



中泰期货
ZHONGTAI FUTURES

ZHONGTAI FUTURES Company Limited
中泰期货股份有限公司

(Formerly known as LUZHENG FUTURES Company Limited)
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code : 01461)



2022
Annual Report

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Definition

“Articles of Association”	the Articles of Association of ZHONGTAI FUTURES Company Limited, as amended from time to time
“Audit Committee”	the Audit Committee of the Board of Directors
“Board” or “Board of Directors”	the board of directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“China”, “PRC” or “Mainland China”	the People’s Republic of China, excluding, for the purpose of this annual report only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company” or “ZHONGTAI FUTURES”	ZHONGTAI FUTURES Company Limited (中泰期貨股份有限公司)(previously known as LUZHENG FUTURES Company Limited (魯証期貨股份有限公司)), a company established after being reorganized in the PRC on 10 December 2012 with limited liability (its predecessor was Shandong Quanxin Futures Brokerage Co., Ltd. (山東泉鑫期貨經紀有限公司), 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)
“Controlling Shareholder(s)”	Zhongtai Securities, Zaozhuang Mining and Shandong Energy
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	the issued ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, subscribed for or credited as fully paid in Renminbi
“Group”, or “we” or “us”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK\$ and listed on the Main Board of the Hong Kong Stock Exchange
“HK\$”	the lawful currency of Hong Kong
“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

“Laiwu Steel”	Laiwu Steel Group Co., Ltd. (萊蕪鋼鐵集團有限公司), a company incorporated in the PRC on 6 May 1999 with limited liability, 100.00% of which is owned by Shandong Steel
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Luzheng Information Technology”	Luzheng Information Technology Co., Ltd. (魯証信息技術有限公司), a company established in the PRC with limited liability on 15 February 2015, and being a wholly-owned subsidiary of the Company
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Nomination Committee”	the Nomination Committee of the Board of Directors
“OTC Option”	a non-standardized trading of option contracts in non-centralized trading places
“PRC Futures Exchanges”	China Financial Futures Exchange (中國金融期貨交易所), Dalian Commodity Exchange (大連商品交易所), Zhengzhou Commodity Exchange (鄭州商品交易所), Shanghai Futures Exchange (上海期貨交易所), Guangzhou Futures Exchange (廣州期貨交易所) and Shanghai International Energy Exchange (上海國際能源交易中心)
“Prospectus”	the prospectus of the Company dated 23 June 2015
“Remuneration and Appraisal Committee”	the Remuneration and Appraisal Committee of the Board of Directors
“Reporting Period”	the year ended 31 December 2022
“Risk Control Committee”	the Risk Control Committee of the Board of Directors
“RMB” or “Renminbi”	the lawful currency of the PRC
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shandong Energy”	Shandong Energy Group Co., Ltd. (山東能源集團有限公司), a limited company incorporated in the PRC on 16 December 2010, 70% of which is owned by the State-owned Assets Supervision and Administration Commission of Shandong Province Provincial Government (山東省人民政府國有資產監督管理委員會), and being one of the Controlling Shareholders of the Company

Definition

“Shandong Steel”	Shandong Iron & Steel Group Co., Ltd. (山東鋼鐵集團有限公司), a company established in the PRC on 17 March 2008 with limited liability, 70% of which is owned by the State-owned Assets Supervision and Administration Commission of the Shandong Provincial Government (山東省人民政府國有資產監督管理委員會)
“Share(s)”	the ordinary share(s) of the Company with a nominal nature of RMB1.00 each, including the Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Strategic Development Committee”	the Strategic Development Committee of the Board of Directors
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the Supervisory Committee of the Company
“Zaozhuang Mining”	Zaozhuang Mining Group Co., Ltd. (棗莊礦業(集團)有限責任公司), a company incorporated in the PRC on 8 April 1998 with limited liability, 86.31% of which is owned by Shandong Energy, and being one of the Controlling Shareholders of the Company
“Zhongtai Huirong Capital”	Zhongtai Huirong Capital Investment Co., Ltd. (中泰匯融資本投資有限公司), previously known as Luzheng Capital Management Co., Ltd. (魯証資本管理有限公司), and Luzheng Trading Co., Ltd. (魯証經貿有限公司), a company established in the PRC with limited liability on 24 April 2013, and being a wholly-owned subsidiary 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 in Shanghai Stock Exchange on 3 June 2020 (Stock code: 600918), 32.62% of which is owned by Zaozhuang Mining, and being one of the Controlling Shareholders of the Company



Risk Warnings

The Company's main business is closely related to the domestic and international economic situation and the moving trend of the capital market. The fluctuation of the capital market and the regulatory policies governing the futures industry as well as any changes in them will have a direct or indirect impact on the Company's operating performance.

The Company has described the risks that it may face in its daily operating activities in "VIII. Possible Risks, Uncertainties and Countering Measures" under the Chapter VI of this Report. The major risks that the Company may face mainly include market risk, liquidity risk, credit risk, operational risk, compliance risk, etc.

With respect to the above potential risks, the Company manages to guard against such risks by optimizing organization structure, establishing and improving systems and taking effective measures, etc. Please refer to pages 50 to 54 of this Report for the possible risks, uncertainties that the Company may face, and the countering measures taken.

Company Profile

(1) PROFILE

1. **Registered Chinese Name:** 中泰期貨股份有限公司

Registered English Name: ZHONGTAI FUTURES Company Limited

2. **Registered office**

15-16/F, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, 250001, the PRC

3. **Head office in the PRC**

15-16/F, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, 250001, the PRC

4. **Principal place of business in Hong Kong**

40th Floor, Dah Sing Financial Centre, No. 248, Queen's Road East, Wanchai, Hong Kong

5. **Board of Directors**

Executive Directors: Mr. Zhong Jinlong (*Chairman of the Board*)
Mr. Liang Zhongwei

Non-executive Directors ^{Note 1}: Mr. Hu Kainan
Mr. Zheng Hanyin
Mr. Ming Gang
Mr. Liu Feng

Independent Non-executive Directors ^{Note 2}: Mr. Zheng Jianping
Mr. Chen Hua
Mr. Luo Xinhua

Note 1: Mr. Liu Xinyi resigned as a non-executive Director of the Company on 31 May 2022, and Mr. Zheng Hanyin was appointed as a non-executive Director of the Company on 31 May 2022.

Note 2: Mr. Gao Zhu and Mr. Wang Chuanshun resigned as independent non-executive Directors of the Company on 10 March 2022. Mr. Chen Hua was appointed as independent non-executive Director of the Company on 10 March 2022. Mr. Wang Xinyu was appointed as an independent non-executive Director of the Company on 10 March 2022, and resigned as an independent non-executive Director of the Company on 14 March 2022. Mr. Luo Xinhua was appointed as an independent non-executive Director of the Company on 22 June 2022.

6. Authorized representatives

Mr. Zhong Jinlong
Room 602, Unit 1, Building 13, 2nd East Area of Ming Hu Village, Lixia District, Jinan, Shandong Province, the PRC

Mr. Liang Zhongwei
Room 301, Unit 1, Building 14, West Area of Yanzishan Village, Lixia District, Jinan, Shandong Province, the PRC

7. Joint company secretaries

Mr. Liang Zhongwei
Dr. Ngai Wai Fung ^{Note 3}

8. Auditors

ShineWing Certified Public Accountants LLP
9/F, Block A, Fu Hua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, the PRC

9. Legal advisers

As to Hong Kong law: Clifford Chance
27/F, Jardine House, One Connaught Place, Central, Hong Kong

As to PRC law: Jia Yuan Law Office
F408, Ocean Plaza, 158 Fuxing Men Nei Ave, Xicheng District, Beijing, the PRC

Note 3: On 10 March 2022, Ms. Ng Wing Shan resigned as the joint company secretary of the Company. On the same day, Dr. Ngai Wai Fung was appointed as the joint company secretary of the Company.

Company Profile

10. Principal banks

China Construction Bank (Jinan Shizhong Sub-branch)

No. 76 Jingsi Road, Shizhong District, Jinan, Shandong Province, the PRC

Industrial and Commercial Bank of China (Jinan Lixia Sub-branch)

No. 320 Quancheng Road, Lixia District, Jinan, Shandong Province, the PRC

Bank of China (Jinan Branch)

No. 22 Luoyuan Street, Lixia District, Jinan, Shandong Province, the PRC

Bank of Communications (Jinan Shizhong Sub-branch)

No. 249 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC

Agricultural Bank of China (Jinan Wanda Plaza Branch)

Building 4, Wanda Plaza, Jingsi Road, Shizhong District, Jinan, Shandong Province, the PRC

11. H Share registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

12. Stock code

01461

13. Investor enquiries

Investors' Service Line: +86-531-81678006
Fax: +86-531-81916777
Website: www.ztqh.com
E-mail: investors@ztqh.com

(2) HISTORY

Shandong Quanxin Futures Brokerage Co., Ltd. (山東泉鑫期貨經紀有限公司) (“Quanxin Futures”), the predecessor of ZHONGTAI FUTURES Company Limited, is a company established in the PRC on 5 June 1995 as approved by the CSRC and registered with the State Administration for Industry & Commerce of the PRC. Its initial registered capital of RMB10.2 million was jointly contributed by Jinan Huaqing Group Corporation (濟南化輕集團總公司), Jinan Economic Development Corporation (濟南經濟發展總公司), Shandong Province Resources Development Corporation (山東省資源開發總公司) and Jinan Shizhong Food & Oil Trading Company (濟南市市中糧油貿易公司).

On 18 May 2000, Jinan Energy Investment Co., Ltd. (濟南市能源投資有限責任公司) made capital contribution of RMB20.0 million to Quanxin Futures as its new shareholder, and the registered capital of Quanxin Futures was increased to RMB30.2 million.

On 21 June 2004, Jinan Energy Investment Co., Ltd. made capital contribution of RMB0.62 million to Quanxin Futures, and the registered capital of Quanxin Futures was increased to RMB30.82 million.

On 13 September 2006, Qilu Securities Co., Ltd. (齊魯證券有限公司) (now renamed as Zhongtai Securities (中泰證券)), Shandong Xinkuang Investment Holding Group Co., Ltd. (山東新礦投資控股集團有限公司), Jinan Energy Investment Co., Ltd., Jinan Economic Development Corporation (濟南經濟發展總公司), Jinan Jingmao Industrial Investment Corporation (濟南經貿實業投資總公司) and Shandong Province Resources Development Corporation (山東省資源開發總公司) entered into the “Capital Increase and Reorganization Agreement of Shandong Quanxin Futures Brokerage Co., Ltd.” (《山東泉鑫期貨經紀有限公司增資重組協議書》) to conduct reorganization and capital increase of Quanxin Futures. Upon this capital increase and reorganization, the registered capital of Quanxin Futures was increased to RMB50.0 million.

On 14 February 2007, Quanxin Futures changed its name to Luzheng Futures Brokerage Co., Ltd. (魯証期貨經紀有限公司) (“Luzheng Brokerage”).

On 22 August 2007, Zhongtai Securities increased capital contribution by RMB150.0 million to Luzheng Brokerage, and the registered capital of Luzheng Brokerage was increased to RMB200.0 million.

On 27 December 2007, Luzheng Brokerage was renamed as LUZHENG FUTURES CORPORATION LIMITED (魯証期貨有限公司) (“Luzheng Limited”).

On 24 May 2010, Zhongtai Securities and Jinan Energy Investment Co., Ltd. increased capital contribution by RMB200.0 million and approximately RMB3.6238 million to Luzheng Limited respectively, and the registered capital of Luzheng Limited was increased to RMB403.62383564 million.

Company Profile

On 30 June 2011, Zhongtai Securities and Jinan Energy Investment Co., Ltd. increased capital contribution by RMB114.30282606 million and RMB2.0733383 million to Luzheng Limited respectively, and the registered capital of Luzheng Limited was increased to RMB520.0 million.

On 26 September 2012, registered capital was increased by RMB120.0 million at a price of RMB2.94 for RMB1.0 in the registered capital through introduction of new shareholders among which, Zhongtai Securities and Jinan Energy Investment Co., Ltd. subscribed for RMB49.11 million and RMB0.89 million, respectively, and Yongfeng Group Co., Ltd. (永鋒集團有限公司), Shandong State-owned Assets Investment Holdings Co., Ltd. (山東省國有資產投資控股有限公司), Linglong Group Co., Ltd. (玲瓏集團有限公司) and Sanya Shengli Investment Co., Ltd. (三亞勝利投資有限公司) (previously known as Yantai Shengli Investment Co., Ltd. (煙台勝利投資有限公司)), as the new shareholders, subscribed for RMB30.0 million, RMB20.0 million, RMB10.0 million and RMB10.0 million respectively in the additional registered capital and the registered capital of Luzheng Limited was further increased to RMB640.0 million.

On 10 December 2012, Luzheng Limited was restructured and renamed as LUZHENG FUTURES Company Limited (魯証期貨股份有限公司) (“LUZHENG FUTURES”) upon an overall share conversion based on the audited net assets of Luzheng Limited as of 30 September 2012. After such share conversion, the registered capital of the Company amounted to RMB750.0 million.

On 7 July 2015, LUZHENG FUTURES was officially listed on the Main Board of the Hong Kong Stock Exchange with the stock code of 01461. An aggregate of 275,000,000 H Shares were issued through the global offering (excluding the Shares subject to the Over-allotment Option (as defined in the Prospectus)) at an issue price of HK\$3.32 per Share.

On 24 July 2015, the Joint Global Coordinators (as defined in the Prospectus) for the Company's global offering exercised the Over-allotment Option in part, involving an aggregate of 2,090,000 H Shares, including (i) additional 1,900,000 H Shares issued by the Company; and (ii) 190,000 H Shares sold by the selling Shareholders (namely Zhongtai Securities, Shandong State-owned Assets Investment Holdings Co., Ltd. and Jinan Energy Investment Co., Ltd.), which were listed for dealing on the Main Board of Hong Kong Stock Exchange on 7 August 2015.

On 17 September 2015, Shandong Administration for Industry & Commerce approved the Company's request for change of registered information. Upon completion of this change, the registered capital of the Company was further increased to RMB1,001.9 million, and the shareholding structure was detailed as follows: Zhongtai Securities, Yongfeng Group Co., Ltd., Shandong State-owned Assets Investment Holdings Co., Ltd., Linglong Group Co., Ltd., Sanya Shengli Investment Co., Ltd. (三亞勝利投資有限公司) (previously known as Yantai Shengli Investment Co., Ltd. (煙台勝利投資有限公司)), Jinan Energy Investment Co., Ltd., and holders of H Shares held 632,176,078 ordinary Shares, 35,156,250 ordinary Shares, 22,583,601 ordinary Shares, 11,718,750 ordinary Shares, 11,718,750 ordinary Shares, 11,456,571 ordinary Shares and 277,090,000 H Shares of the Company, respectively, representing 63.10%, 3.51%, 2.25%, 1.17%, 1.17%, 1.14% and 27.66% of the total ordinary share capital of the Company respectively.

On 29 March 2022, the Company's name was changed from LUZHENG FUTURES Company Limited (魯証期貨股份有限公司) to ZHONGTAI FUTURES Company Limited (中泰期貨股份有限公司).

(3) STAFF PROFILE

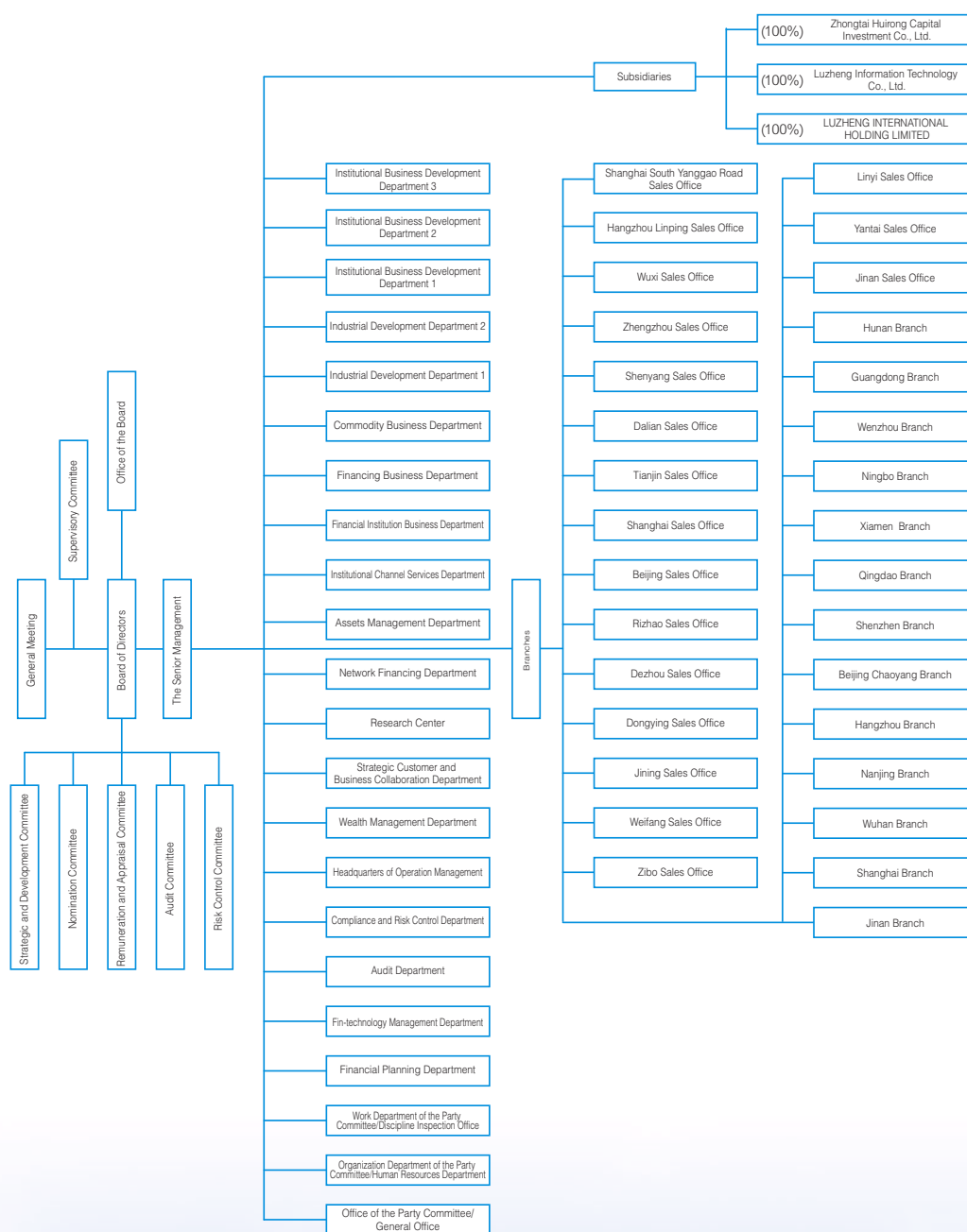
As at the end of the Reporting Period, the Group had 735 employees in total, and the breakdown of the composition of the employees is as follows:

	Category	Number	Proportion (%)
By profession	Administrative management	41	5.58%
	Financial planning	19	2.59%
	Management of brokerage business	70	9.52%
	Information technology	32	4.35%
	Risk control & Clearing	18	2.45%
	Compliance and audit	48	6.53%
	Research and development	28	3.81%
	Customer services	42	5.71%
	Assets management	11	1.50%
	Marketing	317	43.13%
	Zhongtai Huirong Capital	100	13.61%
	Luzheng Information Technology	9	1.22%
		Total	735
By gender	Male	432	58.78%
	Female	303	41.22%
		Total	735
By age	30 and Below	255	34.69%
	31-35	193	26.26%
	36-40	158	21.50%
	41-45	66	8.98%
	Above 45	63	8.57%
		Total	735
By education background	Post-graduate and above	197	26.80%
	Bachelor degree	471	64.08%
	College degree and below	67	9.12%
		Total	735

Company Profile

(4) BRIEF INTRODUCTION OF THE ORGANS AND BRANCHES

According to the Company Law of the PRC (《公司法》), the Futures and Derivatives Law (《期貨和衍生品法》), the Futures Trading Management Regulations (《期貨交易管理條例》) and the Supervisory and Administrative Measures on Futures Companies (《期貨公司監督管理辦法》), the Listing Rules and the laws and regulations of Hong Kong, as well as the relevant provisions under the Articles of Association, the Company has established the corporate governance structure of “the General Meeting, the Board of Directors and the Supervisory Committee, and the Senior Management”. The General Meeting serves as the highest authority of the Company, with the Board of Directors, the Supervisory Committee and the Senior Management serving as the decision-making organ, supervision organ and execution organ, respectively. As at the end of the Reporting Period, the organization structure of the Company is set out below:



As at the end of the Reporting Period, the Company has set up a total of 31 branches operating futures products, with details as follows:

Name of branch/sales office	Date of opening	Address of branch/sales office (China)	Contact telephone number
Shanghai Branch	29 February 2016	Units 01 and 02B, 20/F (nominal floor, 18/F actual floor), No. 759 Yanggao South Road, China (Shanghai) Pilot Free Trade Zone	+86-21-61620231
Wuhan Branch	20 June 2017	Unit 1009, 10/Floor, No.3 Enterprise World, No.1627 Zhongshan Avenue, Jiang'an District, Wuhan	+86-27-86681096
Jinan Branch	16 August 2017	Zone A, 4/F, Main Building, Jihua Building, No. 19, Yingxian Street, Tianqiao District, Jinan	+86-531-81916262
Nanjing Branch	16 August 2017	Room 2112, No. 168, Lushan Road, Jianye District, Nanjing	+86-25-57626665
Hangzhou Branch	31 July 2008	Unit 4001, Ruiming Building, No. 231 Moganshan Road, Xihu District, Hangzhou	+86-571-28118933
Ningbo Branch	8 June 2010	Units (9-1) 905-1, Block 004, No. 475 Jiangdongbei Road, Yinzhou District, Ningbo, Zhejiang Province	+86-574-27707066

Company Profile

Name of branch/sales office	Date of opening	Address of branch/sales office (China)	Contact telephone number
Qingdao Branch	4 November 2008	Room 505-1, Building 5, No. 195, Hong Kong East Road, Laoshan District, Qingdao, Shandong Province	+86-532-55795802
Wenzhou Branch	12 August 2011	Unit 103, Block 1-2, Renhe Jiayuan, Station Road, Lucheng District, Wenzhou, Zhejiang Province	+86-577-85552177
Shenzhen Branch	27 December 2011	Unit D2, 25/F, Radio and Television Financial Center, No.9 Pengcheng 1st Road, Fuxin Community, Lianhua Street, Futian District, Shenzhen	+86-755-83506920
Guangdong Branch	20 November 2012	Room 3001 (called Room 3008 by us), No. 230, Tianhe Road, Tianhe District, Guangzhou	+86-20-38838676
Hunan Branch	12 March 2013	Units 2402, 2403 and 2405, Building 1, Hongxiang Garden, No.588, Section 1, Liuyanghe Avenue, Furong District, Changsha, Hunan Province	+86-731-89737700
Beijing Chaoyang Branch	6 January 2022	Room 903(within Room 901), 9/F, No.112 Jianguo Road, Chaoyang District, Beijing	+86-10-65006302
Xiamen Branch	24 March 2022	Unit 2806, Fortune Center, No.100 Lujiang Road, Siming District, Xiamen	+86-592-5030386
Jinan Sales Office	18 October 2007	Zone B, 4/F, Main Building, Jihua Building, No. 19, Yingxian Street, Tianqiao District, Jinan	+86-531-81678610
Beijing Sales Office	16 April 2007	Unit 18, 16/F, Hongsheng International Building, No.9, Chaoyangmen Beidajie, Dongcheng District, Beijing	+86-10-82194421

Company Profile

Name of branch/sales office	Date of opening	Address of branch/sales office (China)	Contact telephone number
Shanghai Sales Office	10 May 2007	Room 1502A (known as Room 1802A), No. 438 Pudian Road, China (Shanghai) Pilot Free Trade Zone	+86-21-61049968
Tianjin Sales Office	10 April 2007	Units 2-05, Building 2-2-101, No. 11 Olympic Road, Economy and Technology Development Zone, Tianjin	+86-22-66283470
Dalian Sales Office	11 February 2003	Units 1902, 1903 and 2009, Dalian Futures Building, Tower A of Dalian International Financial Center, No. 129 Huizhan Road, Shahekou District, Dalian, Liaoning Province	+86-411-84806651
Shenyang Sales Office	6 November 2007	Unit 02, 18/F (21/F in lift), Area I of Northeast World Trade Plaza (Building 1, Sunland Centre), No. 10 Youhao Street, Shenhe District, Shenyang, Liaoning Province	+86-24-23251798
Zhengzhou Sales Office	11 June 2009	Unit 1705 and 1706, 17/F, Weilai Building, No. 69 Weilai Road, Jinshui District, Zhengzhou	+86-371-65629184
Yantai Sales Office	27 May 2002	4/F, Block B, Guanhai Building, No. 267 Guanhai Road, Laishan District, Yantai	+86-535-6650036
Zibo Sales Office	25 July 2008	Units 9002, 9004, 9006 and 9008, West section, 9/F, No. 66 Renmin West Road, Zhangdian District, Zibo, Shandong Province	+86-533-2187287
Linyi Sales Office	29 October 2007	Unit 602, IFC International Financial Center, Intersection of Yimeng Road and Zhisheng Road, Liuqing Street, Lanshan District, Linyi	+86-539-8073721
Jining Sales Office	25 July 2008	West Rooms 203 and 208, 2/F, SDIC Building, No.15 Aoti Road, Beihu Provincial Tourist Resort, Jining, Shandong Province	+86-537-2715702

Company Profile

Name of branch/sales office	Date of opening	Address of branch/sales office (China)	Contact telephone number
Weifang Sales Office	30 October 2008	Room 001, Building 1, No. 277, Dongfeng West Street, Weicheng District, Weifang, Shandong Province	+86-536-8268508
Dongying Sales Office	29 December 2008	West of 1/F, No. 751, North 1st Road Dongying District, Dongying, Shandong	+86-546-8279996
Dezhou Sales Office	29 January 2010	3/F, No. 1186 Hubin Central Road, Decheng District, Dezhou, Shandong Province	+86-534-2617086
Rizhao Sales Office	26 December 2014	North of 1/F, No. 106 Commercial, Unit 03, Building 001, Rizhao Xingye Headquarters, south of Dongying Road and west of Qingdao Road, Qin Lou Street, Donggang District, Rizhao, Shandong Province	+86-633-8088271
Wuxi Sales Office	19 May 2016	Units 6-1108 Jiaye Fortune Center, Economic Development Zone, Wuxi, Jiangsu Province	+86-510-82726370
Hangzhou Linping Sales Office	13 January 2022	Rooms 1503, 1504 and 1505, Building 1, Xizi International Golden Tower, Nanyuan Street, Linping District, Hangzhou, Zhejiang Province	+86-571-89150277
Shanghai South Yanggao Road Sales Office	18 August 2022	Units 04, 40/F (nominal floor, 36/F actual floor), No. 729 South Yanggao Road, China (Shanghai) Pilot Free Trade Zone	+86-21-68585667

(5) BASIC INFORMATION ABOUT THE INDUSTRY IN WHICH THE COMPANY OPERATES

In 2022, the futures market ran smoothly. The cumulative trading volume declined from last year, but tracking the large volume since 2020 as a whole. In particular, trading volume of commodity futures and options accounted for 72.3% of the total trading volume in the world. In the global ranking of exchanges by trading volume, four domestic futures exchanges were among the top 25; In the global ranking by trading volume of agricultural products, metals and energy, domestic varieties of futures and options were among the 16, 14 and 5 out of the top 20 varieties, respectively. New varieties were added steadily, and the derivatives system has been improved, with constant enhancement in the capital strength of futures companies.

Firstly, the futures market continued to run smoothly. In 2022, the cumulative trading volume and turnover on the futures market in China were approximately 6.768 billion board lots (unilateral, same below), and RMB534.9 trillion, representing a year-on-year decrease of 9.93% and 7.96%, respectively. The global futures market recorded 83.848 billion board lots, and the domestic futures market accounted for 8.07% of the total turnover in the world, down by approximately 4 percentage points from 12% in 2021. Among them, the trading volume of commodity futures and options in China was 6,616 million board lots, accounting for 72.3% of the total trading volume of 9,153 million board lots of commodity futures and options in the world, up by 2.5% as compared with 69.8% in the corresponding period of 2021. Secondly, exchanges and commodity varieties in China were among leaders in the ranking by trading volume in the world. According to the global volume statistics compiled by the Futures Industry Association (FIA), Zhengzhou Commodity Exchange, Dalian Commodity Exchange, Shanghai Futures Exchange and China Financial Futures Exchange ranked the 8th, 9th, 12th and 25th, respectively in ranking of the global exchanges by trading volume of futures and options in 2022. In 2022, agricultural futures in China outperformed in the ranking of agricultural products, metals and energy products by trading volume in the world. Domestic varieties were among the top ten varieties and 16 out of the top 20 varieties. In terms of metals, domestic varieties were among nine out of the top ten and 14 out of the top 20. In terms of energy, domestic varieties were among five out of the top 20. Thirdly, with continued innovation of varieties, the futures and options product system has become more complete. A total of 16 new varieties of futures and options were listed throughout 2022. As at the end of 2022, a total of 110 varieties of futures and options are listed. Fourthly, futures companies were constantly gaining capital strength. As at the end of 2022, the total assets of futures companies in China amounted to approximately RMB1.7 trillion and the net assets amounted to RMB184.165 billion, representing a year-on-year increases of 23.06% and 14.07%, respectively. The capital strength continued to increase.

(6) BUSINESS BRIEFINGS OF THE COMPANY

The business scopes of the Group cover commodity futures brokerage, financial futures brokerage, futures transaction consulting, asset management, bulk commodity futures and spot trading services, cooperative hedging, market-maker business, OTC derivatives business, information technology consulting services, and other business activities permitted by the CSRC.

Company Profile

(7) BRIEFINGS OF OUR SUBSIDIARIES

As at the end of the Reporting Period, the Company owns four subsidiaries, namely Zhongtai Huirong Capital (中泰匯融資本), Luzheng Information Technology (魯証信息技術), ZHONGTAI HUIRONG INVESTMENT (HK) COMPANY LIMITED (中泰匯融(香港)有限公司), and LUZHENG INTERNATIONAL HOLDING LIMITED (魯証國際控股有限公司).

The business scope of Zhongtai Huirong Capital includes investment activities with self-owned capital and investment planning with self-owned capital, business management consulting, sale and wholesale of agricultural products, metal products, metallurgical materials, mineral products (except for those specially provided by the state), precious metals, chemical products (except for hazardous chemicals, monitored chemicals, fireworks, civil explosives, precursor chemicals products of poisons); import and export activities (except for the items prohibited by laws, administrative regulations and the decisions of the state council, the limited items shall be operated only after obtaining a license); technical consultation; investment consultation (excluding restricted items); sales of petroleum products (excluding dangerous chemicals); wholesale of refined oil (excluding dangerous chemicals); paper products; sales of pulp; sales of rubber products; sales of technical glass products; sales of daily glass products; sales of functional glass and new optical materials; general cargo storage services (excluding dangerous chemicals and other items that need permission and approval). (except for items that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business licence(s) in accordance with the laws)). Licensed projects:wholesale of edible oil;warehouse receipt service; basis trading; cooperative hedging; OTC derivatives business; market making business; sales of renewable resources. (items subject to approval according to laws shall not be carried out until the approval is obtained from competent authorities. The specific items shall be subject to the approval documents or licenses of competent authorities)

The business scope of Luzheng Information Technology includes sale of electronic products, office automation equipment, computers, cultural office machinery, control equipment, machine room equipment, computer information system integration service; development, sales and related technical services of computer network products and software; electronic engineering design and construction and information technology consulting services, etc.

The business scope of ZHONGTAI HUIRONG INVESTMENT (HK) COMPANY LIMITED includes import and export activities, investment, capital risk management and technology consultancy services, etc.

The business scope of LUZHENG INTERNATIONAL HOLDING LIMITED includes investment holding, etc.

Details are as follows:

Name of the company	Shareholding percentage (%)	Date of establishment	Registered address	Contact number
Zhongtai Huirong Capital	100	24 April 2013	Room 201, Block A, No. 1 Qianwanyilu, Shenzhen – Hong Kong Cooperation Zone, Qianhai, Shenzhen, Guangdong Province, the PRC (in Shenzhen Qianhai Commercial Secretary Co., Ltd)	+86-531-86161199
Luzheng Information Technology	100	15 February 2015	Room 1515, Floor 15, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC	+86-531-81678620
ZHONGTAI HUIRONG INVESTMENT (HK) COMPANY LIMITED (中泰匯融(香港)有限公司)	100	21 November 2013	40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong	+86-531-86161199
LUZHENG INTERNATIONAL HOLDING LIMITED (魯証國際控股有限公司)	100	16 April 2018	40th Floor, Dah Sing Financial Centre 248 Queen's Road East, Wanchai, Hong Kong	+86-531-86910569

(8) HONOURS AWARDED TO THE COMPANY DURING THE REPORTING PERIOD

In 2022, the Company was honored with “China’s Best Futures Company Award”, “China’s Futures Company Management Team Gold Award”, “Best Commodity Futures Industry Service Award” (metals, agricultural by products, energy and chemicals), “Best Financial Futures Service Award”, “Best Rural Revitalization Service and Social Responsibility Public Welfare Award”, “Best Corporate Culture Brand Building Award”, “Most Popular Self Media of Futures Companies”, “Investor Education Model Innovation of the Year Award”, “Best Risk Management Subsidiary Service Innovation Award” (Zhongtai Huirong Capital Investment Co., Ltd), “Best Financial Technology Progress Award”, “Best Derivatives Comprehensive Service Innovation Award”, “Best Institution Contribution Award for Futures Talent Cultivation”, “China’s Golden Futures Research Centre”, “Best Ferrous Metal Research Team”, “Best Macro Financial Research Team”, “Best Energy and Chemicals Research Team”, “Best Agricultural Product Research Team” and “Best Metals Research Team” in the 15th selection of best futures operation institutions in China;

The Company was honored with the title of “Provincial Spiritual Civilization Unit” by the Spiritual Civilization Construction Committee of Shandong Province;

The Company was honored with the title of “March 15 Integrity Financial Brand” by Dazhong Daily Newspaper;

The Company was honored with the “2022 Outstanding Service Member Award for Market Making of Treasury Bond Futures” and “2022 Outstanding Service Member Award for Market Making of Stock Index Options” by China Financial Futures Exchange;

The Company was honored with the Excellent Works Award and Excellent Organization Award of “Songlin Cup Investor Education Animation Competition” by Shanghai Futures Exchange;

The Company was honored with “Excellent Member Gold Award”, “Excellent Technical Service Award”, “Excellent OTC Market Construction Award”, “Industrial Service for Agricultural Product Award”, “Excellent Energy Industry Service Award”, “Excellent Iron and Steel Raw Material and Fuel Industry Service Award”, “Excellent Institutional Service Award”, “Excellent Talent Cultivation Award”, and First College Student Derivatives Practice Competition of ‘young’ Sailing Period by Dalian Commodity Exchange;

The Company was honored with the “Outstanding Member Award”, Outstanding Member for Industrial Service, “Talent Cultivation Award”, “Agricultural Industry Service Award”, “Photovoltaic Building Materials Industry Service Award”, “Nomination Team of Pioneer for Investor Education” and “Insurance+Futures” Pilot Project – “Outstanding Project Award” by Zhengzhou Commodity Exchange.

Financial Summary

Unless otherwise stated, the accounting data and financial indicators set out in this Report are prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF of China.

I. MAJOR ACCOUNTING DATA OF THE GROUP

Unit: RMB'0000

Item	2022	2021	Increase/ decrease over corresponding period of last year	2020
Operating income	244,763	225,462	8.56%	129,089
Total profit	22,539	25,620	-12.03%	8,139
Net profit attributable to shareholders of the Company	16,606	18,857	-11.94%	4,199
Net cash flows from operating activities	588,864	497,663	18.33%	124,655

Unit: RMB'0000

Item	31 December 2022	31 December 2021	Increase/ decrease over corresponding period of last year	31 December 2020
Total assets	2,885,908	2,068,210	39.54%	1,310,661
Total liabilities	2,641,688	1,840,014	43.57%	1,098,907
Currency margin payable	2,065,190	1,457,905	41.65%	1,017,145
Equity attributable to shareholders of the Company	244,220	228,196	7.02%	211,754
Total share capital	100,190	100,190	–	100,190

Financial Summary

II. MAJOR FINANCIAL INDICATORS OF THE GROUP

Item	2022	2021	Increase or decrease compared with the corresponding period last year	2020
Basic earnings per share(RMB)	0.17	0.19	-10.53%	0.04
Diluted earnings per share(RMB)	0.17	0.19	-10.53%	0.04
Weighted average return on net assets	7.03%	8.57%	decreased by 1.54 percentage points	2.00%
Net assets value per share attributable to shareholders of the Company (RMB)	2.44	2.28	7.02%	2.11
Gearing ratio ⁽¹⁾	45.52%	33.84%	increased by 11.68 percentage points	22.93%

(1) Gearing ratio = (Total liabilities – currency margin payable -pledge margin payable)/(Total assets – currency margin payable -pledge margin payable)

III. NET CAPITAL OF THE COMPANY AND RELEVANT RISK CONTROL INDICATORS

Indicators	31 December 2022	31 December 2021	Regulatory standard
Net capital (RMB)	1,386,802,098.38	1,047,656,037.25	30,000,000.00
Net capital/total risk capital reserves	192.01%	181.23%	100.00%
Net capital/net assets	57.47%	45.74%	20.00%
Current assets/current liabilities	554.70%	530.65%	100.00%
Liabilities/net assets	14.41%	15.39%	150.00%
Settlement reserve funds (RMB)	150,615,499.01	235,418,277.97	16,000,000.00

Note: During the Reporting Period, the net capital and other risk regulatory indexes of the Company have been complying with relevant requirements under the Administrative Measures on Risk Regulatory Indicators of Futures Companies 《(期貨公司風險監管指標管理辦法)》 (the "Regulatory Standard") promulgated by the CSRC.

IV. FINANCIAL CONDITIONS OF THE GROUP OF THE LATEST FIVE YEARS

From 2022, the Group prepared the financial statements in accordance with the China Accounting Standards for Business Enterprises, therefore, the main financial indicators under the China Accounting Standards for Business Enterprises were discussed and analyzed. Unless otherwise stated herein, the relevant information for the past five years as referred to in this report has been restated in accordance with the China Accounting Standards for Business Enterprises.

1. Profitability

Unit: RMB'0000

Item	2022	2021	2020	2019	2018
Operating income	244,763	225,462	129,089	180,395	113,839
Operating expenses	222,199	199,648	120,885	176,676	99,197
Total profit	22,539	25,620	8,139	3,482	14,527
Net profit attributable to shareholders of the Company	16,606	18,857	4,199	2,221	11,024

2. Assets condition

Unit: RMB'0000

Item	31 December 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
Total assets	2,885,908	2,068,210	1,310,661	899,751	810,834
Total liabilities	2,641,688	1,840,014	1,098,907	691,985	597,447
Currency margin payable	2,065,190	1,457,905	1,017,145	638,926	531,208
Equity attributable to shareholders of the Company	244,220	228,196	211,754	207,719	210,898
Total share capital ('0000)	100,190	100,190	100,190	100,190	100,190

Financial Summary

3. Key financial indicators

Item	2022	2021	2020	2019	2018
Basic earnings per share(RMB)	0.17	0.19	0.04	0.02	0.11
Diluted earnings per share(RMB)	0.17	0.19	0.04	0.02	0.11
Weighted average return on net assets	7.03%	8.57%	2.00%	1.06%	5.28%
Net assets value per share attributable to shareholders of the Company (RMB per share)	2.44	2.28	2.11	2.07	2.10
Gearing ratio	45.52%	33.84%	22.93%	18.14%	18.22%

Chairman Statement

The year of Geng Yin (i.e. 2022) is extraordinary. The year witnessed the convening of 20th National Congress of the Communist Party of China which turned out to be fruitful. It is a crucial year for the implementation of the 14th Five-Year Plan. It is also significant enough to enter the history of the futures industry. Throughout this year, China's futures market went smoothly. China's exchanges were in the leading places of the world's ranking in terms of trading volume and number of varieties of commodity futures. New varieties were added constantly. The derivatives system became more complete, and the capital strength of futures companies continued to increase. The "Futures and Derivatives Law" was officially promulgated for implementation. Guangzhou Futures Exchange commenced operation, starting a new chapter in the high-quality development of China's futures market.

2022 also witnessed the process of the Company forging ahead despite all kinds of weal and woe, and making further achievements. The Company put the concept of "ONE ZHONGTAI IN UNION" into action, and officially changed its name to ZHONGTAI FUTURES Company Limited., embarking on a new journey of reform, innovation and development.

In the year, the Company adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, adhered to the leadership of Party building and upheld the "customer-centric" concept when it focused on deepening reform and innovation, aggressively implemented the twin-wing development idea of "organic growth + epitaxial growth", adhered to benchmarking against outperformers and acting out its words in all aspects to strengthen business development, enhance professional service ability and core competitiveness, adhered to strengthening the construction of compliance and risk control system to advance the Company's high-quality development.

In the year, the Company greatly improved the quality and efficiency of its operation and management, accelerated its transformation and upgrading, significantly improved its customer structure, re-opened its asset management business, and kept its OTC business at the forefront of the industry. Thanks to the improved environment for business and start-ups, the Company's ability to serve the real economy has been constantly enhanced, its market competitiveness has been continuously improved, and its main business indicators have outperformed the market.

In the year, the Company was keen in fulfilling its social responsibilities. Leveraging on the professional advantage, it provided financial service support for rural revitalization. It carried out more than 100 "insurance + futures" projects across the country, underwriting spot commodities of approximately 260,000 tonnes. It was among the top companies in the industry in terms of the number of projects, scale and innovation models. While continuously increasing risk management capabilities, it has created a "ZHONGTAI FUTURES Brand" in serving agriculture, farmer and rural area with financial services.

These achievements are attributable to the patient guidance and help from the Party committees, governments and regulatory agencies at all levels, the faith and support of Shareholders and customers, and the hard work and dedication of all the staff. On behalf of the Company, I would like to express my sincere gratitude to and high respect for them!

Chairman Statement

Looking forward to the new journey ahead, we are upbeat yet prudent. In 2023, the Company will continue to adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, study and implement all the requirements of the 20th National Congress of the Communist Party of China, adhere to the leadership of the Party building and persistently implement the twin-wing development idea of “organic growth + epitaxial growth” to accelerate business transformation, strengthened financial technology to empower businesses and improve quality and efficiency significantly, and secure the compliance bottom line, so as to advance the Company’s high-quality development. It will foster the brokerage business to enhance its professional service ability, and make brokerage business bigger and stronger; strictly control risks, optimize the business mix and vigorously carry out risk management business; subject to the principles of “returning to the original function of asset management, adhering to active management, highlighting the characteristics of futures, and realizing an advantage-based development”, carry out asset management business in a sound manner; further enrich product varieties, improve product quality, and enhance the income-generating ability of futures trading and consulting business. It will continue to implement the “talent-aided empowering” strategy and make more efforts on the construction of professional talents. It will accelerate research capacity building and improve customer service level. Upholding “ONE ZHONGTAI IN UNION” concept, it will explore more business synergies. It will optimize the management system and mechanism to improve the quality and efficiency of management.

In 2023, the Company will seize favorable opportunities and strive to achieve the key victory of the 14th Five-Year Plan, push the Company’s business development to a new level, and endeavour to build a first-class modern financial enterprise with loyal, lawful, innovative and harmonious people, and continue to create more value for Shareholders and customers!

ZHONGTAI FUTURES Company Limited

ZHONG Jinlong

Chairman

30 March 2023

Management Discussion and Analysis

I. ECONOMIC AND FUTURES MARKET ANALYSIS DURING THE REPORTING PERIOD

(1) Economic Conditions

In 2022, due to the combination of the drastic changes and the Covid-2019 epidemic in the world that were rarely seen in one century as well as the geopolitics tensions, the global economy faced an intensifying downside risk. The development environment has become more complex, sever and uncertain as a result of persistent development in demand contraction, supply shock and weaker expectation of domestic economy. Despite the challenging international environment and the tough tasks of domestic reform, development and stability, the state has intensified macro-control and effectively coped with the shock from unexpected factors. Thus, the overall macro-economy remained stable on the whole, with a further step towards high-quality development, enhanced security of people's livelihood and continued stability in the overall economic and social conditions.

Firstly, the comprehensive national strength increased. In 2022, China's total economic output reached RMB121 trillion, a new record after breaking RMB100 trillion and RMB110 trillion in 2020 and 2021, respectively. This represented a 3.0% growth over last year if calculated at the same prices. China's total gross domestic product (the "GDP") amounts to USD18.0 trillion if converted at an annualized average exchange rate, securing a second place in the world. The constant growth of total economic output implies that China's comprehensive national strength, social productivity, international influence and people's living standards rose further, and China's economy remains resilient with great potential in a wider context and vital in a long run from the view of fundamentals.

Secondly, the general employment situation was steady, the inflation rate was stable and the balance of international payments was improving. In the whole year, 12.06 million new jobs were created in cities and towns, exceeding the expected target of 11 million. Consumer prices rose moderately, with a 2% annual growth in the consumers price index (the "CPI"). In spite of the import-induced inflation caused by the sharp rise in global food and energy prices, the price situation in China remained stable. The balance of international payments continued to improve. The surplus of import and export of goods increased by 35.4% over the previous year, and the balance of foreign exchange reserves reached USD3,127.7 billion as at the end of the year, securing the first place in the world.

Thirdly, the foundation of industrial development was solidified. Thanks to an agricultural harvest, the total grain output increased to 1.3731 trillion Jin, hovering above 1.3 trillion Jin for eight consecutive years. The industry played its role as a "ballast stone". The total industrial added value reached RMB40.2 trillion and the manufacturing added value reached RMB33.5 trillion, both ranking first in the world. The industry contributed as much as 36% to the economic growth. The infrastructure became more and more perfect. As at the end of 2022, China had 155,000 kilometers railway mileage across the country, including 42,000 kilometers of high-speed railway. It has the world's largest network infrastructure, and its industrial Internet has been widely integrated into 45 national economic categories.

Management Discussion and Analysis

Fourthly, the total domestic demand continued to expand. Despite repeated outbreak of the Pandemic, the total annual retail sales of consumer goods remained stable at around RMB44 trillion. In particular, the online retail sales of physical goods reached RMB12 trillion. China still boasts of the second largest consumer market and the largest online retail market in the world. The investment in fixed assets exceeded RMB57 trillion, up by 5.1% over the previous year. The growth rate registered a 0.2 percentage points increase as compared with 2021, providing strong support for sustained economic growth.

Fifthly, the reform and innovation continued to deepen. The “delegate power; streamline administration; optimize services” reform was continuously promoted. The business environment has been continuously improved, the pilot comprehensive reform towards market-orientated allocation of elements has been steadily implemented, and the construction of a high-standard market system has been accelerated, creating more favorable conditions for the development of market entities. As at the end of 2022, there were 169 million registered market entities in China, including 114 million individual industrial and commercial households. The innovation-driven development strategy was further implemented, highlighting the leading role of new drivers. In 2022, the added value of above-scale high-tech manufacturing industry increased by 7.4% over the previous year. The growth rate is 3.8 percentage points higher than the growth rate of all above-scale industries; the online retail sales of physical goods accounted for 27.2% of the total social retail sales of consumer goods, representing an increase of 2.7 percentage points over the previous year.

Sixthly, people’s livelihood was strongly and effectively secured, and residents’ income was growing steadily. In 2022, the national per capita disposable income increased by 2.9% in real terms, which was basically in line with the economic growth. The government has made more efforts to guarantee residents’ income. In 2022, the per capita net transfer income of residents nationwide increased by 5.5% in nominal terms over the previous year, higher above the growth rate of all residents’ income. There was an increase in the investment in people’s livelihood. In 2022, investment in social fields increased by 10.9% over the previous year, of which investment in health and social work increased by 26.1%, 6.6 percentage points higher above the growth rate in the previous year.

(2) Futures Market Analysis

1. The size of the futures market

According to statistics from the China Futures Association, the total trading volume in the futures market of China from January to December of 2022 was 6.768 billion board lots, representing a year-on-year decrease of 9.93% with a total turnover of RMB534.93 trillion, representing a year-on-year decrease of 7.96%. As at the end of December 2022, the equity of customers in 150 futures companies in China totaled RMB1,480.862 billion, representing a year-on-year increase of 25%.

2. Development of futures industry

(1) *The futures market variety system was further expanded*

In 2022, five futures exchanges successively launched 12 futures and options products, including CSI 1000 stock index futures and options, soybean 1 option, soybean 2 option, soybean oil option, rapeseed oil option, peanut option, SSE 50 stock index option, industrial silicon futures and options, rebar option and silver option. As at the end of the year, the total number of futures and options in China's futures market had reached 110, including 65 commodity futures, 7 financial futures, 28 commodity options and 10 financial options, diversifying the variety system.

(2) *Futures market laws and regulations were further improved*

The Futures and Derivatives Law of the People's Republic of China was considered and adopted at the 34th Meeting of the Standing Committee of the 13th National People's Congress on 20 April 2022, and became effective on 1 August 2022. This law focuses on governance of the futures market, as well as the derivatives market. It uniformly established a series of basic systems for the futures and derivatives markets, so as to set a critical tone and direction for the high-quality development of the futures and derivatives markets.

(3) *Further exercising of futures market's functions*

In 2022, exposed to fluctuation in commodity prices, enterprises in real economy became more conscious of using derivatives tools for risk management purpose. As at the end of 2022, the warehouse receipt service completed in that year provided a total of RMB11.214 billion financial support to micro-, small and medium-sized businesses, and a total of 1,063 micro-, small and medium-sized businesses were served. Basis trading provided services to micro-, small and medium-sized businesses in connection with a cumulative trading volume of RMB223.529 billion, and a total of 28,011 micro-, small and medium-sized businesses were served. The cum rights trading provided services to micro-, small and medium-sized businesses in connection with a total trade volume of RMB2.357 billion, and a total of 434 micro-, small and medium-sized businesses were served. OTC commodity derivatives held by micro-, small and medium-sized businesses increased by an accumulative nominal amount of RMB671.146 billion in the whole year.

(4) *Permission was granted for qualified foreign investors to participate in the domestic commodity futures markets*

On 2 September 2022, Shanghai Futures Exchange, Shanghai International Energy Trading Center, Zhengzhou Commodity Exchange, Dalian Commodity Exchange and China Financial Futures Exchange, issued announcements specifying that qualified foreign institutional investors (QFII) and RMB qualified foreign institutional investors (RQFII) can participate in 41 varieties of futures and options. This opening-up measure followed the introduction of overseas traders in China's domestic futures market. Meanwhile, on 26 December 2022, soybean No.1, soybean No.2, soybean meal and soybean oil futures and options became officially available to overseas traders.

Management Discussion and Analysis

II. DISCUSSION AND ANALYSIS OF THE GROUP'S DEVELOPMENT PLANS, RESULTS AND PROSPECTS

In 2022, the Group adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, adhered to the leadership of Party building and upheld the “customer-centric” concept when it focused on deepening reform and innovation, aggressively implemented the twin-wing development idea of “organic growth + epitaxial growth”, adhered to benchmarking against outperformers and acting out its words in all aspects to strengthen business development, enhance professional service ability and core competitiveness, continuously strengthened the construction of compliance and risk control system. The Company greatly improved the quality and efficiency of its operation and management, accelerated its transformation and upgrading, significantly improved its customer structure, re-opened its asset management business, and kept its OTC business at the forefront of the industry.

(1) Futures Brokerage Business

Market Analysis:

During the Reporting Period, the varieties of China's futures and options were becoming more and more abundant, and the scale of the futures market was constantly expanding. However, due to multiple factors such as the geopolitics, the Pandemic and the efforts to guarantee supply and stabilize prices, the cumulative trading volume and the cumulative turnover in the futures market decreased by 9.93% and 7.96% year-on-year, respectively.

Development Plans and Results:

In 2022, the Company continuously optimized its development system and mechanism in order to expand its development space; pushed the “talent-aided empowering” strategy, leading to increases in both headcounts and efficiency; took a combination of measures to optimize the customer mix, enhance the professional service capability, and make the brokerage business bigger and stronger; adhered to problem-oriented and goal-oriented approaches, and formulated targeted and competitive appraisal policies; practiced technology empowerment to improve business service support efficiency and customer service experience; strengthened the quality improvement and promotion of research service products, and continued to build a brand-name customer service system with standard procedures; made best use of the advantages of Internet in operation and expanding business to tap Internet resources, to explore the width and depth of Internet customer service; attached great importance to investor education, with a focus on serving the real economy through futures, and practiced market cultivation; continuously optimized business collaboration policies, established a mechanism for strategic customers promotion and services so as to further increase business synergy.

During the Reporting Period, the Company's end-of-period client equity in futures amounted to RMB24.436 billion, representing a year-on-year increase of 44.10%. It ranked the 16th in the industry, up by three places from last year. The stock option business (including spot goods) had an end-of-period client equity of RMB999 million, representing a year-on-year increase of 37.41%. The Company's cumulative trading volume of futures was 192 million lots (bilateral statistics), representing a year-on-year increase of 5.08% with an increase of 0.2 percentage points in the market share as compared with the previous year. The accumulative turnover was RMB17.49 trillion (bilateral statistics), representing a year-on-year increase of 18.25%, with an increase of 0.36 percentage points in the market share as compared with the previous year; fee income ranked 20th in the industry, up by five places from last year.

