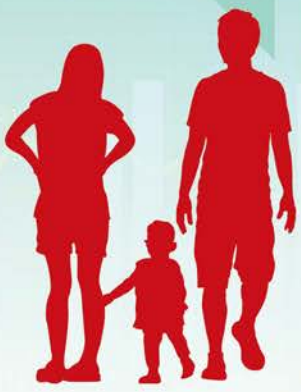
魯证期货
LUZHENG FUTURES

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)



2020
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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DEFINITION

"Articles of Association"	the Articles of Association of LUZHENG FUTURES Company Limited
"Audit Committee"	the Audit Committee of the Board of Directors of the Company
"Board of Directors" or "Board"	the board of Directors of the Company
"CG Code"	Corporate Governance Code set out in Appendix 14 of the Listing Rules
"China", "PRC", "country", or "domestic"	the People's Republic of China, for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Company" or "LUZHENG FUTURES"	LUZHENG FUTURES Company Limited (魯証期貨股份有限公司), a company reorganized in the PRC on 10 December 2012 with limited liability (including its predecessor Shandong Quanxin Futures Brokerage Co., Ltd. (山東泉鑫期貨經紀有限公司), which was renamed as Luzheng Futures Brokerage Co., Ltd. (魯証期貨經紀有限公司), and then renamed as LUZHENG FUTURES CORPORATION LIMITED (魯証期貨有限公司)), and its H Shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 01461)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of the Company
"general meeting(s)"	general meeting(s) of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Luzheng Capital"	Luzheng Capital Management Co., Ltd. (魯証資本管理有限公司), previously known as Luzheng Trading Co., Ltd. (魯証經貿有限公司), the Company's wholly-owned subsidiary established in the PRC with limited liability on 24 April 2013
"Luzheng Information Technology"	Luzheng Information Technology Co., Ltd. (魯証信息技術有限公司), the Company's wholly-owned subsidiary established in the PRC with limited liability on 15 February 2015
"Nomination Committee"	the Nomination Committee of the Board of Directors of the Company
"OTC Option(s)"	A non-standardized trading of option contracts on a non-centralized trading places
"PBOC"	People's Bank of China
"Remuneration and Appraisal Committee"	Remuneration and Appraisal Committee of the Board of Directors of the Company
"Risk Control Committee"	the Risk Control Committee of the Board of Directors of the Company
"RMB"	the lawful currency of the PRC
"Shareholder(s)"	the holder(s) of the Share(s) of the Company
"Strategic and Development Committee"	the Strategic and Development Committee of the Board of Directors of the Company
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Zhongtai Securities"	Zhongtai Securities Co., Ltd. (中泰證券股份有限公司), previously known as Qilu Securities Co., Ltd. (齊魯證券有限公司), a company established in the PRC on 15 May 2001 with limited liability, and listed on Shanghai Stock Exchange on 3 June 2020 (stock code: 600918), 41.32% of which is owned by Laiwu Steel Group Co., Ltd. (萊蕪鋼鐵集團有限公司), and being one of the controlling shareholders of the Company

I. ABOUT THIS REPORT

(I) Introduction

This Environmental, Social and Governance Report (the "Report") discloses the relevant environmental, social and corporate governance initiatives adopted by the Group and their performance during the business operation in the PRC. The contents and data disclosed in the Report have been considered and approved by the Board of Directors.

(II) Time Frame

The time frame of the Report is from 1 January 2020 to 31 December 2020 (the "Reporting Period").

(III) Release Cycle

The Report is published annually. The last report was released in July 2020.

(IV) Basis of Preparation

The Report has been prepared by the Company in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Listing Rules issued by the Hong Kong Stock Exchange in order to disclose the Company's comprehensive performance of actively fulfilling its social responsibilities while creating value for shareholders and customers. The Company has complied with all the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide.

(V) Source of Data

The data and information used in the Report were extracted from various internal documents, records and statistics of the Company, and there are no false records, misleading statements or material omissions.

(VI) Release Format

The Report is published in PDF electronic format on the HKEX news website of the Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company's website (http://www.luzhengqh.com).

II. ABOUT THE COMPANY

(I) Company Profile

The Company is a large futures company established with approval of the CSRC, registered with Shandong Provincial Market Supervision and Administration Bureau, and controlled by Zhongtai Securities. Headquartered in Jinan, Shandong, the Company currently has a registered capital of RMB1.0019 billion, more than 400 employees, 4 branches, 23 sales offices, a wholly-owned risk management subsidiary Luzheng Capital and a wholly-owned information technology subsidiary Luzheng Information Technology. These together with 42 securities branches and more than 280 securities sales offices of Zhongtai Securities across the country formed a service network covering the whole country. The business scope of the Company covers commodity futures brokerage, financial futures brokerage, futures investment consulting and asset management. It owns trading seats of Shanghai Futures Exchange (上海期貨交易所), Dalian Commodity Exchange (大連商品交易所), Zhengzhou Commodity Exchange (鄭州商品交易所), Shanghai International Energy Exchange Co., Ltd. (上海國際能源交易中心股份有限公司) and China Financial Futures Exchange (中國金融期貨交易所), and also serves as a general clearing member of China Financial Futures Exchange, a member of the second, third, fourth and fifth sessions of the council of China Futures Association and the chairman of Shandong Futures Association. The Company always adheres to the business philosophy of "control of compliance risks, the benefits of customers, the value of talents, innovation and development are paramount" and is gradually strengthening the necessary functions and positioning of financial intermediaries. It regards serving real economic entities and financial institutions as a strategic focus of its business development, continuously improving its ability and level of serving the real economy.

On 7 July 2015, the Company was listed on the Main Board of the Hong Kong Stock Exchange, becoming the first listed company in the Chinese futures industry and the first company listed on the Hong Kong Stock Exchange that focuses on futures as well as the first listed financial company in Shandong Province.

The Company has an efficient and pragmatic business management team daring to innovate, and an experienced and sophisticated professional service team. The Company will leverage on these two teams to reward its customers with sincere and high-quality service, give impetus to the industry's progress and development of local economy through solid work, striving to build itself into an inspiring modern financial enterprise with cultural charm.

Brokerage Business

Adhering to the core service concept of "customer-centric", it integrated its resources to make full use of its comprehensive advantage and meet the needs of different types of customers for diversified investment services, and gain customers' trust through trustworthy services.

Futures Investment Consulting Business

It is always committed to using a combination of various futures derivatives to gain wealth appreciation for customers and to maintain healthy operation for enterprises. It is able to provide investment consulting services such as fundamental research, investment strategies and risk management programs for various individual investors and industrial customers. LUZHENG FUTURES has established its research brands in apples, glutinous rice, eggs, red dates and other varieties.

Asset Management Business

LUZHENG FUTURES is one of the first futures companies piloting in asset management business. After years of practice, LUZHENG FUTURES has gradually formed scientific investment management models, a complete risk control system, and an efficient customer service approach.

Risk Management Company Business

LUZHENG FUTURES offers risk management services, mainly including over-the-counter derivatives, market-making business, basis trading, warehouse receipt services, cooperative hedging and other business related to risk management through its wholly-owned risk management company Luzheng Capital. Using the futures and options and other derivatives, Luzheng Capital provides price risk management, inventory management, and supply chain finance for enterprises engaged in production, trading and processing of goods on different industrial chains. At the same time, subject to honest and trustworthy and prudent operation principles, it has been keen on exploring and innovating risk management models and improving its risk management capability in the course of business, providing strong support to the healthy business of real economic entities. Luzheng Capital is among the leading players in the derivatives industry. In addition, LUZHENG FUTURES is among the leading players in terms of options business and construction of IT system, etc.

LUZHENG FUTURES aims to use futures and derivative tools to provide competitive specialized services and risk management solutions, create sustainable value for its customers, and realize the China's dream of capital markets.

(II) Recognitions and Honours

- The Company was honored with "Best Commodity Futures Industry Service Award", "Best Financial Futures Service Award", "Best Precision Poverty Alleviation and Public Welfare Award", and "Best Corporate Brand Building Award", "Most Popular Self Media by Futures Companies", "Best Risk Management Futures Subsidiary Service Innovation Award", "Best Futures IT System Construction Award", "Best Derivatives Comprehensive Service Innovation Award", "China's Futures Research Institute Gold Award" and "Best Futures Operation Branch in China" in the 13th selection of best futures operation institutions in China.
- The Company was awarded the title of "Provincial Spiritual Civilization Unit" by the Spiritual Civilization Construction Committee of Shandong Province.
- The Company was awarded the title of "March 15 Integrity Financial Brand" and "Shandong's Most Influential Financial Brands in Poverty Alleviation" by Dazhong Daily Newspaper.
- The Company was awarded the "Technology Management Award" by China Financial Futures Exchange.
- The Company was awarded the "Excellent Member for Industrial Service Award", "Excellent Member for Technical Support Award", "Excellent Service Member for Apple Variety Award" and "Excellent Service Member for Red Dates Variety Award" by Zhengzhou Commodity Exchange.
- The Company was awarded "Excellent Member Award", "Excellent Industrial Service for Agricultural Product Award", "Excellent Industrial Service for Ferrous Metals Award", "Excellent Technical Support Award" and "Excellent Market Support for Over-the-counter Products Award" by Dalian Commodity Exchange.
- The Company was awarded "Energy and Chemical Industry Service Award" and "Option Market Service Award" by Shanghai Futures Exchange.
- The Company was awarded "Outstanding Investor Education Award in the 14th National Futures (Options) Real Trading Competition".
- The Company was awarded "2020 China's Leading Model in Apple Industry" by the China Apple Industry Association.
- The Company was awarded the title of "2020 Shandong Social Responsible Enterprise" jointly issued by Dazhong Newspaper Group (Dazhong Daily), Shandong Provincial Federation of Industrial and Commerce, State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government and Shandong Provincial Market Supervision Administration.

