denominated in RMB, with only insignificant revenue from foreign currency transactions. The Group considers that its currency risk is immaterial.

As at December 31, 2022, 2023 and 2024, the Group's major financial assets/liabilities exposed to foreign exchange risk, representing those financial assets/liabilities denominated in USD and HKD and included in a group entity with different functional currency:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets denominated in:			
USD	7,412,284	7,531,012	9,949,613
HKD	1,448,195	496,055	407,872
Others	924,868	839,476	244,205

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities denominated in:			
USD	1,373,120	8,171,353	9,633,237
HKD	7,104,849	531,134	372,617
Others	665,753	1,012,578	234,108

As shown in the table above, the Group is primarily exposed to changes in USD and HKD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD and HKD denominated financial instruments is as below:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
USD exchange rate –			
Increase 5%	301,958	(32,017)	15,819
Decrease 5%	(301,958)	32,017	(15,819)
HKD exchange rate –			
Increase 5%	(282,833)	(1,754)	1,763
Decrease 5%	282,833	1,754	(1,763)

Other foreign currencies of changes have no significant impact on foreign exchange risk.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to lack of capital or funds. During the normal course of business, the Group may suffer from liquidity risk caused by macroeconomic policy changes, market volatility, poor operations, credit downgrades, mismatches between assets and liabilities, low turnover rate of assets, significant proprietary trading position, or an excessive high ratio of long-term investments. If the Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, the Group could be faced with penalties by the regulatory authorities in the form of restrictions on the Group's business operations, which would cause bad effects on the Group's operations and reputation.

The Group manages and controls its funds in a centralized manner. The Group's liquidity risk management principles are comprehensiveness, prudence and foreseeability and its overall objective is to build a sound liquidity risk management system so that it can identify, measure, monitor and control liquidity risk effectively and ensure that the requirement of liquidity could be met timely with an appropriate cost.

The Group's finance department organizes the cash budget annually and sets up the fund plan based on it. Under the approval of the Company, the funds will be scheduled and arranged uniformly in order to ensure the consistence of funds demand and cost of the capital control.

After approved by the Board of Directors, the finance department decides the scale and the structure of a high quality liquid assets, by analysing the condition of the Company's business scale, total liability, financing ability, and duration of the asset and liability prudently, so as to improve the liquidity and the risk resistance.

The Group invests surplus cash above balance required for working capital management in time deposits, and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The tables below present the cash flows payable by the Group for financial liabilities by remaining contractual maturities as at December 31, 2022, 2023 and 2024. The amounts disclosed in the tables are the contractual undiscounted cash flows, including both interest and principal cash flows. For items with floating interest rates, the undiscounted amounts are derived using interest rates at the end of each reporting period.

The liquidity risk will be offset by the movement of deposits with exchange-clearing organizations and bank balances held for clients.

The tables below analyze the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at each balance sheet date to their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at December 31, 2022	Overdue/ repayable on demand	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	398,215	64,797	6,480	471,809	–	941,301
Accounts payable to brokerage clients	27,505,794	–	–	–	–	27,505,794
Financial liabilities at fair value through profit or loss	9,328	–	–	–	–	9,328
Lease liabilities	–	–	–	18,410	20,844	39,254
Trade and other payables (excluding non-financial liabilities)	1,359,879	(18,219)	–	50,163	1,938	1,393,761
Debt instrument issued	–	–	–	24,900	549,800	574,700
Futures investors' security funds payable	706	–	–	–		706
	29,273,216	46,578	6,480	565,282	572,582	30,464,138
Derivative financial liabilities:						
Cash inflow	683,315	–	–	–	–	683,315
Cash outflow	–	–	–	–	–	–

As at December 31, 2023	Overdue/ repayable on demand	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	–	22,486	188,099	412,579	–	623,164
Accounts payable to brokerage clients	28,938,814	100,539	–	–	–	29,039,353
Financial liabilities at fair value through profit or loss	44,944	–	–	–	–	44,944
Commission payable	4,912,653	–	–	–	–	4,912,653
Lease liabilities	–	–	–	16,055	15,462	31,517
Trade and other payables (excluding non-financial liabilities)	1,832,704	7,635	–	106,385	1,447	1,948,171
Debt instrument issued	–	–	–	24,900	524,900	549,800
Futures investors' security funds payable	670	–	–	–	–	670
	35,729,115	130,660	188,099	559,919	541,809	37,149,602
Derivative financial liabilities:						
Cash inflow	–	–	–	–	–	–
Cash outflow	197,447	–	–	–	–	197,447

As at December 31, 2024	Overdue/ repayable on demand	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	–	716	49,490	337,304	–	387,510
Accounts payable to brokerage clients	42,596,980	–	–	–	–	42,596,980
Financial liabilities at fair value through profit or loss	32,172	–	–	–	–	32,172
Commission payable	5,715	–	–	–	–	5,715
Lease liabilities	–	–	–	19,164	19,567	38,731
Trade and other payables (excluding non-financial liabilities)	590,461	33,469	365	61,916	–	686,211
Debt instrument issued	–	–	–	524,900	–	524,900
Futures investors' security funds payable	750	–	–	–	–	750
	43,225,328	34,185	49,855	943,284	19,567	44,272,219
Derivative financial liabilities:						
Cash inflow	–	–	–	–	–	–
Cash outflow	80,710	–	–	–	–	80,710

4.3 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The table below analyzes financial instruments measured at fair value at the end of each reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the financial assets and liabilities that are measured at fair value at December 31, 2022, 2023 and 2024.

	As at December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss:				
Debt securities	516,996	–	–	516,996
Equity instruments	75,025	–	418,939	493,946
Wealth management products	–	–	465,502	465,502
Derivative financial assets	1,587,179	–	–	1,587,179
Financial assets at fair value through other comprehensive income	–	–	40,917	40,917
Inventory – hedged items	–	–	150,367	150,367
Other current assets – hedged items	–	–	128,036	128,036
Accounts receivable financing	–	–	36,664	36,664
Financial liabilities at fair value through profit or loss	–	–	9,328	9,328
Derivative financial liabilities	–	–	44,474	44,474

	As at December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss:				
Debt securities	2,067,432	–	–	2,067,432
Equity instruments	43,901	–	643,596	686,687
Wealth management products	–	–	3	3
Derivative financial assets	1,070,105	–	–	1,070,105
Financial assets at fair value through other comprehensive income	–	–	40,917	40,917
Inventory – hedged items	–	–	140,503	140,503
Other current assets – hedged items	–	–	21,582	21,582
Financial liabilities at fair value through profit or loss	–	–	44,944	44,944
Derivative financial liabilities	–	–	20,058	20,058

	As at December 31, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Debt securities	1,360,052	–	–	1,360,052
Equity instruments	256,713	–	151,344	408,057
Wealth management products	–	–	200,000	200,000
Derivative financial assets	366,815	–	43,545	410,360
Financial assets at fair value through other comprehensive income	16,997	–	33,619	50,616
Inventory – hedged items	–	–	176,454	176,454
Other current assets – hedged items	–	–	9,942	9,942
Financial liabilities at fair value through profit or loss	–	–	32,172	32,172
Derivative financial liabilities	–	–	80,710	80,710

(1) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in level 1.

(2) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

For the year ended December 31, 2022, 2023 and 2024, there are no significant transfers between level 1 and level 2 of the fair value hierarchy of the Group.

(3) Financial instruments in level 3

A financial instrument is included in level 3 if one or more of the significant inputs is not based on observable market data.

The Group determines the fair value of the financial instrument by valuation techniques when it is difficult to obtain quotations from the open market.

The main parameters of valuation techniques used in financial instruments includes interest rate, stock and equity price, volatility level, prepayment rates, and the credits spreads of counterparty. All of these parameters can be observed and obtained from the open market.

For financial assets measured at fair value through profit or loss, including wealth management products and funds purchased by the Group, the fair value is calculated based on valuations provided by their respective managers.

For hedged items, the Company determines their fair value based on the difference between the spot price at the period-end and the execution price of forward contracts.

For other equity instrument investments (futures membership investment qualifications) measured at fair value, the Company calculates their fair value based on the purchase cost of the futures membership qualifications.

For over-the-counter (OTC) options measured at fair value through profit or loss, the Company use valuation techniques, including option pricing models, to determine their fair value. These models incorporate unobservable parameters such as volatility.

For the interests of other unit holders in consolidated structured entities measured at fair value through profit or loss, the Company using the market prices of the underlying investments to calculate fair value.

4.4 Capital management

The Group's objectives of capital management are:

- To safeguard the ability of the Company and its subsidiary to continue as a going concern so that they could make profits and benefits for shareholders or other stakeholders;
- To support the stability and growth of the Company and its subsidiary;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC regulations.

According to the "Administrative Measures Concerning Risk Control Indicators for Future Companies" (《期貨公司風險監管指標管理辦法》) issued by the CSRC on April 18, 2017, the Company is required to meet the following risk control requirements on a continual basis:

- The net capital shall be no less than RMB30,000,000;
- The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;
- The ratio of net capital divided by net assets shall be no less than 20%;
- The ratio of current assets divided by current liabilities shall be no less than 100%;
- The ratio of liabilities divided by net capital shall be no greater than 150%;
- The clearing settlement funds shall be greater than RMB26,800,000.

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

The Group manages its capital risk through timely monitoring, evaluating, reporting and comparing with target position of capital management, and the Group takes on a series of measures such as assets growth control, structure adjustment, internal or external capital accumulation, to make sure all the requirements of monitoring could be met as well as continuous improvement across its business.

5 SUMMARY OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group continually evaluates its critical accounting estimates and judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are outlined below. It is possible that actual results may be materially different from the estimates and judgments referred to below.

5.1 Classification of financial assets

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required.

Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers or trustees are compensated.

When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

5.2 Fair value of financial instruments

The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques. These techniques include discounted cash flow analysis model, Binomial Model and Black-Scholes Model etc. Observable input are used at arm's length in spite of areas such as credit risk (both own and counterparty) require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

5.3 Income taxes

The Group is mainly subject to income taxes in China. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Taxation matters such as tax deductible due to asset impairment loss are subject to the decision of taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax and deferred tax assets and liabilities in the period in which such determination is made.

5.4 Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

6 OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business engaged in the following activities, which are subject to risks and returns that are different from the other operating segments.

PRC Futures Brokerage: mainly provides a solid bridge for clients to participate in commodity and financial futures trading.

PRC Risk Management Services: mainly provides tailored hedging services for enterprises and institutions using specialized tools.

PRC Wealth Management: mainly provides mutual fund management, asset management, and agency sale of funds.

Overseas Financial Services: offering core services such as brokerage, clearing, and asset management in international markets.

Others: businesses not included in the above four segments.

Segment information for the year ended December 31, 2022 is as follows:

	PRC Futures Brokerage	PRC Wealth Management	PRC Risk Management Services	Overseas Financial Services	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating income	536,199	60,603	5,990,520	231,104	4,797	6,823,223
Operating expenses	(413,426)	(72,183)	(5,942,806)	(98,764)	–	(6,527,179)
Share of profits or loss of associates and joint ventures	(496)	–	–	–	–	(496)
Other (losses)/gains, net	–	121	(945)	109	–	(715)
Profit before income tax	122,277	(11,459)	46,769	132,449	4,797	294,833
Income tax expenses						(48,921)
Profit for the year						245,912
Total assets	20,580,979	999,318	2,531,775	9,891,685	185,428	34,189,185
Total liabilities	18,628,105	403,255	2,116,683	9,156,638	559,461	30,864,142
Other segment information:						
Depreciation and amortisation	39,345	3,110	1,129	5,260	–	48,844
Capital expenditure	8,797	368	304	1,367	–	10,836

Segment information for the year ended December 31, 2023 is as follows:

	PRC Futures Brokerage	PRC Wealth Management	PRC Risk Management Services	Overseas Financial Services	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating income	571,099	90,133	4,999,222	567,312	19,135	6,246,901
Operating expenses	(465,062)	(99,321)	(5,025,409)	(170,186)	–	(5,759,978)
Share of profits or loss of associates and joint ventures	(381)	–	6	–	–	(375)
Other (losses)/gains, net	(1)	–	(34,760)	(320)	(3,030)	(38,111)
Profit before income tax	105,655	(9,188)	(60,941)	396,806	16,105	448,437
Income tax expenses						(45,615)
Profit for the year						402,822
Total assets	22,626,305	854,829	2,314,492	9,768,968	760,928	36,325,522
Total liabilities	19,049,880	656,873	2,500,310	9,738,773	666,767	32,612,603
Other segment information:						
Depreciation and amortisation	42,481	945	1,039	4,430	–	48,895
Capital expenditure	37,672	80	655	2,539	–	40,946

Segment information for the year ended December 31, 2024 is as follows:

	PRC Futures Brokerage	PRC Wealth Management	PRC Risk Management Services	Overseas Financial Services	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating income	494,386	68,220	4,485,032	654,204	10,347	5,712,189
Operating expenses	(458,600)	(71,568)	(4,475,405)	(188,048)	–	(5,193,621)
Share of profits or loss of associates and joint ventures	(576)	–	2	–	–	(574)
Other (losses)/gains, net	–	(18)	7,228	(1,342)	(2,203)	3,665
Profit before income tax	35,210	(3,366)	16,857	464,814	8,144	521,659
Income tax expenses						(63,622)
Profit for the year						458,037
Total assets	33,306,836	450,966	2,355,405	12,053,541	696,649	48,863,397
Total liabilities	29,406,095	547,550	2,764,024	11,384,250	636,638	44,738,557
Other segment information:						
Depreciation and amortisation	41,478	3,110	1,129	5,260	–	50,977
Capital expenditure	8,288	100	595	389	–	9,372

7 The Group's interest in structured entities not included in the scope of consolidation

(a) Interests in structured entities initiated and established

Unconsolidated structured entities established by the Group mainly include asset management plans established by the Group. The nature and objective of the structured entities is to manage investors' assets and collect management fees. Financing is sustained through investment products issued to investors. The interests held by the Group in these unconsolidated structured entities mainly involve management fees and performance fees collected from managed structured entities.

The relevant book values and maximum exposures are as follows:

	As at December 31,					
	2022		2023		2024	
	Carrying amount	*Maximum exposure*	*Carrying amount*	*Maximum exposure*	*Carrying amount*	*Maximum exposure*
Financial assets at fair value through profit or loss	703,984	703,984	1,199,028	1,199,028	95,076	95,076

For the years ended December 31, 2022, 2023 and 2024, the Group received the following income from these structured entities held not included in the scope of consolidation:

	Year ended December 31,		
	2022	2023	2024
Investment income	(1,124)	24	–
management fees	2,862	8,790	384
performance fees	427	259	182

As at December 31, 2022, 2023 and 2024, the Group has not provided and does not intend to provide any financial support to these structured entities not included in the scope of consolidation.

(b) Interests in structured entities initiated and established by third party

The maximum exposure and the book value of relevant balance sheet items of the Group arising from the interest held in directly invested structured entities such as fund, asset management products that are sponsored by third party financial institutions were set out as below:

	As at December 31,					
	2022		2023		2024	
	Carrying amount	*Maximum exposure*	*Carrying amount*	*Maximum exposure*	*Carrying amount*	*Maximum exposure*
Financial assets at fair value through profit or loss	323,816	323,816	284,611	284,611	357,583	357,583

8 NET COMMISSION AND FEE INCOME

	Year ended December 31,		
	2022	2023	2024
Futures brokerage services	423,940	503,331	446,298
Asset management services	21,351	33,873	25,763
Mutual fund services	40,301	67,601	58,093
Other commission income	12,446	6,854	12,243
	498,038	611,659	542,397

9 NET INTEREST INCOME

	Year ended December 31,		
	2022	2023	2024
Interest income from own funds	52,993	66,917	81,971
Interest income from client funds	312,959	536,914	644,121
Interest expense on loan, bonds and others	(37,605)	(59,791)	(42,362)
Consolidated structured entities' distribution	(1,809)	1,335	(1,930)
	326,538	545,375	681,800

10 NET INVESTMENT GAINS

	Year ended December 31,		
	2022	2023	2024
Net realized gains/(losses) of			
– Financial assets at fair value through profit or loss	(146,323)	(22,894)	(250,001)
– Financial liabilities at fair value through profit or loss	97,462	198,650	312,998
Unrealized fair value changes of			
– Financial assets at fair value through profit or loss	104,700	(79,760)	12,765
– Financial liabilities at fair value through profit or loss	26,950	6,243	(36,644)
– Executory contracts	26,415	(67,690)	(1,748)
– Physical commodities	(12,331)	6,433	(750)
Exchange losses	(10,615)	(1,685)	(8,146)
	86,258	39,297	28,474

11 TRADE INCOME

	Year ended December 31,		
	2022	2023	2024
Basis trading income	5,884,696	5,009,624	4,401,080
Other trading income	2,237	624	12,326
	5,886,933	5,010,248	4,413,406

12 OTHER OPERATING INCOME

	Year ended December 31,		
	2022	2023	2024
Government grants	9,054	13,057	1,367
"Insurance + Futures" income	2,230	14,031	28,640
Other income	14,172	13,234	16,105
	25,456	40,322	46,112

13 STAFF COSTS

	Year ended December 31,		
	2022	2023	2024
Salaries and bonus	302,078	367,713	358,391
Pension	33,213	42,335	46,218
Other social securities	19,383	16,792	17,489
Labour union charge and employee education charge	4,192	4,454	4,449
Other welfares	1,142	3,393	2,108
	360,008	434,687	428,655

(1) The five highest paid individuals:

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2022 include 1 director whose emoluments are reflected in the analysis shown in note (2) below. The emoluments paid to the remaining 4,5 and 5 individuals during the years ended December 31, 2022, 2023 and 2024, respectively, are as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
Salaries, allowances and other welfares	6,366	6,869	7,132
Social insurance, housing fund and related pension costs	867	1,251	1,262
Bonus	2,148	9,798	12,505
	9,381	17,918	20,899

The number of the above individuals whose remuneration fell within the following bands is set out below:

	Year ended December 31,		
	2022	**2023**	**2024**
HKD2,500,001 to HKD3,000,000	4	–	–
HKD3,000,001 to HKD3,500,000	–	2	2
HKD3,500,001 to HKD4,000,000	–	1	1
HKD4,500,001 to HKD5,000,000	–	1	–
HKD5,000,001 to HKD5,500,000	–	1	1
HKD6,000,001 to HKD6,500,000	–	–	1
	4	5	5

(2) Directors' and Supervisors' Remuneration

Directors' and supervisors' remuneration for the Track Record Period, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Year ended December 31, 2022	Salaries, wages and bonuses	Retirement benefits	Discretionary bonus	Housing fund and other benefits	Total remuneration before tax
Non-executive directors:					
Hu Tiangao	–	–	–	–	–
Li Baoping	–	–	–	–	–
Xu Wencai	–	–	–	–	–
Executive directors:					
Luo Xufeng	1,097	61	883	181	2,222
Independent non-execute directors:					
Chen Rong	120	–	–	–	120
Guan Qingyou	120	–	–	–	120
Zhang Hongying	120	–	–	–	120
Supervisors:					
Li Guoping	–	–	–	–	–
Jin Longhua	–	–	–	–	–
Xia Haibo	371	61	420	161	1,013
Total	1,828	122	1,303	342	3,595

Year ended December 31, 2023	Salaries, wages and bonuses	Retirement benefits	Discretionary bonus	Housing fund and other benefits	Total remuneration before tax
Non-executive directors:					
Hu Tiangao	–	–	–	–	–
Li Baoping	–	–	–	–	–
Xu Wencai	–	–	–	–	–
Executive directors:					
Luo Xufeng	1,100	64	–	197	1,361
Independent non-execute directors:					
Chen Rong	120	–	–	–	120
Guan Qingyou	120	–	–	–	120
Zhang Hongying	120	–	–	–	120
Supervisors:					
Li Guoping	–	–	–	–	–
Jin Longhua	–	–	–	–	–
Xia Haibo	363	64	472	163	1,062
Total	1,823	128	472	360	2,783

Year ended December 31, 2024	Salaries, wages and bonuses	Retirement benefits	Discretionary bonus	Housing fund and other benefits	Total remuneration before tax
Non-executive directors:					
Hu Tiangao	–	–	–	–	–
Li Baoping	–	–	–	–	–
Xu Wencai	–	–	–	–	–
Executive directors:					
Luo Xufeng	1,040	68	940	206	2,254
Independent non-execute directors:					
Chen Rong	120	–	–	–	120
Guan Qingyou	68	–	–	–	68
Xu Lin [(i)]	53	–	–	–	53
Zhang Hongying	120	–	–	–	120
Supervisors:					
Li Guoping	–	–	–	–	–
Jin Longhua	–	–	–	–	–
Xia Haibo	383	68	472	166	1,089
Total	1,784	136	1,412	372	3,704

(i) Xu Lin was appointed as independent non-execute director of the Company in July 2024.

(3) Directors' and Supervisors' Other Benefits

No retirement and termination benefits were paid to the directors and supervisors of the Company by the Group in respect of the director's services as a director and a supervisor of the Group or other services in connection with the management of the affairs of the Group during the Track Record Period.

No consideration provided to third parties for making available directors' and supervisors' services subsisted at the end of each reporting period or at any time during the Track Record Period.

There were no loans, quasi-loans or other dealings entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

Save as disclosed in Note 48, there were no significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director and a supervisor of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

14 DEPRECIATION AND AMORTIZATION

	Year ended December 31,		
	2022	2023	2024
Depreciation of right-of-use assets	24,977	22,256	22,878
Depreciation of property, plant and equipment	19,173	21,200	23,101
Amortization of intangible assets	2,189	2,894	2,822
Amortization of long-term deferred expenses	2,090	2,467	2,098
Depreciation of investment properties	415	78	78
	48,844	48,895	50,977

15 IMPAIRMENT LOSSES/(REVERSAL) OF IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET

	Year ended December 31,		
	2022	2023	2024
Net impairment losses on dealers	(2,864)	8,100	19,501
Net impairment losses on accounts receivable	47	2,246	–
	(2,817)	10,346	19,501

16 TRADE EXPENSES

	Year ended December 31,		
	2022	2023	2024
Basis trading expenses	5,868,817	4,954,029	4,357,346
Other trading expenses	1,900	625	478
	5,870,717	4,954,654	4,357,824

17 OTHER OPERATING EXPENSES

	Year ended December 31,		
	2022	2023	2024
Information service fees	53,210	67,763	57,788
Office expenses	31,505	43,425	39,437
Information system maintenance fees	18,414	25,345	28,979
Property maintenance fees	11,900	12,370	14,289
Consulting expenses	25,370	21,018	17,462
Auditors' remuneration	585	613	613
Futures investors protection fund	666	616	709
Marketing and distribution expenses	16,788	16,021	14,566
Service costs	26,276	31,035	16,212
"Insurance + Futures" expenses	2,404	14,138	29,750
Taxes and surcharges	14,584	8,654	8,864
Risk reserves	18,018	21,537	14,933
Impairment losses on assets	639	717	(1,562)
Other expenses	30,068	48,144	94,624
	250,427	311,396	336,664

18 OTHER (LOSSES)/GAINS, NET

	Year ended December 31,		
	2022	2023	2024
Non-recurring losses	–	(33,722)	(1,453)
Breach penalty	3,320	(2,543)	2,852
Donation	(1,976)	(1,568)	(1,550)
Others	(2,059)	(278)	3,816
	(715)	(38,111)	3,665

19 INCOME TAX EXPENSES

	Year ended December 31,		
	2022	2023	2024
Current income tax expenses	50,987	61,952	59,118
Deferred income tax expenses	(2,066)	(16,337)	4,504
	48,921	45,615	63,622

The mainland China income tax provision is based on the statutory tax rate of 25% of the taxable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations. Hong Kong subsidiaries apply a tiered CIT rate: 8.25% on taxable income up to HKD2,000,000 and 16.5% on income exceeding HKD2,000,000. Nanhua Singapore Pte. Ltd. is subject to 13.5%, and other Singapore subsidiaries are subject to 17%. Nanhua UK, registered in the UK, was subject to a CIT rate of 19% for the period up to March 2023. For the period from April 2023 onwards, the applicable rate increased to 25%. The U.S. subsidiaries are subject to a CIT rate of 30.5%, the Cayman Islands/Virgin Islands entities are subject to a CIT rate of 0%.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate applicable to profits in the respective countries and regions. The major reconciliation items are as follows:

	Year ended December 31,		
	2022	2023	2024
Profit before income tax	294,833	448,437	521,659
Tax calculated at a tax rate of 25%	73,708	112,109	130,415
Different tax rates in other countries/areas	(10,871)	(19,174)	(22,574)
Super deduction for research and development	(3,179)	(6,235)	(2,567)
Utilisation of previously unrecognized tax losses	(2,186)	(11,413)	(20,171)
Income not subject to tax	(14,979)	(35,914)	(32,910)
Items not deductible for tax purpose	1,745	6,260	3,680
The impact of investment income accounted for using the equity method	124	94	144
Adjustments in respect of prior years	5,647	136	2,234
Others	(1,088)	(248)	5,371
	48,921	45,615	63,622

OECD Pillar Two model rules

The group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in Hong Kong, the jurisdiction in which some subsidiaries of Nanhua Futures Co., Ltd. is incorporated, and will come into effect from January 1, 2025. Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure. The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in July 2023. Therefore, the Group has no related current tax exposure and it is estimated that the Group's income tax would not be materially different when related legislation is enacted.

20 DIVIDENDS

	Year ended December 31,		
	2022	2023	2024
Final dividends in respect of the previous year, declared and paid during the year	24,402	34,164	40,265

Final dividends attributable to owners of the Company in respect of the years ended December 31, 2021,2022 and 2023 of RMB0.40 yuan per 10 shares (tax inclusive), RMB0.56 yuan per 10 shares (tax inclusive) and RMB0.66 yuan per 10 shares (tax inclusive), were approved by the Shareholders' Meeting, respectively.

21 EARNINGS PER SHARE

(1) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,		
	2022	2023	2024
Profit attributable to shareholders of the Company (in RMB thousands)	246,060	401,855	457,973
Weighted average number of ordinary shares in issue (in thousands)	610,066	610,066	610,066
Basic earnings per share (in RMB)	0.40	0.66	0.75

(2) Diluted earnings per share

For the year ended December 31, 2022, 2023 and 2024, there are no potential diluted ordinary shares, so the diluted, earnings per share is the same as the basic earnings per share.