(2) Futures Transaction Consulting Business

Market Analysis:

During the Reporting Period, 16 varieties of new futures and options were launched onto China's futures market, bringing the total number of futures and options to 110. Generally speaking, with the enhanced ability of the futures market to play its role, there was a growing need of industrial clients to use futures markets for risk management and hedging purpose, and of asset management institutions for transaction consulting services. However, in the market environment dominated by traditional brokerage business where the futures transaction consulting is only auxiliary, the futures transaction consulting business has not yet taken a shape.

Development Plans and Results:

In 2022, the Company continuously increased the types of research information products and their presentation forms, established a comment and feedback mechanism for research services, and continuously improved the quality of research information products; through the "one platform with two APPs" system, it realized the automatic promotion and rating service of research information products; put more efforts on the construction of a financial research team, improved the financial engineering research product system, and initially set up a trading strategy pool including CTA, stocks, bonds and options. The Company's research strength has been recognized by all walks of life. Our research team won the titles of "China Gold Medal Futures Research Institute", "Best Macro Financial Futures Research Team" and "Best Industry Futures Research Team for Nonferrous Metal, Energy, Chemical and Agricultural Products" and a large number of "Best Analysts" and "Senior Analysts" emerged.

(3) Futures Asset Management Business

Market Analysis:

As at the end of 2022, the scale of futures asset management business in China was approximately RMB314.9 billion, down by approximately 11% year-on-year, in sharp contrast to the 62% annual increase in 2021, denoting a significant decrease in the overall scale of the industry. At the same time, the futures asset management industry is characteristic of a high concentration of business in leading players and a low proportion of investment in commodities and financial derivatives.

Development Plans and Results:

During the Reporting Period, the Company adhered to the asset management business development principle of "returning to the original function of asset management, adhering to active management, highlighting futures characteristics and realizing advantage-based development", increased brand invisibility to recruit high-quality asset management professionals, built quantitative CTA, FOF, MOM and absolute return investment research teams, and promoted the construction of independent quantitative investment research platforms and trading platforms; improved the business system and process of asset management, and strengthened the construction of internal control system of asset management.

Management Discussion and Analysis

(4) Risk Management Business

Market Analysis:

The Group conducted risk management business through Zhongtai Huirong Capital, mainly including OTC derivatives business, market making business, and bulk commodities futures and spot trading services. During the Reporting Period, due to the global Pandemic, loose liquidity, geopolitics and other factors, prices of bulk commodities fluctuated violently. As a result of the increased demand of industrial clients for risk management, and the constant improvement in the Group's risk management service capacity, its ability to serve the real economy was advanced.

Development Plans and Results:

During the Reporting Period, in terms of OTC derivatives business: by taking such measures as increasing business synergy within the Group, allocating more human resources to product sales and trading teams and improving the business systematization, the Company made progress in the number of customers, product types, business model innovation and other aspects, and initially realized the large-scale and efficient development of business, and maintained the leading position in the industry. The Group's OTC derivatives business saw a year-on-year growth of 20.33% in additional notional principal, and provided a full range of risk management services to industrial customers and financial institution customers in real terms. The Group made leveraged on the OTC derivatives business to aggressively fulfill its social responsibilities, and contributed to the rural revitalization by providing price and income insurance services to farmers and agriculture-related enterprises through the "insurance + futures" model.

During the Reporting Period, in terms of market making business: it actively applied for market making varieties, and provided market making services for more than 20 varieties of futures and options on five futures exchanges, covering agricultural products, energy and chemical, precious metals and other industries, and provided ample liquidity onto the market. The market making business team has further enhanced its market competitiveness by improving the research level and developing a variety of market making strategies in futures and options.

During the Reporting Period, in terms of bulk commodities futures and spot trading services: firstly, by optimizing the business team and focusing on our superior varieties such as ferrous metals and peanuts; secondly, on the basis of giving priority to cooperation with large state-owned enterprise customers, the Company further acquired customers such as leading industrial companies, actively expanded spot trade channels so as to better serve the real economy; thirdly, the Company provided customerized service for customers by fully leveraging our risk management capability, using financial derivatives and taking advantage of the Group's customer resources.

(5) Information Technology

Market Analysis:

2022 marks the first year of implementing the Fintech Development Plan for 2022 to 2025 in the industry. Strengthening Fintech-based governance, deepening application of digital technology, and vigorously cultivating financial technology talents are the key tasks specified in the Fintech Development Plan. With progress in digital transformation, the industry's leading futures companies continuously increased their investment in application of the Fintech. In particular, Fintech greatly promoted the development of modern financial services in terms of business empowerment, management efficiency improvement, and contribution to decision-making.

Development Plans and Results:

The Group firmly believes that the Fintech is crucial to the business management and rapid development of the Company, and has long been committed to the research and development of the Fintech, continuously promoting the Fintech empowerment, and comprehensively shaping the digital financial service system.

During the Reporting Period, the Company continuously strengthened the operation and maintenance management of the information technology and attached great importance to the application of financial technology, took scientific instruments to avoid negative effects and risks of the Pandemic on the operation of IT system. It strengthened emergency management, thus achieving "zero" accident in the operation of information systems throughout the year; continued to promote the construction of the operation middle office, adopted the advanced experiences in the industry to optimize the support of the Company's operation services; taking the opportunity of updating the Customer Relationship Management (CRM) system, it continuously promoted the construction of "one platform with two APPs", and advanced the Company's marketing service system towards digital transformation; actively promoted the construction of the information technology infrastructure platform to give strong support to the development of various businesses of the Company.

Luzheng Information Technology, a wholly-owned subsidiary of the Company, independently developed the OTC options business management system, which supports multi-terminal applications, H5 multi-channel online account opening system, futures and physical commodity risk control management system, asset management transaction back-testing system, etc. This facilitated the Group's digital transformation and accelerated the development of financial technology empowerment business. Among them, the OTC option business management system won the 2020 Financial Technology Development Award – Third Place issued by the People's Bank of China and the 8th Securities and Futures Science and Technology Award – Outstanding issued by China Futures Association; the online account opening system was included into the research of "Internet account opening for futures companies" of China Financial Futures Exchange and the topic was successfully concluded.

Management Discussion and Analysis

(6) Major Work Plans for 2023

In 2023, the Group will continue to adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, study and implement all the requirements of the “20th National Congress of the Communist Party of China”, adhere to the leadership of the Party building and persistently implement the twin-wing development idea of “organic growth + epitaxial growth” to accelerate business transformation, increase application of financial technology to empower businesses and concentrate resources on improving quality and efficiency significantly, and secure the compliance bottom line, so as to advance the Company’s high-quality development. It will foster the brokerage business to enhance its professional service ability, and make brokerage business bigger and stronger; strictly control risks, optimize the business mix and vigorously carry out risk management business; subject to the principles of “returning to the original function of asset management, adhering to active management, highlighting the characteristics of futures, and realizing an advantage-based development”, carry out asset management business in a sound manner. It will continue to implement the “talent-aided empowering” strategy and make more efforts on the construction of professional talents. It will accelerate research capacity building, further enrich product varieties, improve product quality, and enhance the income-generating ability of futures trading and consulting business and improve customer service level. Upholding “ONE ZHONGTAI IN UNION” concept, it will explore more business synergies. It will optimize the management system and mechanism to improve the quality and efficiency of business management.

By business lines, the main work plans of the Group in 2023 are as follows:

Futures Brokerage Business

Brokerage business will be transformed towards enhanced professional service ability, and the brokerage business will grow bigger and stronger. Firstly, the Company will put double efforts on acquiring corporate customers and improving services to them. It will integrate the Group’s resources and increase business synergy; increase support for business development and put double efforts on developing business with large financial institutions; strengthen trainings on professional service ability and sharing of typical experiences, and enhance the branches’ ability to serve the industrial clients; increase the research’s support for the business. Secondly, the Company will improve and put more efforts on acquiring clients through Internet channels, improve the mechanism of introduction and withdrawal of such channels, and improve the refined operation and service of such channels. Thirdly, the Company will optimize the business layout and set up new operating entities. Fourthly, it will continuously improve the quantitative service system, speed up the operation of the quantitative trading system, and improve the quality of quantitative operation services.

Futures Transaction Consulting Business

The Company will continue to improve the “three-in-one” research service support system, further enrich product varieties, improve product quality and enhance income-generating ability. Firstly, it will strengthen the brand building on research services and improve the service level towards institutional customers. Secondly, it will improve the quality of research information products and try to tailor our investment and research products according to the needs of small and medium-sized retail investors.

Futures Asset Management Business

For asset management business, subject to the principles of “returning to the original function of asset management, adhering to active management, highlighting the characteristics of futures, and realizing an advantage-based development”, it will carry out asset management business in a sound manner. Firstly, it will adhere to active management, continue to strengthen the construction of high-quality investment and research teams in asset management business; secondly, it will leverage on the advantage of futures asset management to achieve differentiated development; thirdly, it will vigorously develop asset management products dominated by quantitative transactions; fourthly, it will strictly hold the risk bottom line and continuously strengthen and improve the internal control of asset management.

Risk Management Business

The Group will strictly control risks, further enhance professional service capabilities and risk management capabilities, push the transformation of bulk commodities futures and spot trading services, optimize the structure, and vigorously carry out risk management business. Firstly, in terms of OTC derivatives business, it will improve the research ability of the industrial chain, hedging and trading ability and risk control level, continuously diversify the product lines, increase the market share and consolidate the leading position in the industry; secondly, in terms of market-making, it will strengthen strategy research and talent team building, speed up the improvement of options' market-making function, and turn the market-making business into a stable source of revenue with controllable risks. Thirdly, in terms of basis trading and warehouse receipt service businesses, it will accelerate the introduction of professional talents and business transformation from the traditional bulk commodities spot and futures trading model to such business model as basis trading and cum rights trading using futures and derivatives trading capabilities.

Information Technology

The Group will continue to make best use of the professional advantage of the information technology to increase the application of the financial technology and push the transformation towards digital and intelligent business and improve service capabilities and customer experience. Firstly, it will further optimize the system and mechanism of the financial technology development, foster the innovated development of the Company's financial technology; secondly, it will continuously exercise more stringent data governance to provide data support for digital transformation; thirdly, it will continue to push forward the construction of the operation middle office, and integrate various business service scenarios and processes with the help of the financial technology to increase the operational efficiency and the comprehensive business service capabilities; fourthly, it will continuously push forward the construction of "one platform with two APPs", realize multi-dimensional profile analysis of customers and establish a scenario-driven online marketing service system for more convenient, accurate and personalized services, and thus improve the customer experience; fifthly, it will increase the application of robotic process automation ("RPA") technology, realize the automation of middle and back office operation to enhance the operational efficiency and quality; sixthly, it will strengthen the construction of the information technology team, increase the independent software research and development strength, and build the core competitiveness of the Company's information technology.

III. FINANCIAL STATEMENT ANALYSIS

(1) Profitability Analysis

During the Reporting Period, the Group implemented the twin-wing development idea of "organic growth + epitaxial growth", made more efforts in developing corporate clients, increased the scale and proportion of corporate clients' equity; made more efforts in the build-up of a marketing service team; established more operating entities to optimize business footprints; improved the quality of research service product and the marketing of such products; gave impetus to business collaboration, promoted business transformation and expedited the high-quality development of the Group. Affected by the overall environment of China futures market, the Group's net profit attributable to Shareholders for the year ended 31 December 2022 declined slightly as compared with the previous reporting period. During the Reporting Period, the Group achieved total operating income of RMB2,447.6282 million, representing an increase of 8.56% as compared with RMB2,254.6171 million in 2021; total operating expense of RMB2,221.9925 million, representing an increase of 11.30% as compared with RMB1,996.4756 million in 2021; and profit attributable to Shareholders amounted to RMB166.0597 million, representing a decrease of 11.94% as compared with RMB188.5729 million in 2021. Earnings per share was RMB0.17, representing a decrease of 10.53% as compared with RMB0.19 in 2021.

Management Discussion and Analysis

(2) Asset Structure and Asset Quality

At the end of the Reporting Period, due to the increase in customers' equity, both total assets and total liabilities of the Group grew significantly.

At the end of the Reporting Period, the Group's total assets amounted to RMB28.859 billion, representing an increase of 39.54% as compared with RMB20.682 billion at the end of 2021. The Group's liabilities totalled RMB26.417 billion, representing an increase of 43.57% as compared with RMB18.400 billion at the end of 2021. Net assets attributable to Shareholders were RMB2.442 billion, representing an increase of 7.02% as compared with RMB2.282 billion at the end of 2021.

At the end of the Reporting Period, the Group's total assets were as follows: non-current assets were RMB218 million, which represented an increase of 20.42% as compared with RMB181 million at the end of 2021, and current assets were RMB28.641 billion, which represented an increase of 39.71% as compared with RMB20.501 billion at the end of 2021. The increase in the non-current assets was mainly due to the increase in deferred income tax assets and income from long-term equity investment. The increase in current assets was mainly due to the increase in bank balances held on behalf of brokerage clients. During the Reporting Period, there was no indication of material impairment of assets of the Group.

At the end of the Reporting Period, liabilities excluding currency margin payable and pledge margin payable were RMB2.04 billion, representing an increase of 74.81% as compared with RMB1,167 million at the end of 2021. The Group's gearing ratio was 45.52%, representing an increase of 11.68 percentage points as compared with 33.84% at the end of 2021. During the Reporting Period, asset and liability levels were relatively stable, and the Group had no liquidity pressure due to the Pandemic.

(3) Financing Channels and Ability

During the Reporting Period, the Company did not engage in any financing activities such as issuance and placing of shares as well as issuance of sub-ordinated bonds according to market condition and needs of business operation.

(4) Liquidity Level Management

The Company places great emphasis on liquidity management based on the principle of "being comprehensive, prudent and predicable" while focusing on the organic combination of the security, liquidity and profitability of capital. The liquidity monitor index of the Company in each month throughout 2022 complied with the regulatory requirements of the CSRC.

(5) Items of Income Statement

During the Reporting Period, the Group achieved a total profit of RMB225.39 million, representing a year-on-year decrease of RMB30.81 million or 12.03%. The summary of the financial results is as follows:

In RMB'0000

	2022	2021
I. Operating income	244,763	225,462
Net fees and commission income	35,541	39,900
Net interest income	22,573	19,649
Investment income (Loss marked with "-")	19,432	5,259
Including: investment income from associates and joint ventures	411	-277
Gains from changes in fair value (Loss marked with "-")	-11,983	6,085
Exchange gains (Loss marked with "-")	-131	-16
Other operating income	179,223	154,509
Gains on disposal of assets (Loss marked with "-")	3	-1
Other income	104	76
II. Operating expenses	222,199	199,648
Withdrawal of risk reserves	1,805	2,026
Taxes and surcharges	393	310
Administrative expense	40,639	45,427
Credit impairment losses	835	66
Impairment losses on assets	-29	173
Other operating expenses	178,557	151,647
III. Operating profit (Loss marked with "-")	22,564	25,814
Add: Non-operating income	196	17
Less: Non-operating expenses	220	211
IV. Total profits (Total losses marked with "-")	22,539	25,620
Less: Income tax expenses	5,933	6,763
V. Net profits	16,606	18,857
VI. Net after-tax amount of other comprehensive income	192	-152
Net after-tax amount of other comprehensive income attributable to owners of the parent company	192	-152
Including: difference arising from translation of foreign exchange financial statements	192	-152
Net after-tax amount of other comprehensive income attributable to minority interest	0	0
VII. Total comprehensive income	16,798	18,705
Net comprehensive income attributable to owners of the parent company	16,798	18,705
Total comprehensive income attributable to minority interest	0	0
VIII. Earnings per share	0.17	0.19
Basic and diluted earnings per Share (RMB per Share)	0.17	0.19

Management Discussion and Analysis

1. Fees and interest income

In 2022, the Group achieved net fees and commission income and net interest income of RMB581.15 million, representing a year-on-year decrease of 2.41%. In particular, the net fees and commission income accounted for 61.16% and 67.00% respectively in 2022 and 2021, while the net interest income accounted for 38.84% and 33.00%, respectively. Breakdown is set out in the following table:

In RMB'0000

	2022		2021		2022 as compared with 2021	
	Amount	Proportion	Amount	Proportion	Change in Amount	Rate
Net fees and commission income	35,541	61.16%	39,900	67.00%	-4,359	-10.93%
Net interest income	22,573	38.84%	19,649	33.00%	2,925	14.88%
Total	58,115	100%	59,549	100%	-1,435	-2.41%

(1) Net fees and commission income

During the reporting period, the composition of the Group's net fees and commission income is as follows:

In RMB'0000

	2022	2021	Percentage change (%)
Net income from return and reduction of fees of the exchange	31,725	32,354	-1.95
Net income from transaction fees	3,095	6,955	-55.49
Net income from exercise fees	672	541	24.17
Investment consulting fee income	22	31	-29.23
Net income from settlement fees	1	19	-93.66
Net income from asset management service	26	0	-
Total	35,541	39,900	-10.93

During the Reporting Period, the Group achieved net fees and commission income of RMB355,410 thousand, representing a year-on-year decrease of 10.93%.

Management Discussion and Analysis

(2) Net interest income

During the Reporting Period, the Group achieved net interest income of RMB225,730 thousand, representing a year-on-year increase of 14.88%. The composition of the Group's net interest income in 2022 is as follows:

	In RMB'0000		
	2022	2021	Percentage change (%)
Interest income	44,008	29,054	51.47
Including: interest income from deposits with banks	37,259	23,152	60.93
Exchange margin interest income	6,574	5,746	14.41
Interest income from financial assets held under resale agreements	175	156	12.07
Interest expense	21,435	9,405	127.90
Including: Interest expense paid to customers	20,006	9,132	119.07
Interest expense of lease liabilities	290	211	37.71
Interest expense for settlement and clearing service	71	62	13.63
Loan interest expense	1,068	0	-
Net interest income	22,573	19,649	14.88

Interest income was mainly derived from interest on demand and term deposits of the Group's own capital and interest on demand deposits of the client margin deposits. Interest income increased by RMB149,540 thousand, representing a year-on-year increase of 51.47%, which was primarily due to an increase in the client margin.

Interest expense increased by RMB120,300 thousand, representing a year-on-year increase of 127.90%, which was primarily due to an increase in interests payable to clients.

2. Financial assets income

During the Reporting Period, the Group achieved financial assets income of RMB74.49 million, representing a year-on-year decrease of RMB38.95 million or 34.33%, which was mainly attributable to the decrease in the fair value of financial assets affected by the conditions of markets. The composition of the Group's financial assets income in 2022 is as follows:

	In RMB'0000		
	2022	2021	Percentage change (%)
Investment income	19,432	5,259	269.47
Gains/(loss) from changes in fair value	-11,983	6,085	-296.94
Total	7,449	11,344	-34.33

Management Discussion and Analysis

(1) Investment income

During the Reporting Period, the Group achieved investment income of RMB194,320 thousand. The composition of the Group's investment income in 2022 is as follows:

In RMB'0000

	2022	2021	Percentage change (%)
Investment income from disposal of held for trading financial instruments	18,067	4,650	288.56
Investment income obtained during the holding period of held for trading financial assets	954	763	25.10
Investment income from disposal of long-term equity investment	0	124	-100.00
Long term equity investment income/(loss) accounted for using equity method	411	-277	-
Total	19,432	5,259	269.47

(2) Gains/(loss) from changes in fair value

During the Reporting Period, the Group's gains/(loss) from changes in fair value was RMB-119.83 million, representing a year-on-year decrease of RMB180.68 million or 296.94%.

In RMB'0000

	2022	2021	Percentage change (%)
Changes in fair value of held for trading financial instruments	-11,983	6,085	-296.94
Total	-11,983	6,085	-296.94

3. Other operating income

In RMB'0000

	2022	2021	Percentage change (%)
Spot sales revenue from the combination of futures and spot trading services	176,381	152,164	15.92
Others	2,842	2,346	21.17
Total	179,223	154,509	16.00

Management Discussion and Analysis

4. Other income

In RMB'0000

	2022	2021
Exempted taxes	2	6
Income from refund of individual income tax agency fee	23	19
Government grant	22	12
Others	54	40
Employment stabilization subsidy	2	0
Total	104	76

5. Administrative expenses

In 2022, the Group's administrative expenses amounted to RMB406.39 million, representing a year-on-year decrease of RMB47.89 million or 10.54%. The breakdown is as follows:

In RMB'0000

	2022	2021	Percentage change (%)
Staff costs	25,933	27,777	-6.64
Information maintenance fee	2,606	2,234	16.64
Depreciation and amortization	2,279	1,741	30.94
Remuneration for intermediary's services	1,479	3,312	-55.35
Advertising expenses	1,298	2,022	-35.81
Communication fee	1,111	1,105	0.54
Business entertainment expenses	1,044	856	22.00
Introducing broker services	972	1,353	-28.18
Consulting fee	616	657	-6.26
Travel expenses	496	574	-13.63
Others	2,805	3,796	-26.10
Total	40,639	45,427	-10.54

Management Discussion and Analysis

(6) Asset Items

As at 31 December 2022, the Group's total assets were RMB28,859,080 thousand, representing a year-on-year increase of 39.54%, among which cash assets amounted to RMB27,120,010 thousand, representing a year-on-year increase of 41.42%; financial investment assets amounted to RMB1,208,600 thousand, representing a year-on-year increase of 18.08%; and other assets amounted to RMB530,460 thousand, representing a year-on-year increase of 10.08%. The Group's total assets are as follows:

In RMB'0000

	31 December 2022	31 December 2021	31 December 2022 compared with 31 December 2021	
			Amount	%
Cash assets	2,712,001	1,917,669	794,332	41.42
Financial investment assets	120,860	102,353	18,508	18.08
Other assets	53,046	48,188	4,859	10.08
Total	2,885,908	2,068,210	817,698	39.54

1. Cash assets

As at 31 December 2022, the Group's cash assets increased by RMB7,943,320 thousand, representing a year-on-year increase of 41.42%. The composition of the Group's cash assets is as follows:

In RMB'0000

	31 December 2022	31 December 2021	31 December 2022 compared with 31 December 2021	
			Amount	%
Cash and cash equivalents	1,646,703	1,036,558	610,145	58.86
Currency margin receivable	692,835	615,720	77,115	12.52
Pledge margin receivable	372,463	265,392	107,071	40.34
Total	2,712,001	1,917,669	794,332	41.42

The change in cash assets was mainly reflected in the cash and cash equivalents, currency margin receivable and pledge margin receivable. Cash and cash equivalents amounted to RMB16,467,030 thousand, accounting for 57.06% of the total assets of the Group, representing a year-on-year increase of RMB6,101,450 thousand or 58.86%; currency margin receivable amounted to RMB6,928,350 thousand, accounting for 24.01% of the total assets of the Group, representing a year-on-year increase of RMB771,150 thousand or 12.52%. Pledge margin receivable amounted to RMB3,724,630 thousand, accounting for 12.91% of the total assets of the Group, representing a year-on-year increase of RMB1,070,710 thousand or 40.34%.

Management Discussion and Analysis

2. Financial investment assets

As at 31 December 2022, the Group's financial investment assets increased by RMB185,080 thousand, representing a year-on-year increase of 18.08%. The composition of the Group's financial investment assets is as follows:

In RMB'0000

	31 December 2022	31 December 2021	31 December 2022 compared with 31 December 2021	
			Amount	%
Long-term equity investments	3,978	2,538	1,440	56.75
Held for trading financial assets	93,328	87,646	5,682	6.48
Financial assets held under resale agreements	23,554	12,169	11,385	93.56
Total	120,860	102,353	18,508	18.08

(1) Held for trading financial assets

As at 31 December 2022, the Group's held for trading financial assets increased by RMB56,820 thousand, representing a year-on-year increase of 6.48%. The composition of the Group's held for trading financial assets is as follows:

In RMB'0000

	31 December 2022	31 December 2021	31 December 2022 compared with 31 December 2021	
			Amount	%
Public offering securities investment fund	33,517	3,672	29,845	812.79
Asset management schemes	26,589	14,684	11,905	81.07
Derivative financial assets	20,249	24,388	-4,139	-16.97
Private securities investment funds	6,962	22,042	-15,080	-68.42
Trust schemes	5,146	1,316	3,831	291.19
Income certificates	501	21,188	-20,687	-97.64
Bank wealth management products	364	355	9	2.41
Stock investment	1	1	0	-33.72
Total	93,328	87,646	5,682	6.48

Management Discussion and Analysis

6. Other assets

As at 31 December 2022, the Group's other assets amounted to RMB530,460 thousand, representing a year-on-year increase of RMB48,590 thousand or 10.08%. The composition of the Group's other assets is as follows:

In RMB'0000

	31 December 2022	31 December 2021	31 December 2022 compared with 31 December 2021	
			Amount	%
Receivables	21,634	22,202	-568	-2.56
Contract assets	2,639	1,883	756	40.14
Inventories	7,722	4,433	3,288	74.17
Fixed intangible right-to-use assets	7,764	6,736	1,028	15.26
Deferred income tax assets	2,191	78	2,113	2,723.27
Futures membership investment	140	140	0	0.00
Others	10,957	12,715	-1,759	-13.83
Total	53,046	48,188	4,859	10.08

(7) Items of Liabilities

As at 31 December 2022, the Group's total liabilities amounted to RMB26,416,880 thousand, representing a year-on-year increase of RMB8,016,740 thousand or 43.57%, among which currency margin payable amounted to RMB20,651,900 thousand, representing a year-on-year increase of 41.65%. Key changes in the Group's total liabilities are as follows:

In RMB'0000

	31 December 2022	31 December 2021	31 December 2022 compared with 31 December 2021	
			Amount	%
Currency margin payable	2,065,190	1,457,905	607,285	41.65
Pledge margin payable	372,463	265,392	107,071	40.34
Funds payable to OTC option customers	121,478	63,426	58,053	91.53
Held for trading financial liabilities	18,464	14,000	4,463	31.88
Other liabilities	64,093	39,292	24,801	63.12
Total	2,641,688	1,840,014	801,674	43.57

Management Discussion and Analysis

1. Currency margin payable

As at 31 December 2022, the Group's Currency margin payable amounted to RMB20,651,900 thousand, accounting for 78.18% of the Group's total liabilities, and representing a year-on-year increase of RMB6,072,850 thousand or 41.65%. The composition of the Group's Currency margin payable is as follows:

In RMB'0000

	31 December 2022	31 December 2021	31 December 2022 compared with 31 December 2021	
			Amount	%
Natural person	592,881	554,529	38,352	6.92
Legal person	1,436,808	865,393	571,415	66.03
Non-settlement member	35,500	37,982	-2,482	-6.53
Total	2,065,190	1,457,905	607,285	41.65

(8) Items of Equity

As at 31 December 2022, the Group's total equity amounted to RMB2,442,200 thousand, representing a year-on-year increase of 7.02%. The composition of the Group's equity is as follows:

In RMB'0000

	31 December 2022	31 December 2021	31 December 2022 compared with 31 December 2021	
			Amount	%
Share capital	100,190	100,190	0	0.00
Share capital premium	65,063	65,063	0	0.00
Other reserves	13,771	11,142	2,630	23.60
Retained earnings	65,196	51,802	13,394	25.86
Total equity	244,220	228,196	16,024	7.02

(9) Charges over Assets

As at 31 December 2022, no inventory was pledged as trading margin to the futures exchanges. There was also charge over any assets of the Group.

Management Discussion and Analysis

(10) Risk of Fluctuation of Exchange Rate and Mitigation Measures

The foreign currency assets and liabilities held by the Group are insignificant as compared with the total assets and liabilities. In terms of the Group's revenue structure, a majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions is insignificant. Therefore, the Group considers that its foreign exchange risk is immaterial. As at 31 December 2022, the Group does not use any derivative financial instruments to hedge the exchange risk.

(11) Contingencies

The Group acted as the asset manager of five asset management schemes which were established between November 2017 and May 2018 and all distributed by a joint stock commercial bank. These asset management schemes incurred certain losses and subsequently commenced their liquidation process in December 2018. From February 2021, the Group, in conjunction with the distributor, commenced negotiations with investors holding asset management schemes at the commencement date of liquidation, and as at 31 December 2022, had reached agreement with the vast majority of investors.

As at 31 December 2022, the aggregate losses of other investors pending negotiation amounted to RMB3.2475 million, of which one investor applied to the Jinan Arbitration Commission for arbitration and its losses amounted to RMB855,900. Other than that, the Group is not involved in other material contingencies.

(12) Gearing Ratio

Item	As at 31 December 2022	As at 31 December 2021	Increase or decrease compared with the same period of last year	As at 31 December 2020
Gearing ratio	45.52%	33.84%	increased by 11.68 percentage points	22.93%

IV. EMPLOYEES STRUCTURE, REMUNERATION AND TRAINING

For the composition of employees of the Company, please see “III Staff Profile” of Chapter III of this Report.

During the Reporting Period, the total expenses of staff remuneration of the Group was RMB259,325.6 thousand, details of which are as follows (amounts stated in RMB'0000):

	Year ended 31 December	
	2022	2021
Short-term benefits	22,310.21	25,298.66
Post-employment benefits-defined contribution scheme	3,612.2	2,478.28
Other welfares	10.14	–
	25,932.56	27,776.94

The five highest paid individuals

During the Reporting Period, the five highest paid individuals do not include any Directors or Supervisors (2021: do not include any Directors or Supervisors). Details of the total emoluments for the five highest paid individuals for the year are as follows (amounts stated in RMB'0000):

	Year ended 31 December	
	2022	2021
Salaries, allowances and other welfares	1,127.34	885.44
Bonus	811.93	205.48
	1,939.27	1,090.92

The emoluments of the five highest paid individuals fall within the following bands:

Items	2022	2021
RMB1,500,001 to RMB2,000,000	–	3
RMB2,000,001 to RMB2,500,000	–	1
RMB2,500,001 to RMB3,000,000	1	1
RMB3,000,001 to RMB3,500,000	1	–
RMB4,000,001 to RMB4,500,000	1	–
RMB4,500,001 to RMB5,000,000	2	–
Total	5	5

Management Discussion and Analysis

The Company attaches great importance to attracting, motivating, nurturing and making good use of talents. We always pay close attention to the competitiveness of our salary level within the industry and the fairness of our remuneration system from the perspective of our staff. We implemented a remuneration system based on market level with reference to the results of performance appraisals. The remuneration package of the Company comprises basic salary, performance-linked wage, sales commission, bonus and various allowances and staff benefits. In line with the applicable laws and regulations of the PRC, the Company enters into a labor contract with each of our employees to establish a labor relationship. A labor contract contains provisions relating to labor contract terms, scope of duties, work location, working hours and leaves and holidays, remuneration, social insurance, labor protection, working conditions and occupational hazards protection, labor discipline and system compliance, staff training, as well as the rescission, termination, and renewal of labor contract and economic compensation. In accordance with the applicable laws and regulations of the PRC, the Company maintains contribution to various social insurance plans (endowment insurance, medical insurance, unemployment insurance, work related injury insurance and maternity insurance) and housing provident fund and enterprise annuities for its employees. We have made full contribution to the aforesaid social insurances, housing provident fund and enterprise annuities in accordance with the applicable regulations.

During the Reporting Period, the Company focused on talent development and cultivation, training thinking habits, building a curriculum system, and promoting the construction of learning organizations. Firstly, training of structured thinking ability by rotation on all the staff were offered. Seven sessions of “professional quality improvement training-online training camp for structured thinking” were arranged for priority projects on a pilot basis and by batches, to help the staff to develop rigorous structural thinking habits and mindsets, fully apply the same to daily work, and improve their professional quality and organizing efficiency. Secondly, all the staff were required to study high-quality series courses such as FDA I courses and ideological and political series courses given by China Futures Association. Knowledge contests were organized to test how much were understood, thus forming an atmosphere where everyone are studying hard and striving to become a well-informed person. Thirdly, it continued to build a curriculum system, strengthen training and appraisal, made best use of the convenient and efficient learning platform to create a wealth management business training system. At present, with three training systems, two excellent experience sharing columns, 197 micro-courses, the Company’s curriculum system are constantly improved and expanded to gradually realize the online learning in a systematic and standard way. Fourthly, relevant and practical training sessions and routine training sessions were held. Training sessions such as training for new heads of branches in 2022, special training for interview skills in 2022, and special training for the Three Ones talent construction project were organized. 51 routine training sessions were organized, covering Party style and clean government, honest practice, compliance and risk control, company system learning, delivery, new futures varieties, research, wealth management, risk management, information technology, etc., and constantly expanding the coverage of routine training to ensure being updated with the latest policies and the latest businesses practices at the earliest time.

V. CHANGES IN BRANCHES AND SUBSIDIARIES AND IMPACT ON RESULTS

(1) Changes in branches and subsidiaries during the Reporting Period

1. Establishment of new branches of the Company

During the Reporting Period, the Company established Chaoyang Branch in Beijing on 6 January 2022, Linping Sales Office in Hangzhou on 13 January 2022, Xiamen Branch on 24 March 2022, and Yanggao South Road Sales Office in Shanghai on 18 August 2022.

2. Relocation of branches of the Company

During the Reporting Period, the Company completed the relocation of Wuxi Sales Office in the same city on 17 May 2022; completed the relocation of Dongying Sales Office in the same city on 15 June 2022; completed the relocation of Rizhao Sales Office in the same city on 30 June 2022; completed the relocation of Jining Sales Office in the same city on 28 July 2022; completed the relocation of Hunan Branch in the same city on 5 September 2022; completed the relocation of Zibo Sales Office in the same city on 1 December 2022; completed the relocation of Shenzhen Branch on 29 December 2022 in the same city; completed the relocation of Beijing Sales Office in the same city on 30 December 2022.

3. Change in the names of branches of the Company

During the Reporting Period, the Company's Shenzhen Sales Office changed its name to Shenzhen Branch, Qingdao Sales Office changed its name to Qingdao Branch, Ningbo Sales Office changed its name to Ningbo Branch, Wenzhou Sales Office changed its name to Wenzhou Branch, Changsha Sales Office changed its name to Hunan Branch, Guangzhou Sales Office changed its name to Guangdong Branch.

During the Reporting Period, the Company did not terminate any branch.

(2) changes in subsidiaries of the Company

During the Reporting Period, the Company did not establish or de-register any subsidiary.

(3) Effects of changes in branches and subsidiaries on the results during the Reporting Period

Effects of changes in branches of the Company on the results

During the Reporting Period, changes in the Company's branches had no material effect on the results.

Effects of changes in subsidiaries of the Group on the results

During the Reporting Period, changes in the Group's subsidiaries had no material effect on the results.

Management Discussion and Analysis

VI. MATERIAL INVESTMENTS AND FINANCING

(1) Material investments

The Group did not conduct any material investment during the Reporting Period.

As at the date of this Report, the Group does not have any future plan for material investments or acquisition of material capital assets.

(2) Major financing

During the Reporting Period, Zhongtai Huirong Capital borrowed RMB200 million from Zhongtai Securities. Except for this, the Group had no other major activity.

VII. REPLACEMENT OF MATERIAL ASSETS, ACQUISITION, DISPOSAL, SPIN-OFF AND REORGANIZATION OF OTHER COMPANIES

During the Reporting Period, the Company did not carry out any replacement of material assets, acquisition, disposal, spin-off or reorganization of other companies.

VIII. POSSIBLE RISKS, UNCERTAINTIES AND COUNTERING MEASURES

(1) Possible major risks

There are certain possible risks that the Group may encounter, including market risk, credit risk, liquidity risk, operational risk and compliance risk. The risks stated above may come from the uncertainties of the Group's operation activities.

1. **Market Risk:** the risk of incurring losses of the Group due to the changes in market price and interest rate. The major risks faced by the Group are the price risk of equity assets, price risk of commodities, option pricing risk, hedge risk and interest rate risk.
2. **Liquidity Risk:** the capital liquidity risk due to unavailability of sufficient capital to meet the obligations of the liabilities or payment settlement during operation; the trading liquidity risk due to the failure to buy or dispose of option, physical commodity and option contract at the market prices.
3. **Credit Risk:** the risk of incurring losses of the Group resulting from the failure of a counterparty to perform its contractual obligations. The major risks that the Group may encounter are default risk and settlement risk.
4. **Operational Risk:** the risk of incurring losses due to a series of non-financial issues, including incomplete internal operation process, staff, system or negative external incidents.
5. **Compliance Risk:** the risk that the Group or its staff may face legal sanction, regulatory measure and disciplinary punishment and may incur economic losses and reputation harm due to the violation of laws, regulations and regulatory rules on the part of our business activities or our staff.

(2) Countering measures adopted

1. General Countering Measures Adopted

(1) *Establish scientific and effective risk management organizational structure*

The Board of Directors of the Company is the highest decision-making organ in charge of risk management, with Risk Control Committee and Audit Committee to review major risk matters; the Supervisory Committee is responsible for supervising the Board of Directors in performing its risk management duties; the management team is responsible for organizing and carrying out the Company's daily comprehensive risk management; the chief risk officer is responsible for organizing, coordinating and implementing all kinds of comprehensive risk management; the compliance and risk control department is the centralized management department in charge of the Company's overall risk management, which is responsible for the implementation of specific risk management work and the evaluation of its effectiveness; other functional departments and branches are responsible for setting up their own compliance risk control positions respectively, who are responsible for organizing the identification, assessment, response and reporting of various types of risks of their own.

(2) *Consistently improving the corporate governance structure*

The Company consistently standardizes the operation mechanism of the general meeting and improves the corporate governance structure to ensure that all Shareholders, especially minority Shareholders, can enjoy equal positions and have their interests well protected. It ensures that the Board gives strategic guidance to the Company and effectively monitors the senior management of the Company. Moreover, it gives full play to the roles of all special Committees of the Board and independent non-executive Directors of the Company and also gives full play to the role of the Supervisory Committee in monitoring the Board and the senior management of the Company as well as the financial condition of the Company. It also ensures that material events in relation to the Company are disclosed in a timely manner.

(3) *Consistently improving the comprehensive risk management system*

The Company's risk management covers all departments and subsidiaries in every part of business throughout the course. It takes the Company as a whole to organize and carry out risk management by gathering risk information of all branches and subsidiaries for overall risk analysis and management, centralized supervision and reporting.

(4) *Consistently improving the risk awareness*

The Company puts great emphasis on enhancing risk awareness and risk control capabilities among our staff. Through holding seminars and training in the organization, the Company constantly enhances the capabilities of the staff in identifying and preventing risks as well as raising their risk awareness. It fosters a favorable risk management culture and ensures that the general risk management objectives of the Company are achieved.

Management Discussion and Analysis

2. Countering Measures Against Major Risks

(1) *Market Risk*

- (i) The Company has established systematic investment mechanism, and continuously strengthen the analysis of the financial market. The operation teams are required to submit an application to the Company's senior management before starting a new investment project, which includes details of the investment projects, an analysis of the potential market risks and possible outcome.
- (ii) The Company adopts diversified fund management strategies to avoid excessive concentration of capital use, and reduce losses arising from systemic risks. It increases research on interest rate and exchange rate risks to make more forward-looking decision about capital use, and the investment decision committee of the treasury operations of the Company will decide the feasibility through a standardized process.
- (iii) The Company tracks and monitors risk limits by using quantitative index in the process of trading and risk control, to strengthen monitoring of the exposure limit, concentration limits, preset warning lines, stop line and position size. Designated personnel is on duty for monitoring, strengthening risk hedge, in order to reduce the loss resulting from drastic fluctuation and unexpected movement of market price.

(2) *Credit Risk*

- (i) For credit risks related to the physical commodities and futures trading and risk management business, the Group has established a client credit evaluation system for assessing the creditworthiness of the existing and potential clients based on the appraisal conducted by the Group's risk control personnel and independent third-party investigations, and adjust the credit ratings of the clients based on the financial conditions of the client and the experiences of co-operation with the Group. Before entering into a contract, the Group decides on whether to engage a potential client or to increase the agreed interest rate or commodity price based on the credit evaluation results of the clients so as to cover the credit risk borne by the Group.
- (ii) For credit risks related to the futures brokerage business, the Company conducts risk rating on the clients based on their assets, professional knowledge on futures, trading experiences and risk tolerance before entering into contracts with such clients. Accordingly, the Company provides appropriate services to them and implements corresponding risk control measures. Meanwhile, the Company requires our clients to maintain higher margin deposits than the minimum deposit required by the PRC Futures Exchanges. The risk control personnel will strictly comply with the internal control measures of the Company to close out the position compulsorily if such margin deposits fall short, with reference to the clients' past dealing history and reputation. This measure can control the risk of margin calls and at the same time, retain premium clients.

(3) Liquidity Risk

- (i) The Company has established a risk evaluation and monitoring system on net capital, and continuously monitors the Company's risk regulatory indicators such as net capital.
- (ii) The Company strengthens the real-time monitoring and management of large amounts of funds in order to achieve centralized fund allocation and coordinated liquidity risk management.
- (iii) The Company conducts a stress test on the risk control indexes on an ad hoc basis to observe and simulate the effects on the major regulatory indicators and the cash flow of the Company under different scenarios, such as drastic fluctuation in market price, material lack of market liquidity or massive changes in macro-economic environment, and work out prevention measures and emergency plans accordingly.
- (iv) The Company selects those commodities that are more actively traded in the commodity market for business when it conducts commodity trading and risk management business. The Company has a strict control on the position ratio to the option business in order to reduce the liquidity risk of trading.

(4) Operational Risk

- (i) The Company formulates and strictly implements internal control system and work procedures with written terms covering every business line, including human resources and administration, brokerage business, intermediaries management, trading, settlement, delivery, compliance audit, risk control, legal affairs, anti-money laundering, customer service, financial management, information technology, research and development and investor education, asset management and option business. The Company will expand improve such systems in accordance with the laws and regulations, regulatory requirements and the development of new businesses.
- (ii) The Company continuously classifies the risk points of each business line to form a control list, and constantly improve the process, strengthen accountability, increase the operational level of our employees, in an aim to reduce operational risks caused by internal operating procedures and personnel mistakes. It strictly implements the reward and punishment measures for units or individuals that cause operational risks or effectively avoid operational risks, and holds self-examination and rectification internally to avoid the recurrence of similar risks.
- (iii) To avoid employee moral hazard, the Company adopts a human-oriented approach and established incentives such as remuneration and promotion in an open, fair and impartial way. The Company provides its staff with favorable development environment, to enhance their sense of responsibility and belonging. It carries out professional ethics training, standardize the operation behavior of employees, prohibit the transfer of benefits and market manipulation, to reduce the possibility of human operation risks.
- (iv) The Company has a strict internal audit system, and the audit department to inspect the rationality, the legitimacy and the effectiveness of the internal control system of the Company, the capital operation and the financial revenue and expenditure of each operating entity, the operation process of each functional department of the Company and the duty-performance of our personnel. If any violation of laws or illegal behavior is found in the course of audit, recommendations about rectification will be proposed to urge implementation of the measures.

Management Discussion and Analysis

(5) Compliance Risk

- (i) The Company has built up a well-structured compliance management system and organization system, and appointed a chief risk officer who is fully responsible for the risk management, compliance management and auditing, etc.
- (ii) The Company has designated compliance and risk control executives in each branch and the functional divisions of the Headquarters to strengthen risk prevention before the facts, risk control in the course of the facts and find out who is to blame after the facts.
- (iii) The compliance and risk control department and the audit department of the Company fully discharges their duties. They have adopted certain measures to reduce compliance risk, including interpreting the latest laws and regulations in a timely manner, conducting compliance training, offering compliance consultation and carrying out internal audit, etc.

IX. EVENTS AFTER THE REPORTING PERIOD

(1) Investing and financing plans of the Group

In order to meet the needs of the Company's strategic layout and business development, create a good office environment for employees and enhance the Company's image, the Company plans to purchase new office buildings in 2023. The total estimated investment does not exceed RMB140 million, which will be financed by the Company's own funds.

(2) Changes of the Directors, Supervisors and senior management of the Company

1. Changes of the Directors and Supervisors of the Company

On 20 January 2023, at the 35th meeting of the second session of the Staff Representative Congress of the Company, Mr. Liang Zhongwei was elected as a staff representative Director of the fourth session of the Board of Directors of the Company, and Mr. Liu Pu was elected as a staff representative Supervisor of the fourth session of the Supervisory Committee of the Company with effect from 15 February 2023.

On 15 February 2023, the first extraordinary general meeting of 2023 of the Company considered and approved the election of Mr. Zhong Jinlong, Mr. Hu Kainan, Mr. Zheng Hanyin, Mr. Ming Gang, Mr. Liu Feng, Mr. Zheng Jianping, Mr. Chen Hua and Mr. Luo Xinhua as non-staff representative Directors of the fourth session of the Board of Directors of the Company; considered and approved the election of Mr. An Tie and Mr. Ding Jian as non-staff representative Supervisors of the the fourth session of the Supervisory Committee of the Company with effect from 15 February 2023.

As at the date of this Report, the fourth session of the Board of Directors of the Company consists of nine Directors, namely Mr. Zhong Jinlong, Mr. Hu Kainan, Mr. Zheng Hanyin, Mr. Ming Gang, Mr. Liu Feng, Mr. Zheng Jianping, Mr. Chen Hua, Mr. Luo Xinhua and Mr. Liang Zhongwei. The composition is unchanged from the end of the Reporting Period; the fourth session of the Supervisory Committee of the Company consists of three Supervisors, namely Mr. An Tie, Mr. Ding Jian and Mr. Liu Pu. There is a decrease of 3 members as compared with that at the end of the Reporting Period. Mr. Tan Shaojie, Mr. Mou Yong, Mr. Lin Zongheng (staff representative Supervisor) and Mr. Wang Hairan (staff representative Supervisor) resigned upon expiry of their terms of office. Mr. Ding Jian is a new Supervisor. All the above changes take effect from 15 February 2023.

2. Changes of the senior management of the Company

On 15 February 2023, the first meeting of the fourth session of the Board of Directors of the Company resolved to appoint Liu Qingbin as the general manager of the Company; to appoint Liu Yunzhi, Ji Qihong, Liu Tong, Zhao Dong and Wang Hongkan as deputy general managers of the Company; to appoint Liu Yunzhi as the person in charge of financial affairs of the Company; to appoint Meng Xiancheng as the Company's chief risk officer and general counsel; to appoint Pei Yingjian as the Company's chief information officer. Jiang Hui(a former deputy general manager), and Liu Jianmin (a former chief risk officer), retired at the expiration of their terms of office, and Pei Yingjian(a former deputy general manager) was re-designated as chief information officer; Liu Tong, Zhao Dong and Wang Hongkan are new deputy general managers, and Meng Xiancheng is a new chief risk officer .

Report of the Board of Directors

1. PRINCIPAL BUSINESSES

The Company is a futures company. For the details of Group's business scope, please see “(VI) Business Briefings of the Company” of Chapter III of this report.

2. RESULTS AND FINAL DIVIDENDS

Please refer to Chapter XIII of this report for the details of the Group's results for the year ended 31 December 2022.

The Board of Directors recommends the payment of a final dividend (the “2022 Final Dividend”) of RMB0.16 (tax inclusive) per 10 Shares for the year ended 31 December 2022. The total amount of dividends to be distributed is RMB16,030,400 (The total amount of final dividends distributed for the year ended 31 December 2021 was RMB18,034,200). The proposal for distribution of the 2022 Final Dividend shall come into effect upon the approval by the Shareholders at the 2022 annual general meeting (the “AGM”) to be held on 15 June 2023. After the 2022 Final Dividend comes into effect with the approval, it will be paid to domestic Shareholders in RMB and H Shareholders in Hong Kong dollars. The actual amount to be paid in Hong Kong dollar shall be calculated on the basis of the average benchmark exchange rate of RMB to Hong Kong dollar announced by the People's Bank of China for five working days before the date of the AGM. The Company expects the 2022 Final Dividend will be distributed on or around 10 August 2023 in the event that the distribution of 2022 final dividend being approved at the AGM.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Convention Treatment Entitled by Nonresident Taxpayers (SAT Circular [2019] No.35) (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的通知》(國家稅務總局公告2019年第35號)), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H Shares in respect of the dividend to be distributed to them. However, the individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between Mainland China and Hong Kong (or Macau). For individual holders of H Shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H Shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H Shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H Shares in the distribution of the dividend accordingly.

For non-resident enterprise holders of H Shares, i.e., any Shareholders who hold the Company's Shares in the name of non-individual Shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other groups or organizations, the Company will withhold and pay the enterprise income tax at the tax rate of 10% for such holders of H Shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)).

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

3. BUSINESS REVIEW

A review of the business for the year and a discussion on future development of the Group are set out from pages 27 to 35 of this report. An analysis of the major financial key performance indicators on the performance of the Group for the year is set out from pages 35 to 46 of this report. Details of the significant events that have material impact on the Group during the Reporting Period and since the end of the financial year are set out from pages 49 to 50 of this report. Major risks and uncertainties that may be faced by the Group are set out in pages 50 to 54. Major relationship with employees, customers and suppliers were set out on page 63.

4. DIRECTORS AND DIRECTORS' BIOGRAPHIES

(1) Directors

During the Reporting Period and as at the date of this Report, the Directors of the Company comprises of Mr. Zhong Jinlong and Mr. Liang Zhongwei as executive Directors; Mr. Hu Kainan, Mr. Liu Xinyi (resigned on 31 May 2022 due to work change), Mr. Zheng Hanyin (appointed on 31 May 2022), Mr. Ming Gang and Mr. Liu Feng as non-executive Directors; Mr. Gao Zhu (resigned on 10 March 2022 upon expiry of nine years in office according to relevant provisions), Mr. Wang Chuanshun (resigned on 10 March 2022 upon expiry of nine years in office according to relevant provisions), Mr. Zheng Jianping, Mr. Chen Hua (appointed on 10 March 2022) and Mr. Wang Xinyu (appointed on 10 March 2022 and resigned on 14 March 2022 due to his intention to devote more time and energy to other engagements and personal affairs that were not foreseeable at the time of his appointment as an independent non-executive Director of the Company, and made it impossible to give assurance that he will devote sufficient time and effort to managing the affairs of the Company as an independent non-executive Director) and Mr. Luo Xinhua (appointed on 22 June 2022) as independent non-executive Directors.

As at the end of the Reporting Period, the Board of Directors included three independent non-executive Directors, and the requirements under the Listing Rules that the board of directors must include at least three independent non-executive directors and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise was complied.

There was no relationship among the members of the Board (in particular the chairman of the Board) in the financial, business, family or other material/relevant aspects.

(2) Directors' biographies

Please refer to the section "I. Briefings of the Directors, Supervisors and Senior Management (I) The Board" in Chapter IX of this Report for details.

Report of the Board of Directors

5. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of the Directors and Supervisors have entered into service contracts with the Company in respect of, among other things, compliance of relevant laws and regulations, observation of the Articles of Association and provisions on arbitration.

The principal particulars of these service contracts are (a) for a term of three years commencing from the signing date; and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed according to the Articles of Association and applicable laws, rules or regulations.

Save as disclosed above, none of the Directors, Supervisors or their associated entities has entered or proposed to enter any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

6. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which have been taken or deemed to be owned under such provisions of the SFO), or which was required to be entered in the register referred to therein pursuant to Section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

7. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, to the knowledge of the Directors, the interests or short positions of the following persons (which are not Directors, Supervisors or chief executive of the Company) in the Shares or underlying Shares of the Company, which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, are as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares held	Approximate percentage of the total issued Shares	Approximate percentage of shareholding in the relevant class of Shares
Zhongtai Securities Co., Ltd. (previously known as Qilu Securities Co., Ltd.)	Domestic Shares	Beneficial owner	632,176,078 (long position)	63.10%	87.22%
Shandong Energy Group Co., Ltd. ⁽¹⁾	Domestic Shares	Interest of controlled corporation	632,176,078 (long position)	63.10%	87.22%
CM International Capital Limited ⁽²⁾	H Shares	Beneficial owner	18,211,000 (long position)	1.82%	6.57%
CMIG International Capital Limited (中民投國際資本有限公司) ⁽²⁾	H Shares	Interest of controlled corporation	18,211,000 (long position)	1.82%	6.57%
China Minsheng Investment Group Corp., Ltd. (中國民生投資股份有限公司) ⁽²⁾	H Shares	Interest of controlled corporation	18,211,000 (long position)	1.82%	6.57%
Xu Guiqin	H Shares	Beneficial owner	18,276,000 (long position)	1.82%	6.59%

The calculation above is based on 724,810,000 Domestic Shares and 277,090,000 H Shares (1,001,900,000 Shares in total) issued by the Company as at 31 December 2022.