(III) Key Stakeholders

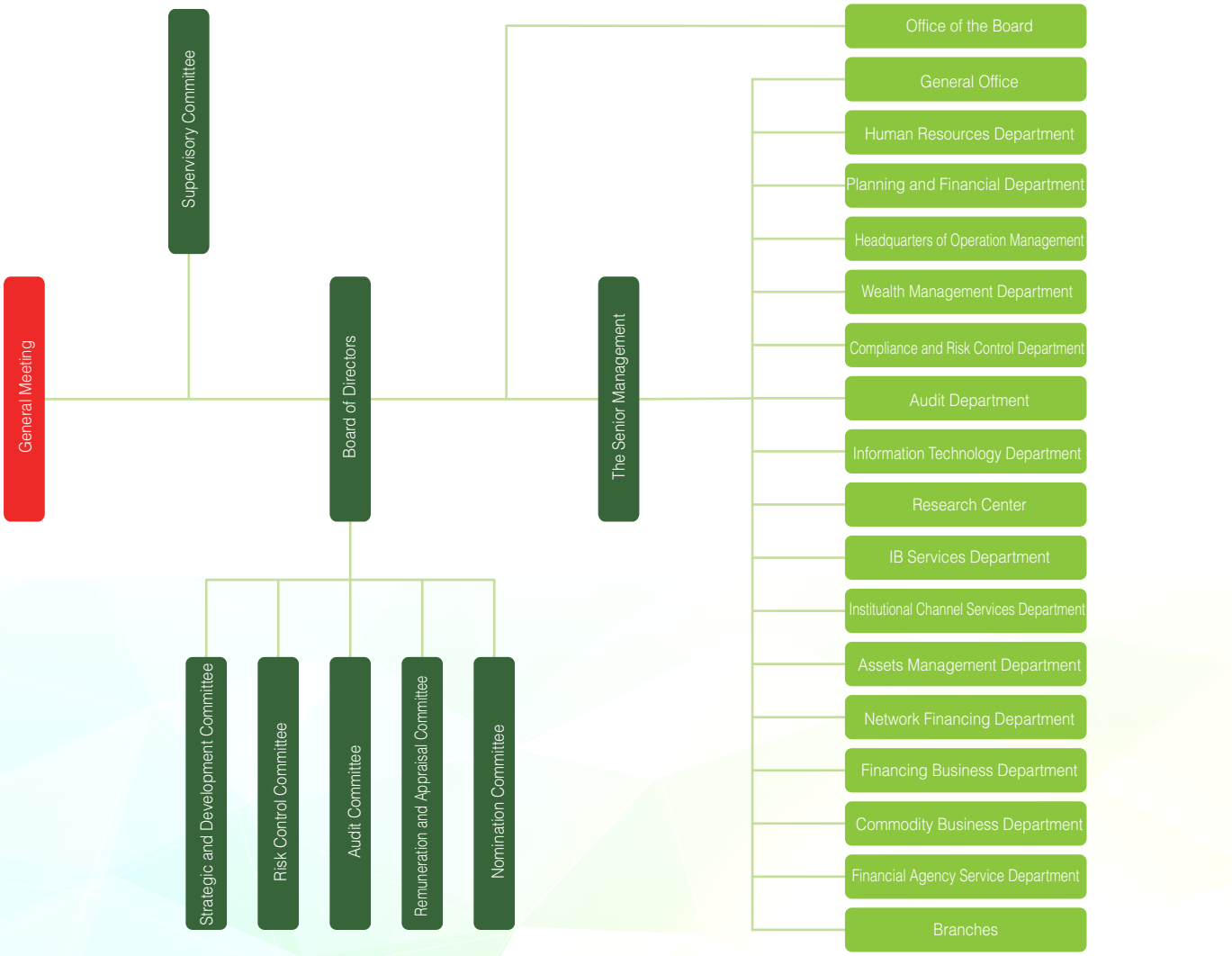
In forming the environmental, social and corporate governance management system and implementing environmental, social and corporate governance responsibilities, the Group recognizes the importance of maintaining good communication with its stakeholders. To this end, the Group has determined five channels for communication with its stakeholders to ensure the effective communication of expectations and request between the Group and its stakeholders. In addition, the Group has also evaluated the concerns of various stakeholders on its social and corporate governance performance during the actual business operation.

Key stakeholder	Communication channel	Concern
Government and regulatory authorities	Major meetings, policy consultations, incident reports, institutional visits, official correspondence, information disclosure and regulatory inspection	Compliant operation Corporate governance Compliance with laws Paying taxes on time Implementing national policies Risk management
Shareholders and investors	General meetings, information disclosure,investor visits and other exchange activities	Profitability Operation strategy Environmental protection Transparency of information disclosure Risk prevention and control
Employees	Employees' satisfaction survey, trade union activities and employees' training	Employees' remuneration and benefits Development and training opportunities Healthy working environment
Customers	Customer visits, visit and presentation,customer complaint hotline, publicity and education, the Company's website	Quality of service Protection of customers' rights and benefits Common development Popularization of financial expertise Business process
Community and the public	Charitable activities, pairing-up assistance, publicity and education and internship opportunities	Corporate social responsibilities Community relations Community investment and charitable activities Promotion of employment

III. GOVERNANCE

(I) Corporate Governance

The Company has always been committed to improving the level of its corporate governance and regards corporate governance as an integral part of creating value for its Shareholders. A modern corporate governance structure, comprising of the general meeting, the Board of Directors, the Supervisory Committee and the senior management, has been established by the Company with reference to the code provisions set out in the CG Code, each of whom operates independently and keeps effective balance and check of power. Each operating unit is allowed to perform their respective duties under respective terms of reference, which ensures standardized operation of the Company. According to the requirements of the Hong Kong Stock Exchange, the Board has formulated a diversification policy, under which, such factors, including but not limited to gender, age, cultural and educational background, race, industry experience, technical and professional skills and/or qualifications, knowledge, and length of service period will be considered in selecting candidates for serving as directors. The Company has also adopted the CG Code as the reference for its corporate governance. As of the date of the Report, the Company's organizational chart is set out as follows:



Meetings of the Board and the Supervisory Committee and general meetings

1 general meeting of Shareholders

14 meetings of the Board

3 meetings of the Supervisory Committee

10 meetings of special committees of the Board

A total of **71** proposals were considered and reviewed

Composition of the Board

Duty performance of the Directors

The Directors shall perform their duties in accordance with the Articles of Association and in the best interest of the Company and the Shareholders, report work to the general meeting, execute the resolutions of the general meeting and be accountable to the general meeting.

A Board meeting shall be held only when more than one half of the Directors present at the meeting. Unless otherwise stipulated by the Articles of Association, all resolutions of the Board of Directors shall be passed by more than half of all the Directors. The Board meetings shall be attended by the Directors in person. If a Director is unable to attend, he/she may appoint another Director in writing to attend the Board meeting on behalf of him/her. If a Director has connected relationship with the entity involved in the matter to be resolved at a Board meeting, he/she shall not vote on the resolution by himself/herself or on behalf of any other Director. The relevant Board meeting may proceed with the presence of more than half of the unconnected Directors and the resolution of that Board meeting shall be passed by over half of the unconnected Directors. If the number of unconnected Directors present at the Board meeting is less than three, the matter shall be proposed to be considered and decided by the general meeting.

During the Reporting Period, attendance of the Directors at Board meetings and the general meeting(s) is as follows:

Name of Directors	Attendance at Board meetings						Attendance at general meeting(s)
	Number of Board meetings attended	Attended in person	Attended by means of telecommunication	Number of meetings attended by proxy	Absent	Whether absent from two consecutive meetings	Number of general meeting(s) attended
Executive Directors							
ZHONG Jinlong	14	2	12	0	0	No	1
LIANG Zhongwei	14	2	12	0	0	No	1
Non-executive Directors							
LIU Hongsong	14	1	12	1	0	No	0
HU Kainan	14	2	12	0	0	No	0
MING Gang	14	0	14	0	0	No	0
LIU Feng	14	0	14	0	0	No	0
Independent Non-executive Directors							
GAO Zhu	14	0	14	0	0	No	1
WANG Chuanshun	14	0	14	0	0	No	1
LI Dapeng	14	0	14	0	0	No	1
ZHENG Jianping	14	0	14	0	0	No	0

Number of Board meetings held during the year	14
In which: conducted by voting on site	2
conducted by means of telecommunication voting	12
Number of general meeting(s) held during the year	1

Training of the Directors

The Company places high importance on continuous training of the Directors to ensure that they have appropriate understanding of the operations and business of the Company and the duties of a Director under the relevant legal and regulatory requirements of the CSRC and the Hong Kong Stock Exchange, Hong Kong Companies Ordinance, Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association. During the Reporting Period, the Company has established a multi-layer information communication system and an information exchange platform to increase information sharing and exchanges among Directors, Supervisors and the business management, increasing the Directors' ability to fulfill their duties.

During the Reporting Period, details of the training of the Directors of the Company are as follows:

Name of Directors	Date	Duration	Organizer	Content
ZHONG Jinlong	26 March 2020	4 hours	The Company	Training of Compliance of Directors
LIANG Zhongwei	26 March 2020	4 hours	The Company	Training of Compliance of Directors
LIU Hongsong	26 March 2020	4 hours	The Company	Training of Compliance of Directors
HU Kainan	26 March 2020	4 hours	The Company	Training of Compliance of Directors
MING Gang	26 March 2020	4 hours	The Company	Training of Compliance of Directors
LIU Feng	26 March 2020	4 hours	The Company	Training of Compliance of Directors
	18 November 2020 – 24 November 2020	16 hours	Shandong Listed Companies Association	Training of the Directors of Listed Companies
GAO Zhu	26 March 2020	4 hours	The Company	Training of Compliance of Directors
WANG Chuanshun	26 March 2020	4 hours	The Company	Training of Compliance of Directors
	18 November 2020 – 24 November 2020	16 hours	Shandong Listed Companies Association	Training of the Directors of Listed Companies
LI Dapeng	26 March 2020	4 hours	The Company	Training of Compliance of Directors
ZHENG Jianping	26 March 2020	4 hours	The Company	Training of Compliance of Directors

Duty performance of the senior management

The senior management of the Company under the leadership of the general manager is responsible for implementing the resolutions of the Board and organizing the daily operation of the Company. In accordance with the goals set at the beginning of the year, the senior management worked hard to proceed with various work and made certain achievements. The development of the Company has been widely recognized by all sectors of the society.

