LUZHENG FUTURES Company Limited
魯 証 期 貨 股 份 有 限 公 司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01461)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the "**Board**") of LUZHENG FUTURES Company Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015 (the "**Reporting Period**"), together with the comparative annual results of the Company for the corresponding period in 2014.

Financial Statements

1. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

LUZHENG FUTURES COMPANY LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in RMB'000 unless otherwise stated)

	Year ended 31 December	
	2015	2014
Commission and fee income	**619,500**	396,493
Commission and fee expense	**(471,367)**	(272,074)
Net commission and fee income	**148,133**	124,419
Interest income	**172,146**	98,146
Interest expense	**(26,126)**	(1,930)
Net interest income	**146,020**	96,216
Loss on physical commodities trading	**(5,708)**	(15,275)
Net investment gains	**44,228**	78,103
Other income	**37,225**	38,590
Operating Income	**369,898**	322,053
Staff costs	**(95,592)**	(88,556)
Commission to brokerage agents	**(27,102)**	(28,263)
Introducing broker commission	**(16,832)**	(11,608)
Depreciation and amortization	**(8,169)**	(8,527)
Impairment losses	**(237)**	(232)
Other operating expenses	**(106,782)**	(82,652)
Operating expenses	**(254,714)**	(219,838)
Operating profit	**115,184**	102,215
Share of losses of investment in an associate	**(2,874)**	(1,115)
Other gains, net	**12,600**	4,512
Profit before income tax	**124,910**	105,612
Income tax expense	**(31,327)**	(25,321)
Profit for the year	**93,583**	80,291

	Year ended 31 December	
	2015	2014
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
— Changes in fair value	**3,728**	3,221
— Income tax effect on changes in fair value	**(932)**	(805)
— Amounts reclassified to profit or loss upon disposal or impairment	**(2,869)**	133
Currency translation differences	**234**	—
Other comprehensive income for the year, net of tax	**161**	2,549
Total comprehensive income	**93,744**	82,840
Profit attributable to:		
— Shareholders of the Company	**93,583**	80,291
— Non-controlling interests	**—**	—
	93,583	80,291
Total comprehensive income attributable to:		
— Shareholders of the Company	**93,744**	82,840
— Non-controlling interests	**—**	—
	93,744	82,840
Earnings per share attributable to shareholders of the Company for the year (expressed in RMB per share)		
Basic/Diluted	**0.11**	0.11

2. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

LUZHENG FUTURES COMPANY LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015
(All amounts in RMB'000 unless otherwise stated)

	31 December 2015	31 December 2014
Assets		
Non-current assets		
Property and equipment	**45,125**	41,920
Intangible assets	**6,157**	6,137
Investment in an associate	**5,811**	8,685
Other non-current assets	**3,137**	3,795
Available-for-sale financial assets	**134,310**	17,173
Deferred income tax assets	**1,983**	3,767
Refundable deposits	**20,138**	20,157
Total non-current assets	**216,661**	101,634
Current assets		
Physical commodities	**3,640**	15,689
Other current assets	**30,889**	19,566
Available-for-sale financial assets	**303,354**	322,318
Derivative financial assets	**1,151**	—
Financial assets at fair value through profit or loss	**22,857**	1,596
Deposits with exchange-clearing organizations	**2,661,676**	2,331,191
Bank balances held for brokerage clients	**2,996,241**	1,986,475
Cash and bank balances	**1,196,940**	748,831
Total current assets	**7,216,748**	5,425,666
Total assets	**7,433,409**	5,527,300

	31 December 2015	31 December 2014
Equity and liabilities		
Equity attributable to shareholders of the Company		
Share capital	**1,001,900**	750,000
Share premium	**650,630**	290,292
Other reserves	**148,266**	122,525
Retained earnings	**177,565**	109,562
Total equity attributable to shareholders of the Company	**1,978,361**	1,272,379
Non-controlling interests	**—**	—
Total equity	**1,978,361**	1,272,379
Liabilities		
Non-current liabilities		
Deferred income tax liabilities	**14**	—
Other non-current liabilities	**2,599**	959
Total non-current liabilities	**2,613**	959
Current liabilities		
Other current liabilities	**41,530**	35,661
Current income tax liabilities	**7,298**	13,108
Derivative financial liabilities	**1,927**	—
Financial liabilities at fair value through profit or loss	**188,146**	—
Accounts payable to brokerage clients	**5,213,534**	4,205,193
Total current liabilities	**5,452,435**	4,253,962
Total liabilities	**5,455,048**	4,254,921
Total equity and liabilities	**7,433,409**	5,527,300

3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

LUZHENG FUTURES Company Limited (魯証期貨股份有限公司) (the "Company") is incorporated in Shandong Province, the People's Republic of China (the "PRC" or "China") as a joint stock financial institution.

The Company, originally named as Shandong Quanxin Futures Brokerage Co., Ltd. (山東泉鑫期貨經紀有限公司), was set up upon approval from the China Securities Regulatory Commission (the "CSRC") in April 1995 as a limited liability company with an initial registered capital of RMB10.2 million. The Company increased its registered capital to RMB50 million after three additional capital contributions and was renamed as Luzheng Futures Brokerage Co., Ltd. (魯証期貨經紀有限公司) in February 2007. The Company subsequently increased its registered capital to RMB200 million and further changed its name to Luzheng Futures Co., Ltd. (魯証期貨有限公司) in December 2007. After a series of share transfers and capital increases, the Company increased its registered capital to RMB640 million by September 2012. Upon approval by relevant government authorities, the Company was converted from a limited liability company into a joint-stock company in December 2012. After the conversion, the registered share capital of the Company was RMB750 million and the Company's Chinese name was changed accordingly (魯証期貨股份有限公司).

The Company completed its initial public offering on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") on 7 July 2015. The share capital of the Company was increased to RMB1,001.90 million.

The Company holds the futures business licence No. 31190000 and business licence No. 370000018085761. The registered address of the Company is Floor 15 and 16, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC.

The Company and its subsidiary (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.

The consolidated financial statements, presented in Renminbi ("RMB"), the functional currency of the Company, were authorised for issue by the Board of the Company on 22 March 2016.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets at fair value through profit or loss (including derivative instruments), which are carried at fair value.