Report of the Board of Directors

Notes:

- (1) Shandong Energy Group Co., Ltd. indirectly holds 36.09% equity interest in Zhongtai Securities Co., Ltd. through its wholly-owned subsidiaries Xinwen Mining Group Co., Ltd. and Zaozhuang Mining (Group) Co., Ltd., and therefore, Shandong Energy Group Co., Ltd. is deemed to be interested in 632,176,078 (long position) Domestic Shares of the Company held by Zhongtai Securities Co., Ltd. for the purpose of Part XV of the SFO.
- (2) CM International Capital Limited directly holds 18,211,000 (long position) H Shares of the Company. According to the form of disclosure of interest submitted by China Minsheng Investment Group Corp., Ltd. (中國民生投資股份有限公司) to the Hong Kong Stock Exchange on 4 October 2018, CMIG International Capital Limited (中民投國際資本有限公司) holds 100% of the equity interest in CM International Capital Limited, and China Minsheng Investment Group Corp., Ltd. (中國民生投資股份有限公司) and CMI Financial Holding Corporation (wholly-owned by CMIG Asia Asset Management Co., Ltd. (中民投亞洲資產管理有限公司, which is wholly-owned by China Minsheng Investment Group Corp., Ltd.)), hold 31.5% and 68.5% equity interests in CMIG International Capital Limited, respectively. Therefore, China Minsheng Investment Group Corp., Ltd. (中國民生投資股份有限公司), CMIG Asia Asset Management Co., Ltd. (中民投亞洲資產管理有限公司), CMI Financial Holding Corporation and CMIG International Capital Limited (中民投國際資本有限公司) are deemed to be interested in the 18,211,000 (long position) H Shares of the Company held by CM International Capital Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as at 31 December 2022, the Directors of the Company are not aware of any other person (except for Directors, Supervisors or chief executives of the Company) who has interests or short positions in the Shares or underlying Shares of the Company, which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or, which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

8. PENALTY AND RECTIFICATION IMPOSED ON THE COMPANY, DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

During the Reporting Period, none of the Directors, Supervisors and senior management of the Company has been penalized by regulatory authorities.

9. THE COMPANY'S COMMITMENT TO SOCIAL RESPONSIBILITIES

1. the Company's Commitment to Social Responsibilities

The Company is committed to a good corporate image of integrity, compliance and fairness. The Company contributes to a steady and healthy growth of the futures market in China by paying tax in compliance with the law, proactively advocating socio-economic development and improving the futures industry.

The Company offers good career development opportunities to its staff. It provides staff with remuneration, opportunities of promotion, reasonable working hours, vacation, equal opportunities, a diversified and discrimination-free working environment and other compensation and benefits as well as increasing training resources in strict compliance with the Labor Law of People's Republic of China and its labor contracts.

The Company strives to become a prominent corporate citizen and actively fulfill its social responsibility by supporting charities, participating in social services, etc.

The Company persists in fulfilling its corporate social responsibility, actively responds to the initiative made by the futures industry of promoting the rural revitalization in all aspects and contributing to the common prosperity, and acts out the national rural revitalization strategy practice. The Company won the "Best Rural Revitalization Service and Social Responsibility Public Welfare Award" from Futures Daily and Securities Times, and the "Excellent Project Award" – the "Insurance + Futures" pilot project of Zhengzhou Commodity Exchange.

During the Reporting Period, the Company had no material environmental protection issues or other major social security issues.

2. The Company's Commitment to Rural Revitalization

In 2022, the Company leveraged on its professional expertise to provide financial service support for rural revitalization. The Company signed 17 "paired assistance agreements" with former state-level poverty-stricken counties and rural revitalization areas in Shandong Province, and carried out more than 100 "insurance+futures" projects in respect of 11 varieties such as pigs, corn and soybeans, underwriting physical commodities of approximately 260,000 tonnes. During the evaluation period from 2021 to 2022, the Company ranked fourth in its sector for rural revitalization evaluation and sixth in its sector for the "insurance+futures" evaluation, all of which were beyond expectation.

Report of the Board of Directors

10. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlements of the Shareholders to attend the AGM, the register of members of the Company will be closed from 16 May 2023 to 15 June 2023, both days inclusive, during which no transfers of Shares shall be effected. Shareholders whose names appear on the Company's register of members on 15 June 2023 will be entitled to attend and vote at the AGM. In order for holders of H Shares to qualify for attending the AGM, transfer forms accompanied by the relevant share certificates must be lodged with H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 15 May 2023.

11. OTHER DISCLOSURES

(1) Permitted Indemnity Provision

During the Reporting Period, the Company had purchased appropriate liability insurance for Directors, Supervisors and senior management to indemnify them for their liabilities arising out of corporate activities.

(2) Management Contract

During the Reporting Period, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

(3) Environment Policies and Performance

The Group is a low-energy consumption, non-manufacturing financial enterprise with slight-pollution. The main impacts on environment in the ordinary course of business of the Group are the consumption of paper, electricity, water and automobile exhaust emission. In the daily operations, the Group strictly abides by the 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 Air Pollution and Control Law of Atmospheric Pollution of the People's Republic of China《(中華人民共和國大氣污染防治法)》. The Group actively promotes environmental protection concepts and puts them into action.

The Group has maintained an internal practice of recycling consumables (such as toner cartridges and paper) to minimize resource consumption and environmental impact in the course of our business. The Group encourages employees to use double-sided printing when printing is needed, and recycle single-sided paper.

The Group promotes energy-saving practices in our offices, sales offices and other places by encouraging employees to reduce unnecessary use of lighting and air conditioning. Through the abovementioned policies and measures, the Group has improved the overall environmental awareness and reduced consumption of energy effectively.

(4) Compliance of Laws and Regulations

The Company strictly abides by the Company Law of the PRC (中國《公司法》), the Futures and Derivatives Law (《期貨和衍生品法》), the Regulations on the Administration of Futures Trading (《期貨交易管理條例》), the Supervisory and Administrative Measures for Futures Companies (《期貨公司監督管理辦法》), the Listing Rules, the SFO and the relevant laws and regulations of the PRC and Hong Kong.

(5) Relationship with Key Stakeholders

1. Employees

Employees are regarded as the most important and valuable assets for the Group. The Group has established complete system and procedures of human resource management in order to regulate the use of human resources and realistically protect employees' rights and interests. Through compensation and welfare schemes and annual appraisal plans, the Company has awarded and commended outstanding employees while enhancing employees' vocational capabilities and widening their room for development by way of training and others.

Please refer to the section "IV. Employees Structure, Remuneration and Training" in Chapter VI of this Report for details.

2. Major customers and suppliers

The Group provides services for the individual in the different industries and the institutional customers. The Company's large customers include institutional and high-net-worth individuals. For the year ended 31 December 2022, the revenue from the five largest customers of the Company represented less than 30% of operating income.

Due to the nature of the business, the Company does not have major suppliers.

(6) Directors' Competing Business

During the Reporting Period, none of the Directors of the Company and their associates (as defined in the Listing Rules) is interested in any business which competes, or may compete, directly or indirectly, with the business of the Company and/or its subsidiaries.

(7) Directors' and Supervisors' Material Interests in Transactions, Arrangements or Contracts of Significance

During the Reporting Period, save as disclosed in the section "III Connected Transactions" in Chapter X of this Report, there is no transactions, arrangements or contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director or Supervisor of the Company or entities connected with a Director or Supervisors has a material interest, whether directly or indirectly, has been entered into or subsisted during the Reporting Period.

Report of the Board of Directors

(8) Equity-linked Agreements

No equity-linked agreements were entered into by the Company during the Reporting Period.

(9) Reserves and Reserves Available for Distribution to Shareholders

During the Reporting Period, the changes of the reserves are set out in Note 37 on main items of to the consolidated financial statements in this Report.

(10) Pre-Emptive Rights

There is no arrangement of pre-emptive rights of the Company in accordance with the laws of the PRC and the requirements of the Articles of Association.

(11) Directors' and Supervisors' Right to Purchase Shares or Debentures

During the Reporting Period, none of the Directors, Supervisors or their respective spouse or children under 18 years of age acquire rights by means of the acquisition of Shares in or debentures of the Company, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, Supervisors of the Company or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

(12) Property and Equipment

Please refer to the Note 14 on main items of the consolidated financial statements of this Report for details of property and equipment of the Group during the Reporting Period.

(13) Public Float

During the Reporting Period and up to the date of this Report, the public float of the Company was in compliance with the minimum public float requirement of 25% of the Stock Exchange.

(14) Share Capital

As at the end of Reporting Period, the total share capital of the Company was RMB1,001,900,000, divided into 1,001,900,000 Shares (including 724,810,000 Domestic Shares and 277,090,000 H Shares) with a nominal value of RMB1.00 each. The details of changes in share capital of the Company during the Reporting Period is set out in Note 32 to the consolidated financial statements of this Report.

(15) Issuance of Debentures

During the Reporting Period, the Company had no issued debentures.

(16) Donation

In April 2022, the Company applied a total of RMB780,000 of industrial assistance funds to six rural revitalization places in Shandong Province, including Shanghe County of Jinan City, Zhucheng of Weifang City, Jiaxiang County of Jining City, Xintai of Tai'an City, Juye County and Yuncheng County of Heze City, to help the development of featured industrial projects in those areas.

In August 2022, the Company donated RMB199,000 to Gyangze County, Tibet Autonomous Region, a former state-level poverty-stricken county, to implement the “insurance+futures” professional assistance project for cost and price of cattle feed.

In September and October 2022, the Company donated RMB263,900 to Junan County, Yinan County and Linshu County in Linyi City, all being rural revitalization areas in Shandong Province, to implement the peanut “insurance+futures” professional assistance project.

In October 2022, the Company donated RMB200,000 to Chabuchar Xibo Autonomous County, Xinjiang Autonomous Region, a former state-level poverty-stricken county, to implement the “insurance+futures” professional assistance project for cost and price of cattle feed.

In December 2022, the Company donated RMB300,000 to Huachuan County, Heilongjiang Province, a former state-level poverty-stricken county, to implement the “insurance+futures” professional assistance project for income of soybeans.

By order of the Board

Chairman

Zhong Jinlong

30 March 2023

Work Report of the Supervisory Committee in 2022

In 2022, the Company earnestly performed and independently exercised its supervision powers and functions. With the principle of being accountable to the Company and all Shareholders, it actively understood and supervised the Company's operating activities, financial status, execution of major decisions, resolutions of general meetings and Board, and also supervised the compliant operation of the Company according to laws and the performance of duties by the Directors and senior management in strict compliance with the requirements of the Company Law of the People's Republic of China, the Futures and Derivatives Law of the People's Republic of China, the Listing Rules, the Articles of Association and the Rules of Procedure for the Supervisory Committee, and relevant laws and regulations. The work report of the Supervisory Committee in 2022 is as follows.

I. MEETINGS OF THE SUPERVISORY COMMITTEE IN 2022

Details of the meetings held by the Supervisory Committee of the Company in 2022 are as follows:

(1) The eighth meeting of the third session of the Supervisory Committee was held on 24 March 2022. The following eight proposals were approved by voting on site and through video:

1. The Proposal on the Work Report of the General Manager of LUZHENG FUTURES Company Limited for the Year 2021;
2. The Proposal on the Work Report of the Supervisory Committee of LUZHENG FUTURES Company Limited for the Year 2021;
3. The Proposal on the Annual Report (IFRSs) of LUZHENG FUTURES Company Limited for the Year 2021;
4. The Proposal on the Annual Report (Chinese Accounting Standards for Business Enterprises) of LUZHENG FUTURES Company Limited for the Year 2021;
5. The Proposal on the Final Accounts Plan of LUZHENG FUTURES Company Limited for the Year 2021;
6. The Proposal on the Profit Distribution Plan of LUZHENG FUTURES Company Limited for the Year 2021;
7. The Proposal on the Financial Budget of LUZHENG FUTURES Company Limited for the Year 2022;
8. The Proposal on the Internal Control Evaluation Report of LUZHENG FUTURES Company Limited for the Year 2021.

(2) The ninth meeting of the third session of the Supervisory Committee was held on 25 August 2022. The following two proposals were approved by voting on site and through video:

1. The Proposal on the Work Report of the General Manager of ZHONGTAI FUTURES Company Limited for First Half of the Year 2022;
2. The Proposal on the Interim Report of ZHONGTAI FUTURES Company Limited for 2022.

Work Report of the Supervisory Committee in 2022

II. MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2022

(1) Supervision and inspection of daily operating activities

In 2022, the Supervisory Committee persevered in daily supervision and inspection of the Company's operating activities despite travel restriction during the Pandemic prevention and control period. Firstly, it carried out supervision and inspection of eleven branches in Jining, Dalian, Beijing, Shenyang, Nanjing, Guangzhou, Dezhou, Jinan, Changsha, Zhengzhou and Tianjin; secondly, it carried out special internal compliance inspection on the business operation of Zhongtai Huirong Capital, our risk management subsidiary; thirdly, it conducted special supervision and inspection on the information technology management and brokerage business operation management, anti-money laundering management and asset management business of the Company.

(2) Supervision and inspection of financial status and major investments

In 2022, the Supervisory Committee reviewed the Company's financial reports regularly or irregularly, to update itself about the Company's assets and liabilities, cash flow and results of operation, and other financial information in a timely manner. It paid close attention to the liquidity of the Company's own funds, customer margin, and net capital and other risk regulatory indicators. At the same time, it monitored and inspected the legal compliance of the Company's major investment decision-making procedures irregularly.

(3) Supervision and inspection of the duty-performance of the Directors and senior management

In 2022, members of the Supervisory Committee implement their supervision and inspection functions, stayed informed of the Company's business management activities and decision-making process on major issues in a timely manner, and monitored how the senior management discharged their duties by attending the general meetings of shareholders, the Board meetings and the annual management meeting of the Company, and reviewing and approving the summary minutes of the meetings held by the general manager's office.

(4) Improving the ability of the Supervisory Committee to perform their duties

In 2022, the Supervisory Committee continued to make arrangements for its members to study the latest regulatory policies and regulations based on the Company's actual situation and in accordance with the requirements of the Hong Kong Stock Exchange for the operation of listed companies, familiarize themselves with the relevant laws, regulations and regulatory rules for listed companies, enhance the ability of its members to perform their duties, and ensure that the Supervisory Committee functions in all aspects effectively.

Work Report of the Supervisory Committee in 2022

III. REVIEW OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS IN 2022

In 2022, the Supervisory Committee supervised and inspected the finance, lawful operation, major decision and significant operating activities of the Company, and the Supervisory Committee attended the general meetings, the Board meetings and the working meetings of the management as required. On that basis, the Supervisory Committee issued the following opinions.

- (1) The Supervisory Committee believed that: In 2022, the overall operating activities of the Company were in compliance with related laws, regulations and the requirements of regulatory policies; the Board practically implemented all resolutions and the decision-making procedures for major issues conformed to the requirements of the Company Law and the Articles of Association; the Directors and senior management earnestly performed their duties pursuant to national laws, regulations and requirements of the Articles of Association and executed all resolutions of the general meetings and the Board, and did not breach any laws and regulations and the Articles of Association or harm the interest of the Company when discharging their duties in the Company.
- (2) The Supervisory Committee believed that: In 2022, the financial and accounting system of the Company was sound, and the financial operation was lawful. The financial statements prepared by the Company gave a true, objective and accurate picture of the financial conditions of the Company. ShineWing Certified Public Accountants LLP issued an unqualified audit report according to the requirements of China Accounting Standards for Business Enterprises, which gave a true and fair picture of the financial performance and results of operation of the Company In 2022.
- (3) The Supervisory Committee believes that: In 2022, the Company has established internal control systems in respect of all material aspects, and the overall internal control system is sound and effective, ensuring the normal development of production and operating activities.
- (4) The Supervisory Committee believed that: In 2022, the transactions between the Company and its connected parties were in line with the general market transaction principles. The prices were fair and the transactions were fair and reasonable, and no use of connected transactions was found to harm the interests of the Company and other small and medium Shareholders.
- (5) The Supervisory Committee believed that: In 2022, there were no illegal external guarantees, nor debt restructurings, non-monetary transactions, asset swaps, major acquisitions or disposal of assets. There was no other incident that harmed the interests of the Shareholders of the Company or caused loss of assets to the Company.
- (6) The Supervisory Committee believed that: In 2022, the Company implemented relevant regulations and strictly controlled the scope of insiders when dealing with periodic report preparation, profit distribution, and external investment. There were no such incidents as disclosure of secrets and insider transactions, or illegal trading of the Company's Shares by Directors, Supervisors, senior management and other insiders.

Work Report of the Supervisory Committee in 2022

IV WORK PLAN OF THE SUPERVISORY COMMITTEE IN 2023

In 2023, for the purpose of the Company's business development, the Supervisory Committee will continue to strengthen its supervision tools and diversify its approaches, conduct effective supervision on key areas and important matters, and give full play to the role of consistent supervision and continuous supervision. Firstly, it will continue to strictly supervise material matters such as the Company's operation according to laws, financial management, construction and implementation of the internal control system, connected transactions, investment in and guarantees to other entities, and management of inside information, make proactive inspections of operation at all levels to understand the actual conditions for the purpose of analysis and solution of any problem; secondly, it will continue to diligently investigate issues that the Company's Shareholders and employees are concerned with, through effective means such as attending general meetings, Board meetings and management meetings as non-voting delegates and regularly convening meetings of the Supervisory Committee and provide comments and rational proposals to the Board of Directors in a timely manner; thirdly, it will urge the Company to enhance its comprehensive capabilities in risk pre-research and prediction and full-coverage disposal of risks, and play a more prominent role in risk management; fourthly, it will continue to make arrangements for members of the Supervisory Committee to learn national laws and regulations, the latest regulatory policies and regulations, and financial knowledge, and train them for identifying, analyzing and solving problems, so that they dare to supervise, be good at supervision, and conduct targeted and effective supervision, pushing the Supervisory Committee to function better and better.

By order of the Supervisory Committee

An Tie

Chairman

30 March 2023

Directors, Supervisors, Senior Management and Staff

I. BRIEFINGS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Set out below is the brief introduction of the Company's Directors, Supervisors and senior management as at the date of this Report:

1. Directors: the Board consists of nine members, including two executive Directors with Mr. Zhong Jinlong serving as the Chairman of the Board, and Mr. Liang Zhongwei serving as a staff representative Director, and seven non-executive Directors (including three independent non-executive Directors).
2. Supervisors: the Supervisory Committee consists of three members, including two Shareholder representative Supervisors, one staff representative Supervisor.
3. Senior management: there are eight senior management, including one general manager, five deputy general managers and one chief risk officer and general counsel, and one chief information officer.

Directors, Supervisors, Senior Management and Staff

(I) The Board

Executive Directors

Mr. Zhong Jinlong (鐘金龍), aged 58, joined the Company in September 2019. At present, he is the secretary to the Company's party committee, executive Director and the Chairman of the Board of the Company, and the chief consultant of Zhongtai Securities Co., Ltd. He is a member of the Council under Shandong Zhongtai Charity Foundation (山東中泰慈善基金會) and the chairman of Shandong Futures Association (山東省期貨業協會). Mr. Zhong Jinlong worked as assistant engineer and engineer at the Electric Power Test and Research Institute of Shandong Electric Power Supply Bureau (山東省電力局) and engineer of Shenzhen Nuclear Power Engineering Company (深圳核電工程公司) from July 1986 to September 1993; served as the chief and director of the Administrative Office of Shandong International Trust and Investment Corporation (山東省國際信託投資公司) from August 1995 to June 2000; served in succession as vice general manager, general manager in Minsheng Securities Co., Ltd. (民生證券股份有限公司) (previously known as Yellow River Securities Co., Ltd. (黃河證券有限公司)) from June 2000 to January 2008; held various positions, such as compliance officer and deputy general manager of Zhongtai Securities Co., Ltd. (formerly known as Qilu Securities Co., Ltd.) from January 2008 to March 2022; served as the secretary to the party committee of the Company since September 2019, and serves as executive Director and the Chairman of the Board of the Company since December 2019; serves as a member of the Council under Shandong Zhongtai Charity Foundation (山東中泰慈善基金會) since June 2020. He serves as the chief consultant of Zhongtai Securities Co., Ltd. since March 2022; and serves as chairman of Shandong Futures Association since February 2023. Mr. Zhong Jinlong graduated from Xi'an Jiaotong University with a bachelor's degree in power system and automation in July 1986; graduated from Shanghai Institute of Foreign Trade with a bachelor's degree in international trade in July 1995; graduated from Peking University with a master's degree in EMBA in January 2005. Mr. Zhong Jinlong was awarded the professional qualification of the engineer in August 1987; obtained the professional qualification of lawyer issued by the Ministry of Justice in February 2005.

Mr. Liang Zhongwei (梁中偉), aged 49, joined the Company in March 2009. At present, he is a staff representative Director, secretary of the Board, a joint company secretary, head of the Board Office, and a director and the general manager of LUZHENG INTERNATIONAL HOLDINGS CO.,LTD. Mr. Liang Zhongwei served as an employee in the commission business of Qilu Trust and Investment Co., Ltd. in Shandong Province from July 1997 to May 2001; served as assistant to the general manager of the investment management department, senior business manager of the property management department and senior business manager of the logistics department of Qilu Securities Co., Ltd. from May 2001 to March 2009; served as the director of the administrative office and the general manager of human resources department of the Company from March 2009 to September 2013; served as staff representative Director of the Company since June 2012; served as the secretary general of Shandong Futures Association from September 2013 to July 2017; served as the director of the organizational department of the party committee in the Company from October 2017 to December 2020; served as the head of the Office of the Board of the Company from February 2018 to August 2022; serves as a director of LUZHENG INTERNATIONAL HOLDING LIMITED since April 2018; serves as a director of LUZHENG INTERNATIONAL FUTURES LIMITED from May 2018 to April 2021, served as a member of the Committee of the Company from August 2018 to July 2022; serves as the secretary to the Board as well as a joint company secretary of the Company since June 2019; served as a director of Jinova S.A. from July 2019 to October 2021; serves as the general manager of LUZHENG INTERNATIONAL HOLDING LIMITED since November 2020; serves as the head of the Office of the Board of the Company since January 2023. Mr. Liang Zhongwei graduated from Shandong University with a bachelor's degree in international economics in July 1997. Mr. Liang Zhongwei obtained the qualification of intermediate economist issued by the Ministry of Personnel in November 2001.

Directors, Supervisors, Senior Management and Staff

Non-executive Directors

Mr. Hu Kainan (胡開南), aged 55, joined the Company in December 2019. At present, he is a non-executive Director of the Company, the chief risk officer of Zhongtai Securities Co., Ltd. Mr. Hu Kainan worked as an employee in the computer room of Jixi Locomotive Depot of Jinan Railway Sub-bureau (濟南鐵路分局濟西機務段) from July 1990 to November 1994; served as the assistant to manager of Shenzhen Hongli Road Sales Office of Tiantong Securities Co., Ltd. (天同證券有限責任公司) (formerly known as Shangdong Securities Co., Ltd. (山東證券有限責任公司)) from November 1994 to November 1997; served as an employee in the supervision and inspection department of Tiantong Securities Co., Ltd. from November 1997 to January 2007; served as senior business manager of the compliance management headquarters and the senior business manager of the risk control department of Zhongtai Securities Co., Ltd. (formerly known as Qilu Securities Co., Ltd. (齊魯證券有限公司)) from January 2007 to July 2010; served as assistant to general manager of both the risk management department and the risk management and regulatory compliance headquarters of Zhongtai Securities Co., Ltd. from July 2010 to November 2013; served as the deputy general manager of risk management and regulatory compliance headquarters of Zhongtai Securities Co., Ltd. from November 2013 to July 2016; served as the deputy general manager of the risk management department of Zhongtai Securities Co., Ltd. from July 2016 to October 2019; served as general manager of the risk management department of Zhongtai Securities Co., Ltd. from October 2019 to July 2022; and serves as a non-executive Director of the Company since December 2019; and serves as chief risk officer of Zhongtai Securities Co., Ltd. since January 2022. Mr. Hu Kainan graduated from Shanghai Railway College with a bachelor's degree in computer software in July 1990.

Mr. Zheng Hanyin (鄭韓胤), aged 47, joined the Company in May 2022. At present, he is a non-executive Director of the Company, and serves as the assistant to the general manager, the director of the wealth management committee, and the general manager of the retail business department of Zhongtai Securities Co., Ltd. as well as a delegate of the 17th People's Congress of Yangpu District, Shanghai. Mr. Zheng Hanyin was an employee at the sales office and the headquarters of Caizheng Securities Company * (財政證券公司) in Zhejiang province from August 1996 to February 2003; he served as the assistant to the general manager of the Taizhou sales office of Caitong Securities Co., Ltd. from February 2003 to June 2005; he served as the deputy general manager of Lanxi sales office of Caitong Securities Co., Ltd. from June 2005 to February 2006; he served as the deputy general manager of Wenzhou sales office of Caitong Securities Co., Ltd. from February 2006 to February 2007; served as the deputy general manager of Hangzhou Jiefang Road securities sales office of Caitong Securities Co., Ltd. from February 2007 to February 2008; served as the general manager of Hangzhou Gymnasium securities business department of Caitong Securities Co., Ltd. from February 2008 to October 2012; served as the departmental general manager of the wealth management center of Shanghai Securities Co., Ltd. from November 2012 to June 2014; he served as the departmental general manager of the asset management headquarters of Shanghai Securities Co., Ltd. from July 2014 to August 2014; he was an employee of the Shanghai Branch of Zhongtai Securities Co., Ltd. (previously known as Qilu Securities Co., Ltd.) from August 2014 to October 2014; served as the general manager of the Shanghai Branch of Zhongtai Securities Co., Ltd. from October 2014 to September 2015; served as the general manager of the Shanghai Branch of Zhongtai Securities Co., Ltd. from September 2015 to January 2022; served as a member of the brokerage management committee and member of the wealth management committee from December 2018 to March 2021; served as the assistant to the general manager, the chief member of the wealth management committee, the general manager of the retail business department of Zhongtai Securities Co., Ltd. since January 2022; serves as a delegate of the 17th People's Congress of Yangpu District, Shanghai since November 2021; and serves as a non-executive Director of the Company since May 2022. Mr. Zheng Hanyin graduated from Zhejiang Banking School * (浙江銀行學校), which is a secondary specialized school, in July 1996, majoring in financial accounting; graduated from Hangzhou Institute of Electronic Technology, which is a college for professional training, in July 1999, majoring in foreign-related accounting; graduated from China Agricultural University in January 2005, majoring in finance with a bachelor's degree; graduated from Shanghai Jiaotong University in June 2017, majoring in executive business administration, with a master's degree.

Directors, Supervisors, Senior Management and Staff

Mr. Ming Gang (明鋼), aged 49, joined the Company in December 2019. At present, he is a non-executive Director of the Company, as well as the general manager of the International Trading Company of Yongfeng Group Co., Ltd. (永鋒集團有限公司國貿公司). Mr. Ming Gang worked as a section member in Laiwu Steel Group Ltd. from October 1994 to August 2001; he worked as a section member and deputy section chief in Shandong Laiwu Steel International Corp. from August 2001 to October 2007. He served as deputy general manager of Shanghai Mingfuqin International Trade Co., Ltd* (上海明賦勤國際貿易有限公司) from October 2007 to August 2008; served as the general manager of Shandong Yongfeng International Trade Co., Ltd. from August 2008 to May 2016; he served in succession as deputy general manager and minister of trade of the marketing company, general manager of the supply and marketing company and general manager of the international trading vehicle of Yu Yongfeng Group Co., Ltd. since June 2016; and serves as a non-executive Director of the Company since December 2019. Mr. Ming Gang graduated from Shandong Radio and TV University* (山東廣播電視大學) with a bachelor's degree in foreign economics and foreign trade in July 1994; he graduated from Party School of the CPC Shandong Provincial Committee in 2001, majoring in economic management.

Mr. Liu Feng (劉峰) (with a former Chinese name of 劉鋒), aged 50, joined the Company in February 2015. At present, he is a non-executive Director of the Company, as well as the head of risk management department and head of the production safety management office of Shandong State-owned Assets Investment Holdings Co., Ltd., a director of Zhongtong Bus Holding Co., Ltd. (中通客車控股股份有限公司), a supervisor of Yunding Technology Co., Ltd. (雲鼎科技股份有限公司), a supervisor of Shandong Marine Group Ltd. (山東海洋集團有限公司) and the chairman of the supervisory committee of Shandong Dongyin Investment Co., Ltd. (山東東銀投資有限公司). Mr. Liu Feng served as an office staff member of the silk worm cocoon division and the deputy director member of trading and development department of Shandong Silk Corporation (山東省絲綢總公司) in succession from July 1994 to June 2002; served as the manager of comprehensive administration department of Shandong Hengrun Silk Co., Ltd. (山東恆潤絲綢有限公司) from July 2004 to January 2005; served as a principal staff member in the silk worm cocoon unit of Qingdao Hairun Investment Group (青島海潤投資集團) from January 2005 to December 2005; served as the secretary and principal staff member of comprehensive administration office of Shandong Silk Group (山東省絲綢集團有限公司) from December 2005 to June 2009; held several positions in Shandong State-owned Assets Investment Holdings Co., Ltd. in succession from June 2009 to May 2017 such as the clerical director of comprehensive department, the director of equity operation of capital operation department and the senior business manager and deputy director of capital operation department as well as the vice general manager of the capital operation center; served as the general manager and director of Shandong Juneng Investment Co., Ltd. (山東省巨能投資有限公司) from September 2014 to April 2016; served as a non-executive Director in the Company since February 2015; appointed as the deputy head of the People's Government of Shanting District, Zaozhuang City from July 2015 to July 2016; served as a director of Zhongtong Bus Holding Co., Ltd. since December 2016; served as general manager and director of Lukang Investment Co., Ltd. (魯康投資有限公司) from May 2017 to November 2019; served as the head of risk management department of Shandong State-owned Assets Investment Holdings Co., Ltd. since November 2019; served as a supervisor of Yunding Technology Co., Ltd. since February 2020; a supervisor of Shandong Marine Group Ltd. (山東海洋集團有限公司) since April 2020; the chairman of the supervisory committee of Shandong Dongyin Investment Co., Ltd. (山東東銀投資有限公司) since April 2021; served as the head of the production safety management office in Shandong State-owned Assets Investment Holding Co., Ltd. since March 2022. Mr. Liu Feng graduated from Shandong Agricultural University, with a bachelor degree in sericultural science in July 1994; graduated from Renmin University of China with a master degree in business administration in July 2004; and graduated from Shandong Agricultural University with a doctoral degree in the management of agricultural economy in June 2011. Mr. Liu Feng obtained the qualification of agronomist issued by the Intermediate Review Commission of Professional Titles in Agriculture of Shandong Silk Corporation in October 1999.

Directors, Supervisors, Senior Management and Staff

Independent Non-executive Directors

Mr. Zheng Jianping (鄭堅平), aged 59, joined the Company in December 2019. At present, he is an independent non-executive Director of the Company, a director, executive vice president, managing director, and head of Investment Bank Department of Huizhi International Capital Holdings Co., Limited (匯智國際金融控股有限公司). Mr. Zheng Jianping had worked as the executive officer of Investment Bank Department of Rothschild at London and Singapore from September 1994 to February 2002; and was a director of Rothschild China and Rothschild Hong Kong Limited from February 2002 to May 2002; served as a director of ICEA (工商東亞有限公司) from June 2002 to August 2003; he held various positions at Investment Banking division of HSBC (滙豐銀行), such as a director, managing director, and head of Resources and Energy Group for Asia Pacific from September 2004 to September 2008; served as a partner, senior managing director, head of Greater China Advisory of the Blackstone Group from October 2008 to April 2011; served as managing director, head of China M&A, Investment Banking Division of Citigroup Group from July 2011 to April 2015; served as a director, executive vice president, managing director and head of the Investment Bank Department of Huizhi International Capital Holdings Co., Limited since October 2015; he serves as an independent non-executive Director of the Company since December 2019. Mr. Zheng Jianping graduated from Shanghai Jiao Tong University with a bachelor's degree in computer science in July 1985; he graduated from Shanghai Jiao Tong University with a master's degree in computer science in January 1988.

Directors, Supervisors, Senior Management and Staff

Mr. Chen Hua (陳華), aged 55, joined the Company in March 2022. At present, he is an independent non-executive director of the Company. He serves as the director of the Institute of Contemporary Finance of Shandong University of Finance and Economics* (山東財經大學當代金融研究所), professor and doctoral supervisor of Shandong University of Finance and Economics (山東財經大學). He also serves as an independent non-executive director of Champion Alliance International Holdings Limited (stock code: 01629.HK), an independent non-executive director of Shandong State-owned Assets Investment Holdings Co., Ltd. (山東省國有資產投資控股有限公司), and an independent non-executive director of Jining Hongrun Food Co., Ltd. (濟寧鴻潤食品股份有限公司) (stock code: 872568.NEEQ), an independent non-executive director of Impulse (Qingdao) Health Tech Co., Ltd. (青島英派斯健康科技股份有限公司) (stock code: 002899.SZ), an independent non-executive director of Bank of Rizhao Co., Ltd. (日照銀行股份有限公司), a council member of the Insurance Society of China, an executive council member of the Shandong Provincial Economic Society and a council member of the Shandong Finance Society. Mr. Chen Hua served as the chief of planning section in Qufu Sub-branch (曲阜支行) and Jining Branch (濟寧分行) of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司) from July 1989 to December 1999; served as the deputy director of Wenshang County Sub-branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司汶上縣支行) from January 2000 to August 2001; served as the manager of the risk department in Jining Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司濟寧分行) from August 2001 to August 2002; served as the director of the Institute of Finance and Taxation of Shandong School of Economics (山東經濟學院財稅金融研究所) from March 2005 to October 2011; served as the director of the Economic Research Center of Shandong University of Finance and Economics (山東財經大學經濟研究中心) from October 2011 to October 2014; serves as the director of the Institute of Contemporary Finance of Shandong University of Finance and Economics (山東財經大學當代金融研究所) since November 2014; served as an independent non-executive director of Bank of Qingdao Co., Ltd. (stock code: 03866.HK) from July 2015 to July 2021; serves as an independent non-executive director of Shandong State-owned Assets Investment Holdings Co., Ltd. (山東省國有資產投資控股有限公司) since May 2018; serves as an independent non-executive director of Champion Alliance International Holdings Limited since May 2019; serves as an independent non-executive director of Jining Hongrun Food Co., Ltd. (濟寧鴻潤食品股份有限公司) since October 2020; serves as an independent non-executive director of Impulse (Qingdao) Health Tech Co., Ltd. (青島英派斯健康科技股份有限公司) since July 2021; and serves as an independent non-executive director of Bank of Rizhao Co., Ltd. (日照銀行股份有限公司) since July 2021; and he serves as an independent non-executive Director of the Company since March 2022. Mr. Chen Hua graduated from Southwestern University of Finance and Economics (西南財經大學) with a bachelor's degree in statistics in July 1989; graduated from Shandong University (山東大學) with a master's degree in operational research and control sciences in December 2001; graduated from Soochow University (蘇州大學) with a doctorate degree in finance in June 2005; and studied at the Postdoctoral Station of Applied Economics of the Institute of Fiscal Science of the Ministry of Finance (財政部財政科學研究所應用經濟學博士後流動工作站) from November 2011 to April 2012 and successfully graduated from the station with passing grade.

Directors, Supervisors, Senior Management and Staff

Mr. Luo Xinhua (羅新華), aged 57, joined the Company in June 2022. At present, he is an independent non-executive Director of the Company, and a professor in the accounting department, school of management, Shandong University, an independent non-executive director of Shandong Huapeng Glass Co., Ltd. (a company listed on Shanghai Stock Exchange, stock code: 603021), an independent non-executive director of Jinlei Technology Co., Ltd. (a company listed on Shenzhen Stock Exchange's ChiNext, stock code: 300443), an independent non-executive director of Sansec Technology Co., Ltd.* (三未信安科技股份有限公司), an independent non-executive director of Shandong Boyuan Pharmaceutical Co., Ltd.* (山東鉑源藥業股份有限公司), an independent non-executive director of Shandong Pengda Ecological Technology Co., Ltd.* (山東鵬達生態科技股份有限公司), a partner of Ningbo Meishan Bonded Port Area Shanda Changxin Investment Management Partnership (Limited Partnership)* (寧波梅山保稅港區山大長鑫投資管理合夥企業(有限合夥)) and the general manager of Penghua (Shandong) Education Technology Co., Ltd.* (鵬華(山東)教育科技有限公司). Mr. Luo Xinhua served as a teaching assistant at the department of economics of Shandong University from July 1986 to February 1989; served as a teaching assistant in the department of economics and management, school of economics, Shandong University from February 1989 to November 1992; served as a lecturer in the department of economics and management, school of economics, Shandong University from December 1992 to July 1994; served as a lecturer at the accounting department, school of business administration, Shandong University from August 1994 to August 1998; served as associate professor at the accounting department, school of business administration, Shandong University from September 1998 to July 2000; served as associate professor at the accounting department, school of management, Shandong University from August 2000 to August 2008; served as professor at the accounting department, school of management, Shandong University since September 2008; served as a partner of Ningbo Meishan Bonded Port Area Shanda Changxin Investment Management Partnership (Limited Partnership)* since January 2017; served as an independent non-executive director of Shandong Huapeng Glass Co., Ltd. since January 2019; served as an independent non-executive director of Sansec Technology Co., Ltd.* since October 2020; served as the general manager of Penghua (Shandong) Education Technology Co., Ltd. since April 2021; served as an independent non-executive director of Jinlei Technology Co., Ltd. since December 2021; served as an independent non-executive director of Shandong Boyuan Pharmaceutical Co., Ltd. since January 2022; he serves as an independent non-executive Director of the Company since June 2022; and served as an independent non-executive director of Shandong Pengda Ecological Technology Co., Ltd. since July 2022. Mr. Luo Xinhua graduated from Jiangxi University of Finance and Economics majoring in accounting in July 1986 with a bachelor's degree; he graduated from Shandong University majoring in business management in June 2001 with a master's degree; he graduated from Huazhong University of Science and Technology majoring in business administration in December 2008 with a doctorate degree.

(II) The Supervisory Committee

Mr. An Tie (安鐵), aged 53, joined the Company in June 2020. At present, he is the chairman of the Supervisory Committee of the Company, as well as a staff representative Supervisor, the general manager of the compliance management headquarters of Zhongtai Securities Co., Ltd. Mr. An Tie served in succession as the director of the trust department and the deputy general manager of the securities clearing department of Qilu Trust and Investment Co., Ltd. in Shandong Province (山東省齊魯信託投資股份有限公司) from July 1997 to May 2001; served in succession as the person in charge of the clearing center and the general manager of the securities business department of Zhongtai Securities Co., Ltd. from May 2001 to December 2004; served as the general manager of the audit department of Zhongtai Securities Co., Ltd. from January 2005 to January 2010; served as a staff representative Supervisor, the general manager of the audit department of Zhongtai Securities Co., Ltd. from January 2010 to May 2017; served as a member of the disciplinary committee of Zhongtai Securities Co., Ltd. from January 2010 to August 2020; served as a staff representative Supervisor, the general manager of the compliance management headquarters of Zhongtai Securities Co., Ltd. since May 2017; served as the Supervisor of the Company since June 2020; and served as the chairman of the Supervisor Committee of the Company since November 2020. Mr. An Tie graduated from Shandong University (山東大學) majoring in archive management and obtained a college diploma in July 1989; graduated from Shandong Cadre Correspondence University (山東幹部函授大學) majoring in economic management, and obtained a diploma of bachelor's degree in June 1997; completed his courses majoring in monetary banking in Chinese Academy of Social Sciences (中國社會科學院) in July 1999; and graduated from Asia International Open University (Macau) (亞洲(澳門)國際公開大學) majoring in business management and obtained a master degree in April 2008.

Mr. Ding Jian (丁健), aged 48, joined the Company in February 2023. At present, he is a Supervisor of the Company, and serves as the manager of the asset operation department of Jinan Energy Investment Co., Ltd. Mr. Ding Jian served in session as an employee and vice departmental manager of the planning and finance of Jinan Energy Investment Co., Ltd. from July 1998 to September 2017; was temporarily transferred to the Seventh Inspection Team of Jinan Municipal Committee as a helper from September 2017 to August 2018; worked as an employee of the asset department of Jinan Energy Investment Co., Ltd. from August 2018 to April 2022; serves as the manager of the asset operation department of Jinan Energy Investment Co., Ltd. since April 2022; he serves as a Supervisor of the Company since February 2023. Mr. Ding Jian graduated from Shandong Economics School (山東經濟學院) with a bachelor degree in accounting in July 1998.

Directors, Supervisors, Senior Management and Staff

Mr. Liu Pu (劉普), aged 51, joined the Company in April 2007. At present, he is a staff representative Supervisor and served as the general manager of the Audit Department of the Company. Mr. Liu Pu served as an employee of the chain factory of Taian Automotive Hoisting Machinery Factory (泰安汽車起重機總廠) from July 1989 to November 1993; served in session as a dealer of Taian Sales Office, financial officer of Shanghai Sales Office and chief accountant of Taian Sales Office of Taian Trust and Investment Corporation (泰安市信託投資公司) from November 1993 to May 2001; served as financial officer of Shanghai Sales Office and chief accountant of Shanghai accounting center of Qilu Securities Co., Ltd. from May 2001 to April 2007; served as general manager of the Audit Department of the Company from April 2007 to May 2011; served as director of office of the Company from June 2008 to March 2009; served as a staff representative Supervisor of the Company from November 2008 to December 2012; served as the secretary general of Shandong Futures Association from September 2010 to August 2013; served as employee and general manager of IB business service department of the Company from October 2013 to June 2016; served as administrative head of branch service department of headquarters of operation management of the Company from June 2016 to August 2019; served as staff representative Supervisor of the Company since April 2019; worked as an employee in the office of the Board of the Company from August 2019 to December 2019; served as general manager of the Audit Department of the Company since December 2019. Mr. Liu Pu graduated from Shandong University of Science and Technology majoring in accounting and obtained a bachelor degree in July 2004. Mr. Liu Pu obtained the qualification of intermediate economist issued by the Ministry of Personnel in November 1999; and obtained the qualification of intermediate accountant issued by Ministry of Finance in May 2005.

Directors, Supervisors, Senior Management and Staff

(III) Senior Management

Mr. Liu Qingbin (劉慶斌), aged 53, joined the Company in May 2014. At present, he is a member of the party committee and the general manager of the Company. He is also a member of the fifth session of the Council of China Futures Association (中國期貨業協會) and a deputy director of the Legal Committee under China Futures Association, a member of the Talent Development Committee of China Futures Association, a member of Trading Committee of Dalian Commodity Exchange (大連商品交易所), the deputy director of the Variety Committee of Zhengzhou Commodity Exchange (鄭州商品交易所), the director of the Metal Variety Committee of Shanghai Futures Exchange (上海期貨交易所). Mr. Liu Qingbin served as an employee of Jinan First Machine Tool Plant (濟南第一機床廠) from July 1992 to July 1997; served as a section member of Jinan Securities Administration Office (濟南證券管理辦公室) from July 1997 to August 1998; served as a section member, deputy principal section member of Department of Integration, deputy principal section member and principal section member of Department of Intermediary Supervision of Jinan Securities Administration Office of China Securities Regulatory Commission (the "CSRC") in succession from August 1998 to March 2004; served as a principal section member and the deputy director of Institutional Supervision Division, and deputy director and director of Futures Supervision Division of the Shandong Regulatory Bureau of the CSRC (中國證監會山東監管局) in succession from March 2004 to August 2008; served as a department cadre and the director of company supervision department I of Futures Supervision Division, and director of the audit office and director of the general office of director of Futures Supervision Division II of the CSRC in succession from August 2008 to April 2014; served as the secretary to the party committee of the Company from July 2014 to August 2016; served as the chairman of Luzheng Trading Co., Ltd. from August 2015 to March 2020; served as a director of ZHONGTAI HUIRONG INVESTMENT (HK) COMPANY LIMITED from August 2015 to July 2020; has been a member of the party committee and the general manager of the Company since August 2016; served as the chairman of Shandong Futures Association from August 2017 to February 2023; has been the director of the Metal Variety Committee of Shanghai Futures Exchange since August 2018; has been a member of the Council under China Futures Association since September 2018; has been a supervisor of Shandong Financial Industry Federation since March 2019; has been a member of the trading committee of Dalian Commodity Exchange since July 2019; has been the deputy director of the Variety Committee of Zhengzhou Commodity Exchange since June 2020; has been the deputy director of the Legal Committee of the Council of China Futures Association since May 2021; has been a member of the Talent Training Committee of China Futures Association since December 2021. Mr. Liu Qingbin graduated from Luoyang Institute of Technology (洛陽工學院) majoring in marketing and obtained a bachelor's degree in June 1992. Mr. Liu Qingbin obtained the qualification of certified public accountant issued by the Institute of Certified Public Accountants of Shandong Province (山東省註冊會計師協會) in December 2005, and obtained the qualification of senior economist issued by the High Review Commission of Professional Title in Economics of Shandong Province (山東省經濟專業職務高級評審委員會) in February 2005.

Directors, Supervisors, Senior Management and Staff

Mr. Liu Yunzhi (劉運之), aged 53, joined the Company in January 2007. At present, he is a member of the party committee, the deputy general manager, the person in charge of financial affairs and chairman of the labour union of the Company, as well as the chairman of the board of directors of LUZHENG INTERNATIONAL HOLDING LIMITED, a council member of China Starch Industry Association, a council member of the corn starch branch of China Starch Industry Association, a council member of Yongxing County Gold and Silver Association, and a council member of Shandong Chlor-alkali Industry Association. Mr. Liu Yunzhi served as a head of the Securities Audit of the Auditing Firm of the Audit Office of Shandong Province (山東省審計廳審計師事務所) from July 1993 to December 1999; served as a director and the manager of the Securities Audit in Shandong Shenyuan CPA LLP (山東申元有限責任會計師事務所) from January 2000 to May 2001; served as the deputy senior accountant and the manager of the Securities Audit of Shandong Zhengyuan Hexin (Limited) Certified Public Accountants (山東正源和信有限責任會計師事務所) from June 2001 to January 2002; served as the deputy general manager of the planning and finance department of Qilu Securities Co., Ltd. from January 2002 to January 2007; worked in the Company as a proposed leader from January 2007 to October 2007; served as the general manager of the Company's Jinan sales office from October 2007 to July 2008; served as the Deputy General Manager of the Company since January 2008; and served as the person in charge of financial affairs of the Company since December 2008; has served as a member of the Party Committee and chairman of the labour union since December 2009; served as a director of Luzheng Trading Co., Ltd. from April 2013 to August 2019; served as secretary of the Board of Directors of the Company from January 2018 to June 2019; served as a non-executive director of Jinova S.A from July 2019 to October 2021; served as a director of LUZHENG INTERNATIONAL HOLDINGS LIMITED since August 2019, and served as the chairman of the board of directors of LUZHENG INTERNATIONAL HOLDINGS LIMITED since September 2019; served as a council member of Yongxing County Gold and Silver Association since January 2021; served as a council member of China Starch Industry Association and a council member of the corn starch branch of China Starch Industry Association since June 2021; served as a council member of Shandong Chlor-alkali Industry Association since February 2022. Mr. Liu Yunzhi graduated from Jiangxi University of Finance and Economics (江西財經大學) majoring in auditing and obtained a bachelor degree in July 1993, and graduated from Asia International Open University (Macau) with a master degree majoring in business administration in April 2008. Mr. Liu Yunzhi obtained the qualification of asset valuer issued by the Ministry of Finance in October 1999; obtained the qualification of senior auditor issued by the High Review Commission of Professional Title in Auditing of Shandong Province (山東省審計專業資格高級評審委員會) in May 2002; obtained the qualification of certified public account issued by the Institute of Certified Public Accountants of Shandong Province in December 2009.

Directors, Supervisors, Senior Management and Staff

Ms. Ji Qihong (季秋紅), aged 50, joined the Company in February 2014. At present, she is the deputy general manager of the Company. Ms. Ji Qihong worked as a technician in the transportation and marketing company of Jinan Headquarters of Shandong Petroleum Group from July 1992 to July 1995; she served as an assistant engineer in the transportation and marketing company of Jinan Headquarters of Shandong Petroleum Group from July 1995 to June 1998; served as a clerk in the securities management office of Shandong Province from June 1998 to October 1999; served as a clerk in the inspection division, a deputy chief clerk in the inspection division, a deputy chief clerk and, a chief clerk in the Institutional Supervision Division of Jinan Securities Regulatory Office of the China Securities Regulatory Commission from October 1999 to March 2004; served as a chief clerk, an assistant researcher and deputy director of the Institutional Supervision Division, deputy director, a researcher of the futures regulatory office of Shandong Supervision Bureau of China Securities Regulatory Commission, a researcher in the Institutional Supervision division of Shandong Supervision Bureau of China Securities Regulatory Commission, a researcher in the Party Affairs Office (Discipline Inspection and Supervision division) of Shandong Supervision Bureau of China Securities Regulatory Commission from March 2004 to February 2014; worked as an employee of the Company from February 2014 to September 2014; served as the chief risk officer of the Company from September 2014 to September 2018, during this time she also served as the general manager of the Audit Department from September 2014 to July 2016 and the general counsel of the Company from December 2014 to July 2018; recommended by the Company, she worked for the Shandong Futures Association and was a candidate for the vice-chairman (full-time) of the Shandong Futures Association from September 2018 to December 2018; served as the vice chairman (full-time) of Shandong Futures Association from December 2018 to February 2023; served as the deputy secretary of the Party branch of Zhongtai Huirong Capital from June 2022 to February 2023; served as deputy general manager of the Company since January 2023. Ms. Ji Qihong graduated from Shandong University in July 1992, majoring in applied chemistry, with a junior college degree. She graduated from Shandong University with a bachelor's degree degree in chemistry in July 1996; graduated from Shandong University with a master's degree in civil and commercial law in December 2008. She obtained the qualification of a senior economist issued by Shandong Economic Professional Post Senior Appraisal Committee in December 2004, and obtained the qualification of CPA issued by Shandong Institute of Certified Public Accountants in December 2009.

Directors, Supervisors, Senior Management and Staff

Mr. Liu Tong (劉通), aged 43, joined the Company in November 2007. At present, he is deputy general manager of the Company, the general manager of the wealth management department, the secretary of the third party branch, and the director of Zhongtai Huirong Capital Investment Co., Ltd. Mr. Liu Tong worked as a project manager in Inspur Software Co., Ltd. (浪潮軟件股份有限公司) from July 2002 to June 2005; worked as a project manager in Beijing Zhongruan Shiji Software Technology Co., Ltd from September 2005 to July 2007; worked as an employee, supervisor and deputy general manager in the information technology department of the Company from November 2007 to July 2013; served as the deputy general manager of the risk control settlement department (in charge of work) from July 2013 to April 2015; served as the general manager of the risk control and settlement department from April 2015 to June 2016; and served as the general manager of the retail business department from November 2015 to June 2016; served as the administrative head of the operation management headquarters from June 2016 to September 2021, and served as the general manager of the marketing management department from March 2021 to July 2021, and served as the general manager of the wealth management department since July 2021; served as assistant to the general manager in the Company from September 2021 to February 2023; served as a director of Zhongtai Huirong Capital Investment Co., Ltd. since March 2020; served as the secretary of the third party branch in the Company since January 2022; served as deputy general manager of the Company since February 2023. Mr. Liu Tong graduated from Shandong University with a bachelor's degree in Automation in July 2002. Mr. Liu Tong obtained the title of assistant engineer issued by the preliminary engineering technical evaluation committee of Inspur Group Co., Ltd. in January 2004.

Mr. Zhao Dong (趙東), aged 36, joined the Company in September 2010. At present, he is the deputy general manager of the Company and the general manager of Jinan Branch. Mr. Zhao Dong worked as an intermediary in Qilu Futures Brokerage Co., Ltd. from May 2005 to April 2007; worked as an intermediary in Jinan Sales Office of the Company from April 2007 to September 2010; he worked as an employee of Jinan Sales Office and Guangzhou Sales Office from September 2010 to June 2017; served as the general manager of Jinan Sales Office from June 2017 to February 2020; served as the general manager of Jinan Branch since February 2020; served as assistant to the general manager in the Company from September 2021 to February 2023; served as deputy general manager of the Company since February 2023. Mr. Zhao Dong graduated from Shandong Radio and TV University in January 2014 with a junior college degree in business management, and graduated from Henan Normal University with a bachelor's degree in exhibition management in June 2015.

Directors, Supervisors, Senior Management and Staff

Mr. Wang Hongkan (王洪刊), aged 35, joined the Company in April 2013. At present, he is a deputy general manager of the Company. He also serves as the chairman of Zhongtai Huirong Capital Investment Co., Ltd., the secretary of the Party branch of Zhongtai Huirong Capital Investment Co., Ltd., a director of ZHONGTAI HUIRONG INVESTMENT (HK) COMPANY LIMITED, a member of the Derivatives Dealer Committee of the fifth Council of China Futures Association, a member of the third Committee of the National Youth Federation of Financial Systems, and a cooperative postgraduate tutor of Shandong University. Mr. Wang Hongkan worked as an assistant analyst in Jinan Sales Office in Yong'an Futures Co., Ltd. from February 2013 to March 2013; worked as an employee of the Research Institute in the Company from April 2013 to February 2014; worked as an employee in the OTC Derivatives Department of the Company From February 2014 to April 2015; served as deputy general manager of the OTC derivatives department of the Company from April 2015 to July 2015; served as a deputy general manager of the OTC derivatives department of the Company (in charge of work) from July 2015 to June 2018 and served as secretary to the third party branch of the Company from December 2017 to May 2020; served as the general manager of the OTC derivatives department of the Company from June 2018 to August 2018; served as the general manager of the OTC business department of Zhongtai Huirong Capital from August 2018 to February 2023; served as the executive deputy general manager of Zhongtai Huirong Capital from March 2020 to February 2023; served as the general manager of product innovation department of Zhongtai Huirong Capital from May 2020 to February 2023 and as the secretary of the Party branch of Zhongtai Huirong Capital since May 2020; served as deputy general manager of the Company sine February 2023 and the chairman of Zhongtai Huirong Capital since February 2023; served as a director of ZHONGTAI HUIRONG INVESTMENT (HK) COMPANY LIMITED since July 2020; served as a member of the derivatives dealers committee of the 5th Council of China Futures Association and a member of the third council of the National Youth Federation of Financial Systems since February 2019; served as a cooperative postgraduate tutor at Shandong University since December 2021. Mr. Wang Hongkan graduated from Qufu Normal University with a bachelor's degree in mathematics and applied mathematics in July 2010. He graduated from Zhejiang Gongshang University with a master's degree in statistics in January 2013.