22 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronics and other equipment	Total
Cost				
At January 1, 2022	191,243	2,383	88,955	282,581
Purchase	–	70	10,131	10,201
Transfer from investment properties	7,022	–	–	7,022
Disposals	(9,440)	(226)	(2,002)	(11,668)
At December 31, 2022	188,825	2,227	97,084	288,136
Accumulated depreciation				
At January 1, 2022	(917)	(1,796)	(38,332)	(41,045)
Charges	(5,540)	(105)	(13,528)	(19,173)
Transfer from investment properties	(202)	–	–	(202)
Currency translation differences	–	–	(695)	(695)
Disposals	–	215	1,841	2,056
At December 31, 2022	(6,659)	(1,686)	(50,714)	(59,059)
Carrying amount				
At December 31, 2022	182,166	541	46,370	229,077
Cost				
At January 1, 2023	188,825	2,227	97,084	288,136
Additions	3,925	370	31,512	35,807
Disposals	–	–	(8,827)	(8,827)
At December 31, 2023	192,750	2,597	119,769	315,116
Accumulated depreciation				
At January 1, 2023	(6,659)	(1,686)	(50,714)	(59,059)
Additions	(5,446)	(147)	(15,607)	(21,200)
Disposals	–	–	8,034	8,034
At December 31, 2023	(12,105)	(1,833)	(58,287)	(72,225)
Carrying amount				
At December 31, 2023	180,645	764	61,482	242,891

	Buildings	Motor vehicles	Electronics and other equipment	Total
Cost				
At January 1, 2024	192,750	2,597	119,769	315,116
Purchase	1,801	182	4,895	6,878
Currency translation differences	367	–	–	367
Disposals	–	–	(3,367)	(3,367)
At December 31, 2024	197,086	2,961	126,192	326,239
Accumulated depreciation				
At January 1, 2024	(12,104)	(1,833)	(58,288)	(72,225)
Additions	(5,547)	(216)	(17,338)	(23,101)
Disposals	–	–	2,562	2,562
At December 31, 2024	(17,651)	(2,049)	(73,064)	(92,764)
Carrying amount				
At December 31, 2024	175,466	730	50,034	226,230

23 INVESTMENT PROPERTIES

	2022	2023	2024
Cost			
At 1 January	15,565	1,841	1,841
Additions	–	–	–
Transfer out	13,724	–	–
At 31 December	1,841	1,841	1,841
Accumulated depreciation			
At 1 January	(2,493)	(1,606)	(1,684)
Additions	(415)	(78)	(78)
Transfer out	1,302	–	–
At 31 December	(1,606)	(1,684)	(1,762)
Carrying amount			
At 31 December	235	157	79

24 RIGHT-OF-USE ASSETS

	2022	2023	2024
Cost			
At 1 January	239,476	259,926	253,627
Purchase	15,194	19,844	26,545
Transfer from investment properties	6,702	–	–
Disposals	(1,446)	(26,143)	(20,628)
As at 31 December	259,926	253,627	259,544
Accumulated depreciation			
At 1 January	(39,724)	(64,605)	(69,161)
Charges	(24,977)	(22,256)	(22,878)
Transfer from investment properties	(1,100)	–	–
Disposals	1,196	17,700	18,836
As at 31 December	(64,605)	(69,161)	(73,203)
Carrying amount			
As at 31 December	195,321	184,466	186,341

25 INTANGIBLE ASSETS

	2022	2023	2024
Cost			
At 1 January	66,194	15,640	20,743
Additions	602	5,139	2,494
Currency translation differences	33	–	–
Disposals	(51,189)	(37)	(1,996)
At 31 December	15,640	20,742	21,241
Accumulated depreciation			
At 1 January	(58,499)	(9,531)	(12,389)
Additions	(2,189)	(2,894)	(2,822)
Currency translation differences	(32)	–	–
Disposals	51,189	37	1,995
At 31 December	(9,531)	(12,388)	(13,216)
Carrying amount			
At 31 December	6,109	8,354	8,025

The balances of intangible assets comprise of computer software.

26 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at December 31,		
	2022	2023	2024
Joint ventures	650	657	659
Associates	2,075	1,694	1,118
	2,725	2,351	1,777

(1) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the group as at December 31, 2022, 2023 and 2024 that are considered material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business of each entity, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation	% of ownership interest			Nature of relationship	Measurement method	Quoted fair value			Carrying amount		
		2022	2023	2024			2022	2023	2024	2022	2023	2024
		%	%	%								
Heilongjiang Agricultural Investment International Far East Agricultural Development Co., LTD	China	51.15	51.15	51.15	A joint venture	Equity method	650	657	659	650	657	659
Zhejiang Holland & Muh Investment Management Co., Ltd. ("**Zhejiang Holland & Muh**")	China	24.896	24.896	24.896	An associate	Equity method	2,075	1,694	1,118	2,075	1,694	1,118

(2) Summarised financial information for associates and joint ventures

The tables below provide summarised financial information for the group's material joint ventures and associates. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not Nanhua Futures Co., Ltd. 's share of those amounts. The amounts have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

Heilongjiang Agricultural Investment International Far East Agricultural Development Co., LTD

	As at December 31,		
	2022	2023	2024
Current assets	28,307	41,704	21,794
Non-current assets	224	90	46
Total assets	28,531	41,794	21,840
Current liabilities	15,525	28,659	8,655
Non-current liabilities	–	–	–
Total liabilities	15,525	28,659	8,655
Equity	13,006	13,135	13,185
Share of net assets calculated according to shareholding ratio	6,652	6,719	6,744
Book value of investment in associates and joint ventures	650	657	659

	Year ended December 31,		
	2022	2023	2024
Operating income	11,163	51,381	19,765
Net profit	33	130	49
Other comprehensive income	–	–	–
Total comprehensive income	33	130	49

Zhejiang Holland & Muh

	As at December 31,		
	2022	2023	2024
Current assets	7,836	6,338	4,451
Non-current assets	–	7	25
Total assets	7,836	6,345	4,476
Current liabilities	27	65	518
Non-current liabilities	–	–	–
Total liabilities	27	65	518
Equity	7,809	6,280	3,958
Share of net assets calculated according to shareholding ratio	1,944	1,563	986
Book value of investment in associates	2,075	1,694	1,118

	Year ended December 31,		
	2022	2023	2024
Operating income	383	2,118	2,533
Net profit	(1,993)	(1,530)	(2,319)
Other comprehensive income	–	–	–
Total comprehensive income	(1,993)	(1,530)	(2,319)

27 SUBSIDIARIES

As at the date of this report and during the Track Record Period, the Company's directly-held subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Share capital registered/ paid-up capital '000	Principal Business Activities	Equity interest and voting right as at December 31,		
				2022	2023	2024
HGNH International Financial Corporation Limited	Hong Kong	HKD826,000	Investment holding	100%	100%	100%
Zhejiang Nanhua Capital Management Co., Ltd.	PRC	RMB700,000	Risk Management services	100%	100%	100%
Nanhua Fund Management Co., Ltd.	PRC	RMB250,000	Funds management and asset management	100%	100%	100%
HGNH International Asset Management Co., Limited	Hong Kong	HKD10,000	Asset management	100%	100%	100%
HGNH International Futures Co., Limited	Hong Kong	HKD255,000	Futures services	100%	100%	100%
HGNH International Securities Co., Limited	Hong Kong	HKD90,000	Security services	100%	100%	100%
Nanhua USA LLC	USA	USD31,791	Futures services	100%	100%	100%
Nanhua Singapore Pte. Ltd.	Singapore	USD12,000	Futures services	100%	100%	100%
Nanhua Financial (UK) Co., Limited	UK	USD46,000	Financial services	100%	100%	100%
Nanhua Asset Management SG Pte. Ltd.	Singapore	USD2,000	Asset management	70%	70%	70%

The statutory auditors of the above subsidiaries of the Group during the Track Record Period are set out below:

	Name of statutory auditors		
	2022	2023	2024
HGNH International Financial Corporation Limited	Confucius International CPA Limited	Confucius International CPA Limited	Confucius International CPA Limited
Zhejiang Nanhua Capital Management Co., Ltd.	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
Nanhua Fund Management Co., Ltd.	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
HGNH International Asset Management Co., Limited	Confucius International CPA Limited	Confucius International CPA Limited	Confucius International CPA Limited
HGNH International Futures Co., Limited	K. Y. NG & Company Limited	K. Y. NG & Company Limited	K. Y. NG & Company Limited
HGNH International Securities Co., Limited	Confucius International CPA Limited	Confucius International CPA Limited	Confucius International CPA Limited
Nanhua USA LLC	Ryan & Juraska LLP	Ryan & Juraska LLP	Ryan & Juraska LLP
Nanhua Singapore Pte. Ltd.	KPMG LLP	KPMG LLP	PricewaterhouseCoopers
Nanhua Financial (UK) Co., Limited	FISHER, SASSOON & MARKS	FISHER, SASSOON & MARKS	FISHER, SASSOON & MARKS
Nanhua Asset Management SG Pte. Ltd.	EisnerAmper PAC	EisnerAmper PAC	EisnerAmper PAC

(i) For the year ended December 31, 2024, except for Nanhua Fund Management Co., Ltd., the audited financial statements of these entities have not been issued at the date of this report.

28 DEFERRED INCOME TAX ASSETS AND LIABILITIES

	As at December 31, 2022			
	Temporary differences	Deferred income tax assets	Temporary differences	Deferred income tax liabilities
Fair value changes of financial instruments	84,448	21,112	282,429	70,607
Deductible losses	146,254	36,563	–	–
Allowance for doubtful accounts	5,653	1,413	–	–
	236,355	59,088	282,429	70,607

	As at December 31, 2023			
	Temporary differences	**Deferred income tax assets**	**Temporary differences**	**Deferred income tax liabilities**
Fair value changes of financial instruments	29,704	7,426	92,963	23,241
Deductible losses	71,792	17,948	–	–
Lease liabilities	18,687	4,642	–	–
Interest payable	12,743	3,186	–	–
Right-of-use assets	–	–	20,687	5,143
	132,926	33,202	113,650	28,384

	As at December 31, 2024			
	Temporary differences	**Deferred income tax assets**	**Temporary differences**	**Deferred income tax liabilities**
Fair value changes of financial instruments	22,050	5,512	62,357	15,589
Lease liabilities	20,200	5,031	–	–
Interest payable	13,403	3,351	–	–
Right-of-use assets	–	–	22,346	5,569
Others	30,310	7,578	–	–
	85,963	21,472	84,703	21,158

Offsetting of deferred income tax assets and liabilities:

	As at December 31, 2022		**As at December 31, 2023**		**As at December 31, 2024**	
	Offsetting amount	**After offsetting**	**Offsetting amount**	**After offsetting**	**Offsetting amount**	**After offsetting**
Deferred income tax assets	(51,632)	7,456	(25,669)	7,533	(19,014)	2,458
Deferred income tax liabilities	(51,632)	18,975	(25,669)	2,715	(19,014)	2,144

29 OTHER NON-CURRENT ASSETS

	As at December 31,		
	2022	**2023**	**2024**
Long-term deferred expenses	13,477	19,595	18,651
Prepayments	5,102	731	–
Contract fulfilment costs	24,833	26,762	8,069
Others	5,874	10,540	9,644
	49,286	57,628	36,364

30 INVENTORIES

	As at December 31,		
	2022	2023	2024
Hedged items	150,367	104,503	176,454
Others	96	7,519	27,672
	150,463	112,022	204,126

31 DEPOSITS WITH EXCHANGE-CLEARING ORGANIZATIONS

The Group

	As at December 31,		
	2022	2023	2024
Currency margin receivable	9,600,303	9,035,657	10,595,685
Pledge margin receivable	2,797,378	1,838,629	900,050
Settlement guarantees receivable	33,590	49,074	258,290
Settlement provisions	12,285	15,683	28,734
	12,443,556	10,939,043	11,782,759

The Company

	As at December 31,		
	2022	2023	2024
Currency margin receivable	5,437,776	6,288,372	7,077,374
Pledge margin receivable	3,219,635	1,870,432	964,101
Settlement guarantees receivable	33,590	49,074	36,020
Settlement provisions	10,396	11,147	11,482
	8,701,397	8,219,025	8,088,977

(1) Currency margin receivable

	As at December 31,		
	2022	2023	2024
Cost	9,620,753	9,062,361	10,642,981
Allowance	(20,450)	(26,704)	(47,296)
Carrying amount	9,600,303	9,035,657	10,595,685

(2) Pledge margin receivable

	As at December 31,		
	2022	2023	2024
Shanghai Futures Exchange	1,791,489	1,197,252	540,826
Zhengzhou Commodity Exchange	399,168	310,610	105,026
China Financial Futures Exchange	170,865	67,634	159,966
Shanghai International Energy Exchange Co., LTD	95,639	16,007	31,054
Guangzhou Futures Exchange	–	1,359	12,895
Dalian Commodity Exchange	340,217	245,767	50,283
	2,797,378	1,838,629	900,050

(3) Settlement guarantees receivable

	As at December 31,		
	2022	2023	2024
China Financial Futures Exchange	20,099	35,489	22,339
China Securities Depository and Clearing Corporation Limited	13,491	13,585	13,681
Hong Kong Exchanges and Clearing Limited	–	–	36,775
Singapore Exchange Derivatives Clearing Limited	–	–	47,119
CME Group Inc.	–	–	90,711
ICE Clear U. S., Inc.	–	–	14,377
MIAX Futures Exchange	–	–	2,933
London Metal Exchange	–	–	30,355
	33,590	49,074	258,290

(4) Settlement provisions

	As at December 31,		
	2022	2023	2024
Cost	12,383	15,835	29,642
Impairment allowance	(98)	(152)	(908)
Amount	12,285	15,683	28,734

32 OTHER CURRENT ASSETS

	As at December 31,		
	2022	2023	2024
Exchange performance securities	196,068	306,096	51,809
Hedged items	128,036	21,582	9,942
Deductible VAT	37,312	16,480	40,777
Others	9,330	25,084	15,063
Credit loss	(6,461)	(9,137)	(8,476)
	364,285	360,105	109,115

33 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,		
	2022	2023	2024
Debt securities	516,996	2,067,432	1,360,052
Financing products	465,502	3	200,000
Equity instruments	493,964	686,687	408,057
	1,476,462	2,754,122	1,968,109

34 DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,								
	2022			2023			2024		
		Fair value			Fair value			Fair value	
	Notional amounts	*Assets*	*Liabilities*	*Notional amounts*	*Assets*	*Liabilities*	*Notional amounts*	*Assets*	*Liabilities*
OTC options	71,746,348	226,266	44,474	79,113,891	65,649	20,058	64,392,564	43,545	80,710
Futures contracts	–	1,360,913	–	–	1,004,456	–	–	366,815	–
Total	71,746,348	1,587,179	44,474	79,113,891	1,070,105	20,058	64,392,564	410,360	80,710

(1) Fair value hedges

The Group hedges the net exposure of its held spot goods and contracts to be executed with futures contracts corresponding to the spot commodities.

The Group's net gains/(losses) on fair value hedges are as follow:

	As at December 31,		
	2022	2023	2024
Net gains/(losses)			
– Hedging instrument	(9,145)	3,904	(8,825)
– Hedged item	23,992	25,472	34,197

35 DEBT INSTRUMENT ISSUED

	As at December 31,		
	2022	2023	2024
22 Nanhua C1	306,793	307,177	307,562
22 Nanhua C2	203,498	203,774	204,049
	510,291	510,951	511,611

As at December 31, 2022, 2023 and 2024, there was no default related to any issued debt instruments.

					As at December 31,		
Name	Par value	Issue date	Term	Nominal coupon rate	2022	2023	2024
22 Nanhua C1	300,000	2022/06/27	6 years	4.98%	306,793	307,177	307,562
22 Nanhua C2	200,000	2022/08/02	6 years	4.98%	203,498	203,774	204,049

36 CASH AND BANK BALANCES

	As at December 31,		
	2022	2023	2024
Cash in treasury	65	104	51
Deposits	17,125,040	20,428,494	33,745,505
Less: Futures margin deposits	(15,667,592)	(18,576,302)	(31,311,170)
Margins of brokerage business	(257,265)	(146,805)	(239,971)
Others	489,432	67,665	79,567
Total	1,689,680	1,773,156	2,273,982

37 LEASE LIABILITIES

	As at December 31,		
	2022	2023	2024
Within 1 year	13,747	14,983	18,355
Over 1 year	23,138	14,789	18,213
	36,885	29,772	36,568

38 EMPLOYEE BENEFIT OBLIGATIONS

	As at December 31,		
	2022	2023	2024
Short-term employee benefits	82,444	131,217	135,887
Long-term defined contribution plans	1,370	1,785	1,742
	83,814	133,002	137,629

39 TRADE AND OTHER PAYABLES

	As at December 31,		
	2022	2023	2024
Derivatives performance securities	1,255,076	1,802,769	617,975
Hedged items	52,052	13,288	3,396
Payables for construction and software	30,750	32,462	28,247
Non-current liability matured within one year	9,769	3,660	2,636
Taxes other than current tax liabilities	6,921	6,869	6,528
Trade payables	561	36,350	5,641
Others	55,322	63,302	30,952
	1,410,451	1,958,700	695,375

40 BORROWINGS

	As at December 31,		
	2022	2023	2024
Guaranteed loan	443,975	200,220	–
Pledged loan	422,257	15,121	64,051
Credit loan	60,058	394,320	316,626
	926,290	609,661	380,677

As at December 31, 2022, 2023 and 2024, borrowings above were short-term borrowings, the annual interest rate of these short-term borrowings was ranged from 1.67% to 5.41%,3.45% to 7.10%, and 3.35% to 7.10%, respectively.

41 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,		
	2022	2023	2024
Structured entities included in the consolidated financial statement	9,328	44,944	32,172

42 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The Group

	As at December 31,		
	2022	2023	2024
Currency margins payable	24,467,175	27,098,743	41,468,145
Pledge margins payable	2,797,378	1,838,629	900,050
Acting trading securities	241,241	101,981	228,785
	27,505,794	29,039,353	42,596,980

The Company

	As at December 31,		
	2022	2023	2024
Currency margins payable	16,186,080	19,840,136	31,427,227
Pledge margins payable	3,219,635	1,870,432	964,101
Acting trading securities	3,030	1,441	1,577
	19,408,745	21,712,009	32,392,905

43 FUTURES INVESTOR'S SECURITY FUNDS PAYABLE

	As at December 31,		
	2022	2023	2024
1 January	673	706	670
Current year charge	666	616	708
Current year payment	(633)	(652)	(628)
31 December	706	670	750

44 SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash and Cash Equivalents

	As at December 31,		
	2022	2023	2024
Cash and bank balances	1,689,680	1,773,156	2,273,982
Less: Restricted funds	(1,195,224)	(1,000,523)	(1,235,145)
	494,456	772,633	1,038,837

(b) Reconciliation of liabilities arising from financing activities

		Increase for the year		Decrease for the year		
	1-Jan-22	Cash	Non-cash	Cash	Non-cash	31-Dec-22
Borrowings	718,740	1,150,108	1,917	880,049	64,426	926,290
Debt instruments issued	–	498,100	12,191	–	–	510,291
Lease liabilities	40,943	3,941	10,004	13,853	4,150	36,885
	759,683	1,652,149	24,112	893,902	68,576	1,473,466

		Increase for the year		Decrease for the year		
	1-Jan-23	Cash	Non-cash	Cash	Non-cash	31-Dec-23
Borrowings	926,290	606,413	991	923,671	362	609,661
Debt instruments issued	510,291	–	25,560	24,900	–	510,951
Lease liabilities	36,885	–	18,771	19,152	6,732	29,772
	1,473,466	606,413	45,322	967,723	7,094	1,150,384

		Increase for the year		Decrease for the year		
	1-Jan-24	Cash	Non-cash	Cash	Non-cash	31-Dec-24
Borrowings	609,661	336,162	1,269	566,309	105	380,678
Dividend payable	–	–	40,264	40,264	–	–
Debt instruments issued	510,951	–	25,560	24,900	–	511,611
Lease liabilities	29,772	–	26,874	19,896	181	36,569
	1,150,384	336,162	93,967	651,369	286	928,858

45 SHARE CAPITAL

All shares issued by the Company are fully paid common shares, with a notional value of RMB1.00 per share. The number of shares and nominal value of the Company's share capital are as follows:

	As at December 31,		
	2022	2023	2024
Registered, issued and fully paid share capital	610,066	610,066	610,066

46 CAPITAL RESERVE AND OTHER RESERVES

	Capital reserve		Other reserves			
	Share premium	Treasury shares	Surplus reserves	General reserves	Foreign currency translation reserve	Total
Balance at January 1, 2022	1,190,695	–	112,007	139,197	(30,880)	1,411,019
Profit for the year	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	57,266	57,266
Total comprehensive income for the year	–	–	–	–	57,266	57,266
Distribution to other equity instrument holders	–	–	–	–	–	–
Appropriation to surplus reserves	–	–	13,857	–	–	13,857
Appropriation to general reserves	–	–	–	17,816	–	17,816
Capital increase	–	–	–	–	–	–
– Others	33	–	–	–	–	33
Balance at December 31, 2022	1,190,728	–	125,864	157,013	26,386	1,499,991

	Capital reserve		Other reserves			
	Share premium	Treasury shares	Surplus reserves	General reserves	Foreign currency translation reserve	Total
Balance at January 1, 2023	1,190,728	–	125,864	157,013	26,386	1,499,991
Profit for the year	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	19,128	19,128
Total comprehensive income for the year	–	–	–	–	19,128	19,128
Distribution to other equity instrument holders	–	–	–	–	–	–
Appropriation to surplus reserves	–	–	12,884	–	–	12,884
Appropriation to general reserves	–	–	–	19,034	–	19,034
Balance at December 31, 2023	1,190,728	–	138,748	176,047	45,514	1,551,037

	Capital reserve		Other reserves				
	Share premium	Treasury shares	Surplus reserves	General reserves	Foreign currency translation reserve	Fair value change	Total
Balance at January 1, 2024	1,190,728	–	138,748	176,047	45,514	–	1,551,037
Profit for the year	–	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	42,782	1,487	44,269
Total comprehensive income for the year	–	–	–	–	42,782	1,487	44,269
Distribution to other equity instrument holders	–	–	–	–	–	–	–
Appropriation to surplus reserves	–	–	3,605	–	–	–	3,605
Appropriation to general reserves	–	–	–	9,523	–	–	9,523
Others	–	(50,099)	–	–	–	–	(50,099)
Balance at December 31, 2024	1,190,728	(50,099)	142,353	185,570	88,296	1,487	1,558,335

47 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

	As at December 31,		
	2022	2023	2024
Property, plant and equipment commitments:			
Contracted, but not provided for	2,467	484	6,969

(b) Legal proceedings

In the ordinary course of business, the Group is subject to claims and is party to legal and regulatory proceedings. As at December 31, 2022, 2023 and 2024, the Group was not involved in any material legal proceedings that would materially and adversely affect the Group's financial position or results of operations.

48 RELATED PARTY TRANSACTIONS

(1) Related parties

(i) Parent entities

Name	Place of registration	Direct equity interest as at December 31,		
		2022	2023	2024
Hengdian Group Holding Co., Ltd.	Zhejiang, PRC	69.68%	69.68%	69.68%

The Company's ultimate holding company is Dongyang Hengdian Social Organization and Economic Enterprise association.

(ii) Related parties

When the Group exercises control, common control over or has significant influence on another entity; or another entity exercises control, common control over or has significant influences on the Group; or the Group and another entity are under control, common control or significantly influenced by the same party, the Group and the entity are related parties. Related parties can be individuals or legal entities.

The below table lists the Group's significant related legal entities for the years ended December 31, 2022, 2023 and 2024:

Significant related legal entities	The relationship with the Group
Dongyang Yite Trading Co., Ltd.	Controlled by the same parent company
Hengdian Group Real Estate Development Co., Ltd.	Controlled by the same parent company
Hangzhou Jiulisong Resort Hotel Co., Ltd.	Controlled by the same parent company
Zhejiang Hengdian World Studios Co., Ltd.	Controlled by the same parent company
Hangzhou By Creations Technology Co., Ltd.	Controlled by the same parent company
Hengdian Group Zhejiang Tospo Public Lighting Co., Ltd.	Controlled by the same parent company
Dongyang Hengdian VIP Building Hotel Co., Ltd.	Controlled by the same parent company
Dongyang Hengdian World Studios International Trade Building Co., Ltd.	Controlled by the same parent company
Zhejiang Apeloa Kangyu Pharmaceutical Co., Ltd.	Controlled by the same parent company
Hengdian Group DMEGC Magnetics Co., Ltd.	Controlled by the same parent company
Zhejiang NanHua Investment Management Co., Ltd.	A company where the Company's directors serve as directors
China Zheshang Bank Co., Ltd.	A company where the Company's directors serve as directors
Jiusan Group Soybean Trading Market (Heilongjiang) Co., Ltd.	A company where the Company's directors serve as directors
Trade Union Committee of Nanhua Futures Co., Ltd.	Other related party
Dongyang Hengdian Dongcui Building Management Co., Ltd.	Second-tier subsidiary of the parent company
Dongyang Hengdian Yushan Sports and Leisure Co., Ltd.	A company where the Company's directors serve as directors
Dongyang Hengdian Yuanwei Property Management Co., Ltd.	A company where the Company's directors serve as directors
Zhejiang Belovely Bio-Technology Co., Ltd.	A company where the parent company's directors serve as directors
Nanhua Futures Co., Ltd. Dalian Branch Trade Union Committee	Other related legal entities of the parent company

Significant related legal entities	The relationship with the Group
Zhejiang Holland & Muh	An associate of the Company
Zhejiang Wedu Medical Co.,Ltd.	A company where the Company's directors serve as directors
HENGDIAN GROUP JIAYUAN CHEMICAL CO.,LTD.	Controlled by the same parent company
Hengdian Capital Management Co., Ltd.	Controlled by the same parent company
HENGDIAN GROUP DMEGC MAGNETICS (HK) LIMITED	Controlled by the same parent company
Heilongjiang Jiusan Grain Storage Co., Ltd.	Other related party
Hengdian Group Holding Co., Ltd.	Controlling shareholder
Hu Wangyang	Family members of the Company's directors
Luo Xufeng	Chairman of the Company
Li Beixin	Senior Management of the Company (Resigned in February 2022)
Zhong Yiqiang	Senior Management of the Company
Zhang Zijian	Senior Management of the Company (Resigned in February 2022)
Jia Xiaolong	Senior Management of the Company
Li Jianping	Senior Management of the Company
Zhang Yuhao	Family Members of Zhang Zijian
Gu Song	Senior Management of the Company
Wang Zhenghao	Senior Management of the Company (Resigned in December 2023)
Zhang Zhe	Senior Management of the Company (Resigned in December 2023)
Zhou Yi	Family members of the Company's directors
Zhu Bin	Senior Management of the Company (Resigned in February 2022)
Chen Donghua	Senior management of the Company

(2) Related party transactions and balances

1) Purchase of goods/Acceptance of services

(a) Some related parties have opened futures accounts with the Company to engage in futures trading. The details are as follows:

	Rights at the end of the period		
	2022	**2023**	**2024**
Zhejiang Nanhua Investment Management Co., Ltd.	35,803	35,803	35,803
Zhejiang Holland & Muh	42,398	24,010	259,256
Hu Wangyang	296	718	575
Zhou Yi	–	17	17
Hengdian Group DMEGC Magnetics Co., Ltd.	–	1	–
Hengdian Group Real Estate Development Co., Ltd.	*	*	–
	78,497	60,549	295,651

* The transaction/balance amount is below RMB1,000.