Generally improving basic management and consolidating inherent development fundamentals

The brokerage business reversed its declining trend, showing a momentum of sustained improvement

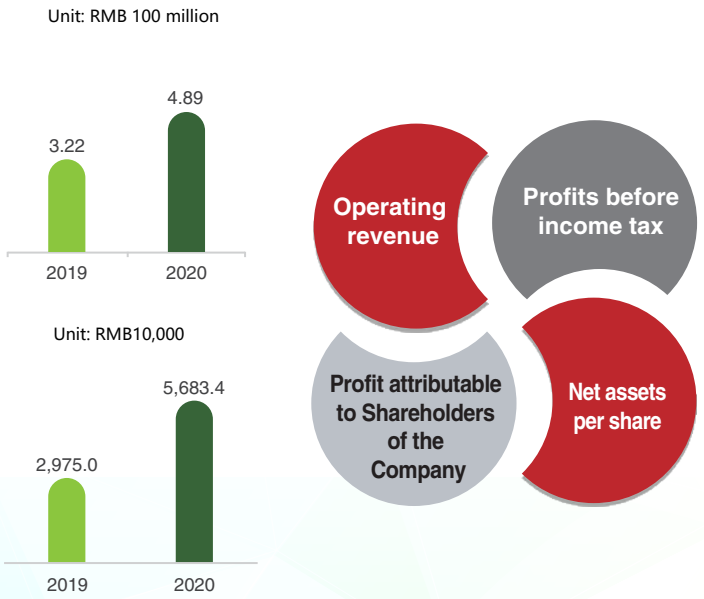
The Internet business saw increased awareness towards transformation and made initial achievements in this regard

On-exchange options and over-the-counter businesses continued to maintain industry leadership

Supported by research and technology, our capability to guarantee the operational management and compliance and risk control continued to improve

Comparison of main financial indicators

Item	2019	2020	Increase or decrease compared with the same period last year
Operating revenue (RMB 100 million)	3.22	4.89	51.87%
Profits before income tax (RMB10,000)	4,236.3	9,789	149.96%
Profit attributable to Shareholders of the Company (RMB10,000)	2,975.0	5,683.4	91.04%
Net assets per share (RMB)	2.18	2.24	2.75%



(II) Compliant Operations

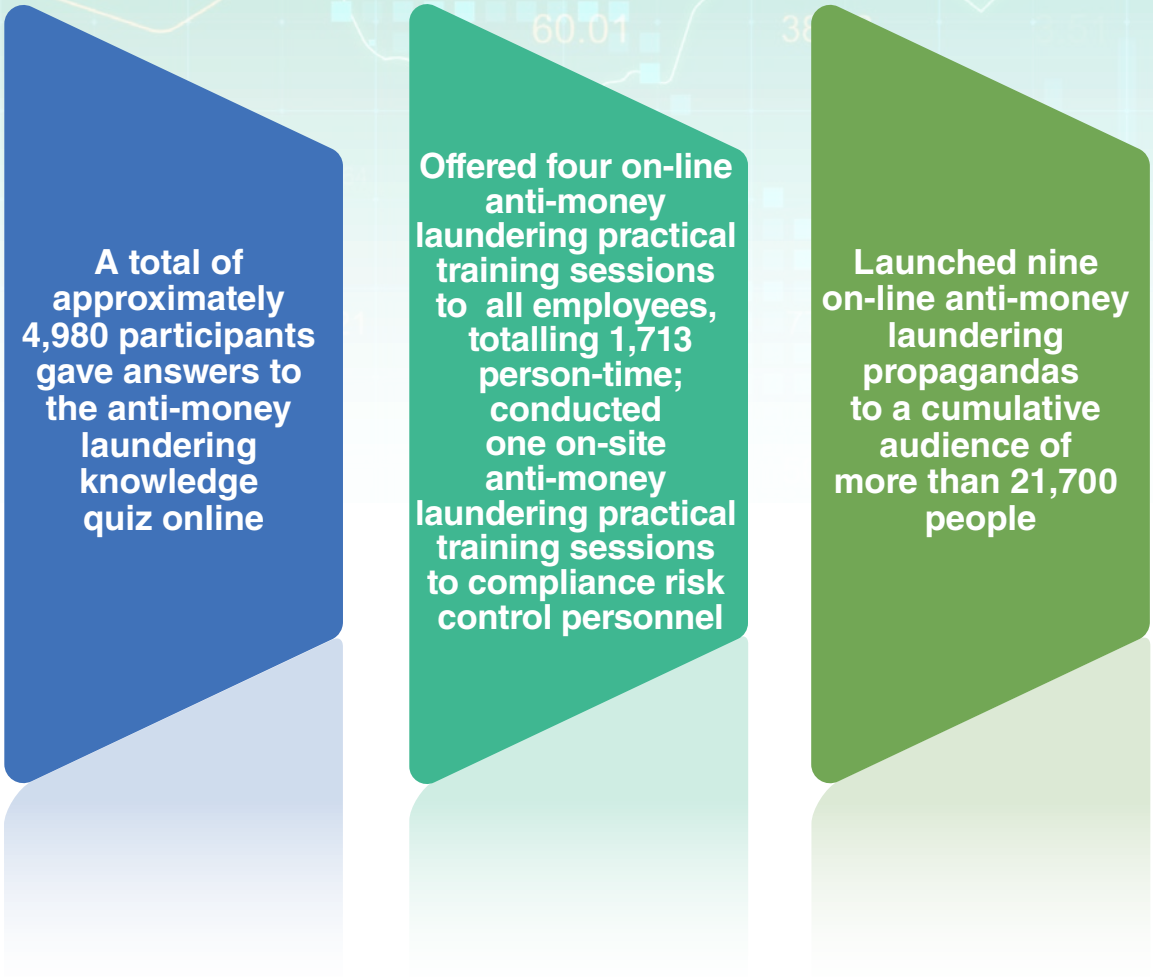
During the Reporting Period, the Company demanded strict implementation of the fundamental requirements for risk prevention and control in the business process, risk management and internal control. By building up compliance and risk control forces, it optimized the compliance risk management mechanism, and urged disposal and resolution of risks, made good use of various tools such as risk limit management and public opinion monitoring, and rigorously enforced internal controls. All these have produced positive results.

Paying attention to anti-money laundering and fulfilling its anti-money laundering obligation

In strict accordance with relevant requirements of the national anti-money laundering laws and regulations, regulatory rules, and the "Anti-money Laundering Internal Control System" of the Company, and upholding the "Risk-based" working philosophy, the Company did various anti-money laundering work in a systemic way, and continued to optimize the Company's anti-money laundering and assessment mechanism, earnestly fulfilled its statutory obligation in relation to customer identification, classification of customer risks, reporting of large amount and suspicious transactions, preserving of anti-money laundering documents, etc. The Company's anti-money laundering organizations are running well. The organization and approaches of the Company's money-laundering risk management were further clarified in the perfected system. The Company optimized and adjusted the anti-money laundering process design and monitoring, made addition and improvement to the system and procedures of money-laundering risk self-assessment, large amount transaction and suspicious transaction reporting and emergency responses to material risks associated with anti-money laundering, reinforced anti-money laundering evaluation and accountability mechanism, specified that anti-money laundering to be considered when it comes to performance-appraisal and accountability, and thus the money laundering risk management was improved.

The Company collects, administers and preserves customer identification information and transaction records through account management system and counter system. It has an "anti-money laundering compliance management system" to ensure steady and systemic anti-money laundering of the Company.

During the Reporting Period, according to the relevant requirements of specifications for law enforcement inspection interface imposed by the PBOC, the Company made corresponding changes to its anti-money laundering system, completed development of certain front-office functional modules and the interface renovation of back-office data processing tasks of the anti-money laundering compliance management system and improved the data management functional modules of law enforcement inspection. In addition, in order to increase the effectiveness of the system in monitoring abnormal transactions, the Company adjusted and optimized thresholds of indicators being monitored in relation to "suspicious straddling transaction", taking into account the significant growth of institutional customers who adopted programmatic trading strategies in the recent two years on the futures market.



Combating corruption

During the Reporting Period, for the purpose of serving economic development, the Company imposed stringent supervision, urged compliance with laws, took preventive measures and ensured integrity, thereby providing strong supervisory assurance to promoting compliant operation, honest practice and law-abiding undertaking.

- ***Strengthening integrity management***

The Company revised "Integrity And Honesty Management Measures", clarifying integrity requirements, namely "six self-disciplined acts", "eight prohibited acts" and "twenty disapproved acts"; revised the "Appraisal Measures for Party's Integrity construction Responsibility Mechanism" to provide regulatory support for compliant operation and honest practice.

- ***Assuring performance of anti-corruption responsibility***

The Company signed "Statement of Principal Responsibility for an All-out Effort to Enforce Strict Party Discipline" and "Statement of Principal Responsibility for 'one post with two responsibilities' in Building the Party's Moral Integrity" and "Statement of Principal Responsibility for Supervision in Building the Party's Moral Integrity" with employees within the Company from top down. In other words, the person who is in charge will be held accountable, each level of responsible personnel has his/her defined duty of implementing anti-corruption on those employees under his/her authority; prepared and effected "Two-Year Discipline Inspection Full Coverage" plan; organized prevention and investigation of risks associated with the post integrity to assess and prevent risks in a scientific way.

- ***Strengthening anti-corruption warning and education***

The Company maintained integrity warning and education periodically. More than 500 people were arranged to watch ten anti-corruption warning and educational films; it held "party member anti-corruption themed class", launched integrity warning and education at Shandong Energy Zaozhuang Mining Group, organized "Remain Honest to Celebrate National Day and Mid-autumn Festival" integrity-themed painting and creation activities, caused fresh employees, transferred and promoted personnel to sign the integrity commitment letters, increased the supervision during important festivals and periods of time, handed out printed notices regarding anti-corruption during festivals, and formulated "Guidance to implementing the eight provisions of the Central Political Bureau".

- ***Strengthening supervision and inspection capabilities***

The Company made it a practice that a disciplinary inspection meeting is held periodically, to increase exchanges and communication, share working experience. Attendees are required to speak in turns, to share and interpret party disciplines and policies, requirements for clean party conduct and cases of violations of disciplines, enhanced the duty-discharging ability to conduct supervision and inspection; continued to promote learning through examination and apply knowledge to practice, organized discipline inspection expertise tests in a combination of "On-site + on-line" mode to improve the supervision and inspection quality.

Paying attention to the protection of intellectual property rights

The Company strictly abides by the "Advertising Law of the People's Republic of China", "The Trademark Law of the People's Republic of China" and "Interim Measures for Internet Advertising Management". Its product promotion and propaganda are done in line with relevant regulations. It uses relevant laws to protect its legitimate rights and interests. The Company respects and protects intellectual property rights, and uses authorized software and hardware products within the scope stipulated by the contracts. It attaches importance to preventing the risks of infringing intellectual property rights in business development and management. No material intellectual property rights infringement was noted in the Reporting Period.

Strengthening the security management of funds

Pursuant to regulatory requirements such as the Administrative Regulations of Futures Trading (《期貨交易管理條例》) of the State Council of China, the Administrative Measures for the Supervision of Futures Companies (《期貨公司監督管理辦法》) and the Interim Measures for the Closed Management of Customer Margins for Futures Brokerage Companies (《期貨經紀公司客戶保證金封閉管理暫行辦法》) of the CSRC, the Company has formulated and implemented the Administrative Measures of Funds (《資金管理辦法》), the Administrative Measures on Safe Depositing of Customer Margins (《客戶保證金安全存管管理辦法》), the Administrative Measures on the Investments and Implementation of Self-owned Funds (《自有資金投資實施管理辦法》) and other internal control policies.

Customers' futures trading margins are fully deposited in the Company's futures trading settlement bank account and are held separately from the Company's own funds. Closed management is carried out and the funds in the closed circle are monitored by the China Futures Market Monitoring Center as a third party so that the safety of customers' funds can be effectively guaranteed.

All investment activities of the Company are in compliance with relevant national laws, regulations and industrial policies as well as the Company's long-term development plans and development strategies, and are conducive to expanding the Company's core businesses and sustainable development and improving the Company's overall financial interests.