Mr. Meng Xianqian (孟現成), aged 46, joined the Company in December 2021. At present, he serves as the Company's chief risk officer, general counsel, general manager of the compliance and risk control department, and serves as a director of Zhongtai Huirong Capital. Mr. Meng Xianchang worked as a trainee lawyer in Shandong Luzhong Law Firm (山東魯中律師事務所) from December 1998 to November 2003; worked as a practicing lawyer in Beijing Tianduo Law Firm (北京天鐸律師事務所) from November 2003 to August 2009; worked as a senior manager in the Risk Control and Compliance Department, senior deputy manager, assistant general manager and deputy general manager in the compliance management headquarters of in Zhongtai Securities Co., Ltd. (previously known as Qilu Securities Co., Ltd.) from August 2009 to December 2021; served as the general counsel of the Company since December 2021, and served as the general manager of the compliance and risk control department since January 2022; serves as a director of Zhongtai Huirong Capital since January 2022; served as the chief risk officer of the Company since February 2023. Mr. Meng Xianchang graduated from Shandong University in October 1998 with a junior college degree in laws. He graduated from Shandong University with a bachelor's degree in law in December 2004. Mr Meng Xiantian obtained the lawyer qualification certificate issued by the Ministry of Justice in July 2001.

Directors, Supervisors, Senior Management and Staff

Mr. Pei Yingjian (裴英劍), aged 49, joined the Company in November 2006. At present, he is the chief information officer and information technology director of the Company, and serves as an executive director of Luzheng Information Technology Co., Ltd. He is a member of the 5th Information Technology Committee of China Futures Association, vice president of Shandong Big Data Research Association, and member of the external technical expert committee of Shanghai Financial Futures Information Technology Co., Ltd. Mr. Pei Yingjian served in succession as an employee and manager of technology department of Tianjin securities department of Yingda Trust Co., Ltd. (英大信託有限公司) from September 1994 to August 1998; served as the director of the securities department of Shandong International Trust Co., Ltd (山東省國際信託股份有限公司) from August 1998 to May 2001; served as the director of information and technology department of Qilu Securities Co., Ltd. from May 2001 to November 2006; held several positions in succession in the Company from November 2006 to April 2015, including an employee of the information and technology department and general manager of information and technology department; serves as the information technology director of the Company since July 2010, and served as a deputy general manager of the Company from July 2012 to February 2023; served as an executive director of Luzheng Information Technology since February 2015; served as the chairman of the supervisory committee of Shandong Exchange Markets Clearing House Co., Ltd. from September 2016 to November 2022; served as the vice president of Shandong Big Data Research Association since October 2017; served as a member of the Information Technology Committee of the Council of China Futures Association since February 2019; served as a member of the external technical expert committee of Shanghai Financial Futures Information Technology Co., Ltd. since June 2020 ;served as the chief information officer of the Company since February 2023. Mr. Pei Yingjian graduated from Jinan Machinery University for Employees (濟南機械職工大學) majoring in foreign trade and economy, and obtained the college diploma in July 1994; and graduated from Asia International Open University (Macau) (亞洲(澳門)國際公開大學) majoring in business management and obtained a master degree in April 2008. Mr. Pei Yingjian obtained the qualification of engineer issued by Intermediate Review Committee of Shandong Provincial Economic and Trade Commission for Engineering Technology Titles (山東省經濟貿易委員會工程技術職務中級評審委員會) in November 2005.

(IV) Joint Company Secretaries

As at the date of this Report, Mr. Liang Zhongwei and Dr. Ngai Wai Fung are joint company secretaries of the Company. For the biography of Mr. Liang Zhongwei, please refer to “(1) Board of Directors” in this section.

Dr. Ngai Wai Fung is a joint company secretary of the Company. He currently serves as Director and Group Chief Executive Officer of SWCS Corporate Services Group (Hong Kong) Limited (a professional corporate service provider). Dr. Ngai has over 30 years of professional practice and senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in respect of finance, accounting, internal control and regulatory compliance, corporate governance and company secretarial work for listed issuers including major red chips companies.

Dr. Ngai Wai Fung is an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants in the United Kingdom and a member of The Chartered Institute of Arbitrators.

Dr. Ngai Wai Fung holds a bachelor's degree (Honours) in Law from the University of Wolverhampton, a Master of Business Administration from Andrews University, a Master of Corporate Finance from Hong Kong Polytechnic University, and a doctorate of economics from the Shanghai University of Finance and Economics.

II. CHANGE OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

During the Reporting Period, Mr. Gao Zhu and Mr. Wang Chuanshun ceased to serve as independent non-executive Directors of the Company on 10 March 2022; Mr. Chen Hua was appointed as an independent non-executive Director of the Company on 10 March 2022; Mr. Wang Xinyu was appointed as an independent non-executive Director of the Company on 10 March 2022 and ceased to serve as an independent non-executive Director of the Company with effect from 14 March 2022; Mr. Liu Xinyi ceased to serve as a non-executive Director of the Company with effect from 31 May 2022, Mr. Zheng Hanyin was appointed as a non-executive Director of the Company on 31 May 2022; Mr. Luo Xinhua was appointed as an independent non-executive Director of the Company on 22 June 2022.

During the Reporting Period, Mr. Hu Yuyue ceased to serve as the Supervisor of the Company with effect from 28 April 2022; Mr. Yu Xuehui ceased to serve as the Supervisor of the Company with effect from 13 June 2022.

During the Reporting Period, there was no change in the senior management of the Company.

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Remuneration system and decision-making process of Directors, Supervisors and senior management

The remuneration of staff representative Directors and Supervisors of the Company shall be determined according to be the relevant internal remuneration management system of the Company, and decided by the senior management of the Company; the remuneration plan of external Directors and Supervisors shall be proposed by the Remuneration and Appraisal Committee, and reviewed and decided by the general meetings of the Company; the remuneration plan of the senior management shall be proposed by the Remuneration and Appraisal Committee, and decided by the Board of Directors.

(II) Basis for confirmation of remuneration of Directors, Supervisors and senior management

The remuneration of staff representative Directors and Supervisors of the Company shall be confirmed according to their labor contract with the Company, as well as the combination of the Company's business performance, job responsibilities, job performance and market environment and other factors.

The remuneration of the external Directors and Supervisors of the Company shall be proposed by the Remuneration and Appraisal Committee according to the prevailing market rates in the industry, and shall be implemented after approval by the general meetings of the Company. During the Reporting Period, the allowance standards of independent non-executive Directors, independent Supervisors and other external Directors and Supervisors of the Company shall be RMB100,000/year (after tax), RMB60,000/year (after tax) and RMB40,000/year (after tax), respectively.

The remuneration, rewards and punishments of the senior management of the Company shall be resolved by the Board of Directors and confirmed by the assessment and award colligation mechanism plan of the Company.

Directors, Supervisors, Senior Management and Staff

(III) Long-term incentive scheme or share scheme

The Company currently has no implementation of any long-term incentive scheme or share scheme.

(IV) Remuneration information of Directors, Supervisors and senior management

1. Remuneration information of Directors and Supervisors

Please refer to Note XVII of the consolidated financial statements of this Report for details.

2. Remuneration information of senior management

Please refer to “IX. Other Relevant Matters (viii) Remuneration of the Senior Management” of Chapter XI of this Report for details.

IV. STAFF AND REMUNERATION

Please refer to “IV. Employees Structure, Remuneration and Training” of Chapter VI of this Report for details.

Significant Events

I. MATERIAL LITIGATIONS AND ARBITRATIONS

During the Reporting Period, the Company was not involved in any material legal litigations and arbitrations.

II. SIGNIFICANT ACQUISITIONS, REORGANISATIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group was not engaged in any material acquisitions, reorganisations or disposals of subsidiaries, associates and joint ventures.

III. CONNECTED TRANSACTIONS

(I) Connected transactions

During the Reporting Period, transactions between the Company and our connected persons constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

(II) Connected persons

During the Reporting Period, the Company has entered into certain transactions in its ordinary and usual course of business with the following connected persons:

- **Zhongtai Securities**

Zhongtai Securities was established under the laws of the PRC in May 2001 with a registered capital of approximately RMB6.9686258 billion. Its principal businesses include securities brokerage, securities underwriting and sponsorship, and proprietary trading of securities and etc. As at the end of the Reporting Period, Zhongtai Securities owned approximately 63.10% of the total issued share capital of the Company, and is therefore a Controlling Shareholder and a connected person of the Company.

- **Associates of Zhongtai Securities (excluding the Group)**

As associates of Zhongtai Securities (excluding the Group), including the subsidiaries of Zhongtai Securities and the companies in which Zhongtai Securities holds 30% or more of the equity interest (for instance, Zhongtai Securities (Shanghai) Asset Management Co., Ltd., Wanjia Funds Management Co., Ltd. and Zhongtai International Finance Limited), are associates of Zhongtai Securities as defined under Chapter 14A of the Listing Rules, they are connected persons of the Company.

Significant Events

- **Shandong Steel**

Shandong Steel was established under the laws of the PRC in March 2008 with a registered capital of RMB11,192.989834 million. It is primarily engaged in the production and sale of steel products such as steel and steel billets and etc. Shandong Steel owned 100.00% equity interest in Laiwu Steel. On 29 July 2022, the Company was informed that, Zhongtai Securities received the “Transfer Registration Confirmation issued by China Securities Depository and Clearing Co., Ltd”(《中國證券登記結算有限責任公司過戶登記確認書》) forwarded by Laiwu Steel and Shandong Energy, respectively. The share transfer in relation to the reorganisation was completed on 28 July 2022. Laiwu Steel used to hold approximately 46.37% of the equity interest in Zhongtai Securities, the Controlling Shareholder of the Company, and after the completion of the equity restructuring of Zhongtai Securities, Laiwu Steel directly holds 15.00% of the equity interest in Zhongtai Securities. The indirect controlling shareholder of the Company was changed from Laiwu Steel to Zaozhuang Mining. Zaozhuang Mining is a subsidiary of Shandong Energy. Therefore, as at the end of the Reporting Period, Shandong Steel and Laiwu Steel ceased to be controlling shareholders and connected persons of the Company.

- **Associates of Shandong Steel (excluding the Group)**

Before the equity reorganization of Zhongtai Securities, the associates of Shandong Steel (excluding the Group) included the subsidiaries of Shandong Steel and the companies of which 30% or more equity interest were owned by it (such as Laiwu Steel, Zhongtai Securities and their respective subsidiaries), and are defined as the associates of Shandong Steel under Chapter 14A of the Listing Rules. Upon completion of the equity reorganisation of Zhongtai Securities, Shandong Steel’s associates (excluding the Group) also ceased to be connected persons of the Company as Shandong Steel ceased to be connected person of the Company.

- **Shandong Energy**

Shandong Energy was incorporated in the PRC on 16 December 2010, and mainly engages in coal, coal electricity, coal chemical industry, high-end equipment manufacturing, new energy and new materials, modern logistics trade and other businesses. As at the end of the Reporting Period, Shandong Energy was the controlling shareholder of Zhongtai Securities, indirectly holding approximately 63.10% of the shares in the Company, and therefore is a Controlling Shareholder and a Connected Person of the Company..

- **Associates of Shandong Energy(excluding the Group)**

Associates of Shandong Energy (excluding the Group), including the subsidiaries of Shandong Energy and the companies in which Shandong Energy holds 30% or more of the equity interest (including but not limited to New Minerals International Trading Limited* (新礦國際貿易有限公司) (“NMIT”), are associates of Shandong Energy as defined under Chapter 14A of the Listing Rules, they are connected persons of the Company.

The following transactions between each of the connected persons and the Company, which have been entered into in the ordinary and usual course of business on a continuing basis, will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(III) Continuing connected transactions

1. Continuing connected transactions relating to Zhongtai Securities and/or its associates

Financial Services Framework Agreement

The Company entered into the Financial Services Framework Agreement with Zhongtai Securities on 10 May 2021 (after trading hours) and proposed the annual caps for 2022, 2023 and 2024 under the Financial Services Framework Agreement. Pursuant to the agreement, Zhongtai Securities and/or its associates will regularly provide various financial services to the Group, mainly including the IB services, asset management schemes, securities brokerage and other financial services. The term of the Financial Services Framework Agreement is three years with effect from 1 January 2022 and will expire on 31 December 2024. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions over the next three years. For details, please refer to the circular of the Company dated 28 May 2021.

- A. Acceptance of IB services provided by Zhongtai Securities and/or its associates: Zhongtai Securities and/or its associates will provide IB services to the Company in the ordinary and usual course of business of the Company to introduce potential customers to the Company's futures brokerage business;
- B. Purchase of the Asset Management Schemes in which Zhongtai Securities and/or its associates act as the manager: The Company will purchase the asset management schemes in which Zhongtai Securities and/or its associates act as the manager in the ordinary and usual course of business on a continuing basis; and
- C. Securities Brokerage and other Financial Services: Zhongtai Securities and/or its associates will provide securities brokerage and other financial services to the Company in the ordinary and usual course of business of the Company on a continuing basis.

Significant Events

The summary of the transactions conducted with Zhongtai Securities and/or its associates under the Financial Services Framework Agreement as at the end of the Reporting Period are set out in the following table:

Nature of transaction	Amounts for the year ended 31 December 2022 (RMB' 000)	Proposed annual caps for the year ended 31 December 2022 (RMB' 000)
A. Acceptance of IB Services Provided by Zhongtai Securities and/or its associates Commissions charged by Zhongtai Securities and/or its associates for provision of IB services to the Group	9,718.1	26,000
B. Purchase of Asset Management Schemes from Zhongtai Securities and/or its associates Maximum daily amount invested	160,000	234,000
Asset Management Fees charged by Zhongtai Securities and/or its associates	670	3,510
C. Securities Brokerage and other Financial Services Commissions charged by Zhongtai Securities and/or its associates	9.9	1,260
Total Commissions charged by Zhongtai Securities and/or its associates on the Group	10,398	30,770

Financial Services Framework Agreement

A. *Acceptance of IB services provided by Zhongtai Securities and/or its associates*

Principal terms:

In the Company's ordinary and usual course of business, Zhongtai Securities and/or its associates provide IB services to the Company, and introduces potential clients to the Company for participation in the Company's futures brokerage businesses. In addition, Zhongtai Securities and/or its associates will also provide the following services to such clients introduced to the Company: (i) assisting such clients in opening accounts; (ii) the provision of latest market information about futures, option and other derivative markets as well as trading facilities to such clients; (iii) assisting such clients in risk control and management; and (iv) other related financial services. Zhongtai Securities and/or its associates will charge commissions on the Company for the provision of such IB services.

Reasons for the transaction:

The Company (as a futures company) could effectively share the relatively abundant customer resources of Zhongtai Securities and/or its associates through the acceptance of IB services provided by Zhongtai Securities (as a securities company). Besides, both Zhongtai Securities and the Company could effectively achieve synergies while enhancing the Company's customer service capabilities as well as increasing operating income. In addition, Zhongtai Securities and/or its associates have been providing IB services to the Company for consecutive years and have developed a deep understanding of the Company's business needs. As such, the continuous provision of such services by Zhongtai Securities and/or its associates to the Company will foster the development of the Company's futures brokerage business.

Pricing terms:

- (1) The commission charged by Zhongtai Securities and/or its associates for the provision of IB services to the Company will be 60% of the handling fee income generated from such clients introduced by Zhongtai Securities and/or its associates (the "Commission Split"). Based on the enquires on futures commission splits made to other futures companies which conduct IB services with securities companies, the Company is of the opinion that the Commission Split of 60% falls within the reasonable market range and is in line with market practice;
- (2) The handling fee income equals the handling fee received from such clients, with deduction of the trading and clearing fees paid to the futures exchanges in the PRC, including but not limited to, Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange, China Financial Futures Exchange and Shanghai International Energy Exchange; and
- (3) The Commission Split of 60% has been determined based on arm's-length negotiation between Zhongtai Securities and the Company with reference to the prevailing market commission rates for similar IB businesses and on normal commercial terms, and is in line with market practice.

B. Purchase of the Asset Management Schemes in which Zhongtai Securities and/or its associates act as the manager

Principal terms:

The Company purchases asset management schemes, in which Zhongtai Securities and/or its associates act as the manager in the ordinary and usual course of business of the Group. Zhongtai Securities and/or its associates, as the manager, will invest in a certain scope of financial products with such asset management schemes. In this regard, the Company will pay management fees, subscription fees and redemption fees (as the case may be, and collectively, the "Asset Management Fees") to Zhongtai Securities and/or its associates.

Significant Events

Reasons for the transaction:

Investment in asset management schemes could enhance the Group's investment return and, as compared with other investment products, the return on investment in asset management schemes is relatively more stable and thus in line with the Group's risk control requirements. In addition, the Group has invested in various asset management schemes managed by Zhongtai Securities and/or its associates for certain consecutive years and thus has developed a better understanding of their investment strategy and performance, which could effectively foster the business cooperation between both parties and improve return on assets of the Group.

Pricing terms:

- (1) The Asset Management Fees charged by Zhongtai Securities and/or its associates as the manager of the asset management schemes are calculated by multiplying the Group's investment amounts with the Asset Management Fees rate. According to the similar transactions entered into by the Group with independent third parties in the past, the asset management fee rate is approximately 1.5%;
 - (2) For collective asset management schemes, the Asset Management Fees rate as stipulated in the collective asset management contracts is applicable to all investors participating in such plans equally and evenly, including the Group and any other independent third party investor participants. Such Asset Management Fees rate is also comparable to the prevailing market rate for collective asset management schemes issued by any other independent third parties with similar size of investment; and
 - (3) For targeted asset management schemes, (a) the Asset Management Fees rate charged by Zhongtai Securities and/or its associates as the manager is comparable to, or no less favorable than, those charged by Zhongtai Securities and/or its associates on any other independent third parties for similar targeted asset management schemes; (b) such Asset Management Fees rate charged on the Group is also comparable to, or no less favorable than, the Asset Management Fees rate charged by any other independent third party managers on the Group for other similar targeted asset management schemes the Group participated in; and (c) the Asset Management Fees rate has been determined based on arm's length negotiation between Zhongtai Securities and/or its associates and the Group with reference to the prevailing market commission rates for similar targeted management schemes, on normal commercial terms, and is consistent with market practice.
- C. *Acceptance of securities brokerage and other financial services provided by Zhongtai Securities and/or its associates*

Principal terms:

As part of treasury management activities, Zhongtai Securities and/or its associates provide securities brokerage services to the Company in the ordinary and usual course of business of the Group, including but not limited to trading in securities, trading in bonds and funds, application for shares in initial public offerings and reverse repo of treasury bonds, as well as other financial services, for which Zhongtai Securities and/or its associates charge commissions on the Group.

Reasons for the transaction:

Since the Group needs to increase its return on capital through securities investment in its wealth management activities, the Group needs to conduct securities investment and other financial businesses through companies who have the necessary qualifications for engaging in securities brokerage business. The Group has cooperated with Zhongtai Securities and/or its associates for securities brokerage and other financial services for several consecutive years. Zhongtai Securities and/or its associates have developed a good understanding of the Group's needs. The Group deems it a key factor in selecting a provider of securities brokerage and other financial services.

Pricing terms:

- (1) The commissions fee rate charged by Zhongtai Securities and/or its associates for provision of securities brokerage and other financial services will be determined based on arm's length negotiation between Zhongtai Securities and/or its associates and us with reference to the prevailing market commission fee rate for similar business, and is consistent with the market practice. The average commission rate of the stock brokerage business is 0.03% (each transaction conducted will be charged a minimum commission fee of RMB5, and when the commission fee exceeds RMB5 through calculation by transaction amount times the 0.03% of commission rate, the transaction will be charged at the commission fee rate of 0.03%). Different commission fee rates are applied to the bond brokerage business provided to us by Zhongtai Securities and/or its associates, ranging from 0.001% to 0.03%, depending on different types of bonds (such as reverse repo of bonds with the term of one day or over 28 days). Such commission fee rates are also applied to independent third parties; and
- (2) The commissions fee rate charged by Zhongtai Securities and/or its associates for its provision of securities brokerage and other financial services to the Group is comparable to, or no less favorable than, the average commission fee rates on the market, and the corresponding commission fee rates are also within the range specified by respective stock exchanges in China, namely Shanghai Stock Exchange and Shenzhen Stock Exchange.

2. Continuing connected transactions with Shandong Steel and/or its associates

A. New Futures Brokerage Services Framework Agreement

On 27 November 2020, the Company entered into a Futures Brokerage Service Framework Agreement with Shandong Steel, and proposed the annual caps for 2021, 2022 and 2023 under the Futures Brokerage Services Framework Agreement to renew Continuing connected transactions under the new Futures Brokerage Services Framework Agreement. The agreement is for a period of three years, effective from 1 January 2021, and will expire on 31 December 2023. The Company has complied with the reporting and announcement requirements under Chapter 14A of the Listing Rules in respect of these continuing connected transactions, but it is exempt from the requirement of Independent Shareholders' approval. For details, please refer to the Company's announcement dated 27 November 2020.

Significant Events

The summary of commissions charged by the Group on Shandong Steel and/or its associates for provision of futures brokerage services and other relevant financial services under the Futures Brokerage Services Framework Agreement as at the end of the Reporting Period are set out in the following table:

Nature of transaction	Amounts for the year ended 31 December 2022 (RMB' 000)	Proposed annual caps for the year ended 31 December 2022 (RMB' 000)
Derivatives brokerage Commissions charged by the Group to Shandong Steel and/or its associates for provision of derivatives brokerage services	1,426.8	5,700

Principal terms:

In the ordinary and usual course of business of the Company, it provides futures brokerage and other related financial services to Shandong Steel and/or its associates. In particular, the Company executes trading of commodity and financial futures on behalf of Shandong Steel and/or its associates in return for fee (the "Futures Commissions") for such services.

Reasons for the transaction:

Both the steel production and sales business of Shandong Steel and Laiwu Steel as well as the assets management and proprietary investment business of Zhongtai Securities require hedging through futures trading. Given that the Company has extensive experience in the futures industry, Shandong Steel and/or its associates entrusted the Company to provide futures brokerage services to them. Besides, the Company continued to provide futures brokerage services to Shandong Steel and/or its associates (including but not limited to Laiwu Steel and Zhongtai Securities) during the Reporting Period. As Shandong Steel and/or its associates have a better understanding of the respective investment and capital needs of each other, the Company believes that it would be able to achieve higher return from our services provided.

Pricing terms:

- (i) The Group shall comply with the fee standards and policies promulgated by China Securities Regulatory Commission, Shenzhen Stock Exchange, Shanghai Stock Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange, Shanghai Futures Exchange, China Financial Futures Exchange and Shanghai International Energy Exchange Center from time to time for similar services (if applicable) in respect of futures commission for providing futures brokerage services and other financial services; and
- (ii) The futures commissions charged by the Group for the provision of futures brokerage services and other financial services are arrived with reference to the prevailing market commission rates and are based on the futures commission rates established by such exchanges as Shenzhen Stock Exchange, Shanghai Stock Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange, Shanghai Futures Exchange, China Financial Futures Exchange and Shanghai International Energy Trading Center plus a mark-up, and are in line with market practice.

B. Asset Management Service Framework Agreement

The Company entered into the Asset Management Service Framework Agreement with Shandong Steel on 26 April 2019 (after trading hours). The Asset Management Service Framework is for a term of three years, valid from 1 January 2020 to 31 December 2022. The continuing transactions thereunder are subject to the annual reporting requirements under Rules 14A.49 and 14A.71 of Listing Rules, and the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of Listing Rules. For details, please refer to the circular of the Company dated 29 May 2019.

The summary of asset management services provided by the Group to Shandong Steel and/or its associates under the Futures Brokerage Service Framework Agreement as at the end of the Reporting Period is set out in the following table:

Nature of transaction	Amounts for the year ended 31 December 2022 (RMB' 000)	Proposed annual caps for the year ended 31 December 2022 (RMB' 000)
Collective asset management schemes purchased by Shandong Steel and/or its associates		
Maximum daily amount invested	0	200,000
Asset management fees charged to Shandong Steel and/or its associates	0	3,000

Significant Events

Principal terms:

In the ordinary and usual course of business, Shandong Steel and/or its associates continuously purchase collective asset management schemes in which the Company acts as the manager. Being the asset manager, the Company invests in financial products of various aspects with the collective asset management schemes. As such, Shandong Steel and/or its associates shall pay Assets Management Fees to the Company.

Reasons for the transaction:

The Group commenced its operation of asset management business in January 2013. The successful launch and operation of asset management products of the Group bring actual benefits to the Company's customers, increase the Group's income of asset management business, and gain market recognition and branding effect of the asset management business. Moreover, Shandong Steel and/or its associates have actual investment demand for purchase of asset management products. As the Group is more familiar with the investment demand of Shandong Steel and/or its associates as compared with other asset management companies, the Group is expected to increase the assets return of Shandong Steel and/or its associates as well as the income of the asset management business of the Group. Also, it is expected to facilitate the business cooperation between both parties which is in the interest of the Company and the Shareholders as a whole.

Pricing terms:

- (1) as the manager of the asset management schemes, the Company charges Asset Management Fees based on the calculation of the investment amounts in the asset management schemes by Shandong Steel and/or its associates times the Asset Management Fees rate; and
- (2) For collective asset management schemes, the Asset Management Fees rate (approximately 1.5% on average) as stipulated in the collective asset management contracts is applicable to all investors participating in such plan, including Shandong Steel and/or its associates and any other independent third party investor participants. Such Asset Management Fees rate is also comparable to, or no less favorable than, the rates the Company charged any other independent third parties for comparable collective asset management schemes.

C. Bulk Commodities Sale and Purchase Framework Agreement

The Company entered into the Bulk Commodities Sale and Purchase Framework Agreement with Shandong Steel on 26 April 2019 (after trading hours). The Bulk Commodities Sale and Purchase Framework Agreement is for a term of three years, valid from 1 January 2020 to 31 December 2022. The continuing transactions thereunder are subject to the annual reporting requirements under Rules 14A.49 and 14A.71 of Listing Rules, and the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of Listing Rules. For details, please refer to the circular of the Company dated 29 May 2019.

Significant Events

The summary of transactions conducted between the Group and Shandong Steel and/or its associates under the Bulk Commodities Sale and Purchase Framework Agreement as at the end of the Reporting Period is set out in the following table:

Nature of transaction	Amounts for the year ended 31 December 2022 (RMB' 000)	Proposed annual caps for the year ended 31 December 2022 (RMB' 000)
Purchase of bulk commodities by the Group from Shandong Steel and/or its associates	461,219.9	545,000
Purchase of bulk commodities by Shandong Steel and/or its associates from the Group	20,682.3	290,000

Principal terms:

In the Group's ordinary and usual course of business, Zhongtai Huirong Capital purchases bulk commodities, including but not limited to, hot rolled wide steel plates from Shandong Steel and/or its associates and pays the consideration; Shandong Steel and/or its associates purchase raw materials, including but not limited to, coke and iron ores from Zhongtai Huirong Capital and pay the consideration.

Reasons for the transaction:

For the purchases of bulk commodities, including but not limited to, hot rolled wide steel plates by Zhongtai Huirong Capital from Shandong Steel and/or its associates, when bulk commodity price fluctuates and trading opportunities in the market arise, Zhongtai Huirong Capital may be entrusted by downstream traders and may on its own initiative purchase bulk commodities including hot rolled steel plates and rebars. Zhongtai Huirong Capital intends to purchase bulk commodities such as hot rolled steel plates and rebars. As a trade brand of Shanghai Futures Exchange, bulk commodities such as hot rolled steel plates and rebars produced by Shandong Steel and/or its associates have better liquidity. As a mainstream product of the bulk commodities market in Shandong, the market shares of such bulk commodities are relatively larger with a higher degree of market acceptance. Shandong Steel is a sizable state-owned enterprise with healthy operation. The default risk exposed to Zhongtai Huirong Capital for its purchase from Shandong and/or its associates is relatively low. The Bulk Commodities Sale and Purchase Framework Agreement entered into between the Group and Shandong Steel is expected to seize favorable opportunities created by prevailing market conditions and secures stable profits from the differences in price, which is in the interest of the Company and Shareholders as a whole.

Significant Events

For the purchase of raw materials, including but not limited to, coke and iron ores by Shandong Steel and/or its associates from Zhongtai Huirong Capital, Zhongtai Huirong Capital was established in April 2013 and principally engaged in bulk commodities transaction business with its scope of business covering the sales and wholesale of agricultural products, metal products, ore products, chemical products and edible oils. It generally purchases raw materials, such as coke and iron ores at suitable market price and sells such bulk commodities when there is an increase in the market price as compared to the purchase price in order to earn price differences. As a steel producer, Shandong Steel has a great demand for bulk commodities such as coke and iron ores and plans to purchase such bulk commodities from Zhongtai Huirong Capital from time to time according to its future production demand and market conditions. By entering into the Bulk Commodities Sale and Purchase Agreement with Shandong Steel to sell bulk commodities including iron ores to Shandong Steel, the Group is able to access stable and reliable sales channels, seize market opportunities and acquire stable profits from the differences in price, and is in the interest of the Group and Shareholders as a whole.

Pricing terms:

For the Group's purchase of bulk commodities such as hot-rolled wide steel plates from Shandong Steel and/or its associates, the prices were determined by Shandong Steel and/or its associates primarily with reference to comparable prices of similar products sold by independent third parties in the local market in order to ensure that the prices and terms of the commodities purchased by the Group from Shandong Steel and/or its associates are fair, reasonable and comparable to those offered by independent third parties for sale of similar products. The Group placed purchases orders through the e-commerce platform of Shandong Steel and/or its associates, and would refer to the prices offered by independent third parties before placing orders. This e-commerce platform adopts the principle of first-come-first-served, and the price published by the e-commerce platform on the day will prevail.

For the purchase of bulk commodities such as cokes and iron ores by Shandong Steel and/or its associates from the Group, the prices were determined by the Group based on fair market value after arms' length negotiation with Shandong Steel and/or its associates, with reference to comparable prices of similar products sold by independent third parties in the local market in order to ensure that the prices and terms of the commodities such as cokes and iron ores purchased by Shandong Steel and/or its associates from Zhongtai Huirong Capital are fair, reasonable and comparable to those offered by independent third parties for sale of similar products. The Group follows market-oriented principles in selling coke, iron ore and other bulk commodities. In other words, the final transaction price was agreed after negotiation according to the market supply and demand, and based on the market price published by third-party information companies (such as My Steel Network <https://www.mysteel.com/>) on the date of transaction.

D. Risk Management Services Framework Agreement

The Company entered into the Risk Management Services Framework Agreement with Shandong Steel on 10 May 2021 (after trading hours) and proposed the annual caps for 2021, 2022 and 2023 under the Risk Management Services Framework Agreement. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions. For details, please refer to the circular of the Company dated 28 May 2021.

The summary of transactions conducted between the Group and Shandong Steel and/or its associates under the Risk Management Services Framework Agreement as at the end of the Reporting Period is set out in the following table:

Nature of transaction	Transaction amounts for the year ended 31 December 2022 (RMB' 000)	Proposed annual caps for the year ended 31 December 2022 (RMB' 000)
Premium paid by Shandong Steel and/or its associates to the Group	2,488.3	40,000
Premium paid by the Group to Shandong Steel and/or its associates	494	40,000
The scale of the notional amount of the swap business with Shandong Steel and/or its associates	596,556.1	2,460,000

A. Conducting OTC options transactions with Shandong Steel and/or its associates

Principal terms:

In the Group's ordinary and usual course of business, the Group provides Shandong Steel and/or its associates with risk management services, such as providing customized and comprehensive risk management service for the price risks which Shandong Steel and/or its associates are exposed to in the trading of derivatives instruments, including futures, options, swaps and forwards or their portfolio in the private market. Therefore, Shandong Steel and/or its associates purchase or sell OTC Options from or to the Group. At the beginning of such transactions, the buyers pay premium to the sellers. As the largest securities company in Shandong Province, Zhongtai Securities trades OTC derivatives with its clients, involving swaps and OTC Options of such underlying assets as stock indexes, ETFs, stocks and bulk commodities. Zhongtai Securities will trade OTC Options with the Group due to its own needs for hedging and transfer risks associated with OTC derivatives transactions. As such, Zhongtai Securities and/or its associates purchase or sell OTC Options from or to the Company's subsidiaries, and, the buyers pay premium to the sellers at the beginning of the transactions.

Significant Events

Reasons for the transaction:

As the largest steel manufacturing and trading enterprise in Shandong Province of the PRC, Shandong Steel has a great production capacity and asset scale. In order to overcome price fluctuation risk of commodities, such as raw materials, Shandong Steel has customized risk management demand with respect to part of its production and processing materials. From 2013 up to now, the OTC derivatives business of the Group gradually matured with greater improvement of its trading capacity, risk management and service capability. The Group plans to provide OTC Options on futures such as rebars, iron ores, coke and rubber to Shandong Steel and/or its associates in order to meet the risk management needs of Shandong Steel and/or its associates, facilitate the development of the OTC derivatives business of the Group, as well as increase the revenue of the Group. Zhongtai Securities has advantages in equity OTC derivatives, while the Group has advantages in commodity OTC derivatives. Therefore, entering into OTC derivatives transactions between Zhongtai Securities and the Group can allow the parties to make good use of their respective advantages in different fields and overcome their disadvantages so as to meet their customers' needs for OTC derivatives transactions.

Pricing terms:

Taking into consideration the factors including the market volatility and liquidity, the premium ratio for trading OTC derivatives with Shandong Steel and/or its associates ranges from approximately 0.1% to 8% of the value of the underlying asset.

- (1) among them, the premium ratio for trading structured financial product ranges from approximately 0.1% to 10% of the value of the assets;
- (2) although the premium of OTC derivatives business charged by the Group varies depending on the types of futures products, the premium ratio of the same futures products is applicable to all of the Group's clients including Shandong Steel and/or its associates and other independent third party clients; and
- (3) the premium ratio charged by/paid by the Group for risk management services provided is determined based on internationally recognized pricing models and risk control systems, with reference to the quotation of market organizations and reference parameters including the volatility ratio provided by a third party, i.e. Wind Information, in order to ensure reasonable pricing in line with market practice on the premises of fairness and impartiality, which is in the interest of the Group and Shareholders as a whole.

B. Conducting Swaps transactions with Shandong Steel and/or its associates

Principal terms:

In the Group's ordinary and usual course of business, the Group provide risk management services to Shandong Steel and/or its associates. For example, we provide personalized and comprehensive risk management service in respect of the price risks confronted by Shandong Steel and/or its associates when they engage in spot commodities trading and deal in futures, options, swaps, forwards and other derivative financial instruments or their portfolios on the public or non-public markets. As a result, Shandong Steel and/or its associates conduct swap transactions with the Group. In a swap transaction, the counterparties of the swap are the buyers and sellers. Shandong Steel and/or its associates (as the seller) pay the fixed/variable income of a specific asset to the Group (as the buyer), and in return, the Group (as the buyer) pays the corresponding fixed/variable income to Shandong Steel and/or its associates (as the seller). By common types, swap businesses are classified as variable income for variable income and variable income for fixed income. Variable income swaps are mainly structured products such as stock index enhancement. Variable and fixed income swaps mainly involve swaps in respect of underlyings such as spot and futures contracts on stocks and bulk commodities.

Reasons for the transaction:

In order to manage their price risks more accurately, Shandong Steel/or its associates need to conduct spot index swaps like rebar, iron ore and others through the Company. Such business can help operating entities to address risks associated with price spread of spot commodities. At present, mainstream products in the equity OTC derivatives market, such as stock index enhancement, bulk reduction in shareholding, and inter-agency securities lending, are all traded through swaps. As at 31 December 2020, Zhongtai Securities has a large holdings of swaps, and need to transfer the risk of its holdings. In the meantime, by leveraging the strong customer base of Zhongtai Securities, the Group can expand the trading volume of the Group's equity swaps through securities transactions and increase business income, and diversify channels to transfer the Company's swap transaction risks.

Pricing terms:

In a swap transaction, neither party pays any fees, except for exchange of rights to income, which usually represents an exchange between fixed income and variable income. Fixed income is mainly determined with reference to the benchmark interest rate in the market as well as the Company's cost of capital; variable income is determined with reference to the change in the value of the underlying assets within a given period of time.

Nominal principal refers to the amount of contract specified by both parties in the agreement, that is, the amount of funds to be transacted. In a swap transaction, the nominal principal is the value of the underlying asset based on which income swap of both parties are transacted. The size of the nominal principal is usually determined according to the needs of the counterparty to hedge the underlying assets held by it. When the Group conducts swap transactions with its counterparties, it will select the underlying asset such as stocks, stock indexes, commodity futures, bulk commodity spot, and spot indexes, etc., which can be used for hedging purpose in the stock and futures markets with reference to the market fluctuation and the Company's past experience of transacting the same type with independent third parties.

Significant Events

3. Our independent non-executive Directors' and auditors' confirmation

In respect of the aforesaid continuing connected transactions, the Company confirms that they have been in compliance with the requirements of Chapter 14A of the Listing Rules as amended from time to time or applied for relevant exemption. Our independent non-executive Directors have reviewed and confirmed that the continuing connected transactions described in the subsection headed "Continuing Connected Transactions" above have been and will continue to be conducted in our ordinary and usual course of business pursuant to the relevant continuing connected transaction agreements governing them on normal commercial terms (as defined in the Listing Rules), are fair and reasonable and in the interest of the Company and Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in the interest of the Company and Shareholders as a whole.

The Board of the Company has received a confirmation letter regarding the aforesaid continuing connected transactions from the auditors of the Company, and the auditors presented the following conclusions in respect of the disclosed continuing connected transactions according to their implemented work, including:

In respect of the continuing connected transactions disclosed:

- (1) nothing has come to our attention that causes us to believe that such continuing connected transactions as disclosed were not approved by the Board of the Company;
- (2) for the transactions involving the provision of products or services by the Group, nothing has come to our attention that causes us to believe that such transactions were not entered into, in all material respects, according to the pricing policy of the Company in all material respects;
- (3) nothing has come to our attention that causes us to believe that such transactions have not complied with the relevant agreements governing such transactions in all material respects;
- (4) for the purpose of the total amount of every continuing connected transaction as set out in the attached tables (see note below), nothing has come to our attention that causes us to believe that the amount of such continuing connected transactions had exceeded the total annual caps as disclosed in the previous announcements published by the Company on the relevant dates in relation to such continuing connected transactions disclosed.

Note: The attached tables refer to the tables set out in "III. Connected Transactions" of Chapter X of this report.

4. Confirmation on related party transactions

Details of the Group's related party transactions are set out in the consolidated financial statements and note X. Except for the connected transactions and the continuing connected transactions disclosed in this Report, no related party transaction or continuing related party transaction constitutes a connected transaction or a continuing connected transaction for the Company and is subject to announcement, independent Shareholder approval under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules for connected transactions and continuing connected transactions as set out in this Report.

(IV) Non-exempt Connected Transactions

Coal Sale and Purchase Agreement

During the period from 28 July 2022 to 31 December 2022, Zhongtai Huirong Capital sold a total of 67,748.3 tonnes of coal to NMIT at a cash consideration of RMB29,339,630.05. Coal is one of the priority bulk commodities in the futures and spot trading business of Zhongtai Huirong Capital. In addition, it is planning sale and purchase of bulk commodities related to coal chemical industry in the future. Zhongtai Huirong Capital can secure constant profits through sale of coal to NMIT

As at the date of this announcement, Zhongtai Huirong Capital is a wholly-owned subsidiary of the Company, NMIT is a wholly-owned subsidiary of Xinwen Mining, which in turn is a wholly-owned subsidiary of Shandong Energy. Accordingly, NMIT constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules, and the transactions of sale of coal by Zhongtai Huirong Capital to NMIT constitute Connected Transactions of the Company under the Listing Rules. As the highest applicable percentage ratio for the annual transactions on an aggregate basis is more than 0.1% but less than 5%, the transactions are subject to the reporting and announcement requirements, but exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details of the transaction, please refer to the announcement dated 30 March 2023 of the Company.

IV. MAJOR CONTRACTS AND THEIR PERFORMANCE

There was no major contract signed by the Company during the Reporting Period.

V. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the Reporting Period.

VI. UNDERTAKINGS OF THE CONTROLLING SHAREHOLDERS AND THEIR PERFORMANCE

The Company has received confirmation letters from each of Zhongtai Securities, Laiwu Steel and Shandong Steel, confirming that during the Reporting Period, they had been in compliance with all the undertakings made under the Non-Competition Undertaking as well as all its requirements (including but not limited to matters relating to the options for new business opportunities, pre-emptive rights, option for purchase, etc.).

The independent non-executive Directors of the Company have reviewed the compliance with the Non-Competition Undertaking of the Controlling Shareholders during the Reporting Period, and signed an annual confirmation letter concerning the Controlling Shareholders being in compliance with the Non-Competition Undertaking. The summary of the annual confirmation letter is as follows:

"We hereby confirm that:

We have reviewed the compliance with the Non-Competition Undertaking (the "Non-Competition Undertaking") dated 15 June 2015 granted by Zhongtai Securities Co., Ltd. (previously known as Qilu Securities Co., Ltd.), Laiwu Steel Group Co., Ltd. and Shandong Iron & Steel Group Co., Ltd. (collectively referred as "Covenantors") to the Company;

Significant Events

We did not find that the Covenantors were in breach of the undertakings made under the Non-Competition Undertaking as well as all its requirements (including but not limited to the options for new business opportunities, pre-emptive rights and option for purchase, etc.); and

We agree that the Company can disclose the content of this letter, including adding the content of this letter into the 2022 annual report of the Company.”

Save as disclosed above, during the Reporting Period, none of the independent non-executive Directors of the Company made any decision concerning whether to exercise options for new business opportunities, pre-emptive rights, option for purchase, etc.

VII. APPOINTMENT, CHANGE AND DISMISSAL OF AUDITORS

1. Change of auditors of the Company in the past three years

In 2020 and 2021, the Company appointed PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as its domestic and international auditors, and in 2022, it changed its auditors, and appointed ShineWing Certified Public Accountants LLP as the sole auditor of the Company.

Save as disclosed above, there was no other changes in the auditors of the Company in the past three years (including the Reporting Period).

2. Auditors' Remuneration

For the year ended 31 December 2022, the total auditor's remuneration paid by the Group to ShineWing Certified Public Accountants LLP amounted to RMB1.3290 million. Among them, the annual audit service fee is RMB1.32 million, and fees for other assurance service amounted to RMB9,000.

Except for the contents mentioned in the preceding paragraph, the Group did not pay any other audit or non-audit remuneration to auditors during the year ended 31 December 2022.

Corporate Governance Report

I. OVERVIEW OF CORPORATE GOVERNANCE

The Company has been committed to improving its corporate governance level, and views it as an integral part of creating value for the 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 CG Code which operates independently under effective balance and check. Riding on this structure, each operating unit is enabled to perform their respective duties under respective terms of reference, which ensures standardized operation of the Company. The CG Code has been also adopted by the Company as the reference for its own corporate governance.

During the Reporting Period, the Company has been in strict compliance with all the code provisions under the CG Code, and also met the requirements of the majority of the recommended best practices thereof.

During the Reporting Period, the Company convened a total of 35 meetings, of which there were three general meeting, sixteen Board meetings, two Supervisory Committee meetings, two Strategic Development Committee meetings, five Risk Control Committee meetings, four Audit Committee meetings, two Nomination Committee meetings and one Remuneration and Appraisal Committee meeting.

II. GENERAL MEETING

During the Reporting Period, the Company convened three general meetings, the details and resolutions of which are as follows:

1. The first extraordinary general meeting of 2022

On 10 March 2022, the Company convened the first extraordinary general meeting of 2022 by voting on site, at which the following resolutions were approved:

- (1) Proposal on the Appointment of Independent Non-executive Directors;
- (2) Proposal on Change of the Company Name;
- (3) Proposal on Amendments to the Articles of Association;
- (4) Proposal on Amendments to the Rules of Procedure for the General Meeting of Shareholders;
- (5) Proposal on Amendments to the Rules of Procedure for the Board of Directors.

Corporate Governance Report

2. The second extraordinary general meeting of 2022

On 31 May 2022, the Company convened the second extraordinary general meeting of 2022 by voting on site, at which the following resolutions were approved:

- (1) Proposal on the Appointment of Independent Non-executive Director;
- (2) The Proposal on the Appointment of Non-executive Director.

3. The 2021 annual general meeting

On 28 June 2022, the Company convened the 2021 annual general meeting by voting on site, at which the following resolutions were approved:

- (1) Proposal on the Work Report of the Board of Directors for the Year 2021;
- (2) Proposal on the Work Report of the Supervisory Committee for the Year 2021;
- (3) Proposal on the Annual Report for the Year 2021;
- (4) Proposal on the Final Accounts Plan for the Year 2021;
- (5) Proposal on the Profit Distribution Plan for the Year 2021;
- (6) Proposal on the Financial Budget for the Year 2022;
- (7) Proposal on the Change of the Accounting Firms for the Year 2022;
- (8) Proposal on Unified Adoption of China Accounting Standards for Business Enterprises in Preparing Financial Statements;
- (9) Proposal on Amendments to the Articles of Association;
- (10) Proposal on the General Mandate to Issue Domestic Shares and H Shares.

III. PERFORMANCE OF DUTY BY THE DIRECTORS

(1) Summary of the 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.

For the profiles of the Directors, please refer to the section headed “I. Briefings of the Directors, Supervisors and Senior Management (1) The Board” of Chapter IX in this Report. None of the Directors, Supervisors or members of the senior management has any relation (including financial, business, family and other material or relevant relations) with other Directors, Supervisors or members of the senior management. The composition of the Board of Directors is reasonable and every Director possesses extensive knowledge, experience and expertise in respect of the business operation and development of the Company. All the Directors understand their collective and individual obligation towards the Shareholders.

(2) Attendance of the Directors at Board meetings and general meetings

Pursuant to the Articles of Association, at least four regular Board meetings shall be held by the Board of Directors each year and the Chairman of the Board of Directors is responsible for convening such meetings. Notice of Board meetings shall stipulate the date and venue of the meeting, the period, reasons, agenda and the date of the notice.

A Board meeting shall be held only when it is attended by more than half of the Directors. 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 Director in person. If a Director is unable to attend, he/she may authorize another Director in writing to attend the Board meeting on behalf of him/her. If a Director had a connected relationship with the entity involved in the matter to be resolved at a Board meeting, he/she shall not vote on the resolution for 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 submitted to the general meeting of shareholders for consideration. In principle, Board meetings shall be held at the legal address of the Company, but they can also be held by way of teleconference or similar means of correspondence.

Corporate Governance Report

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

Name of Directors	Attendance at Board meetings					Attendance at general meetings	
	Number of Board meetings attended	Attended in person	Attended by means of correspondence	Number of meetings attended by proxy	Absent	Whether absent from two consecutive meetings	Number of general meetings attended
Executive Directors							
ZHONG Jinlong	16	4	12	0	0	nil	3
LIANG Zhongwei	16	4	12	0	0	nil	3
Non-executive Directors							
LIU Xinyi <i>(resigned on 31 May 2022)</i>	9	2	7	0	0	nil	2
HU Kainan	16	4	12	0	0	nil	1
ZHENG Hanyin <i>(appointed on 31 May 2022)</i>	7	0	7	0	0	nil	1
MING Gang	16	0	16	0	0	nil	3
LIU Feng	16	0	16	0	0	nil	2
Independent Non-executive Directors							
GAO Zhu <i>(resigned on 10 March 2022)</i>	4	0	4	0	0	nil	1
WANG Chuanshun <i>(resigned on 10 March 2022)</i>	4	0	4	0	0	nil	1
ZHENG Jianping	16	0	16	0	0	nil	3
WANG Xinyu <i>(appointed on 10 March 2022 and resigned on 14 March 2022)</i>	0	0	0	0	0	nil	0
CHEN Hua <i>(appointed on 10 March 2022)</i>	12	1	10	1	0	nil	2
LUO Xinhua <i>(appointed on 22 June 2022)</i>	6	1	5	0	0	nil	1

Number of Board meetings held during the year	16
In which: conducted by voting on-site	4
conducted by means of correspondence voting	12
Number of general meetings held during the year	3

(3) Board meetings and resolutions during the Reporting Period

During the Reporting Period, the Board of Directors convened a total of sixteen Board meetings, details and resolutions of which are as follows:

1. The 30th meeting of the third session of the Board of Directors

On 10 January 2022, the meeting was held through voting by correspondence, at which the following proposals were considered and approved:

- (1) Proposal on Amendment to the Working System for Chief Risk Officer of LUZHENG FUTURES Company Limited; and
- (2) Proposal on Convening the First Extraordinary General Meeting of LUZHENG FUTURES Company Limited for the Year 2022.

2. The 31st meeting of the third session of the Board of Directors

On 21 January 2022, the meeting was held through voting by correspondence, at which the Proposal on the Establishment of Strategic Customers and Business Collaboration Department through Integration was considered and approved.

3. The 32nd meeting of the third session of the Board of Directors

On 30 January 2022, the meeting was held by voting through correspondence, at which the Proposal on Provision of loans by Luzheng Capital Management Co., Ltd., a subsidiary, to Zhongtai Securities Co., Ltd. was considered and approved.

4. The 33rd meeting of the third session of the Board of Directors

On 11 February 2022, the meeting was held through voting by correspondence, at which the following proposals were considered and approved:

- (1) Proposal on Change of Company Name of LUZHENG FUTURES Company Limited;
- (2) Proposal on Amendments to the Articles of Association of LUZHENG FUTURES Company Limited;
- (3) Proposal on Amendment to the Rules of Procedure for the General Meetings of LUZHENG FUTURES Company Limited;
- (4) Proposal on Amendments to the Rules of Procedure for the Board of Directors of LUZHENG FUTURES Company Limited; and
- (5) Proposal on the Establishment of Institutional Business Development Department 1, 2 and 3.

Corporate Governance Report

5. The 34th meeting of the third session of the Board of Directors

On 10 March 2022, the meeting was held through voting on-site and through video, at which the following proposals were considered and approved:

- (1) Proposal on Change of Joint Company Secretary; and
- (2) Proposal on Election of the Chairmen and Members of the Special Committees of the Third Session of the Board of Directors.

6. The 35th meeting of the third session of the Board of Directors

On 24 March 2022, the meeting was held through voting on-site and through video, at which the following proposals were considered and approved:

- (1) Proposal on the Work Report of the General Manager of LUZHENG FUTURES Company Limited for the Year 2021;
- (2) Proposal on the Work Report of the Board of Directors of LUZHENG FUTURES Company Limited for the Year 2021;
- (3) Proposal on the Annual Report (IFRSs) of LUZHENG FUTURES Company Limited for the Year 2021;
- (4) Proposal on the Annual Report (Chinese Accounting Standards for Business Enterprises) of LUZHENG FUTURES Company Limited for the Year 2021;
- (5) Proposal on the Final Accounts of LUZHENG FUTURES Company Limited for the Year 2021;
- (6) Proposal on Profit Distribution Plan of LUZHENG FUTURES Company Limited for the Year 2021;
- (7) Proposal on Risk Regulatory Indicators of LUZHENG FUTURES Company Limited for the Year 2021;
- (8) Proposal on the Internal Control Evaluation Report of LUZHENG FUTURES Company Limited for the Year 2021;
- (9) Proposal on the Financial Budget of LUZHENG FUTURES Company Limited for the Year 2022;
- (10) Proposal on the Strategic Planning of LUZHENG FUTURES Company Limited for the 14th Five-Year Plan Period;
- (11) Proposal on the Mandate Given by the Board of Directors of LUZHENG FUTURES Company Limited to the Senior Management for the Establishment of Branches;
- (12) Proposal on the General Mandate to Issue Domestic Shares and H Shares of LUZHENG FUTURES Company Limited; and
- (13) Proposal on Convening the Annual General Meeting of LUZHENG FUTURES Company Limited for the Year 2021.

7. The 36th meeting of the third session of the Board of Directors

On 13 April 2022, the meeting was held through voting by correspondence, at which the following proposals were considered and approved:

- (1) Proposal on Election of Mr. Luo Xinhua as an Independent Non-executive Director of ZHONGTAI FUTURES Company Limited;
- (2) Proposal on Election of Non-executive Director of ZHONGTAI FUTURES Company Limited;
- (3) Proposal on the Work Report on Anti-Money Laundering of ZHONGTAI FUTURES Company Limited for the Year 2021; and
- (4) Proposal on Convening the Second Extraordinary General Meeting of ZHONGTAI FUTURES Company Limited for the Year 2022.

8. The 37th meeting of the third session of the Board of Directors

On 29 April 2022, the meeting was held by voting through correspondence, at which the Proposal on Maintaining the Statement about the Company's Risk Preference and Adjusting Certain Risk Quantitative Indicators was considered and approved.

9. The 38th meeting of the third session of the Board of Directors

On 25 May 2022, the meeting was held through voting by correspondence, at which the following proposals were considered and approved:

- (1) Proposal on Unified Adoption of China Accounting Standards for Business Enterprises in Preparing Financial Statements and Change of the Scope of Audit Services of Accounting Firms by ZHONGTAI FUTURES Company Limited;
- (2) Proposal on Amendments to the Accounting System of ZHONGTAI FUTURES Company Limited;
- (3) Proposal on Amendments to the Capital Management of ZHONGTAI FUTURES Company Limited;
- (4) Proposal on Formulating the Working system for the General Counsel of ZHONGTAI FUTURES Company Limited; and
- (5) Proposal on Amendments to the Articles of Association of ZHONGTAI FUTURES Company Limited.