	Commission income for the year		
	2022	**2023**	**2024**
Zhejiang Nanhua Investment Management Co., Ltd.	69	–	–
Zhejiang Holland & Muh	23	34	4,743
Hu Wangyang	*	12	–
Zhou Yi	–	–	–
Dongyang Yite Trading Co., Ltd.	22	–	–
	114	46	4,743

(b) *Some related parties have opened securities accounts with the Company to engage in securities trading. The details are as follows:*

	Funds available/margins as at December 31,		
	2022	**2023**	**2024**
Zhang Zijian	297	415	–
Zhong Yiqiang	1	1	1
Luo Xufeng	*	*	–
	298	416	1

	Commission income for the year ended December 31,		
	2022	**2023**	**2024**
Zhang Zijian	*	*	–
Zhang Zhe	–	*	–
	*	*	–

(c) *Some related parties have opened accounts with the Company to engage in futures and foreign exchange trading. The details are as follows:*

	Rights as at December 31,		
	2022	**2023**	**2024**
Zhang Zhe	–	98	–

(d) *Some related parties have subscribed to fund and asset management product shares through the Company. The details are as follows:*

		As at December 31,					
		2022		2023		2024	
	Number of the fund	*Subscription shares*	*Net subscription value*	*Subscription shares*	*Net subscription value*	*Subscription shares*	*Net subscription value*
China Zheshang Bank Co., Ltd.	005625	1,949,370	1,959,506	1,949,370	1,987,773	1,949,370	2,038,846
China Zheshang Bank Co., Ltd.	017928	–	–	1,000,000	1,014,000	999,999	1,041,299
China Zheshang Bank Co., Ltd.	010278	750,033	770,884	750,033	795,335	–	–
China Zheshang Bank Co., Ltd.	006667	684,682	690,776	684,682	706,660	684,682	725,421
China Zheshang Bank Co., Ltd.	007189	–	–	216,422	319,070	–	–
Hengdian Group DMEGC Co., Ltd.	T20VC0046L-SF001	20,760	155,926	–	–	–	–
Hengdian Group DMEGC Co., Ltd.	T20VC0046L-SF004	9,760	73,275	–	–	–	–
Hengdian Group Holding Co., Ltd.	512870	–	–	11,800	13,561	11,800	13,755
Hengdian Group Holding Co., Ltd.	1002122986	31,980	40,647	–	–	–	–
HENGDIAN GROUP JIAYUAN CHEMICAL CO.,LTD.	1002122986	26,808	34,073	–	–	–	–
Zhejiang Wedu Medical Co.,Ltd.	1002122986	15,769	20,043	–	–	–	–
Hengdian Group Holding Co., Ltd.	007843	11,800	16,743	–	–	–	–
Hengdian Capital Management Co., Ltd.	SJP583	10,027	11,046	–	–	–	–
Zhang Yuhao	007843	1	1	–	–	–	–
Chen Donghua	SSN883	–	–	–	–	1,000	1,020
Chen Donghua	1003409108	–	–	–	–	1,000	1,122
Zhejiang Nanhua Investment Management Co., Ltd.	SADC05	–	–	–	–	10,014	9,460
Luo Xufeng	SAAQ73	–	–	1,000	1,006	–	–
Zhang Zijian	SAAQ73	–	–	1,000	1,006	–	–
Li Jianping	015245	–	–	10	13	–	–
Jia Xiaolong	004846	10	12	10	12	10	14
Jia Xiaolong	20118	–	–	–	–	50	58
Luo Xufeng	004846	5	6	5	6	–	–
Luo Xufeng	004845	5	6	5	6	–	–
Li Jianping	004845	12	14	4	5	4	6
Gu Song	004846	2	2	2	2	2	3
Li Beixin	007843	2	2	2	2	–	–
Gu Song	004845	1	1	1	1	1	1
Zhang Yuhao	512870	–	–	1	1	–	–
Zhu Bin	010278	1	1	1	1	–	–
Li Jianping	010278	1	1	1	1	–	–
Li Beixin	010278	*	*	*	*	–	–
Luo Xufeng	010278	*	*	*	*	–	–
Gu Song	008345	*	*	*	*	*	*
Gu Song	005296	*	*	*	*	*	*
Gu Song	010278	*	*	*	*	–	–
Jia Xiaolong	010278	*	*	*	*	–	–
Wang zhenghao	010278	*	*	*	*	–	–
Gu Song	007843	*	*	*	*	*	*
		3,384,124	3,511,029	4,772,349	4,838,461	3,657,932	3,831,005

(e) *Some related parties have subscribed to subordinated debt shares through the Company. The details are as follows:*

	Name of the debt	As at December 31, 2022	2023	2024
China Zheshang Bank Co., Ltd.	Nanhua Futures 2022 Subordinated Bonds (Series I and Series II)	77,000	63,000	63,000

(f) *The Company has subscribed to fund and asset management product shares from some related parties. The details are as follows:*

		As at December 31,					
		2022		2023		2024	
	Name/Number of the fund	*Subscription shares*	*Net subscription value*	*Subscription shares*	*Net subscription value*	*Subscription shares*	*Net subscription value*
Zhejiang Holland & Muh	STS034	10,000	9,920	–	–	19,998	20,780
Zhejiang Holland & Muh	SVU986	5,008	4,645	–	–	–	–
Zhejiang Holland & Muh	SVK386	6,992	5,969	–	–	–	–
The Group has subscribed to fund and asset management product shares from some related parties. The details are as follows:							
Zhejiang Holland & Muh	Holland & Muh Xunying No.1 Private Securities Investment Fund	4,999	4,327	–	–	–	–
Zhejiang Holland & Muh	SVM664	15,000	12,315	–	–	26,796	20,649
Zhejiang Holland & Muh	SVE907	19,996	16,385	–	–	–	–
Zhejiang Holland & Muh	SB6534	–	–	19,998	20,240	–	–
Zhejiang Holland & Muh	SB7768	–	–	–	–	29,116	30,033
		61,995	53,561	19,998	20,240	75,910	71,462

(g) *Some related parties have engaged in over-the-counter (OTC) derivatives transactions with our company. The details are as follows:*

	Notional principal as at December 31,			Profit or loss for the year ended December 31,		
	2022	2023	2024	2022	2023	2024
Zhejiang Holland & Muh	–	31,895	–	–	(2,322)	510
Zhejiang Nanhua Investment Management Co., Ltd.	–	–	10,000	–	–	572
	–	31,895	10,000	–	(2,322)	1,082

(h) *The Company acts as an agent for the sale of funds for some related parties and earns income from the agency sales of funds.*

	Revenue for the year ended December 31,		
	2022	2023	2024
Zhejiang Holland & Muh	–	354	244

(i) *Deposit balances with some related parties are as follows:*

	As at December 31,		
	2022	2023	2024
China Zheshang Bank Co., Ltd.	2,421,037	1,129,913	3,384,496

(j) *Related-party transactions involving the purchase of goods and acceptance of services*

		Year ended December 31,		
		2022	2023	2024
Hangzhou By Creations Technology Co., Ltd	Cost of clothing	890	358	165
Zhejiang Apeloa Kangyu Pharmaceutical Co., Ltd.	Nutritional food	–	460	–
Hengdian International Conference Center Hotel	Accommodation expenses and admission tickets	–	2	9
Hengdian Group DMEGC Co., Ltd	Catering expenses	–	6	*
Zhejiang Hengdian World Studios Co., Ltd.	Accommodation fees, hospitality fees and admission tickets	100	23	–

		Year ended December 31,		
		2022	2023	2024
Hangzhou Jiulisong Resort Hotel Co., Ltd.	Catering expenses, accommodation fees and food	–	48	143
Jiusan Group Soybean Trading Market (Heilongjiang) Co., Ltd.	Receiving services	29	283	–
Zhejiang Belov Biotechnology Co., Ltd	Entertainment expenses	–	–	6
Dongyang Hengdian Yushan Sports and Leisure Co., Ltd.	Entertainment expenses	–	–	5
Dongyang Hengdian World Studios World Trade Mansion Co.,Ltd.	Accommodation expenses	–	–	1
Dongyang Hengdian Yuanwei Property Management Co., Ltd	Property management fee	–	–	3,217
Hengdian Group Holding Co., Ltd.	Subscription fee	–	*	*
Dongyang Hengdian World Studios International Trade Building Co., Ltd.	Accommodation expenses	–	*	–
Zhejiang Nanhua Investment Management Co., Ltd.	Cost of food	–	*	–
		1,019	1,180	3,546

(k) *Related-party transactions involving the sale of goods and the provision of services*

		Year ended December 31,		
		2022	2023	2024
Hengdian Group Holding Co., Ltd.	Food	105	103	114
Hengdian Capital Management Co., Ltd.	Food	2	–	–
Heilongjiang Jiusan Grain Storage Co., Ltd.	Consulting	94	–	–
Trade Union Committee of Nanhua Futures Co., Ltd.	Food	415	*	17
Nanhua Futures Co., Ltd. Dalian Branch Trade Union Committee	Food	–	–	1
Zhejiang Nanhua Investment Management Co., Ltd.	Food	–	*	–
		616	103	132

(l) Amounts receivable from related parties

	Related party	As at December 31, 2022	2023	2024
Trade receivables				
	Trade Union Committee of Nanhua Futures Co., Ltd.	142	–	–
		142	–	–

(m) Amounts payable to related parties

	Related party	As at December 31, 2022	2023	2024
Other payables				
	Dongyang Yite Trading Co., Ltd.	61	61	–
	Hengdian Group Zhejiang Tospo Public Lighting Co., Ltd.	419	105	105
		480	166	105

(2) Lease income

Name of the lessee	Type of leased assets	Year ended December 31, 2022	2023	2024
Dongyang Yite Trading Co., Ltd.	Office building	590	–	–

(3) Guarantees

Guarantor	As at December 31, 2022	2023	2024
Hengdian Group Holding Co., Ltd.	443,337	200,000	–

(4) Intercompany borrowings

Borrower	As at December 31, 2022	2023	2024
China Zheshang Bank Co., Ltd	–	46,455	47,274

(5) Key management personnel

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the Board of Directors, Supervisory Committee and other members of the senior management.

	Year ended December 31,		
	2022	**2023**	**2024**
Key management compensation	12,957	11,555	11,447

49 Other accounting policies

49.1 Separate financial statements

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

49.2 Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The financial statements are presented in Renminbi (RMB), which is the Company's functional and the Group's presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(3) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting currency translation differences are recognized in other comprehensive income.

49.3 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid assets, which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with original maturity of three months or less under cash and bank balances.

49.4 Offsetting financial instruments

Financial assets and financial liabilities are separately presented in the statement of financial position without any offsetting, except when:

(a) the Group has a legally enforceable right to offset the recognized amounts; and

(b) the Group has intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

49.5 Buyback financial assets

Buyback financial assets is a contract to purchase a financial asset from a counterparty and sell the related financial asset back to the same counterparty on an agreed-upon date and at an agreed-upon price, as specified in the contract or agreement.

Buying back the sale business shall be recorded as actual payments made and recognized as "buyback financial assets" in the statement of financial position.

49.6 Inventories

Inventories include agricultural products, minerals and other bulk commodities which are used for trading, and they shall be measured at cost when acquired, the cost including purchase cost and purchase expense.

The cost of inventories shall be accounted for on a first-in and first-out basis and their subsequent measurement shall be made at the lower of cost and net realizable value. The net realizable value shall be determined as their estimated selling price less estimated selling expenses and related taxes.

The Group shall determine the net realizable value of inventories separately, at the balance sheet date, and compare it with the corresponding cost to recognize the amount of the accrual or reversal of provision of decline in value of inventories, and account for it in the subject of the provision of decline in value of inventories. The perpetual inventory system was adopted by the Group.

49.7 Property, plant and equipment

The Group's property, plant and equipment includes buildings, motor vehicles, electronic and other equipment that are used for operation purpose and have useful lives of more than one year.

Property, plant and equipment shall be recognized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognized. All other subsequent expenditures are recognized in profit or loss during the period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. For the assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of property, plant and equipment are as follows:

	Estimated useful lives	Estimated residual rates	Annual Depreciation rates
Buildings	5-40	5.00%	2.38%-19.00%
Motor vehicles	5	5.00%	19.00%
Electronics and other equipment	2-5	5.00%	19.00%-47.50%

The estimated useful life, the estimated residual value and the depreciation method applied to an asset are reviewed, and adjusted as appropriate by the Group at the end of each reporting period.

Property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of property, plant and equipment net of its carrying amount and related taxes and expenses is recognized in the profit or loss. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount as set out in Note 22.

49.8 Intangible assets

Intangible assets comprise of computer software, which are initially recognized at cost. The cost less estimated residual values (if any) of the intangible assets is amortized on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortized net of accumulated impairment losses.

49.9 Long-term deferred expenses

Long-term deferred expenses include expenditures that have been incurred but should be recognized as expenses over more than one year in the current and subsequent periods. Long-term deferred expenses are amortized on the straight-line basis over the expected useful economic lives and are presented at actual expenditure net of accumulated amortization.

49.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

49.11 Employee benefits

Employee benefits mainly include salaries, bonus, allowances and subsidies, staff welfare benefits, social security contributions and housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees. Salary and welfare are expensed in operating expenses in the accounting period of services rendered.

A defined contribution scheme is a pension or social security plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. During the year, the Group's post-employment schemes mainly include basic pension insurance.

In accordance with the relevant laws and regulations, domestic employees of the Group participate in various social insurance schemes such as basic pension insurance, medical insurance, housing fund schemes and other social security schemes. Insurance expenses and pensions are calculated based on certain percentage of gross salary and are paid to the Labour and Social Security Bureau, and insurance companies, etc. The contribution ratios are defined by stipulating regulations or commercial contracts, which should be no higher than statutory upper ceilings. Contributions are recognized in the profit or loss for the current period.

49.12 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

49.13 Leases

As a lessee

(a) Initial measurement of the right-of-use asset and lease liability

Initial measurement of the right-of-use asset

The right-of-use asset is defined as the right of underlying assets in the lease term for the Group as a lessee. The lease term is defined as the non-cancellable period of the lease for the Group as a lessee.

At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of use asset shall comprise:

(i) the amount of the initial measurement of the lease liability;

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Initial direct costs are defined as incremental costs that would not have been incurred if a lease had not been obtained.

Initial measurement of the lease liability

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lessee uses as the discount rate the interest rate implicit in the lease – this is the rate of interest that causes the present value of lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs of the lessor.

The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.

(b) Subsequent measurement of the right-of-use asset and lease liability

Subsequent measurement of the right-of-use asset

At the commencement date, the Group as a lessee shall measure the right-of-use asset at cost and apply the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of use asset. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. When the recoverable amount is less than the book value of the right-to-use assets, the Group shall write down its book value to the recoverable amount.

Subsequent measurement of the lease liability

After the commencement date, the Group shall recognise interest on the lease liability in profit or loss. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

(c) Recognition of short-term leases and leases for which the underlying asset is of low value

Short-term leases are defined as leases with a lease term of less than 12 months from the commencement date. Leases for which the underlying asset is of low value are defined as underlying assets of low value when new. The right-of-use asset and lease liability are not recognised by the Group for short-term leases and leases for which the underlying asset is of low value. The lessee shall recognise the lease payments associated with those leases as an expense.

As a lessor

Lease income from operating leases is recognised in income on a straight-line basis over the period of the lease.

49.14 Provisions and contingencies

The obligation pertinent to contingencies shall be recognised as provisions when the following conditions are satisfied concurrently:

(i) the obligation is a present obligation of the Group;

(ii) the obligation is probable to cause a future outflow of resources from the Group as a result of performance of the obligation; and

(iii) the amount of the obligation can be reliably measured.

The amount of a provision is initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Group takes into full consideration of risks, uncertainty, time value of money and other factors pertinent to the contingencies. The Group reviews the book value of the provisions at the end of the reporting period. If there is substantial evidence that the amount of provisions cannot actually reflect the current best estimate, the Group will adjust the amount in accordance with the current best estimate.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

49.15 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

49.16 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group's reporting segments are decided based on its operating segments while taking full consideration of various factors such as products and services, geographical location and regulatory environment related to administration of the management. Operating segments meeting the same qualifications are allocated as one reporting segment, providing independent disclosures.

The purpose of segment reporting is to assist the chief operating decision-maker in resource allocation and performance assessment of each operating segment. The same accounting policies as adopted in preparation of the Group's financial statements are used for segment reporting.

49.17 Assets segregated for brokerage clients

Pursuant to requirements of the CSRC, funds deposited by brokerage clients relating to exchange traded futures and options must be deposited in designated bank accounts or with exchange-clearing organizations, which are segregated and accounted for separately from the proprietary funds of the Company as bank balances held for clients and client deposits in the deposits with exchange-clearing organizations in the statement of financial position.

Deposits with exchange-clearing organizations pertain primarily to monetary deposits made to satisfy margin requirements on brokerage clients and to satisfy the requirements set by the futures exchanges for clearing membership.

Deposits with exchange-clearing organizations do not include client's non-monetary pledges to exchange-clearing organizations. Such pledges are not presented on the Group's statement of financial position.

49.18 Accounts payable to brokerage clients

Accounts payable to brokerage clients represent the total of brokerage client accounts with credit or positive monetary balances. Brokerage client accounts are used primarily in connection with exchange traded futures and options transactions and include gains and losses on open positions as well as other deposits made as required by the Group or the exchange-clearing organizations. Brokerage client accounts with credit or positive balances are reported gross of client accounts that contain debit or net deficit balances, except where a right of offset exists.

50 EVENTS OCCURRING AFTER THE REPOTRING PERIOD

On March 11, 2025, a final dividend in respect of the year ended December 31, 2024 of RMB0.76 per 10 shares (tax inclusive) has been proposed by the Board of Directors. On March 31, 2025, the proposed final dividend in respect of 2024 is approved by the Shareholders' meeting. These financial statements do not reflect this dividend payable as it was not approved as at the balance sheet date.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2024 and up to the date of this report.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

TAXATION OF SECURITY HOLDERS

The income taxes and capital gains tax of holders of H Shares are subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no legal or tax comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, which is fully subject to change or adjustment and may have retrospective effect.

No issues on PRC taxation other than income tax, capital gains tax and profit tax, business tax/ value added tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC and Hong Kong tax consequences of owning and disposing of H Share.

TAXATION IN THE PRC

Taxation Regarding Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was last amended by the National People's Congress Standing Committee on August 31, 2018, and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018 and came into effect on January 1, 2019 (collectively, the "**IIT Law**"), dividends distributed by PRC enterprises are subject to an individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to an individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty. Moreover, pursuant to the Notice on Issues Concerning Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》), which was jointly promulgated by the Ministry of Finance, the State Taxation Administration (the "**STA**") and the CSRC on September 7, 2015 and came into effect on September 8, 2015, where an individual acquires stocks of a listed enterprise from public offering of the enterprise or from the stock transfer market and holds the stocks for one month or less, the income from dividends distributed by the enterprise shall be fully taxable; if the individual holds the stocks for one month to one year (one year inclusive), 50% of the income from dividends distributed by the enterprise shall be taxable; the aforesaid income is subject to an individual income tax at a flat rate of 20%.

Pursuant to the Notice on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No. 045) (《關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知》), which was issued by the STA on June 28, 2011, overseas individual shareholders of domestic non-foreign-invested enterprises which have issued shares in Hong Kong are entitled to relevant preferential tax treatment pursuant to the provisions in the tax treaties between the countries in which they are residents and China, and the tax arrangements between Mainland China and Hong Kong (or Macao). Generally, domestic non-foreign-invested enterprises that issue shares in Hong Kong are required to withhold individual income tax at a rate of 10% on dividends and profits, without the need for application. For the individual holders receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the withholding agent must apply for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For individual shareholders receiving dividends who are tax residents of countries that have entered into a tax treaty with the PRC that provides for tax rates higher than 10% but lower than 20%, the withholding agents are required to withhold the individual income tax at the effective rates under the treaties for dividends or bonuses paid, and no application procedure is required under such circumstances. If the individual receiving the dividends is a resident of a country that has not entered into a tax treaty with China or other circumstances exist, the withholding agent shall withhold individual income tax at a rate of 20% when distributing dividends and bonus.

Corporate Investors

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), which was promulgated by the NPCSC on March 16, 2007 and was most recently amended on December 29, 2018, and the Implementation Regulations for the Corporate Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007, came into effect on January 1, 2008 and was most recently amended on December 6, 2024 (collectively, the "**Enterprise Income Tax Law**"), the enterprise income tax rate is 25%. A non-resident enterprise is generally subject to enterprise income tax at a rate of 10% on PRC-sourced income (including dividends received from a PRC resident enterprise that issues share in Hong Kong) if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforementioned income tax payable by non-resident enterprises shall be deducted at source, with the payer being the withholding agent, and the income tax shall be withheld by the withholding agent from the amount payable.

The Notice of the State Taxation Administration on Matters Concerning Withholding Enterprise Income Tax When China Resident Enterprises Distribute Dividends to Foreign Non-resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was promulgated and implemented by the STA on November 6, 2008, further clarifies that PRC resident enterprises distributing dividends for 2008 and for the years onwards to foreign non-resident enterprise shareholders of H shares shall withhold enterprise income tax at a tax rate of 10%. In addition, the Response to Questions on Enterprise Income Tax over Dividend of B-Shares and Other Shares Received by Non-resident Enterprises (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), which was issued by the STA and came into effect on July 24, 2009, further provides that any PRC resident enterprise listed on overseas stock exchanges must withhold enterprise income tax at the rate of 10% from dividends distributed by them for 2008 and for the years onwards to non-resident enterprises. The above tax rates are subject to further changes based on the tax treaties or agreements (if applicable) signed between the PRC and the relevant countries or regions.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》, the "**Arrangement**"), which was signed on August 21, 2006 and took effect on December 8, 2006, the Government of China may tax dividends paid by Chinese companies to Hong Kong residents (including natural persons and legal entities). However, the tax shall not exceed 10% of the gross amount of the dividends, unless a Hong Kong resident directly holds 25% or more of the Chinese company's equity, in which case the tax shall not exceed 5% of the gross amount of the dividends. The Fifth Protocol of the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Notwithstanding any other provisions in the Arrangement, treaty benefits prescribed by its criteria will not be granted if, considering all relevant facts and circumstances, it is reasonable to conclude that one of the principal purposes of the Arrangement or transaction (resulting directly or indirectly in benefits under the Arrangement) is to obtain such benefits, unless granting those benefits in such circumstances is in accordance with the relevant object and purpose of the Arrangement. The application of the dividend article of the tax treaty is also subject to Chinese tax laws and regulations, such as the Notice of the State Taxation Administration on Issues Concerning the Implementation of Dividend Articles of Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macao Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States and etc. Non-PRC resident enterprises entitled to a preferential tax rate under the relevant income tax treaty or arrangement must apply to the Chinese tax authorities for a refund of any enterprise income tax exceeding the treaty rate, and the refund application is subject to approval by the Chinese tax authorities.

Taxes Related to Share Transfer

Value Added Tax and Local Surtax

Pursuant to the Provisional Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, and most recently amended on November 19, 2017, and the Detailed Rules for Implementation of the Provisional Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993, and most recently amended on October 28, 2011, all enterprises and individuals selling products, providing processing, repairing or replacement services, sales services, intangible assets, real estate, and importing goods within the People's Republic of China are required to pay value-added tax at the rates of 0%, 6%, 11%, and 17% on the different goods sold and services provided, unless otherwise stipulated.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of Re**[REDACTED]** Business Tax with Value-Added Tax ((《關於全面推開營業稅改征增值稅試點的通知》) the "**Circular**"), which was issued by the MOF and the STA on March 23, 2016, and most recently amended on April 1, 2019, entities and individuals engaged in providing sales services within China are subject to value-added tax ("**VAT**"). "Engaged in providing sales services within China" refers to situations where either the buyer or seller of the services is located within China. The Circular further stipulates that for general VAT taxpayers or overseas VAT taxpayers, the transfer of financial products (including the transfer of ownership of marketable securities) is subject to VAT at a rate of 6% on the taxable income (i.e., the balance after deducting the purchase price from the selling price). However, individuals are exempt from VAT on the transfer of financial products, as also provided in Appendix 3 of the Circular (namely, the Provisions on Transitional Policies for the Pilot Program of Re**[REDACTED]** Business Tax with Value-Added Tax (《營業稅改征增值稅試點過渡政策的規定》)). Pursuant to the laws and regulations, if a holder is a non-resident individual, the sale or disposal of H shares is exempt from PRC value-added tax; if a holder is a non-resident enterprise and the purchaser of H shares is an overseas individual or entity, the holder does not necessarily have to pay PRC value-added tax, but if the purchaser of H shares is a domestic individual or entity, the holder may be required to pay PRC value-added tax. However, it is still uncertain whether non-PRC resident enterprises are required to pay PRC value added tax for the disposal of H shares in practice.