The preparation of consolidated financial statements 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 Group continues to adopt the going concern basis in preparing its consolidated financial statements.

2.1 New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to IFRSs — 2010 — 2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'.

Amendments from annual improvements to IFRSs — 2011 — 2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

The adoption of the improvements made in the 2010–2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

2.2 New Hong Kong Companies Ordinance

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.3 New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting IFRS 15 at the same time. The Group is yet to assess IFRS 16's impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 Net commission and fee income

	Year ended 31 December 2015	2014
Commission and fee income		
Futures brokerage service	**525,152**	357,507
Settlement and clearing service income from other futures firms	**74,663**	30,383
Asset management service	**19,405**	8,483
Investment consultancy	**280**	120
	619,500	396,493
Commission and fee expense		
Trading and clearing fees to exchange-clearing organizations	**396,704**	241,887
Settlement and clearing service expense to exchange-clearing organizations	**74,663**	30,187
	471,367	272,074

4 Net interest income

	Year ended 31 December 2015	2014
Interest income		
Interest income from deposits with banks	**144,447**	84,467
Interest income from deposits with exchange-clearing organizations	**27,699**	13,679
	172,146	98,146
Interest expense		
Interest expense to brokerage clients	**24,207**	—
Interest expense on settlement and clearing services to other futures firms	**1,919**	1,930
	26,126	1,930

5 Losses on physical commodities trading

	Year ended 31 December 2015	2014
Sales proceeds	**194,333**	306,839
Costs of purchases	**(200,041)**	(322,114)
	(5,708)	(15,275)

A subsidiary of the Company involves in physical commodity trading activities. The sales proceeds and costs of purchases of physical commodities are recognized upon the transfer of risks and rewards of the ownership.

6 Net investment gains

	Year ended 31 December	
	2015	2014
Net realized gains from disposal of available-for sale financial assets	**28,048**	3,128
Dividends and interest income from available-for-sale financial assets	**2,432**	30,575
Net realized (losses)/gains from disposal of financial assets at fair value through profit and loss [(1)]	**(370)**	18,044
Dividends from financial assets at fair value through profit and loss	**139**	—
Net realized gains from derivative financial instruments [(2)]	**23,210**	26,325
Unrealized fair value change of financial instruments at fair value through profit or loss		
— Financial assets at fair value through profit or loss	**(1,044)**	386
— Financial liabilities designated at fair value through profit or loss	**(9,389)**	—
— Derivative financial instruments	**1,202**	(355)
	44,228	78,103

(1) This item consists of gains from investment in exchange traded stocks, funds and other financial instruments at fair value through profit and loss.

(2) This item represents gains from futures and OTC derivatives transactions related to subsidiaries and commodity trading activities.

7 Other income

	Year ended 31 December	
	2015	2014
Refunds of trading fees [(1)]	**36,612**	38,590
Other	**613**	—
	37,225	38,590

(1) To improve the sustainable development of futures market, the futures exchanges implement a practice to partially refund trading fees to their clearing members. The policies on the timing and calculation method of refund, are made and adjusted periodically at the discretion of the futures exchanges.

8 Other operating expenses

	Year ended 31 December	
	2015	2014
Office expenses	**22,275**	18,385
Consulting expenses	**19,082**	7,483
Marketing and distribution expenses	**15,528**	11,578
Rentals	**12,246**	14,088
Business tax and surcharges	**11,524**	10,121
Futures Investors Protection Fund	**7,146**	4,049
Information system maintenance fees	**5,448**	7,495
Listing expense	**4,102**	—
Property maintenance fee	**3,830**	3,661
Auditors' remuneration — Audit services	**1,880**	210
Professional service expenses	**1,382**	449
Other expenses	**2,339**	5,133
	106,782	82,652

9 Other gains, net

	Year ended 31 December	
	2015	2014
Foreign exchange gains	**8,176**	—
Government grants [1]	**2,540**	3,161
Subsidies received from futures exchanges [2]	**1,545**	1,175
Loss from disposal of long-term non-financial assets	**(8)**	(14)
Others	**347**	190
	12,600	4,512

(1) This item mainly consists of other grants from local governments.

(2) This item mainly consists of subsidies from futures exchanges for investors education, conference and research, etc.

10 Income tax expense

	Year ended 31 December	
	2015	2014
Current tax	**29,504**	24,849
Deferred tax	**1,823**	472
	31,327	25,321

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 profit tax has been provided at the rate of 16.5% on the estimated assessable profit for the year.

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. The major reconciliation items are as follows:

	Year ended 31 December	
	2015	2014
Profit before income tax	**124,910**	105,612
Tax calculated at applicable tax rates applicable to profits in the respective area	**31,467**	26,403
Items deducted for tax purposes but not subtracted to arrive at taxable income	**(2,045)**	(1,746)
Items not deductible for tax purposes	**1,905**	664
	31,327	25,321

11 Earnings per share

11.1 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 31 December	
	2015	2014
Profit attributable to shareholders of the Company (in RMB thousands)	**93,583**	80,291
Weighted average number of ordinary shares in issue (in thousands)	**854,958**	750,00
Basic earnings per share (in RMB)	**0.11**	0.11

11.2 Diluted earnings per share

For the year ended 31 December 2015, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share (2014: same).

12 Dividends

The Company intends to declare the distribution of dividends of RMB0.043 (including tax) per share at annual general meeting. The total amount of dividends to be distributed is RMB43,081,700.00 (2014: Nil). The dividends payable are not reflected in the consolidated financial statements of the Group for 2015.

13 Other current assets

	31 December 2015	31 December 2014
Deposits for derivatives transactions	**11,164**	—
Prepayments	**7,293**	5,465
Interest receivables from deposits	**5,226**	3,734
Deposits for physical commodity trading activities	**3,547**	6,658
Accounts receivable[(1)]	**771**	1,324
Other receivables	**2,888**	2,385
	30,889	19,566

(1) Accounts receivable

The aging analysis of accounts receivable is as follows:

	31 December 2015		31 December 2014	
	Amount	**Impairment allowance**	Amount	Impairment allowance
Up to 1 year	**771**	**—**	1,324	—

Management Discussion and Analysis

I. Economic and Futures Market Analysis during the Reporting Period

(1) Economic Conditions

The global economy remained weak and experienced a sluggish recovery in 2015. With slower economic growth as compared with 2014, overall economic developments continued to be diverse: the growth rate of developed economy was moderate while that of emerging market and developing economy continued to slip. International trade market was of steady or even declining growth rate. The change of the major economies' monetary policies stimulated global capital flow. The long-lasting impact of the international financial crisis lingered on and the world economy is still undergoing major adjustments. There was large contrast between different economy in terms of their monetary policies: on one hand, the United States, which is the largest economy in the world, has entered an interest rate hike due to its satisfactory economic recovery; on the other hand, the Eurozone and Japan were considering further monetary easing in view of their sluggish recoveries.