Maintaining the information technology system security

Pursuant to regulatory requirements such as the Administrative Regulations of Futures Trading (《期貨交易管理條例》) of the State Council of China, the Administrative Measures for the Supervision of Futures Companies (《期貨公司監督管理辦法》) and the Administrative Measures of Information Security Protection of the Securities and Futures Industry (《證券期貨業信息安全保障管理辦法》) of the CSRC, the Company has formulated internal control systems such as the Administrative Systems for Information System Safety of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司信息系統安全管理制度》), the Administrative Measures for the Safe on-line Trading of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司網上交易安全管理辦法》) and Emergency Plan for Network and Information Security Incidents of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司網絡與信息安全事件應急預案》) to ensure the safe and stable operation of the Company's core business system and customer trading system.

Financial technology empowering digital transformation

The Company attaches great importance to using the information technology to push and support business development, and specified "customer-centric" theme that information technology serves business and internal efficiency, it continued to make efforts in financial technology empowering.

Established IT Governance Committee	Set up information technology Subsidiary	Worked out mid- and long-term plans for information technology
• Responsible for formulating and reviewing plans in relation to financial technology application development	• Provide technical support for financial technology applications and digital transformation by developing innovation capabilities	• Set the development direction for financial technology, and promote the actual application of financial technology

Financial technology application results

Mobile sales hall

- Based on innovative technologies such as face recognition and electronic signature, LUZHENG Finance Mobile Application ("APP") allows customers to get 12 types of services on-line such as account activation, password deletion, maintaining of settlement bank cards. These services are available on mobile phones and improved customer service experience

Investment research center and robot process automation (RPA)

- The research results of research reports, investment strategies, of various types of the market products were made available on-line, providing customers with diversified services such as intelligent investment reference and dynamic market analysis
- Customers' risk tolerance shall match the risk level of investment research products, and customers can only view such investment research products that match the results of their risk tolerance evaluation
- Launched product allocation using automatic operation and maintenance and robotic process automation (RPA) business, and realized operation and maintenance management automation, visualization, and business process operation automation, and improved the overall operation and maintenance management level

Middle platform of business and big data Construction

- Constructed the business middle-office system, a customer-centric uniform business middle-office system, and built a uniform account, uniform operation, uniform process, uniform internal control, uniform approval, or the "five uniforms"
- Effectively solved the business separation of the information system, achieved a high degree of unification and coordination of various services, and supported quick response to the actual needs of customers
- Developed a big data platform, realized data assetization, and improved the data sharing
- Provided more efficient and convenient data interface support standards for various upper-level data queries, data analysis, etc.

Paying attention to the protection of investors' rights and interest

The Company has revised the Investor Education System of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司投資者教育制度》) pursuant to the Guidelines for Futures Investors Education (《期貨投資者教育工作指引》) and the Administrative Measures on the Appropriateness of Securities and Futures Investors (《證券期貨投資者適當性管理辦法》) in line with the actual conditions of the Company so that investor education is implemented by formulating rules. It aggressively organized and carried out various investor education activities, guiding investors to have rational investment concepts, improve their risk prevention awareness, and effectively protected the legitimate rights and interests of investors.

Warning slogans related to the illegal fund-raising, rational investment and anti-money laundering work were posted, hanging or scrolling at prominent places of the business premises of all the Company's branches, guiding investors to be aware of risk prevention, and effectively protect their legitimate rights and interests; in order to spread futures knowledge and cause incorporation of investor education into the national education system, the Company held eight "lectures to college students about futures" in joint efforts with four colleges and universities, namely Harbin Institute of Technology (Weihai), Shandong Normal University, Shandong University of Finance and Economics, Qilu University of Technology. This informed youth groups of investor education and protection, further enhanced the investors' protection in terms of penetration, coverage and influence.

Giving eight "lectures to college students about futures" in joint efforts with four colleges and universities

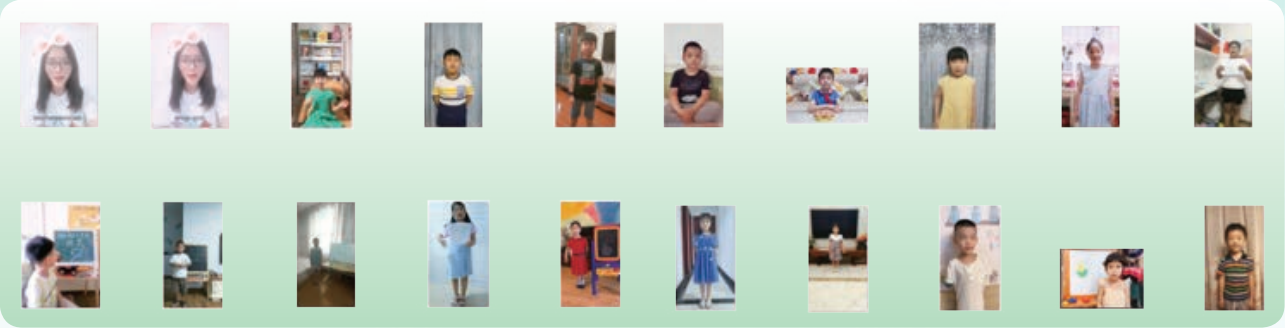
The Company leveraged on the advantage of self-media operation to improve the on-line investor education, leading to significant enhancement of on-line customer service capability. During the Reporting Period, the Company produced a total of more than 2,000 pieces of investor educational graphic texts, more than 200 short video clips, more than 100 audio clips, which were quoted for propaganda by more than 50 media organizations, and held more than 20 featured special investor education activities, as well as 328 on-line and off-line training and survey activities related to investor education, benefiting nearly 5 million investors throughout the year.

A walking event named as "Walking between the beautiful Que Mountain and Hua Mountain to gain fitness (賞鵲華煙雨，走健康之路)" to spread financial knowledge

March 15 financial consumer (investors) rights protection educational activities for the elderly

Self-created Investor Education Song
《Shouhu – Song of LUZHENG FUTURES for Investor Protection》

The Company actively plays its role as an investor education base, and always adheres to the principles of public welfare, professionalism, and characteristics. As one of the first provincial-level Internet investment education bases in Shandong it always tries to make its investor education more objective and professional and in line with customer needs. These efforts allow investors to acquire futures knowledge in a concentrated, systematic, continuous and convenient manner, understand investment risks and risk prevention measures, know their rights and obligations, and enhance self-protection capabilities, thereby increasing investors' risk awareness and fostering a rational and healthy investment culture. Leveraging on its own advantages, the investor education base increased cooperation with exchanges, associations and local regulatory authorities, and actively organized various propaganda activities such as "Anti-money Laundering", "Month of Propaganda Against Illegal Fund-raising" and "Month of Propaganda About Financial Knowledge". In line with the actual situation of the Company, a series of investor education public welfare activities in various forms were carried out through a combination of on-line and off-line methods.



"Babies Talk about Futures" campaign

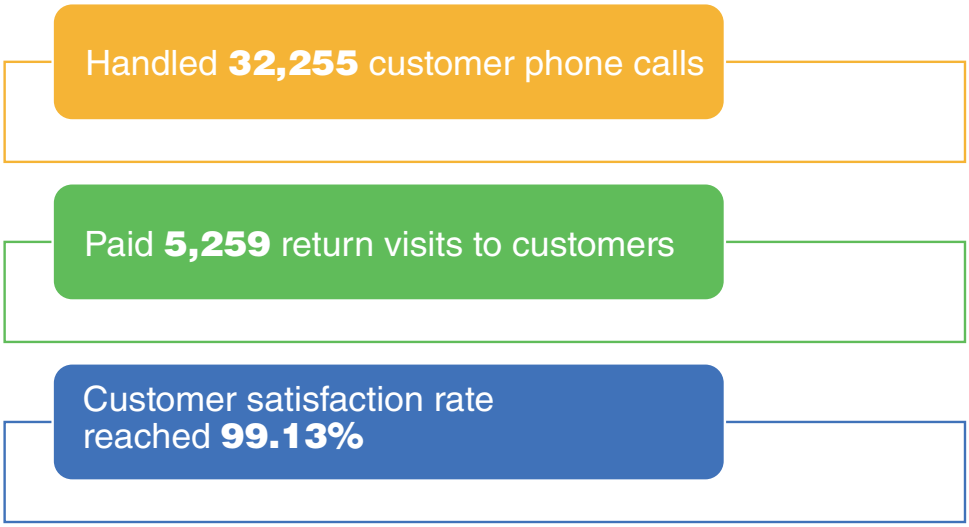
Teaching investors to "make rational investment and prevent financial fraud" at colleges and universities

Mobile investor education aboard a bus – investor education aboard "dangdang" bus

Enhancing customer satisfaction and protecting customers' privacy security

The Company adheres to focus on satisfying customers' needs. It optimized its supporting system for customer services, improved its customer service systems, and enhanced its customer services capability, optimized its business procedures and strengthened business innovation to provide diversified services to customers in line with customers' needs and for the purpose of asset allocation.

The Company proactively promotes the transformation of Internet business, vigorously developed the application of financial technology in customer acquisition and service, and built an online customer service system; develops a customer service system in customers' consultation, return visits and services. By prioritizing customer needs, it provides customers with high-quality services and solves customer problems in a timely manner. Through communication with customers, we constantly optimize the Company's system and procedures to create a customer-centric service system.



Pursuant to regulatory requirements such as the Administrative Regulations of Futures Trading (《期貨交易管理條例》) of the State Council of China, the Administrative Measures for the Supervision of Futures Companies (《期貨公司監督管理辦法》) and the Administrative Measures of Information Security Protection of the Securities and Futures Industry (《證券期貨業信息安全保障管理辦法》) of the CSRC, the Company has formulated internal control systems such as the Administrative Measures of Brokerage Client Data of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司經紀業務客戶檔案管理辦法》), the Administrative Measures of Data in Asset Management Business of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司資產管理業務檔案管理辦法》) and the Measures for Confidentiality in Asset Management Business of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司資產管理業務保密辦法》) and Administrative Measures for Data Security of the Information System LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司資訊系統資料安全管理辦法》) and implements them accordingly. Customer data are the Company's confidential information. The Company has set up a data storage department and established a data access process, and allocates authority to the system based on the principles of minimization and separation of business from technology to effectively protect customer privacy.

IV. ENVIRONMENTAL

The Group is a low-energy-consumption financial enterprise with slight pollution. The main impacts on the environment in the ordinary course of business of the Group are the consumption of paper, electricity and water and the emission of automobile exhausts. In the daily operations, the Group strictly abides by relevant state environmental protection laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》). The Group enthusiastically advocates environmental protection ideas and puts them into action. During the Reporting Period, there was no environmental protection issue and related litigation.

