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ZHONGTAI FUTURES Company Limited

中泰期貨股份有限公司

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

(Stock Code: 01461)

**PROPOSED ALIGNMENT IN PREPARATION OF
FINANCIAL STATEMENTS IN ACCORDANCE WITH
THE CHINA ACCOUNTING STANDARDS FOR
BUSINESS ENTERPRISES
PROPOSED CHANGES TO
AUDIT SERVICES OF ACCOUNTING FIRM
AND
PROPOSED AMENDMENTS TO
THE ARTICLES OF ASSOCIATION**

**PROPOSED ALIGNMENT IN PREPARATION OF FINANCIAL
STATEMENTS IN ACCORDANCE WITH THE CHINA ACCOUNTING
STANDARDS FOR BUSINESS ENTERPRISES**

ZHONGTAI FUTURES Company Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) has adopted the China Accounting Standards for Business Enterprises (the “**Domestic Standards**”) and the International Financial Reporting Standards (the “**International Standards**”) for preparation of its financial statements and disclosure of relevant financial information since the issuance and listing of its H shares on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Hong Kong Stock Exchange in December 2010, with effect from 15 December 2010, companies incorporated in mainland China and listed on the Hong Kong Stock Exchange are allowed to adopt Domestic Standards for preparation of their financial statements and PRC accounting firms recognised by the Ministry of Finance of the People’s Republic of China (the “**PRC Ministry of Finance**”) and the China Securities Regulatory Commission (the “**CSRC**”) are allowed to adopt China auditing standards for providing audit services to mainland China incorporated issuers listed in Hong Kong.

In view of the similarity of accounting standards and according to industry practices, in order to enhance the audit efficiency of the Company, reduce expenses and enable consistent and comparable disclosure of financial information, the Company intends to align the preparation of financial statements and disclosure of relevant financial reports in accordance with the Domestic Standards with effect from 2022. The Company considers that the adoption of Domestic Standards will have no material impact on the Company’s financial position, operating results and cash flows for 2022 and beyond.

Upon adoption of Domestic Standards by the Company, certain financial items of the Company are expected to be adjusted. In view of this, the Company hereby provides further information to explain the key differences between the Company’s financial statements under Domestic Standards and International Standards, which are described below:

(i) Key differences between the Company’s financial statements under Domestic Standards and International Standards

1. Presentation of pledged deposits receivable/payable

Under Domestic Standards, pledged deposits receivable and payable are presented as separate assets and liabilities; under International Standards, pledged deposits receivable and payable are offset against each other (except for specific business of pledging treasury bonds).

2. *Provision for futures risk reserve*

Under Domestic Standards, the annual provision for futures risk reserve is included in the item of appropriation to futures risk reserve in the income statement as well as the item of futures risk reserve under liabilities; under International Standards, the annual provision for futures risk reserve is directly appropriated from retained profits and included in special reserve for futures risk under equity.

3. *Nature of inventory measurement*

Under Domestic Standards, inventories are measured at the lower of cost or net realisable value; under International Standards, inventories are measured at fair value.

4. *Presentation of spot trading income*

Under Domestic Standards, income and costs of spot trading are presented as operating income and operating expenses respectively; under International Standards, income and costs of spot trading are presented under operating income on a net basis.

(ii) Differences between the Company's key items of financial statements for 2021 under Domestic Standards and International Standards

1. *Revenue*

Revenue under Domestic Standards and International Standards amounted to RMB2,255 million and RMB749 million respectively, representing a difference of RMB1,506 million, which was mainly due to the presentation of income and costs of spot trading on a net basis under International Standards.

2. *Net profit attributable to the parent company*

Net profit under Domestic Standards and International Standards amounted to RMB188,572,900 and RMB204,355,400 respectively, representing a difference of RMB15,782,500, which was mainly due to the appropriation of futures risk reserve from profit after tax under International Standards.

The above proposed alignment in preparation of financial statements in accordance with Domestic Standards is subject to consideration and approval at the general meeting of the Company by way of an ordinary resolution and after the consideration and approval of the proposal of amendments to the relevant provisions of the articles of association of the Company (the “**Articles of Association**”) at the general meeting of the Company. A circular containing, among others, particulars of the proposed alignment in preparation of financial statements in accordance with Domestic Standards and amendments to the Articles of Association together with the notice of general meeting of the Company will be despatched to the shareholders of the Company in due course.