In 2015, the economy of China was in transition and continued to perform poorly. The annual Gross Domestic Product growth rate fell below 7%, it was the lowest in the past 25 years. Investment in the manufacturing industry remained scarce with negative annual growth in Producer Price Index for the fourth consecutive year. With a temporary boom in the financial market, the economy met expected growth in the first half year. However, it slid in the second half year, reflecting the difficulties of transformations and reforms under the "New Normal". With slackened investment, export and consumption, the new economy growth lacked a new momentum of growth. The "demand-side reform" has been gradually replaced by a new structural "supply-side reform". Nonetheless, the government was still striking a balance between reform and stability in its policy formation. Interest rate and exchange rate reforms were implemented in 2015. In respect of interest rates, the People's Bank of China ("Central Bank") loosened the upper limit of floating deposit rates for financial institutions, thereby marking the end of interest rate control. As for exchange rates, the Central Bank introduced Renminbi exchange rate reform and sped up depreciation with an annual depreciation rate of 5.77% after Renminbi was included in Special Drawing Rights. In terms of policies, the Central Bank implemented a series of flexible stabilizing monetary adjustments, including 5 decreases in interest rates and reserve requirements and offered Pledged Supplementary Lending and Medium-term Lending Facility. As the role of currency in the economy has changed from "active" to "neutral", the Central Bank maintained neutral monetary policies. Fiscal and macro-economic policies have also shifted towards "supply-side reform" to facilitate the economic transition.

(2) Futures Market Analysis

Against the backdrop of declining global economic growth, interest rate hike in the United States and the economic transition in China, prices of bulk commodity futures continued to fall in 2015 while the prices of certain industrial product futures dropped below their lows during the financial crisis in 2008. In particular, prices of chemical products dropped significantly due to the 12 years' low in crude prices. Due to the "supply-side reform", sluggish China domestic property market and slackened fixed asset investment, prices of non-ferrous metals and ferrous industrial products (such as coke steel) slid across the board. The overall prices of domestic agricultural products futures (excluding white sugar futures) also plunged. In the first half of 2015, the stock market boomed temporarily benefit from loosened monetary policies, but collapsed in the second half of June 2015. The Stock index futures also collapsed. The stock market and stock index futures were stabilized in the fourth quarter.

At the same time, to implement the mission to "scrap unnecessary limitations on the use of risk management instruments by enterprises" promulgated on 8 May 2014 by the State Council of the PRC in the Several Opinions on Further Promoting the Healthy Development of the Capital Market (國務院關於進一步促進資本市場健康發展的若干意見), on 26 November 2015, the Ministry of Finance of the PRC issued the Interim Provisions on the Accounting Treatment of the Hedging Operations of Commodity Futures (商品期貨套期會計處理暫行規定), which greatly improved the existing Accounting Standard for Business Enterprises No. 24 — Hedging (企業會計準則第 24 號 — 套期保值). These improvements included lowering the barrier and difficulties for enterprises to use futures market hedges. Internet finance has also made tremendous progress with the launch of PC and mobile portals which allow users to set up futures accounts online. In terms of new products, SSE 50 ETF futures (listed on 19 February 2015), 10-year Treasury bond (listed on 20 March 2015) as well as 5 other futures, namely nickel (listed on 27 March 2015), tin (listed on 27 March 2015), SSE 50 Index (listed on 16 April 2015) and CSI 500 Index (listed on 16 April 2015), were rolled out in China. The introduction of SSE 50 ETF futures unveiled the start of futures market in China. The terms, regulations and relevant policies of the first international crude futures were ready. Both aggregate trading volume and amount of the Chinese futures market across the nation climbed to record high.

II. Discussion and Analysis of our Development Plans, Results and Prospects

As of 31 December 2015, the Company were rated by the China Securities Regulatory Commission ("**CSRC**") as a Class A (Level AA) futures firm for two consecutive years, and has been a Class A futures firm for 7 years. The Company were also named as the "Best Futures Firm in China (中國最佳期貨公司)" for the third time, and was further awarded as the "China Futures Firm (Gold Management Team) (中國期貨公司金牌管理團隊)" and the "Best Financial and Futures Services (最佳金融期貨服務獎)" by the Futures Daily (期貨日報) and the Securities Times (證券時報).

The Company's major businesses are futures brokerage, futures asset management and commodity trading and risk management.

(1) Futures Brokerage

Market Analysis:

During the Reporting Period, total trading amount and volume as well as client balances of futures companies surged in tandem with the development and growth of the Chinese futures market. As the preparation for crude futures and traded options progresses on schedule, the variety of futures products will be broadened. Meanwhile, as competition in the futures market was intensified, trading fees dropped further, and futures firms were increasingly polarized, the degree of market concentration was steady with slight increase.

Development Plans and Results:

We seized various opportunities and implemented a series of operational measures to actively tackle various challenges in order to achieve steady growth in several indicators such as business.

First of all, the Company continued to optimize the client base. Compared with individual clients, institutional clients usually have higher account balances and thus generate more interest income to the Company. They also have stronger demand for asset management, commodity transaction and risk management services, therefore creating opportunities for the relevant departments to cross-sell. During the Reporting Period, the Company optimized its client base through strengthening its focus on serving institutional and professional clients. The number of institutional clients of the Group's futures brokerage business increased from 1,775 as of 31 December 2014 to 2,070 as of 31 December 2015, while the balances of institutional clients increased from RMB1,165.6 million as of 31 December 2014 to RMB2,959.7 million as of 31 December 2015.