VAT taxpayers are also required to pay urban maintenance and construction tax, education surcharge, and local education surcharge.

Income Tax

Individual Investors

Pursuant to the IIT Law, gains on the transfer of equity interests in PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Notice on the Continued Provisional Exemption from Individual Income Tax on Income from the Transfer of Shares by Individuals (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》), which was issued by the MOF and the STA on

March 30, 1998, income derived by individuals from the transfer of shares in listed companies has been provisionally exempt from individual income tax since January 1, 1997. The STA has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the most recently amended IIT Law.

Pursuant to the Announcement of the MOF and STA on the Catalogue of Individual Income Tax Preferential Policies that Remain Effective (《財政部、國家稅務總局關於繼續有效的個人所得稅優惠政策目錄的公告》), which was issued and implemented by the MOF and STA on December 29, 2018, the Notice on the Continued Provisional Exemption from Individual Income Tax on Income from the Transfer of Shares by Individuals (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) remains in effect.

Corporate Investors

Pursuant to the Enterprise Income Tax Law, if a non-resident enterprise does not have an establishment or place within the PRC, or has an establishment or place within the PRC but the income derived from within the PRC is not effectively connected with such establishment or place, the non-resident enterprise is generally required to pay a 10% corporate income tax on income sourced from within the PRC, including gains derived from the disposal of equity interests in a PRC resident enterprise. The aforementioned income tax for non-resident enterprises is withheld at source, with the payer acting as the withholding agent, and the tax is withheld from the amount payable to the non-resident enterprise. This tax may be reduced or exempted under the relevant tax treaty or agreement for the avoidance of double taxation.

Stamp Duty

Pursuant to the Stamp Duty Law of the People's Republic of China (《中華人民共和國印花稅法》), which was promulgated by the NPCSC on June 10, 2021 and took effect on July 1, 2022, PRC stamp duty is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC, and the entities and individuals outside the territory of the PRC that conclude taxable vouchers that are used inside China. Therefore, the relevant provisions of China's stamp duty law do not apply to non-PRC investors' purchases and disposals of H-shares outside of China.

Estate Tax

Under Chinese law, China currently does not levy an estate tax.

MAIN TAXES OF THE COMPANY IN CHINA

See "**Regulatory Overview**".

Foreign Exchange

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (the "**SAFE**") under the People's Bank of China (the "**PBOC**") is responsible for administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on the Foreign Exchange System of the People's Republic of China (《中華人民共和國外匯管理條例》), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996, and most recently amended on August 5, 2008, classifies all international payments and transfers into current account items and capital account items. Current account items are subject to reasonable review by financial institutions engaged in foreign exchange settlement and sale to ensure the authenticity of transaction documents and their consistency with foreign exchange receipts and payments, and are also subject to oversight and inspection by foreign exchange regulatory authorities. For capital account items, foreign institutions and individuals making direct investments in China must register with the foreign exchange regulatory authorities after obtaining approval from the relevant competent authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was issued by the PBOC on June 20, 1996 and took effect on July 1, 1996, abolished all other restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

Pursuant to Chinese laws and regulations, when PRC enterprises require foreign exchange for current account transactions, they can make payments through foreign exchange accounts opened at designated foreign exchange banks without approval from the foreign exchange administrative authorities, provided that valid transaction receipts and supporting documents are presented. PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as the Company) may, on the strength of resolutions of the board of directors or the general meeting approving the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

Pursuant to the Decision of the State Council on Cancelling and Adjusting a Batch of Items Subject to Administrative Examination and Approval and Other Items (《國務院關於取消和調整一批行政審批項目等事項的決定》), which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the State Administration of Foreign Exchange and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

Pursuant to the Notice on Relevant Issues Concerning Foreign Exchange Administration for Overseas Listings (《關於境外上市外匯管理有關問題的通知》), which was issued by the SAFE and took effect on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing and issuance, register the overseas listing with the local branch office of the SAFE at the place of its incorporation; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of this document and other disclosure documents. Domestic companies (excluding banking financial institutions) must open a special foreign exchange account at a local bank, based on their overseas listing registration certificate, to handle the remittance and transfer of funds related to their initial public offering (or further offering) and share repurchase activities.

Pursuant to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE on February 13, 2015 and took effect on June 1, 2015 and was amended on December 30, 2019, the registration of foreign exchange under domestic direct investment and the registration of foreign exchange under overseas direct investment shall be directly examined and handled by banks. The SAFE and its local branches indirectly regulate the foreign exchange registration of direct investment through banks.

Pursuant to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating the Administration of Foreign Exchange Settlement from Capital Account Items (《國家外匯管理局關於改革和規範資本項目結匯管理攻策的通知》), which was issued by the SAFE and took effect on June 9, 2016, relevant policies have clearly implemented discretionary foreign exchange settlement for foreign exchange income (including funds repatriated from overseas listings) from capital account items, allowing domestic institutions to settle foreign exchange at banks based on their actual business needs. The discretionary foreign exchange settlement ratio for domestic institutions' foreign exchange income from capital account items is tentatively set at 100%, and SAFE may adjust this ratio as appropriate based on the balance of payments situation.

On December 4, 2023, SAFE issued the Notice on Further Deepening Reform to Promote Facilitation of Cross-Border Trade and Investment (《關於進一步深化改革促進跨境貿易投資便利化的通知》). This notice optimizes the administration of foreign exchange for market procurement trade; relaxes the netting of receipts and payments for processing trade; improves cross-border trade fund receipts and payments under agency arrangements; facilitates foreign exchange settlement for domestic institutions' operating lease business; promotes the nationwide pilot policy for facilitating cross-border financing; relaxes the restrictions on the scale of preliminary expenses for overseas direct investment (ODI); improves the negative list management for the use of capital account income; and eliminates the approval requirement for opening foreign debt accounts in different locations.

This Appendix summarizes certain aspects of PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III – Taxation and Foreign Exchange" to this document. This Appendix also contains a summary of legal and regulatory provisions of the Company Law. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to our Company. This summary is not intended to include all the information which is important to the potential investors. For a discussion of laws and regulations which are relevant to our Company's business, see "Regulatory Overview" in this document.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the People's Republic of China (《中華人民共和國憲法》, the "**Constitution**"), and is made up of written laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions, special administrative region law and international treaties and other regulatory documents signed by the PRC government. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

Pursuant to the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》, the "**Legislation Law**"), the National People's Congress of the People's Republic of China ("**NPC**") and its Standing Committee ("**NPCSC**") are empowered to exercise the legislative power of the State in accordance with the Constitution. The NPC has the power to formulate and amend basic laws involving civil and criminal matters, state organs, and other affairs. The NPCSC is empowered to formulate and amend laws other than those required to be enacted by the NPC, and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The NPC may also authorize the NPCSC to enact relevant laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection and historical and cultural protection, and grass-roots level governance based on the specific circumstances and actual needs of such cities, which will be implemented after being reported to and approved by the standing committees of the people's congresses of the provinces and autonomous regions, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned. Autonomous regulations and separate regulations of autonomous regions will become enforceable after being reported to and approved by the NPCSC. Autonomous regulations and separate regulations of autonomous prefectures and autonomous counties will become enforceable after being reported to and approved by the standing committees of the people's congresses of the provinces, autonomous regions and municipalities.

The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office and other institutions with administrative functions directly under the State Council and institutions prescribed by law may formulate rules within their authority based on the laws and the administrative regulations, decisions, and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

The Constitution has the highest legal effect. No laws, administrative regulations, local regulations, autonomous regulations, separate regulations nor rules shall contravene the Constitution. Laws have a higher legal effect than administrative regulations, local regulations, and rules. Administrative regulations have a higher legal effect than local regulations, and rules. Local regulations have a higher legal effect than the rules of local government of the same or lower tier. The rules enacted by the people's government of provinces and autonomous regions have a higher legal effect than the rules enacted by the people's government of the cities divided into districts or autonomous prefecture within the administrative region of the province or autonomous region.

The NPC has the power to alter or annul any inappropriate laws enacted by the NPCSC, and to annul any autonomous regulations or separate regulations which have been approved by the NPCSC but which contravene the Constitution or the Legislation Law. The NPCSC has the power to revoke any administrative regulations that conflict with the Constitution and laws, the power to revoke any local regulations that conflict with the Constitution, laws or administrative regulations, and the power to revoke any autonomous regulations and separate regulations approved by the standing committees of the people's congresses of any province, autonomous region, or municipality directly under the Central Government that violate the provisions of the Constitution and the Legislation Law. The State Council has the power to change or revoke any inappropriate departmental regulations and local government regulations. The people's congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The standing committee of a local people's congress has the authority to annul any inappropriate rules formulated by the people's government at the same level. The people's governments of provinces and autonomous regions have the right to change or revoke any inappropriate regulations formulated by the people's governments at lower levels.

According to the Constitution and the Legislation Law, the power of legal interpretation belongs to the NPCSC. Pursuant to the Resolution of the NPCSC Providing an Improved Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》), which took effect on June 10, 1981, in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the NPCSC shall provide interpretations or make stipulations by means of decrees. Issues involving the specific application of laws and decrees in the trial work of the court shall be interpreted by the Supreme People's Court. All issues related to the specific application of laws and decrees in the procuratorial work of the procuratorate shall be interpreted by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the NPCSC for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities.

At the local level, in cases where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions, and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation on the application of local regulations shall be given by the competent departments under the people's government of the respective provinces, autonomous regions and municipalities.

PRC JUDICIAL SYSTEM

Pursuant to the Constitution and the Law of Organization of the People's Courts of the People's Republic of China (《中華人民共和國人民法院組織法》), the People's Court is composed of the Supreme People's Court, local people's courts, and military courts as well as other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. Basic people's courts may set up a number of people's tribunals based on the facts of the region, population and cases. The Supreme People's Court is the highest judicial organ in China, supervising the administration of justice by the local people's courts at all levels and by the special people's courts.

Pursuant to the Constitution and the Law of Organization of the People's Procuratorates of the People's Republic of China (《中華人民共和國人民檢察院組織法》), the people's procuratorates are State organs for legal supervision, composed of the Supreme People's Procuratorate, local people's procuratorates, and military procuratorates as well as other special people's procuratorates. The Supreme People's Procuratorate is the highest procuratorial organ. It leads the work of the people's procuratorates at all levels and specialized people's procuratorates. The people's procuratorates at higher levels lead the work of the people's procuratorates at lower levels.

The Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》 the "**Civil Procedure Law**"), which was last amended on September 1, 2023 and took effect on January 1, 2024, prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The parties to a contract may, through the written contract, choose a people's court, which located in the place where the defendant would have his domicile, the contract would be performed, the contract would be signed, the plaintiff would have his domicile, or the subject of the contract would be located, to have jurisdiction over the case, as long as this jurisdiction choice does not violate the provisions regarding the Jurisdiction by Level and the Exclusive Jurisdiction. Judgments or rulings of the second instance at the People's Court are final. A party has the right to appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the higher people's courts in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, as well as those of the first instance of the Supreme People's Court, are final. However, if the Supreme People's Court finds any definite errors in a legally effective final judgment, ruling or paper of mediation of the local people's courts at all levels or the higher people's courts find any definite errors in a legally effective final judgment, ruling or paper of mediation of the people's court at a lower level, the Supreme People's Court or such higher people's courts shall have the power to bring the case to trial or to direct the people's courts at lower levels to conduct a retrial. If the president of a people's court at any level finds some definite errors in a legally effective judgment or ruling or mediation rendered by his court and deems it is necessary to have the case re-adjudicated, he shall refer the case to the adjudication committee for discussion and decision.

Foreign nationals, stateless persons, foreign enterprises, or organizations, which initiate or respond to lawsuits in people's courts, shall have the same litigation rights and obligations as the citizens, legal persons, or other organizations of the PRC. Should the courts of a foreign country impose restrictions on the civil litigation rights of the citizens, legal persons, or other organizations of the PRC, the people's courts of the PRC shall follow the principle of reciprocity regarding the civil litigation rights of the citizens, enterprises, or organizations of that foreign country. When foreign nationals, stateless persons, or foreign enterprises or organizations need to appoint lawyers for filing or respond to a lawsuit in a people's court, they shall appoint the lawyers of the PRC only. In accordance with the international treaties to which China is a signatory or participant or according to the principle of reciprocity, a People's Court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other litigation actions.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a People's Court or an award made by a PRC arbitration tribunal, the other party may apply to the People's Court for enforcement within two years. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment against such party.

Where a party requests for enforcement of an effective judgment or ruling made by a People's Court, but the opposite party or his property is not within the territory of the PRC, the party may directly apply to the foreign court with jurisdiction for recognition and enforcement. If China has concluded or acceded to an international treaty with the relevant foreign country that provides for the recognition and enforcement of judgments and rulings, or if such judgment or ruling meets the conditions for recognition under the principle of reciprocity following review by a people's court of the PRC, the people's court may recognize and enforce it in accordance with Chinese enforcement procedures. However, recognition and enforcement will be denied if the people's court deems the judgment or ruling to violate the basic principles of Chinese law or to infringe upon China's sovereignty, security, or social and public interests.

Arbitration and Enforcement of Arbitral Awards

Pursuant to the Arbitration Law of the People's Republic of China ((《中華人民共和國仲裁法》) the "**Arbitration Law**"), which was promulgated by the NPCSC on August 31, 1994, and last amended on September 1, 2017, and took effect on January 1, 2018, the Arbitration Law applies to foreign-related economic disputes where the parties have concluded a written agreement to submit the dispute to an arbitration commission established in accordance with the Arbitration Law. The Arbitration Law stipulates that before the China Arbitration Association promulgates arbitration rules, an arbitration commission may formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties involved have agreed to an arbitration agreement, a People's Court will refuse to accept a lawsuit initiated by one of the parties, unless the arbitration agreement is invalid.

Under the Arbitration Law and Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If one of the parties refuses to execute the award, the other party may apply for enforcement with the people's court. However, the people's court may refuse to enforce the arbitral award if, after review by a collegial panel, it finds that the arbitral proceedings were unlawful, including but not limited to instances where the composition of the arbitral tribunal or the arbitral procedure violated statutory procedures, the arbitration commission lacked jurisdiction, or the matters decided were not within the scope of the arbitration agreement.

Any party seeking to enforce an award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not located within the PRC may directly apply to a foreign court with jurisdiction over the relevant matters for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitration body may be recognized and enforced by PRC courts in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

On December 2, 1986, the NPCSC adopted a resolution whereby China acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認與執行外國仲裁裁決公約》) (the "**New York Convention**"), which was adopted on June 10, 1958. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto, subject to their rights to refuse such recognition and enforcement under certain circumstances, including where the recognition or enforcement of the award is against the public policy of that state. Upon accession, the NPCSC made two declarations: (i) China will apply the New York Convention to the recognition and enforcement of arbitral awards made in the territory of another Contracting State only on the basis of reciprocity; and (ii) the New York Convention will only apply to disputes arising out of legal relationships, whether contractual or not, which are considered as commercial under Chinese law.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which came into effect on February 1, 2000. Under this arrangement, arbitral awards rendered by arbitration institutions in Mainland China pursuant to the Arbitration Law are enforceable in Hong Kong, and arbitral awards rendered by Hong Kong arbitration institutions pursuant to the Arbitration Ordinance of Hong Kong Special Administrative Region (《香港特別行政區仲裁條例》) are enforceable in Mainland China. If the Mainland courts deem the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland China to be against public interests of the Mainland China, or if the Hong Kong SAR courts deem the enforcement of such arbitration awards to be against the public policies in the Hong Kong SAR, such awards may not be enforced. On November 26, 2020, the Supreme People's Court of China promulgated the Supplemental Arrangement of the Supreme People's Court for the Mutual Enforcement of Arbitral Awards between the Mainland China and the Hong Kong Special Administrative Region ((《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) the "**Supplemental Arrangement**"). Pursuant to the Supplemental Arrangement, before or after accepting an application for enforcement of an arbitral award, the court concerned may, upon application and in accordance with the law of the place where the arbitral award is to be enforced, take measures of preservation or enforcement.

JUDICIAL JUDGMENT AND ITS ENFORCEMENT

In accordance with the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), which was promulgated by the Supreme People's Court on January 25, 2024, and took effect on January 29, 2024, courts of Hong Kong and courts of the People's Republic of China reciprocally recognize and enforce legally effective judgments in civil and commercial matters. The scope of reciprocal recognition and enforcement covers monetary and non-monetary judgments. Specifically, regarding monetary judgments, enforcement includes the adjudged payment of assets and corresponding interest, litigation costs, late payment fees, and interest on late payments, but excludes taxes and fines.

PRC LAWS AND REGULATIONS ON SECURITIES

In October 1992, the State Council established the securities committee and the CSRC. The securities committee was responsible for coordinating the drafting of securities laws and regulations, formulating securities-related policies, planning the development of the securities market, guiding, coordinating, and supervising all securities-related institutions in China, and administering the CSRC. The CSRC, as the regulatory arm of the securities committee, was responsible for drafting regulations for the securities market, supervising securities companies, regulating the public offering of securities by Chinese companies domestically and overseas, overseeing securities trading, compiling securities-related statistics, and conducting related research and analysis. In April 1998, the State Council merged these two entities, and restructured the CSRC.

The Provisional Regulations on Issuance and Trading of Shares (《股票發行與交易管理暫行條例》), which was promulgated and took effect on April 22, 1993, involve the application and approval procedures for public offerings of equity securities, trading of equity securities, takeovers by listed companies, deposit, liquidation and transfer of listed equity securities, the disclosure of information, investigation, sanctions and dispute resolutions with respect to listed companies.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations mainly involve the issue, subscription, trading, and declaration of dividends and other distributions of domestic listed foreign shares, as well as the information disclosure of joint stock limited companies with domestic listed foreign shares.

The Securities Law, which took effect on July 1, 1997, and last amended on December 28, 2019, governs the issuance and trading of securities, the acquisition of listed companies, and the duties and responsibilities of stock exchanges, securities companies, and the State Council's securities regulatory authority. The Securities Law comprehensively regulates activities in China's securities market and stipulates that domestic enterprises must comply with relevant State Council regulations to list their shares overseas. Currently, the issuance and trading of securities overseas are primarily regulated by laws and regulations promulgated by the State Council and the CSRC.

COMPANY LAW, TRIAL MEASURES OF OVERSEAS SECURITIES OFFERING AND LISTING AND THE GUIDANCE ON ARTICLES OF ASSOCIATION FOR LISTED COMPANIES

Joint stock limited companies established in China seeking a **[REDACTED]** on the Hong Kong Stock Exchange are primarily governed by the following laws and regulations of Mainland China.

The Company Law was adopted by the NPCSC at its Fifth Session on December 29, 1993, and came into effect on July 1, 1994. The Company Law was revised on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018, and December 29, 2023, respectively. The current PRC Company Law was implemented as of July 1, 2024.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies ((《境內企業境外發行證券和上市管理試行辦法》), the "**Trial Measures of Overseas Securities Offering and Listing**") and five relevant regulatory guidelines, which came into effect on March 31, 2023. The Trial Measures of Overseas Securities Offering and Listing are applicable to the overseas issuance and listing of securities by domestic companies.

The Guidance on Articles of Association for Listed Companies ((《上市公司章程指引》) the "**Articles of Association Guidance**"), which was issued by the CSRC on December 16, 1997, and last amended and took effect on December 15, 2023, provides guidance on the articles of association and supersedes the Required Provisions for the Articles of Association of Overseas Listed Companies (《到境外上市公司章程必備條款》), which ceased to apply from March 31, 2023.

The following is a summary of the key provisions of the Company Law, the Trial Measures of Overseas Securities Offering and Listing, and the Articles of Association Guidance applicable to the Company.

General Provisions

A joint stock limited company refers to a corporate legal entity established within China in accordance with the Company Law, possessing independent legal personality and enjoying the rights to its corporate assets. The company's capital is divided into shares. All shares of the company shall, pursuant to the company's articles of association, adopt either par value or no-par value. Where par value is adopted, each share shall have an equal value. Shareholders of a joint stock limited company are liable to the company to the extent of their subscribed shares, and the company is liable for its debts to the extent of all its assets.

A joint stock limited company shall conduct its business in compliance with laws and administrative regulations. A joint stock limited company may invest in other limited liability companies and joint stock limited companies, and its liabilities with respect to such investee companies are limited to the amount invested. Unless otherwise provided by law, a joint stock limited company may not, as an investor, bear joint and several liability for the debts of the investee companies.

According to the Trial Measures of Overseas Securities Offering and Listing, domestic enterprises that conduct an initial public offering or listing overseas shall file a record with the CSRC within three business days after submitting the application documents for overseas offering and listing. Domestic enterprises are allowed to raise funds in foreign currency or RMB and pay dividends in the same currencies during overseas offering and listing.

Incorporation

A joint stock limited company may be established by promotion or public subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. The registered capital of a joint stock limited company shall be the total share capital of the issued shares registered with the company registration authority. Shares shall not be raised from others before the promoters fully pay the shares subscribed by them. Where laws, administrative regulations, or decisions of the State Council provide otherwise for the minimum registered capital of a joint stock limited company, such provisions shall prevail.

In the case of a joint stock limited company established by promotion, the promoters shall subscribe for the full amount of shares to be issued at the time of the company's establishment as stipulated in the articles of association and shall pay the full amount of the share capital prior to the establishment of the company. Where a shareholder contributes capital in monetary form, the full amount of the monetary contribution shall be deposited into the company's bank account. Where a shareholder contributes capital in non-monetary form, the transfer procedures for the property rights shall be handled in accordance with the law. If a promoter fails to pay for the shares subscribed for or the actual value of the non-monetary property contributed is significantly lower than the value of the shares subscribed for, the other promoters shall bear joint and several liability with the defaulting promoter for the shortfall in capital contribution. After the promoters have subscribed for capital contributions under the articles of association, a board of directors and a supervisory committee shall be elected, and the board of directors shall apply for registration of establishment by filing the articles of association as well as other documents required by laws and administrative regulations with the company registration authority.

The convening and voting procedures of the establishment meeting of a joint stock limited company established by way of promotion shall be stipulated in the company's articles of association or the agreement between the promoters. Where the shares issued remain undersubscribed by the time of incorporation of the company, or where the promoters fail to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. After the promoters and subscribers have paid the share capital or delivered the non-monetary capital contribution, their share capital shall not be withdrawn except in the case where the shares are not fully subscribed as scheduled, or where the promoters fail to convene an inauguration meeting as scheduled, or where the inauguration meeting resolves not to establish the company. An application for establishment registration shall be submitted to the company registration authority within 30 days after the conclusion of the company's inauguration meeting. The company is formally established and acquires legal personality upon approval of registration and issuance of a business license by the relevant company registration authority. When a limited liability company is converted into a joint stock limited company, the total amount of converted paid-in capital shall not exceed the company's net assets. When a limited liability company is converted into a joint stock limited company and publicly issues shares to increase registered capital, it shall do so in accordance with applicable laws.

SHARE CAPITAL

The company's promoters may contribute capital in monetary form or with non-monetary assets that can be valued in monetary terms and legally transferred, such as physical assets, intellectual property rights, land use rights, equity interests, and creditor's rights; however, assets prohibited by laws and administrative regulations from being used as capital contributions are excluded. Non-monetary assets contributed as capital shall be assessed and valued, and the assets shall be verified. Overvaluation or undervaluation is prohibited.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class shall carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The issue price of par value shares may be at par value or at a premium, but not below par value.

Pursuant to the Trial Measures of Overseas Securities Offering and Listing, domestic companies undertaking an initial public offering or listing overseas shall file a record with the CSRC within three business days after submitting the application documents for overseas issuance and listing. Enterprises in the PRC that issue and list their shares overseas may raise funds and pay dividends in foreign currencies or RMB.

Increase of Share Capital

According to the Company Law, when a company issues new shares, the general meeting shall, in accordance with the company's articles of association, adopt resolutions regarding the type and number of new shares, the issue price, the start and end dates of the issuance, and the type and number of new shares to be issued to existing shareholders.

After the company has raised the full amount of share capital through the issuance of new shares, it must register the change with the company registration authority and make a public announcement. When a company issues new shares to increase its registered capital, the subscription for new shares by shareholders shall be governed by the relevant provisions on capital contribution for company establishment.

Reduction of Share Capital

When a company needs to reduce its registered capital, it must prepare a balance sheet and an inventory of assets. The company shall notify its creditors within ten days from the date of the resolution to reduce registered capital and announce the reduction in a newspaper or on the National Enterprise Credit Information Publicity System within 30 days after the resolution is adopted. The creditors are entitled to require the company to repay its debts or provide corresponding guarantees within 30 days from receipt of the notification or within 45 days from the date of the announcement if they have not received any notification. When a company reduces its registered capital, the capital contributions or shares held by shareholders shall be reduced proportionately, unless otherwise stipulated by law or the articles of association of the joint stock limited company.

Share Buy-Back

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds the company's shares; (iii) to grant shares to implement an employee stock ownership plan or an equity incentive plan; (iv) to purchase the company's shares from shareholders who dissent from a resolution at a general meeting relating to a merger or division with another company; (v) to use the shares in the conversion of the convertible corporate bonds issued by the listed Company; and (vi) share purchase is essential for listed companies to maintain company value and protect shareholder interests.

Purchase of the company's shares for reasons stated in items (i) and (ii) above requires approval by a resolution of the general meeting. Purchase of shares pursuant to items (iii), (v), or (vi) above requires a resolution passed by a meeting of the board of directors at which more than two-thirds of the directors are present, in accordance with the company's articles of association or as authorized by the general meeting.

Following the purchase of the company's shares pursuant to item (i), the relevant shares must be cancelled within ten days from the date of acquisition. If the share purchase is carried out pursuant to items (ii) or (iv), the shares must be transferred or cancelled within six months. Following the purchase of shares pursuant to items (iii), (v), or (vi), the aggregate number of shares held by the company must not exceed 10% of the total number of issued shares of the company, and these shares must be transferred or cancelled within three years.