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10. The 39th meeting of the third session of the Board of Directors

On 31 May 2022, the meeting was held through voting on-site and through video, at which the following proposals were considered and approved:

- (1) Proposal on the Environmental, Social and Corporate Governance Report of ZHONGTAI FUTURES Company Limited for the Year 2021; and
- (2) Proposal on Election of the Chairmen and Members of the Special Committees of the Third Session of the Board of Directors.

11. The 40th meeting of the third session of the Board of Directors

On 27 June 2022, the meeting was held through voting by correspondence, at which the following proposals were considered and approved:

- (1) Proposal on Formulating the Goals of Honest and Clean Conduct of ZHONGTAI FUTURES Company Limited;
- (2) Proposal on Amendment to the Rules of Procedure for the Board of Directors of ZHONGTAI FUTURES Company Limited; and
- (3) Proposal on Amendment to the Rules of Procedure for the Office of General Manager of ZHONGTAI FUTURES Company Limited.

12. The 41st meeting of the third session of the Board of Directors

On 25 August 2022, the meeting was held through voting on-site and through video, at which the following proposals were considered and approved:

- (1) Proposal on the Work Report of the General Manager of ZHONGTAI FUTURES Company Limited for the First Half of the Year 2022;
- (2) Proposal on the Interim Report of ZHONGTAI FUTURES Company Limited for the Year 2022; and
- (3) Proposal on Risk Regulatory Indicators of ZHONGTAI FUTURES Company Limited for the First Half of the Year 2022.

13. The 42nd meeting of the third session of the Board of Directors

On 14 September 2022, the meeting was held through voting by correspondence, at which the following proposals were considered and approved:

- (1) Proposal on Formulating the Basic System for Money Laundering Risk Management of ZHONGTAI FUTURES Company Limited;
- (2) Proposal on Amendments to the Basic System for Comprehensive Risk Management of ZHONGTAI FUTURES Company Limited;
- (3) Proposal on Formulating the Measures for Investment of Self-owned Capital of ZHONGTAI FUTURES Company Limited; and
- (4) Proposal on the Performance Appraisal of Senior Management of ZHONGTAI FUTURES Company Limited for the Year 2021.

14. The 43rd meeting of the third session of the Board of Directors

On 21 November 2022, the meeting was held through voting by correspondence, at which the following proposals were considered and approved:

- (1) Proposal on the Establishment of Institutional Business Development Departments 4, 5 and 6 of ZHONGTAI FUTURES Company Limited;
- (2) Proposal on Amendments to the Administrative Measures for Safe Depositing of Client Margins of ZHONGTAI FUTURES Company Limited; and
- (3) Proposal on Amendments to the Capital Management of ZHONGTAI FUTURES Company Limited.

15. The 44th meeting of the third session of the Board of Directors

On 12 December 2022, the meeting was held through voting by correspondence, at which the Proposal on Convening the First Extraordinary General Meeting of ZHONGTAI FUTURES Company Limited for the Year 2023 was considered and approved.

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16. The 45th meeting of the third session of the Board of Directors

On 30 December 2022, the meeting was held through voting by correspondence, at which the following proposals were considered and approved:

- (1) Proposal on the Establishment of Fintech Management Headquarters through Integration;
- (2) Proposal on Amendments to the Working System for Internal Audit of ZHONGTAI FUTURES Company Limited; and
- (3) Proposal on Amendment to the Rules of Procedure for the Remuneration and Appraisal Committee of the Board of Directors of ZHONGTAI FUTURES Company Limited.

(4) Appointment, Reappointment and Removal of Directors

The Articles of Association contains specific provisions on such matters. Pursuant to the Articles of Association, Directors who are not staff representatives shall be elected and removed by Shareholders at general meetings, while directors as staff representatives shall be elected and removed through democratic means by the staff of the Company, with a term of three years. Upon the expiration of the term of office, a Director shall be eligible for re-election and re-appointment. Candidates for Directors shall be nominated by Shareholders individually or jointly holding three percent or more of the Company's issued Shares with voting rights. Any person appointed by the Board of Directors to fill up a casual vacancy or as an additional member to the Board of Directors shall hold office only until the next annual general meeting of the Company, and shall be eligible for re-election and re-appointment at that time.

(5) Training for Directors

The Company places high importance on continual training of 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, etc.. During the Reporting Period, the Company has established a multi-level information communication system and an information exchange platform to increase information sharing and exchanges among Directors, Supervisors and the senior management, enhancing the Directors' ability to fulfill their duties.

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Details of the training for the Director during the Reporting Period are as follows:

Name of Directors	Date	Duration	Organizer	Content
ZHONG Jinlong	26 December 2022	2 hours	the Company	Compliance Training for Directors of Hong Kong Listed Companies
HU Kainan	24 February 2022	3 hours	Zhongtai Securities	Prevention of Corporate Legal Risks
HU Kainan	31 October 2022	2 hours	Zhongtai Securities	Investor Protection and Education
HU Kainan	2 November 2022	4 hours	Zhongtai Securities	Training on Corporate Risk Management Skills
HU Kainan	26 December 2022	2 hours	the Company	Compliance Training for Directors of Hong Kong Listed Companies
ZHENG Hanyin	28 February 2022	2 hours	Zhongtai Securities	Strategic Management Training – Strategic Insight, Planning and Implementation
ZHENG Hanyin	1 June 2022	3 hours	Zhongtai Securities	Special Training on Financial Technology
ZHENG Hanyin	2 November 2022	4 hours	Zhongtai Securities	Training on Corporate Risk Management Skills
ZHENG Hanyin	26 December 2022	2 hours	the Company	Compliance Training for Directors of Hong Kong Listed Companies
MING Gang	28 May 2022	1.5 hours	Shandong Yongfeng International Trade Co., Ltd.	Prevention and Control of Contract Legal Risks
MING Gang	28 June 2022	2 hours	Shandong Yongfeng International Trade Co., Ltd.	Four Quadrants of Time Management and Gantt Chart Practice
MING Gang	29 September 2022	1 hours	Shandong Yongfeng International Trade Co., Ltd.	Customer Interview Guide
MING Gang	26 November 2022	7 hours	Shandong Yongfeng International Trade Co., Ltd.	Problem Analysis and Solution
MING Gang	26 December 2022	2 hours	the Company	Compliance Training for Directors of Hong Kong Listed Companies
LIU Feng	26 December 2022	2 hours	the Company	Compliance Training for Directors of Hong Kong Listed Companies
ZHENG Jianping	27 May 2022	1 hour	Taiping Life Insurance Company Limited	Compliance Training
ZHENG Jianping	25 September 2022	1 hours	Luft (China) Technology Co.,Ltd* (路孚特中國科技有限公司)	Digital Currency Supervision and Compliance
ZHENG Jianping	1 October 2022	3 hours	Hong Kong Quality Assurance Agency (HKQAA)	Sustainable Finance and Climate Adaptation
ZHENG Jianping	26 December 2022	2 hours	the Company	Compliance Training for Directors of Hong Kong Listed Companies
CHEN Hua	11 December 2022	2 hours	China Association for Public Companies	Policy Interpretation on the Comprehensive Registration System Reform
CHEN Hua	26 December 2022	2 hours	the Company	Compliance Training for Directors of Hong Kong Listed Companies
LUO Xinhua	22 September 2022	5 hours	Shandong Listed Companies Association	Training of Directors, Supervisors and Senior Management of Listed Companies in Shandong Area
LUO Xinhua	9 December 2022	10 hours	Shanghai Stock Exchange	Training for Independent Directors of Companies Listed on the Mainboard
LUO Xinhua	26 December 2022	2 hours	the Company	Compliance Training for Directors of Hong Kong Listed Companies
LIANG Zhongwei	26 December 2022	2 hours	the Company	Compliance Training for Directors of Hong Kong Listed Companies

IV. WORK PERFORMANCE OF DUTY BY THE BOARD OF DIRECTORS AND ITS SPECIAL COMMITTEES

(1) Composition and main responsibilities of the Board of Directors during the Reporting Period

As at the end of the Reporting Period, the Board comprised of nine Directors: Mr. Zhong Jinlong as chairman of the Board and an executive Director, Mr. Liang Zhongwei as an executive Director, Mr. Hu Kainan, Mr. Zheng Hanyin, Mr. Ming Gang and Mr. Liu Feng as non-executive Directors, and Mr. Zheng Jianping, Mr. Chen Hua and Mr. Luo Xinhua as independent non-executive Directors.

The Board of Directors shall be accountable to the general meeting and exercise the following functions and powers:

- (1) to convene the general meetings and report its work to the general meetings;
- (2) to implement the resolutions of the general meetings;
- (3) to consider the Company's development strategy, medium and long-term development plan; the Company's business layout and planning and structural adjustment plan, business plans and investment plans, specific annual business objectives and financing plans other than the issuance of corporate debentures or other securities, and listings;
- (4) to determine on the establishment of the Company's internal management structure and on the establishment or closing of the Company's sub-branches or representative offices;
- (5) to consider and approve the report on the Company's annual asset loss written-off; to consider and decide on a single asset loss written-off exceeding RMB1 million(inclusive);
- (6) to elect a chairman and vice-chairman of the Board of Directors of the Company;
- (7) to appoint or dismiss the general manager, secretary to the Board of Directors and chief risk officer of the Company; to appoint or dismiss senior management such as deputy general managers and financial controller of the Company pursuant to the general manager's nominations, and fix their remuneration and bonus and punishment, such as the administrative measures for the remuneration and performance appraisal, annual performance appraisal results and the total remuneration package;
- (8) the tenure system and contractual management system for the Company's management, and the administrative measures for the Company's professional managers;
- (9) the Company's payroll management system, annual payroll budget plan and final accounts plan;
- (10) to formulate the Company's basic management system;

- (11) to manage the information disclosure of the Company;
- (12) to consider and approve the Company's interim reports and ESG reports, and the Company's annual report prepared in accordance with the requirements of China Securities Regulatory Commission;
- (13) to determine on the establishment of special committees under the Board of Directors and to appoint and dismiss the chairmen of these committees;
- (14) to decide on the rules of procedure for senior management; hear the regular or non-regular work reports from the general manager of the Company or Senior Management appointed by the general manager and to approve the work reports of the general manager;
- (15) to consider and decide on the safe depository system for customer margins to ensure that the depositing of customer margins is in compliance with the requirements for protecting customer assets as well as the safe depositing and monitoring of futures margins;
- (16) to consider and decide on the proposals concerning the Company's risk culture construction, to review and approve the Company's compliance and risk control basic system and the work report on annual compliance and risk control, to consider and approve the Company's risk appetite, risk tolerance, major risk limit and basic internal control system;
- (17) to consider the Company's compliance and risk control management objectives;
- (18) to establish a mechanism for direct communication with the chief risk officer; evaluate the effectiveness of compliance and risk control management, and urge the resolution of existing problems in compliance and risk control management;
- (19) to decide on the venture capital investment, acquisition and disposal of assets, pledge of assets, external guarantees, entrusted wealth management and connected transactions of the Company within the authorization of the shareholders' general meeting;
- (20) to consider and approve the caps of the Company's own capital investment and asset management business;
- (21) to consider and approve the Reports on Semi-annual and Annual Risk Regulatory Indicators;
- (22) to consider the strategic plans for corporate culture construction, push forward and give direction to corporate culture construction;
- (23) to consider and approve anti-money laundering internal control system, and to review work reports on anti-money laundering;
- (24) to consider the Company's goal on IT management; to consider its IT strategy; to consider its plans for IT manpower and capital security; cyber security plans; to consider the overall effectiveness and efficiency of its annual IT management work;

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- (25) to consider and approve the external guarantees which are not subject to the approval of the shareholders' general meeting (including subsidiaries' external guarantees);
- (26) to consider and approve the guarantees provided by a subsidiary to a member of the Group in respect of which the ratios specified under Hong Kong Listing Rules are lower than 25%; to consider and approve the annual cap of internal guarantees provided by a subsidiary;
- (27) to consider the Company's annual internal control evaluation report; and
- (28) Other matters to be resolved by the Board of Directors as required by laws, regulations, regulatory rules and listing rules of the stock exchange on which the Company's shares are listed and the Articles of Association and authorized by shareholders' general meetings.

(2) Duties of the Board concerning corporate governance

The Board shall also be responsible for corporate governance functions including:

- (1) formulating and reviewing the Company's policies and practices on corporate governance;
- (2) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (3) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (4) formulating, reviewing and monitoring the code of conduct and compliance manual applicable to staff and Directors; and
- (5) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

The Company shall formulate corporate governance policies in strict compliance with all the principles as set out in the Listing Rules and the principles set out in the CG Code.

During the Reporting Period, the Board of Directors of the Company reviewed and supervised the training of the Directors and the senior management to ensure their continuous professional development; reviewed and supervised the system established by the Company according to the laws and the related requirements from the securities regulatory authorities in Hong Kong and its compliance, and made relevant disclosure; formulated, reviewed and supervised the code of conduct and the relevant compliance manual of the Company's employees and Directors; reviewed the Company's compliance with the CG Code and the disclosure in the corporate governance report.

(3) Duties of the Board of Directors and the senior management

The powers and duties of the Board and the senior management are clearly set out in the Articles of Association, which provides an adequate check and balance mechanism to ensure good corporate governance and internal control.

The duties of the Board include determining the business plans and investment plans of the Company, determining the establishment of internal management organizations, establishing the basic management systems of the Company, making decisions on other significant businesses and administrative matters of the Company and supervising 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 managing the daily operation of the Company.

(4) Composition and main duties of special committees

There are five special committees under the Board of Directors of the Company, namely the Strategic Development Committee, the Risk Control Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee.

As at the end of the Reporting Period, the Strategic Development Committee comprised five members: Mr. Zhong Jinlong as executive Director, Mr. Zheng Jianping and Mr. Chen Hua as independent non-executive Directors, and Mr. Ming Gang and Mr. Liu Feng as the non-executive Directors. Mr. Zhong Jinlong, an executive Director, is currently the chairman of the Strategic Development Committee. The main duties of the Strategic Development Committee of the Company are as follows:

- (1) to study and make recommendations on the strategic plans for the long-term development of the Company;
- (2) to study and make recommendations on significant investment and financing plans which are subject to approval by the Board of Directors as required in the Articles of Association;
- (3) to study the Company's ESG governance vision, objectives, policies, etc.;
- (4) to study and make recommendations on significant capital operation and asset management projects which are subject to approval by the Board of Directors as required in the Articles of Association;
- (5) to study and make recommendations on other significant matters that affect the development of the Company;
- (6) to examine the implementation of the foregoing; and
- (7) other duties as assigned by the Board of Directors.

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As at the end of the Reporting Period, the Risk Control Committee comprised five members: Mr. Liang Zhongwei as an executive director, Mr. Zheng Jianping and Mr. Chen Hua as independent non-executive directors, and Mr. Hu Kainan and Mr. Ming Gang as non-executive directors. Mr. HU Kainan, a non-executive Director, is the chairman of the Risk Control Committee. The main duties of the Risk Control Committee of the Company are:

- (1) to consider and make recommendations on overall objectives and basic policies of compliance management and risk management;
- (2) to consider and make recommendations on the establishment of functional departments of compliance management and risk management and their duties;
- (3) to assess and make recommendations on the risk of major decisions which are subject to approval by the Board of Directors and solutions to eliminating such major risk;
- (4) to consider and make recommendations on compliance reports and risk evaluation reports subject to approval by the Board of Directors; reviewing the system governing the risks in the Company's management;
- (5) to promote the corporate governance according to law;
- (6) to examine or monitor the existing or potential risks of the Company;
- (7) to perform the risk management duties stipulated in the applicable laws and regulations of the state and the Listing Rules of the Stock Exchange; and
- (8) other duties as assigned by the Board of Directors.

As at the end of the Reporting Period, the Audit Committee comprised five members: Mr. Zheng Jianping, Mr. Chen Hua and Mr. Luo Xinhua as independent non-executive Directors, and Mr. Hu Kainan and Mr. Liu Feng as non-executive Directors. Mr. Luo Xinhua, an independent non-executive Director, was the chairman of the Audit Committee. The main duties of the Audit Committee of the Company are:

- (1) to oversee and evaluate the work performed by the external auditor;
- (2) to direct the work of the internal auditor;
- (3) to review and express opinions on the Company's financial report;
- (4) to evaluate the effectiveness of the internal controls;
- (5) to coordinate the communication between the management, internal auditor and related departments and the external auditor;
- (6) to perform the duties of control and routine management of connected transactions of the Company; and
- (7) other duties as assigned by the Board of Directors and other things as required by the relevant laws and regulations.

In identifying suitable candidates to become Board members, the Nomination Committee will take into account the skills, experience, education background, professional knowledge, integrity and time commitment of the candidates, as well as the Company's needs and other requirements under laws and regulations in relation to the position. All candidates must satisfy the criteria set under Rules 3.08 and 3.09 of the Listing Rules. Candidates to be appointed as independent non-executive Directors must also satisfy the independence requirements under Rule 3.13 of the Listing Rules. The Nomination Committee will recommend the qualified candidates to the Board for approval, and be proposed for consideration and approval by the general meeting.

As at the end of the Reporting Period, the Remuneration and Appraisal Committee comprised five members: Mr. Liang Zhongwei as an executive Director; Mr. Zheng Jianping, Mr. Chen Hua and Mr. Luo Xinhua as independent non-executive Directors, and Mr. Zheng Hanyin as a non-executive Director. Mr. Chen Hua, Independent non-executive director, serves as chairman of the Remuneration and Appraisal Committee. The main duties of the Remuneration and Appraisal Committee of the Company are:

- (1) to study and make recommendations to the Board of Directors on the appraisal and remuneration management system for Directors and Senior Management;
- (2) to conduct appraisal of the performance of Directors and senior management, and make recommendations;
- (3) to study the performance appraisal standards, procedures and main appraisal systems for directors and senior management, and make recommendations;
- (4) to study and examine the remuneration policies and schemes for directors and senior management, and the main schemes and systems of rewards and punishments;
- (5) to examine the performance of duties for directors and senior management, and to conduct annual performance appraisal of them;
- (6) to monitor the implementation of the Company's remuneration system; and
- (7) to review and/or approve the matters related to the share plan described in Chapter 17 of the Listing Rules;
- (8) other functions authorized by the Board of Directors.

As at the end of the Reporting Period, the Nomination Committee comprised five members: Mr. Liang Zhongwei as an executive Director; Mr. Zheng Jianping, Mr. Chen Hua and Mr. Luo Xinhua as independent non-executive Directors, and Mr. Zheng Hanyin as a non-executive Director. Mr. Zheng Jianping, an independent non-executive Director, serves as the chairman of the Nomination Committee. The main duties of the Nomination Committee of the Company are:

- (1) to study and make recommendations on the selection and appointment criteria and procedures for Directors and senior management;
- (2) to search for qualified candidates for the Directors and senior management;
- (3) to examine and make recommendations on the qualifications of the candidates of Directors and senior management;
- (4) to make recommendation to the Board of Directors on the composition of the Board of Directors according to size of the Company's asset, operating conditions and shareholding structure; and
- (5) other duties as assigned by the Board of Directors.

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(5) Meetings of special committees

1. Strategic Development Committee

On 24 March 2022, the second meeting of the Strategic Development Committee of the third session of the Board of Directors considered and approved the Proposal on the Strategic Planning of LUZHENG FUTURES Company Limited for the “14th Five-Year Plan Period” by voting on site and through video.

On 30 May 2022, the third meeting of the Strategic Development Committee of the third session of the Board of Directors considered and approved the Environmental, Social and Corporate Governance Report of ZHONGTAI FUTURES Company Limited in 2021, through voting by correspondence.

During the Reporting Period, the attendance of members of the Strategic Development Committee at meetings:

name	The actual number of meetings attended/ the number of meetings expected to be attended
ZHONG Jinlong (chairman of the Strategic Development Committee)	2/2
ZHENG Jianping	2/2
GAO Zhu (resigned as a member of the Strategic Development Committee on 10 March 2022)	0/0
CHEN Hua (appointed as a member of the Strategic Development Committee on 10 March 2022)	2/2
MING Gang	2/2
LIU Feng	2/2

2. Risk Control Committee

On 24 March 2022, the ninth meeting of the Risk Control Committee of the third session of the Board of Directors considered and approved the Proposal on the Risk Regulatory Indicators of LUZHENG FUTURES Company Limited for the Year of 2021 by voting on site and through video.

On 12 April 2022, the tenth meeting of the Risk Control Committee of the third session of the Board of Directors considered and approved the Work Report on Anti-money Laundering of ZHONGTAI FUTURES Company Limited in 2021, through voting by correspondence.

On 28 April 2022, the 11th meeting of the Risk Control Committee of the third session of the Board of Directors considered and approved the Proposal on Maintaining the Statement about the Company's Risk Preference and Adjusting Certain Risk Quantitative Indicators by voting through correspondence.

On 25 August 2022, the 12th meeting of the Risk Control Committee of the third session of the Board of Directors considered and approved the Proposal on Reporting the Risk Regulatory Indicators of ZHONGTAI FUTURES Company Limited for the First Half of the Year of 2022 by voting on site and through video.

On 13 September 2022, the 13th meeting of the Risk Control Committee of the third session of the Board of Directors considered and approved the Proposal on Formulating the Basic System for Money Laundering Risk Management and of ZHONGTAI FUTURES Company Limited and the Proposal on Amendments to the Basic System for Comprehensive Risk Management of ZHONGTAI FUTURES Company Limited through voting by correspondence .

During the Reporting Period, the attendance of members of the Risk Control Committee at meetings:

Name	The actual number of meetings attended/ the number of meetings expected to be attended
HU Kainan (chairman of the Risk Control Committee)	5/5
GAO Zhu (resigned as member of the Risk Control Committee on 10 March 2022)	0/0
ZHENG Jianping	5/5
CHEN Hua (appointed as member of the Risk Control Committee on 10 March 2022)	5/5
LIANG Zhongwei	5/5
MING Gang	5/5

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3. Audit Committee

On 29 January 2022, the eighth meeting of the Audit Committee of the third session of the Board of Directors considered and approved the Proposal on Provision of Loans by Subsidiary Luzheng Capital Management Co., Ltd. to Zhongtai Securities Co., Ltd. by voting through correspondence .

On 24 March 2022, the ninth meeting of the Audit Committee of the third session of the Board of Directors considered and approved the Proposal on the Annual Report (IFRSs) of LUZHENG FUTURES Company Limited for the Year 2021, Proposal on the Annual Report (Chinese Accounting Standards for Business Enterprises) of LUZHENG FUTURES Company Limited for the Year 2021, Proposal on the Final Accounts of LUZHENG FUTURES Company Limited for the Year 2021, Proposal on the Internal Control Evaluation Report of LUZHENG FUTURES Company Limited for the Year 2021, Proposal on the Financial Budget of LUZHENG FUTURES Company Limited for the Year 2022, by voting on site and through video.

On 24 May 2022, the tenth meeting of the Audit Committee of the third session of the Board of Directors considered and approved the Proposal on Unified Adoption of China Accounting Standards for Business Enterprises in Preparing Financial Statements and Change of the Scope of Audit Services of Accounting Firms by of ZHONGTAI FUTURES Company Limited and the Proposal on Amendments to the Accounting System of ZHONGTAI FUTURES Company Limited and Proposal on Amendments to the Capital Management Measures of ZHONGTAI FUTURES Company Limited, through voting by correspondence.

On 25 August 2022, the 11th meeting of the Audit Committee of the third session of the Board of Directors considered and approved the Proposal on the Interim Report of ZHONGTAI FUTURES Company Limited for 2022 by voting on site and through video.

During the Reporting Period, the attendance of members of the Audit Committee at meetings:

Name	The actual number of meetings attended/ the number of meetings expected to be attended
LUO Xinhua (chairman of the Audit Committee, appointed as chairman of the Audit Committee on 22 June 2022)	1/1
WANG Chuanshun (resigned as chairman and a member of the Audit Committee on 10 March 2022)	1/1
WANG Xinyu (appointed as the chairman and a member of the Audit Committee on 10 March 2022, and resigned as chairman and a member of the Audit Committee on 14 March 2022)	0/0
CHEN Hua (appointed as a member of the Audit Committee on 10 March 2022)	3/3
GAO Zhu (resigned as a member of the Audit Committee on 10 March 2022)	1/1
ZHENG Jianping	4/4
LIU Feng	4/4
HU Kainan	4/4

4. Remuneration and Appraisal Committee

On 13 September 2022, the fourth meeting of the Remuneration and Appraisal Committee of the third session of the Board of Directors considered and approved the Proposal on the Performance Appraisal of the Senior Management of ZHONGTAI FUTURES Company Limited in 2021, through voting by correspondence.

During the Reporting Period, the attendance of members of the Remuneration and Appraisal Committee at meetings:

Name	The actual number of meetings attended/ the number of meetings expected to be attended
CHEN Hua (chairman of the Remuneration and Appraisal Committee, appointed as chairman of the Remuneration and Appraisal Committee on 10 March 2022)	1/1
ZHENG Jianping	1/1
GAO Zhu (resigned as a member of the Remuneration and Appraisal Committee on 10 March 2022)	0/0
WANG Chuanshun (resigned as a member of the Remuneration and Appraisal Committee on 10 March 2022)	0/0
WANG Xinyu (appointed as a member of the Remuneration and Appraisal Committee on 10 March 2022, and resigned as a member of the Remuneration and Appraisal Committee on 14 March 2022)	0/0
LIU Xinyi (resigned as a member of the Remuneration and Appraisal Committee on 31 May 2022)	0/0
ZHENG hanyin (appointed as a member of the Remuneration and Appraisal Committee on 31 May 2022)	1/1
LUO Xinhua (appointed as a member of the Remuneration and Appraisal Committee on 22 June 2022)	1/1
LIANG Zhongwei	1/1

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5. Nomination Committee

On 9 March 2022, the fifth meeting of the Nomination Committee of the third session of the Board of Directors considered and approved the Proposal on Examining Candidates Nominated for Joint Company Secretaries by voting through correspondence.

On 12 April 2022, the sixth meeting of the Nomination Committee of the third session of the Board of Directors considered and approved the Proposal on Examining the Qualifications of Luo Xinhua Nominated as Independent Director Candidate of the Company and the Proposal on Examining the Qualifications of Zheng Hanyin as the Company's Candidate Director by voting through correspondence.

During the Reporting Period, the attendance of members of the Nomination Committee at meetings:

Name	The actual number of meetings attended/ the number of meetings expected to be attended
ZHENG Jianping (chairman of the Nomination Committee)	2/2
CHEN Hua (appointed as a member of the Nomination Committee on 10 March 2022)	1/1
GAO Zhu (resigned as a member of the Nomination Committee on 10 March 2022)	1/1
WANG Chuanshun (resigned as a member of the Nomination Committee on 10 March 2022)	1/1
WANG Xinyu (appointed as a member of the Nomination Committee on 10 March 2022, and resigned as a member of the Nomination Committee on 14 March 2022)	0/0
LIU Xinyi (resigned as a member of the Nomination Committee on 31 May 2022)	2/2
ZHENG hanyin (appointed as a member of the Nomination Committee on 31 May 2022)	0/0
LUO Xinhua (appointed as a member of the Nomination Committee on 22 June 2022)	0/0
LIANG Zhongwei	2/2

V. CHAIRMAN AND GENERAL MANAGER

The roles of the Chairman of the Board of Directors and the general manager are separate in order to ensure the independence and accountability of their respective responsibilities and the balanced distribution of powers and authorities. As at the date of the Report, Mr. Zhong Jinlong and Mr. Liu Qingbin hold the positions of the Chairman of the Board of Directors and the general manager, respectively, and their responsibilities and authorities are clearly divided and shown in the Articles of Association.

Mr. Zhong Jinlong, the Chairman of the Board, is mainly responsible for:

- (1) Presiding over general meetings and convening and presiding over the Board meetings;
- (2) Inspecting the implementation of the resolutions of the Board of Directors and debriefing of relevant reports;
- (3) Supervising and organizing the formulation of rules and regulations on the operation of the Board of Directors, and coordinating the operation of the Board of Directors;
- (4) Signing the securities certificates issued by the Company;
- (5) Signing the documents of the Board of Directors and other documents that shall be signed by the Company's legal representative;
- (6) Exercising the functions and powers of the legal representative;
- (7) In the occurrence of force majeure and major emergency events, such as extraordinarily serious natural disasters, which renders the Board of Directors unable to convene a meeting in due course, exercising a special right to deal with the Company's affairs in compliance with the law and in the Company's interests, and reporting such to the Board of Directors and Shareholders thereafter; and
- (8) Exercising any other functions and powers specified in laws, regulations or the Articles of Association or conferred by the Board of Directors.

Corporate Governance Report

Mr. Liu Qingbin, the general manager, is mainly responsible for:

- (1) Presiding over the production, operation and management of the Company, and report to the Board of Directors on his work;
- (2) Arranging the implementation of the resolutions of the Board of Directors;
- (3) Arranging the implementation of the Company's annual business plan, investment and financing plans formulated by the Board of Directors;
- (4) Proposing plans for the establishment of the Company's internal management department;
- (5) Proposing plans for the establishment of branch companies, sales offices and other branches of the Company;
- (6) Formulating the Company's basic management system;
- (7) Developing the Company's specific rules and regulations;
- (8) Proposing to the Board of Directors for the appointment or removal of the deputy general managers and person in charge of financial affairs, and provide suggestions on their remuneration;
- (9) Appointing or removing the management officers (other than those required to be appointed or removed by the Board of Directors), and determining their appraisal, remuneration, bonus and punishment;
- (10) Reviewing the wages, benefits and incentive scheme of the Company's employees, and deciding on the employment and dismissal of employees of the Company;
- (11) Determining matters such as the Company's investment, financing, contracts and transactions to the extent authorized by the Articles of Association and the Board of Directors;
- (12) Organizing the implementation of the work plan for corporate culture construction; and
- (13) Other functions and powers authorized by the Articles of Association or the Board of Directors.

VI. SECURITIES TRANSACTIONS BY THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company has adopted the Model Code as the code for all Directors and Supervisors to conduct transactions of the Company's securities. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company's securities for the senior management. The Company has made specific inquiries to all Directors and Supervisors about their compliance with the Model Code, and they all confirmed that they had complied with the standards specified in the Model Code during the Reporting Period. The Company has made specific inquiries to the senior management about their compliance with the guidelines on transactions of the Company's securities, and the Company did not notice any violation of the guidelines.

VII. PERFORMANCE OF DUTIES BY INDEPENDENT NON-EXECUTIVE DIRECTORS

Failure to comply with the requirements of Rules 3.10, 3.10A and 3.21 of the Listing Rules during the period from 14 March 2022 to 22 June 2022.

Mr. Wang Xinyu resigned as an independent non-executive Director, and ceased to serve as the chairman and member of the Audit Committee, members of the Remuneration and Appraisal Committee and the Nomination Committee of the Board of Directors on 14 March 2022. Following the resignation of Mr. Wang Xinyu, the Company ceased to satisfy (i) the requirements under Rule 3.10 of the Listing Rules that there shall be at least three independent non-executive directors on the Board of Directors, and at least one independent non-executive director must possess appropriate professional qualifications, or possess appropriate accounting or related financial management expertise; (ii) the requirement under Rule 3.10A of the Listing Rules that independent non-executive directors must represent at least one-third of the board; and (iii) the requirement under Rule 3.21 of the Listing Rules regarding the composition of the audit committee.

At the second extraordinary general meeting of shareholders in 2022 held on 31 May 2022, appointment of Mr. Luo Xinhua as an independent non-executive Director of the Company was approved. However, due to the Pandemic, relevant departments postponed the evaluation test of the professional competence level of senior executives of futures companies. (the "Evaluation Test"), Mr. Luo Xinhua was therefore unable to obtain the qualifications for serving as an independent non-executive Director. Therefore, the Company applied to and has been granted by, the Stock Exchange, a waiver to extend the grace period for compliance with Rules 3.10, 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules as required by Rules 3.11, 3.23 and 3.27 until 30 June 2022.

On 22 June 2022, Mr. Luo Xinhua passed the Evaluation Test and obtained the qualification for serving as an independent non-executive Director, and officially took office as an independent non-executive Director of the Company on that day. Following the appointment of Mr. Luo Xinhua, the Company has complied with Rules 3.10 and 3.21 of the Listing Rules. For details, please refer to the Company's announcements dated 14 March 2022, 31 May 2022 and 22 June 2022.

Save as disclosed above, during the Reporting Period, the Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications, or appropriate accounting or relevant financial management expertise in accordance with Rule 3.10 of the Listing Rules. As at the end of the Reporting Period, the three independent non-executive Directors of the Company were Mr. Zheng Jianping, Mr. Chen Hua and Mr. Luo Xinhua, respectively.

The Company has received the annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considered all independent non-executive Directors to be in compliance with the independence requirements as set out in the Listing Rules.

The Company has established mechanisms to ensure independent views and input are available to the Board, including without limitation by reviewing that the independent non-executive Directors have appropriate qualifications and expertise from time to time with sufficient time commitment to the Group, that the number of independent non-executive Directors comply with the requirements of the Listing Rules, and that channels are established (including but not limited to questionnaires or Board meetings) to assess and evaluate the independent non-executive Directors' contribution and views. The implementation and effectiveness of such mechanisms is reviewed by the Board on an annual basis.

The independent non-executive Directors of the Company are elected by the general meetings and are eligible for re-election and re-appointment upon the expiration of the term of office which is 3 years.

VIII. SUPERVISION ON RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board understands that it is the responsibility of the Board to maintain an adequate management of risks (including those material risks in relation to ESG) and internal control system to safeguard the investment of the Shareholders and the assets of the Company.

The Board is responsible for and has reviewed the risk management and internal control system of the Group and is of the view that the risk management and internal control system is effective and adequate. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only make reasonable, but not absolute, assurances that there will be no material misstatement or loss. With respect to the process of identifying, assessing and managing significant risk, the Company mainly adopts the following measures:

- (1) Develop various types of risk warning and limit indicator systems according to the risk appetite; continue to monitor risk warning and limit indicator, and report to the Board and senior management the use of the risk limits; formulate relevant correction measures and adopt necessary risk diversification measures when risk limits are close to the monitoring indicator limits.
- (2) Conduct regularly comprehensive risk stress tests with uniform scenario and irregularly special stress tests to assess the impact of the significant risk events; formulate appropriate risk contingency plan when necessary and apply the stress test results when making the decisions in relation to the risk management of the Company and each of the operation management.
- (3) Identify and assess various risks on regular basis and incorporate the assessment and management advices into the comprehensive risk management report which shall be submitted to management and the Board for review.

The major characteristics of the risk management and internal control system of the Group are as follow:

- (1) Complete coverage of risk management and compliance requirements. Risk management and internal control system cover every business line: domestic and foreign currencies, on the statements and off the statements, and domestic and overseas businesses; cover all branches, departments, positions and staff; cover every type of risks and the impact of different risks; cover all the management processes, from decision making to execution and monitoring; the risk management and internal control system of the Company cover all the domestic and foreign requirements in relation to internal control and risk management, such as “The Basic Rules on Enterprise Internal Control”, “Enterprise Internal Control Guidelines” and Listing Rules, which are all applicable to the Company;
- (2) The relative independency of risk management and internal control. The Company established an independent organization structure for comprehensive risk management and internal control system, granting sufficient authority, human resources and other resources to the risk management functions, and establishing a scientific and reasonable reporting channel, which forms an operation mechanism of checks and balances with business line; and

- (3) Risk-oriented internal control. Subject to satisfaction of the internal control requirements set out in Listing Rules, the Company adopts risk assessment methods with a focus on the high risk areas and management hotspots while selecting the major business flow and critical controlling links for fulfilling the relevant requirements of risk control and implements such methods in relevant business management. Through the comprehensive risk management and the whole-process of internal control system, the Company is committed to reasonably ensuring that the business risk appetite is in line with the Company's strategy and the work on risk management is undertaken in an orderly manner. The Company also aims at effectively identifying risk so as to avoid the unnecessary loss while reasonably ensuring the accuracy of the risk assessment method and timely delivery of the risk report. Meanwhile, the Company also reasonably ensures the effective operation of the supervision mechanism of internal control system to timely identify significant risk.

The Board continued to monitor the effectiveness of the Group's risk management and internal control systems. During the Reporting Period, the Board has reviewed the Group's risk management and internal control system seven times. The review should cover all important aspects of monitoring, including financial monitoring, operational monitoring and compliance monitoring.

During the Reporting Period, the Company complied with regulatory requirements and the needs for internal control management and implemented various audit inspections covering different business sections including audit of outgoing responsible persons of the Company, routine audit of branches, audit of subsidiaries, audit of the management of main futures business, and audit of the Company's anti-money laundering and clean operation. Attention was paid to the regulatory requirements of regulatory authorities and the new rules and system of the Company during audit process and such requirements were included in the scope of audit, which effectively facilitated the enforcement of the Company's internal control system. During the Reporting Period, the Company formulated its internal control system by taking into consideration of its own business development and in accordance with relevant laws and regulatory requirements on securities and futures in the PRC and Hong Kong to accommodate the management requirements of the Company and to ensure the effective implementation with an aim to achieving the target of compliance management of the Company, which reasonably assured the truthfulness and completeness of the financial reports. Such system also serves as an effective preventive measure for managing and responding to significant risks as well as checking against financial frauds, errors of important procedures to eliminate potential significant risks.

The Company is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or when relevant decisions are made unless it falls within "Safe Harbours" as defined under the Securities and Futures Ordinance. Meanwhile, the Company has put in place real-time monitoring mechanism over information which could be the inside information and determines whether such information is inside information and is practicable for disclosure. If the disclosure standards are met, the information should be disclosed as early as possible. Before the disclosure, the scope of knowledge should be strictly controlled and the fluctuation of the stock price should be monitored until the completion of the disclosure of the inside information. If the disclosure standards are not met, the Company will also maintain strict confidentiality.

Corporate Governance Report

IX. OTHER RELEVANT MATTERS

(1) Auditors and their remuneration

ShineWing Certified Public Accountants LLP was appointed as auditor of the Company for the financial statements prepared by the Company in accordance with Chinese Accounting Standards for Business Enterprises for the year ended 31 December 2022. During the period covered by this Report, there was no occurrence of disagreement from the Board of Directors to the opinions of selection and appointment of external auditor from the Audit Committee. For details of the auditors' remuneration, please refer to "VII. Appointment, Change and Dismissal of Auditors" in Chapter X of this Report.

(2) Directors' and auditor's responsibility for the financial statements

The Board of Directors acknowledged its responsibility of preparing the consolidated financial statements for the year ended 31 December 2022 of the Group.

The Board of Directors is responsible for the clear and specific assessment report for the annual reports, interim reports, price-sensitive information and other disclosures according to the Listing Rules and other regulatory requirements. The senior management have provided the Board of Directors with all necessary explanations and information for the Board of Directors to make an implementation assessment of the Group's financial data and position and for the Board's consideration and approval.

The Company has not encountered with any significant uncertainties or situations that might cause material doubt to the ability of continuous operation of the Company. In addition, the Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the Directors, the Supervisors and the senior management.

Please refer to "Independent Auditor's Report" in Chapter XIII of this Report for the reporting responsibility declaration of the auditor of the Company concerning the consolidated financial statements.

(3) Company secretaries

During the Reporting Period, Ms. Ng Wing Shan resigned as the joint company secretary of the Company on 10 March 2022, and Dr. Ngai Wai Fung was appointed as the joint company secretary of the Company on the same day to replace her. For the biographies of Mr. Liang Zhongwei and Dr. Ngai Wai Fung, please refer to "I. Directors, Supervisors, Senior Management and Staff" in Chapter IX of this Report. Mr. Liang Zhongwei, the joint company secretary and secretary to the Board of the Company, has been the main contact person between Ms. Ng Wing Shan and Dr. Ngai Wai Fung and the Company.

In accordance with the requirements of Rule 3.29 of the Listing Rules, Mr. Liang Zhongwei and Dr. Ngai Wai Fung, being the joint company secretaries, have received no less than 15 hours of relevant professional training during the year ended 31 December 2022.

(4) Rights of Shareholders and communication policy

The general meeting is the supreme authority of the Company. The Shareholders exercise their rights through the general meeting. The Company convenes and holds the general meetings in strict compliance with the relevant requirements to ensure that all Shareholders, especially minority Shareholders, can enjoy equal positions and fully exercise their rights. The Company maintains a healthy and steady development in an orderly way under the restraints of the Articles of Association, the interests of the Company and its Shareholders are effectively protected.

The Company highly respects the opinions and suggestions of Shareholders and maintains open channels of communication to Shareholders in order to meet their reasonable requirements. Meanwhile, the Company releases its announcements, financial data and other relevant information on its website www.ztqh.com, which serves as a channel promoting effective communication with Shareholders. Shareholders can make inquiries by email or by investor special line or write directly to the office address of the Company, which will be dealt with appropriately in a timely manner. Please refer to “I. Profile” in Chapter III of this Report for the above detailed contact information.

The Board welcomes suggestions from Shareholders, and encourages Shareholders to attend general meetings to directly express possible concerns to the Board and the management. Usually, the Chairman of the Board and the chairmen of respective special committees and the senior management would attend annual general meetings and other general meetings to answer questions put forward by Shareholders.

Shareholders may convene an extraordinary general meeting within two months pursuant to the procedures specified in the Articles of Association when: (1) the number of Directors is less than the number required by the Company Law or two-thirds of the number of Directors specified in the Articles of Association; (2) unrecovered losses of the Company amount to one third of the total amount of its Share capital; (3) when Shareholder(s) who individually or jointly hold(s) ten percent or more of the Company's issued and outstanding voting Shares request(s) in writing for the convening of an extraordinary general meeting; (4) the Board of Directors considers necessary or upon the request of the Supervisory Committee; or (5) other circumstances required by laws, administrative regulations, departmental rules or the Articles of Association.

When the Company convenes a general meeting, the Shareholders holding 3% or more of the Shares carrying voting rights of the Company, have the right to propose a provisional proposal in writing to the Company 10 days before convening the general meeting. The Company shall place the provisional proposal which falls within the functions and powers of general meetings on the agenda for the said meeting. Please refer to the Articles of Association for specific details. The Articles of Association have been published on the websites of the Hong Kong Stock Exchange and the Company.

The Board of Directors reviews the shareholder communication policy at least once a year to ensure its effectiveness. After reviewing the different channels of communication with Shareholders, the Board of Directors considers that the shareholder communication policy has been properly implemented and is effective during the Reporting Period.

Corporate Governance Report

(5) Investor relations

Standardized and specialized investor relationship management is not only a listed company's statutory responsibility, but also an effective method to manage the company's market value. The Board attaches great importance to the management of investor relations and strengthens the communication and services with investors through various platforms, such as special lines set up specially for investors, E-mail, customer service hotlines of the Company, the Company's website, teleconferences, on-site reception, meeting-and-greeting of investors and roadshow, etc. To make the investors understand the situation of the Company and improve investors' recognition and understanding of the Company and the industry in which the Company operates.

(6) Diversity Policy

The Company is of the view that the diversity of the members of the Board of Directors will promote the growth of the results of the Company, enhance corporate governance and the Company's reputation, as well as attract and retain talents in the Board of Directors.

In order to meet and enforce the requirements regarding board diversity in the Listing Rules and ensure a more reasonable composition of the Board, the Company adheres to the diversity policy on the election of Directors, including taking into consideration the professional qualification and experience, gender, cultural and educational background, age and terms of service of Directors. The Company also considers determining the best composition of the members of the Board of Directors according to its scope of business and its particular needs from time to time.

The Nomination Committee of the Company reviews and assesses the formation of the Board of Directors and make recommendations to the Board of Directors on the new Directors of the Company to be appointed. The Nomination Committee suggests reasonable goals concerning the diversity of the members of the Board of Directors each year and make recommendations to the Board concerning the goals.

In order to implement the Board diversity policy, the following measurable goals have been adopted during the Reporting Period:

- (1) At least one-third of the Board members are independent non-executive Directors; and
- (2) At least one member of the Board has obtained legal and accounting or other professional qualifications.

The Board of Directors has achieved the measurable objectives under the Board diversity policy.

As at the end of Reporting Period, the Board of Directors consisted of nine Directors, three of whom were independent non-executive Directors and one was staff representative Director, thereby enhancing the strict review and monitoring of management procedures. The Board is highly diverse in all aspects of age, cultural and educational background, professional experience, skills, knowledge and terms of service.

As at the end of the reporting period, all Board members were male. To achieve gender diversity at the Board level, the Board is in the process of contacting potential female candidates for serving on the Board and plans to appoint at least one female Board member by 31 December 2024. In order to achieve and/or maintain gender diversity, the Nomination Committee has begun to look for potential candidates to establish a channel for potential successors, and will seek the assistance of professional headhunting companies when necessary.

As at the end of the Reporting Period, the employees of the Group (including senior management) comprised 432 males and 303 females and the ratio of male to female staff was approximately 1.43:1. Accordingly, the Board considers that the Group's workforce are all diverse in terms of gender. The Company pursues a meritocracy policy in employment, and is committed to providing equal opportunities for staff in recruitment, training and development, job promotion and remuneration package.

(7) Amendments to the Articles of Association

During the Reporting Period, the Company considered and approved the amendments to the Articles of Association at the first extraordinary general meeting of 2022 held on 10 March 2022. For details of the amendments to the Articles of Association, please refer to the announcements dated 11 February 2022, and 10 March 2022, and the circular dated 22 February 2022 of the Company, respectively.

Subsequently the Company held the 2021 Annual General Meeting on 28 June 2022, for considering and approving the amendments to the Articles of Association. For details of the amendments to the Articles of Association, please refer to the announcements dated 25 May 2022, and 28 June 2022, and the circular dated 27 May 2022 of the Company.

The amended Articles of Association came into effect on 29 March 2022 and 28 June 2022 and was published on the websites of the Hong Kong Stock Exchange and the Company.

Save as disclosed above, the Company did not make any material changes to the Articles of Association during the Reporting Period.

(8) Remuneration of the senior management

The remuneration paid to the senior management by bands for the year ended 31 December 2022 is set out below:

Remuneration bands	Number
RMB300,001 to RMB500,000	0
RMB500,001 to RMB700,000	1
RMB700,001 to RMB900,000	0
RMB900,001 to RMB1,100,000	4
RMB1,100,001 to RMB1,300,000	2
RMB1,300,001 to RMB1,500,000	1
	8

(9) Terms of office of non-executive Directors

The non-executive Directors of the Company are elected at the general meeting whose terms of office are 3 years, and can be renewed upon re-election and re-appointment.

Corporate Governance Report

(10) Dividend Policy

The Company's dividend policy has been stipulated in the Articles of Association. According to the Articles of Association, in distributing the current year's profit after tax, 10% of the profit shall be allocated to the Company's statutory reserve fund. When the aggregate amount of the statutory reserve fund has reached 50% or more of the Company's registered capital, further appropriations are not required. If the statutory reserve fund of the Company is insufficient to make up the losses of the previous year, the profits of the current year shall be used to make up such losses before allocating to the statutory reserve fund in accordance with the preceding paragraph. The Company shall allocate 10% of its annual profits after tax as a general risk reserve to compensate for risks. After allocation of its profits after tax to its statutory reserve fund and general risk reserve, the Company may allocate its profits after tax to its discretionary reserve fund upon a resolution of the Shareholders' general meeting. The remaining profits after tax after the Company has made up its losses and allocated to its reserve funds and general risk reserve may be distributed to its Shareholders in proportion to their shareholdings if profit distribution is to be made, unless it is stipulated in the Articles of Association that no profit distribution shall be made in proportion to shareholdings.

The Company may distribute dividends in the form of (or a combination of both):

- (1) cash;
- (2) shares.

Dividends and other payments payable by the Company to the holders of its Domestic Shares shall be denominated and declared in Renminbi and paid in the Renminbi within three months from the date of declaration of dividends. Dividends and other payments payable by the Company to the holders of foreign shares shall be denominated and declared in Renminbi and paid in foreign currency within three months from the date of declaration of dividends. The exchange rate adopted for conversion shall be the average closing exchange rate of the relevant foreign currency against Renminbi as quoted by the People's Bank of China for the five business days prior to the declaration date. The foreign currency payable by the Company to the holders of foreign shares shall be subject to the relevant regulations on foreign exchange control in the PRC. The Board of Directors shall be authorized by way of ordinary resolution at a shareholders' general meeting to implement dividend distribution of the Company.

Internal Controls

During the Reporting Period, the Company carried out internal control activities according to the regulatory requirements for Companies listed in Hong Kong and the requirements of “The Basic Rules on Enterprise Internal Control” and the relevant implementation guidelines, and based on the principle of “comprehensiveness, importance, and objectivity”.

I. ESTABLISHMENT OF INTERNAL CONTROL STRUCTURE

The Company establishes and perfects the corporate governance structures comprising the Party Committee meeting, the general meetings, the Board of Directors, the Supervisory Committee and the Management. The Board of Directors is responsible for establishing, improving and effective implementation of internal controls. The Supervisory Committee supervises the Board of Directors' establishment and implementation of internal controls. The Management is responsible for organizing the daily operation of the internal control of the Company. In order to strengthen and improve the Company's internal supervision and risk control, the Audit Committee and Risk Control Committee are subordinated to the Company's Board of Directors, who are accountable to and report to the Board of Directors. A chief risk officer has been appointed for supervising and inspecting the compliance of the operation and management behavior and risk management status of the futures company. The Company has established a compliance and risk control department and an audit department, among them: the compliance and risk control department is responsible for formulating the basic internal control system of the Company and performing compliance management and risk control functions; the Audit Department shall carry out internal audit activities under the leadership of the Board of Directors and subject to the guidance of the Audit Committee of the Board of Directors.

II. IMPLEMENTATION AND OPERATION OF INTERNAL CONTROL SYSTEM

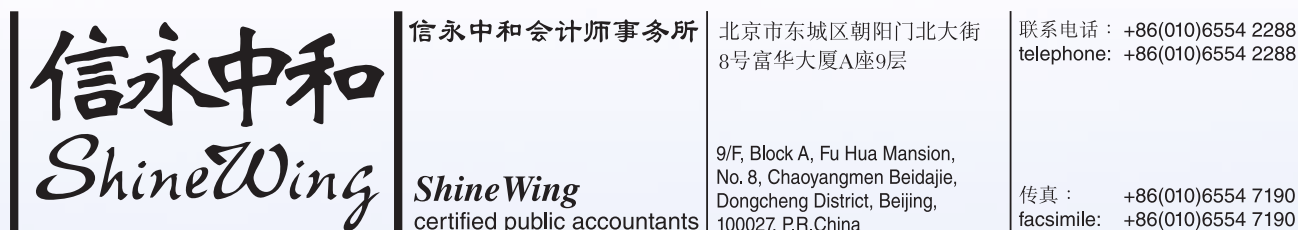
Pursuant to relevant laws and regulations, requirements of regulatory policies and corporate governance, the Company establishes and implements corresponding levels of internal control system, including the Articles of Association, the Rules of Procedure for the General Meeting, the Rules of Procedure for the Board of Directors, and the Rules of Procedure for the Supervisory Committee, the financial system and administrative system, the Information Technology System, the Compliance Management System and various business systems, etc., and continuously optimizes the process control, increases the appraisal and check mechanisms, and comprehensively improves the implementation of the systems. During the Reporting Period, the Company continuously improved the internal control system and updated relevant internal systems in a timely manner to ensure the effectiveness of its internal control design.

III. SUPERVISION AND INSPECTION OF INTERNAL CONTROL

The Company has established an internal control management model that covers pre-events, ongoing events and post events so as to ensure that various operation and management activities are undertaken according to laws and regulations. The internal monitoring system of the Company comprises the Supervisory Committee, the Audit Committee of the Board, the Risk Control Committee of the Board, the Compliance and Risk Control Department as well as the Audit Department, and has established a scientific and effective internal authorization management mechanism. The Compliance and Risk Control Department focuses on monitoring of pre-events and ongoing events in the course of the compliance management; the Audit Department performs the duties of internal independent audit and assessment, with a focus on monitoring of post events. According to the regulatory requirements and the needs for internal control management, the Compliance and Risk Control Department and the Audit Department inspected futures brokerage business, asset management business, transaction consulting business, customer margin and own fund management, branch management, and subsidiary management regularly or irregularly. Entities who have been identified with problems were urged to rectify.

During the Reporting Period, according to the regulatory requirements and based on the needs for internal control management, the Company implemented various audit inspections according to the annual audit plan, mainly including the routine audit of branches and the audit of out-going responsible officers, audit on the Company's information technology management, brokerage business operation management, asset management business, anti-money laundering, and audit of subsidiaries. In case of problems found in the course of audit, the entity being audited was urged to complete rectification by a deadline, and was taken liable for the problem. This move effectively improved the efficiency of internal audit monitoring and promoted the deeper development of the Company's internal audit work.

Independent Auditor's Report



Auditor's Report

XYZH/2023JNAA1B0007

To all shareholders of Zhongtai Futures Company Limited:

I. Audit Opinion

We have audited the financial statements of Zhongtai Futures Company Limited (hereinafter referred to as the "Zhongtai Futures Company" or the "Company"), which comprise the consolidated and the parent company's statement of the balance sheet as of December 31st, 2022, the consolidated and the parent company's income statement, the consolidated and the parent company's cash flow statement, the consolidated and the parent company's statement of changes in shareholders' equity for the year 2022, and the related notes to the financial statements.