(I) Green Operation and Environmental Protection

The Group advocates green office, and actively adopts measures to reduce use of resources and energy consumption. The Group's use of resources mainly includes water consumption, electricity consumption and vehicles' gasoline consumption. The Group has implemented paperless electronic office procedures and systems, encouraging the use of double-sided printing to reduce the use of paper and saving office supplies. The Group has actively used video conferencing systems to reduce the number of business trips and made reasonable plans for business-purposed use of cars, maximizing resources conservation and building an environment-friendly enterprise. The Group designates property staff to inspect and turn off or turn down the night lighting system. Through the guidance and publicity of the Group, the employees of the Group actively adopted the electronic office processes and systems to deal with work matters in 2020. The Group also actively adopted teleconference or video conferencing to reduce unnecessary business trips.

The Group's emissions are mainly greenhouse gases generated from energy consumption as well as non-hazardous wastes such as sewage and wastes generated from daily office operations. Among which, greenhouse gas emissions are mainly carbon dioxide emissions from the following: (i) carbon dioxide emissions caused by gasoline combustion by business cars, and (ii) carbon dioxide emissions caused by consuming purchased electricity. Different from traditional production enterprises, the Group mainly engages in financial services. The current related emissions are discharged in the ordinary course of business and there is no excessive emission caused by excessive use of energy or other resources. The Group is committed to promoting energy conservation and emission reduction within the Group by shaping an environment-friendly corporate culture.

(II) 2020 Environmental Performance Indicators

Due to the availability and accuracy of data, the statistical scope of the environmental performance indicators in the Report include the Company's headquarters, Luzheng Capital and Luzheng Information Technology[1].

Emissions

Indicator	Unit	2019 data	2020 data
Total greenhouse gas emissions[2]	tonne	310.14	263.09
Per capita greenhouse gas emissions	tonne/person	1.09	0.89
Direct emissions (scope 1)	tonne	12.05	10.22
Total greenhouse gases generated by gasoline	tonne	12.05	10.22
Per capita greenhouse gases generated by gasoline	tonne/person	0.04	0.03
Indirect emissions (scope 2)	tonne	298.09	252.87
Total greenhouse gases generated by electricity consumption	tonne	298.09	252.87
Per capita greenhouse gases generated by electricity consumption	tonne/person	1.05	0.86
Generation of domestic sewage[3]	tonne	1,585.25	2,177.19
Per capita discharge of domestic sewage	tonne/person	5.58	7.38
Generation of hazardous wastes[4]	tonne	0.47	0.40
Per capita generation of hazardous wastes	tonne/person	0.002	0.0014
Generation of non-hazardous wastes[5]	tonne	0.75	0.64
Per capita generation of non-hazardous wastes	tonne/person	0.003	0.0022

1 Based on the statistical scope, the total number of employees at the end of the Reporting Period was 295.

2 According to the business characteristics of the Group, the main emission is carbon dioxide contained in the greenhouse gases.

3 Referring to the National Standards of Urban Sewage Engineering Planning Specification (《國家標準城市排水工程規劃規範》), the figure was arrived at by adopting 0.85 as the discharge coefficient.

4 It is mainly due to the sulfur oxides generated by direct consumption of gasoline.

5 It is mainly due to office-generated paper waste and subscribed newspapers. The toner cartridges of the Group are recycled through re-filling, so substantially little waste is generated.

The Group's emissions of main hazardous waste are due to the direct use of gasoline (fossil energy), leading to the emission of sulfur oxides. The Group's procurement of gasoline-filling services for business vehicles and corporate business vehicles has actively responded to the Air Pollution Prevention Action Plan (《大氣污染防治行動計劃》) issued by the State Council of China. The Group procures gasoline satisfying environmental protection requirements to improve emission quality and reduce the negative impact on the environment. In terms of non-hazardous wastes discharge, the Group uniformly delivers the wastes to the waste collection station in relevant regions. Through paid recycling, environmental pollution can be reduced to improve the recycling of materials.

Use of resources

Indicator	Unit	2019 data	2020 data
Direct energy consumption	liter	5,932	5,032
Gasoline consumption	liter	5,932	5,032
Per capita gasoline consumption	liter/person	20.89	17.06
Indirect energy consumption	kWh	918,790	811,777.39
Office electricity consumption	kWh	918,790	811,777.39
Per capita office electricity consumption	kWh/person	3,235.18	2,751.79
Total amount of office copying paper and newspaper	tonne	0.75	0.8
Per capita office copying paper and newspaper consumption	tonne/person	0.003	0.0027
Water consumption	tonne	1,865	2,561.40
Per capita water consumption	tonne/person	6.57	8.68
Cartridge consumption	piece	257	182
Replacement	piece	92	65
Filling powder	piece	165	117
Per capita cartridge consumption	piece/person	0.9	0.62

Unlike traditional production enterprises, the Group is mainly engaged in financial services instead of specific production activities. Therefore, relevant regulations and related key performance indicators for packaging materials used in finished products are not applicable to the Group.

(III) Practising Energy Saving and Emission Reduction by Attending Details

The Group actively advocates and practices environmental protection and green development concepts.

The Group is actively creating a paperless office environment, whereby the office automation management system (OA system) is used to publish announcements and notices, disseminate the Company's news, communicate policies and regulations, share research reports as well as standardize business processes and intra-group mailings, greatly improving the management efficiency, reducing operating costs and saving lots of paper for printing office documents. The Group encourages the use of double-sided paper for copying and printing at work. Paper that has been used on one side should be reused and recycled; clearly required that when use of paper is unavoidable, recycled paper should be preferred and made full use. The Group also replaced disposable cups with glass cups with the logo of the Group.

The Group has formulated a corporate system and related notices stating that in purchasing and applying electrical equipment in the workplace, we should comprehensively evaluate the power consumption and select nationally certified low-energy appliances. The Group's offices shall use energy-saving lamps for lighting. When there is sufficient light, lamps will be turned on at intervals for maximum reduction of electricity consumption. The Group also has designated personnel whose duty is to check if all appliances are turned off during non-working hours except those necessary to keep normal operation of the Group. The management of equipment in the information technology rooms has been strengthened. Low-energy consumption and high-efficiency equipment will replace high-energy consumption and low-efficiency equipment, subject to normal functioning. The Group comprehensively promotes a system of 26-degree air conditioning in summer and 24-degree air conditioning in winter. For necessary office equipments such as printers, copiers, fax machines and shredders, the Group has formulated and adopted a networked sharing and idle-time shutdown system. The Group prohibits the use of non-office appliances with high-power consumption.

The Group has slogans at prominent locations in washrooms and pantries of all departments and branches of the headquarters to promote environmental protection and water conservation for all employees. All departments and branches are required to designate specialized personnel to conduct regular inspections to prevent water wastage caused by equipment failure. According to irregular inspections by the general office of the Company, excessive use and waste of water were not found in 2020.

The Company has established a specific vehicle-use system and strictly controls the use of vehicles through mileage fuel consumption registration. Centralized management and unified deployment of the Company's vehicles and drivers will improve the vehicle-use efficiency and reduce energy consumption and pollutant emissions. The system clearly requires that all vehicles of the Company are out of use during non-office and holiday periods. Branches of the Company are required to provide information regarding the out-of-use vehicles of the Company. The Company actively promotes the use of environmentally-friendly or public transport when employees are on business trips and encourages employees to use shared transportation for travelling within the same city while ensuring safety.

During the Reporting Period, the Company did not encounter any environmental incidents and did not receive any complaints, penalties and sanctions due to environmental pollution.

V. SOCIAL

(I) Employment Management

In the handling of termination of employment, the Group has complied with 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 relevant provisions of signed labor contract and applicable labor regulations. The Group has established standardized employee recruitment and termination procedures. The Group adheres to the principle of "equal opportunities, fair competition, comprehensive assessment and merit-based hiring" during the recruitment procedures, and has established a comprehensive internal assessment and performance appraisal mechanism to ensure fair promotion opportunities for employees. Employees enter into a labor contract with the Group at the beginning of employment, and the working hours of the Group's employees are in compliance with requirements of relevant laws and regulations. The Group gives adequate regard to the legitimate rights and interests of employees. If an employee decides to terminate the employment for personal reasons, he/she can submit application for termination of employment. After the completion of termination procedures, he/she can terminate the employment with the Group. When the Group proposes termination or suspension of labor relationship with any employee, it would fulfill the obligation of prior notice in accordance with relevant laws and regulations.

The Group is in strict compliance with labor regulatory requirements. The Group does not hire child labor and forced labor, and provides employees with reasonable holidays. During the Reporting Period, the Group was not aware of any incidents of non-compliance with labor standards such as hiring child labor and forced labor.

Employee employment performance indicators

	Indicator	Unit	2019 data	2020 data
Total of employees[1]		person	519	530
By gender	Male	person	332	333
	Female	person	187	197
By employment type	Contract employee	person	519	530
	Others	person	0	0
By age group	Under 30 years	person	152	167
	31-35 years	person	158	152
	36-40 years	person	104	106
	41-45 years	person	51	55
	Over 45 years	person	54	50
By education level	Master's degree and above	person	124	120
	Undergraduate	person	324	343
	College degree and below	person	71	67
Number of employment discrimination cases		case	0	0
Labor contract signing rate		%	100	100

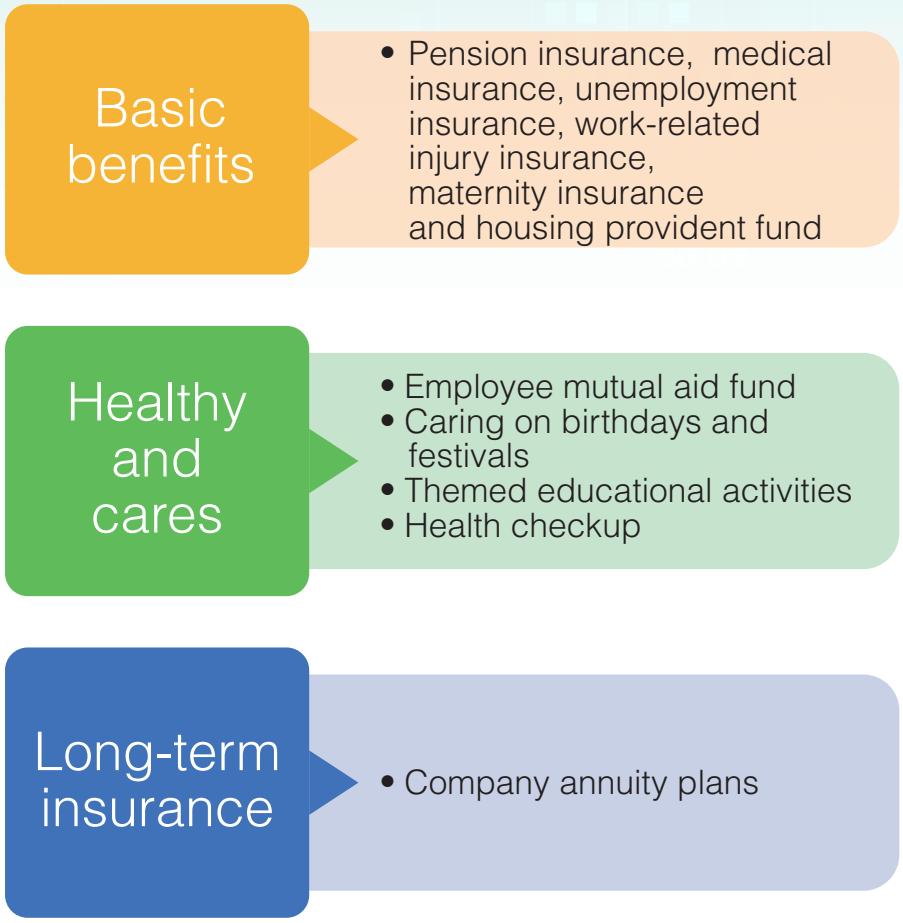
[1] Calculation is based on the total number of employees of the Group.