A listed company purchasing its own shares must fulfill information disclosure obligations in accordance with securities laws. Share purchase pursuant to items (iii), (v), or (vi) must be conducted through open market transactions.

The company shall not accept the shares of the company as the subject of pledge.

Share Transfer

According to the Company Law, shares held by shareholders may be transferred in accordance with relevant laws and regulations. Shareholders transferring their shares should conduct the transfer at legally established securities trading venues or in accordance with other methods stipulated by the State Council. The transfer of shares shall be conducted by endorsement of shareholders or by other means stipulated by laws or administrative regulations.

Within 20 days before the convening of a general meeting or within five days before the record date for dividend distribution determined by the company, no changes shall be made to the register of shareholders. However, if laws, administrative regulations, or the securities regulatory authority under the State Council have other provisions regarding the registration of changes to the register of shareholders of listed companies, such provisions shall prevail.

According to the Company Law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Where laws, administrative regulations or the State Council's securities regulatory authority have other provisions on the transfer of shares held by shareholders or actual controllers of listed companies, such provisions shall prevail. Directors, supervisors, and senior management shall declare to the company the shares of the company they hold and any changes in their holdings. During their term of office, as determined at the time of their appointment, the shares transferred annually shall not exceed 25% of the total number of the company's shares they hold. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after they resign from the company. The articles of associations may set out other restrictive provisions in respect of the transfer of shares held by its directors, supervisor(s) and the senior management.

Shareholders

According to the Company Law and the Articles of Associations Guidance, shareholders of a joint stock limited company are entitled to the following rights:

- To receive dividends and other distributions in proportion to their shareholdings;
- To request, convene, chair, attend or appoint a proxy to attend general meetings and to exercise corresponding voting rights in accordance with the law;
- To supervise the company's operations and make suggestions or inquiries;
- To transfer, grant or pledge the shares he or she holds in accordance with the laws, administrative regulations and the provisions hereof;
- To review the company's articles of association, register of shareholders, company bond stubs, minutes of general meetings, resolutions of the board of directors, resolutions of the supervisory committee, and financial accounting reports;

- In the event of the termination or liquidation of the Company, to participate in the distribution of the remaining assets of the company in proportion to the number of shares held;

- To request the company to purchase their shares for the shareholders who object to the company's resolution on merger or division made by the general meetings; and

- Other rights stipulated in laws, administrative regulations, departmental rules, or the articles of association.

Shareholders' obligations include complying with laws, administrative regulations, and the company's articles of association; paying for their subscribed shares in accordance with the subscribed amount and method of contribution; bearing the company's debts and liabilities limited to the subscribed amount of their shares; refraining from abusing shareholder rights to harm the company or other shareholders' interests; refraining from abusing the company's independent legal personality and limited liability status to harm the interests of the company's creditors; and any other shareholder obligations stipulated in the company's articles of association.

Shareholders' General Meeting

The shareholders' general meeting is a company's governing body and exercises its powers in accordance with the Company Law. The shareholders' general meeting exercises the following powers and functions:

- To elect and remove directors and supervisors, and to decide on matters concerning their remuneration;

- To examine and approve reports of the board of directors;

- To examine and approve reports of the supervisor committee;

- To examine and approve the company's proposals for profit distribution plans and loss recovery plans;

- To resolve on increasing or decreasing the company's registered capital;

- To resolve on the company's issuance of bonds;

- To resolve on the merger, division, dissolution, liquidation or change of corporate form of a company;

- To amend the articles of association; and

- Other functions and powers specified in the articles of association.

A shareholders' meeting is required to be held once every year. In accordance with the Company Law, a company shall convene an extraordinary shareholders' meeting of within two months after the occurrence of any of the following circumstances:

- The number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;
- The company's accumulated uncovered losses reach one-third of the total amount of the company's share capital;
- Shareholders individually or jointly holding 10% or more of the company's shares request;
- The board of directors deems it necessary;
- The supervisory committee proposes to convene it; or
- Other circumstances stipulated by the articles of associations.

A shareholders' meeting shall be convened by the board of directors and presided over by the chairman. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the deputy chairman. In the event that the deputy chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall preside. Where the board of directors is incapable of performing or is not performing its duties to convene the shareholders' meeting, the supervisory committee shall convene and preside over the meeting in a timely manner. If the supervisory committee fails to convene and preside over the meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over the shareholders' meeting.

Pursuant to the Company Law, to convene a shareholders' meeting, each shareholder must be notified of the meeting's time, place, and agenda items no less than 20 days prior to the meeting. Extraordinary shareholders' meetings require notification to each shareholder no less than 15 days prior to the meeting. Shareholders individually or jointly holding at least one percent of the company's shares may submit written temporary proposals to the board of directors up to ten days before the shareholders' meeting. The board must notify other shareholders of the temporary proposal within two days of receipt and submit the proposal for deliberation at the shareholders' meeting, unless the proposal violates laws, administrative regulations, or the articles of association, or goes beyond the authority of the shareholders' general meeting. The shareholders' meetings shall not resolve matters not specified in the notice.

According to the Company Law, shareholders present at a shareholders' meeting have one vote for each share they hold, except for class shareholders. Shares of the company held by the company do not carry voting rights.

The election of directors and supervisors at a shareholders' meeting may utilize a cumulative voting system if provided for in the company's articles of association or authorized by a resolution adopted at that meeting. Under the cumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' meeting, and shareholders may consolidate their voting rights.

Pursuant to the Company Law, resolutions made at a shareholders' meeting require approval by a majority of the voting rights held by the shareholders present thereat. However, resolutions concerning amendments to the articles of association, increases or decreases in registered capital, or resolutions regarding the company's mergers, divisions, dissolution, or changes in corporate form require approval by at least two-thirds of the voting rights held by the shareholders present thereat. Where the Company Law and the articles of association require resolutions of the shareholders' general meeting for matters such as the purchase or sale of material assets or the provision of guarantees for third parties, the board of directors shall promptly convene a shareholders' meeting for shareholders to vote on such matters.

The shareholders' general meeting shall ensure a record of minutes is made for matters deliberated at each shareholders' meeting and shareholders present thereat shall sign or seal the minutes.

Board of Directors

Pursuant to the Company Law, a joint stock limited company shall establish a board of directors with no fewer than three members, unless it is small in scale or has a limited number of shareholders. The board of directors may include employee representatives, elected democratically by the company's workforce via employee representative assemblies, employee general assemblies, or similar processes. The term of office of a director shall be stipulated in the articles of associations, provided that no term of office shall last for more than three years. Directors may be re-elected upon expiration of their term of office. If a director is not re-elected in time upon expiration of his/her term of office, or if a director resigns during his/her term of office and as a result the number of members of the board of directors is less than a quorum, the original director shall continue to perform his/her duties as a director in accordance with the provisions of the laws, administrative regulations, and the company's articles of association until a duly re-elected director assumes his/her duties as a director of the company.

Under the Company Law, the board of directors mainly exercises the following functions and powers:

- To convene shareholders' meetings and report on its work to the shareholders' general meeting;
- To implement the resolutions of the shareholders' general meeting;
- To decide the company's business plan and investment proposals;
- To formulate the company's profit distribution proposals and loss recovery proposals;

- To formulate proposals for the increase or reduction of registered capital and the issue of corporate bonds;

- To formulate plans for merger, division, dissolution or change of corporate form of the company;

- To decide on the company's internal management structure;

- To decide on the appointment or dismissal of the company's manager and his/her remuneration and, based on the manager's nomination, to decide on the appointment or dismissal of any deputy manager and financial officer of the company and their remuneration;

- To formulate the company's basic management systems; and

- To exercise other functions and powers specified in the articles of association or granted by the shareholders' general meeting.

The board of directors shall convene at least two meetings each year, and notice of each meeting must be given to all directors and supervisors ten days prior to the meeting date. An extraordinary board meeting may be proposed to be convened by shareholders representing one-tenth or more of the voting rights, one-third or more of the directors or the supervisory committee. The chairman shall convene and preside over a meeting of the board of directors within ten days from the receipt of such proposal. The board of directors may otherwise determine the means and the period of notice for convening an extraordinary board meeting. Meetings of the board of directors shall be attended by more than one-half of the directors before they can be held. A resolution of the board of directors is valid only with the approval of more than one-half of all the directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend meetings of the board of directors in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

Directors are responsible for the resolutions of the board of directors. If a resolution of the board of directors violates laws, administrative regulations, the company's articles of association, or resolutions of the shareholders' general meeting and causes significant losses to the company, the directors involved in passing the resolutions shall be liable to the company for compensation; however, a director may be relieved of liability if it is proven that they expressed their dissent during the voting and it was recorded in the meeting minutes.

Pursuant to the Company Law, a person may not serve as a director of the company under any of the following circumstances: (i) a person who is unable or has limited ability to undertake any civil liabilities; (ii) a person who has been sentenced to any criminal penalty due to an offense of corruption, bribery, encroachment of property, misappropriation of property, or disrupting the order of the socialist market economy, or has been deprived of political rights due to a crime, where a five-year period has not elapsed since the date of completion of the sentence; if he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension period; (iii) a person who was a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise; (iv) a person who is a former legal representative of a company or enterprise which had its business license revoked or had been ordered to close down due to violation of the laws and has incurred personal liability, where less than three years have lapsed since the date of the revocation of such business license and close down of such company or enterprise; and (v) a person who is liable for a relatively large amount of debts that are overdue and being listed as a dishonest person subject to enforcement by the People's Court. If a company violates the provisions of the preceding paragraph in electing or appointing a director, the election or appointment shall be invalid. During a director's term of office, if the aforementioned circumstances occur, the company shall terminate his or her duties.

Pursuant to the Company Law, the board of directors shall appoint a chairman and may appoint a deputy chairman. The chairman and the deputy chairman shall be elected with approval of more than one-half of all the directors. The chairman shall convene and preside over meetings of the board of directors and examine the implementation of resolutions of the board of directors. The deputy chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing, or is not performing his/her duties, the duties shall be performed by the deputy chairman. Where the deputy chairman is incapable of performing, or is not performing his/her duties, a director jointly elected by more than one-half of all the directors shall perform his/her duties.

Supervisory Committee

Pursuant to the Company Law, a joint stock limited company must establish a supervisory committee consisting of at least three members, unless it has an audit committee within the board of directors exercising the functions and powers of a supervisory committee or is small in scale with a limited number of shareholders. The supervisory committee must be composed of shareholder representatives and an appropriate proportion of employee representatives, the specific proportions to be defined in the company's articles of association, provided that employee representation constitutes no less than one-third of the supervisors. Employee representatives at the supervisory committee shall be elected democratically by the company's workforce via employee representative assemblies, employee general assemblies, or similar processes.

Each supervisor shall serve for a term of three years. Supervisors may be re-elected upon expiration of their term of office. If a supervisor is not re-elected in time upon expiration of his/her term of office, or if a supervisor resigns during his/her term of office and as a result the number of members of the supervisory committee is less than a quorum, the original supervisor shall continue to perform his/her duties as a supervisor in accordance with the provisions of the laws, administrative regulations, and the company's articles of association until a duly re-elected supervisor assumes his/her duties as a supervisor of the company.

The directors and senior management may not act concurrently as supervisors.

The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and vice chairman of the supervisory committee shall be elected by a majority of all the supervisors. The meetings of the supervisory committee shall be convened and chaired by the chairman of the supervisory committee. Where the chairman of the supervisory committee cannot or does not perform her duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the vice chairman of the supervisory committee is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the supervisory committee.

The supervisory committee shall hold at least one meeting every six months. Pursuant to the Company Law, resolutions of the supervisory committee shall be adopted by a majority vote of all supervisors.

The supervisory committee shall exercise the following functions and powers:

- To examine company financials;

- To supervise the conduct of directors and senior management in the performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or resolutions of the shareholders' general meeting;

- To demand rectification from the directors and senior management when the actions of the directors and senior management are harmful to the company's interests;

- To propose the convening of extraordinary shareholders' meetings, and to convene and preside over shareholders' meetings when the board of directors fails to do so as required by this law;

- To submit proposals to the shareholders' meeting;

- To initiate legal proceedings against directors and senior management in accordance with article 189 of the Company Law; and

- Other functions and powers specified in the articles of association.

Supervisors may attend meetings of the board of directors and raise questions or make suggestions regarding matters to be resolved thereat. If the supervisory committee discovers irregularities in the company's operations, it may conduct an investigation, and engage an accounting firm, when necessary, to assist in its work, at the expense of the company.

Manager and Senior Management

Pursuant to the Company Law, senior management refers to managers, deputy managers, financial officers, secretaries of the board of director of listed companies and other personnel as stipulated in the articles of associations.

The company shall have a manager, who shall be appointed or dismissed by the board of directors. The manager shall be responsible to the board of directors and exercise his/her functions and powers according to the articles of association or the authorization of the board of directors. The manager shall attend meetings of the board of directors.

Obligations of Directors, Supervisors and Senior Management

Pursuant to the Company Law, directors, supervisors, and senior management shall comply with laws, administrative regulations, and the articles of associations, and have a fiduciary obligation and a duty of diligence to the Company.

Directors, supervisors and senior management are prohibited from the following behaviors:

- To embezzle any property or misappropriate any funds of the company;
- To deposit company funds into accounts under their own name or the name of other individuals;
- To commit bribery or accept any other illegal revenue by taking advantage of his or her functions and powers;
- To accept for their own benefit commissions from other parties dealing with the company;
- To divulge secrets of the company without authorization; or
- Other acts that violate the fiduciary obligation to the company.

Without reporting to the board of directors or the shareholders' general meeting and obtaining approval through a resolution passed by the board of directors or the shareholders' general meeting in accordance with the provisions of the company's articles of association, directors, supervisors and senior management shall not directly or indirectly enter into contracts or conduct transactions with the company, shall not take advantage of their positions to seek business opportunities that belong to the company and can be utilized by the company for themselves or others, and shall not operate a business of the same type as the company they hold a position in, either for themselves or for others. When the board of directors makes a resolution on the aforementioned matters, related directors shall not participate in the voting, and their voting rights shall not be counted in the total number of voting rights. If the number of non-related directors attending a meeting of the board of directors is less than three, the matter shall be submitted to a shareholders' meeting for deliberation.

Income obtained by directors and senior management in violation of their fiduciary obligations shall belong to the company.

A director, supervisor or senior management who contravenes laws, administrative regulations or the articles of association in the performance of his/her duties, and thereby causes any loss to the company shall be liable to the company for compensation.

If the presence of the directors, supervisors and senior management at meetings is requested by the shareholders' general meeting, the directors, supervisors and senior management shall do so and address inquiries from shareholders. The supervisory committee may request directors and senior management to submit reports on the performance of their duties. Directors and senior management shall furnish all true information and data to the supervisory committee, without impeding the discharge of duties by the supervisory committee or supervisor(s).

Where a director or senior management violates laws, administrative regulations or the articles of association in the performance of their duties, causing losses to the company, shareholder(s) holding individually or in aggregate more than 1% of the company's shares consecutively for more than 180 days may request in writing that the supervisory committee institute litigation at the People's Court. Where the supervisors violate the provisions of laws, administrative regulations or the articles of association in the performance of their duties of the company and cause losses to the company, the aforesaid shareholders may submit a written request to the board of directors to file a lawsuit with the People's Court. If the supervisory committee or the board of directors refuses to institute litigations after receiving such written request from the shareholder(s), or fails to institute litigations within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigations immediately will result in irrecoverable damage to the company's interests, the aforementioned shareholder(s) shall have the power to institute litigations directly at the People's Court in his/their own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at the People's Court in accordance with the procedure described above. Where a director, supervisor or senior management of a wholly-owned subsidiary of the company is involved in the aforementioned circumstances, or where others infringe upon the lawful rights and interests of the wholly-owned subsidiary causing losses, shareholder(s) holding individually or in aggregate more than 1% of the company's shares consecutively for more than 180 days may request in writing that the supervisory committee and the board of directors of the wholly-owned subsidiary institute litigation at the People's Court, or institute litigation directly at the People's Court in his/their own name.

Finance and Accounting

Pursuant to the Company Law, a company shall establish its financial and accounting system in accordance with laws, administrative regulations, and the provisions issued by the finance department of the State Council. It shall prepare financial accounting reports at the end of each financial year and shall have them audited by an accounting firm in accordance with the law. The financial accounting reports shall be prepared in accordance with the provisions of laws, administrative regulations, and the finance department of the State Council.

A company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual shareholders' meeting. A joint stock limited company of which the shares are publicly issued must publish its financial report.

After a company distributes its after-tax profits of the current year, it shall set aside 10% of the profits as funds of the statutory reserve fund. The company may discontinue setting aside funds of the statutory provident fund if the cumulative amount of the statutory provident fund is 50% or more of the registered capital of the company. If the company's statutory provident fund is insufficient to cover prior year losses, current year profits shall first be used to make up for the losses before any appropriation is made to the statutory provident fund. After the company appropriates the statutory provident fund from its after-tax profits, it may, upon a resolution passed by the shareholders' general meeting, also appropriate a discretionary provident fund from its after-tax profits. After the company has made up for its losses and made allocations to its discretionary provident fund, the remaining after-tax profits shall be distributed in proportion to the shareholding percentages of the shareholders, unless distributed otherwise as provided in the articles of association.

The premium received by the company from the issuance of shares at an issue price in excess of the nominal value of the shares, proceeds from the issuance of no-par shares not included in the registered capital, and other items as required by the finance department of the State Council to be treated as the capital reserve fund shall be accounted for as the company's capital reserve fund. Provident fund of a company shall be used to make up for its losses, expand its production and operation, or increase its registered capital. The discretionary provident fund and statutory provident fund shall be used first to make up for the company's losses; if the losses still cannot be made up, the capital reserve fund may be used in accordance with regulations. Upon the transfer of the statutory provident fund into registered capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory accounting books. Company funds shall not be deposited in any account opened under an individual's name.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for a company's auditing business shall be determined by the shareholders' general meeting, the board of directors or the supervisory committee in accordance with the provisions of the articles of associations. When the shareholders' general meeting, board of directors, or supervisory committee votes on dismissing an accounting firm, the accounting firm should be allowed to state its opinions. The company shall provide the engaged accounting firm with true and complete accounting vouchers, accounting books, financial accounting reports, and other accounting materials, and shall not refuse, conceal or falsely report them.

Profit Distribution

Pursuant to the Company Law, a company shall not distribute profits before losses are covered and the statutory provident fund is provided. Shareholders must refund any profit to the company if it is distributed in violation of regulations of the Company Law. Shares of the company held by the company shall not be entitled to any distribution of profit.

Amendment to the Articles of Association

Pursuant to the Company Law, a resolution at a shareholders' meeting to amend the articles of association must be passed by more than two-thirds of the voting rights held by shareholders attending the meeting. Any amendment to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. Amendments involving matters subject to company registration must be filed with the company registration authority.

Dissolution and Liquidation

Pursuant to the Company Law, a company shall be dissolved for the following reasons: (i) expiry of term of business stipulated in the articles of association or occurrence of any other trigger for dissolution stipulated in the articles of association; (ii) dissolution by resolution of the shareholders' general meeting; (iii) dissolution is necessary due to a merger or demerger of the company; (iv) revocation of the business license, order to close down, or forced dissolution in accordance with the law; or (v) court-ordered dissolution upon petition by shareholders holding 10% or more of the voting rights due to insurmountable operational difficulties that cannot be otherwise resolved and where continued operation would cause significant shareholder losses.

In the event of the occurrence of any cause leading to the dissolution of the company as stipulated in the preceding paragraph, such dissolution cause shall be published on the National Enterprise Credit Information Publicity System within 10 days of its occurrence.

In the event of (i) or (ii) above and in case that no assets have been distributed to shareholders, it may carry on its existence by amending its articles of association or by a resolution adopted at a shareholders' meeting. Amendments to the articles of association in accordance with the provisions set out above shall be approved by more than two-thirds of the shareholders with voting rights who attend the shareholders' meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation procedures shall commence within 15 days after the occurrence of an event of dissolution.

The company's liquidation group shall be composed of directors, individuals eligible as stipulated in the articles of association, or those appointed by resolution of the shareholders' general meeting. If a liquidation group is not formed within the prescribed period, interested parties of the company may apply to the People's Court to appoint relevant personnel to form the liquidation group. The People's Court should accept such application and form a liquidation group to conduct a liquidation in a timely manner.

The liquidation group shall exercise the following functions and powers during the liquidation period:

- To liquidate company assets and prepare a balance sheet and an inventory of assets;
- To notify creditors through notice or public announcement;
- To deal with the company's outstanding business related to liquidation;
- To pay any tax overdue as well as tax amounts arising from the process of liquidation;
- To settle the company's claims and debts;
- To distribute the remaining assets after the company's debts have been discharged; and
- Represent the company in civil litigation.

The liquidation group shall notify the creditors within 10 days of its establishment and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. Creditors submitting claims shall specify the relevant details of the claims and provide supporting documentation. The liquidation group shall register the claims. During the claim submission period, the liquidation group shall not make payments to creditors.

After liquidating the company's assets and preparing the balance sheet and inventory of assets, the liquidation group shall formulate a liquidation plan and submit it to the shareholders' general meeting or the People's Court for confirmation. The company's remaining assets, after payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders according to the proportion of their shareholding. During liquidation, the company continues to exist, but may not conduct any operation irrelevant to liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

If, after liquidating the company's assets and preparing the balance sheet and inventory of assets, the liquidation group finds that the company's assets are insufficient to discharge its debts, it shall apply to the People's Court for bankruptcy liquidation in accordance with the law. Following the acceptance of application for bankruptcy by the People's Court, the liquidation group shall hand over the liquidation affairs to the bankruptcy administrator appointed by the People's Court.

Upon completion of the company's liquidation, the liquidation group shall prepare a liquidation report and submit it to the shareholders' general meeting or the People's Court for confirmation, and file it with the company registration authority, applying for the cancellation of the company's registration. Members of the liquidation group shall fulfill their duties with fidelity and diligence. Members of the liquidation group who neglect their liquidation duties and cause losses to the company shall bear liability for compensation; if losses are caused to creditors due to intentional misconduct or gross negligence, they shall also bear liability for compensation.

If the company is declared bankrupt according to the law, bankruptcy liquidation shall be implemented in accordance with the relevant laws on enterprise bankruptcy.

Merger and Division

Pursuant to the Company Law, companies may merge through absorption or consolidation. If the company adopts the method of merger through absorption, the company being absorbed shall be dissolved; if the company adopts the method of merger through consolidation, both merging companies shall be dissolved.

A company merger requires the parties involved to sign a merger agreement and prepare a balance sheet and an inventory of assets. The company shall notify its creditors within ten days of the resolution to merge and announce the merger publicly within 30 days in a newspaper or on the National Enterprise Credit Information Publicity System. A creditor may, within 30 days from the date of receipt of the notification, or within 45 days from the date of the announcement if he has not received such notification, request the company to settle any outstanding debts or provide corresponding guarantees. In the case of a merger, the credits and debts of the companies involved shall be succeeded by the company that survives the merger or by the newly established company.

In the event of a division of the company, its properties shall be divided up accordingly. When a company divides, it shall prepare a balance sheet and an inventory of assets. The company shall notify its creditors within ten days of the resolution to divide and announce the division publicly within 30 days in a newspaper or on the National Enterprise Credit Information Publicity System. The post-division companies shall bear joint liabilities for the debts of the former company before it is divided. Unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in written agreement.

Overseas Listing

Pursuant to the Trial Measures of Overseas Securities Offering and Listing, a domestic enterprise shall file its overseas offering and listing application documents with the CSRC within three business days of submitting them to the relevant overseas exchange. After the overseas offering and listing, if the domestic enterprise issues securities in the same overseas market, it shall file a record with the CSRC within three business days of the issuance completion. If the domestic enterprise seeks a listing in another overseas market after its initial overseas offering and listing, it shall file its offering and listing application documents with the CSRC within three business days of submitting them to the relevant overseas exchange. If the filing materials are complete and comply with regulations, the CSRC shall complete the filing within 20 business days of receipt and publicly disclose the filing information on its website. If the filing materials are incomplete or non-compliant, the CSRC shall inform the issuer of the required supplementary materials within five business days of receipt. The domestic enterprise shall submit the supplementary materials within 30 business days. The remittance and cross-border flow of funds related to the overseas offering and listing of domestic enterprises shall comply with national regulations on cross-border investment and financing, foreign exchange administration, and cross-border RMB management.

The primary purpose of this appendix is to provide potential investors with an overview of the Company's Articles of Association. As the information contained in this section is only a summary, it may not include all information that is important to potential investors.

GENERAL PROVISIONS

The Company is a joint stock limited liability company in perpetual existence.

The entire assets of the Company are divided into shares of equal value. Shareholders of the Company shall be liable to the Company to the extent of the shares they subscribe for, while the Company shall be liable for the debts to the extent of all its assets.

From the date on which the Articles of Association come into effect, it shall become a legally binding document regulating the Company's organization and behavior, and the rights and obligations between the Company and its Shareholders and among the Shareholders inter se, and shall be legally binding on the Company, Shareholders, Directors, Supervisors, and senior management. Pursuant to the Articles of Association, Shareholders may institute legal proceedings against Shareholders, Directors, Supervisors, the General Manager, and other senior management of the Company as well as against the Company; and the Company may institute legal proceedings against Shareholders, Directors, Supervisors, the General Manager, and other senior management.

BUSINESS SCOPE

Upon lawful registration, the business scope of the Company shall cover: commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management, and securities investment fund distribution. Any change to the Company's business scope shall be approved by the national securities and futures regulatory authorities, and the Articles of Association shall be amended in accordance with legal procedures. Such changes shall also be registered with the Company' registration authority.

SHARES

Issuance of Shares

Shares of the Company shall take the form of share certificates.

The issuance of shares by the Company shall be conducted in accordance with the principles of openness, fairness, and impartiality, and such shares shall rank pari passu in all respects with other shares of the same class. Shares of the same class issued at the same time shall be issued under the same terms and at the same price, and any entity or individual subscribing for such shares shall pay the same consideration.