In our opinion, the attached financial statements were prepared in accordance with Accounting Standards for Business Enterprises and fairly presents, in all material respects, the consolidated and the parent company's financial position of Zhongtai Futures Company as at December 31st, 2022, and the consolidated and the parent company's operating results and cash flows for the year 2022.

II. The Basis of Audit Opinion

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the "Responsibilities of the management and those charged with the governance of the financial statements" section of our report. We are independent of Zhongtai Futures Company in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, we consider to be most significant to the audit of the financial statements for the year. These matters are addressed in the context of the audit of the financial statements as a whole and the formation of an audit opinion, and we do not express an opinion on these matters individually.

Independent Auditor's Report

1. Recognition of handling fee income

Key Audit Matters	Response in Audit
<p>As stated in Note "IV.29. (1)" and Note "VII.38." to the financial statements, Zhongtai Futures Company's handling fee income for FY2022 was RMB355,412,100.</p> <p>The handling fee income of Zhongtai Futures Company is mainly from the brokerage business (including handling fee income from brokerage business and exchange reduction). Brokerage handling fee income is recognized when daily payments are cleared with customers; exchange reduction handling fee income is recognized when the funds are cleared by the exchange.</p> <p>We identified the recognition of handling fee income as a key audit matter as it is one of the key performance indicators for Zhongtai Futures Company, and there is an inherent risk that Management may manipulate income to meet specific objectives or expectations.</p>	<p>The key audit procedures we performed for the recognition of handling fee income included:</p> <ol style="list-style-type: none"> <li data-bbox="810 620 1396 842">(1) Control testing focused on income related business cycles, such as the brokerage business cycle and the fund's management cycle, in conjunction with the Company's internal control testing to determine the effectiveness of income related internal controls. <li data-bbox="810 879 1396 1134">(2) Testing and evaluating the effectiveness of the design and operation of general IT controls associated with key IT systems that process transactions related to handling fee income, and testing and evaluating the design and operational effectiveness of the relevant IT application controls within the selected systems. <li data-bbox="810 1170 1396 1742">(3) Performing analytical review procedures to analyze the Company's handling fee income for the past two years, and compare and analyze it with industry developments and changes in the income of companies in the same industry to determine whether changes in the Company's handling fee income are normal and in line with industry developments; analyzing fluctuations in handling fee and commission income from month to month to determine whether they are in line with the direction of development of the futures industry during the year; obtaining trading volume data from the counter system to calculate whether the average commission rate is abnormal and analyze it in comparison with industry levels and other futures companies in the industry. <li data-bbox="810 1778 1396 1938">(4) Monthly handling fee and commission income and expenditure data are exported from the Company's trading system and compared with the monthly financial recognition data to determine if they match.

2. Valuation of financial instruments measured at fair value

Key Audit Matters	Response in Audit
<p>As stated in Notes VII. 10., VII. 11. and XIII. to the financial statements, as of December 31st, 2022, the fair value of the trading financial assets of Zhongtai Futures Company was RMB933,282,600 (including derivative financial assets of RMB202,490,300) and the fair value of trading financial liabilities was RMB184,636,800.</p> <p>As the valuation of the Company's financial instruments is based on a combination of market data and valuation models, a high number of variables are typically required to be entered. The assessment of the fair value of some financial instruments measured at fair value is more complex and involves a significant degree of Management judgement in determining the inputs used in the valuation model, therefore we have identified the valuation of financial instruments measured at fair value as a key audit matter.</p>	<p>The key audit procedures we performed for the valuation of financial instruments measured at fair value included:</p> <ol style="list-style-type: none"> <li data-bbox="890 659 1479 810">(1) Obtaining an understanding of the reasonableness of the design of internal controls relevant to the valuation of financial instruments and performing relevant tests of control effectiveness; <li data-bbox="890 853 1479 972">(2) Assessing the appropriateness of the valuation methods applied by the Company and comparing it with similar or comparable industries; <li data-bbox="890 1015 1479 1297">(3) For the valuation of Level 1 and Level 2 non-derivative financial instruments, we independently obtained observable market data and net asset values provided by the relevant asset managers and compared these to the valuation prices used by the Company by way of audit sampling and confirm the net values by way of a letter to the asset managers.

Independent Auditor's Report

Key Audit Matters	Response in Audit
	<p>(4) For the valuation of Level 1 and Level 2 derivative financial instruments, the Management relies on directly or indirectly observable parameters, and we evaluated the assumptions and judgements made by the Management based on our knowledge of current industry practice:</p> <ul style="list-style-type: none"> ① Obtain a breakdown of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss and reconcile them to the statement and general ledger figures. ② Obtain a breakdown of the Company's OTC derivatives, obtain derivative agreements, trade confirmations and other information on a sample basis, understand the relevant terms and valuation elements and reconcile them with the transaction breakdown. ③ Obtain mark to market reports and valuation data, independently review the calculation of the valuation of derivative financial instruments by way of sampling in conjunction with the Company's valuation method and the key parameters used in the valuation and confirm the key parameters used in the valuation by way of confirmation. <p>(5) For the valuation of financial instruments classified as Level 3, the Management relies on unobservable parameters. We evaluated the assumptions and judgements made by the Management based on our knowledge of current industry practice. We obtain external evidence such as investment contracts and correspondence with counterparties to substantiate the Management's estimates of future cash flows, expected recovery or payment dates and discount rates. In addition, we apply a discounted cash flow model to recalculate the valuation of financial instruments classified as Level 3.</p>

IV. Other information

Zhongtai Futures Company management (hereinafter referred to as the "Management") is responsible for other information. Other information includes the information covered in Zhongtai Futures Company's 2022 Annual Report but excludes the financial statements and our auditor's report.

Our audit opinion on the financial statements does not cover other information, and we do not express an assurance conclusion of any kind on other information.

In conjunction with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with, or appears to be materially misstated in, the financial statements or what we have learned during the audit.

Based on the work we have performed, if we determine that other information is materially misstated, we should report that fact. We do not have any matters to report in this regard.

V. Responsibilities of the management and those charged with the governance of the financial statements

The Management is responsible for the preparation of financial statements in accordance with the Accounting Standards for Business Enterprises to enable them to be fairly reflected and to design, implement and maintain the necessary internal controls so that there is no material misstatement due to fraud or error in the financial statements.

In the preparation of the financial statements, the Management is responsible for assessing Zhongtai Futures Company's ability to continue as a going concern, disclosing matters relating to continuing operations (if applicable) and applying the continuing operating assumptions unless the Management plans to liquidate Zhongtai Futures Company, cease to operate or otherwise realistic choice.

The Governance is responsible for overseeing the financial reporting process of Zhongtai Futures Company.

VI. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

Independent Auditor's Report

Throughout the duration of the audit, in accordance with auditing standards, we have exercised professional judgment and maintained professional scepticism. We have also carried out the following works:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our audit. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Zhongtai Futures Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, according to the auditing standards, we are required to draw the attention of statement users to the relevant disclosures in the financial statements in our audit reports or, if such disclosures are inadequate, we should express a non-unqualified opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Zhongtai Futures Company to cease.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and also whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence about the financial information of the entities or operations in Zhongtai Futures Company to express an audit opinion on the financial statements. We are responsible for directing, supervising and performing the group audit and accept full responsibility for the audit opinion.

We have communicated with the Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings etc., including any significant deficiencies in internal control that we have identified during our audit.

We have also provided a statement to Governance regarding compliance with ethical requirements related to independence and communicated with the Governance about all relationships and other matters that could reasonably be perceived to affect our independence, as well as related precautions (if applicable).



Independent Auditor's Report

From the matters communicated with Governance, we determined which matters were most significant to the audit of the current year's financial statements and therefore constitute critical audit matters. We describe these matters in our audit report, except in those cases where public disclosure of such matters is prohibited by law or regulation, or in those rare cases where we determine that a matter should not be communicated in our audit report if we reasonably expect that the negative consequences of the matter in our audit report would outweigh the benefits in the public interest.

ShineWing Certified Public Accountants LLP

Chinese Certified Public Accountant:
(Engagement partner)

Chinese Certified Public Accountant:

Beijing, China

March 30th, 2023

Consolidated Balance Sheet

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

Assets	Note	December 31st, 2022	December 31st, 2021
Assets:			
Cash and cash equivalents	VII. 1	16,467,030,760.78	10,365,579,940.54
Including: Futures margin		15,290,821,662.01	9,363,078,654.91
Currency margin receivable	VII. 2	6,928,348,945.04	6,157,195,296.14
Pledge margin receivable	VII. 3	3,724,631,360.00	2,653,917,096.00
Settlement guarantees receivable	VII. 4	31,692,359.37	40,607,913.12
Risk loss receivable	VII. 5	648,477.96	522,809.53
Commission receivable		94,970.73	19,502.04
Accounts receivable	VII. 6	216,336,561.69	222,020,601.88
Inventories	VII. 7	77,218,365.69	44,334,964.45
Contract assets	VII. 8	26,394,536.79	18,834,724.14
Buyback financial assets	VII. 9	235,543,097.77	121,689,919.11
Trading financial assets	VII. 10	933,282,641.69	876,461,871.28
Futures membership investments	VII. 12	1,400,000.00	1,400,000.00
Long-term equity investments	VII. 13	39,778,369.13	25,376,644.34
Investment properties			
Fixed assets	VII. 14	44,489,920.17	41,296,708.49
Construction in progress			
Right-of-use assets	VII. 15	24,945,426.59	18,912,685.12
Intangible assets	VII. 16	8,201,446.15	7,148,394.90
Goodwill			
Deferred tax assets	VII. 17	21,908,187.19	775,986.85
Other assets	VII. 18	77,133,925.10	86,004,669.90
Total assets		28,859,079,351.84	20,682,099,727.83

Consolidated Balance Sheet

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

Liabilities and owners' equity	Note	December 31st, 2022	December 31st, 2021
Liabilities:			
Short-term loans	VII. 19	10,011,388.89	
Currency margin payable	VII. 20	20,651,899,935.15	14,579,045,072.19
Pledge margin payable	VII. 21	3,724,631,360.00	2,653,917,096.00
Trading financial liabilities	VII. 11	184,636,805.58	140,002,110.27
Futures risk reserves	VII. 22	155,185,841.21	137,139,704.50
Futures investors' security funds payable	VII. 23	1,104,676.74	909,357.71
Employee benefits payable	VII. 24	91,912,775.38	128,230,406.01
Notes payable	VII. 25	200,000.00	
Taxes and dues payable	VII. 26	68,690,635.05	12,645,288.20
Payables	VII. 27	1,238,083,744.95	686,888,945.21
Contract liabilities	VII. 28	18,375,107.56	12,343,717.33
Lease liabilities	VII. 29	25,267,643.60	19,065,252.23
Provisions	VII. 30	116,964.10	877,230.75
Deferred tax liabilities	VII. 17	497.46	24,325,358.48
Other liabilities	VII. 31	246,762,631.16	4,748,418.13
Total liabilities		26,416,880,006.83	18,400,137,957.01
Shareholders' equity:			
Share capital	VII. 32	1,001,900,000.00	1,001,900,000.00
Other equity instruments Including: Preferred shares Perpetual bonds			
Capital reserve	VII. 33	661,934,066.94	651,642,466.48
Less: Treasury share			
Other comprehensive income	VII. 34	1,829,585.72	-90,930.59
Surplus reserve	VII. 35	99,583,860.34	85,498,817.06
General risk reserve	VII. 36	124,578,909.85	110,493,866.57
Undistributed profit	VII. 37	552,372,922.16	432,517,551.30
Total owners' equity attributable to the parent company		2,442,199,345.01	2,281,961,770.82
Non-controlling interests			
Total shareholders' equity		2,442,199,345.01	2,281,961,770.82
Total liabilities and shareholders' equity		28,859,079,351.84	20,682,099,727.83

Parent Company's Balance Sheet

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

Assets	Note	December 31st, 2022	December 31st, 2021
Assets:			
Cash and cash equivalents	XVIII. 1	15,993,939,725.23	10,195,719,428.48
Including: Futures margin		15,290,821,662.01	9,363,078,654.91
Currency margin receivable		6,928,348,945.04	6,157,195,296.14
Pledge margin receivable		3,724,631,360.00	2,789,547,324.00
Settlement guarantees receivable		31,692,359.37	40,607,913.12
Risk loss receivable		648,477.96	522,809.53
Commission receivable		94,970.73	19,502.04
Accounts receivable		10,302,960.20	8,161,794.37
Inventories			
Contract assets		26,394,536.79	18,834,724.14
Buyback financial assets		200,312,037.45	
Trading financial assets		715,348,050.97	617,785,579.51
Futures membership investments		1,400,000.00	1,400,000.00
Long-term equity investments	XVIII. 2	790,577,508.00	790,577,508.00
Investment properties			
Fixed assets		42,520,526.29	39,053,758.60
Construction in progress			
Right-of-use assets		19,467,245.65	10,848,244.67
Intangible assets		8,998,251.70	8,007,228.32
Goodwill			
Deferred tax assets		13,451,943.13	
Other assets		42,555,936.23	30,129,530.53
Total assets		28,550,684,834.74	20,708,410,641.45

Parent Company's Balance Sheet

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

Liabilities and owners' equity	Note	December 31st, 2022	December 31st, 2021
Liabilities:			
Currency margin payable		22,096,704,526.14	15,305,301,881.57
Pledge margin payable		3,724,631,360.00	2,789,547,324.00
Trading financial liabilities			
Futures risk reserves		155,185,841.21	137,139,704.50
Futures investors' security funds payable		1,104,676.74	909,357.71
Employee benefits payable	XVIII. 3	62,891,134.38	91,814,473.58
Notes payable			
Taxes and dues payable		36,459,521.30	12,240,513.51
Payables		30,380,764.57	57,223,056.20
Contract liabilities			
Lease liabilities		19,465,832.66	10,793,050.19
Provisions		116,964.10	877,230.75
Deferred tax liabilities			8,136,325.26
Other liabilities		10,464,321.41	3,964,064.70
Total liabilities		26,137,404,942.51	18,417,946,981.97
Shareholders' equity:			
Share capital		1,001,900,000.00	1,001,900,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		650,629,528.42	650,629,528.42
Less: Treasury share			
Other comprehensive income			
Surplus reserve		99,583,860.34	85,498,817.06
General risk reserve		124,578,909.85	110,493,866.57
Undistributed profit		536,587,593.62	441,941,447.43
Total shareholders' equity		2,413,279,892.23	2,290,463,659.48
Total liabilities and shareholders' equity		28,550,684,834.74	20,708,410,641.45

Consolidated Income Statement

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

Item	Note	FY2022	FY2021
I. Operating income		2,447,628,197.65	2,254,617,095.22
Net handling fees and commission income	VII. 38	355,412,061.66	399,004,304.37
Net interest income	VII. 39	225,734,734.49	196,487,588.13
Investment income (Loss marked with "-")	VII. 40	194,322,657.61	52,594,641.54
Including: Investment income from associates and joint ventures		4,110,124.33	-2,770,618.62
Gains from changes in fair value (Loss marked with "-")	VII. 41	-119,830,258.80	60,845,312.95
Exchange earnings (Loss marked with "-")		-1,312,348.05	-155,969.82
Other operation income	VII. 42	1,792,233,479.63	1,545,092,126.61
Gains on disposal of assets (Loss marked with "-")		32,148.51	-8,938.54
Other income	VII. 43	1,035,722.60	758,029.98
II. Operating cost		2,221,992,487.87	1,996,475,625.66
Withdrawal of risk reserves	VII. 44	18,046,136.71	20,257,432.73
Taxes and surcharges	VII. 45	3,926,670.04	3,095,027.08
Business and management fees	VII. 46	406,386,887.45	454,272,804.89
Credit impairment losses	VII. 47	8,349,614.57	656,349.01
Impairment losses on assets	VII. 48	-289,515.05	1,727,848.53
Other business costs	VII. 49	1,785,572,694.15	1,516,466,163.42
III. Operating profit (Loss marked with "-")		225,635,709.78	258,141,469.56
Add: Non-operating income	VII. 50	1,957,714.01	169,366.93
Less: Non-operating expenses	VII. 51	2,204,002.85	2,106,922.03
IV. Total profits (Total losses marked with "-")		225,389,420.94	256,203,914.46
Less: Income tax expenses	VII. 52	59,329,763.52	67,631,010.33
V. Net profits (Net losses marked with "-")		166,059,657.42	188,572,904.13
(I) Classified by business continuity:		166,059,657.42	188,572,904.13
1. Net profits from continuing operations (Net losses marked with "-")		166,059,657.42	188,572,904.13
2. Net profits of discontinuing operations (Net losses marked with "-")			
(II) Classified by ownership:		166,059,657.42	188,572,904.13
1. Net profit attributable to shareholders of the parent company (Net losses marked with "-")		166,059,657.42	188,572,904.13
2. Profit or loss of minority shareholders (Net losses marked with "-")			

Consolidated Income Statement

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

Item	Note	FY2022	FY2021
VI. Net after-tax amount of other comprehensive income		1,920,516.31	-1,520,330.91
Net after tax of other comprehensive income attributable to the owner of the parent company		1,920,516.31	-1,520,330.91
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income not converted into profit or loss under equity method			
3. Fair value changes of other equity instrument investments			
4. Fair value changes of enterprise's own credit risks			
(II) Other comprehensive income reclassified into profit and loss		1,920,516.31	-1,520,330.91
1. Other comprehensive income converted into profit or loss under the equity method			
2. Fair value changes of other debt instruments			
3. Amount reclassified from financial assets to other comprehensive income			
4. Provision for credit impairment on other debt instruments			
5. Cash flow hedge reserves			
6. Translation difference of foreign currency statements		1,920,516.31	-1,520,330.91
Net after tax of other comprehensive income attributable to minority shareholders			
VII. Total comprehensive income		167,980,173.73	187,052,573.22
Total comprehensive income attributable to the owner of the parent company		167,980,173.73	187,052,573.22
Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share			
(I) Basic earnings per share	VII. 55	0.17	0.19
(II) Diluted earnings per share		0.17	0.19

Parent Company's Income Statement

As at 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

Item	Note	FY 2022	FY 2021
I. Operating income		601,287,037.05	641,826,183.46
Net handling fees and commission income	XVIII. 4	360,893,348.92	405,818,259.51
Net interest income		223,119,028.98	185,476,653.10
Investment income (Loss marked with "-")	XVIII. 5	30,735,578.15	20,023,847.95
Including: Investment income from associates and joint ventures			
Gains from changes in fair value (Loss marked with "-")		-48,373,861.18	542,118.53
Exchange earnings (Loss marked with "-")		-15,980.21	-91,220.59
Other operation income		33,907,374.77	29,344,447.24
Gains on disposal of assets (Loss marked with "-")		32,148.51	-11,735.20
Other income		989,399.11	723,812.92
II. Operating cost		406,723,761.65	424,451,169.21
Withdrawal of risk reserves		18,046,136.71	20,257,432.73
Taxes and surcharges		2,255,978.15	2,161,128.13
Business and management fees	XVIII. 6	359,419,262.88	384,910,696.54
Credit impairment losses		607,847.12	555,919.06
Impairment losses on assets			
Other business costs		26,394,536.79	16,565,992.75
III. Operating profit (Loss marked with "-")		194,563,275.40	217,375,014.25
Add: Non-operating income		172,264.09	3,257.86
Less: Non-operating expenses		2,162,981.54	2,106,922.03
IV. Total profits (Total losses marked with "-")		192,572,557.95	215,271,350.08
Less: Income tax expenses		51,722,125.20	56,012,758.41
V. Net profits (Net losses marked with "-")		140,850,432.75	159,258,591.67
1. Net profits from continuing operations (Net losses marked with "-")		140,850,432.75	159,258,591.67
2. Net profits of discontinuing operations (Net losses marked with "-")			

Parent Company's Income Statement

As at 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

Item	Note	FY 2022	FY 2021
VI. Net after-tax amount of other comprehensive income			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income not converted into profit or loss under equity method			
3. Fair value changes of other equity instrument investments			
4. Fair value changes of enterprise's own credit risks			
(II) Other comprehensive income reclassified into profit and loss			
1. Other comprehensive income converted into profit or loss under the equity method			
2. Fair value changes of other debt instruments			
3. Amount reclassified from financial assets to other comprehensive income			
4. Provision for credit impairment on other debt instruments			
5. Cash flow hedge reserves			
6. Translation difference of foreign currency statements			
VII. Total comprehensive income		140,850,432.75	159,258,591.67

Consolidated Cash Flow Statement

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

Item	Note	FY 2022	FY 2021
I. Cash flows arising from operating activities:			
Net decrease in financial assets held for trading purposes			
Cash received from interest, fees and commissions		951,114,601.72	724,979,043.62
Cash received related to other operating activities		7,927,976,620.57	6,422,043,738.10
Subtotal of cash inflows from operating activities		8,879,091,222.29	7,147,022,781.72
Net increase of financial assets held for trading purposes		113,062,786.65	108,892,926.84
Cash paid for interest, fees and commissions		235,110,253.00	114,079,813.86
Cash paid to and for employees		287,575,438.02	231,937,153.01
Business and management fees paid in cash		124,267,551.32	191,955,329.27
Taxes paid		114,593,602.45	69,099,280.85
Cash paid related to other operating activities		2,115,841,328.09	1,454,423,352.61
Subtotal of cash outflows from operating activities		2,990,450,959.53	2,170,387,856.44
Net cash flows from operating activities		5,888,640,262.76	4,976,634,925.28
II. Cash flows from investing activities:			
Cash received from disinvestment			297,500,000.00
Cash received from the return of investment		9,544,062.59	7,680,426.37
Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets		36,574.51	976,193.58
Cash received related to other investing activities			
Subtotal of cash inflows from investing activities		9,580,637.10	306,156,619.95
Cash paid for investment			585,000,000.00
Cash paid for the acquisition of fixed assets, intangible assets and other long-term assets		13,587,015.62	17,541,126.07
Net cash paid by subsidiaries and other business units			
Cash paid related to other investing activities			
Subtotal of cash outflows from investing activities		13,587,015.62	602,541,126.07
Net cash flows from investing activities		-4,006,378.52	-296,384,506.12

Consolidated Cash Flow Statement

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

Item	Note	FY 2022	FY 2021
III. Cash flows from financing activities:			
Cash received from external investment			
Including: The subsidiary received cash from non-controllings' investment			
Cash received from loans granted		225,000,000.00	
Cash received from issuing bonds			
Cash received relating to other financing activities			
Subtotal cash inflows from financing activities		225,000,000.00	
Payment of debt in cash		20,954,444.22	
Cash used to pay dividends, profits, or interest payments		18,034,200.00	23,644,840.00
Including: Dividends and profits paid to non-controlling interests by subsidiaries			
Cash paid related to other financing activities		15,018,180.66	9,649,291.52
Subtotal cash outflows from financing activities		54,006,824.88	33,294,131.52
Net cash flows from financing activities		170,993,175.12	-33,294,131.52
IV. Impact of exchange rate fluctuations on cash and cash equivalents		25,639.31	-155,969.82
V. Net increase in cash and cash equivalents	VII. 53	6,055,652,698.67	4,646,800,317.82
Add: Balance of cash and cash equivalents at the beginning of the period	VII. 53	9,775,110,705.25	5,128,310,387.43
VI. Balance of cash and cash equivalents at the end of the period	VII. 53	15,830,763,403.92	9,775,110,705.25

Parent Company's Cash Flow Statement

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

Item	Note	FY 2022	FY 2021
I. Cash flows arising from operating activities:			
Net decrease in financial assets held for trading purposes			
Cash received from interest, fees and commissions		942,301,487.58	721,511,423.27
Cash received related to other operating activities		7,169,692,418.15	5,070,657,506.44
Subtotal of cash inflows from operating activities		8,111,993,905.73	5,792,168,929.71
Net increase of financial assets held for trading purposes		113,062,786.65	74,774,670.22
Cash paid for interest, fees and commissions		230,441,303.29	117,438,320.44
Cash paid to and for employees		246,159,477.69	193,042,401.48
Business and management fees paid in cash		123,615,934.70	171,190,509.68
Taxes paid		99,340,885.85	62,318,467.05
Cash paid related to other operating activities		1,512,972,602.94	13,447,464.21
Subtotal of cash outflows from operating activities		2,325,592,991.12	632,211,833.08
Net cash flows from operating activities		5,786,400,914.61	5,159,957,096.63
II. Cash flows from investing activities:			
Cash received from disinvestment			280,000,000.00
Cash received from the return of investment		9,295,360.04	6,079,564.84
Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets		36,574.51	918,929.85
Cash received related to other investing activities			
Subtotal of cash inflows from investing activities		9,331,934.55	286,998,494.69
Cash paid for investment			584,000,000.00
Cash paid for the acquisition of fixed assets, intangible assets and other long-term assets		13,399,287.22	15,540,542.42
Net cash paid by subsidiaries and other business units			
Cash paid related to other investing activities			
Subtotal of cash outflows from investing activities		13,399,287.22	599,540,542.42
Net cash flows from investing activities		-4,067,352.67	-312,542,047.73

Parent Company's Cash Flow Statement

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

Item	Note	FY 2022	FY 2021
III. Cash flows from financing activities:			
Cash received from external investment			
Cash received from loans granted			
Cash received from issuing bonds			
Cash received relating to other financing activities			
Subtotal cash inflows from financing activities		-	-
Payment of debt in cash			
Cash used to pay dividends, profits, or interest payments		18,034,200.00	23,644,840.00
Cash paid related to other financing activities		11,513,609.21	6,279,006.41
Subtotal cash outflows from financing activities		29,547,809.21	29,923,846.41
Net cash flows from financing activities		-29,547,809.21	-29,923,846.41
IV. Impact of exchange rate fluctuations on cash and cash equivalents		-15,980.21	-91,220.59
V. Net increase in cash and cash equivalents	XVIII. 7	5,752,769,772.52	4,817,399,981.90
Add: Balance of cash and cash equivalents at the beginning of the period	XVIII. 7	9,605,250,193.19	4,787,850,211.29
VI. Balance of cash and cash equivalents at the end of the period	XVIII. 7	15,358,019,965.71	9,605,250,193.19

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

Item	FY 2022										Total shareholders' equity
	Equity attributable to shareholders of the parent company									Non-controlling interests	
	Share capital	Other equity instruments		Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings		
	Preferred shares	Perpetual bonds	Other								
I. Balance as of December 31st, 2021	1,001,900,000.00			651,642,466.48		-90,930.59	85,498,817.06	110,493,866.57	432,517,551.30		2,281,961,770.82
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
II. Balance on January 1st, 2022	1,001,900,000.00			651,642,466.48		-90,930.59	85,498,817.06	110,493,866.57	432,517,551.30		2,281,961,770.82
III. Movement for current period				10,291,600.46		1,920,516.31	14,085,043.28	14,085,043.28	119,855,370.86		160,237,574.19
(1) Total comprehensive income						1,920,516.31			166,059,657.42		167,980,173.73
(2) Shareholder's contributions and withdrawals of capital				10,291,600.46							10,291,600.46
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others				10,291,600.46							10,291,600.46
(3) Profits distribution							14,085,043.28	14,085,043.28	-46,204,286.56		-18,034,200.00
1) Appropriation of surplus reserve							14,085,043.28		-14,085,043.28		
2) Extraction of general risk reserves								14,085,043.28	-14,085,043.28		
3) Distribution to shareholders									-18,034,200.00		-18,034,200.00
4) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Benefit plans are carried forward to retained earnings											
5) Other comprehensive earnings are carried forward to retained earnings											
6) Others											
(5) Others											
IV. Balance on December 31st, 2022	1,001,900,000.00			661,934,066.94		1,829,585.72	99,583,860.34	124,578,909.85	552,372,922.16		2,442,199,345.01

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

Item	FY 2021										Total shareholders' equity	
	Other equity instruments			Equity attributable to shareholders of the parent company					General risk reserve	Retained earnings		Non-controlling interests
	Share capital	Preferred shares	Perpetual bonds	Other	Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserve				
I. Balance as of December 31st, 2020	1,001,900,000.00				650,629,528.42		1,429,400.32	69,572,957.89	94,568,007.40	289,441,205.51		2,117,541,099.54
Add: Impact from changes in accounting policies												
Impact from corrections of errors in prior period												
Others												
II. Balance on January 1st, 2021	1,001,900,000.00				650,629,528.42		1,429,400.32	69,572,957.89	94,568,007.40	289,441,205.51		2,117,541,099.54
III. Movement for current period					1,012,938.06		-1,520,330.91	15,925,859.17	15,925,859.17	133,076,345.79		164,420,671.28
(1) Total comprehensive income							-1,520,330.91			188,572,904.13		187,052,573.22
(2) Shareholder's contributions and withdrawals of capital					1,012,938.06							1,012,938.06
1) Common stock contributed by shareholders												
2) Capital contributed by other equity instruments holders												
3) Share-based payment recorded in shareholder's equity												
4) Others					1,012,938.06							1,012,938.06
(3) Profits distribution								15,925,859.17	15,925,859.17	-55,496,558.34		-23,644,840.00
1) Appropriation of surplus reserve								15,925,859.17		-15,925,859.17		
2) Extraction of general risk reserves									15,925,859.17	-15,925,859.17		
3) Distribution to shareholders										-23,644,840.00		-23,644,840.00
4) Others												
(4) Internal transfer within shareholder's equity												
1) Conversion of capital reserve into share capital												
2) Conversion of surplus reserve into share capital												
3) Recover of loss by surplus reserve												
4) Benefit plans are carried forward to retained earnings												
5) Other comprehensive earnings are carried forward to retained earnings												
6) Others												
(5) Others												
IV. Balance on December 31st, 2021	1,001,900,000.00				651,642,466.48		-90,930.59	85,498,817.06	110,493,866.57	432,517,551.30		2,261,961,770.82

Parent Company's Statement of Changes in Shareholders' Equity

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

Item	FY 2022										Total shareholders' equity
	Share capital	Preferred shares	Perpetual bonds	Other	Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	
I. Balance as of December 31st, 2021	1,001,900,000.00				650,629,528.42			85,498,817.06	110,493,866.57	441,941,447.43	2,290,463,659.48
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
II. Balance on January 1st, 2022	1,001,900,000.00				650,629,528.42			85,498,817.06	110,493,866.57	441,941,447.43	2,290,463,659.48
III. Movement for current year								14,085,043.28	14,085,043.28	94,646,146.19	122,816,232.75
(1) Total comprehensive income										140,850,432.75	140,850,432.75
(2) Shareholder's contributions and withdrawals of capital											
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution								14,085,043.28	14,085,043.28	-46,204,286.56	-18,034,200.00
1) Appropriation of surplus reserve								14,085,043.28		-14,085,043.28	
2) Extraction of general risk reserves									14,085,043.28	-14,085,043.28	
3) Distribution to shareholders										-18,034,200.00	-18,034,200.00
4) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Benefit plans are carried forward to retained earnings											
5) Other comprehensive earnings are carried forward to retained earnings											
6) Others											
(5) Others											
IV. Balance on December 31st, 2022	1,001,900,000.00				650,629,528.42			99,583,860.34	124,578,909.85	536,587,593.62	2,413,279,892.23

Parent Company's Statement of Changes in Shareholders' Equity

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

Item	FY 2021										Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	
		Preferred shares	Perpetual bonds	Other							
I. Balance as of December 31st, 2020	1,001,900,000.00				650,629,528.42			69,572,957.89	94,568,007.40	338,179,414.10	2,154,849,907.81
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
II. Balance on January 1st, 2021	1,001,900,000.00				650,629,528.42			69,572,957.89	94,568,007.40	338,179,414.10	2,154,849,907.81
III. Movement for current year								15,925,859.17	15,925,859.17	103,762,033.33	135,613,751.67
(1) Total comprehensive income										159,258,591.67	159,258,591.67
(2) Shareholder's contributions and withdrawals of capital											
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution								15,925,859.17	15,925,859.17	-55,496,558.34	-23,644,840.00
1) Appropriation of surplus reserve								15,925,859.17		-15,925,859.17	
2) Extraction of general risk reserves									15,925,859.17	-15,925,859.17	
3) Distribution to shareholders										-23,644,840.00	-23,644,840.00
4) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Benefit plans are carried forward to retained earnings											
5) Other comprehensive earnings are carried forward to retained earnings											
6) Others											
(5) Others											
IV. Balance on December 31st, 2021	1,001,900,000.00				650,629,528.42			85,498,817.06	110,493,866.57	441,941,447.43	2,290,463,659.48

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

I. General information about the Company

Zhongtai Futures Company Limited (formerly known as Shandong Quanxin Futures Brokerage Co., Ltd.) was incorporated in June 1995 by Jinan Chemical Light Group Corporation, Jinan Economic Development Corporation, Shandong Province Resources Development Corporation and Jinan Shizhong Cereals and Oils Trading Company, with a joint investment of RMB 10.2 million. In October 1997, Jinan Chemical Light Group Corporation transferred its shareholding to Jinan Economic and Trade Industrial Investment Corporation, and Jinan Shizhong Cereals and Oils Trading Company transferred its shareholding to Jinan Economic Development Corporation. In May 2000 and June 2004, Jinan Energy Sources Investment Co., Ltd. increased its capital contribution to the company by RMB 20 million and RMB 620,000 respectively, and the registered capital of the company was RMB 30.82 million after the two capital increases.

On December 31st, 2006, Shandong Quanxin Futures Brokerage Co., Ltd. increased two additional shareholders, Qilu Securities Co., Ltd. (now renamed as Zhongtai Securities Co., Ltd., hereinafter referred to as “Zhongtai Securities”) and Shandong New Mine Investment Holding Group Co., Ltd., the registered capital increased to RMB 50 million, and in February 2007, changed its name to Luzheng Futures Brokerage Co., Ltd. In August 2007, Luzheng Futures Brokerage Co., Ltd. increased its capital by RMB 150 million, accordingly, its registered capital after the increase was RMB 200 million, and in December 2007, changed its name to Luzheng Futures Co., Ltd.

In November 2008, according to the Agreement on Free Transfer of Equity of Luzheng Futures Co., Ltd. and the shareholders' meeting resolution of LQGJZ [2008] No. 3 of Luzheng Futures Co., Ltd., Jinan Economic Development Corporation and Jinan Economic and Trade Industrial Investment Corporation free transferred their shareholdings to Jinan Energy Sources Investment Co., Ltd.

In February 2010, Shandong New Mine Investment Holding Group Co., Ltd. transferred its 8.33% equity interest in Luzheng Futures Co., Ltd, with a total of RMB 16.66 million, to Zhongtai Securities. On March 8th, 2010, Zhongtai Securities acquired all equity interest in Luzheng Futures Co., Ltd. held by Shandong Resources Development Corporation.

In May 2010, after the approval by the China Securities Regulatory Commission (hereinafter referred to as “CSRC”) by ZJXK [2010] No. 602, Luzheng Futures Co., Ltd. additional increased its registered capital by RMB 203,623,800, then the total registered capital being RMB 403,623,800. In June 2011, with the approval of CSRC by ZJXK [2011] No. 859, Luzheng Futures Co., Ltd. additional increased its registered capital by RMB 116,376,200, then its total registered capital being RMB 520 million.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

I. General information about the Company (continued)

In September 2012, Luzheng Futures Co., Ltd. had an increased registered capital of RMB 120 million, of which the original shareholders, Zhongtai Securities and Jinan Energy Sources Investment Co., Ltd., subscribed RMB 50 million in proportion to their original holdings, the remaining additional registered capital of RMB 70 million was subscribed by the new shareholders, Yongfeng Group Co., Ltd. (hereinafter referred to as “Yongfeng Group”), Shandong State-owned Assets Investment Holding Co., Ltd., Shandong Linglong Rubber Co., Ltd. and Yantai Shengli Investment Co., Ltd.

In December 2012, according to the Proposal on Overall Change of Luzheng Futures Co., Ltd. to a Joint Stock Company, adopted in the resolution of the fifth extraordinary shareholders' meeting of 2012 of Luzheng Futures Co., Ltd., and the Approval of the Overall Change of Luzheng Futures Co., Ltd. to a Joint Stock Company, approved by the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government, the audited net assets of Luzheng Futures Co., Ltd., as of September 30th, 2012, was converted into shares, and the Luzheng Futures Co., Ltd. was converted into Luzheng Futures Company Limited (hereinafter referred to as “the Company” or “Company”). After this restructuring, the share capital of the Company was RMB 750 million. The Company obtained the business license as a legal person with the No. 91370000614140809E, issued by the Administration for Industry and Commerce of Shandong Province on September 20th, 2016.

In July 2015, the Company completed its initial public offering of 250,000,000 ordinary shares of overseas listed foreign shares and the over-allotment of 1,900,000 ordinary shares to overseas investors, which was listed on the Stock Exchange of Hong Kong Limited. Upon completion of the listing, the total share capital of the Company increased to RMB 1,001,900,000. The major shareholders of the Company and their capital contribution, as of December 31st, 2022, are set out in Note VII. 31.

The Company obtained the qualification of financial futures general settlement business and general settlement membership of China Financial Futures Exchange on August 15th, 2007 and November 28th, 2007, and obtained the qualification of investment consulting and asset management business on January 29th, 2012 and November 15th, 2012. On June 20th, 2022, the Company obtained the qualification of Guangzhou Futures Exchange membership and, as of December 31st, 2022, has trading seats in five domestic futures exchanges and the Shanghai International Energy Exchange, and is an agent for all species listed and traded on domestic futures exchanges.

On March 29th, 2022, the Company's name was changed from “Luzheng Futures Company Limited” to “Zhongtai Futures Company Limited”. As of December 31st, 2022, the Company had established 18 business offices in Jinan, Beijing, Shanghai, Shanghai Yanggaonan Road, Tianjin, Dalian, Shenyang, Yantai, Linyi, Zibo, Weifang, Jining, Dongying, Zhengzhou, Dezhou, Rizhao, Wuxi, Hangzhou Linping and 13 branches in Jinan, Shanghai, Wuhan, Nanjing, Hangzhou, Beijing Chaoyang, Shenzhen, Qingdao, Xiamen, Ningbo, Wenzhou, Guangdong and Hunan. Please refer to Note VI. for information on the Company's subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

I. General information about the Company (continued)

The Company and its subsidiaries (hereinafter collectively referred to as “the Group”) are mainly engaged in financial futures brokerage; commodity futures brokerage; consulting in futures investments; asset management; basis trading; warehouse receipt services; cooperative hedging; over-the-counter derivatives business; information technology consulting services, etc.

The Company’s address: No. 86 Jingqi Road, Shizhong District, Jinan

Legal representative: Zhong Jinlong

The financial statements were approved by the board of directors of the Company on March 30th, 2023.

II. Basis for the preparation of financial statements

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises - Basic Standards, issued by the Ministry of Finance on or after February 15th, 2006, the specific accounting standards, the subsequent guidance on the application of accounting standards for business enterprises, the interpretation of accounting standards for business enterprises and other related regulations (hereinafter collectively referred to as “Accounting Standards for Business Enterprises”)

The financial statements have been prepared on a going concern basis.

III. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year 2022 comply with the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the consolidated and corporate financial position as of December 31st, 2022, and the consolidated and corporate operating results and cash flows for the year 2022 and other relevant information.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates

1. Fiscal year

The fiscal year is based on a calendar year, from January 1st to December 31st of each year.

2. Functional currency

The Renminbi is the functional currency of the Company. The subsidiaries of the Company determine their functional currency according to the main economic environment where they operate. The functional currency of Zhongtai Huirong (Hong Kong) Co., Ltd. and Luzheng International Holding Co., Ltd. is Hong Kong Dollars. The financial statements were presented in Renminbi.

3. Foreign currency translation

(1) Foreign currency transactions

The amount of foreign currency is translated into RMB by the spot exchange rate on the date of the occurrence of foreign currency transactions.

At the balance sheet date, monetary items denominated in foreign currency are translated into RMB using the spot exchange rate as at the balance sheet date, the exchange differences are recognized directly in profit or loss; non-monetary items in foreign currency measured at historical cost are translated using the spot exchange rate as at the date of the occurrence of the transaction. The effect of exchange rate changes on cash shall be presented separately in the statement of cash flows.

(2) Translation of foreign currency financial statements

Asset and liability items in the statement of financial position of foreign operations are translated using the spot exchange rate at the balance sheet date, and owners' equity items, except for retained earnings, are translated using the spot exchange rate at the time of occurrence. The income and expense items in the income statement of foreign operations are translated using the spot exchange rate at the date of the occurrence of the transaction. The translation differences arising from the above translations are included in other comprehensive income. Cash flow items of foreign operations are translated using the spot exchange rate at the date when the cash flow occurs. The effect of exchange rate changes on cash shall be presented separately in the statement of cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

4. Principles of funds management and transaction clearing for branches

The Company implements settlement, risk control, fund allocation, financial management and accounting for its branches in a uniform manner. The transaction clearing of the branches is carried out by the Company uniformly.

5. Method of management and accounting for customer margin

The Company designates a settlement bank at the futures exchange and opens a customer margin account to implement a special storage account for customer margin, and records the changes in customer futures margin under the currency margin payable subject. If the customer margin is lower than the required level after daily settlement, the Company will notify the customer of a margin call in the manner agreed in the futures brokerage contract; the Company will forcibly close out part or all of the customer's position through the futures exchange until the customer's margin balance can maintain its remaining position if the customer does not make a margin call on time.

6. Method of management and accounting for pledge items

The Company can accept pledges of treasury bonds, standard warehouse receipts and other marketable securities submitted by customers, in compliance with the trading rules of the futures exchange, as margin, and adopt a special account to account for and supervise the whole process of customers' pledge business, which will be recorded after completing the pledge procedures of the futures exchange.

7. Method of accounting for physical delivery

The delivery payment, delivery service charge, taxes, and other delivery costs (such as warehouse in/out charge and storage fees) incurred by the customer for physical delivery are settled through the customer's margin settlement account.

8. Cash and cash equivalents

Cash and cash equivalents refer to cash on hand and deposits that are available for payment at any time, and investments held by the Company with short-term, strong liquidity, easily convertible into a known amount of cash, and with minimum fair value risk, including cash, current bank deposits, futures margin deposits, other cash and cash equivalents, and time bank deposits maturing within 3 months from the date of purchase.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

9. Futures margin deposits

Futures margin deposits represent the balance of currency deposits received by the Company from customers, adjusted for actual transfers or refunds of margin made by the Company to the futures exchange, and shall be presented under currency fund in the statement of financial position.

10. Financial instruments

A financial instrument is a contract that forms a financial asset of one party and creates a financial liability or equity instrument for another party. When the Group becomes a party to a financial instrument contract, the related financial asset or financial liability shall be recognized.

(1) Financial assets

1) *Classification and measurement*

The Group classifies financial assets into (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss, based on the business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are measured at fair value at initial recognition. For financial assets at fair value through profit or loss, the related transaction costs are recognized directly in profit or loss; for other categories of financial assets, the related transaction costs are recognized in the initial recognition amount. For accounts receivable or notes receivable arising from the sale of goods or provision of services that do not contain or consider significant financing components, the Group recognizes them initially at the amount of the consideration to which it expects to be entitled.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

10. Financial instruments (continued)

(1) Financial assets (continued)

1) *Classification and measurement (continued)*

Debt instruments:

Debt instruments held by the Group are those instruments that meet the definition of financial liability when analysed from the perspective of the issuer and are measured using the following two approaches, respectively:

Measured at amortized cost:

The Group's business model for managing such financial assets is to collect the contractual cash flows and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangement, i.e. cash flows generated at a specific date are solely payments of principal and interest based on the principal amount outstanding. The Group recognizes interest income for such financial assets based on the effective interest method. Such financial assets mainly include currency funds, currency margin receivable, pledge margin receivable, settlement guarantees receivable, risk loss amounts receivable, commission receivable, receivables, buying back the sale of financial assets, other assets - other receivables, etc.

Measured at fair value through profit or loss:

The Group classifies debt instruments held that are not classified as at amortized cost and at fair value through other comprehensive income as at fair value through profit or loss. At initial recognition, the Group designates some financial assets as financial assets at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatches. Those maturing more than one year from the balance sheet date and expected to be held for more than one year are presented as other non-current financial assets, and the rest are presented as trading financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

10. Financial instruments (continued)

(1) Financial assets (continued)

1) Classification and measurement (continued)

Debt instruments: (continued)

Equity instruments:

The Group presents its investments in equity instruments over which it has no control, joint control and significant influence as trading financial assets at fair value through profit or loss.

In addition, the Group designates the partial non-trading equity instrument investments as financial assets at fair value through other comprehensive income upon initial recognition. Such financial assets include investments in futures memberships, which are presented separately in the statement of financial position.

2) Impairment

The Group recognizes the loss allowance on financial assets at amortized cost and contract assets, etc. based on expected credit losses.

The Group recognizes expected credit losses at a probability-weighted amount of present value of the difference between contractual cash flows receivable and cash flows expected to be received, weighted by the risk of default, with the consideration of reasonable and substantiated information about past events, current conditions and forecasts of future economic conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

10. Financial instruments (continued)

(1) Financial assets (continued)

2) *Impairment (continued)*

At each balance sheet date, the Group shall measure expected credit losses for financial instruments that are in different stages, separately. If the credit risk of a financial instrument has not increased significantly since initial recognition, it is in the first stage, the Group shall measure its loss allowance based on expected credit losses over the next 12 months; if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, it is in the second stage, the Group shall measure its loss allowance based on expected credit losses over its entire duration; if a financial instrument has been credit impaired since initial recognition, it is in the third stage, the Group shall measure its loss allowance based on expected credit loss over its entire duration.

For financial instruments with low credit risk at the balance sheet date, the Group assumes that their credit risk has not increased significantly since initial recognition and considers them to be in the first stage of financial instruments and shall measure its loss allowance based on expected credit losses over the next 12 months.

The Group calculates interest income on financial instruments that are in the first and second stages, as well as those with lower credit risk, based on their book balances not net of impairment allowances and effective interest rates. For financial instruments in the third stage, interest income is calculated based on their book balance value less amortized cost after provision for impairment and effective interest rate.

For receivables and contract assets resulting from ordinary operating activities such as sales of goods and provision of services, the Group shall measure the loss allowance based on expected credit losses over their entire duration, regardless of whether there is a significant financing component.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

10. Financial instruments (continued)

(1) Financial assets (continued)

2) *Impairment (continued)*

When information on expected credit losses cannot be assessed at a reasonable cost for individual financial assets, the Group shall divide receivables into portfolios based on credit risk characteristics and calculate expected credit losses on a portfolio basis.

For receivables classified as a portfolio, the Group shall calculate the expected credit losses by the default risk exposures and expected credit loss rates over the entire duration, taking into account historical credit loss experience, current conditions and forecasts of future economic conditions. For notes receivable other than the above-mentioned receivables and other receivables classified as a portfolio, the Group shall calculate the expected credit losses, based on historical credit loss experience, current conditions and forecasts of future economic conditions, by the default risk exposures and expected credit loss rates within next 12 months or over the entire duration.

The accrual or reversal of loss allowances shall be recognized in profit or loss by the Group.

3) *Derecognition*

A financial asset is derecognized when one of the following conditions is met: (1) the contractual rights to receive cash flows from the financial asset expire; (2) the financial asset is transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferor; or (3) the financial asset is transferred and the Group loses control over the financial asset although it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

Upon derecognition of investments in other equity instruments, the difference between their book value and the sum of the consideration received and the accumulated changes in fair value that had been recognized directly in other comprehensive income is recognized in retained earnings, as derecognizing the remaining financial assets, it is recognized in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

10. Financial instruments (continued)

(2) Financial liabilities

Financial liabilities are classified at initial recognition as financial liabilities at amortized cost and financial liabilities at fair value through profit or loss.

The Group's financial liabilities are mainly financial liabilities measured at amortized cost, including currency margin payable, pledge margin payable, notes payable, accounts payable, other liabilities - other payables, etc. Such financial liabilities are measured initially at their fair value, net of transaction costs, and subsequently measured by the effective interest method.

When the present obligation of financial liabilities is discharged in whole or in part, the Group shall derecognize the financial liabilities or the portion of the obligation that is discharged. The difference between the book value of the derecognized portion and the consideration paid is recognized in profit or loss.

(3) Derivative financial instruments

Derivative financial instruments include various types of derivative contracts, with the following characteristics: (1) their value changes reflect the changes in specific interest rates, financial instrument prices, commodity prices, exchange rates, price or interest rate indices, credit ratings or credit indices, or other variables; (2) they do not require an initial net investment or require little net investment compared to other types of contracts that have similar responses to changes in market conditions; and (3) they are settled at a future date.

Derivative financial instruments shall be initially recognized at their fair values at the date when the derivative contracts were signed and subsequently measured at fair value. They shall be presented in the statement of financial position as "trading financial assets" or "trading financial liabilities", and their changes in fair value shall be recognized as gains or losses from changes in fair value in profit or loss.

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For the year ended 31 December 2022
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IV. Significant accounting policies and accounting estimates (continued)

10. Financial instruments (continued)

(4) Fair value determination of financial instruments

For a financial instrument, its fair value shall be determined by the quoted price in an active market in which it exists, if there is no active market, shall be determined by valuation techniques. In valuation, the Group shall use valuation techniques that are applicable in the current circumstances and supported by sufficient available data and other information, and select inputs that are consistent with the characteristics of asset or liability considered by market participants in the transaction of the relevant asset or liability, and give priority to the use of relevant observable inputs whenever possible. Where relevant observable inputs are not available or not practicable to obtain, unobservable inputs shall be used.

11. Buyback financial assets

Buyback financial assets is a contract to purchase a financial asset from a counterparty and sell the related financial asset back to the same counterparty on an agreed-upon date and at an agreed-upon price, as specified in the contract or agreement.

Buying back the sale business shall be recorded as actual payments made and recognized as “buying back the sale of financial assets” in the statement of financial position.

The bid-ask spread of the buying back the sale business shall be recognized as interest income over the sell-back period by using the effective interest method, respectively.

12. Currency margin receivable

Currency margin receivable refers to the currency margin allocated by the Company to the futures settlement agency and the currency margin formed from the profit of customers' futures trading. Among them, settlement reserve refers to the margin not yet occupied by futures contracts, and trading margin refers to the margin already occupied by futures contracts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

13. Pledge margin receivable and pledge margin payable

The Company acts as an agent for the customer in pledged goods to cover margin business with the futures exchange, forming the pledge margin receivable from the futures exchange and the pledge margin payable to the customer.

When the fair value of the pledge items changes, the futures exchange shall adjust the approved amount of the pledge margin accordingly, and the Company shall adjust the book value of the pledge margin receivable and the pledge margin payable accordingly.

When the futures exchange returns the pledge items to the customer, the Company shall derecognize the pledge margin receivable and the pledge margin payable at the amount of offsetting margin approved by the futures exchange.

14. Settlement guarantees receivable

Settlement guarantees receivable refer to the common guarantee funds that are used to be against the risk of default of clearing members, which are deposited by the Company as a clearing member in futures exchanges and registration companies in accordance with their regulations.

15. Futures membership investments

Futures membership investments refer to the Company's investment in futures exchanges resulting from the payment of membership fees to obtain membership in a member-based futures exchange.

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For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

16. Inventories

Inventories include agricultural products, minerals and other bulk commodities which are used for trading, and they shall be measured at cost when acquired, the cost including purchase cost and purchase expense.

The cost of inventories shall be accounted for on a first-in and first-out basis and their subsequent measurement shall be made at the lower of cost and net realizable value. The net realizable value shall be determined as their estimated selling price less estimated selling expenses and related taxes.

The Group shall determine the net realizable value of inventories separately, at the balance sheet date, and compare it with the corresponding cost to recognize the amount of the accrual or reversal of provision of decline in value of inventories, and account for it in the subject of the provision of decline in value of inventories. The perpetual inventory system was adopted by the Group.

17. Long-term equity investments

Long-term equity investments include: The Company's long-term equity investments in all subsidiaries (including structured entities under effective control) and the Group's long-term equity investments in associates.

(1) Subsidiaries

Subsidiaries are investees over which the Company can exercise control. Structured entities are entities that are not designed to have voting or similar rights as a determining factor in determining their controlling party, for example, voting rights are only related to administrative works and the related operational activities are arranged through contractual agreements; the structured entities controlled by the Group was included in the combination scope of the Group's financial statements.

Investments in subsidiaries shall be presented in the Company's financial statements at amounts determined under the cost method and consolidated under the equity method when preparing the consolidated financial statements. Long-term equity investments accounted for using the cost method shall be measured at the initial investment cost. Cash dividends or profits declared by investees shall be recognized as investment income in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

17. Long-term equity investments (continued)

(2) Associates

Associates are investees that the Group can exercise significant influence on their financial and operating decisions. Investments in associates shall be accounted for using the equity method. If the initial investment cost is greater than the share to be entitled to the fair value of the identifiable net assets of investees at the time of investment, the initial investment cost shall be used as the cost of long-term equity investments; if the former is less than the latter, the difference shall be included in profit or loss, with an increase adjustment in the cost of long-term equity investments, accordingly.

When the equity method of accounting is adopted, the Group shall recognize current investment gains or losses based on the Group's share, to be entitled or born, of the net profit or loss of the investee. The net loss incurred by the investee shall be recognized to the extent that the book value of the long-term equity investment and other long-term equity interests that substantially constitute the net investment in the investee are written down to zero, except if the Group has an obligation to assume additional losses and the conditions for recognition of a contingent liability are met, the investment loss shall continue to be recognized and accounted for as a provision. Changes in the owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution shall be adjusted to the book value of the long-term equity investment and credited to the capital reserve. The book value of long-term equity investments shall be reduced accordingly to the Group's share of profits or cash dividends distributed by the investee when the distribution is declared. Unrealized gains or losses on internal transactions between the Group and the investee shall be offset to the extent that they are attributable to the Group in proportion to the Group's shareholding and the investment gains or losses shall be then recognized on this basis. The portion of losses on internal transactions between the Group and the investee that are attributable to impairment losses on assets, and the corresponding unrealized losses shall be not offset.