Secondly, the Company has also optimized its branch network and set up "light branches". Through improving its branch network, the Company has coordinated the cooperation among the future brokerage business, the asset management business and risk management business, thereby creating synergies between businesses. The Company has also established an integrated service platform for futures and derivatives to satisfy diversified wealth accumulation and risk management demands. Operating entities were encouraged to change the single brokerage business marketing model to integrated marketing model. On the other hand, the Group also sets up "light branches", such as the Shanghai branch and Taian branch, to, firstly, strengthen regional service by utilizing the edges of the Group and consolidating resources in Shanghai and the surrounding areas, and, secondly, enlarge its business coverage, expand its service and sales network, and provide customized and accurate customer services.

Thirdly, the Company has fully utilized its advantages in internet financing. The Company believes that the integration of internet and finance will likely serve as a driver of reform and progress in China's financial sector. As of 31 December 2015, the Group has been improving the functionality and user experience of its online trading systems and to migrate more of its services online so as to quickly expand its client base and enhance customer loyalty.

Fourthly, the sector-focused business teams have been further enhanced. The Group continued to enhance its sector-focused business teams by strengthening the professional capacities of businesses teams that cover industries such as finance, steel, chemicals, agricultural products and non-ferrous metals in 2015. Through internal training and external recruitment, the age composition of the Group's sector-focused business teams has been improved, and the number of staff with high education levels and more experience has been increased further. As such, the Group was able to regularly provide research reports to industrial enterprises and financial institutions so as to assist them in identifying and evaluating risk management and trading opportunities by offering more professional services according to their needs.

Fifthly, the capability of the research team to support each business segment was strengthened. We have further integrated the work of its research team with the operations of various business lines to better utilize the insights from the research team in its business operations.

As of 31 December 2015, total trading amount of the Group's futures brokerage business amounted to RMB12.93 trillion, representing a year-on-year increase of 86.31%, while total trading volume amounted to 78 million lots, representing a year-on-year increase of 21.86%. Client balances as at the end of the period was RMB5,384 million, representing a year-on-year growth of 29.95%. Average total daily balance was RMB6,372 million, representing a year-on-year increase of 91.24%. Net commission and fee income amounted to RMB148,133 thousand representing a year-on-year growth of 19.06%.

(2) Futures Asset Management Business

Market Analysis:

The futures asset management market boomed in 2015 thanks to the increase in household income, the strong demand for public investment and financing, the ongoing development of the industry, as well as the introduction of cash pooling. The number, scale and sales of new futures asset management products have all witnessed rapid growth.

Development Plans and Results:

During the Reporting Period, the Company's futures asset management products recorded outstanding results and contributed to a relatively rapid business growth. The Company have made further efforts to recruit talents, particularly professionals who studied at renowned overseas universities and had overseas work experience in the relevant industry. As at 31 December 2015, the asset management business employed a total of 20 employees, including 12 employees with master degree or above, and 7 employees who studied at renowned overseas universities and had overseas work experience in the relevant industry. Secondly, the Company had broadened its investment product and strategy choices and launched cross-border interest rate swap. Thirdly, the branches were transforming into sales platform with better asset management product sale capabilities. As of 31 December 2015, the Group issued 36 asset management products and recorded total annual asset management product issue size of RMB704 million, representing a year-on-year increase of 183.87%. In particular, 10, or 30.30%, were cash pooling products. The weighted average annualized yield of all products was 22.82%. The outstanding results of its asset management products boosted the business and were well recognized by the market with good reputation among peers and investors.

(3) Commodity Trading and Risk Management Business

Market Analysis:

During the Reporting Period, the commodity trading and risk management industry grew rapidly. The industry witnessed relatively large increases in trading volumes and amounts of warehouse receipt business, spread quotation, cooperative insurance and OTC option trading.

Development Plans and Results:

The Company engages in the commodity trading and risk management business through Luzheng Trading Co., Ltd. ("**Luzheng Trading**"), a wholly-owned subsidiary. During the Reporting Period, the Company achieved rapid growth with controlled risk. Firstly, the product mix of Luzheng Trading's commodity trading business expanded significantly. In 2014, on top of the product mix that covered palm oil, crude soybean oil, soybean meal, rapeseed meal, common wheat and iron ore, trading products such as corn, soybean, corn starch, cotton and hot-rolled coil, etc. were added. Meanwhile, the

Company's OTC option business has extended to 9 futures including palm oil, soybean oil, soybean meal, cotton, white sugar, rebar, ores, coking coal and pure terephthalic acid (PTA), representing a year-on-year increase of 300%-surge in product coverage. A total of 94 transactions with over 20 large-scale enterprises were completed, representing a year-on-year increase of 1,780% in number of transactions. Nominal value amounted to RMB840 million, representing a year-on-year increase of 1,687%. The amount of option fees amounted to RMB9.5 million, representing a year-on-year increase of 956%. Apart from demonstrating better risk management for the Company's clients, such increase also contributed an operating income of RMB730 thousand, representing a year-on-year surge of 300%. In addition, the Group piloted the first inter-institution cooperative transaction in the futures industry in May 2015. OTC option transactions with certain financial institutions were subsequently conducted. The Company have also successfully held the "Second Conference on PRC Bulk Commodity OTC Derivatives Cooperation" (第二屆中國大宗商品場外衍生品機構合作會議) and further consolidated the market influence of the Company's OTC business.

(4) Information Technology Business

The Group always believes information technology ("**IT**") infrastructure and information systems are essential for the effective management and successful development of its business and strive to improve its IT infrastructure. The Company has on one hand further improved and upgraded its IT systems to adapt to the more complex needs of its business and clients. In particular, the Company endeavored to develop a comprehensive online platform that is capable of providing one-stop futures and derivatives solutions. On the other hand, the Company set up the only IT subsidiary in the futures industry, Luzheng Information Technology Co., Ltd. ("**Luzheng Information Technology**"), during the Reporting Period. Capitalizing on the Company's strengths in technical maintenance and operation, the Company offered IT maintenance and operation services to medium and small futures firms. As of 31 December 2015, Luzheng Information Technology has been providing trust services for maintenance and operation to 2 futures firms. At the same time, Luzheng Information Technology has established its software development platform and team, which have made certain progress in user-end trading software, high-volume trading software and futures information platform through in-house research and development and external collaborations.