Increase, Reduction and Repurchase of Shares

The Company may increase its capital through the following methods in accordance with its operational and developmental needs, and in compliance with applicable laws, regulations, and the rules of the securities regulatory authorities of the Company's listing jurisdiction, upon separate resolutions passed by the general meetings:

(i) Public issuance of shares;

(ii) Non-public issuance of shares;

(iii) Allotting bonus shares to its existing Shareholders;

(iv) Transfer of reserve fund into share capital; and

(v) Other methods recognized by applicable laws and administrative regulations as well as the securities regulatory authorities of the Company's listing jurisdiction.

When the Company issues convertible corporate bonds, matters such as the issuance of such bonds, the procedures and arrangements for share conversion, and the resulting changes in the Company's share capital shall be handled in accordance with applicable laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the jurisdiction where the Company's shares are listed, and the terms set forth in the Company's prospectus for the convertible corporate bonds.

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated in the Company Law, other relevant regulations, and the Articles of Association.

The Company shall not acquire its own shares, except under any of the following circumstances:

(i) To reduce the registered capital of the Company;

(ii) To merge with another company that holds the shares of the Company;

(iii) To use the shares for the Employee Stock Ownership Plan (the "**ESOP**") or as an equity incentive;

(iv) Required by Shareholders who disagree with the merger or division resolution passed at the general meetings to acquire their shares;

(v) To use shares to satisfy the conversion of corporate bonds issued by the Company that are convertible into shares; and

(vi) To safeguard the Company's value and protect the interests of its shareholders.

Where the Company acquires its shares, the acquisition shall be conducted through public and centralized trading or other methods permitted by applicable laws and regulations, the securities regulatory rules of the jurisdiction where the Company's shares are listed, and the CSRC.

Where the Company acquires its shares under the circumstances set out in items (iii), (v) or (vi) above, the acquisition shall be conducted through open centralized trading.

In the event that the Company acquires its own shares pursuant to items (i) to (ii) above, a general meeting resolution shall be required. In the event that the Company acquires its own shares pursuant to items (iii), (v), and (vi) above, a resolution passed at a meeting of the Board attended by more than two-thirds of the Directors shall be required, provided that such acquisition complies with the applicable securities regulatory rules of the jurisdiction where the Company's shares are listed.

After the Company acquires its shares in accordance with the foregoing provisions: in the case of item (i), the shares shall be canceled within ten days from the date of acquisition; in the case of items (ii) and (iv), the shares shall be transferred or canceled within six months; in the case of items (iii), (v), and (vi), the total shares held by the Company shall not exceed 10% of the Company's total issued shares, and such shares shall be transferred or canceled within three years.

Transfer of Shares

The shares of the Company may be legally transferred. The Company does not accept its own shares as the subject of pledge.

No shares held by the promoters of the Company may be transferred prior to the expiration of one year following its establishment. No shares issued by the Company prior to its A-Share **[REDACTED]** may be transferred prior to the expiration of one year following their listing on the stock exchange. In the event that the securities regulatory rules of the Company's listing jurisdiction prescribe supplementary restrictions on the transfer of the Company's shares, all relevant parties shall be bound to adhere to such provisions.

The Directors, Supervisors, and senior management of the Company are required to report their shareholdings in the Company and any changes thereto. During their tenure, they may not transfer more than 25% of their total shareholdings in the Company in any given year. Furthermore, their shares in the Company are subject to a one-year lock-up period commencing from the Company's **[REDACTED]**. The aforementioned individuals are prohibited from transferring their shares in the Company for a period of six months subsequent to the cessation of their service. In the event that laws, administrative regulations, departmental rules, or the securities regulatory rules of the Company's listing jurisdiction prescribe alternative restrictions on the transfer of the Company's shares, such provisions shall take precedence.

In the event that any Director, Supervisor, senior management, or Shareholder holding more than 5% of the Company's shares engages in the sale or repurchase of shares or other equity securities within six months of the respective purchase or sale date, any profits arising therefrom shall vest in the Company, and the Board shall be responsible for recovering such profits. Notwithstanding the foregoing, this restriction shall not apply to securities companies that hold 5% or more of the shares due to their **[REDACTED]** of unsubscribed shares in an offering, nor shall it apply to any other circumstances as prescribed by the CSRC.

The shares or equity securities held by the Directors, Supervisors, senior management, and natural person Shareholders referenced above, including but not limited to those held by their spouses, parents, children, or through third-party accounts, shall be governed by the terms set forth herein.

In the event that the Company's Board fails to adhere to the aforementioned provision, any Shareholder shall be entitled to require the Board to take necessary action within a period of 30 days. In the event that the Company's Board fails to act within the specified period, the Shareholders shall be entitled to initiate legal proceedings directly with the people's court in their own names for the benefit of the Company. In the event that the Company's Board fails to adhere to the aforementioned provisions, the responsible Directors shall bear joint and several liability in accordance with applicable laws.

Provision of Financial Assistance for the Acquisition of Shares in the Issuer or Its Affiliated Companies

The Company and its subsidiaries (including affiliated enterprises) are prohibited from providing any form of financial assistance, including but not limited to gifts, advances, guarantees, compensation, or loans, to any individual or entity acquiring or intending to acquire shares in the Company.

SHAREHOLDERS AND GENERAL MEETINGS

Shareholders

The rights of the Company's Shareholders are as follows:

(i) To be entitled to dividends and other distributions in proportion to their respective shareholdings;

(ii) To lawfully request, convene, preside over, or attend general meetings, or to appoint proxies to represent them at such meetings, and to exercise their corresponding voting rights;

(iii) To supervise, and make recommendations or inquiries on the operation of the Company;

(iv) To transfer, gift, or pledge their shares in compliance with applicable laws, administrative regulations, and the provisions of the Articles of Association;

(v) To consult and review the Articles of Association, the Shareholder register, records of corporate bonds, minutes of general meetings, resolutions of meetings of the Board and the Supervisory Committee, and financial and accounting reports;

(vi) To participate in the distribution of the Company's remaining assets in proportion to their shareholdings upon the termination or liquidation of the Company;

(vii) To require the Company to repurchase the shares of dissenting Shareholders who oppose a merger or division resolution passed by the general meetings; and

(viii) Other rights conferred by applicable laws, administrative regulations, departmental rules, securities regulatory rules of the jurisdiction where the Company's shares are listed, or the Articles of Association.

If any resolution of the Company's general meeting or Board violates applicable laws, administrative regulations, or the securities regulatory rules of the Company's listing jurisdiction, Shareholders may petition the people's court to declare such resolution invalid. Where the convening procedures or voting methods of a general meeting or Board meeting violate applicable laws, administrative regulations, or the Articles of Association, or where a resolution's content contravenes the Articles of Association, Shareholders may request the people's court to annul the resolution within 60 days of its passage.

The Company shall establish a register of Shareholders based on the records provided by the securities registration authority. Such register shall constitute conclusive evidence of share ownership in the Company. The original H share register shall be maintained in Hong Kong and shall be open to inspection by Shareholders. Notwithstanding the foregoing, the Company may, where necessary and in compliance with applicable laws, regulations, and the securities regulatory rules of the Company's listing jurisdiction, suspend Shareholder registration. The rights and obligations of Shareholders shall be determined by their respective share classes. All Shareholders holding shares of the same class shall be entitled to identical rights and subject to the same obligations.

In connection with the convening of any general meeting, dividend distributions, liquidation proceedings, or other matters necessitating Shareholder verification, the Board or the meeting convener shall fix a record date. Only Shareholders of record as of the market close on the designated record date shall be entitled to the relevant rights and interests.

In the event that any Director or senior management member breaches applicable laws, administrative regulations, securities regulatory rules of the Company's listing jurisdiction, or the Articles of Association while discharging their duties, resulting in losses to the Company, Shareholders who individually or collectively hold more than 1% of the Company's shares for more than 180 consecutive days may petition the Supervisory Committee in writing to initiate legal proceedings before the people's court. Where the Supervisory Committee violates applicable laws, administrative regulations, securities regulatory rules of the Company's listing jurisdiction, or the Articles of Association in the performance of its duties, thereby causing losses to the Company, Shareholders may submit a written request to the Board to file a lawsuit with the people's court.

Where the Supervisory Committee or the Board refuses to initiate legal action after receiving the written request from the Shareholders as specified above, or fails to do so within 30 days from the date of receiving the request, or if the situation is urgent and failure to immediately file a lawsuit would cause irreparable harm to the Company's interests, the Shareholders referred to in the preceding provisions shall have the right to directly file a lawsuit in their own names with the People's Court for the benefit of the Company.

Where the lawful rights and interests of the Company are infringed upon by others, thereby causing losses to the Company, Shareholders who individually or collectively hold more than 1% of the Company's shares for more than 180 consecutive days may, in accordance with the provisions mentioned above, file a lawsuit with the People's Court.

The Shareholders of the Company shall have the following obligations:

(i) To abide by laws, administrative regulations, securities regulatory rules of the Company's listing jurisdiction, and the Articles of Association;

(ii) To pay the subscription amount in accordance with the number of shares subscribed and the prescribed payment method;

(iii) No withdrawal of shares is permitted, except as expressly provided by law and regulations;

(iv) No shareholders may abuse their rights in a manner harmful to the Company or other shareholders, nor exploit the Company's independent legal person status or their limited liability to the prejudice of the Company's creditors; and

(v) To fulfill other obligations stipulated by applicable laws, administrative regulations, securities regulatory rules of the Company's listing jurisdiction, and the Articles of Association.

Shareholders who abuse their rights, thereby causing losses to the Company or other shareholders, shall bear liability for compensation. Where any shareholder abuses the Company's independent legal person status and the principle of limited liability to evade debts, thereby materially prejudicing the interests of the Company's creditors, such shareholder shall bear joint and several liability for the Company's debts.

The controlling shareholders and de facto controllers of the Company shall not exploit their connected relationship to the detriment of the Company's interests. Any violator shall indemnify the Company for all damages arising from such violation. Controlling shareholders and de facto controllers of the Company owe fiduciary duties to both the Company and its public shareholders. Controlling shareholders shall exercise their shareholder rights in strict compliance with applicable laws and regulations. They shall not, whether through profit distributions, asset reorganizations, external investments, fund transfers, loan guarantees or otherwise, impair the legitimate rights and interests of the Company or its public shareholders. Nor shall they abuse their controlling position to the detriment of the Company or other shareholders.

Any shareholder holding more than 5% of the Company's shares or any de facto controller shall, upon the occurrence of any of the following events, provide the Company with prompt and accurate written notice within three (3) business days, disclosing all material details:

(i) Where their equity interests in the Company are frozen or become subject to compulsory enforcement measures;

(ii) Where they pledge or release any pledge over their equity interests in the Company;

(iii) Resolution to transfer their equity interests in the Company;

(iv) Inability to exercise shareholder rights or perform shareholder obligations in a normal manner, which would materially compromise the Company's governance structure;

(v) Becoming subject to investigation by competent regulatory authorities or compulsory measures due to suspected material violations of applicable laws or regulations;

(vi) Imposition of administrative penalties or criminal sanctions for material violations of applicable laws or regulations;

(vii) Change of names;

(viii) Undergoing merger, division, or material asset/debt restructuring;

(ix) Becoming subject to regulatory interventions such as business suspension orders, license revocation, receivership/trusteeship, or insolvency proceedings such as dissolution, bankruptcy, or liquidation;

(x) Material changes in equity ownership or material alterations to business scope or operations;

(xi) Changes in the Chairman, the General Manager, or any acting director or senior management member performing equivalent functions;

(xii) Any national laws, regulations, major policy changes, or force majeure events that could significantly adversely affect the Company's operations and management; and

(xiii) Other circumstances that may affect equity changes of the Company or operation of the Company as a going concern.

Any shareholder holding more than 5% of the Company's shares that meets the condition under item (ii) shall submit a written report to the Company on the same day the event occurs. Where such shareholders fall under any prescribed circumstances, the Company shall report to the local CSRC office at its domicile within three business days of receiving notice. Where the Company's de facto controller falls under any circumstances listed in items (v) to (ix), the Company shall report to both the CSRC and its local office within three business days of receiving notice.

General Provisions of General Meetings

The general meeting shall be the Company's supreme authority and shall exercise the following functions and power in accordance with applicable laws:

(i) To decide on the business policy and investment plan of the Company;

(ii) To elect and remove Directors plus Supervisors not represented by employees, and decide on matters relating to the remunerations of Directors and Supervisors;

(iii) To examine and approve reports of the Board;

(iv) To examine and approve reports of the Supervisory Committee;

(v) To examine and approve the Company's annual financial budget and final accounts;

(vi) To examine and approve the Company's proposals for profit distribution plans and loss recovery plans;

(vii) To resolve on the increase or reduction of the Company's registered capital;

(viii) To resolve on the issuance of corporate bonds;

(ix) To resolve on the merger, division, dissolution, liquidation, or change of corporate form of the Company;

(x) To amend the Articles of Association;

(xi) To resolve on the appointment or removal of the Company's auditing firm;

(xii) To resolve on material transactions (including connected transactions) requiring shareholder approval under the Articles of Association;

(xiii) To review the Company's acquisition or disposal of material assets exceeding 30% of its most recent audited total assets within any 12-month period;

(xiv) To review and approve any modifications to the **[REDACTED]**;

(xv) To review the equity incentive plan and the ESOP; and

(xvi) To review other matters mandating general meeting approval under applicable laws, administrative regulations, departmental rules, securities regulatory rules of the Company's listing jurisdiction, and the Articles of Association.

The aforementioned functions and power of the general meetings shall not be delegated to the Board or any other body or individual for exercise.

General meetings shall be classified into annual general meetings (AGMs) and extraordinary general meeting (EGMs). The AGM shall be convened once every calendar year, to be held no later than six (6) months following the end of the preceding financial year.

The Company shall convene an EGM within two months upon the occurrence of any of the following events:

(i) Where the number of Directors is less than that provided for in the Company Law or less than two-thirds of the number prescribed in the Articles of Association;

(ii) The uncovered loss of the Company reaches one-third of the total paid-in share capital;

(iii) The Shareholders with 10% or more shares of the Company separately or jointly request;

(iv) When the Board considers it necessary;

(v) When the Supervisory Committee proposes the convening of the meeting; and

(vi) Other circumstances conferred by applicable laws, administrative regulations, departmental rules, securities regulatory rules of the Company's listing jurisdiction, and the Articles of Association.

The voting rights stipulated in item (iii) above shall be determined based on the shareholding amount as of the market close on the date of submission of the written request or, if such written request is submitted on a non-trading day, as of the market close on the immediately preceding trading day.

Convening of General Meetings

General meetings shall be convened primarily by the Board and presided over by the Chairman of the Board.

Shareholders holding, individually or jointly, 10% or more of the Company's issued shares may request the Board to convene an EGM by submitting a written demand. The Board shall, within ten (10) days of receiving the request, provide written notice of its decision on whether to convene an EGM in compliance with applicable laws, administrative regulations, and the Articles of Association. If the Board approves the request, it shall issue the meeting notice within five (5) days of the resolution. Any material modifications to the original proposal shall require prior consent from the requesting shareholder(s). If the Board fails to approve the request or respond within ten (10) days, shareholders holding at least 10% of the Company's shares (individually or jointly) may request the Supervisory Committee in writing to convene an EGM.

If the Supervisory Committee approves the request, it shall issue the meeting notice within five (5) days. Any material changes to the original proposal shall obtain prior written consent from the requesting shareholder(s). If the Supervisory Committee fails to issue the meeting notice within the prescribed period, it shall be deemed to have waived its right to convene and chair the meeting. In such case, shareholders holding at least 10% of the Company's shares continuously for 90 days (individually or jointly) may independently convene and chair the meeting.

If the Supervisory Committee or shareholders convene a general meeting independently, they shall notify the Board in writing and simultaneously file a record with the Shanghai Stock Exchange. The convening shareholders shall continuously maintain no less than 10% shareholding until the announcement of the general meeting resolutions. The Supervisory Committee or convening shareholders shall concurrently submit all supporting documents to the Shanghai Stock Exchange upon issuance of the meeting notice and publication of the meeting resolutions.

Independent Directors may propose to the Board to convene an EGM. The Board shall, within ten (10) days of receiving such proposal, provide a written response indicating its approval or rejection of the request in compliance with applicable laws, administrative regulations, and the Articles of Association. If the Board approves the request, it shall issue the meeting notice within five (5) days of the resolution. In case of rejection, the Board shall disclose the reasons in writing.

The Supervisory Committee may propose in writing that the Board convene an EGM, and such proposal shall be made in writing. The Board shall, within ten (10) days of receiving the proposal, provide a written response indicating its approval or refusal to convene an EGM, in compliance with applicable laws, administrative regulations, securities regulatory rules of the Company's listing jurisdiction, and the Articles of Association. Upon approving the convening of an EGM, the Board shall issue the meeting notice within five (5) days of the resolution. Any modifications to the original proposal in the notice shall require prior approval by the Supervisory Committee. If the Board rejects the request to convene an EGM, or fails to respond in writing within ten (10) days of receiving the proposal, it shall be deemed unable or unwilling to fulfill its convening obligations. In such case, the Supervisory Committee may independently convene and chair the meeting.

The Company shall bear all reasonable expenses incurred for any general meeting convened independently by the Supervisory Committee or shareholders.

Proposals and Notices of General Meetings

The convener shall notify all shareholders of an AGM at least 21 days in advance and an EGM at least 15 days in advance, in each case by announcement. The notice period shall be calculated excluding the meeting date itself.

When the Company convenes a general meeting, the Board, the Supervisory Committee, and shareholders holding 3% or more of the Company's shares (individually or jointly) may submit proposals. Shareholders holding 3% or more of the Company's shares (individually or jointly) may submit written interim proposals to the convener at least ten (10) days prior to the general meeting. Within two (2) days of receiving the proposal, the convener shall publish a supplemental meeting notice disclosing the interim proposal. The general meeting shall not consider, vote on, or adopt any proposal that is not included in the meeting notice or fails to comply with the interim proposal requirements specified herein.

Except as provided in the preceding provisions, the convener shall neither modify the proposals specified in the meeting notice nor add new proposals after its issuance. The general meeting shall not consider, vote on, or adopt any proposal that is not included in the meeting notice or fails to comply with the Articles of Association.

The meeting notice shall contain the following:

(i) The date, place and duration of the meeting;

(ii) The matters and proposals to be reviewed at the meeting;

(iii) All shareholders may attend general meetings in person or appoint a proxy in writing to attend and vote on their behalf. The appointed proxy need not be a shareholder of the Company;

(iv) The record date for determining shareholders entitled to attend the general meeting;

(v) The name and telephone number of the regular contact person for the meeting; and

(vi) Voting time and voting procedures on the Internet or in other ways.

The meeting notice and the supplemental notice shall fully disclose the complete details of all proposals. If the matters to be considered require independent Directors' opinions, such opinions including the rationale shall be disclosed concurrently with the meeting notice or supplemental notice.

The online or alternative voting period for the general meeting shall open between 3:00 p.m. on the business day prior to the on-site meeting and 9:30 a.m. on the meeting day, and close no earlier than 3:00 p.m. on the meeting day.

The interval between the record date and the meeting date shall not exceed seven business days. Once the equity registration date is established, it shall become irrevocable and not subject to modification.

Convening of General Meetings

All shareholders or their proxies registered in the share register as of the record date shall be entitled to attend the general meeting and exercise speaking and voting rights, subject to compliance with applicable laws, regulations, securities regulatory rules of the Company's listing jurisdiction, and the Articles of Association (unless any shareholder is required under such rules to abstain from voting on specific matters). Shareholders may attend the general meeting in person, and also may appoint a proxy to attend, speak and vote on their behalf. The proxy need not be a shareholder of the Company.

During the general meeting, all Directors, Supervisors, and the Board Secretary of the Company are required to attend, while the General Manager and other senior management personnel shall be present at the meeting.

The general meeting shall be presided over by the Chairman of the Board. In the event that the Chairman is unable or fails to fulfill their duties, a majority of the Directors may jointly designate one Director to chair the meeting. The general meeting convened by the Supervisory Committee shall be presided over by its Chairman. In the event that the Chairman is unable or fails to fulfill this responsibility, a Supervisor elected by a majority of the Supervisors shall assume the role of presiding over the meeting. The general meeting convened by the Shareholders shall be presided over by a duly elected representative designated by the convener. Where the presider of the general meeting commits a material violation of procedural rules that prevents the orderly conduct of the meeting, the Shareholders present may, upon obtaining the affirmative vote of a majority of the voting Shareholders in attendance, designate an alternate presider to resume and complete the meeting.

The Company shall develop Rules of Procedure for the General Meeting, outlining the convening and voting procedures, including notice, registration, consideration of proposals, voting, counting of votes, announcement of voting results, formation of meeting resolutions, minutes of the meeting and the signing thereof, and announcements as well as the principle of authorization from the general meeting to the Board. The content of authorization shall be clear and specific. The rules of procedure for the general meeting shall be annexed to the Articles of Association and shall be prepared by the Board and approved by the general meeting.

Voting and Resolutions of General Meetings

The resolutions of a general meeting are classified into ordinary resolutions and special ones. Ordinary resolutions of a general meeting shall be adopted by more than half of the voting rights held by the shareholders (including proxies) present at the meeting. Special resolutions of a general meeting shall be adopted by more than two-thirds of the voting rights held by the shareholders (including proxies) present at the meeting.

The following matters shall be approved by the general meeting through ordinary resolutions:

(i) Work reports of the Board and the Supervisory Committee;

(ii) Plans of earnings distribution and loss make-up schemes drafted by the Board;

(iii) Appointment or dismissal of the members of the Board and the Supervisory Committee, and their remunerations and payment methods;

(iv) Annual budgets plan and final accounts plan of the Company;

(v) Annual reports of the Company; and

(vi) Matters other than those approved by special resolutions stipulated in applicable laws, administrative regulations, securities regulatory rules of the Company's listing jurisdiction, or the Articles of Association.

Where the above matters are subject to review by the CSRC and its local office, they will become effective only after obtaining approval.

The following matters shall be resolved by way of a special resolution of the general meeting:

(i) The increase or reduction of the registered capital of the Company;

(ii) The division, spin-off, merger, dissolution, and liquidation of the Company;

(iii) Amendment to the Articles of Association;

(iv) The purchase or disposal of material assets by the Company within one year, or a guarantee amount exceeding 30% of the total audited assets in the most recent period of the Company;

(v) The equity incentive plan; and

(vi) Other matters as required by applicable laws, administrative regulations, securities regulatory rules of the Company's listing jurisdiction, or the Articles of Association, or confirmed by an ordinary resolution at a general meeting that it may have a material impact on the Company and shall be passed by a special resolution.

Where the above matters are subject to review by the CSRC and its local office, they will become effective only after obtaining approval.

Shareholders (including proxies) shall exercise voting rights based on the number of shares with voting rights held by them, with each share entitled to one vote.

When material issues affecting the interests of minority shareholders are considered at the general meeting, the votes of minority shareholders shall be counted separately. The results of such separate vote counting shall be disclosed promptly.

The shares held by the Company carry no voting rights and are excluded from the total count of voting shares present at the general meeting.

Pursuant to the applicable laws, administrative regulations, departmental rules, normative documents, and securities regulatory rules of the Company's listing jurisdiction, if a shareholder is required to abstain from voting on a specific resolution or is limited to casting a vote solely for or against such resolution, any votes cast by the shareholder (or the proxy) in contravention of these stipulations shall be excluded from the voting outcome.

If a shareholder acquires the Company's voting shares in breach of the stipulations outlined in paragraphs 1 and 2 of Article 63 of the Securities Law, the portion of shares exceeding the prescribed limit shall be deprived of voting rights for 36 months following the acquisition and excluded from the aggregate count of voting shares present at the general meeting.

The Board, independent Directors, shareholders holding more than 1% of the voting shares, or investor protection institutions established under applicable laws, administrative regulations, or CSRC provisions, may publicly solicit voting rights from shareholders. The solicitation of shareholders' voting rights shall fully disclose the specific voting intention and other information to the solicited parties. It is prohibited to solicit shareholders' voting rights by means of payment or disguised payment. Except for statutory conditions, the Company shall not set a minimum shareholding limit for gathering voting rights.

When connected transactions are considered at a general meeting, connected shareholders shall abstain from voting, and their represented shares shall not be included in the total valid votes. The announcement of the general meeting resolution shall fully disclose the votes of non-connected shareholders. When connected transactions are considered at a general meeting, connected shareholders shall proactively disclose their connected relationship to the general meeting and voluntarily abstain from voting. In the event a shareholder fails to proactively disclose the connected relationship and abstain from voting, other shareholders may demand such disclosure and recusal. Where conclusive evidence demonstrates that a connected shareholder should abstain from voting, the shares held by such shareholder shall be excluded from the total number of shares with valid voting rights in the deliberation of connected transactions.

THE BOARD

Directors

Directors shall be elected or replaced by the general meeting, with each term lasting three years, and independent Directors shall be subject to a maximum consecutive tenure of six years. Directors may be re-elected upon the expiration of their term of office and may be removed from their position prior to the end of their term by an ordinary resolution of the general meeting.

A Director's term of office shall commence upon assumption of duties and extend through the conclusion of the current Board's tenure. If a Director's term of office expires without timely re-election, until the re-elected Director takes office, the incumbent Director shall continue to fulfill his/her duties in accordance with applicable laws, administrative regulations, departmental rules, and the Articles of Association.

A Director appointed by the Board to fill a casual vacancy on the Board or as an addition to the Board shall hold office only until the first AGM of the Company after his/her appointment and shall then be eligible for re-election.

The Company operates without the inclusion of employee representative Directors on its board. A Director is eligible to hold the concurrent position of General Manager or any other senior management role, provided that the aggregate number of Directors assuming such dual responsibilities shall not exceed fifty percent of the Company's total Director composition.

The roster of Director nominees shall be incorporated into the proposal presented to the general meeting for examination and approval.