Staff remuneration and benefits

The employee remuneration of the Group comprises basic salary, performance-based salary, bonus, regional grants, degree-based allowances, sales commission, grants for dispatched assignments, special allowances and insurance benefits. Basic salary is determined based on consolidated factors such as job duties, responsibilities, operation scale, salary offered by peers, the area where the business of the Group is located, as well as knowledge and experience of the employee. Performance-based salary and bonuses are floating compensation payable to various departments and employees based on the performance appraisal results. Sales commission aimed at motivating a salesperson to generate sales revenue for the Group.

The Group and its employees made contribution to various social insurance plans and housing provident fund and company annuity plans in accordance with relevant provisions of the PRC. The relevant social insurance plans, housing provident fund and company annuity are managed by local competent authority.

Employee welfare assurance system



Vigorously nurturing and attracting financial talents

The Group explores a variety of recruitment cooperation methods to increase the introduction of talents. During the Reporting Period, the Company recruited 16 fresh graduates from key domestic and overseas universities and 67 employees through public recruitment, Of which more than 60% of social recruitment comes from financial institutions such as futures, securities, banks, funds, etc.. The Company actively communicated with the Talent Service Bureau, the Financial Work Office and other departments at provincial and municipal levels to increase cooperation with universities. The Group participated in the campus recruitment organized by Shandong Provincial and Jinan Municipal Talent Service Bureau, and actively and independently launched several campus recruitment presentations. According to the social needs of combining production, studies and research, the Group was keen on receiving college students for training and practice for enhancing students' practical ability and strengthening students' competitiveness for employment. During the Reporting Period, the Group took in 14 college students for training and practice.

(II) Health and Safety

The Group adheres to people-oriented approach, cares for the well-being and safety of employees, continuously optimizes employees' health protection mechanism, while earnestly implementing safety-related drills, education and training.

Caring for employees

The Group organizes annual medical examination for employees at Grade III Class A hospitals, providing supplementary medical protection for all employees and ensuring the health of employees. The Group has strictly implemented the provisions of relevant laws and regulations and maintains various social insurance for employees, including basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance, etc. At the same time, the Group's housing provident fund administrative authorities in Jinan City, Shandong Province, China and the city where its branches are located maintain the highest percentage of contribution to housing provident funds for employees and pay corporate annuities for employees. The Group fully protects the legitimate rights and interests of employees and strictly enforces statutory holidays and vacations in accordance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and relevant laws and regulations, including paid annual leave, leave of absence, sick leave, work injury leave, marriage leave, bereavement leave, maternity leave and paternity leave.

The staff representative congress of the Company serves to receive the opinions of staff in a timely manner, mobilize their enthusiasm and creativity, and function as a solid platform for the Company to understand its staff and involve them in business management and gather their collective wisdom. The staff representative congress ensures the exercise of the staff's rights to information, participation, being heard, and supervision. Meanwhile, the Company welcomes employees' supervision and encourages them to make reasonable suggestions based on the overall development of the Company, and provides advice and suggestions for its development.

The Company actively protects the basic rights and interests of its employees through the trade union and offers them basic benefits. In the past three years, the Company has given more than 1,500 birthday wishes in the form of flowers and birthday cakes to its employees on their birthdays; benefits in kind in an aggregate of RMB1.5 million were granted to its employees during important festivals such as the Spring Festival and the Mid-autumn Festival; the trade union offered condolences to its employees for more than 10 times upon death or illness of their relatives. At the same time, for the purpose of helping employees to overcome challenges in life and further improve the assistance system for those in need, our trade union formulated the Administrative Measures for Staff Mutual Assistance Fund (《職工互助基金管理辦法》).

Safeguarding the health and safety of employees

The Group earnestly implements instructions of the higher-level authorities about production safety, fully implements the principal responsibility of the Group's production safety, strengthened internal enterprise management and carried out safety and stability maintenance work to provide employees with a safe and healthy working environment. During the pandemic prevention and control period, the Group resolutely devoted to pandemic prevention and control, actively fulfilled its principal responsibilities. It adopted flexible office ways and maintained pandemic monitoring and disinfection of key areas, subject to financial security and safety of people. It adheres to the principle of "precaution comes first with active prevention", and established a sound system and improved measures to fulfil its responsibilities. It earnestly implemented the work approach on fire-fighting of "precaution comes first with a combination of prevention and fighting", and strengthened training of all employees on fire-fighting knowledge and management of internal fire-fighting facilities and equipment. It has formulated emergency response measures, held production safety emergency rescue drills and amended and constantly improved emergency plans. In accordance with the principles of "one post with two responsibility" and "territorial management", the Group comprehensively identified the stability risks by properly handling letters and visits, formulated a "zero report" reporting system and timely handled various kinds of emergencies to prevent incidents which affect social stability. It has also enhanced security and fire safety awareness of employees through organization of staff safety training and assessment methods. During the Reporting Period, the Group has not experienced any incidents involving information technology system, security and health and safety responsibilities.

In April 2020, in order to implement the key notes of Xi Jinping (General Secretary of the Communist Party of China Central Committee), increase the awareness of the staff and investors of the Group about the laws on safeguarding national security, create a strong atmosphere of safeguarding national security, and strengthen their ability to prevent and guard against national security risks, the Group organized and carried out law propaganda activities to celebrate "National Security Education Day on April 15".

During the Reporting Period, the Group organized a number of production safety inspections.

Employee rights and interests performance indicators

Indicator	Unit	2019 data	2020 data
Social insurance coverage ratio	%	100	100
Number of work-related fatalities	person	0	0
Ratio of work-related injuries	%	0	0
Lost days due to work-related injuries	day	0	0

Organizing various cultural and sports activities

In order to unite the staff to work hard towards our goal, the Company organized and conducted a number of cultural and sports activities at different levels, in different scales and diversified categories involving different employees.

Held the innovative professional quality development activities on the theme of "Shaping a Positive Mindset and Building the Most Powerful Team"

Participated in the singing competition titled "Towards a 100-year Glory" for Shandong Capital Market, and won the "First Place Award", "Third Place Award" and "Excellent Organization Award"

Participated in Zhongtai Securities's Performance Shows for Spring Festival, and won the "Excellent Organization Award"

Jointly with Zhongtai Securities, we set up a network platform and organized four "Reading Contests" throughout the year

2020 Spring Festival Party titled "A Tribute to the New Era, a Start of a New Journey"

Participated in "Zhongtai Securities's Poem Singing Competition", and won "Second Prize" (group)

Held on-line caring activities to celebrate "Women's Day on March 8"

Participated in the speech contest titled "Speech by New People in the Times" for employee of Shandong Federation of Trade Unions. The Company's poverty alleviation efforts were well received by all walks of life

The success of various activities raised a trend of fitness in the Company, stimulated the hard-working and proactive sense of the employees of the Company, strengthened the cohesion of the Company, expanded the promotion of the Company to the public and enhanced the brand building ability of the Company.

(III) Development and Training

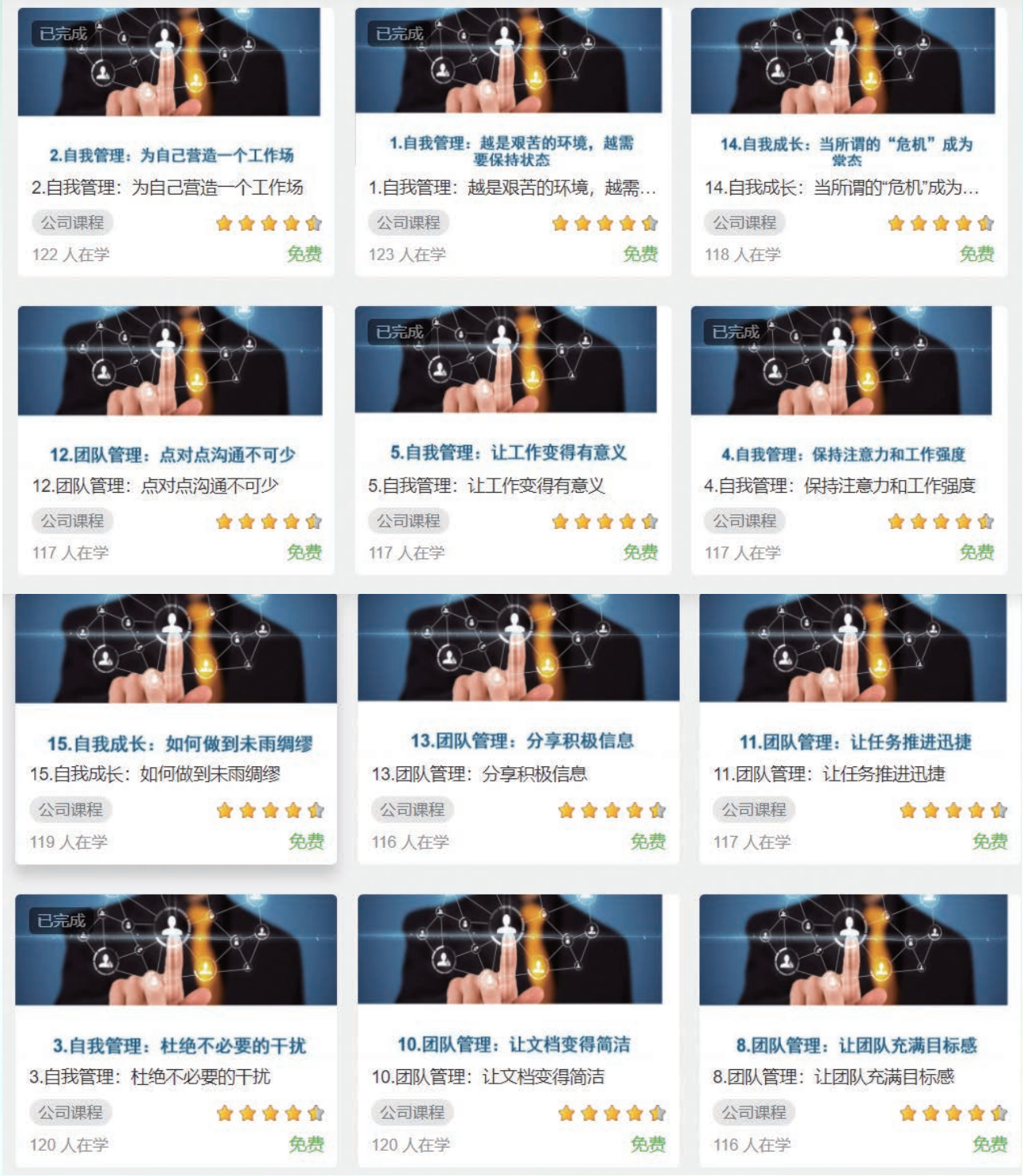
The Group attaches great importance to employees' diversified development and actively promotes daily communication. The Group promotes the development of employees through formulating strict training programs, fully developing their talents. The Group pays attention to the training of leadership and management functions for senior employees, expanding their international perspectives, enhancing their ability for change management, ability for strategic analysis, ability for operational management, ability for managing synergy among business departments, ability for risk prevention and comprehensive cultural quality, etc., in order to train high-quality corporate operation managers. The Group adheres to the training of executive ability and professional skills for middle-level employees, striving to enhance their professional theoretical standards, ability for execution of business strategies, organizational ability and ability for business innovation, etc. The Group pays attention to training for professional development and general skills training for entry level employees, increasing training on corporate and business operations, work procedures, regulations and policies, etc., enhancing their professional communication skills, capability in offering customer services, teamwork and office operations, etc.