(5) Development Plans for 2016

In 2016, the Company will carry on its core plans such as business transformation and upgrade, globalization, improvement in trading business capacities, integration of internet and traditional operations, and strengthening its abilities to serve major clients, particularly industrial clients. In the meantime, the Company will also reinforce its risk control and human resource allocation.

Futures Brokerage

The Group will promote the comprehensive transformation of the brokerage business. Firstly, the Group will apply its IT technologies to develop coordinated online and offline marketing, thereby extend beyond the regional development and service model centering on traditional branches. Collaboration with e-commerce operators will be tightened to reach and secure more clients and increase internet market share. Secondly, the Group will consolidate the resources of various business segments and establish integrated marketing and servicing platform that covers different businesses. Thirdly, the Group will continue to establish "light branches"and streamline and ultimately virtualize point-of-sales. Fourthly, regional management will be set up in key regions in order to consolidate regional resources and strengthen regional development. Last but not least, the internal assessment system will be optimized so as to enhance operating efficiency.

Futures Asset Management Business

The Group will implement plans that focus on improving product's performance and enlarging business scale. Our trading team will be strengthened through internal promotion, external recruitment of investment advisers and investing in outstanding private equity funds. Asset management branches will be set up at suitable time when opportunity arises in order to retain talents using the advantages of subordinate platforms. We will also build on its outstanding investment performance to develop new products and strengthen innovation. Branches will be transformed into asset management product marketing platforms so as to enhance its sale ability. Communication with banks, securities firms and other financial institutions will be tightened in order to utilize their vast sale channels in order to enlarge its business scale.

Commodity Trading and Risk Management Business

The Group will further expand its business by focusing on serving the industries and integrating with other segments of the Group. First, further capital will be injected into Luzheng Trading to expand the commodity trading and risk management business so as to achieve economies of scale and improve the profitability of the business segment. Secondly, it will improve its decision-making and trading abilities with respect to fluctuation in futures derivatives with the aim of increasing its scale and profitability. Thirdly, it will develop and diversify the scale and portfolio of its basis trading, inventory management and cooperative insurance by learning from mature bulk commodity trading firms at home and abroad. Fourthly, it will strengthen the performance of its in-house OTC products such as option, forward and swap contracts so as to provide client-oriented customized risk management service. Fifthly, its risk management will be enhanced to achieve profitability while closely controlling trading risk.

Information Technology Business

Our Group will utilize Luzheng Information Technology's technical edges to enhance our core competitiveness and secure market share. Firstly, the Company will widen the scope of IT trust services for maintenance and operation. Secondly, the Group's back-office maintenance and operation as well as software development support will also be enhanced with a view to achieve digitalization of the Group's middle and back-office management and operation. Thirdly, customized trading software systems will be developed according to clients' needs to support their development and maintenance in order to enhance their loyalty. The Group will also develop a customer relation management system that can conduct "Big Data" analysis of clients' preference and behavior with the aim of improving the suitability of the Group's customer service.

Speed up Globalization of the Group

Leveraging on the Group's capital and credibility advantage resulting from its listing on the Hong Kong Stock Exchange, the Group will recruit more overseas talents. Tapping into the "London-Hong Kong Connect" of the Hong Kong Stock Exchange, the development of its overseas platform will be accelerated through new establishment as well as merger and acquisition when opportunity arises. This trading platform will be linked to key futures exchanges across the globe and realize globalized brokerage service. The Group will also actively study cross-border asset management, commodity trading, risk management and other businesses in order to satisfy the enormous demand for overseas asset investment and wealth management of its Chinese clients.

Strengthen the integration of traditional operations with internet finance

The Group will study the possibility of setting up an e-commerce branch to promote online product sales and services. We will cooperate with internet financial information service providers and other e-commerce platforms to reach and seek more new clients so as to further increase its market share in the online market. An online asset management product sale system will also be developed as soon as possible so as to broaden its sales channels.

Implement "Key Clients" Service Strategy

Centering on the Group's goal to become a "leading integrated financial service provider focusing on risk management", the Group will further adjust and allocate the Group's internal resources to implement the "Key Clients" service strategy. The resources and professional strengths of each business segment of our Group will be combined as a unified customer service interface to offer comprehensive one-stop risk solutions and asset protection and accumination proposals. "Big Data" analysis of clients' preference and behavior will be conducted to improve the suitability of its customer service.

III. Financial Statement Analysis

(1) Profitability Analysis

As of 31 December 2015, the Group achieved better operating results by seizing business opportunities, implementing strategic plans and insisting on innovative development.

As at 31 December 2015, the Group achieved operating income of RMB369,898 thousand, which represented an increase of 14.86% as compared to RMB322,053 thousand at the end of 2014. Net profit attributable to shareholders of the Company amounted to RMB93,583 thousand, which represented an increase of 16.55% as compared to RMB80,291 thousand at the end of 2014. Earnings per share were RMB0.11, which was the same as that in 2014.

In 2015, the increase in the Group's net profit was mainly due to the increase in the profit of the Group's brokerage business as a result of the increase in revenue of the brokerage business.

(2) Asset Structure and Asset Quality

During the Reporting Period, both of the Group's total assets and total liabilities increased significantly. With its market reputation further reinforced, the Group's total assets and total liabilities both increased significantly on the ground that the Group continues to expand its brokerage business, making the accounts payable to brokerage clients significantly increase, while the Group has taken up the proceeds from investors through listing and generates income from operation.

At the end of the Reporting Period, the Group's assets totaled RMB7,433 million, increased by 34.49% as compared to RMB5,527 million at the end of 2014. The Group's liabilities totaled RMB5,455 million, increased by 28.20% as compared to RMB4,255 million at the end of 2014. Net assets attributable to the shareholders of the Company was RMB1,978 million, increased by 55.50% as compared to RMB1,272 million at the end of 2014.

Total assets increased continuously, and asset quality and liquidity were well maintained. At the end of the Reporting Period, the Group's total assets were as follows: as of 31 December 2015, non-current assets were RMB217 million, which represented an increase of 112.75% as compared to RMB102 million at the end of 2014, and current assets were RMB7,216 million, which represented an increase of 32.99% as compared to RMB5,426 million at the end of 2014. During the Reporting Period, adequate provision for impairment losses of bad debts have been made by the Group. There was no indication of material impairment of other assets.