Directors shall comply with applicable laws, administrative regulations, securities regulatory rules of the Company's listing jurisdiction, and the Articles of Association and undertake the following fiduciary obligations towards the Company:

(i) Shall refrain from exploiting their authority to solicit bribes, illicit gains, or unlawfully appropriate the Company's assets;

(ii) Shall not misappropriate the Company's funds;

(iii) Shall not deposit the Company's assets or funds in an account opened in their own name or in the name of any other individual;

(iv) Shall not violate the provisions of the Articles of Association by lending the Company's funds to others or providing guarantees for others with the Company's property without the consent of the general meeting or the Board;

(v) Shall not enter into contracts or conduct transactions with the Company in violation of the Articles of Association or without the consent of the general meeting;

(vi) Shall not exploit their positions to appropriate business opportunities rightfully belonging to the Company for personal benefit or for the advantage of others, nor engage in activities that compete with the Company's business interests, unless expressly authorized by the general meeting;

(vii) Shall not accept commissions in connection with the Company's transactions as his/her own;

(viii) Shall not disclose the secrets of the Company without authorization;

(ix) Shall not use their connected relationships to damage the Company's interests; and

(x) Other fiduciary obligations stipulated in applicable laws, administrative regulations, departmental rules, securities regulatory rules of the Company's listing jurisdiction, and the Articles of Association.

Any income derived by the Directors in violation of the provisions shall belong to the Company, and the Directors shall compensate for any resulting losses.

Directors shall comply with applicable laws, administrative regulations, securities regulatory rules of the Company's listing jurisdiction, and the Articles of Association, while fulfilling their duty of diligence towards the Company:

(i) To exercise the Company-conferred rights with prudence, diligence, and care, ensuring that its commercial activities comply with State laws, administrative regulations, and economic policy requirements, and remain within the business scope stipulated in the business license;

(ii) To treat all shareholders fairly;

(iii) To keep informed of the operation and management conditions of the Company in a timely manner;

(iv) To sign a written confirmation of the Company's securities offering documents and periodic reports. To ensure the information disclosed by the Company is true, accurate, and complete; in cases where they cannot guarantee the authenticity, precision, and completeness of the securities offering documents and periodic reports, or if they hold any objections, they are required to express their opinions and provide a rationale in the written confirmation;

(v) To furnish accurate and truthful status reports and information to the Supervisory Committee, and not obstruct the Supervisory Committee or its supervisors from exercising their authority; and

(vi) Other obligations of diligence stipulated in applicable laws, administrative regulations, departmental rules, securities regulatory rules of the Company's listing jurisdiction, and Articles of Association.

Directors may resign before the expiration of their term of office. The resignation of a Director shall be submitted to the Board in a written resignation report. The Board shall disclose the circumstances within two days unless the resignation report of the Director specifies a later time for the resignation to take effect. In the event that the Board of the Company falls below the statutory minimum number of Directors due to a resignation, or if the proportion of independent Directors on the Board or its specialized committees fails to meet the requirements set forth by applicable laws, administrative regulations, departmental rules, securities regulatory rules of the Company's listing jurisdiction, or the Articles of Association, or if there is an absence of accounting professionals among the independent Directors, the incumbent Director shall continue to fulfill his/her duties in accordance with applicable laws, administrative regulations, departmental rules, and the Articles of Association until the newly elected Director assumes office. Notwithstanding the aforementioned provisions, should an independent Director fail to comply with the stipulations outlined in Article 7 (1) or (2) of the Administrative Measures for Independent Directors of Listed Companies (《上市公司獨立董事管理辦法》), he or she shall immediately discontinue the execution of his or her duties and tender resignation from the position. In the event that a resignation is not tendered, the Board shall immediately terminate his/her duties in accordance with the provisions upon becoming aware or should have become aware of such circumstances. Save as provided in the preceding paragraph, the resignation of Directors shall take effect upon the submission of the resignation report to the Board.

When a Director's resignation takes effect or his/her term of office expires, he/she shall complete all handover procedures with the Board, and his/her fiduciary obligations to the Company and shareholders shall not necessarily be released upon conclusion of his/her term of office. A Director shall remain bound by the fiduciary obligation for a period of two years following the effective date of his/her resignation or the expiration of his/her term of office. However, the obligation to maintain confidentiality regarding the Company's proprietary information (including, but not limited to, technological and trade secrets) shall persist indefinitely until such information is lawfully disclosed.

The Board

The Company shall establish a Board of Directors, which shall be accountable to the general meeting. The Board shall comprise seven Directors, including one Chairman of the Board, three independent Directors, and three additional Directors.

The Board shall exercise the following functions and power:

(i) To convene the general meeting and present reports on its work to the general meeting;

(ii) To implement the resolutions of the general meeting;

(iii) To determine the Company's business operation plans and investment plans;

(iv) To formulate the Company's proposed annual financial budget and final accounts;

(v) To develop the Company's proposals for profit distribution and loss recovery plans;

(vi) To formulate plans for increasing or decreasing the Company's registered capital, issuing bonds or other securities, and pursuing the Company's listing;

(vii) To develop plans for major acquisitions, share buy-backs, mergers, divisions, dissolution, or changes to the form of the Company;

(viii) To determine outbound investments, acquisitions, asset disposals, asset mortgages, external guarantees, entrusted wealth management, connected transactions, and external donations of the Company, within the authority granted by the general meeting;

(ix) To establish the Company's internal management structure;

(x) To decide on the appointment or dismissal of the General Manager, the Board Secretary, and other senior management personnel of the Company, and to determine their remuneration, incentives, and penalties; to decide on the appointment or dismissal of senior management members, such as the Deputy General Manager or Financial Officer, based on nominations by the General Manager, and to determine their remuneration, incentives, and penalties;

(xi) To formulate the fundamental administrative systems of the Company;

(xii) To develop amendment proposals for the Articles of Association;

(xiii) To manage the information disclosure of the Company;

(xiv) To propose to the general meeting the engagement or replacement of the accounting firm responsible for auditing the Company;

(xv) To review the General Manager's performance reports and conduct evaluations of their executive duties; and

(xvi) Other functions and power granted by applicable laws, administrative regulations, departmental rules, the securities regulatory authorities of the Company's listing jurisdiction, or the Articles of Association.

Matters that fall outside the scope of authorization granted by the general meeting shall be submitted to the general meeting for examination and approval. Where such matters require review and approval by the CSRC and its local office, they shall take effect only upon obtaining the requisite approval.

The Board shall establish the authority for outbound investments, acquisitions, asset disposals, asset mortgages, external guarantees, connected transactions, and external donations, while implementing rigorous inspection and decision-making procedures. For significant investment projects, the Board shall convene relevant experts and professionals to conduct reviews and submit reports to the general meeting for approval.

Meetings of the Board are categorized into regular and extraordinary ones. The Board shall hold at least one meeting per quarter, which shall be organized by the Chairman of the Board. All Directors and Supervisors shall be notified in writing 14 days prior to the scheduled regular Board meeting.

Shareholders representing more than one-tenth of the voting rights, more than one-third of the Directors, or the Supervisory Committee may propose to convene an extraordinary Board meeting. Upon receiving such a proposal, the Chairman shall convene and preside over a Board meeting within ten days.

A Board meeting shall be not held unless more than half of the Directors are present. The resolution of the Board shall be approved by a majority of all Directors. Each Director is entitled to one vote on resolutions to be approved by the Board. Directors shall attend Board meetings in person.

Should a Director be unable to attend a meeting for any reason, he or she may, through a written power of attorney, designate another Director to act as a proxy. The power of attorney shall explicitly delineate the proxy's name, the specific matters to be addressed, and the extent and duration of the authority conferred, and shall bear the signature and seal of the appointing Director. The proxy shall exercise the rights of a Director within the scope of the authorization. If a Director fails to attend a Board meeting or appoint a proxy, he/she shall be deemed to have waived his/her right to vote at that meeting. An independent Director is prohibited from delegating a non-independent Director to attend a meeting on his/her behalf. Similarly, a non-independent Director is not permitted to accept such a delegation from an independent Director.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT

General Provisions

The Company shall have one General Manager and four Deputy General Managers, all of whom shall be appointed or dismissed by the Board. The General Manager, Deputy General Managers, Chief Risk Officer, Financial Officer, and the Secretary of the Board constitute the senior management of the Company.

The provisions of the Articles of Association on the faithful obligations and diligence obligations of Directors shall equally apply to other senior management personnel.

The General Manager shall be liable to the Board and exercise the following functions and powers:

(i) To oversee the operation and management of the Company, organize the implementation of the Board's resolutions, and report on his or her work to the Board;

(ii) To organize the implementation of the Company's annual business plan and investment scheme;

(iii) To prepare and propose the setup of the Company's internal management structure;

(iv) To formulate the fundamental management systems of the Company;

(v) To develop specific rules and regulations of the Company;

(vi) To propose to the Board the appointment or dismissal of the Deputy General Manager and the Financial Officer of the Company;

(vii) To appoint or dismiss management personnel, excluding those whose appointments or dismissals fall under the Board's authority;

(viii) To review, sign, or authorize the review and signing of the following external documents of the Company: important documents, except for those that must be signed by the Chairman, which the General Manager is authorized to sign; all legal documents that the Board and the Chairman are authorized to sign; regular project documents, based on the division of responsibilities within the Company, to be signed by the senior management member or a specific operator designated by the General Manager; other documents that require the General Manager's signature; and

(ix) Other functions and power conferred by the Articles of Association or the Board.

Chief Risk Officer

The Company has a Chief Risk Officer (CRO), who is responsible for supervising and inspecting the legal compliance of the Company's operational and management activities, as well as the status of risk management. The CRO reports directly to the Board of the Company.

The CRO has the following functions and power necessary for the performance of his/her duties:

(i) To attend or sit in on meetings directly related to the execution of his/her responsibilities;

(ii) To inspect relevant documents, files and information of the Company;

(iii) To engage in discussions with relevant personnel of the Company, as well as with representatives of organizations providing audit, legal, and other intermediary services;

(iv) To understand the execution of the Company's business activities; and

(v) Other functions and power stipulated in applicable laws, administrative regulations, departmental rules, or the Articles of Association.

Secretary of the Board

The Company shall appoint a Secretary of the Board, whose responsibilities include the preparation for general meetings and Board meetings, document safekeeping, shareholder information management, information disclosure handling, investor relations management, and other matters as prescribed by the Exchange.

SUPERVISORY COMMITTEE

Supervisors

Supervisors shall serve a term of three years. Upon the expiration of their term, Supervisors may be re-elected and serve consecutive terms. The circumstances outlined in the Articles of Association that disqualify an individual from serving as a Director shall equally apply to Supervisors. Directors, the General Manager, and other senior management personnel are prohibited from concurrently serving as Supervisors.

In the event that the re-election of Supervisors is not conducted promptly upon the expiry of their term of office, or if the resignation of Supervisors reduces the number of Supervisory Committee members below the required quorum, the incumbent Supervisors shall continue to fulfill their duties in accordance with applicable laws, administrative regulations, and the Articles of Association. This continuation shall remain in effect until the newly elected Supervisors formally assume their roles.

A Supervisor shall attend Board meetings in an observational capacity and is authorized to raise inquiries or provide recommendations on matters requiring resolution by the Board.

Supervisors shall not exploit their affiliations in a manner that undermines the Company's interests. In cases where their actions result in losses to the Company, they shall be liable for compensation.

A Supervisor who breaches applicable laws, administrative regulations, departmental rules, or the Articles of Association, and thereby causes losses to the Company in performing their duties, shall be held liable for compensation.

Supervisory Committee

The Company's Supervisory Committee is composed of three Supervisors, one of whom is an employee representative.

The Supervisory Committee shall have one Chairman, elected by a majority vote of all Supervisors. The Chairman is responsible for convening and presiding over the meetings of the Supervisory Committee. In the event that the Chairman is unable or fails to perform their duties, a Supervisor nominated by at least half of the Supervisors shall assume the responsibility of convening and presiding over the meetings.

The Supervisory Committee shall be composed of representatives of shareholders and a specified proportion of employee representatives of the Company, with employee representatives constituting one-third of the total number of Supervisors. The employee representatives serving on the Supervisory Committee shall be democratically elected by the Company's employees through mechanisms such as the employee representative congress, employee congress, or other appropriate forms of democratic participation.

The Supervisory Committee shall exercise the following functions and powers:

(i) To review and provide a written review opinion on the documents and periodic reports on the issuance of the Company's securities as prepared by the Board, and the Supervisors shall sign a written confirmation of the opinion;

(ii) To examine the Company's financial affairs;

(iii) To oversee the performance of duties by the Directors and other senior management personnel, and propose the removal of the respective Director or senior management member in the event of any violation of applicable laws, administrative regulations, the Articles of Association, or resolutions adopted at general meetings;

(iv) To demand rectification from the Directors and other senior management personnel when their actions are harmful to the Company's interests;

(v) To propose the convening of EGMs, and to convene and preside over general meetings when the Board fails to perform the duty of convening and presiding over general meetings under the Company Law;

(vi) To make proposals at general meetings;

(vii) To file lawsuits against Directors and other senior management personnel in accordance with the relevant provisions of the Company Law;

(viii) To conduct investigation if there is any unusual circumstances in the Company's operations; and if necessary, to engage an accounting firm, a law firm, or other professional institutions to assist in their work with expenses to be borne by the Company; and

(ix) Other functions and power stipulated in applicable laws, administrative regulations, departmental rules, or the Articles of Association.

FINANCIAL AND ACCOUNTING SYSTEMS, DISTRIBUTION OF PROFITS, AND AUDITS

Financial and accounting systems

The Company shall formulate its financial and accounting systems pursuant to the provisions of applicable laws, administrative regulations and the relevant State authorities.

The Company shall submit and disclose its annual report to the CSRC and the stock exchange where the Company's shares are listed within four (4) months following the end of each financial year, and submit and disclose its interim report to the local office of the CSRC and the Shanghai Stock Exchange within two months after the conclusion of the first half of each financial year. The above-mentioned annual reports and interim reports shall be prepared in accordance with relevant laws, administrative regulations, provisions of the CSRC, and securities regulatory rules of the Company's listing jurisdiction.

The Company shall not maintain books of accounts other than those provided for by law. The assets of the Company shall be not deposited into an account established in the name of any individual.

In distributing the after-tax profit of the current year, the Company shall allocate 10% of the profit to its statutory reserve fund. However, if the cumulative amount of the statutory reserve fund exceeds 50% of the Company's registered capital, no further appropriations are required.

If the Company's statutory reserve fund is insufficient to cover the losses of the previous year, the current year's profits shall first be used to offset such losses before allocating funds to the statutory reserve fund as outlined above. After allocating the statutory reserve fund from the after-tax profits, the Company may, with the approval of the general meeting, withdraw a discretionary reserve from the remaining profits. Following the offset of any losses and the appropriation to reserve funds, the remaining balance of the after-tax profits shall be distributed to shareholders in proportion to their shareholdings, unless otherwise specified in the Articles of Association. The portion of the Company's profit designated for cash distribution to shareholders shall comply with the applicable laws and regulations. Additionally, the implementation of the profit distribution plan shall ensure that the Company's risk control indicators, including net capital, remain above the early warning thresholds established by the CSRC.

If the general meeting, in violation of the aforementioned provisions, distributes profits to shareholders before the Company offsets losses and allocates funds to the statutory reserve fund, the shareholders shall return the unlawfully distributed profits to the Company.

Shares held by the Company itself shall not participate in the distribution of profits.

The Company shall appoint one or more receiving agents for H shareholders in Hong Kong. The receiving agents shall, on behalf of the relevant H shareholders, collect and hold the dividends and other amounts payable by the Company in respect of the H shares, pending their disbursement to such H shareholders. The receiving agents designated by the Company shall adhere to the applicable laws, regulations, and securities regulatory rules of the Company's listing jurisdiction.

The Company's profit distribution policy shall be as follows: The Company has adopted a consistent and stable dividend distribution policy, which prioritizes providing investors with reasonable returns on investment while ensuring the Company's sustainable development. The Company shall develop its annual profit distribution plan for the year, taking into account its profitability, operational and production development requirements, as well as the need to provide shareholders with reasonable investment returns, while ensuring the continuity and stability of its profit distribution policy. If the Company chooses to distribute dividends in the form of cash, stock, or a combination thereof, it shall prioritize cash dividends. Furthermore, the amount of profit distributed in cash each year shall not be less than 10% of the distributable profit realized in that year.

Internal Audits

The Company shall establish an internal audit system and appoint full-time auditors to oversee its financial revenues, expenditures, and economic activities through internal audits. The internal audit system and the responsibilities of the auditors shall be implemented upon approval by the Board. The chief auditor shall be accountable to and report directly to the Board.

Employment of an Accounting Firm

The Company shall engage an accounting firm that complies with the provisions of the Securities Law and the securities regulatory rules of the Company's listing jurisdiction to audit its financial statements, verify net assets, and provide other relevant consulting services. The term of employment of the accounting firm shall be one year, which is renewable. The appointment or dismissal of an accounting firm by the Company shall be determined by the general meeting. The Board is not authorized to appoint an accounting firm prior to the general meeting's decision. The Company guarantees to provide the engaged accounting firm with accurate and complete accounting vouchers, ledgers, financial statements, and other relevant accounting materials. The Company shall not refuse, conceal, or falsify any such information.

The audit fee of the accounting firm shall be decided by the general meeting. When the Company dismisses or decides not to renew the engagement of the accounting firm, it shall provide a 30-day prior notice to the accounting firm. Additionally, the accounting firm shall have the right to present its opinions at the general meeting where the voting process regarding its dismissal is conducted.

In the event that the accounting firm submits its resignation, the Board shall notify the general meeting of any irregularities identified within the Company.

MERGER, DIVISION, CAPITAL INCREASE AND REDUCTION, DISSOLUTION, AND LIQUIDATION

Merger, division, and capital increase and reduction

In the case of a merger, parties to the merger shall execute a merger agreement and prepare the balance sheets and a schedule of assets. The Company shall notify its creditors within ten (10) days from the date of adopting the merger resolution and shall publish a merger announcement in the newspaper within thirty (30) days. The creditors may demand that the Company repay its debts or provide corresponding guarantees within thirty (30) days of receiving the notice or, if no notice was received, within forty-five (45) days of the announcement's publication.

In the event of the Company's division, its assets shall be apportioned accordingly. In the event of a division, the Company shall prepare balance sheets and a schedule of assets. The Company shall notify its creditors within ten (10) days from the date of adopting the division resolution and shall publish a division announcement in a newspaper within thirty (30) days. The post-division companies shall be jointly liable for the debts of the pre-division company.

Any increase or reduction of the Company's registered capital shall be duly registered with the competent company registry in accordance with applicable laws. In the event of a reduction in the Company's registered capital, the Company shall prepare a balance sheet and a schedule of assets. The Company shall notify its creditors within ten (10) days from the date of adopting the resolution to reduce its registered capital and shall publish an announcement of such reduction in a newspaper within thirty (30) days. The creditors may demand that the Company repay its debts or provide corresponding guarantees within thirty (30) days of receiving the notice or, if no notice was received, within forty-five (45) days of the announcement's publication. The Company's registered capital after reduction shall in no event be less than the statutory minimum.

Dissolution and liquidation

The Company shall be dissolved under any of the following circumstances:

(i) When the term of business specified in the Articles of Association expires or any other cause for dissolution as stipulated in the Articles of Association arises;

(ii) The general meeting resolves to dissolve the Company;

(iii) The dissolution is required due to the merger or division of the Company;

(iv) The Company is revoked of business license according to law, ordered to close or canceled; and

(v) Where the Company is experiencing severe operational difficulties, and its continued existence would cause substantial prejudice to shareholders' interests, any shareholder holding 10% or more of the total voting rights may petition the people's court for dissolution if the matter cannot be resolved through other means.

Under the conditions set forth in item (i), the Company may continue its existence by amending its Articles of Association, subject to approval by at least two-thirds of the voting rights held by shareholders present at the general meeting.

In the event of dissolution pursuant to item (i), (ii), (iv) or (v) above, the Company shall form a liquidation committee to initiate liquidation proceedings within fifteen (15) days following the dissolution date. The composition of the liquidation committee shall be determined by the Board or the general meeting. If the liquidation committee is not properly constituted within the prescribed time limit, creditors may petition the People's Court to appoint relevant parties to form such committee and conduct the liquidation.

The liquidation committee shall exercise the following functions and powers during liquidation:

(i) To thoroughly examine the assets of the Company, and prepare a balance sheet and a schedule of assets respectively;

(ii) To notify creditors through written notice or public announcement;

(iii) To handle the Company's remaining affairs in connection with the liquidation;

(iv) To settle all outstanding tax liabilities, including those arising during the liquidation process;

(v) To settle all outstanding claims and debts;

(vi) To dispose of the residual assets following satisfaction of all Company debts; and

(vii) To represent the Company in civil litigation proceedings.

The liquidation committee shall notify all creditors within ten (10) days from the date of its establishment and shall publish a liquidation announcement in a newspaper within sixty (60) days. Creditors shall file their claims with the liquidation committee within thirty (30) days of receiving notice or, if no notice was received, within forty-five (45) days of the announcement's publication. When filing claims, creditors shall specify the particulars of their claims and provide supporting documentation. The liquidation committee shall register the creditors' rights. During the verification of creditor claims, the liquidation committee is prohibited from disbursing payments to creditors.

Upon completion of a comprehensive review of the Company's assets and the preparation of a balance sheet and a schedule of assets, the liquidation committee shall formulate a liquidation plan, and submit such plan to the general meeting or the People's Court for confirmation. The remaining assets of the Company, after the payment of liquidation expenses, employees' wages, social insurance contributions, statutory compensation and outstanding taxes and the settlement of the Company's debts, shall be distributed among the shareholders pro rata to their respective shareholdings. During liquidation, the Company remains a legal entity but cannot engage in activities unrelated to the liquidation process. The Company's assets shall not be distributed to shareholders until all outstanding liabilities have been fully settled in compliance with the aforementioned provisions.

After liquidation, the liquidation committee shall prepare a liquidation report and present it to the general meeting or the People's Court for approval. Following confirmation, the committee shall file the report with the Company's registry to apply for the deregistration of the Company and announce its termination.

Members of the liquidation committee shall act with diligence and integrity, fulfilling their obligations in accordance with applicable laws. Members of the liquidation committee shall refrain from abusing their authority, accepting bribes or illicit gains, and misappropriating the Company's assets. Members of the liquidation committee shall compensate the Company and its creditors for any losses resulting from their intentional acts or gross negligence.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Company shall amend its Articles of Association under any of the following circumstances:

(i) The provisions of the Articles of Association conflict with the revised Company Law, relevant laws, administrative regulations, or securities regulatory rules of the Company's listing jurisdiction;

(ii) The Company has undergone modifications, resulting in inconsistencies with the provisions documented in the Articles of Association; and

(iii) The general meeting decides to amend the Articles of Association.

Resolutions on amending the Articles of Association, as resolved at the general meeting, shall be reported to the local CSRC office and Zhejiang Market Supervision Bureau in accordance with the law. If registration changes are involved, they shall be processed in accordance with the law.

Where amendments to the Articles of Association constitute information required to be disclosed under applicable laws, regulations, and securities regulatory rules of the Company's listing jurisdiction, they shall be announced in compliance with the relevant provisions.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Establishment of Our Company

Our Company was incorporated as a limited liability company under the laws of the PRC on May 28, 1996 under the name of Zhejiang Nanhua Futures Brokerage House Ltd. (浙江南華期貨經紀有限責任公司) and was converted into a joint stock company with limited liability on October 18, 2012. Our registered address and principal place of business is at Room 301, Room 401, Room 501, Room 701, Room 901, Room 1001, Room 1101 and Room 1201, Hengdian Building, Shangcheng District, Hangzhou City, Zhejiang Province and 17/F, Centre Point, 181-185 Gloucester Road, Wanchai, Hong Kong respectively.

We have also established a place of business in Hong Kong at the same address as our principal place of business and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 14, 2025 under the English corporate name of "Nanhua Futures Co., Ltd." and Chinese corporate name of "南華期貨股份有限公司". Ms. Zhang Xiao is the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong under Part 16 of the Companies Ordinance. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. An overview of the relevant aspects of laws and regulations of the PRC is set out in the section headed "Regulatory Overview" in this document. A summary of our Articles of Association is set out in Appendix V.

2. Changes in the Share Capital of Our Company

For details on the changes in the share capital of our Company, see "Our History and Development."

There has been no alteration in our share capital within the two years immediately preceding the date of this document.

3. Changes in the Share Capital of our Major Subsidiaries

Our subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I. Save for the subsidiaries mentioned in the Accountant's Report, we do not have any other subsidiaries.

Save as disclosed below, there was no alterations in the share capital of our major subsidiaries have taken place within the two years immediately preceding the date of this document:

On April 26, 2024, the share capital of Nanhua USA LLC was increased from US$26,791,000 to US$ 31,791,000.

On June 19, 2023, the share capital of Nanhua UK was increased from US$33,000,000 to US$36,000,000, and on December 16, 2024, the share capital of Nanhua UK was further increased to US$46,000,000.

4. Resolutions of our Shareholders

Pursuant to the resolutions passed by our Shareholders on February 6, 2025, it was resolved, among other things:

(a) the **[REDACTED]** by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be **[REDACTED]** on the Stock Exchange;

(b) the number of H Shares to be **[REDACTED]** before the exercise of the **[REDACTED]** for the **[REDACTED]** shall not exceed **[REDACTED]**% of the enlarged share capital of our Company upon completion of the **[REDACTED]** and granting the **[REDACTED]** of not more than **[REDACTED]**% of the above number of H Shares **[REDACTED]** pursuant to the **[REDACTED]**; and

(c) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the **[REDACTED]**, the **[REDACTED]** of the H Shares.

Pursuant to the resolutions passed by our Shareholders on March 31, 2025, it was resolved, among others things, that subject to the completion of the **[REDACTED]**, the conditional adoption of the revised Articles of Association, which shall become effective on the **[REDACTED]**.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contract (not being contracts entered into in the ordinary course of business) was entered into by our Company or its subsidiaries within the two years preceding the date of this document and is or may be material:

(a) **[REDACTED]**.

2. Intellectual Property Rights

As of the Latest Practicable Date, our Company had registered, or has applied for the registration of the following intellectual property rights which we consider to be material to our Group's business.