During the Reporting Period, the Group offered a total of seven large-scale training programs, 71 routine trainings, 41 live broadcast training of the Association Exchange, 1 reading activity for all staff in relation to new business and new varieties, options, on-line finance, information technology, finance, compliance and risk control, integrity employment, corporate culture, leadership improvement, job skills improvement, etc. 78 micro-courses was produced on the E-Learning platform, further enriching the Company's curriculum system. 16 learning tests were held to check out the learning results.

The training were carried out in diversified forms based on the needs of employees in work and business development. They were classified and offered in groups according to different types and levels of talents. **Firstly**, it paid attention to the publicity and direction of corporate culture, integrity practice, and compliant practice, and implemented them in daily training and special training. It organized annual professional quality development training, together with the Company's trade union to help employees to have a positive mindset, and create the strongest team. It organized 2020 New staff Training Sailing project to help new employees quickly integrate into the Company's culture and establish a uniform corporate value; **secondly**, during the Pandemic prevention and control period, it actively created conditions and launched on-line trainings to overcome the management difficulty caused by the Pandemic. It organized "practise as learning and gain time training camp to the middle and senior leaders" targeting at the middle and high-level leaders, and the special on-line communication training for the persons in charge of operation; **thirdly**, it continued to carry out employee job skill improvement training, and organized a series of job competency training for the Company's employees, annual financial special training for financial personnel, annual special training for compliance and risk control employees, and high-performance team building training for branch leaders. By optimizing training content, innovating training forms, and following up on training effects, we created a good atmosphere which is useful for employees to learn and improve their quality, and cultivate employees' learning awareness and learning ability.

2020 New Staff Training (Sailing Project)

2020 Special Training of Compliance and Risk Control Employees



Training camp for middle and senior leaders – Practise as learning and gain time

Employee training indicators

	Indicator	Unit	2019 data	2020 data
Percentage of trained employees by gender	Male	%	64.4	62.8
	Female	%	35.6	37.2
Percentage of trained employees by employee category	Senior management	%	2.2	2.3
	Middle management	%	14.2	12.6
	Entry level employees	%	83.6	85.1
Average number of training hours per employees by gender	Male	hours/person	43.27	25.4
	Female	hours/person	47.25	42.9
Average number of training hours per employees by employee category	Senior management	hours/person	24	24
	Middle management	hours/person	36	36
	Entry level employees	hours/person	48	48

(IV) Supply Chain Management

Due to its business nature, as a financial institution, the main suppliers of the Group include law firms, accounting firms, asset valuers, information technology companies and suppliers of office supplies etc. The Group is fair and just when conducting procurement activities. In the selection of partners, the Group would fully consider the business reputation of suppliers and whether they had any illegal acts, non-compliance and significant legal disputes in the past, and at the same time, conduct effective qualification assessment on suppliers against specific standards such as their ability, experience, qualification, reputation, financial condition and quality assurance system.

During the Reporting Period, the Group was not aware of any significant actual or potential negative impact of suppliers in respect of business ethics, environmental protection, etc.

TOPIC I: ALL MINDS FOCUSED ON PANDEMIC PREVENTION AND CONTROL

At the beginning of the Reporting Period, a sudden outbreak of COVID-19 (the "Pandemic") concerned millions of Chinese people, and people from all walks of life in society have involved themselves in the fight against the Pandemic. Go Where There Is Pandemic, Fight It till It Perishes. (疫情就是命令、防控就是責任). Since the start of the campaign against the Pandemic, the Company actively responded to the call of the country and resolutely implemented the decisions and arrangements of the authorities superior to us. In February 2020, a steering team and a working team were established for Pandemic prevention and control and to coordinate the Company's Pandemic prevention and control work. While combating against the Pandemic, the Group gave full play to its professional advantages and actively assisted real entities to resume work and production; endeavored to secure the normal operation of business activities, and effectively protected the rights and interests of investors; got involved in caring for the well-being and safety of employees, and charity donation activities, and heartedly and promptly supported the frontline combat against the Pandemic, and made aggressive contribution to winning the anti-pandemic battle and to the prevention and control of the Pandemic.

Enthusiastically organising caring donations

In January 2020, Shandong Zhongtai Charity Foundation, with the Company as one of the initial sponsors, donated RMB6 million to Hubei Charity Federation for Pandemic prevention, control and treatment.

In February 2020, the Company donated RMB100,000 to each of Hong'an County, Yingshan County, and Luotian County of Hubei Province, all being the national poverty-stricken counties, totaling RMB300,000, for prevention, control and treatment of the Pandemic in the three counties mentioned above.

In February 2020, the Group launched "anti-pandemic" charitable donation activity. Employees responded positively and contributed to the Pandemic prevention and control work, assuming their accountability and mission in act, and relieving difficulties in the prevention and control of the Pandemic. A total of RMB149,418 were donated in the event.

Throwing ourselves into the fight against the Pandemic

Confronted with the outbreak of Pandemic on "December 15" in Dalian Jinpu Community, employees of the Group actively signed up to join the Dalian Jingyuan Community's Pandemic prevention volunteer team for the frontline Pandemic prevention and control action. Despite the difficulties, they assumed their responsibility, and discharged their duties every day together with community staff, until completion of recording of visitors from outside, registration of coming in and going out, body temperature measurement, disinfection, ordering and delivery of groceries and medicines, etc.. They won unanimous recognition and wide praise from the community and the general public, and have contributed to the prevention and control of the Pandemic in Dalian.

Assisting real entities to resume work and production

While properly preventing and controlling the Pandemic, the Group, leveraging on its own professional advantages, used financial derivatives to provide over-the-counter solutions for real entities to cope with Pandemic-associated risks. According to different risks of different companies at different times, over-the-counter Options solutions were tailor-made for real entities, to help them to cope with breaking risks, seize potential opportunities, ensuring the orderly resumption of business of real entities, and minimizing the impact of the Pandemic.

The over-the-counter business team of the Group visited a customer and obtained understanding that such customer was going to purchase PVC (polyvinyl chloride) physical commodities in the following month. In order to avoid the risk of price increases, the Group designed a portfolio of collar options for that customer which is effective in helping the customer to reduce the cost of hedging.

A customer of the Group participated in the bidding of certain pipeline project. The tendering rules are that bidder who quoted the lowest price won. The over-the-counter business team of the Group accurately judged the continued rise in the price of PVC and, designed a put option strategy for the customer and used strategies to lower the bid price to increase the customer's probability of winning the bid. The customer ended up winning the bid.

A customer of the Group in PTA (purified terephthalic acid) industry wanted to build a standing inventory of PTA through buying to meet their business goals. The traditional approach is to choose an opportunity to buy a futures position on the futures market within the following month. This operation is subject to the risk of violent fluctuations in the prices on the market and missing the opportunity to open a position due to improper human operation. The over-the-counter business team of the Group designed cumulative options strategy of dynamically placing buy orders of PTA futures on the market based on the customer's needs, and successfully helped the customer in establishing virtual inventory at a price lower than the market, while avoiding unnecessary operational risks.

During the Reporting Period, the Group hosted a few on-line live forums for Zhengzhou Commodity Exchange titled “Stabilizing the Operation of Enterprises and Assuring Farmers to Guarantee Healthy Development of Real Economy”-Bulk Commodity Risk Management (Shandong) Forum Cuisine Sub-forum and Bulk Commodity Risk Management On-line Roundtable Forum (4th).

Consistent provision of quality customer services

While implementing the detailed Pandemic prevention and control measures, the Company actively took measures to meet the service needs of investors, to ensure the normal operation of business activities, and effectively protected the rights and interests of investors.

The Company gave full play to the advantages of on-line services and guided customers to transact business on-line. Through special training video conferences on Internet business development and customer service, the Company directed all employees to effectively develop business and offer services on-line, leveraging on the Company's Internet platform and in compliance with regulations during the Pandemic prevention and control period.

The Company steered its branches to actively promote the "Luzheng Finance" APP, guiding customers to transact business and trade on the Internet and via mobile apps, minimizing on-site business processing. Anticipating the potential greater volatility in prices during the Pandemic prevention and control period, branch offices were required to work out emergency plans in advance, communicate with customers in a timely manner, and provide satisfactory services and risk control during trading hours.

Safeguarding the health and safety of employees

The Company has always adhered to the people-oriented principle in the prevention and control of the Pandemic, giving priority to the physical and mental well-being and safety of its employees. It took various measures to avoid gathering of people, preventing cross-infection, and allowing employees to work in a safe environment. During the Reporting Period, no infection of Pandemic due to gathering was noted by the Company.

During the Pandemic prevention and control period, the Company's office premises were fully disinfected and ventilated in advance, and made protective equipments such as masks, disinfection, and temperature measurement tools available to meet the needs of employees.

Before the Pandemic was improved and work was fully resumed, the Company required all subordinated units to implement a shift system while ensuring stable operation, to ensure availability of key functions such as trading, settlement, and risk control so that daily work can be done normally.