Gearing ratio increased dramatically. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients were RMB242 million, representing an increase of 384% as compared to RMB50 million at the end 2014. The Group's gearing ratio was 13.6%, increased by 9.49 percentage points as compared to 4.11% at the end of 2014. Our debt assets ratio was 12.21%, representing an increase of 212.36% as compared to 3.91% as at the end of 2014 (Both of the assets and liabilities had net of the customers' deposits of futures transactions).

(3) Financing Channels and Ability

During the Reporting Period, the Company funded its operations through proceeds of equity financing. The Company was listed on the Hong Kong Stock Exchange on 7 July 2015, and the proceeds raised were HK$920 million.

After the listing, the Company can raise other proceeds through issuance and placing of shares, issuance of sub-ordinated bonds and other means approved by the competent authorities according to the market environment and financial situation of the Company.

(4) Cash Flow Analysis

Net cash flow generated from operating activities in 2015 was RMB(33) million, decreased by RMB65 million from RMB32 million in the same period of 2014, representing a year-on-year decrease of 203.13%; net cash flow generated from investing activities in 2015 was RMB(396.58) million, decreased by RMB391.40 million from RMB(5.18) million in the same period of 2014, representing a year-on-year decrease of 7,555.98%; net cash flow generated from financing activities for 2015 was RMB612 million while there was no financing activity in 2014; net cash and cash equivalents increased by RMB156 million from RMB27 million for the same period of 2014 to RMB183 million for 2015, representing a year-on-year increase of 577.78%, mainly due to the increase in net cash flow generated from financing activities.

IV. Employees, Remuneration and Training

As of 31 December 2015, the Company had a total of 468 employees. The breakdown of the composition of the employees is as follows:

Classification		Number of people	Percentage (%)
By profession	Administrative management	**65**	13.9%
	Financial planning	**31**	6.6%
	Management of brokerage business	**42**	9.0%
	Information technology	**35**	7.5%
	Clearing	**7**	1.5%
	Compliance and risks control	**40**	8.5%
	Research and development	**17**	3.6%
	Auditing	**2**	0.4%
	Customer services	**13**	2.8%
	Assets management	**19**	4.1%
	OTC businesses	**6**	1.3%
	Marketing	**191**	40.8%
	Total	**468**	100%
By age	Below 30	**213**	45.5%
	31–35	**136**	29%
	36–40	**58**	12.4%
	41–45	**35**	7.5%
	Above 45	**26**	5.6%
	Total	**468**	100%
By education background	Post-graduate and above	**88**	18.8%
	Bachelor degree	**292**	62.4%
	College degree and below	**88**	18.8%
	Total	**468**	100%

The total remuneration expenses of the Company for 2015 were RMB95.592 million, details of which are as follows (amounts stated in RMB'000):

	Year ended 31 December	
	2015	2014
Salaries and bonus	**73,567**	68,120
Pension	**8,120**	7,508
Other social security	**4,943**	4,615
Labour union funds and employee education funds	**3,309**	3,052
Other welfare	**5,653**	5,261
	95,592	88,556

The five highest paid individuals

For the year ended 31 December 2015, the five highest paid individuals do not include any of the directors or the supervisors (2014: nil). Details of the emoluments for the five highest paid individuals for the year are as follows (amounts stated in RMB'000):

	Year ended 31 December	
	2015	2014
Salaries, allowances and other welfares	**2,277**	1,448
Bonus	**2,051**	2,278
	4,328	3,726

The emoluments of the senior management and individuals fell within the following bands:

	Year ended 31 December	
	2015	2014
RMB 400,001 to RMB 600,000	**—**	1
RMB 600,001 to RMB 800,000	**1**	2
RMB 800,001 to RMB 1,000,000	**4**	2
	5	5

The Group has not provided any compensation to these directors, supervisors or the five highest paid individuals as incentive for them to join the Group or reward for leaving the Group.

The Company emphasizes on talent attraction, motivation, training and use, and focuses on the external competitiveness of its remuneration level and the internal fairness of its remuneration system. We implement a remuneration system under which remunerations are determined based on the market levels and the individual performance appraisal results. The remuneration package generally comprises basic salary, allowance, performance bonus, and staff benefits. Under the applicable laws and regulations of the PRC, the Company enters into a labor contract and establishes employment relationship with each of its employees. A labor contract states the provisions relating to labor contract term, scope of work, work location, working hours, rest and vacation, labor remuneration, social insurance, labor protection, labor conditions and prevention and protection from occupational hazards, labor discipline and compliance with the system, staff training, discharge, termination, and renewal of labor contract and economic compensation. Under the applicable laws and regulations of the PRC, the Company purchased various social insurance policies (endowment insurance, medical insurance, unemployment insurance, work related injury insurance and maternity insurance) and established housing funds for its employees, and made social insurance and housing fund contributions in full in accordance with applicable regulations.

For the year ended 31 December 2015, the Company enhanced its training system to complement the transformation of business on the basis of enhancing foundational work and focusing on the research on market demand and commenced training in a timely manner. A total of 68 training sessions on various aspects, covering OTC businesses, stock and options, assets management, new staff training, knowledge and training on new businesses, were held.

V. Possible Risks and Countering Measures

(1) Major risks affecting the Company's operations and the policies

Major risks affecting the Company's operation include market risk, credit risk, liquidity risk, compliance risk and operational risk.

1. Market Risk

Market risk refers to the possibility of loss or decreases in our income resulting from the changes in the market which are different from the Company's expectations, including the risk of price fluctuation in equity-based assets and interest rate risk.

To minimize market risk, we have adopted the following measures:

(1) establishing a systematic investment mechanism, under which our research team provides investment recommendations and our operation teams provide market guidance to our research team;

(2) our operation teams are required to submit an application to the Company's management before every transaction, with details on possible market risks, consequences and maximum risk tolerance level as well as the nature of the proposed transaction;

(3) evaluating our risk exposure by quantitative measures, and utilizing risk control measures such as hedging and stoploss to mitigate the damages when the market conditions deviate from our expectations.

2. *Credit Risk*

Credit risk refers to the risk resulting from the failure of a debtor or counterparty to timely perform its contractual obligations. Our credit risk mainly comes from commodity trading and risk management business and our futures brokerage business.