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we considered to be material to our business

No.	Trademark	Class	Registered Owner	Place of Registration	Registration number	Expiry Date
1.	横华农业	29	Nanhua Futures Co., Ltd., Heilongjiang Henghua Agricultural Industry Service Co., Ltd.	PRC	23137383	January 27, 2029
2.	横华农业	32	Nanhua Futures Co., Ltd., Heilongjiang Henghua Agricultural Industry Service Co., Ltd.	PRC	23137244	March 6, 2028
3.	横华农业	30	Nanhua Futures Co., Ltd., Heilongjiang Henghua Agricultural Industry Service Co., Ltd.	PRC	23137794	March 6, 2028
4.	横华农业	36	Nanhua Futures Co., Ltd., Heilongjiang Henghua Agricultural Industry Service Co., Ltd.	PRC	23137574	October 27, 2028
5.	易利权	35	Nanhua Futures Co., Ltd.	PRC	22986059	February 27, 2028

No.	Trademark	Class	Registered Owner	Place of Registration	Registration number	Expiry Date
6.	易利权	36	Nanhua Futures Co., Ltd.	PRC	22986214	February 27, 2028
7.	EASY Option	36	Nanhua Futures Co., Ltd.	PRC	22986226	February 27, 2028
8.	EASY Option 易利权	36	Nanhua Futures Co., Ltd.	PRC	22986480	February 27, 2028
9.	易利权	42	Nanhua Futures Co., Ltd.	PRC	22986362	February 27, 2028
10.	EASY Option 易利权	42	Nanhua Futures Co., Ltd.	PRC	22986661	February 27, 2028
11.	EASY Option	42	Nanhua Futures Co., Ltd.	PRC	22986452	February 27, 2028
12.	易利权	9	Nanhua Futures Co., Ltd.	PRC	22985896	February 27, 2028
13.	EASY Option	38	Nanhua Futures Co., Ltd.	PRC	22986375	February 27, 2028
14.	易利权	38	Nanhua Futures Co., Ltd.	PRC	22986426	February 27, 2028
15.	EASY Option 易利权	38	Nanhua Futures Co., Ltd.	PRC	22986446	February 27, 2028
16.	EASY Option	35	Nanhua Futures Co., Ltd.	PRC	22986025	February 27, 2028

No.	Trademark	Class	Registered Owner	Place of Registration	Registration number	Expiry Date
17.	EASY Option 易期权	35	Nanhua Futures Co., Ltd.	PRC	22986294	February 27, 2028
18.		39	Nanhua Futures Co., Ltd.	PRC	22796576	October 27, 2028
19.	横华农业	29	Nanhua Futures Co., Ltd.	PRC	22797731	April 27, 2028
20.	横华农业	32	Nanhua Futures Co., Ltd.	PRC	22797570	February 20, 2028
21.	横华农业	30	Nanhua Futures Co., Ltd.	PRC	22797808	February 20, 2028
22.	横华农业	36	Nanhua Futures Co., Ltd.	PRC	22797348	October 27, 2028
23.	横华农业	40	Nanhua Futures Co., Ltd.	PRC	22798339	February 20, 2028
24.	南华金服	36	Nanhua Futures Co., Ltd.	PRC	22412194	April 6, 2028
25.	NANHUA FINANCIAL SERVICES	36	Nanhua Futures Co., Ltd.	PRC	22412803	February 6, 2028
26.	NANHUA FINANCIAL SERVICES	35	Nanhua Futures Co., Ltd.	PRC	22412649	April 6, 2028
27.	南华金服	9	Nanhua Futures Co., Ltd.	PRC	22412117	April 6, 2028
28.	南华金服	9	Nanhua Futures Co., Ltd.	PRC	22412447	April 27, 2028

No.	Trademark	Class	Registered Owner	Place of Registration	Registration number	Expiry Date
29.	NANHUA FINANCIAL SERVICES	35	Nanhua Futures Co., Ltd.	PRC	22413316	April 6, 2028
30.	南华金服	35	Nanhua Futures Co., Ltd.	PRC	22413983	April 6, 2028
31.	NANHUA FINANCIAL SERVICES	36	Nanhua Futures Co., Ltd.	PRC	22413428	February 6, 2028
32.	南华金服	36	Nanhua Futures Co., Ltd.	PRC	22414488	April 20, 2028
33.	南华金服	9	Nanhua Futures Co., Ltd.	PRC	22414052	April 6, 2028
34.	NANHUA WEALTH	36	Nanhua Futures Co., Ltd.	PRC	21886616	December 27, 2027
35.	南华财富	36	Nanhua Futures Co., Ltd.	PRC	21886619	April 13, 2028
36.	NANHUA WEALTH	35	Nanhua Futures Co., Ltd.	PRC	21886617	February 13, 2028
37.	南华财富	35	Nanhua Futures Co., Ltd.	PRC	21886620	February 13, 2028
38.	NANHUA WEALTH	41	Nanhua Futures Co., Ltd.	PRC	21886615	September 20, 2028
39.	横华财富	36	Nanhua Futures Co., Ltd.	PRC	20699887	September 13, 2027
40.	横华财富	36	Nanhua Futures Co., Ltd.	PRC	20700063	September 13, 2027
41.	HGNH FINANCIAL	36	Nanhua Futures Co., Ltd.	PRC	20700009	September 13, 2027
42.	横华金融	36	Nanhua Futures Co., Ltd.	PRC	20700318	September 13, 2027
43.	横华金融	36	Nanhua Futures Co., Ltd.	PRC	20700353	September 13, 2027
44.	HGNH FINANCIAL	36	Nanhua Futures Co., Ltd.	PRC	20699144	September 13, 2027

No.	Trademark	Class	Registered Owner	Place of Registration	Registration number	Expiry Date
45.	HGNH	36	Nanhua Futures Co., Ltd.	PRC	20699865	September 13, 2027
46.	HGNH FINANCIAL	36	Nanhua Futures Co., Ltd.	PRC	20700105	September 13, 2027
47.		41	Nanhua Futures Co., Ltd.	PRC	19462256	May 6, 2027
48.		41	Nanhua Futures Co., Ltd.	PRC	19462130	May 6, 2027
49.		36	Nanhua Futures Co., Ltd.	PRC	19461769	May 6, 2027
50.		36	Nanhua Futures Co., Ltd.	PRC	19461622	May 6, 2027
51.		41	Nanhua Futures Co., Ltd.	PRC	19461989	May 6, 2027
52.		41	Nanhua Futures Co., Ltd.	PRC	19462320	July 20, 2027
53.	NANHUA INSURANCE	36	Nanhua Futures Co., Ltd.	PRC	18735243	February 6, 2027
54.	HGNH	36	Nanhua Futures Co., Ltd.	PRC	18735249	February 6, 2027
55.	HGNH	36	Nanhua Futures Co., Ltd.	PRC	18735250	February 6, 2027
56.	NANHUA CAPITAL	36	Nanhua Futures Co., Ltd.	PRC	18735298	February 6, 2027
57.	NANHUA CAPITAL	36	Nanhua Futures Co., Ltd.	PRC	18735299	February 6, 2027

No.	Trademark	Class	Registered Owner	Place of Registration	Registration number	Expiry Date
58.	NANHUA SECURITIES	36	Nanhua Futures Co., Ltd.	PRC	18735302	February 6, 2027
59.	NANHUA SECURITIES	36	Nanhua Futures Co., Ltd.	PRC	18735303	February 6, 2027
60.	南华润石	36	Nanhua Futures Co., Ltd.	PRC	18735317	February 6, 2027
61.	NANHUA RAINSTONE	36	Nanhua Futures Co., Ltd.	PRC	18735318	February 6, 2027
62.	NANHUA HOLDINGS	36	Nanhua Futures Co., Ltd.	PRC	18735322	February 6, 2027
63.	NANHUA HOLDINGS	36	Nanhua Futures Co., Ltd.	PRC	18735323	February 6, 2027
64.	NANHUA FINANCE	36	Nanhua Futures Co., Ltd.	PRC	18735326	February 6, 2027
65.	NANHUA FINANCE	36	Nanhua Futures Co., Ltd.	PRC	18735327	February 6, 2027
66.	NANHUA TECHNOLOGIES	36	Nanhua Futures Co., Ltd.	PRC	18735330	February 6, 2027
67.	NANHUA TECHNOLOGIES	36	Nanhua Futures Co., Ltd.	PRC	18735331	February 6, 2027
68.	HGNH INTERNATIONAL	36	Nanhua Futures Co., Ltd.	PRC	18735333	February 6, 2027
69.	NANHUA INSURANCE	36	Nanhua Futures Co., Ltd.	PRC	18735244	February 6, 2027
70.	横华国际 HGNH INTERNATIONAL	36	Nanhua Futures Co., Ltd.	PRC	18735245	February 6, 2027
71.	横华国际	36	Nanhua Futures Co., Ltd.	PRC	18735246	February 6, 2027
72.	横华	36	Nanhua Futures Co., Ltd.	PRC	18735247	February 6, 2027

No.	Trademark	Class	Registered Owner	Place of Registration	Registration number	Expiry Date
73.	NANHUA ASSET MANAGEMENT	36	Nanhua Futures Co., Ltd.	PRC	18735294	February 6, 2027
74.	NANHUA ASSET MANAGEMENT	36	Nanhua Futures Co., Ltd.	PRC	18735295	February 6, 2027
75.	NANHUA TRUST	36	Nanhua Futures Co., Ltd.	PRC	18735310	February 6, 2027
76.	NANHUA TRUST	36	Nanhua Futures Co., Ltd.	PRC	18735311	February 6, 2027
77.	NANHUA INVESTMENT	36	Nanhua Futures Co., Ltd.	PRC	18735314	February 6, 2027
78.	NANHUA INVESTMENT	36	Nanhua Futures Co., Ltd.	PRC	18735315	February 6, 2027
79.	南华润石 NANHUA RAINSTONE	36	Nanhua Futures Co., Ltd.	PRC	18735316	February 6, 2027
80.	NANHUA RAINSTONE	36	Nanhua Futures Co., Ltd.	PRC	18735319	February 6, 2027
81.	横华	36	Nanhua Futures Co., Ltd.	PRC	18735248	February 9, 2027
82.	HGNH	36	Nanhua Futures Co., Ltd.	PRC	18735251	February 9, 2027
83.	NANHUA	36	Nanhua Futures Co., Ltd.	PRC	14655845	August 13, 2025
84.	NANHUA	35	Nanhua Futures Co., Ltd.	PRC	14655846	September 6, 2026
85.	南华商品指数	35	Nanhua Futures Co., Ltd.	PRC	11071730	August 27, 2025
86.	NHCI	35	Nanhua Futures Co., Ltd.	PRC	11072064	October 27, 2033

No.	Trademark	Class	Registered Owner	Place of Registration	Registration number	Expiry Date
87.	NHCI	36	Nanhua Futures Co., Ltd.	PRC	11072215	October 27, 2033
88.	Nanhua Index	36	Nanhua Futures Co., Ltd.	PRC	11072584	October 27, 2033
89.	nanhua	36	Nanhua Futures Co., Ltd.	PRC	11072611	October 27, 2033
90.	NANHUA FUTURES	36	Nanhua Futures Co., Ltd.	PRC	11072245	March 27, 2034
91.	Nanhua Commodity Index	35	Nanhua Futures Co., Ltd.	PRC	11072020	October 27, 2033
92.	Nanhua Index	35	Nanhua Futures Co., Ltd.	PRC	11072120	March 27, 2034
93.	NANHUA	35	Nanhua Futures Co., Ltd.	PRC	11072274	March 27, 2034
94.	南华期货 NANHUA FUTURES	36	Nanhua Futures Co., Ltd.	PRC	9429838	December 20, 2033
95.	南华期货 NANHUA FUTURES	36	Nanhua Futures Co., Ltd.	PRC	9429837	December 20, 2033
96.	NANHUA FUTURES	36	Nanhua Futures Co., Ltd.	PRC	9429839	June 6, 2032
97.	NANHUA FUTURES	36	Nanhua Futures Co., Ltd.	PRC	9429840	June 6, 2032
98.	南华投资	35	Nanhua Futures Co., Ltd.	PRC	7150012	December 13, 2033

No.	Trademark	Class	Registered Owner	Place of Registration	Registration number	Expiry Date
99.	南华顾问	35	Nanhua Futures Co., Ltd.	PRC	7150013	February 20, 2034
100.	南华指数	36	Nanhua Futures Co., Ltd.	PRC	7147592	June 27, 2032
101.	南华咨询	35	Nanhua Futures Co., Ltd.	PRC	7150002	March 20, 2034
102.	南华期货	36	Nanhua Futures Co., Ltd.	PRC	7150017	June 27, 2032
103.	nawaa	36	Nanhua Futures Co., Ltd.	PRC	3199652	February 20, 2034
104.	nanhua	36	Nanhua Futures Co., Ltd.	PRC	3199653	February 20, 2034
105.		36	Nanhua Futures Co., Ltd.	PRC	3199655	February 20, 2034
106.	南华	35	Nanhua Futures Co., Ltd.	PRC	1091653	August 27, 2027
107.	浙好吃	43	Zhoushan Jinxu Trading Co., Ltd.	PRC	16763803	June 13, 2026
108.	谷翁唐师傅	30	Heilongjiang Henghua Agricultural Industry Service Co., Ltd.	PRC	50850544	June 20, 2031
109.	谷翁唐师傅	29	Heilongjiang Henghua Agricultural Industry Service Co., Ltd.	PRC	50864410	June 20, 2031
110.	NHCI	35, 36	HGNH International	HK	302284308	June 13, 2032
111.	HGNH INTERNATIONAL	36	HGNH International Financial	HK	303536721	September 14, 2025

No.	Trademark	Class	Registered Owner	Place of Registration	Registration number	Expiry Date
112.		36	HGNH International	HK	303536730	September 14, 2025
113.	A 横华国际 B 橫華國際	36	HGNH International	HK	303538189	September 15, 2025
114.	A 横华国际 B 橫華國際	35, 36	HGNH International	HK	303881160	August 23, 2026
115.		35, 36	HGNH International	HK	303881179	August 23, 2026
116.	HGNH INTERNATIONAL	35, 36	HGNH International	HK	303881188	August 23, 2026

(b) Trademarks Pending Registration

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Date of submission of application
1.	NHQH	35, 36	Nanhua Futures Co., Ltd.	HK	April 12, 2025

(c) Patents

As of the Latest Practicable Date, we have not registered any patents.

(d) Software Copyrights

As of the Latest Practicable Date, we had registered the following copyright which we consider to be material to our business:

No.	Name of Copyright	Owner	Place of Registration	Registration Number	Registration Date
1	Shenghua Financial Derivatives Integrated Platform (Abbreviation: Shenghua Financial) V3.1.22.9	Nanhua Capital	PRC	2019SR0929188	September 6, 2019
2	Nanhua OA Office Automation System (Abbreviation: Nanhua OA) V2.0	Nanhua Futures Co., Ltd.	PRC	2020SR0238295	March 11, 2020
3	Nanhua CMS Website Management System (Abbreviation: CMS) V1.0	Nanhua Futures Co., Ltd.	PRC	2020SR1086434	September 11, 2020
4	Risk Management System for Nanhua Futures Trading (Abbreviation: Futures System) V1.0	Nanhua Futures Co., Ltd.	PRC	2020SR1124242	September 18, 2020
5	Nanhua IT Equipment Management System (Abbreviation: AMP) V1.0	Nanhua Futures Co., Ltd.	PRC	2020SR1161066	September 25, 2020
6	Foreign Exchange Risk Management System for Nanhua Enterprises (Abbreviation: Foreign Exchange Risk Management System) V1.00.00	Nanhua Futures Co., Ltd.	PRC	2020SR1260409	November 26, 2020
7	Nanhua Futures Risk Control System (Abbreviation: Futures Risk Control System) V1.0	Nanhua Futures Co., Ltd.	PRC	2020SR1262524	December 1, 2020

No.	Name of Copyright	Owner	Place of Registration	Registration Number	Registration Date
8	Nanhua Ultra-speed Futures Trading System (Abbreviation: nhtdtrader) V2.0	Nanhua Futures Co., Ltd.	PRC	2020SR1267224	December 16, 2020
9	V2.0 Nanhua Extreme Options Trading System (referred to as nhtdstock) V2.0	Nanhua Futures Co., Ltd.	PRC	2020SR1269535	December 24, 2020
10	Nanhua Option Risk Control Systems (Abbreviation: Option Risk Control System) V1.0	Nanhua Futures Co., Ltd.	PRC	2020SR1262489	December 1, 2020
11	Henghua International Customer Relationship Management System (Abbreviation: CRM) V1.0	Nanhua Futures Co., Ltd.	PRC	2023SR0742779	June 28, 2023
12	Nanhua Index System (Abbreviation: Index System) V2.0	Nanhua Futures Co., Ltd.	PRC	2023SR0765758	June 30, 2023
13	Nanhua Futures Data Connection Platform (Abbreviation: data connection platform)	Nanhua Futures Co., Ltd.	PRC	2023SR0742780	June 28, 2023
14	Nanhua Futures Connect 1.00.01	Nanhua Futures Co., Ltd.	PRC	2021SRE026769	October 18, 2021
15	Nanhua Futures Palm Account trading (Abbreviation: Nanhua Futures palm trading) V1.0	Nanhua Futures Co., Ltd.	PRC	2021SRE006700	March 30, 2021
16	Nanhua Boyi APP (Abbreviation: Nanhua Boyi)	Nanhua Futures Co., Ltd.	PRC	2020SRE007922	May 29, 2020
17	Nanhua Futures V2.37	Nanhua Futures Co., Ltd.	PRC	2019SRE012803	April 24, 2019

(e) Copyright of works

As at the Latest Practicable Date, we had registered the following copyright of works which we consider to be material to our Group's business:

No.	Name of Copyright	Type of work	Owner	Registration number	Date of First Publication
1	Nanhua Commodity Index	Other work	Nanhua Futures Co., Ltd.	國作登字-2022-L-10126355	June 23, 2022

(f) Domain names

As of the Latest Practicable Date, we had registered the following domain name which we consider to be material to our business:

No.	Domain name	Registrant	Registration date	Expiry date
1.	4008888910.com	Nanhua Futures Co., Ltd.	February 20, 2012	February 20, 2028
2.	4008888910.net	Nanhua Futures Co., Ltd.	February 20, 2012	February 20, 2027
3.	4008888910.org	Nanhua Futures Co., Ltd.	February 20, 2012	February 20, 2027
4.	e-nanhua.com.cn	Nanhua Futures Co., Ltd.	May 27, 2008	May 27, 2030
5.	e-nanhua.com	Nanhua Futures Co., Ltd.	May 27, 2008	May 27, 2030
6.	nanhua.cn	Nanhua Futures Co., Ltd.	March 17, 2003	March 17, 2030
7.	nanhua.net	Nanhua Futures Co., Ltd.	December 12, 2001	December 12, 2029
8.	nanhua.org	Nanhua Futures Co., Ltd.	June 2, 2000	June 2, 2030
9.	nawaa.cn	Nanhua Futures Co., Ltd.	March 17, 2003	March 17, 2030
10.	nawaa.com.cn	Nanhua Futures Co., Ltd.	December 25, 2001	December 25, 2029
11.	nawaa.com	Nanhua Futures Co., Ltd.	December 18, 2001	December 18, 2029
12.	nawaa.net	Nanhua Futures Co., Ltd.	December 18, 2001	December 18, 2029
13.	nawaa.org.cn	Nanhua Futures Co., Ltd.	January 17, 2002	January 17, 2030
14.	nawaa.org	Nanhua Futures Co., Ltd.	December 18, 2001	December 18, 2029
15.	hgnh.org	Nanhua Futures Co., Ltd.	April 15, 2015	April 15, 2030
16.	hgnh.net.cn	Nanhua Futures Co., Ltd.	April 14, 2015	April 14, 2030
17.	hgnh.biz	Nanhua Futures Co., Ltd.	April 14, 2015	April 14, 2030
18.	nanhuafutures.com	Nanhua Futures Co., Ltd.	August 23, 2011	August 24, 2030
19.	nanhuafunds.com	Nanhua Fund	May 30, 2016	May 30, 2026
20.	nanhuacapital.com	Nanhua Capital	January 4, 2018	January 4, 2030
21.	henghua.hk	HGNH International Futures	July 17, 2015	July 17, 2025
22.	nanhuafintech.com	Nanhua Futures Co., Ltd.	March 6, 2019	March 6, 2029

Save as aforesaid, as at the Latest Practicable Date, there were no other intellectual property rights which were material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests of our Directors, Supervisors and Chief Executive

Save as disclosed below, immediately following the completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), so far as our Directors are aware, none of our Directors, Supervisors or chief executive has any interests or short positions in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Hong Kong Listing Rule.

Interest in associated corporation of our Company

Name	Name of associated corporation	Nature of interest	Committed capital contribution amount in the associated corporation(1) *(RMB million)*	Percentage of equity holding in the associated corporation
Dr. Luo Xufeng	Dongyang Henghua LLP	Beneficial owner	15.9	21.65%
Mr. Xia Haibo	Dongyang Henghua LLP	Beneficial owner	0.9	1.23%
Mr. Jia Xiaolong	Dongyang Henghua LLP	Beneficial owner	0.9	1.23%

Note:

(1) The percentage is based on the total committed capital contribution amount of Dongyang Henghua LLP as at the Latest Practicable Date (i.e. RMB 73.44 million).

2. Substantial Shareholders

For information on the persons who will, immediately following the completion of the **[REDACTED]** have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will directly and/or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company, see "Substantial Shareholders."

3. Particulars of Directors' and Supervisors' Contracts

Each of our Directors and Supervisors proposes to enter into a service contract or appointment letter with our Company. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with the Articles and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of our Group, other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

4. Remuneration of Directors and Supervisors

See "Directors, Supervisors and Senior Management" and "Appendix I – Accountant's Report – II Notes to the Historical Financial Information – Note 13(2) Directors' and Supervisors' Remuneration" for the remuneration or benefits in kind paid to our Directors and Supervisors for each of the three years ended December 31, 2024, being the latest balance sheet date of our consolidated financial statements as set out in the Accountant's Report in Appendix I to this document, and up to the date of this document.

During the Track Record Period, no fees were paid by our Group to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office.

5. Disclaimers

Save as disclosed in this document:

(a) none of our Directors or Supervisors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are **[REDACTED]** on the Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) so far as is known to any Director or Supervisors or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors or Supervisors nor any of the persons listed in "D. Other Information – 4. Qualifications and Consents of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors or Supervisors nor any of the persons listed in "D. Other Information – 4. Qualifications and Consents of Experts" below is materially interested in any contract or arrangement with our Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;

(e) save in connection with **[REDACTED]**, none of the persons listed in "D. Other Information – 4. Qualifications and Consents of Experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) save as contemplated under the **[REDACTED]**, none of our Directors or Supervisors or their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or its subsidiaries.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, saved as disclosed in this document and so far as our Directors are aware, no litigation, arbitration proceedings or claim of material importance (to our Group's financial condition or results of operation) is pending or threatened against any member of our Group

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the **[REDACTED]** of, and permission to deal in, the H Shares to be **[REDACTED]** pursuant to the **[REDACTED]** upon completion of the **[REDACTED]**. All necessary arrangements have been made to enable our H Shares to be admitted into **[REDACTED]**.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive an aggregate fee of US$800,000 for acting as the sponsor for the **[REDACTED]**.

4. Qualifications and Consents of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this document:

Name	Qualification
CITIC Securities (Hong Kong) Limited	Licensed corporation to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Confucius International CPA Limited	Certified Public Accountants and Registered Public Interest Entity Auditor
King & Wood Mallesons	Legal adviser as to PRC Law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Promoters

The promoters of our Company as of the time of our Company's conversion into a joint stock company with limited liability on October 18, 2012, is as follows:

No.	Name
1.	Hengdian Holdings
2.	Nanhua Development
3.	Dongyang Feida Chemical Co., Ltd. (東陽市飛達化學有限公司)
4.	Dongyang Zhenghong Chemical Co., Ltd. (東陽市正宏化工有限公司)
5.	Beijing Yiguang Investment Management Co., Ltd. (北京怡廣投資管理有限公司)

Save as disclosed in the section headed "Financial Information – Dividend Policy", within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the **[REDACTED]** or the related transactions described in this document.

6. Compliance Adviser

Our Company has appointed Innovax Capital Limited as the compliance adviser upon the Listing in compliance with Rule 3A.19 of the Listing Rules.

7. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the H Share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer on each of the purchaser and the seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

8. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

9. No Material Adverse Change

Our Directors confirm that, save as disclosed in this document, there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2024 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

10. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

This document is written in the English language and contains a Chinese translation for information purpose only. Should there be any discrepancy between the English language of this document and the Chinese translation, the English language version of this document shall prevail.

12. Miscellaneous

Save as disclosed in this document:

(a) within the two years immediately preceding the date of this document:

(i) save as disclosed in "– 2. Changes in the Share Capital of Our Company" and "– 3. Changes in the Share Capital of Our Subsidiaries", neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) save as in connection with the **[REDACTED]**, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(iv) no commission has been paid or payable (except commission to **[REDACTED]**) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) our Directors confirm that:

(i) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document; and

(ii) our Company has no outstanding convertible debt securities or debentures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(i) a copy of the material contracts referred to in the paragraph headed "Appendix VI – Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts"; and

(ii) the written consents referred to in the paragraph headed "Appendix VI – Statutory and General Information – D. Other Information – 4. Qualifications and Consents of Experts".

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.nanhua.net** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountant's Report from Confucius International CPA Limited, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Group for each of the three financial years ended December 31, 2022, 2023 and 2024;

(d) the report from Confucius International CPA Limited on the unaudited **[REDACTED** financial information of our Group, the text of which is set out in Appendix II;

(e) the industry report issued by Frost & Sullivan referred to in the section headed "Industry Overview";

(f) the PRC legal opinion issued by King & Wood Mallesons, our legal adviser as to PRC laws, in respect of our Group under the PRC laws;

(g) the material contracts referred to in the paragraph headed "Appendix VI – Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts";

(h) the service contracts referred to in the paragraph headed "Appendix VI – Statutory and General Information – C. Further Information about our Directors, Supervisors and Substantial Shareholders – 3. Particulars of Directors' and Supervisors' Contracts";

(i) the written consents referred to in the paragraph headed "Appendix VI – Statutory and General Information – D. Other Information – 4. Qualification and Consents of Experts"; and

(j) the Company Law, the Securities Law, Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (境內企業境外發行證券和上市管理試行辦法) and the Guidance on Articles of Association for Listed Companies (《上市公司章程指引》) issued by the CSRC together with unofficial English translations thereof.