(3) Impairment of long-term equity investments

The book value of long-term equity investments in subsidiaries and associates shall be written down to the recoverable amounts if the recoverable amounts are lower than the book values (Note IV. 21).

Notes to the Consolidated Financial Statements

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IV. Significant accounting policies and accounting estimates (continued)

18. Fixed assets

Fixed assets include houses and buildings, transportation equipment, computers and electronic equipment and others. Fixed assets acquired or newly constructed shall be initially measured at cost at the time of acquisition.

Subsequent expenditures related to fixed assets shall be included in the cost of fixed assets when it is probable that the related economic benefits will flow to the Group and the cost can be measured reliably; for the replaced portion, the book value shall be derecognized; all other subsequent expenditures shall be charged to profit or loss as incurred.

Fixed assets shall be depreciated using the straight-line method based on their costs less estimated residual values over their estimated useful life. The depreciation of fixed assets for which the provision for impairment has been made shall be determined in future periods based on the book value less the provision for impairment and the remaining useful life.

The estimated useful life, estimated net residual value and yearly depreciation of fixed assets are presented below :

Item	Estimated useful life	Estimated net residual value (%)	Yearly depreciation (%)
Houses and buildings	30 years	3%	3.23%
Transportation equipment	6 years	3% - 5%	15.83% - 16.17%
Computers and electronic equipment, others	3 - 5 years	3% - 5%	19.00% - 32.33%

The estimated useful life, estimated net residual value, and depreciation method of fixed assets shall be reviewed and adjusted appropriately at the end of each year.

A fixed asset shall be derecognized when it is disposed of, or when no economic benefits are expected to arise from its use or disposal. Proceeds from the disposal of fixed assets that are sold, transferred, scrapped, or destroyed, net of their book values and related taxes, shall be recognized in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

19. Intangible assets

Intangible assets mainly are purchased software, they shall be measured at cost and amortized over their estimated useful life using the straight-line method. The Group shall review the estimated useful life and amortization method of intangible assets with finite useful life at the end of each year and make appropriate adjustments.

20. Long-term deferred expenses

Long-term deferred expenses include expenses arising from the improvement of right-of-use assets and other expenses that have been incurred but should be borne by the current and future periods and their amortization over one year, which shall be equally amortized over the estimated benefit period and presented at a net amount of actual expenses less accumulated amortization.

21. Impairment of long-term assets

Fixed assets, right-of-use assets, intangible assets with finite useful life and long-term equity investments in subsidiaries and associates shall be tested for impairment if there is an indication of impairment at the balance sheet date. Intangible assets that have not yet reached a serviceable condition shall be tested for impairment at least annually, regardless of whether there is an indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its book value, a provision for impairment shall be made for the difference and an asset impairment loss shall be recorded. The recoverable amount is the higher of the asset's fair value less costs of disposal and the present value of estimated future cash flows of the asset. The provision for impairment of assets shall be calculated and recognized on an individual asset basis. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group shall be determined based on the asset group to which the asset belongs. An asset group is the smallest group of assets that can generate cash inflows independently.

Once the above impairment losses on assets are recognized, the portion of value that can be recovered shall not be reversed in subsequent periods.

22. Currency margin payable

Currency margin payable refers to (1) the Company's liabilities to customers resulting from the receipt of currency margin deposited by customers and the realization of profits or losses from customers' trading in futures and options; (2) money temporarily deposited with the Group by investors of exchanges for which the Group provides registration and settlement services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

23. Employee benefits

Employee benefits refer to the various forms of remuneration or compensation given by the Group for services rendered by employees or for the dissolution of a labour relationship, including short-term employee benefits, post-employment benefits, etc.

(1) Short-term employee benefits

The Group's short-term employee benefits include employee salaries, bonuses, allowances and subsidies, employee welfare, medical insurance premiums, injury insurance premiums, maternity insurance premiums, housing funds, union funds, employee education funds, short-term paid absences, etc. The Group shall recognize the short-term employee benefits incurred as a liability in the accounting period in which the services are rendered by the employees and include it in profit or loss or the related cost of assets, where short-term employee benefit is a non-monetary benefit, it is measured at fair value.

(2) Post-employment benefits

The Group's post-employment benefit plans are defined contribution plans which are post-employment benefit plans in which the Group has no further obligation to pay after contributing a fixed fee to a separate fund, mainly including basic pension insurance, unemployment insurance, and enterprise annuity paid by employees, in the reporting period.

Basic pension insurance: The Group's employees participate in the basic social pension insurance organized and implemented by the local labor and social security departments. The Group pays monthly pension insurance premiums to the local basic social pension insurance agency in accordance with its regulated base and proportion of the local basic social pension insurance contributions. Upon the retirement of employees, the local labor and social security departments are responsible for paying basic social pensions to retired employees. The Group shall recognize the amount of contributions payable based on the above social security regulations as a liability in the accounting period in which the employees render services, and recognize it in current profit or loss or the cost of related assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

23. Employee benefits (continued)

(3) Termination benefits

Termination benefits mean that the Group severs labor relations with an employee before the expiration of the contract or proposes compensation to encourage the staff to accept downsizing voluntarily. Where the Group provides termination benefits to employees, the employee compensation liabilities incurred by the termination benefits should be recognized and recorded into the profit or loss for the period when the Group cannot withdraw unilaterally the termination benefits provided for the termination plan of labor relations or cutback suggestions, or when the Group recognizes the cost related to reorganization involving the payment of termination benefits, whichever is earlier.

Termination benefits that are expected to be paid within one year from the balance sheet date shall be shown as employee benefits payable.

24. Dividends distribution

Cash dividends shall be recognized as a liability in the period in which they are approved by the shareholders' meeting.

25. Provisions

A provision shall be recognized if: (1) certain present obligations will be required as a result of events that have occurred; (2) it is probable that the performance of the obligation will result in an outflow of economic benefits from the enterprise; (3) and the amount of the obligation can be measured reliably.

The provision is initially measured on the basis of the best estimate of the expenditure required to meet the related current obligation, taking into account factors such as risk, uncertainty and time value in money, which are related to contingencies. Where the time value of money is significant, the best estimate is determined by discounting the related future cash outflows. The amount of the increase in the book value of the provision resulting from the recovery of discount over time shall be recognized as interest expense.

The book value of the provision shall be reviewed and adjusted appropriately at each balance sheet date to reflect the current best estimate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

26. Income taxes and deferred income taxes

The Company's current income taxes and deferred income taxes shall be recorded as income tax expense or benefit in profit or loss, excluding income tax arising from: 1) business combinations; and 2) transactions or events recognized directly in owners' equity.

The deferred tax assets and deferred tax liabilities are recognized on the basis of the differences (temporary differences) between the tax bases of the assets and liabilities and their book values. Deferred tax assets are recognized for deductible losses that, under the tax laws, are available for offset against taxable income in subsequent years. Deferred tax assets and deferred tax liabilities are measured at the balance sheet date at the tax rates that apply in the period in which the asset is expected to be recovered or the liability settled.

Deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences, deductible losses and tax credits can be utilized.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates unless the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences associated with investments in subsidiaries and associates when it is probable that the temporary differences will reverse in the foreseeable future and it is probable that future taxable income will be available against which the deductible temporary differences can be utilized.

Deferred income tax assets and deferred income tax liabilities that also meet the following conditions are presented net of offsetting amounts:

- Deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity within the Group;
- This taxable entity within the Group has the legal right to settle current income tax assets and current income tax liabilities on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

27. Commission fees

The Group enters into an intermediary agreement with an intermediary and the commission paid to the intermediary is charged to operating and administrative expenses.

28. General risk reserves

In accordance with the Guidelines for the Implementation of Financial Rules for Financial Enterprises (Cai Jin [2007] No. 23), the Company makes a general risk reserve of 10% of net income for compensation of risks, which may not be used for dividends or capital increase.

29. Revenue recognition

The Group recognizes revenue in the amount of the consideration to which it expects to be entitled when the customer obtains control of the related goods or services.

(1) Commission income

The Group provides futures brokerage services to its customers. Futures brokerage services are a series of services that are substantially the same and have the same mode of transfer, therefore, the Group treats them as a single performance obligation and, subject to the satisfaction of the conditions for revenue recognition and variable consideration apportionment, calculates the futures trading fees, pledge fees and delivery fees receivable from customers upon completion of futures transactions based on the rates agreed in the futures brokerage contracts and recognizes them as current revenue on a net basis after deducting the fees payable to the futures exchange.

The Group provides asset management services to the futures asset management plan managed by the Group. Asset management services are a series of services that are substantially the same and have the same mode of transfer, therefore, the Group treats them as a single performance obligation and calculates and recognizes current revenue based on the contractual basis and calculation method, provided that the conditions for revenue recognition and variable consideration apportionment are met.

Advisory services in investments recognize revenue over a period of time based on the progress of completed services in accordance with the conditions for recognition of revenue from the provision of services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

29. Revenue recognition (continued)

(2) Interest income

Please refer to Note VII 39 for details.

(3) Income from the sale of goods

Income from the sale of goods is generally recognized when the Group has contractually agreed to deliver the products to the purchaser and has transferred control of the goods to the purchaser.

(4) Income from futures exchange returns, etc., is recognized as current income by the Group when received.

The Group provides “insurance + futures” pilot services to the futures exchange. The Group recognizes revenue at the point when the exchange obtains control of the relevant services in accordance with the contract or agreement. When recognizing revenue, the Group recognizes receivables for the portion for which the Group has obtained unconditional collection rights and contract assets for the remainder, and recognizes loss provisions for receivables and contract assets on the basis of expected credit losses (Note IV. 10. (1).2)). If the contract price received or receivable by the Group exceeds the services performed, the excess is recognized as a contract liability. The Group presents contract assets and contract liabilities under the same contract on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

30. Accounting for the withdrawal and use of futures risk reserves

The futures risk reserves are provided at the rate of 5% of the net income after the agent commission income deducts the commission payable to the futures exchange and are charged to profit or loss. Losses that are not adequately covered by the risk reserves are charged to profit or loss.

The futures risk reserves are only used to offset losses resulting from:

- (1) Risk losses caused by the Company's oversight such as information system failure, wrong order trading, forced closing of positions not in compliance with regulations, etc.
- (2) Risk loss amounts receivable due to customers' position penetration, advancing penalties to futures settlement agency on behalf of customers, etc., which are still uncollectible after the customers have been discharged by their bankruptcy estates or inheritances due to bankruptcy or death; risk losses that are overdue for more than three years and still uncollectible by customers are recognized as bad debt losses.

31. Government grants

Government grants are monetary or non-monetary assets obtained by the Group from the government without consideration, including tax refunds and financial subsidies, etc.

Government grants are recognized when the Group is able to meet the conditions attached to them and they can be received. Government grants that are monetary assets are measured at the amounts received or receivable. Government grants that are non-monetary assets are measured at fair value; if the fair value cannot be reliably obtained, they are measured at nominal amounts.

Government grants related to assets are government grants acquired by the Group for the acquisition or other formation of long-term assets. Government grants related to revenue are government grants other than those related to assets.

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For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

31. Government grants (continued)

Government grants related to assets are written down to the book value of the related assets or recognized as deferred income and apportioned to profit or loss over the useful life of the related assets in accordance with a reasonable and systematic method. Government grants related to revenue that is used to compensate for related cost expenses or losses in subsequent periods are recognized as deferred revenue and charged to current profit or loss or reduced by related costs in the period in which the related cost expenses or losses are recognized, and those used to compensate for related expenses or losses already incurred are charged directly to current profit or loss or reduced by related costs. The Group adopts the same presentation for similar government grants.

32. Leases

A lease is a contract in which the lessor cedes the right to use an asset to the lessee for a certain period of time in return for consideration.

The Group as lessee: The Group recognizes a right-of-use asset at the commencement date of the lease term and recognizes a lease liability at the present value of the lease payments that have not been paid. Lease payments include fixed payments, as well as payments required if it is reasonably certain that the option to purchase or the option to terminate the lease will be exercised, etc. Variable rentals, which are determined as a percentage of sales, are not included in lease payments and are recognized in profit or loss when actually incurred.

The Group's right-of-use assets include houses and buildings leased, etc. The right-of-use asset is initially measured at cost, which includes the initial measurement amount of the lease liability, lease payments made on or before the commencement date of the lease term, and initial direct costs, net of lease incentives received. If the Group is able to obtain ownership of the leased asset at the end of the lease term with reasonable certainty, depreciation is provided over the remaining useful life of the leased asset; if it cannot be reasonably certain that the ownership of leased assets can be obtained at the end of the lease term, depreciation is provided over the shorter of the lease term and the remaining useful life. When the recoverable amount is less than the book value of the right-of-use asset, the Group writes down the book value to its recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

32. Leases (continued)

For short-term leases with a lease term not exceeding 12 months and leases of low-value assets with a low brand-new value of a single asset, the Group chooses not to recognize right-of-use assets and lease liabilities and to recognize the related rental expenses in profit or loss or costs of the related assets on a straight-line basis over each period of the lease term.

The Group accounts for a change in a lease as a separate lease when both of the following conditions are met: (1) the lease modification expands the scope of the lease by adding the right to use one or more leased assets; and (2) the increased consideration is equivalent to the amount adjusted by the individual price of the expanded part of the lease scope according to the contract.

When a lease modification is not accounted for as a separate lease, the Group redetermines the lease term at the effective date of the lease modification and remeasures the lease liability by discounting the modified lease payments using a revised discount rate, except for contractual changes directly arising from the COVID-19 pandemic for which a simplified method is used. If a lease modification results in a reduction in the scope of the lease or a shortening of the lease term, the Group reduces the book value of the right-of-use asset accordingly and recognizes the gain or loss related to the partial termination or complete termination of the lease in profit or loss. If other lease modifications result in the remeasurement of the lease liability, the Group adjusts the book value of the right-of-use asset accordingly.

33. Method for preparation of the consolidated financial statement

When preparing the consolidated financial statements, the scope of consolidation includes the Company and all subsidiaries (including structured entities under effective control).

Subsidiaries are initially included in the scope of consolidation from the date that the Group obtains effective control over them, and excluded in the scope of consolidation from the date that the Group loses effective control over them. For subsidiaries acquired through business combinations under common control, they are included in the scope of consolidation of the Company from the date they are under the control of the same ultimate controlling party as the Company, and their net profits realized before the date of consolidation is reflected in a separate line item in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
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IV. Significant accounting policies and accounting estimates (continued)

33. Method for preparation of the consolidated financial statement (continued)

All significant intra-group balances, transactions and unrealized profits are eliminated in the preparation of the consolidated financial statements. The owners' equity of subsidiaries, net income or loss for the period and comprehensive income that is not attributable to the Company are presented under owners' equity, net profits and total comprehensive income in the consolidated financial statements as minority interest, minority gain, or loss and total comprehensive income attributable to minority shareholders, respectively. If the minority shareholders' share of the subsidiary's current loss exceeds the minority shareholders' share of the subsidiary's owners' equity at the beginning of the period, the balance is eliminated to reduce the minority shareholders' equity. Unrealized gains or losses on internal transactions, if they are caused by the sale of assets by the Company to a subsidiary, are fully offset against net income attributable to shareholders of the parent company; if they have resulted from the sale of assets by a subsidiary to the Company, are allocated to offset between net income attributable to shareholders of the parent company and minority interests in proportion to the Company's allocation to that subsidiary; if they arise from the sale of assets between subsidiaries, are allocated to offset between net income attributable to shareholders of the parent company and minority interests in proportion to the parent company's allocation to the seller's subsidiary.

If the same transaction is recognized differently when the Group is the accounting entity and the Company or a subsidiary is the accounting entity, the transaction is adjusted from the Group's perspective.

34. Related party

A party that controls, jointly controls or exercises significant influence over another party, and where two or more parties are under the control or joint control of one party, constitutes a related party. Related parties may be individuals or enterprises. Enterprises that are only under the control of the state without other related party relationships do not constitute related parties.

35. Segment information

The Group determines operating segments based on its internal organizational structure, management requirements, and internal reporting system, and determines reporting segments and discloses segment information based on operating segments.

An operating segment is a component of the Group that also meets the following conditions: (1) the component is capable of generating income and incurring expenses in the ordinary course of its activities; (2) the Group's management is able to periodically evaluate the operating results of the component in order to decide on the allocation of resources to it and to evaluate its performance; (3) the Group has access to accounting information on the financial position, operating results and cash flows of the component. Two or more operating segments may be combined into one operating segment if they have similar economic characteristics and meet certain conditions.

Notes to the Consolidated Financial Statements

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(All amounts in RMB'000 unless otherwise stated)

IV. Significant accounting policies and accounting estimates (continued)

36. Significant accounting policies and changes in accounting estimates

(1) Changes in significant accounting policies

Referring to the circular of the shareholders' meeting of the Company dated May 26th, 2022, in view of the convergence of accounting standards and reference to industry practices, in order to improve the efficiency of the Company's audit, save costs and achieve consistency and comparability of financial data disclosure, the resolution of the shareholders' meeting of the Company on June 28th, 2022 (Zhongtai Period Share Resolution No. [2022] No. 2) considered and adopted the Resolution on Uniform Adoption of China Accounting Standards for Business Enterprises Preparation of Financial Statements, agreeing that the Company will uniformly adopt China Accounting Standards for Enterprises to prepare financial statements and disclose corresponding financial reports since 2022. In the report, the Company has made restatement adjustments to the comparative data for the comparable period of FY2022 for the same period of FY2021 in accordance with the relevant provisions of the China Accounting Standards for Business Enterprises.

(2) Significant accounting estimates and the key assumptions

The Group evaluates constantly the significant accounting estimates and critical judgments in accordance with the historical experience and other factors, including reasonable expectations of future events.

The following significant accounting estimates and key assumptions will result in a significant risk that the book values of assets and liabilities within the next fiscal year will be adjusted materially:

1) *Fair value of financial instruments*

For financial instruments for which there is no active market, the Group uses valuation techniques to determine their fair value, including the discount cash flow model, Black-Scholes model, and other valuation models. Valuation methodology utilizes observable market information to the maximum extent possible, however, when observable market information is not available, the Group makes estimates of significant unobservable information included in the valuation methodology. The objective of valuation techniques is to determine a fair value that reflects the same determination of market participants at the reporting date on an orderly trading basis.

Notes to the Consolidated Financial Statements

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IV. Significant accounting policies and accounting estimates (continued)

36. Significant accounting policies and changes in accounting estimates (continued)

(2) Significant accounting estimates and the key assumptions (continued)

2) *Income taxes*

The Group is subject to corporate income tax in several jurisdictions. There is uncertainty about the ultimate tax treatment of certain transactions and events in the normal course of the Group's business activities. Significant judgments are required by the Group in the provision of income tax expenses. If the final determination of these tax matters differs from the amounts initially recorded, such difference will have an impact on the amount of income tax expense and deferred income tax in the period in which such final determination is made.

3) *Consolidation of structured entities*

The determination of whether the Group controls a structured entity requires management to make a comprehensive judgment based on all the facts and circumstances. The control principle consists of three elements: the asset manager's power over the structured entity, the asset manager's exposure to or enjoyment of variable returns as a result of its participation in the management of the structured entity's investments, and the asset manager's ability to use its power over the structured entity to influence the asset manager's variable returns. Management has assessed the combination of the above three elements on a comprehensive basis based on its judgment and the Group will reassess these factors whenever changes in relevant facts and circumstances cause them to change.

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IV. Significant accounting policies and accounting estimates (continued)

36. Significant accounting policies and changes in accounting estimates (continued)

(3) Critical judgments in the adoption of accounting policies

1) *Classification of financial assets*

The significant judgments involved in determining the classification of the Group's financial assets include analysis of the business model and contractual cash flow characteristics, etc.

The Group determines the business model for managing financial assets at the level of the financial asset portfolio, considering factors such as the manner in which the performance of financial assets is evaluated and reported to key management personnel, the risks affecting the performance of financial assets and how they are managed, and how the relevant business management personnel are compensated.

The following key judgments exist when the Group assesses whether the contractual cash flows of financial assets are consistent with the underlying lending arrangements: whether the principal amount is likely to change in time distribution or amount over the duration of the asset due to, for example, early repayment; whether the interest includes only the time value of money, credit risk, other underlying lending risks and consideration for costs and profits.

Notes to the Consolidated Financial Statements

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V. Taxes

The major taxes applicable to the Group and their tax rates are set out below:

Taxes	Taxation basis	Tax rate	Note
Corporate income tax	Taxable income	25% and 16.5%	Note 1
Value added tax (VAT)	Taxable value added (tax payable is calculated by multiplying taxable sales by the applicable tax rate less the current input tax allowed for deduction)	13%, 9% and 6%	
Value added tax (VAT)	Taxable value added (tax payable is calculated by multiplying taxable sales by the levy rate)	3% · 1%	Note 2
Urban maintenance and construction tax	Amount of turnover tax paid	7%	

Note 1: The income tax rate applicable to the Group's Hong Kong subsidiaries is 16.5%.

Note 2: VAT is applicable to some of the Group's business departments as small-scale taxpayers with a tax rate of 3%. The implementation period was extended to March 31st, 2022 in accordance with the tax incentives stipulated in Article 1 of the Announcement of the General Administration of Taxation of the Ministry of Finance on the Renewal of the Implementation of Certain Tax Preferential Policies in Response to the Epidemic (Announcement No. 7 of 2021 of the General Administration of Taxation of the Ministry of Finance). According to the Announcement of the Ministry of Finance and the General Administration of Taxation No. 15 of 2022 on the Exemption of Small-scale VAT Payers from VAT, from April 1st, 2022 to December 31st, 2022, small-scale VAT payers shall be exempt from VAT on their taxable sales income subject to 3% levy rate; and VAT prepayment shall be suspended for VAT prepayment items subject to 3% prepayment rate. Part of the Group's business departments, as the small-scale VAT payers, are subject to a reduced VAT rate of 1% from January to March 2022 and are exempt from VAT from April to December 2022 on taxable sales revenue subject to the 3% levy rate.

Notes to the Consolidated Financial Statements

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VI. Subsidiaries

Subsidiaries included in the scope of consolidation as of December 31st, 2022

Name of subsidiary	Place of registration	Main place of business	Business nature	Shareholding ratio (%)	Voting ratio (%)
Luzheng CAPITAL Management Limited	Shenzhen	Shenzhen	Risk management	100	100
ZHONGTAI HUIRONG INVESTMENT (HK) COMPANY LIMITED	Hong Kong	Hong Kong	Derivatives trading	100	100
Luzheng Information Technology Co., Ltd.	Jinan	Jinan	Information system services, software development	100	100
LUZHENG INTERNATIONAL HOLDING LIMITED	Hong Kong	Hong Kong	Investment holding	100	100

Luzheng Capital Management Co., Ltd. was renamed Zhongtai Huirong Capital Investment Co., Ltd. (hereinafter referred to as "Zhongtai Huirong Capital") on July 19th, 2022. The subsidiary was established in April 2013, and its main business scope includes: Investment activities with own funds; investment planning of own capital; enterprise management consulting; sales and wholesale of agricultural products, metal products, metallurgical materials, mineral products (except those specified by the state), precious metals and chemical products (except dangerous chemicals, monitoring chemicals, fireworks, civil explosives and precursor chemicals); import and export business (except for items prohibited by laws, administrative regulations and the State Council's decision, restricted items can only be operated after obtaining permission); technical consultation; investment consultant (excluding restricted items); sales of petroleum products (excluding dangerous chemicals); wholesale of refined oil (excluding dangerous chemicals); sales of paper products; sales of pulp; sales of rubber products; sales of technical glass products; sales of daily glass products; sales of functional glass and new optical materials; general goods warehousing services (excluding hazardous chemicals and other items that need to be approved) (except for items that need to be approved according to law, business activities shall be independently carried out according to law with business license). The licensed items are: Sales and wholesale of edible oil; warehouse receipt service; basis trading; cooperation insurance; OTC derivatives business; market-making business; renewable resources sales. On December 31st, 2022, the registered capital of Zhongtai Huirong Capital was RMB 750 million and the paid-in capital was RMB 750 million.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

VI. Subsidiaries (continued)

ZHONGTAI HUIRONG INVESTMENT (HK) COMPANY LIMITED (hereinafter referred to as “ZHONGTAI HUIRONG”) was established in November 2013. The main business scope includes import and export trade, investment, capital risk management, technical consulting services, etc. As of December 31st, 2022, the registered capital of ZHONGTAI HUIRONG was HKD 118,820,000.00 and the paid-in capital was HKD 84,449,920.83.

Luzheng Information Technology Co., Ltd. (hereinafter referred to as “Luzheng Information”) was established in February 2015. The main business scope includes: The sales of electronic products, office automation equipment, computers, cultural office machinery, control equipment and computer room equipment; information system integration service; development and sales of computer products and software and related technical services; electronic design and construction; information technology consulting service. As of December 31st, 2022, the registered capital of Luzheng Information was RMB 50 million and the paid-in capital was RMB 34 million.

LUZHENG INTERNATIONAL HOLDING LIMITED (hereinafter referred to as “LUZHENG INTERNATIONAL HOLDING”) was established in April 2018. The main business scope includes investment holding. As of December 31st, 2022, the registered capital was HKD 30 million and the paid-in capital was HKD 20 million.

Notes to the Consolidated Financial Statements

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(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements

1. Cash and cash equivalents

Item	December 31st, 2022	December 31st, 2021
Cash on hand	36,124.55	24,385.69
Current bank deposit	539,982,498.65	198,426,537.77
– Principal	539,609,926.09	198,288,861.31
– Interest accrued	372,572.56	137,676.46
Time bank deposit	584,765,696.76	591,073,027.78
– Principal	580,000,000.00	580,000,000.00
– Interest accrued	4,765,696.76	11,073,027.78
Deposit of futures margin	15,342,842,967.74	9,415,546,545.63
– Principal	15,290,821,662.01	9,363,078,654.91
– Interest accrued	52,021,305.73	52,467,890.72
Other cash and cash equivalents	295,691.27	161,113,236.16
Less: Expected credit impairment reserves	892,218.19	603,792.49
Total	16,467,030,760.78	10,365,579,940.54

As of December 31st, 2022, there were no large amounts (over RMB 1,000,000) in the short-term split of own bank deposits and no restrictions on the use of time bank deposits (December 31st, 2021: same).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

1. Cash and cash equivalents (continued)

(1) Details of deposit of futures margin - Principal

Item	December 31st, 2022	December 31st, 2021
Agricultural Bank of China Dalian Commodity Exchange Sub-branch	1,914,052,623.84	179,267.18
China Minsheng Banking Corp., Ltd. Shanghai Futures Exchange Sub-branch	1,760,535,905.35	509,259,715.42
Shanghai Pudong Development Bank Co., Ltd. Futures Exchange Sub-branch	1,400,918,853.86	743,600,813.62
Shanghai Pudong Development Bank Co., Ltd., Jinan Branch, Business Department	1,300,621,307.28	71,517.61
China Minsheng Banking Corp., Ltd. Shenzhen Branch	1,250,007,951.67	
Ping An Bank Co., Ltd. Shanghai Exchange Sub-branch	1,096,012,807.67	1,760,200,660.72
China Everbright Bank Company Limited Co., Ltd. Shanghai Branch	1,000,083,642.98	
Agricultural Bank of China Jinan City Central Sub-branch	1,000,062,332.80	29,955.34
China CITIC BANK Corporation Limited Shanghai Pudian Circuit Sub-branch	900,082,759.40	400,025,883.87
Industrial Bank Co., Ltd. Zhengzhou East Jinshui Road Sub-branch	860,056,157.65	160,059,982.37
China Minsheng Banking Corp., Ltd. Business Department, Jinan Branch	700,037,478.80	160,091,636.68
China Merchants Bank Shanghai Century Avenue Sub-branch	500,046,080.31	45,722.47
China Minsheng Banking Corp., Ltd. Zhengzhou Shanding Road Sub-branch	300,622,420.35	380,526,416.65
Industrial Bank Co., Ltd. Shanghai Exchange Sub-branch	280,074,224.14	680,022,257.68
Industrial Bank Co., Ltd. Dalian Commodity Exchange Sub-branch	280,036,166.81	940,359,290.37
Bank of Communications Co., Ltd. Jinan City Central Sub-branch	242,341,923.22	1,351,007,389.85
China CITIC BANK Corporation Limited Business Department, Zhengzhou Branch	200,610,208.76	500,037,510.00
China Minsheng Banking Corp., Ltd. Dalian Commodity Exchange Sub-branch	200,151,405.59	72,524.06
China CITIC BANK Corporation Limited Dalian Dashang Branch	100,732,261.99	200,913,875.49
China Construction Bank Corporation Shanghai Futures Sub-branch	1,405,862.06	1,075,386,800.42
China Postal Savings Bank Co., Ltd. Jinan Free Trade Zone Sub-branch	795,608.94	
Ping An Bank Co., Ltd. Business Department, Jinan Branch	226,001.68	17,285.15

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

1. Cash and cash equivalents (continued)

(1) Details of deposit of futures margin - Principal (continued)

Item	December 31st, 2022	December 31st, 2021
Bank of China Dalian Commodity Exchange Sub-branch	191,381.51	205,630.47
Industrial and Commercial Bank of China Limited Shanghai Futures Building Sub-branch	178,200.40	156,767.04
Industrial Bank Co., Ltd. Business Department, Jinan Branch	141,575.90	93,071.10
Bank of Communications Co., Ltd. Shanghai Futures Building Sub-branch	113,340.49	500,042,330.08
Bank of Communications Co., Ltd. Commodity Exchange Sub-branch, Dalian Branch	97,279.02	80,787.94
Industrial and Commercial Bank of China Limited Jinan Lixia Sub-branch	84,622.76	22,823.74
China Construction Bank Corporation Business Department, Jinan Central Sub-branch	74,181.50	91,262.95
Bank of China Jinan Branch	69,799.94	55,262.49
China Merchants Bank Jinan Convention and Exhibition Center Sub-branch	69,558.20	48,605.99
China CITIC BANK Corporation Limited Jinan Jingxie Road Sub-branch	58,061.78	71,258.66
Bank of China Shanghai Futures Building Sub-branch	47,927.90	47,682.54
China Everbright Bank Company Limited Co., Ltd. Business Department, Jinan Branch	45,850.00	59,571.50
China Construction Bank Corporation Beijing Jinsong Sub-branch	43,698.49	43,571.69
Shanghai Pudong Development Bank Co., Ltd. Dalian Branch	35,285.58	36,542.68
China Guangfa Bank Co., Ltd. Jinan Branch Business Department	30,486.63	47,353.66
Bank of China Zhengzhou Commodity Exchange Sub-branch	9,505.27	9,570.30
Bank of Communications Co., Ltd. Zhengzhou Futures Building Sub-branch	7,186.11	7,296.29
Agricultural Bank of China Shanghai Futures Building Sub-branch	4,997.26	8,401.18
China Construction Bank Corporation Zhengzhou Futures City Sub-branch	4,738.12	3,620.03
China Construction Bank Corporation Dalian Commodity Exchange Sub-branch		38,100.95
China Construction Bank Corporation Hangzhou Xihu Sub-branch		432.93
Industrial and Commercial Bank of China Limited Dalian Commodity Exchange Sub-branch		205.75
Total	15,290,821,662.01	9,363,078,654.91

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

1. Cash and cash equivalents (continued)

(2) As at December 31st, 2022, other cash and cash equivalents represent the Group's unencumbered trading margin placed with securities and futures brokers (December 31st, 2021: same).

(3) Changes in expected credit impairment provision

Item	December 31st, 2021	Accrual in the current period	December 31st, 2022
Expected credit impairment provision	603,792.49	288,425.70	892,218.19
Total	603,792.49	288,425.70	892,218.19

2. Currency margin receivable

Item	December 31st, 2022	December 31st, 2021
China Financial Futures Exchange	2,081,674,434.97	1,816,732,221.59
Dalian Commodity Exchange	1,811,313,063.79	1,109,495,651.31
Shanghai Futures Exchange	1,358,446,039.10	1,680,209,253.34
Zhengzhou Commodity Exchange	955,833,319.21	617,690,377.52
China Securities Depository and Clearing Corporation Limited	374,344,144.24	602,872,063.72
Shanghai International Energy Exchange	324,490,448.06	330,195,728.66
Guangzhou Futures Exchange	22,247,495.67	
Total	6,928,348,945.04	6,157,195,296.14

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

3. Pledge margin receivable

(1) Classification by Exchange

Item	December 31st, 2022	December 31st, 2021
Shanghai Futures Exchange	1,604,839,680.00	1,116,654,376.00
Dalian Commodity Exchange	1,152,862,936.00	807,051,360.00
Zhengzhou Commodity Exchange	575,810,720.00	452,181,968.00
Shanghai International Energy Exchange	343,297,224.00	29,818,880.00
China Financial Futures Exchange	47,820,800.00	248,210,512.00
Total	3,724,631,360.00	2,653,917,096.00

(2) Classification by the category of collateral

Category of collateral	Market value at time of pledge	Discount rate	December 31st, 2022 Closing market value
Treasury Bonds	4,532,958,600.00	80%	3,626,366,880.00
Ag Silver	22,151,040.00	80%	17,720,832.00
FU Fuel Oil	45,935,340.00	80%	36,748,272.00
Ru Rubber	11,610,000.00	80%	9,288,000.00
Sn Tin	26,718,720.00	80%	21,374,976.00
Ni Nickel	4,189,500.00	80%	3,351,600.00
PG Liquefied Petroleum Gas	4,292,000.00	80%	3,433,600.00
P Palm Oil	7,934,000.00	80%	6,347,200.00
Total	4,655,789,200.00		3,724,631,360.00

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

3. Pledge margin receivable (continued)

(2) Classification by the category of collateral (continued)

Category of collateral	Market value at time of pledge	Discount rate	December 31st, 2021 Closing market value
Treasury Bonds	3,197,785,100.00	80%	2,558,228,080.00
PTA Purified Terephthalic Acid	35,880,300.00	80%	28,704,240.00
AG Silver	31,542,570.00	80%	25,234,056.00
BU Asphalt	33,348,400.00	80%	26,678,720.00
ZN Zinc	10,867,500.00	80%	8,694,000.00
SP Bleached Needle Pulp	5,950,000.00	80%	4,760,000.00
CF Cotton One	872,200.00	80%	697,760.00
PB Lead	767,500.00	80%	614,000.00
PF Staple Fiber	382,800.00	80%	306,240.00
Total	3,317,396,370.00		2,653,917,096.00

4. Settlement guarantees receivable

Item	December 31st, 2022	December 31st, 2021
China Financial Futures Exchange	20,108,390.93	29,202,519.40
China Securities Depository and Clearing Corporation Limited	11,583,968.44	11,405,393.72
Total	31,692,359.37	40,607,913.12

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VII. Notes on main items of consolidated financial statements (continued)

5. Risk loss receivables

(1) Analysis by aging

Item	December 31st, 2022				December 31st, 2021			
	Book balance	Ratio to total book balance (%)	Bad debt provision	Book value	Book balance	Ratio to total book balance (%)	Bad debt provision	Book value
Within 1 year	562,907.41	79.84	28,145.37	534,762.04				
1-2 years					522,733.46	99.99		522,733.46
2-3 years	142,106.86	20.15	28,421.37	113,685.49	76.07	0.01		76.07
Over 3 years	76.07	0.01	45.64	30.43				
Total	705,090.34	100.00	56,612.38	648,477.96	522,809.53	100.00		522,809.53

(2) As of December 31st, 2022, the top five risk loss receivables of the Group totaled RMB 678,117.53, representing 96.17% of the total receivables, as follows:

Name of Company	Book balance	Aging	Ratio to total receivables (%)	Nature of payment
First place	412,293.07	Within 1 year	58.47	Closeout loss payments
Second place	107,421.47	2-3 years	15.24	Closeout loss payments
Third place	97,515.24	Within 1 year	13.83	Closeout loss payments
Fourth place	53,099.10	Within 1 year	7.53	Closeout loss payments
Fifth place	7,788.65	2-3 years	1.10	Closeout loss payments
Total	678,117.53		96.17	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
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VII. Notes on main items of consolidated financial statements (continued)

6. Accounts receivable

(1) Listed by details

Item	December 31st, 2022	December 31st, 2021
OTC Options clients' capital receivable	173,356,147.93	159,618,187.77
Notes receivable	28,000,000.00	22,690,291.03
Trade receivable	9,886,920.96	37,518,126.01
Exchange service fee receivable	4,295,797.24	1,200,014.50
Others	3,129,202.64	3,156,693.15
Total	218,668,068.77	224,183,312.46
Less: Bad debt provision	2,331,507.08	2,162,710.58
Book value of accounts receivable	216,336,561.69	222,020,601.88

(2) Analysis by aging

Item	December 31st, 2022		December 31st, 2021	
	Amount	Ratio of total book balance (%)	Amount	Ratio of total book balance (%)
Within 1 year	201,200,888.88	92.01	221,720,426.17	98.90
1-2 years	15,323,523.64	7.01	468,188.00	0.21
2-3 years	32,550.50	0.01	903,504.11	0.40
Over 3 years	2,111,105.75	0.97	1,091,194.18	0.49
Total	218,668,068.77	100.00	224,183,312.46	100.00

Notes to the Consolidated Financial Statements

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VII. Notes on main items of consolidated financial statements (continued)

6. Accounts receivable (continued)

(3) Changes in bad debt provision

Category	Opening balance	Accrual	Changes in current year			Closing balance
			Recovery or reversal	Carry-forward or write-off	Others	
Provision for bad debts on accounts receivable	2,162,710.58	168,796.50				2,331,507.08
Total	2,162,710.58	168,796.50				2,331,507.08

- (4) As of December 31st, 2022, the total amount of the top five receivables of the Group was RMB 143,359,392.96, accounting for 65.56% of the total receivables. Details are as follows:

Company name	Amount	Aging	Ratio of total receivables (%)	Nature of payment
Galaxy Derivatives Capital Management Co., Ltd.	75,700,172.10	Within 1 year/ 1-2 years	34.62	Option trading funds
China Fortune Securities Co., Ltd.	28,000,000.00	Within 1 year	12.80	Option trading funds
Zhejiang Zheqi Industrial Co., Ltd.	18,172,300.00	Within 1 year	8.31	Option trading funds
SDIC Essence (Shanghai) Investment Co., Ltd.	12,000,000.00	Within 1 year	5.49	Option trading funds
Xinkuang International Trade Co., Ltd.	9,486,920.86	Within 1 year	4.34	Payment for goods
Total	143,359,392.96		65.56	

As at December 31st, 2022, there were no amounts due from shareholders holding 5% (or more) of the voting shares of the Company in accounts receivable (December 31st, 2021: same).

Notes to the Consolidated Financial Statements

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VII. Notes on main items of consolidated financial statements (continued)

7. Inventories

Item	December 31st, 2022	December 31st, 2021
Bulk commodity	77,218,365.69	44,572,709.59
Others		51,769.91
Subtotal	77,218,365.69	44,624,479.50
Less: Inventory depreciation reserves		289,515.05
Total	77,218,365.69	44,334,964.45

As at December 31st, 2022, there were no inventories pledged to the futures exchange as trading margin (as at December 31st, 2021, inventories with a book value of RMB 4,701,102.69 were pledged to the Shanghai Futures Exchange as trading margin).

8. Contract assets

Item	December 31st, 2022	December 31st, 2021
Contract assets	26,394,536.79	18,834,724.14
Less: Impairment provision of contract assets		
Total	26,394,536.79	18,834,724.14

Notes to the Consolidated Financial Statements

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VII. Notes on main items of consolidated financial statements (continued)

9. Buyback financial assets

Item	December 31st, 2022	December 31st, 2021
National debt reverse repurchase	200,312,037.45	
Including: Principal	200,007,000.00	
Interest accrued	305,037.45	
Warehouse receipt pledge fund lent	42,804,031.27	121,689,919.11
Including: Principal	42,804,031.27	121,668,839.11
Interest accrued		21,080.00
Less: Impairment provision	7,572,970.95	
Total	235,543,097.77	121,689,919.11

The Group received warehouse receipts as pledges for warehouse receipt pledge financing, and these pledges can be used for re-pledge. As at December 31st, 2022, the Group had no collateral accepted for re-pledging (the fair value of collateral accepted for re-pledging as at December 31st, 2021 amounted to RMB 157,705,500.00, all of which were pledged for re-pledging against transaction margin).

See Note XVII. Other significant matters for details of the impairment provision in the current period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
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VII. Notes on main items of consolidated financial statements (continued)

10. Trading financial assets

Item	December 31st, 2022	December 31st, 2021
Public offering securities investment fund	335,165,691.57	36,718,642.26
Asset management plan	265,893,556.15	146,842,192.43
Derivative financial assets (Notes VII. 11)	202,490,259.07	243,882,129.66
Private equity investment fund	69,619,198.05	220,423,215.29
Trust plan	51,464,581.55	13,155,849.63
Income receipts	5,007,890.41	211,881,401.35
Bank financial products	3,636,262.89	3,550,592.66
Stock investment	5,202.00	7,848.00
Total	933,282,641.69	876,461,871.28

11. Derivative financial instruments

(1) Details of derivative financial instruments

Item	Nominal principal	December 31st, 2022	
		Assets	Liabilities
OTC option contract	8,580,746,406.62	163,243,901.37	61,787,710.58
Exchange-traded option contract	1,920,487,750.00	15,212,402.50	28,181,120.00
Exchange-traded futures contract	15,898,531,455.00		
Forward contract	1,672,285,208.00	24,033,955.20	94,667,975.00
Total	28,072,050,819.62	202,490,259.07	184,636,805.58

Notes to the Consolidated Financial Statements

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VII. Notes on main items of consolidated financial statements (continued)

11. Derivative financial instruments (continued)

(1) Details of derivative financial instruments (continued)

Item	Nominal principal	December 31st, 2021	
		Assets	Liabilities
OTC option contract	10,438,282,960.76	214,477,784.65	109,492,663.26
Exchange-traded option contract	1,721,743,200.00	25,013,445.01	22,432,085.00
Exchange-traded futures contract	7,303,390,315.00		
Forward contract	1,581,560,546.00	4,390,900.00	8,077,362.01
Total	21,044,977,021.76	243,882,129.66	140,002,110.27

(2) Exchange-traded futures contract

Item	December 31st, 2022		December 31st, 2021	
	Nominal amount	Fair value changes	Nominal amount	Fair value changes
Exchange-traded futures contract	15,898,531,455.00	-26,629,630.00	7,303,390,315.00	-38,733,905.00
Less: Settlement cash paid		26,629,630.00		38,733,905.00
Futures contract net position				

For exchange-traded futures contracts, under the daily debt-free settlement system, the currency margin receivable has included the amount of position gains and losses arising from all futures contracts of December 31st, 2022. Therefore, the exchange-traded futures contract under derivative financial instruments is listed as the net amount after offset, which is RMB 0.

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VII. Notes on main items of consolidated financial statements (continued)

12. Futures membership investments

Item	December 31st, 2022	December 31st, 2021
Shanghai Futures Exchange	500,000.00	500,000.00
Dalian Commodity Exchange	500,000.00	500,000.00
Zhengzhou Commodity Exchange	400,000.00	400,000.00
Total	1,400,000.00	1,400,000.00

13. Long-term equity investments

(1) Classification of long-term equity investments

Item	December 31st, 2022	December 31st, 2021
Long-term equity investment accounted by cost method		
Long-term equity investment accounted by equity method	39,778,369.13	25,376,644.34
Including: Investment in associates	39,778,369.13	25,376,644.34
Total long-term equity investment	39,778,369.13	25,376,644.34
Less: Impairment provision of long-term equity investment		
Net value of long-term equity investment	39,778,369.13	25,376,644.34

Notes to the Consolidated Financial Statements

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VII. Notes on main items of consolidated financial statements (continued)

13. Long-term equity investments (continued)

(2) Long-term equity investment accounted by equity method

Investee	December 31st, 2021	Initial investment	Additional investment	Reduced investment	Changes in current period							Others	December 31st, 2022	Closing impairment provision
					Investment profit and loss recognized under equity method	Other comprehensive income adjustment	Other changes in equity	Cash dividends or profits declared	Impairment provision accrued	Exchange rate difference				
Associates														
Shandong Trading Market														
Clearing House Co.,														
Ltd.	18,932,153.68				3,006,470.14	2,696,268.56							24,634,892.38	
Shandong Board of Trade	6,444,490.66				1,103,654.19	7,595,331.90							15,143,476.75	
Total	25,376,644.34				4,110,124.33	10,291,600.46							39,778,369.13	

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VII. Notes on main items of consolidated financial statements (continued)

14. Fixed assets

Item	Houses and buildings	Transportation equipment	Computers, electronic equipment and others	Total
I. Original book value				
1. December 31st, 2021	40,072,644.53	6,185,543.16	48,375,422.88	94,633,610.57
2. Increased amount in current period		204,472.29	10,962,366.38	11,166,838.67
3. Decreased amount in current period		240,080.00	1,494,381.64	1,734,461.64
4. December 31st, 2022	40,072,644.53	6,149,935.45	57,843,407.62	104,065,987.60
II. Accumulated depreciation				
1. December 31st, 2021	14,131,374.03	3,901,247.93	35,304,280.12	53,336,902.08
2. Increased amount in current period	1,295,682.12	420,359.60	6,326,298.91	8,042,340.63
3. Decreased amount in current period		228,076.00	1,575,099.28	1,803,175.28
4. December 31st, 2022	15,427,056.15	4,093,531.53	40,055,479.75	59,576,067.43
III. Impairment provision				
1. December 31st, 2021				
2. Increased amount in current period				
3. Decreased amount in current period				
4. December 31st, 2022				
IV. Book value				
1. Book value as of December 31st, 2022	24,645,588.38	2,056,403.92	17,787,927.87	44,489,920.17
2. Book value as of December 31st, 2021	25,941,270.50	2,284,295.23	13,071,142.76	41,296,708.49

As of December 31st, 2022, the Group's fixed assets were not mortgaged, guaranteed or sealed (December 31st, 2021: same). As of December 31st, 2022, no sign of impairment was found in the above-mentioned fixed assets, so no impairment provision of fixed assets was accrued (December 31st, 2021: same).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

15. Right-of-use assets

Item	Houses and buildings	Total
I. Original book value		
1. December 31st, 2021	31,133,193.50	31,133,193.50
2. Increase in current period	17,986,005.10	17,986,005.10
New lease contract	17,986,005.10	17,986,005.10
3. Decrease in current period		
Others		
4. December 31st, 2022	49,119,198.60	49,119,198.60
II. Accumulated depreciation		
1. December 31st, 2021	12,220,508.38	12,220,508.38
2. Increase in current period	11,953,263.63	11,953,263.63
Accrual	11,953,263.63	11,953,263.63
3. Decrease in current period		
Others		
4. December 31st, 2022	24,173,772.01	24,173,772.01
III. Book value		
1. December 31st, 2022	24,945,426.59	24,945,426.59
2. December 31st, 2021	18,912,685.12	18,912,685.12

Notes to the Consolidated Financial Statements

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VII. Notes on main items of consolidated financial statements (continued)

16. Intangible assets

(1) Changes in intangible assets

Item	Software	Total
I. Original book value		
1. December 31st, 2021	20,445,188.71	20,445,188.71
2. Increased amount in current period	2,420,176.95	2,420,176.95
(1) Acquisition	2,420,176.95	2,420,176.95
(2) Increase of business combination		
3. Decreased amount in current period		
(1) Disposal		
(2) Others		
4. Translation difference of financial statements in foreign currency		
5. December 31st, 2022	22,865,365.66	22,865,365.66
II. Accumulated amortization		
1. December 31st, 2021	11,858,460.33	11,858,460.33
2. Increased amount in current period	1,367,125.70	1,367,125.70
(1) Accrual	1,367,125.70	1,367,125.70
(2) Others		
3. Decreased amount in current period		
(1) Disposal		
(2) Others		
4. Translation difference of financial statements in foreign currency		
5. December 31st, 2022	13,225,586.03	13,225,586.03
III. Impairment provision		
1. December 31st, 2021	1,438,333.48	1,438,333.48
2. Increased amount in current period		
(1) Accrual		
(2) Increase of business combination		
3. Decreased amount in current period		
(1) Disposal		
4. Translation difference of financial statements in foreign currency		
5. December 31st, 2022	1,438,333.48	1,438,333.48
IV. Book value		
1. Book value as of December 31st, 2022	8,201,446.15	8,201,446.15
2. Book value as of December 31st, 2021	7,148,394.90	7,148,394.90

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

17. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without offset

Item	December 31st, 2022	
	Deductible temporary difference	Deferred tax assets
Fair value changes	143,753,849.93	35,938,462.48
Interest payable	41,892,155.10	10,473,038.78
Employee benefits payable	46,722,240.95	11,680,560.24
Asset impairment provision	13,120,292.40	3,280,073.10
Depreciation of fixed assets	2,576,050.40	644,012.60
Total	248,064,588.78	62,016,147.20

Item	December 31st, 2021	
	Deductible temporary difference	Deferred tax assets
Fair value changes	108,933,431.36	27,233,357.84
Interest payable	29,499,982.23	7,374,995.56
Deductible losses	11,301,350.11	2,825,337.53
Asset impairment provision	5,073,992.88	1,268,498.22
Depreciation of fixed assets	3,103,947.40	775,986.85
Accrued expenses	1,000,000.00	250,000.00
Total	158,912,703.98	39,728,176.00

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
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VII. Notes on main items of consolidated financial statements (continued)

17. Deferred tax assets and deferred tax liabilities (continued)

(2) Deferred tax liabilities without offset

Item	December 31st, 2022	
	Taxable temporary differences	Deferred tax liabilities
Fair value changes	101,675,612.48	25,418,903.12
Interest receivable	58,756,227.61	14,689,056.89
Depreciation of fixed assets	1,989.84	497.46
Total	160,433,829.93	40,108,457.47

Item	December 31st, 2021	
	Taxable temporary differences	Deferred tax liabilities
Fair value changes	187,002,568.77	46,750,642.19
Interest receivable	66,102,484.33	16,525,621.08
Depreciation of fixed assets	5,137.45	1,284.36
Total	253,110,190.55	63,277,547.63

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

17. Deferred tax assets and deferred tax liabilities (continued)

(3) Deferred tax assets or liabilities listed in net amount after offset

Item	Closing offset amount of deferred tax assets and liabilities	Closing balance of deferred tax assets or liabilities after offsetting	Opening offset amount of deferred tax assets and liabilities	Opening balance of deferred tax assets or liabilities after offsetting
Deferred tax assets	40,107,960.01	21,908,187.19	38,952,189.15	775,986.85
Deferred tax liabilities	40,107,960.01	497.46	38,952,189.15	24,325,358.48

(4) Details of unrecognized deferred tax assets

Item	December 31st, 2022	December 31st, 2021
Deductible losses	73,288,208.24	70,837,842.60
Total	73,288,208.24	70,837,842.60

(5) Deductible losses that have not confirmed deferred tax assets will mature in the following years

Year	December 31st, 2022	December 31st, 2021
2023		
2024	27,410.68	27,410.68
2025	422,622.24	422,622.24
2026	1,074,779.92	1,074,779.92
2027	1,169,556.88	
No maturity date	70,593,838.52	69,313,029.76
Total	73,288,208.24	70,837,842.60

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

18. Other assets

(1) Details of other assets

Item	December 31st, 2022	December 31st, 2021
Prepayment	55,674,331.25	50,056,924.71
Other receivables	11,389,363.27	17,054,769.42
Certified input tax to be deducted	5,580,954.30	6,393,332.69
Long-term deferred expenses	2,677,947.19	2,972,213.26
Input tax to be certified	1,811,329.09	1,589,215.93
Advance payment of enterprise income tax		7,938,213.89
Total	77,133,925.10	86,004,669.90

(2) Other assets – other receivables

Item	December 31st, 2022	December 31st, 2021
Margin receivable	5,992,360.71	13,182,318.45
Deposit	4,781,673.30	3,460,260.95
Others	2,882,313.06	2,430,164.78
Subtotal	13,656,347.07	19,072,744.18
Less: Bad debt provision	2,266,983.80	2,017,974.76
Book value of other receivables	11,389,363.27	17,054,769.42

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

18. Other assets (continued)

(3) Other assets – impairment of other receivables

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Expected credit losses over the entire life (Not credit- impaired)	Stage 3 Expected credit losses over the entire life (Credit-impaired)	Total
Balance at January 1st, 2022	2,017,974.76			2,017,974.76
The book balance of other receivables at January 1st, 2022 in current year				
- Transfer to stage 2				
- Transfer to stage 3				
- Reverse to stage 2				
- Reverse to stage 1				
Accrual in current year	262,809.04			262,809.04
Reversal in current year				
Carry forward in current year				
Write-off in current year	13,800.00			13,800.00
Other changes				
Balance at December 31st, 2022	2,266,983.80			2,266,983.80

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

18. Other assets (continued)

(4) Other assets – prepayments

Item	December 31st, 2022		December 31st, 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	51,584,678.78	92.66	48,647,085.59	97.18
1-2 years	3,222,624.75	5.79	525,299.52	1.05
2-3 years	346,563.12	0.62	655,016.25	1.31
Over 3 years	520,464.60	0.93	229,523.35	0.46
Total	55,674,331.25	100.00	50,056,924.71	100.00

19. Short-term loans

(1) Classification of short-term loans

Classification of short-term loans	December 31st, 2022	December 31st, 2021
Credit loan	10,000,000.00	
Add: Accrued interest	11,388.89	
Total	10,011,388.89	

Zhongtai Huirong Capital signed a working capital loan contract with Jinan Branch of China Everbright Bank Company Limited, with a loan of RMB 5 million for the purchase of hot-rolled ribbed bars, hot-rolled plain bars and other products. The loan interest rate is 4.10%, and the loan term is from November 11th, 2022 to May 11th, 2023; Zhongtai Huirong Capital signed a working capital loan contract with Jinan Branch of China Everbright Bank Company Limited, with a loan of RMB 5 million for the purchase of hot-rolled ribbed bars, hot-rolled plain bars and other products. The loan interest rate is 4.10%, and the loan term is from November 18th, 2022 to May 18th, 2023.