Employees were subject to body temperature measurements before commencement of work every day, and were required to wear face masks and take protective measures during business hours. An employee was replaced for break as soon as they showed symptoms of respiratory diseases and other uncomfortable symptoms.

During the Pandemic prevention and control period, in order to ensure the well-being and safety of employees at meals and to avoid the risks caused by the concentration of employees eating at restaurants, the Company designated specific personnel to prepare the boxed meals for our employees, which were delivered to the Company's places of office by specified personnel, and then distributed to the Company's employees to avoid the risks brought by dining together.

TOPIC II: COMBINING FORCES TO WIN POVERTY ALLEVIATION BATTLE

During the Reporting Period, the Group actively implemented the unified deployment instructions of the Party Central Committee, the State Council of China and the CSRC on poverty alleviation work, responded to the strategic action initiative for futures industry to serve the country's poverty alleviation initiated by the China Futures Association. It actively carried forward the culture of gaining profitability while doing good deeds and helping out the poverty, and always deemed "contributing to the world" and giving back to the society as the obligatory duty of the Group. The Company has successively signed paired-up assistance agreements with six national-level poverty-stricken counties. A total of more than RMB20 million poverty alleviation funds were given in poverty alleviation activities during the year. In the appraisal of the poverty alleviation work of futures companies for 2019-2020, the Company stood out in leading places. It has successively won the "Best Precision Poverty Alleviation and Charity Award" and the "The most influential brand for poverty alleviation in the industry of Shandong Financial industry" and other honorary titles, the Company's Poverty alleviation leveraging professional expertise cases were selected into the outstanding story collection of poverty alleviation in China's futures industry.

Poverty alleviation leveraging professional expertise

In March 2020, the Company's corn "insurance + futures" project covering Huachuan County of Heilongjiang Province, were compensated successfully. The project received compensation amounting to RMB87,873,100, and the compensation rate was as high as 376%. The project covered 327,500 mu of corn plantation in the county, which is equivalent to 183,400 tons on-the-spot corn, and provided guarantee of income amounting to RMB952/mu for 2,555 corn farmers, and realized the "insuring as much as you wish" within the county. The total premium of the pilot project was RMB23,381,300 (70% funded by Dalian Commodity Exchange, and 30% were funded by each of Huachuan County government and the farmers), and the coverage amounted to RMB312 million. This project is the Company's first county-wide corn income insurance pilot project in Huachuan County since the the "Insurance + Futures + Basis Trading" county-wide coverage project was piloted in the County in 2018. The exciting achievements made by the project effectively helped Huachuan County to achieve real poverty alleviation instead of returning to poverty. This proved the effectiveness of "insurance + futures" project in helping poor areas to consolidates the results of poverty alleviation.

During the Reporting Period, great breakthroughs were made in the Group's "insurance + futures" poverty alleviation leveraging professional expertise, with expanded pilot scale and scope of influence. A total of 12 "insurance + futures" projects were carried out in 13 counties in four provinces, namely Shandong, Heilongjiang, Liaoning, and Xinjiang involving six varieties, namely corn, soybeans, cotton, red dates, chicken feed, and eggs. The project covered a total of about 900,000 mu agricultural product plantation, and the insurance coverage amounted to RMB950 million, covering 58,000 farmers. Among them, the projects in Huachuan County of Heilongjiang, Megaiti County of Xinjiang Uygur Autonomous Region, and Hailun City of Heilongjiang had a total of 168,546.92 tonnes and a nominal principal of RMB430,114,300, which further expanded the influence of poverty alleviation work.

Industrial poverty alleviation

In October 2020, the Company donated RMB500,000 to Maigaiti County of Xinjiang Uygur Autonomous Region, for the implementation of the "Insurance + Futures" industrial poverty alleviation pilot project of Red Dates in Maigaiti County, thereby increasing the social influence of the pilot project and making the pilot mode more copyable and worth promotion.

In December 2020, the Company donated RMB100,000 as industrial poverty alleviation to Taihu County, a poverty-stricken county in Anhui Province, which was specially intended by People's Government of Taihu County for the implementation of the tea plantation coverage project in Lesheng Village, Liufan Township, to help Taihu County to consolidate poverty alleviation achievements.

Consumption-driven poverty alleviation

During the Reporting Period, the Company preferred agricultural products from poverty-stricken counties as souvenirs of the Company. During the Spring Festival and Mid-Autumn Festival, we purchased around RMB700,000 products from poverty-stricken areas such as Megaiti County of Xinjiang Uygur Autonomous Region and Huachuan County of Heilongjiang Province to help poor farmers out of poverty.

In February 2020, the Group helped Zhongcheng Grain Purchase and Sale Co., Ltd (眾誠糧食購銷有限責任公司) in Kailu County, Tongliao City, Inner Mongolia, a poverty-stricken area, to sell 1,500 tons of corn for an aggregate sales amount of RMB2.0277 million.

Poverty alleviation through charity

In February 2020, the Company signed paired-up assistance agreements with the national key poverty-stricken counties in Hubei Province, namely Hong'an County, Yingshan County, and Luotian County, respectively in relation to cooperation in poverty alleviation through charity, poverty alleviation leveraging professional expertise, consumption-driven poverty alleviation, etc., and to give comprehensive support to their poverty alleviation and promote the healthy development of local economy and society.

Other poverty alleviation activities

In March and November 2020, the Company signed paired-up assistance agreements with Qin'an County of Gansu Province and Tongbai County of Henan Province, respectively, in relation to cooperation in various aspects such as futures-based professional assistance, industrial assistance, and talent assistance. It fulfilled its social responsibilities and paced up of poverty alleviation in poverty-stricken areas.

In April 2020, the Group recruited one disabled person from Huachuan County of Heilongjiang Province, a national-level poverty-stricken county.

In August and September 2020, the third training session of "Offer agricultural technology to the rural area", co-hosted by Yanchang County of Shaanxi Province and China Futures Association and sponsored by the Company, was successfully held in Yanchang County of Shannxi Province. 500 people out of 12 local villages attended it.These trainings were intended to achieve general improvement of fruit tree growing technology in Yanchang County, so as to help Yanchang County to accelerate transformation and upgrading of the fruit industry, adopt standardized management, and consolidate its poverty alleviation achievements.

In November 2020, the signing ceremony for helping Taihu County and sharing precision poverty alleviation experiences was successfully held, which was co-hosted by Shanghai Futures Exchange, the CPC Taihu County Committee, and People's Government of Taihu County and sponsored by the Company. The purpose of the exchange meeting was to further promote precision poverty alleviation.

VI. INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE INDICATORS

Major scopes, aspects, general disclosures and key performance indicators		Disclosure
Scope A: Environmental		
Aspect A1: Emissions		
General Disclosure		IV. (I) Green Operation and Environmental Protection IV. (II) 2020 Environmental Performance Indicators
A1.1	The types of emissions and respective emissions data	IV. (II) 2020 Environmental Performance Indicators
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	IV. (II) 2020 Environmental Performance Indicators
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	IV. (II) 2020 Environmental Performance Indicators
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	IV. (II) 2020 Environmental Performance Indicators
A1.5	Description of measures to mitigate emissions and results achieved	IV. (II) 2020 Environmental Performance Indicators IV. (III) Practising Energy Saving and Emission Reduction by Attending Details
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	IV. (II) 2020 Environmental Performance Indicators IV. (III) Practising Energy Saving and Emission Reduction by Attending Details

Major scopes, aspects, general disclosures and key performance indicators		Disclosure
Aspect A2: Use of Resources		
General Disclosure		IV. (I) Green Operation and Environmental Protection IV. (II) 2020 Environmental Performance Indicators
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	IV. (II) 2020 Environmental Performance Indicators
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	IV. (II) 2020 Environmental Performance Indicators
A2.3	Description of energy use efficiency initiatives and results achieved	IV. (II) 2020 Environmental Performance Indicators IV. (III) Practising Energy Saving and Emission Reduction by Attending Details
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	IV. (II) 2020 Environmental Performance Indicators IV. (III) Practising Energy Saving and Emission Reduction by Attending Details
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	IV. (II) 2020 Environmental Performance Indicators

Major scopes, aspects, general disclosures and key performance indicators		Disclosure
Aspect A3: The Environment and Natural Resources		
General Disclosure		IV. (III) Practising Energy Saving and Emission Reduction by Attending Details
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	IV. (III) Practising Energy Saving and Emission Reduction by Attending Details
Scope B: Social		
Aspect B1: Employment		
General Disclosure		V. (I) Employment Management
B1.1	Total workforce by gender, employment type, age group, and geographical region	V. (I) Employment Management
B1.2	Employee turnover rate by gender, age group and geographical regions	Undisclosed
Aspect B2: Health and Safety		
General Disclosure		V. (II) Health and Safety
B2.1	Number and rate of work-related fatalities	V. (II) Health and Safety
B2.2	Number of working days lost due to work-related injuries	V. (II) Health and Safety
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	V. (II) Health and Safety
Aspect B3: Development and Training		
General Disclosure		V. (III) Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	V. (III) Development and Training
B3.2	The average training hours completed per employee by gender and employee category	V. (III) Development and Training

Major scopes, aspects, general disclosures and key performance indicators		Disclosure
Aspect B4: Labor Standards		
General Disclosure		V. (I) Employment Management
B4.1	Description of measures to review employment practices to avoid child and forced labor	Undisclosed
B4.2	Description of steps taken to eliminate such violating practices when discovered	Undisclosed
Aspect B5: Supply Chain Management		
General Disclosure		V. (IV) Supply Chain Management
B5.1	Number of suppliers by geographical region	Undisclosed
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Undisclosed
Aspect B6: Product Responsibility		
General Disclosure		III. (II) Compliant Operation
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable
B6.2	Number of products and service related complaints received and how they are dealt with	III. (II) Compliant Operation
B6.3	Description of practices relating to observing and protecting intellectual property rights	Undisclosed
B6.4	Description of quality assurance process and recall procedures	Not applicable
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	III. (II) Compliant Operation

Major scopes, aspects, general disclosures and key performance indicators		Disclosure
Aspect B7: Anti-corruption		
General Disclosure		III. (II) Compliant Operation
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	III. (II) Compliant Operation
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	III. (II) Compliant Operation
Aspect B8: Community Investment		
General Disclosure		Topic II: Combining Forces to Win Poverty Alleviation Battle
B8.1	Focus scopes of contribution (e.g. Education, environmental concerns, labor needs, health, culture, sport)	Topic II: Combining Forces to Win Poverty Alleviation Battle
B8.2	Resources contributed (e.g. money or time) to the focus scope	Topic Ii: Combining Forces to Win Poverty Alleviation Battle

鲁证期货
LUZHENG FUTURES

LUZHENG FUTURES COMPANY LIMITED
魯証期貨股份有限公司