PROPOSED CHANGES TO AUDIT SERVICES OF ACCOUNTING FIRM

Reference is made to the announcement of the Company dated 11 February 2022 (the “**Announcement**”) in relation to, among others, the proposed change of the auditor.

In view of the Company’s proposed alignment in preparation of financial statements in accordance with Domestic Standards and the fact that ShineWing Certified Public Accountants LLP (“**ShineWing**”), the auditor to be engaged by the Company for domestic financial reporting, has been recognised by the PRC Ministry of Finance and the CSRC and is qualified to adopt China auditing standards for providing audit services to mainland China incorporated issuers listed in Hong Kong, the Company proposes to appoint ShineWing as the auditor for review of interim financial statements and audit of annual financial statements of the Company for the year 2022 under Domestic Standards and will no longer conduct the review of interim financial statements and audit of annual financial statements under International Standards. As a result of the reduction in audit content, the audit fees decreased. Accordingly, the total audit fees of the Company decreased from RMB1.26 million to RMB1.20 million. Save for the above, all other information and contents of the Announcement remain unchanged.

As stated in the Announcement, the proposed change of the auditor is subject to consideration and approval at the general meeting of the Company by way of an ordinary resolution. A circular containing, among others, particulars of the proposed change of the auditor together with the notice of general meeting of the Company will be despatched to the shareholders of the Company in due course.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to further standardize the corporate governance of the Company, pursuant to the relevant provisions of the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Company proposes amendments to the Articles of Association with reference to relevant cases on the market in light of the Company's actual situation. Details of the amendments are as follows:

Original Article	Amended Article
<p>Article 155 The supervisory committee shall comprise eight (8) supervisors, of whom no less than two (2) shall be independent supervisors. The term of office of supervisors shall be three years, renewable upon re-election and re-appointment. The appointment or removal of supervisors of the Company shall be reported to the local agency of the CSRC for record as required.</p> <p>The supervisory committee shall have one chairman, whose appointment and dismissal shall be subject to the approval of two-thirds or more of its members by voting.</p>	<p>Article 155 The supervisory committee shall comprise seven (7) supervisors. The term of office of supervisors shall be three years, renewable upon re-election and re-appointment. The appointment or removal of supervisors of the Company shall be reported to the local agency of the CSRC for record as required.</p> <p>The supervisory committee shall have one chairman, whose appointment and dismissal shall be subject to the approval of two-thirds or more of its members by voting.</p>
<p>Article 192 The financial statements of the Company shall be prepared in accordance with both the PRC accounting standards and regulations and the international accounting standards, or those of the overseas place where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in the notes to the financial statements. In distributing its profits after tax for an accounting year, the lower of the two amounts shown in the financial statements shall be adopted.</p>	<p>Article 192 The financial statements of the Company shall be prepared in accordance with the PRC accounting standards and regulations.</p>

Original Article	Amended Article
<p>Article 193 Any interim results or financial information published or disclosed by the Company shall be prepared and presented in accordance with the PRC accounting standards and regulations, and also in accordance with either international accounting standards or those of the overseas place where the Company's shares are listed.</p>	<p>Article 193 Any interim results or financial information published or disclosed by the Company shall be prepared and presented in accordance with the PRC accounting standards and regulations.</p>

The proposed amendments to the Articles of Association mentioned above are subject to consideration and approval at the general meeting of the Company by way of a special resolution. A circular containing, among others, particulars of the proposed amendments to the Articles of Association together with the notice of general meeting of the Company will be despatched to the shareholders of the Company in due course.

By order of the board of directors
ZHONGTAI FUTURES Company Limited
ZHONG Jinlong
Chairman

Jinan, the People's Republic of China
25 May 2022

As at the date of this announcement, the board of directors of the Company comprises Mr. ZHONG Jinlong and Mr. LIANG Zhongwei as executive directors; Mr. HU Kainan, Mr. LIU Xinyi, Mr. MING Gang and Mr. LIU Feng as non-executive directors; and Mr. ZHENG Jianping and Mr. CHEN Hua as independent non-executive directors.