For credit risks related to our commodity trading and risk management business, the Company established a client credit evaluation system and assess the creditworthiness of our existing and prospective clients based on our onsite investigation and independent third-party investigations, and adjust the credit ratings of our clients on a continuous basis. The Company determines whether to engage a prospective client and specific forms of trading based on the clients' credit evaluation results in order to prevent default risk.

For credit risks related to our futures brokerage business, we conduct risk rating on our clients based on their wealth, professional knowledge on futures, trading experiences and risk tolerance, and provide appropriate services to our clients and implement corresponding risk management measures accordingly. Meanwhile, the Company require our clients to maintain higher margin deposits than the minimum deposit required by the futures exchanges in China. Clients are required to replenish their margin deposits within a specific period of time if such margin deposits fall short. Otherwise, the Company will close out the position. At the same time, the futures exchanges in the PRC impose the daily price up and down limit, which effectively limits the risk exposure of our clients and us.

3. *Liquidity Risk*

Liquidity risk refers to the risk of encountering difficulty in meeting obligations in the ordinary course of business due to lack of funds.

For liquidity risk, the Company

(1) strengthened the real-time monitoring and management of large amounts of funds in order to achieve centralized fund allocation and coordinated liquidity risk management;

(2) established a risk evaluation and monitor system on net capital;

(3) conducted comprehensive or special stress tests on the risk control indexes on a regular or ad hoc basis and conducted sensitivity analysis before making any significant business decisions which could affect the risk control indexes, such as significant business expansion and large assets acquisition; and

(4) selected those commodities that are more actively traded for our commodity trading and risk management business, or selected the contracts with the largest or second-largest open interest within similar futures contracts for futures trading.

4. *Compliance Risk*

Compliance risk refers to the risk of being subject to legal sanctions, regulatory measures, self-discipline penalties and loss of property or reputation because the business activities or employee conduct violate laws, regulations or rules.

In response to compliance risk, the Company has built up a comprehensive compliance management and organization system; appointed a chief risk officer; established the compliance department and the audit department with full-time compliance management staff; and conducted supervision and control on the business overall compliance through compliance review, compliance training, compliance consultation and internal audit.

5. *Operational Risk*

Operational risk refers to the risk resulting from system failure, procedural loopholes or human error.

To minimize the operational risk, the Company

(1) implements strict operation control mechanisms to reduce the risks of system failure or human error and enhance the efficiency and capability of operational risk management;

(2) regularly conducts internal audit and evaluates the efficiency and capability of operational risk management; and

(3) sets aside 5% of our net commission and fee income of our futures brokerage business as risk reserve fund each month.

(2) Countering Measures Adopted

1. *Having established a four-level structured risk control and management system*

The Company sets up a four-level risk management structure: the first level comprises the Board of Directors and the Board of Supervisors; the second level comprises the Risk Control Committee, the Audit Committee, the Asset Management Investment Decision Committee and Treasury Operations Investment Decision Committee; the third level is the pre-, on-going and post-risk management systems set up by the compliance department and the audit department; and the fourth level is the frontline operational risk management system at the Company's business departments and branches.

2. *Consistently improving the corporate governance structure*

   The Company consistently normalizes the operation of the general meeting to ensure that all Shareholders, especially minority Shareholders, can enjoy equal positions and protect the interest of minority Shareholders. It normalizes and improves the operation of the Board of Directors and gives full play to all Board of Directors committees and independent non-executive Directors. It gives full play to the monitoring role of the Board of Supervisors on the Board of Directors and management.

3. *Consistently improving the overall risk management system*

   The Company sticks to the principle of implementing a risk management system covering all departments of the Company, all business processes and the whole process of each business to consistently improve the ability to identify and prevent risks among all employees, strengthen the awareness of all employees on risks, foster an excellent risks management culture and ensure the realization of the overall target of the Company in risk management.

4. *Orderly advancing the conducting of innovative businesses and further improving the risks management mechanism in innovative businesses*

   The compliance department of the Company has been actively participating in the preparatory process of innovative businesses, including participating in the preparation of all systems and processes, the establishment of the risks management system, and the establishment of the systems, processes, positions and response mechanisms of innovative businesses. It pushes ahead the implementation of all systems, processes and the risk management principles through the appraisal and approval beforehand, the independent supervision during the process and the internal audit of the audit department to conduct risk management throughout the whole process of various innovative businesses.

5. *Consistently improving the credit risk management capability in commodity trading and risks management business*

   With the continuous expansion of the scope of commodity trading and risks management business and the increase of clients under cooperation, the Company will consistently improve due diligence and classified management on clients and implement a system of due diligence and classified management on clients which matches the positioning and business model of the Company. It will promote the principle of "understanding your clients" and consistently improve the credit risk management capability and conduct credit risks appraisal on clients to control the credit risks of clients.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlements of the shareholders of the Company (the "Shareholder(s)") to attend and vote at the 2015 annual general meeting (the "AGM") to be held on 16 June 2016 and their entitlement to the final dividend for 2015, the register of members of the Company will be closed respectively from 17 May 2016 to 16 June 2016, both days inclusive, and from 23 June 2016 to 28 June 2016, both days inclusive, during which no transfers of shares shall be effected. Shareholders whose names appear on the Company's register of members on 16 June 2016 will be entitled to attend and vote at the AGM, and Shareholders whose names appear on the Company's register of members on 28 June 2016 will be entitled to receive the final dividend for 2015. In order for holders of H shares of the Company to qualify for attending and voting at the AGM, transfers of shares must be lodged with H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 16 May 2016. In order for holders of H shares of the Company to qualify for receiving the final dividend for 2015 subject to the approval of shareholders at AGM, transfers of shares must be lodged with H Share registrar of the Company at the aforementioned address, no later than 4:30 p.m. on 22 June 2016.

FINAL DIVIDENDS

The Company intends to declare the distribution of dividends of RMB0.043 (including tax) per share at AGM. The total amount of dividends to be distributed is RMB43,081,700.00 (2014: Nil). The final dividend for 2015 will be paid by the Company on or about 28 July 2016.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)的通知》(國稅發 [2009] 124 號)), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發 [1993] 045 號文件廢止後有關個人所得稅徵管問題的通知》(國稅函 [2011] 348 號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China and Hong Kong (or Macau). For individual holders of H shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

For non-resident enterprise holders of H shares, i.e., any shareholders who hold the Company's shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H shares registered in the name of other groups and organisations, the Company will withhold and pay the enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No.897) (《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》(國稅函 [2008]897 號)).

Should the holders of H Shares of the Company have any doubts in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for the relevant tax impacts in mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H Shares of the Company.

Listing and use of proceeds

1. Issue of shares and the use of raised proceeds

By the approval document Zheng Jian Xu Ke No. [2015] 934 issued by China Securities Regulatory Commission, the Company was officially listed on the main board of Hong Kong Stock Exchange on 7 July 2015 ("Listing Date"). 275,000,000 H shares (excluding over-allotment options) were issued under the global offering. The issue price of H shares is HK$3.32 per share. On 24 July 2015, the joint global coordinator of the Company exercised partially the over-allotment options in respect of an aggregate of 2,090,000 H shares which included (i) an additional 1,900,000 H shares issued by the Company and (ii) 190,000 H shares sold by the selling shareholders, Zhongtai Securities Company Limited (formerly known as Qilu Securities Co., Ltd.), Shandong State-owned Assets Investment Holdings Co., Ltd. and Jinan Energy Investment Co., Ltd., which were listed and dealt with on the main board of Hong Kong Stock Exchange on 7 August 2015.

The net proceeds as prescribed in the Company's prospectus dated 23 June 2015 (the "Prospectus") will be used for the purposes and in the amounts set out below:

1. Approximately 35% will be used to increase its net capital, establish "light branches" and recruit experienced asset managers and research personnel for strengthening its futures brokerage business and developing its futures asset management business;

2. Approximately 40% will be used to contribute additional capital to Luzheng Trading for expanding the Company's commodity trading and risk management business so as to achieve economies of scale and improve profitability of such business;

3. Approximately 15% will be used to purchase IT infrastructure and software for upgrading and improving the Company's existing IT systems and to contribute additional capital to Luzheng Information for developing its IT development capabilities; and

4. Approximately 10% will be used for working capital and general corporate purposes.

Proceeds of HK$920 million raised by the Company, net of the listing expenses, were remitted into China on 16 July 2015 and 5 November 2015 and were all coverted into Renminbi.

2. Use of raised proceeds in projects intended to be financed

For the year ended 31 December 2015, the aforementioned proceeds raised were utilized for the purposes set out in the Prospectus as follows:

Unit: RMB'0000

Title of the project intended to be financed	Whether there were changes in the project	The amount of raised proceeds to be invested during the Reporting Period	The accumulated amount of raised proceeds actually invested	Percentage	Reason for change and notes to the process of the change in the raised proceeds
Establishment of light branches and recruitment of staff	No	—	—	—	
Capital contribution to Luzheng Trading	No	—	—	—	Note[(1)]
Purchase of IT infrastructure and software	No	—	—	—	
Injection of working capital	No	6,460	6,460	10%	

Note (1) On 4 February 2016, the Company utilized the raised proceeds for contributing RMB100 million to Luzheng Trading.

In order to enhance the efficiency of the utilization of the proceeds, as of 31 December 2015, the Group's remaining proceeds raised, other than the proceeds used as additional working capital, were invested on short-term financial products or deposited into large commercial banks as fixed deposit. The Company intends to utilize the net proceeds raised in the amount and usages as prescribed in the Prospectus in due course in 2016.

Compliance with the Corporate Governance Code

The Company has been committed to improving its standard of corporate governance, and views it as an integral part of creating value for the Company's shareholders. A modern corporate governance structure, comprising of the general meeting, the Board, the board of supervisors and the senior management of the Company, has been established by reference to the code provisions set out in the Corporate Government Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), which operates independently under effective balance. Riding on this structure, each operating unit is enabled to perform their respective duties under respective terms of reference, which ensures standardized operation of the Company. The CG Code has been also adopted by the Company as the reference for its own corporate governance.

Throughout the period from the Listing Date to 31 December 2015, the Company has been in strict compliance with all the code provisions under the CG Code, and also met the requirements of the majority of the recommended best practices thereof.

Audit Committee

The Audit Committee (the "Audit Committee") of the Company consists of five members, including Mr. Wang Chuanshun, Mr. Gao Zhu, Mr. Yu Xuehui, Mr. Lu Xiangyou and Mr. Liu Feng. Mr. Wang Chuanshun is currently the chairperson of the Audit Committee.

The Audit Committee, the Board and the external independent auditor of the Company have reviewed the accounting standards adopted by the Company and the consolidated financial statements of the Company for the year ended 31 December 2015.

Securities Transactions by the Directors, Supervisors and Senior Management

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by all the Directors and supervisors. In addition, the Company has also established guidelines for dealing in securities of the Company by its senior management on terms which are not less exacting than the Model Code. Specific enquiries have been made by the Company with all the Directors and supervisors in respect of their compliance with the Model Code, and each of them has confirmed that he/she has complied with the required standards under the Model Code throughout the period from the Listing Date to 31 December 2015. Furthermore, specific enquiries have been also conducted with the senior management regarding to their compliance with the aforementioned guidelines, and no non-compliance has been noticed by the Company.

Purchase, sale or redemption of listed securities

There was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the period from the Listing Date to 31 December 2015.

Publication of the annual results and annual report

This annual results announcement will be published on the websites of HKExnews of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company at www.luzhengqh.com.

The annual report of the Company for the year ended 31 December 2015 containing all the information, including the audited financial statements, required by the Listing Rules will be despatched to the shareholders of the Company and made available on the websites of HKExnews of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company at www.luzhengqh.com in due course.

By order of the Board
LUZHENG FUTURES Company Limited
CHEN Fang
Chairman

Jinan, the PRC

22 March 2016

As at the date of this announcement, the Board consists of Mr. CHEN Fang and Mr. LIANG Zhongwei as executive directors, Mr. LU Xiangyou, Mr. ZHANG Yunwei, Mr. LI Chuanyong and Mr. LIU Feng as non-executive directors, and Mr. GAO Zhu, Mr. YU Xuehui, Mr. WANG Chuanshun and Mr. WEI Wei as independent non-executive directors.