Notes to the Consolidated Financial Statements

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(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

20. Currency margin payable

Item	December 31st, 2022	December 31st, 2021
Currency margin payable by futures and options customers	20,651,899,935.15	14,579,045,072.19
Total	20,651,899,935.15	14,579,045,072.19

(1) Listed by customer category

Item	December 31st, 2022		December 31st, 2021	
	Number of accounts	Amount	Number of accounts	Amount
Natural person	153,879	5,928,814,609.18	140,625	5,545,292,972.12
Legal person	5,801	14,368,083,127.04	4,629	8,653,934,560.60
Non-settlement member	3	355,002,198.93	3	379,817,539.47
Total	159,683	20,651,899,935.15	145,257	14,579,045,072.19

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
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VII. Notes on main items of consolidated financial statements (continued)

21. Pledge margin payable

(1) Listed by exchange

Item	December 31st, 2022	December 31st, 2021
Shanghai Futures Exchange	1,604,839,680.00	1,116,654,376.00
Dalian Commodity Exchange	1,152,862,936.00	807,051,360.00
Zhengzhou Commodity Exchange	575,810,720.00	452,181,968.00
China Financial Futures Exchange	343,297,224.00	248,210,512.00
Shanghai International Energy Trading Center	47,820,800.00	29,818,880.00
Total	3,724,631,360.00	2,653,917,096.00

(2) Listed by customer category

Item	December 31st, 2022		December 31st, 2021	
	Number of accounts	Amount	Number of accounts	Amount
Legal person	43	3,724,631,360.00	29	2,653,917,096.00
Total	43	3,724,631,360.00	29	2,653,917,096.00

Notes to the Consolidated Financial Statements

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VII. Notes on main items of consolidated financial statements (continued)

22. Futures risk reserves

Item	December 31st, 2022	December 31st, 2021
Opening balance	137,139,704.50	116,882,271.77
Increase in current period	18,046,136.71	20,257,432.73
Used in current period		
Closing balance	155,185,841.21	137,139,704.50

According to the Provisions of the Measures for the Supervision and Administration of Futures Companies (Order No. 155 of the China Securities Regulatory Commission) and the Interim Provisions on the Financial Management of Commodity Futures Trading (CSZ [1997] No. 44), the futures risk reserve shall be withdrawn at the proportion of 5% of the net income from the agency service fee income minus the service fee payable to the futures exchange. The Measures for the Administration of Private Asset Management Business of Securities and Futures Institutions (Order No. 151 of the China Securities Regulatory Commission) stipulates that the risk provision shall not be less than 10% of the management fee income, and the Company provides risk provision at 10% of the management fee income of the products.

23. Futures investors' security funds payable

Item	December 31st, 2022	December 31st, 2021
Opening balance	909,357.71	539,051.07
Increase in current period	1,024,474.93	868,212.35
Payment in current period	829,155.90	497,905.71
Closing balance	1,104,676.74	909,357.71

In accordance with the Provisions of the Measures for the Administration of Futures Investor Protection Funds (Order No. 129 of the China Securities Regulatory Commission) and the Provisions on Specifying Matters Related to the Payment Proportion of Futures Investor Protection Funds (China Securities Regulatory Commission Announcement 2016, No. 26, hereinafter referred to as the Provisions), futures companies shall pay the futures investor protection funds at 5 to 10 parts per hundred million of the agency trading volume from the transaction fees they collect.

Notes to the Consolidated Financial Statements

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VII. Notes on main items of consolidated financial statements (continued)

24. Employee benefits payable

(1) Details of employee benefits payable

Item	December 31st, 2021	Increase in current period	Decrease in current period	December 31st, 2022
I. Short-term employee benefits	128,136,963.41	223,102,110.22	259,421,895.19	91,817,178.44
II. Post-employment benefits – defined contribution plans	93,442.60	36,122,016.70	36,119,862.36	95,596.94
III. Termination benefits		101,427.22	101,427.22	
Total	128,230,406.01	259,325,554.14	295,643,184.77	91,912,775.38

(2) Short-term employee benefit

Item	December 31st, 2021	Increase in current period	Decrease in current period	December 31st, 2022
Employee salaries, bonuses, allowances and subsidies	113,798,372.67	190,133,992.68	225,774,492.01	78,157,873.34
Employee welfares		4,191,514.82	4,185,034.82	6,480.00
Social insurance contributions	46,507.04	10,018,873.58	10,016,467.18	48,913.44
Including: Medical insurance premiums	37,980.68	9,665,780.00	9,662,163.65	41,597.03
Injury insurance premiums	1,527.38	245,756.25	245,578.59	1,705.04
Maternity insurance premiums	6,998.98	107,337.33	108,724.94	5,611.37
Others				
Housing provident fund	17,810.21	14,959,046.39	14,959,046.39	17,810.21
Funds for trade unions and staff education	14,274,273.49	3,798,682.75	4,486,854.79	13,586,101.45
Other short-term employee benefits				
Total	128,136,963.41	223,102,110.22	259,421,895.19	91,817,178.44

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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VII. Notes on main items of consolidated financial statements (continued)

24. Employee benefits payable (continued)

(3) Termination benefits

Item	December 31st, 2021	Increase in current period	Decrease in current period	December 31st, 2022
Termination benefit		101,427.22	101,427.22	
Total		101,427.22	101,427.22	

(4) Defined contribution plans

Item	December 31st, 2021	Increase in current period	Decrease in current period	December 31st, 2022
Basic pension insurance	77,738.59	19,687,474.70	19,676,360.66	88,852.63
Unemployment insurance premiums	6,397.23	857,091.65	856,744.57	6,744.31
Enterprise annuity contributions	9,306.78	15,577,450.35	15,586,757.13	
Total	93,442.60	36,122,016.70	36,119,862.36	95,596.94

The Group's employees participate in the basic pension insurance established by government agencies. The Group determines the base within the upper and lower limits of the local basic pension insurance contribution base based on the employees' average monthly income in the previous year and makes contributions in accordance with the stipulated ratio.

In addition to participating in the basic pension insurance organized and implemented by the local labor and security authorities in accordance with the relevant PRC regulations, the Group has established an enterprise annuity plan for eligible employees on a voluntary basis, and the unit contributions and their investment income in the employees' individual accounts of the enterprise annuity are attributed to the employees on a pro rata basis in accordance with the relevant regulations. The Group established the principle of compensation for middle-aged employees in the enterprise pension fund. Employees who are less than 10 years away from retirement from the date of implementation of the enterprise pension fund will be compensated after retirement in accordance with the relevant regulations.

25. Notes payable

Category	December 31st, 2022	December 31st, 2021
Bank's acceptance bill	200,000.00	
Total	200,000.00	

Notes to the Consolidated Financial Statements

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VII. Notes on main items of consolidated financial statements (continued)

26. Taxes and dues payable

Item	January 1st, 2022	Current period payable	Current period paid	December 31st, 2022
Corporate income tax payable	9,393,901.19	115,508,862.46	65,884,438.16	59,018,325.49
Personal income tax payable	1,937,049.92	28,077,154.42	28,105,567.85	1,908,636.49
Unpaid VAT	1,027,246.13	22,629,917.13	16,724,140.46	6,933,022.80
Stamp duty	87,918.08	1,192,162.76	1,097,421.26	182,659.58
Property tax payable	84,152.55	336,610.20	336,610.20	84,152.55
Urban construction tax payable	65,813.91	1,390,641.00	1,129,272.12	327,182.79
Education surcharges payable	28,410.06	595,860.95	483,106.37	141,164.64
Local education surcharges payable	18,000.49	397,479.33	322,441.73	93,038.09
Others	2,795.87	510,261.05	510,604.30	2,452.62
Total	12,645,288.20	170,638,949.30	114,593,602.45	68,690,635.05

27. Payables

(1) Classification by details

Item	December 31st, 2022	December 31st, 2021
Funds payable to OTC option customers	1,214,784,411.06	634,255,949.90
Return of brokerage service fee payable	12,919,754.05	10,785,883.60
Labor remuneration payable	3,061,511.39	7,224,128.02
Others	2,544,269.65	5,430,796.99
Consulting service fee payable	2,013,739.02	1,764,875.96
Agency fees payable	1,200,000.00	1,146,373.90
Commission payable for futures introduction and brokerage services	980,883.61	15,170,041.56
Advertising expenses payable	459,312.97	5,613,804.79
Rent and property costs payable	119,863.20	209,863.20
Payables for insurance and futures business		5,287,227.29
Total	1,238,083,744.95	686,888,945.21

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VII. Notes on main items of consolidated financial statements (continued)

27. Payables (continued)

- (2) As of December 31st, 2022, the top five companies with balance of accounts payable:

Company name	Amount	Aging	Proportion of account payable (%)	Nature of payment
Zhoushan Zheshan Supply Chain Management Co., Ltd.	99,159,150.00	Within 1 year	8.01	OTC option client funds
Fengrun Taixin No. 15 Private Equity Securities Investment Fund	73,445,000.00	Within 1 year	5.93	OTC option client funds
Fengrun Taixin No. 16 Private Equity Securities Investment Fund	61,832,750.00	Within 1 year	4.99	OTC option client funds
Guosen Securities Co., Ltd.	59,000,000.00	Within 1 year	4.77	OTC option client funds
Hainan Kuohai Trade Co., Ltd.	52,379,310.00	Within 1 year	4.23	OTC option client funds
Total	345,816,210.00		27.93	

- (3) As at December 31st, 2022, the Group's balance payable to the shareholder Zhongtai Securities for the house purchase was RMB 42,643.89 (December 31st, 2021: RMB 42,643.89), and the brokerage service commission was RMB 938,239.72 (December 31st, 2021: RMB 15,127,397.67), and OTC option clients' capital was RMB 0 (December 31st, 2021: RMB 787,076.63).
- (4) As of December 31st, 2022, the Group has no large number of payables unpaid for more than one year

Notes to the Consolidated Financial Statements

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VII. Notes on main items of consolidated financial statements (continued)

28. Contract liabilities

Item	December 31st, 2022	December 31st, 2021
Advance payment	18,375,107.56	12,343,717.33
Total	18,375,107.56	12,343,717.33

29. Lease liabilities

Item	December 31st, 2022	December 31st, 2021
Unpaid lease payments	29,082,921.46	21,553,813.81
Less: Unrecognized financing costs	3,815,277.86	2,488,561.58
Total	25,267,643.60	19,065,252.23

30. Provisions

Item	December 31st, 2022	December 31st, 2021
Expected losses	116,964.10	877,230.75
Total	116,964.10	877,230.75

See XI.2. Contingencies for further details

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

31. Other liabilities

Item	December 31st, 2022	December 31st, 2021
Other payables	219,249,072.20	4,623,025.51
Advances from customers	15,723.31	125,392.62
Pending output tax	2,497,835.65	
Endorsed outstanding notes	25,000,000.00	
Total	246,762,631.16	4,748,418.13

Among other payables, the subsidiary Zhongtai Huirong Capital borrowed RMB 200 million from Zhongtai Securities Co., Ltd. in February 2022, with a term of one year and an annual interest rate of 5.88%, mainly used to carry out futures market investments.

32. Share capital

Name of shareholder	December 31st, 2022		December 31st, 2021	
	Contribution amount	Proportion (%)	Contribution amount	Proportion (%)
Zhongtai Securities Co., Ltd.	632,176,077.50	63.10	632,176,077.50	63.10
Yongfeng Group Co., Ltd.	35,156,250.00	3.51	35,156,250.00	3.51
Shandong State-owned Assets Investment Holding Co., Ltd.	22,583,601.69	2.25	22,583,601.69	2.25
Shandong Linglong Rubber Co., Ltd.	11,718,750.00	1.17	11,718,750.00	1.17
Yantai Shengli Investment Co., Ltd.	11,718,750.00	1.17	11,718,750.00	1.17
Jinan Energy Sources Investment Co., Ltd.	11,456,570.81	1.14	11,456,570.81	1.14
Overseas Listed Ordinary Shares ("H Shares")	277,090,000.00	27.66	277,090,000.00	27.66
Total	1,001,900,000.00	100.00	1,001,900,000.00	100.00

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(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

32. Share capital (continued)

As of December 31st, 2022, the Company's shares have not been pledged or frozen.

Corporate shareholders holding more than 10% of the Company's shares: Zhongtai Securities Co., Ltd., legal representative: Wang Hong, business scope: securities brokerage; Securities investment consulting; Financial advisers related to securities trading and securities investment activities; Securities underwriting and recommendation; Self-operated securities; Securities margin trading; Securities investment fund sales on a commission basis; Selling financial products on a commission basis; Stock option market making; Securities investment fund custody. Industry category: securities brokerage trading services. Registered capital: RMB 6,968,625,756.00.

33. Capital reserve

Item	December 31st, 2021	Increase in current period	Decrease in current period	December 31st, 2022
Equity premium	650,629,528.42			650,629,528.42
Other capital reserve	1,012,938.06	10,291,600.46		11,304,538.52
Total	651,642,466.48	10,291,600.46		661,934,066.94

Other capital reserve refers to other changes in the equity of the investee other than comprehensive income and profit distribution accounted for by the equity method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

34. Other comprehensive income

Item	Opening balance	Amount incurred before income tax for the year	Less: Transfer to profit or loss in the current period from prior periods charged to other comprehensive income	Amount incurred during the year		Less: Income tax expense	Attributable to the parent company after tax	Attributable to minority shareholders after tax	Closing balance
				Less: Transfer to retained earnings in the current period from prior periods charged to other comprehensive income					
Other comprehensive income to be reclassified to profit or loss	-90,930.59	1,920,516.31				1,920,516.31			1,829,585.72
Including: Other comprehensive income available for transfer to profit or loss under the equity method									
Provision for credit impairment of other debt investments									
Translation differences on foreign currency financial statements	-90,930.59	1,920,516.31				1,920,516.31			1,829,585.72
Others									
Total other comprehensive income	-90,930.59	1,920,516.31				1,920,516.31			1,829,585.72

35. Surplus reserve

Item	December 31st, 2021	Increase in current period	Decrease in current period	December 31st, 2022
Statutory surplus reserve	85,498,817.06	14,085,043.28		99,583,860.34
Total	85,498,817.06	14,085,043.28		99,583,860.34

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

35. Surplus reserve (continued)

Item	December 31st, 2020	Increase in current period	Decrease in current period	December 31st, 2021
Statutory surplus reserve	69,572,957.89	15,925,859.17		85,498,817.06
Total	69,572,957.89	15,925,859.17		85,498,817.06

According to the Company Law of the People's Republic of China and the articles of association of the Company, the Company withdraws the statutory surplus reserve at 10% of the annual net profit. When the accumulated amount of the statutory surplus reserve reaches more than 50% of the registered capital, it can no longer be withdrawn. After approval, the statutory surplus reserve may be used to make up for losses or increase the share capital.

The withdrawal amount of the Company's discretionary surplus reserve shall be proposed by the board of directors and approved by the general meeting of shareholders. After approval, any surplus reserve can be used to cover the losses of previous years or increase the paid-in capital. The Company did not withdraw any surplus reserve for the year 2022.

36. General risk reserve

Item	General risk reserve
Balance as of December 31st, 2020	94,568,007.40
Accrued in current period	15,925,859.17
Balance as of December 31st, 2021	110,493,866.57
Accrued in current period	14,085,043.28
Balance as of December 31st, 2022	124,578,909.85

According to the Guidelines for the Implementation of Financial Rules for Financial Enterprises (Cai Jin [2007] No. 23), the Company withdraws general risk reserves at 10% of its net profit for risk compensation, and shall not be used for dividends or capital increase.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

37. Undistributed profit

Item	FY 2022	FY 2021
Opening balance of undistributed profit	432,517,551.30	299,441,205.51
Add: Net profit attributable to owners of the parent company	166,059,657.42	188,572,904.13
Less: Withdrawal of statutory surplus reserve	14,085,043.28	15,925,859.17
Withdrawal of general risk reserves	14,085,043.28	15,925,859.17
Distribution of common stock dividends	18,034,200.00	23,644,840.00
Others		
Closing balance of undistributed profit	552,372,922.16	432,517,551.30

According to the resolution of the general meeting of shareholders s No. 2 of ZTQGJZ [2022] on June 28th, 2022, the Company distributed a profit of RMB 18,034,200.00 to all shareholders.

38. Handling fees and commission income

(1) Listed by category

Item	FY 2022	FY 2021	Percentage increase or decrease (%)
Net income from return and reduction of handling fees of the exchange	317,248,317.44	323,544,995.39	-1.95
Net income from transaction fees	30,953,426.79	69,546,079.91	-55.49
Net income from exercise fees	6,722,541.19	5,413,874.24	24.17
Investment consulting service fee income	216,981.13	306,603.73	-29.23
Net income from settlement fees	12,214.33	192,751.10	-93.66
Income from asset management business	258,580.78		100.00
Total	355,412,061.66	399,004,304.37	-10.93

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

38. Handling fees and commission income (continued)

(2) Listed by region

Region	FY 2022		FY 2021	
	Number of divisions	Handling fee income	Number of divisions	Handling fee income
Shandong Province	12	282,532,573.08	12	311,802,369.33
Shanghai	3	26,160,123.18	2	27,191,620.55
Zhejiang Province	4	12,688,905.47	3	13,523,621.10
Jiangsu Province	2	9,438,106.97	2	16,608,206.42
Liaoning Province	2	6,590,652.57	2	9,539,734.30
Guangdong Province	2	5,000,975.77	2	7,759,126.70
Beijing	2	4,258,364.11	1	4,142,347.77
Hubei province	1	2,862,202.81	1	2,775,290.01
Henan Province	1	2,526,074.23	1	1,985,053.70
Tianjin	1	1,731,369.24	1	2,511,646.03
Hunan Province	1	1,319,169.59	1	1,165,288.46
Fujian Province	1	303,544.64		
Total	32	355,412,061.66	28	399,004,304.37

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

39. Net interest income

Item	FY 2022	FY 2021	Percentage increase or decrease (%)
Interest income			
Including: Interest income from bank deposits	372,594,569.49	231,521,453.60	60.93
Exchange margin interest income	65,736,954.36	57,455,460.32	14.41
Interest income from repurchase for resale	1,753,226.44	1,564,359.64	12.07
Interest expense			
Including: Interest expense paid to customers	200,064,058.03	91,324,876.86	119.07
Interest expense of lease liabilities	2,898,956.38	2,105,117.06	37.71
Interest expense for settlement and settlement services	708,709.70	623,691.51	13.63
Loan interest expense	10,678,291.69		100.00
Net interest income	225,734,734.49	196,487,588.13	14.88

40. Investment income

Item	FY 2022	FY 2021	Percentage increase or decrease (%)
Investment income from disposal of trading financial instruments	180,668,470.69	46,496,723.66	288.56
Investment income obtained during the holding period of trading financial assets	9,544,062.59	7,629,221.62	25.10
Investment income from disposal of long-term equity investment		1,239,314.88	-100.00
Long term equity investment loss accounted by equity method	4,110,124.33	-2,770,618.62	-
Total	194,322,657.61	52,594,641.54	269.47

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

41. Gains from changes in fair value

Item	FY 2022	FY 2021	Percentage increase or decrease (%)
Changes in fair value of trading financial instruments	-119,830,258.80	60,845,312.95	-296.94
Total	-119,830,258.80	60,845,312.95	-296.94

42. Other operation income

Item	FY 2022	FY 2021	Percentage increase or decrease (%)
Cash sales revenue of future cash combined business	1,763,812,863.91	1,521,636,897.19	15.92
Others	28,420,615.72	23,455,229.42	21.17
Total	1,792,233,479.63	1,545,092,126.61	16.00

43. Other income

Item	FY 2022	FY 2021
Tax exemptions	20,215.76	59,947.33
Return of service charges on individual income tax agency	233,705.24	186,343.98
Government grants	218,332.83	115,330.87
Others	544,074.14	396,407.80
Job stabilization subsidies	19,394.63	
Total	1,035,722.60	758,029.98

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

44. Withdrawal of risk reserves

Item	FY 2022	FY 2021
Withdrawal of risk reserves	18,046,136.71	20,257,432.73
Total	18,046,136.71	20,257,432.73

45. Taxes and surcharges

Item	FY 2022	FY 2021	Percentage increase or decrease (%)
Stamp duty	1,192,162.76	947,962.37	25.76
Urban construction tax	1,390,641.00	1,046,586.34	32.87
Education surcharges	595,860.95	448,180.82	32.95
Local education surcharges	397,479.33	298,613.60	33.11
Others	350,526.00	353,683.95	-0.89
Total	3,926,670.04	3,095,027.08	26.87

46. Business and management fees

(1) Comparison and presentation of business and management fees

Item	FY 2022	FY 2021	Percentage increase or decrease (%)
Business and management fees	406,386,887.45	454,272,804.89	-10.54
Total	406,386,887.45	454,272,804.89	-10.54

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

46. Business and management fees (continued)

(2) The main items of business and management fees are as follows:

Item	FY 2022	FY 2021	Percentage increase or decrease (%)
Employee benefits	259,325,554.14	277,769,370.07	-6.64
Information maintenance fee	26,056,883.04	22,340,160.94	16.64
Depreciation and amortization	22,793,781.99	17,407,460.20	30.94
Remuneration for intermediary's services	14,789,506.91	33,120,393.74	-55.35
Advertising expenses	12,981,083.51	20,224,124.27	-35.81
Communication fee	11,107,946.56	11,048,295.52	0.54
Business entertainment expenses	10,443,122.37	8,559,734.68	22.00
Introducing broker services	9,718,138.28	13,531,795.54	-28.18
Consulting fee	6,162,138.07	6,573,899.92	-6.26
Travel expenses	4,955,981.97	5,738,258.99	-13.63
Total	378,334,136.84	416,313,493.87	-9.12

47. Credit impairment losses

Item	FY 2022	FY 2021
Impairment loss on cash and cash equivalents	288,425.70	504,203.03
Impairment loss on receivables	168,796.50	100,429.95
Impairment loss on other receivables	262,809.04	51,716.03
Impairment loss on receivables from risk losses	56,612.38	
Impairment loss of buying back the sale of financial assets	7,572,970.95	
Total	8,349,614.57	656,349.01

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

48. Impairment losses on assets

Item	FY 2022	FY 2021
Inventory impairment loss	-289,515.05	1,727,848.53
Total	-289,515.05	1,727,848.53

49. Other business costs

Item	FY 2022	FY 2021	Percentage increase or decrease (%)
Cost of spot sales of future cash combined business	1,759,017,882.71	1,499,881,007.91	17.28
Others	26,554,811.44	16,585,155.51	60.11
Total	1,785,572,694.15	1,516,466,163.42	17.75

50. Non-operating income

Item	FY 2022	FY 2021
Gains from the scrapping of non-current assets	4,520.00	
Including: Gains from the scrapping of fixed assets	4,520.00	
Gains from the scrapping of intangible assets		
Government subsidies and support funds	223,877.56	
Confiscated income	1,435,530.42	
Others	293,786.03	169,366.93
Total	1,957,714.01	169,366.93

Note: Non-operating income - others mainly refers to the compensation withheld by customers due to non-performance of the contract.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

51. Non-operating expenses

Item	FY 2022	FY 2021
Loss on retirement of non-current assets	13,242.80	239,498.77
Including: loss on retirement of fixed assets	13,242.80	239,498.77
Loss on retirement of intangible assets		
Donation and sponsorship expenses	2,140,487.38	1,815,786.25
Others	50,272.67	51,637.01
Total	2,204,002.85	2,106,922.03

52. Income tax expenses

(1) Income tax expenses

Item	FY 2022	FY 2021
Current income tax	104,786,824.88	47,810,520.29
Deferred income tax	-45,457,061.36	19,820,490.04
Total	59,329,763.52	67,631,010.33

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

52. Income tax expenses (continued)

(2) Adjustment process of accounting profit and income tax expense

Item	FY 2022	FY 2021
Total consolidated profit	225,389,420.94	256,203,914.46
Income tax expense calculated at legal/ applicable tax rate	56,347,355.24	64,050,978.62
Effect of different tax rates applied to subsidiaries	396,242.72	-75,725.25
Effect of income tax adjustment in previous periods		
Impact of non-taxable income	-1,027,531.09	-829,612.80
Impact of non-deductible costs, expenses, and losses	3,340,664.18	4,398,088.88
Effect of deductible loss of unrecognized deferred income tax assets in the prior period		
Effect of deductible temporary difference or deductible loss of deferred income tax assets not recognized in the current period	291,799.05	311,844.21
Effect of deductible temporary difference or deductible loss of deferred income tax assets not recognized in the previous period	-18,766.58	-190,145.28
Income tax expense		-34,418.05
Total consolidated profit	59,329,763.52	67,631,010.33

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

53. Cash flow statements

(1) Supplementary information of consolidated cash flow statement

Item	FY 2022	FY 2021
1. Adjustment from net profits to cash flows from operating activities		
Net profits	166,059,657.42	188,572,904.13
Add: Impairment loss of other assets	-289,515.05	1,727,848.53
Credit impairment loss	8,349,614.57	656,349.01
Depreciation of right-of-use assets	11,953,263.63	7,631,333.91
Depreciation of fixed assets	8,042,340.63	6,887,690.13
Amortization of intangible assets	1,367,125.70	1,521,328.50
Amortization of long-term deferred expenses	1,431,052.03	1,367,107.66
Losses on the disposal of fixed assets, intangible assets, and other long-term assets (gains marked with "-")	32,148.51	248,437.31
Losses on the scrapping of fixed assets (gains marked with "-")	8,722.80	
Losses on changes in fair values (gains marked with "-")		
Interest expense (gains marked with "-")	-13,577,248.07	-3,974,447.78
Exchange loss	1,312,348.05	155,969.82
Investment losses (gains marked with "-")	-4,110,124.33	2,770,618.62
Decrease in deferred tax assets (increase marked with "-")	-21,132,200.34	80,174.84
Increase in deferred tax liabilities (decrease marked with "-")	-24,324,861.02	19,740,315.20
Decrease in financial assets measured at fair value with changes included in current profit and loss (increase marked with "-")		

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

53. Cash flow statements (continued)

(1) Supplementary information of consolidated cash flow statement (continued)

Item	FY 2022	FY 2021
Decrease in buying back the sale of financial assets (increase marked with "-")		
Decrease in trading financial assets (increase marked with "-")		
Decrease in inventories (increase marked with "-")		
Decrease in operating receivables (increase marked with "-")	-2,029,715,874.24	-2,642,815,114.67
Increase in operating payables (decrease marked with "-")	7,783,233,812.47	7,392,064,410.07
Other		
Net cash flow from operating activities	5,888,640,262.76	4,976,634,925.28
2. Significant investing and financing activities that do not involve cash receipts and payment		
Transfer of debt to capital		
Convertible corporate bonds due within 1 year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents		
Closing balance of cash	15,830,763,403.92	9,775,110,705.25
Less: Opening balance of cash	9,775,110,705.25	5,128,310,387.43
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	6,055,652,698.67	4,646,800,317.82

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

53. Cash flow statements (continued)

(2) Cash and cash equivalents

Item	December 31st, 2022	December 31st, 2021
Cash	15,830,763,403.92	9,775,110,705.25
Including: Cash on hand	36,124.55	24,385.69
Bank deposits readily available for payment	15,830,431,588.10	9,613,973,083.40
Other cash and cash equivalents readily available for payment	295,691.27	161,113,236.16
Settlement provision		
Cash equivalents		
Including: Bond investments due within 3 months		
Closing balance of cash and cash equivalents	15,830,763,403.92	9,775,110,705.25

54. Dividends

As of December 31st, 2022, the Company declared a final dividend of RMB 18,034,200.00 as of December 31st, 2021.

The board of directors has prepared a profit distribution proposal for the 12 months ending December 31st, 2022 and the proposed amount of distribution is RMB 16,030,400.00.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VII. Notes on main items of consolidated financial statements (continued)

55. Earnings per share

(1) Basic earnings per share

Basic earnings per share are calculated by dividing the period profit attributable to the shareholders of the Company by the weighted average number of ordinary shares issued during the period.

Item	FY 2022	FY 2021
Profit attributable to shareholders of the Company	166,059,657.42	188,572,904.13
Weighted average number of ordinary shares issued	1,001,900,000.00	1,001,900,000.00
Basic earnings per share	0.17	0.19

(2) Diluted earnings per share

There were no potentially dilutive common shares for the 12 months that ended December 31st, 2022, so diluted earnings per share are the same as basic earnings per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

VIII. Segment reports

The Group's reportable segments are business units that provide different products or services. As the various businesses require different technological and market strategies, the Group manages the production and operating activities of each reportable segment separately and evaluates its operating results separately to determine the allocation of resources to it and to evaluate its performance.

The Group's reportable segments are primarily classified into brokerage business segment, risk management business segment, and asset management segment, depending on the type of business.

There is no significant dependence on a single customer as the Group's business is not conducted to a specific customer.

Segment report of 2022 (by business)

Item	Brokerage business	Risk management business	Asset management		Offset	Total
			business	Other businesses		
I. Operating income	535,383,209.52	1,853,238,606.70	258,580.78	71,732,700.53	-12,984,899.88	2,447,628,197.65
External operating income	525,493,447.89	1,858,411,387.20	258,580.78	63,464,781.78		2,447,628,197.65
Inter-segment operating income	9,889,761.63	-5,172,780.50		8,267,918.75	-12,984,899.88	
II. Operating expenses	259,730,308.99	1,826,041,862.40	1,650,212.58	148,071,004.48	-13,500,900.58	2,221,992,487.87
External operating expenses	255,013,327.86	1,826,041,862.40	1,650,212.58	139,287,085.03		2,221,992,487.87
Inter-segment operating expenses	4,716,981.13			8,783,919.45	-13,500,900.58	
III. Total profits/(losses)	275,652,900.53	28,875,104.79	-1,391,631.80	-78,262,953.28	516,000.70	225,389,420.94
IV. Income tax expenses	51,722,125.20	7,476,450.97		-786.90	131,974.25	59,329,763.52
V. Net profits/(losses)	223,930,775.33	21,398,653.82	-1,391,631.80	-78,262,166.38	384,026.45	166,059,657.42
VI. Total assets	27,608,555,604.61	2,516,939,410.51	132,444.85	984,762,634.36	-2,251,310,742.49	28,859,079,351.84
VII. Total liabilities	26,121,500,808.78	1,737,616,300.27	335,186.48	16,217,011.70	-1,458,789,300.40	26,416,880,006.83
VIII. Additional information						
1. Depreciation and amortisation expenses	13,329,859.72	4,620,803.97	6,352.99	5,365,708.49	-528,943.18	22,793,781.99
2. Capital expenditure	21,439,091.88	3,870,399.43	51,601.78	7,173,791.11		32,534,884.20

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

VIII. Segment reports (continued)

Segment report of 2021 (by business)

Item	Brokerage business	Risk management business	Asset management business	Other businesses	Offset	Total
I. Operating income	574,023,306.21	1,620,174,736.60		72,734,235.01	-12,315,182.60	2,254,617,095.22
External operating income	567,273,360.58	1,623,592,465.32		63,751,269.32		2,254,617,095.22
Inter-segment operating income	6,749,945.63	-3,417,728.72		8,982,965.69	-12,315,182.60	
II. Operating expenses	304,755,349.85	1,580,616,150.22	886,279.87	122,917,737.17	-12,699,891.45	1,996,475,625.66
External operating expenses	301,359,123.43	1,572,826,468.47	886,279.87	121,403,753.89		1,996,475,625.66
Inter-segment operating expenses	3,396,226.42	7,789,681.75		1,513,983.28	-12,699,891.45	
III. Total profits/(losses)	269,267,956.36	39,724,695.45	-886,279.87	-52,287,166.33	384,708.85	256,203,914.46
IV. Income tax expenses	56,012,758.41	11,547,654.24		-9,577.16	80,174.84	67,631,010.33
V. Net profits/(losses)	213,255,197.95	28,177,041.21	-886,279.87	-52,277,589.17	304,534.01	188,572,904.13
VI. Total assets	18,327,008,569.87	1,603,946,156.02	10,649.33	2,282,063,046.30	-1,530,928,693.69	20,682,099,727.83
VII. Total liabilities	18,204,836,574.76	854,933,924.80	952,136.69	77,438,545.90	-738,023,225.14	18,400,137,957.01
VIII. Additional information						
1. Depreciation and amortisation expenses	11,516,142.66	4,314,046.21	13,435.93	2,170,742.28	-606,906.88	17,407,460.20
2. Capital expenditure	13,567,979.04	2,005,583.65		7,704,450.72		23,278,013.41

IX. Transfer and sale of significant assets

As at December 31st, 2022, there are no transfer and sale of significant assets that need to be disclosed by the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

X. Related-party relationships and transitions

1. Controlling shareholders

(1) Parent Company

Parent Company	Type of company	Place of registration	Legal representative	Nature of business	Organization code
Zhongtai Securities	Stock corporation	Jinan	Wang Hong	Securities and financial services	729246347

(2) Registered capital of the parent company and changes therein

Parent Company	December 31st, 2021	Increase in current period	Decrease in current period	December 31st, 2022
Zhongtai Securities	RMB 6,968,625,756			RMB 6,968,625,756

(3) Parent Company's shareholding and voting rights in the Company

Controlling shareholders	December 31st, 2022		December 31st, 2021	
	Percentage of capital contribution	Percentage of voting rights	Percentage of capital contribution	Percentage of voting rights
Zhongtai Securities	63.10%	63.10%	63.10%	63.10%

2. Subsidiaries

See Note VI for basic information on subsidiaries and related information.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

X. Related-party relationships and transitions (continued)

3. Associates

(1) Shandong Trading Market Clearing House Co., Ltd.

Shandong Trading Market Clearing House Co., Ltd. (hereinafter referred to as “Lu Clearing”) is located in Jinan City, Shandong Province. It is mainly engaged in transaction settlement services and derivatives clearing services.

As of December 31st, 2022, the registered capital of Lu Clearing was RMB 200 million, and the paid-in capital is RMB 200 million. The Group holds 12.50% of the shares. The Group accounts for the investment of Lu Clearing according to the equity method.

Item	December 31st, 2022	December 31st, 2021
Current assets	3,497,254,560.45	2,440,788,088.31
Non-current assets	8,398,817.34	6,409,214.71
Total assets	3,505,653,377.79	2,447,197,303.02
Current liabilities	3,307,068,469.39	2,406,274,331.91
Non-current liabilities	1,512,627.80	
Total liabilities	3,308,581,097.19	2,406,274,331.91
Net assets	197,072,280.60	40,922,971.11
Share of net assets calculated according to shareholding ratio	24,634,892.38	19,550,670.70
Adjustment matters ①		-618,517.02
Book value of investment in associates	24,634,892.38	18,932,153.68

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

X. Related-party relationships and transitions (continued)

3. Associates (continued)

(1) Shandong Trading Market Clearing House Co., Ltd. (continued)

Item	FY 2022	FY 2021
Operating income	24,539,361.96	16,370,536.47
Net profit	9,625,089.92	5,474,199.95
Other comprehensive income		
Total comprehensive income	9,625,089.92	5,474,199.95
Dividends received by the Group from associates in the current period		

Net profit and other comprehensive income have considered the fair value of identifiable assets and liabilities at the time of obtaining investment and the adjustment impact of unified accounting policies.

- ① Adjustment matters include the offset of unrealized profits from internal transactions between the Company and associates.

Notes to the Consolidated Financial Statements

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(All amounts in RMB'000 unless otherwise stated)

X. Related-party relationships and transitions (continued)

3. Associates (continued)

(2) Shandong Board of Trade

As of December 31st, 2022, the Group has an investment of RMB 35.40 million in Shandong Board of Trade (formerly known as “Rizhao Board of Trade Co., Ltd.”, hereinafter referred to as “Shandong Board of Trade”). Shandong Board of Trade, located in Rizhao, Shandong Province, mainly provides electronic trading services for bulk commodities. At present, the company is operating normally.

As of December 31st, 2022, the registered capital of Shandong Board of Trade was RMB 200 million, and the paid-in capital is RMB 200 million. The Group holds 8.85% of the shares. The Group accounts for the investment of Shandong Board of Trade according to the equity method.

Item	December 31st, 2022	December 31st, 2021
Current assets	522,928,703.55	176,611,292.96
Non-current assets	57,491,532.33	25,935,672.99
Total assets	580,420,235.88	202,546,965.95
Current liabilities	367,029,993.65	155,174,184.77
Non-current liabilities	1,981,000.19	621,000.15
Total liabilities	369,010,993.84	155,795,184.92
Net assets attributable to the parent company	171,112,679.99	21,845,731.06
Share of net assets calculated by shareholding ratio	15,143,476.75	6,444,490.66
Book value of investment in associates	15,143,476.75	6,444,490.66

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

X. Related-party relationships and transitions (continued)

3. Associates (continued)

(2) Shandong Board of Trade (continued)

Item	FY 2022	FY 2021
Operating income	14,093,434.44	253,747,502.61
Net profit attributable to parent company	2,683,542.19	-12,938,392.29
Other comprehensive income		
Total comprehensive income	2,683,542.19	-12,938,392.29
Dividends received by the Group from associates in the current period		

Net profit and other comprehensive income have considered the fair value of identifiable assets and liabilities at the time of obtaining investment and the adjustment impact of unified accounting policies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

X. Related-party relationships and transitions (continued)

4. Other related parties

Name of other related parties	Relationship with the Group
Zhongtai (Shanghai) Asset Management Co., Ltd. ("Zhongtai Asset Management")	Controlled by the same Parent Company
Qilu Zhongtai Property Co., Ltd. ("Qilu Zhongtai Property")	Controlled by the same Parent Company
Shandong Yongtong Industries Co., Ltd. ("Shandong Yongtong")	Controlled by the same Parent Company
ZHONGTAI INTERNATIONAL SECURITIES LIMITED ("ZHONGTAI INTERNATIONAL SECURITIES")	Controlled by the same Parent Company
ZHONGTAI INTERNATIONAL ASSET MANAGEMENT LIMITED ("ZHONGTAI INTERNATIONAL ASSET MANAGEMENT")	Controlled by the same Parent Company
Wanjia Asset Management Co., Ltd. ("Wanjia Asset")	An associate significantly influenced by the Parent Company
Laiwu Steel Group, Ltd. ("Laiwu Steel")	Former controlling shareholder of the Parent Company
Shandong Laigang Yongfeng Steel Corp. ("Laigang Yongfeng")	An associate significantly affected by Laiwu Steel
Shandong Iron & Steel Group Yongfeng Lingang Corp. ("Yongfeng Lingang")	Controlled by Laigang Yongfeng
Yongfeng Group Co., Ltd. ("Yongfeng Group")	Shareholders of the Company
Laishang Bank Co., Ltd. ("Laishang Bank")	An associate significantly affected by Laiwu Steel
Shandong Iron & Steel Group Co., Ltd. ("SD Steel")	Former indirect controlling shareholder of the Parent Company
Shandong Iron and Steel Co., Ltd. ("Shandong Iron and Steel")	Controlled by SD Steel
Shandong Yongfeng International Trade Co., Ltd. ("Yongfeng Trade")	Controlled by Yongfeng Group
Laiwu Steel Group Lunan Mining Co., Ltd. ("Lunan Mining")	Controlled by Laiwu Steel
Xintai Copper Industrial Co., Ltd of Laiwu Iron and Steel Group ("Xintai Copper Industrial")	Controlled by Laiwu Steel
Lu Clearing	An associate
Anhui Shangang Trading Co., Ltd. ("Anhui Shangang")	Controlled by SD Steel
Shandong Steel International Trade Co., Ltd. ("Shangang International Trade")	Controlled by SD Steel
Shandong Energy Group Co., Ltd. ("Shandong Energy Group")	Indirect controlling shareholder of the Parent Company
Zaozhuang Mining (GROUP) Co., Ltd. ("Zaozhuang Mining")	Controlling shareholder of the Parent Company
Xinkuang International Trade Co., Ltd. ("Xinkuang International Trade")	Controlled by Shandong Energy Group

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

X. Related-party relationships and transitions (continued)

5. Related party transactions and balances

The Group complies with normal commercial terms for related transactions that occur in the normal course of business. The prices of related transactions are determined after negotiation among the parties mainly with reference to market prices.

(1) Transactions and balances with the Parent Company Zhongtai Securities

Item	FY 2022	FY 2021
Investment income	-21,818,351.47	29,340,104.27
Commission expenses for futures introducing brokerage services	9,718,138.28	13,531,795.54
Fee income from futures brokerage services	8,239,685.28	3,774,553.66
Interest expenses on futures margin deposits	5,010,074.98	2,954,935.10
Consultation and information service charges	2,437,185.85	1,641,509.43
Cabinet rental		799,840.57
Housing rental expenses		63,491.43
Securities trading commission expenses	2,400.08	11,155.00
Borrowing interest expenditures	10,257,333.35	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

X. Related-party relationships and transitions (continued)

5. Related party transactions and balances (continued)

(1) Transactions and balances with the Parent Company Zhongtai Securities (continued)

Item	December 31st, 2022	December 31st, 2021
Cash and cash equivalents – other cash and cash equivalents	1,812.21	160,133,383.88
Option settlement receivables		787,076.63
Trading financial assets – derivative financial assets	5,449,622.11	38,369,929.68
Currency margin payable	805,040,829.75	818,278,780.80
Trading financial liabilities – derivative financial liabilities		2,833,291.66
Lease liabilities	863,928.91	863,587.93
Other payables		
– Commission payable for futures brokerage services	938,239.72	15,127,397.67
– Cabinet rental fees payable	799,840.57	799,840.57
– Short-term borrowings	210,257,333.35	
– Others	42,643.89	42,643.89
Other receivables		
– Others	9,686.66	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

X. Related-party relationships and transitions (continued)

5. Related party transactions and balances (continued)

(2) Transactions and balances with other related parties

Item	FY 2022	FY 2021
Fee income from futures brokerage services	1,571,136.61	462,688.89
Interest income from self-owned funds deposited with Laishang Bank	14,041,709.90	17,251,010.52
Purchase of securities investment funds and asset management plans		
– Zhongtai Asset Management	45,000,000.00	87,000,100.00
– Wanjia Asset	95,000,000.00	10,000,000.00
Disposal of securities investment funds and asset management plans		
– Zhongtai Asset Management	67,000,100.00	68,952,800.00
– Wanjia Asset	60,000,000.00	5,000,000.00
Revenue of selling spot goods		
– Yongfeng Trade	18,693,918.26	
– Xinkuang International Trade	29,339,630.05	
Cost of purchasing spot goods		
– Shandong Iron and Steel	95,335,428.58	82,578,343.45
– Laigang Yongfeng	322,884,246.07	255,692,770.43
– Yongfeng Lingang	35,961,335.68	
– Anhui Shangang	1,927,615.75	
– Shangang Internation Trade	1,960,133.81	
– Laiwu Steel	3,151,094.38	
Revenue from sales of equipment and provision of services		
– Lu Clearing	18,867.96	94,340.26
Rental income		
– Lu Clearing	400,561.37	226,415.04
OTC Options investment income		
– Yongfeng Trade	-2,540,500.00	1,648,850.00
Rental costs		
– Qilu Zhongtai Property		289,080.00

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

X. Related-party relationships and transitions (continued)

5. Related party transactions and balances (continued)

(2) Transactions and balances with other related parties (continued)

Item	December 31st, 2022	December 31st, 2021
Deposit of self-owned funds with Laishang Bank	682,043,765.88	677,770,310.99
Trading financial assets – asset management plans and funds managed by Zhongtai Asset Management	50,558,460.38	70,440,370.96
Trading financial assets – funds managed by ZHONGTAI INTERNATIONAL ASSET MANAGEMENT	4,984,446.60	4,592,072.21
Trading financial assets – funds managed by Wanjia Asset	36,592,946.18	4,958,254.36
Receivables – Receivables from goods – Xinkuang International Trade	9,486,920.86	
Other assets – Prepayments – Laigang Yongfeng		313,067.98
– Qilu Zhongtai Property		88,000.00
Other assets – Other receivables – Lu Clearing	216,246.70	1,132.08
Currency margin payable	103,417,405.47	20,486,466.48
Payables – consultancy fees payable – Zhongtai Asset Management	44,675.22	44,675.22

6. Key management remuneration

Key management personnel of the Group are those persons, including directors, supervisors, and senior management, who have the authority and responsibility, directly or indirectly, for planning, directing, and controlling the activities of the Group. Zhongtai Securities assumed the current period's remuneration of individual key management personnel assigned to the Company.

Item	FY 2022	FY 2021
Key management remuneration	11,113,725.16	10,009,794.77

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

XI. Commitments and contingencies

1. Capital expenditure commitments

The Group has no significant capital expenditure commitments as at the balance sheet date.

2. Contingencies

The Group acted as the manager of five asset management plans, which were established between November 2017 and May 2018 and were all distributed by a joint-stock commercial bank. The asset management plans incurred losses and entered into liquidation in December 2018. From February 2021, the Group, in conjunction with the distributor, commenced negotiations with investors holding asset management plans at the commencement date of liquidation and as at December 31st, 2022, had reached an agreement with the vast majority of investors.

As at December 31st, 2022, the aggregate losses of other investors pending negotiation amounted to RMB 3,247,507.27, of which one investor applied to the Jinan Arbitration Commission for arbitration and its losses amounted to RMB 855,864.92 Other than that, the Group is not involved in other significant contingencies.

XII. Financial risks

The Group's exposure to various financial risks in its operation: market risk (mainly includes foreign exchange risk, interest rate risk and other price risks), credit risk and liquidity risk. The Group's overall risk management plan focuses on the unpredictability of financial markets, striving to reduce the potential adverse impact on its financial results.

The Group's risk management objective is to maximise shareholder value by maintaining an appropriate balance of risk and reward and minimising the negative impact on the Group's operating results. The Group's risk management strategy is to identify and analyse the risks to which the Group is exposed, set appropriate risk tolerance levels, and measure and monitor risks reliably and promptly to ensure that risks are kept within tolerable limits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

XII. Financial risks (continued)

The Group has a comprehensive system of governance, internal control policies and processes designed specifically to identify, assess, monitor and manage risks. The risk management policies and systems are regularly reviewed and revised in response to changes in market conditions, products and services. The Group's objective is to establish a controlled environment with clear structures and processes, where each employee has a clear understanding of his or her job requirements and responsibilities.

The Group's organisational structure of risk management includes the Board of Directors, the Board of Supervisors, the Risk Control Committee and Audit Committee under the Board of Directors; the Operating Management; the Compliance and Risk Control Department, and the Audit and Auditing Department; and the risk control functions of frontline business departments. The subsidiaries have also established a risk management organisational structure appropriate to the nature of their business.

- Level 1: The Board of Directors is the highest decision-making body for risk management, making decisions on the Group's overall risk strategy, risk appetite, risk management policies and basic systems, and assuming ultimate responsibility for the effectiveness of the Group's risk management. The Board of Supervisors supervises the performance of the Board of Directors and the Management in discharging their risk management responsibilities. The Risk Control Committee under the Board of Directors is responsible for assessing and advising on the Group's risk management efforts and supervising their implementation.
- Level 2: The Operating Management is responsible for the implementation of risk management in the Group and is accountable to the Board of Directors for the effectiveness of risk management. It has a Chief Risk Officer who assists the General Manager in organising the corresponding risk management work within the division of responsibilities.
- Level 3: The Compliance and Risk Control Department and the Audit and Auditing Department are responsible for carrying out the monitoring and supervision of various types of risks according to their respective responsibilities, covering precautionary measures, operational monitoring and post-operational checking.
- Level 4: Risk control functions in the Group's business departments include the risk control post in the Settlement Department, the risk control post in the Asset Management Department and the risk control post in the Sales Department. This type of risk control function is specifically responsible for the execution of risk management, the implementation of specific systems and operational processes for risk management, the identification, assessment, measurement, monitoring, control and reporting of risks, and direct responsibility for the risks of decisions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

XII. Financial risks (continued)

1. Market risk

Market risk is the risk that the fair value or future cash flows of the Group's exposures to currencies and financial instruments will fluctuate as a result of fluctuations in market prices, which arises from the effects of general or specific changes in market interest rates, foreign exchange rates, commodity prices and the price levels of securities on exposure positions to currencies and its financial instruments.

Management has established the maximum exposure to market risk that the Group can bear, which is measured and monitored against the principal and stop loss levels, and provides that overall market risk controls are within the limits that management has established.

(1) Foreign exchange risk

The foreign currency assets and liabilities held by the Group are insignificant in relation to total assets and liabilities. As measured by the Group's revenue structure, most of its business transactions are settled in RMB and the proportion of revenue from foreign currency transactions is not material. Accordingly, the Group considers its foreign exchange risk to be insignificant.

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group's interest-bearing assets are mainly bank deposits, customer futures margin, currency margin receivable, buying back the sale of financial assets and investments in debt instruments. Among them, the interest rates on bank deposits are determined by negotiating with the banks of each deposit on the basis of the interbank deposit rates for the same period; the interest rates on currency margin receivable are determined by negotiating with the respective futures exchanges and other institutions.

The Group's finance department continuously monitors the company's interest rate risk and makes decisions in accordance with the latest market conditions by, for example, adjusting existing positions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

XII. Financial risks (continued)

1. Market risk (continued)

(2) Interest rate risk (continued)

The table shows the remaining maturity of the Group's financial assets and liabilities at the earlier of their contractual repricing dates or their maturity dates:

Item	December 31st, 2022						Total
	Within 1 month	1-3 months	3 months - 1 year	1 - 3 years	Over 3 years	Free of interest	
Cash and cash equivalents	15,887,030,760.78		300,000,000.00	280,000,000.00			16,467,030,760.78
Currency margin receivable	1,066,763,021.54					5,861,585,923.50	6,928,348,945.04
Pledge margin receivable						3,724,631,360.00	3,724,631,360.00
Settlement guarantees receivable	31,692,359.37						31,692,359.37
Risk loss amounts receivable						648,477.96	648,477.96
Commission receivable						94,970.73	94,970.73
Receivables						216,336,561.69	216,336,561.69
Contract assets						26,394,536.79	26,394,536.79
Buying back the sale of financial assets	200,312,037.45					35,231,060.32	235,543,097.77
Trading financial assets	5,007,890.41				6,003,550.37	922,271,200.91	933,282,641.69
Futures membership investments						1,400,000.00	1,400,000.00
Other assets						11,389,363.27	11,389,363.27
Subtotal of financial assets	17,190,806,069.55		300,000,000.00	280,000,000.00	6,003,550.37	10,799,983,455.17	28,576,793,075.09
Short-term loans			10,011,388.89				10,011,388.89
Currency margin payable	12,108,690,532.13					8,543,209,403.02	20,651,899,935.15
Pledge margin payable						3,724,631,360.00	3,724,631,360.00
Trading financial liabilities						184,636,805.58	184,636,805.58
Payables						1,238,083,744.95	1,238,083,744.95
Lease liabilities	1,005,570.17	2,011,140.34	8,404,040.67	12,357,091.13	1,489,801.29		25,267,643.60
Other liabilities		210,257,333.35				8,991,738.85	219,249,072.20
Subtotal of financial liabilities	12,109,696,102.30	212,268,473.69	18,415,429.56	12,357,091.13	1,489,801.29	13,699,553,052.40	26,053,779,950.37
Interest rate sensitivity gap	5,081,109,967.25	-212,268,473.69	281,584,570.44	267,642,908.87	4,513,749.08	-2,899,569,597.23	2,523,013,124.72

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(All amounts in RMB'000 unless otherwise stated)

XII. Financial risks (continued)

1. Market risk (continued)

(2) Interest rate risk (continued)

Item	December 31st, 2021						Total
	Within 1 month	1-3 months	3 months - 1 year	1 - 3 years	Over 3 years	Free of interest	
Cash and cash equivalents	9,785,579,940.54		580,000,000.00				10,365,579,940.54
Currency margin receivable	1,861,449,529.36					4,295,745,766.78	6,157,195,296.14
Pledge margin receivable						2,653,917,096.00	2,653,917,096.00
Settlement guarantees receivable	40,607,913.12						40,607,913.12
Risk loss amounts receivable						522,809.53	522,809.53
Commission receivable						19,502.04	19,502.04
Receivables						222,020,601.88	222,020,601.88
Contract assets						18,834,724.14	18,834,724.14
Buying back the sale of financial assets		121,689,919.11					121,689,919.11
Trading financial assets		30,959,671.22	175,910,136.98	5,011,593.15	6,003,550.37	658,576,919.56	876,461,871.28
Futures membership investments						1,400,000.00	1,400,000.00
Other assets						17,054,769.42	17,054,769.42
Subtotal of financial assets	11,687,637,383.02	152,649,590.33	755,910,136.98	5,011,593.15	6,003,550.37	7,868,092,189.35	20,475,304,443.20
Currency margin payable	4,674,734,125.85					9,904,310,946.34	14,579,045,072.19
Pledge margin payable	2,471,815,248.00					182,101,848.00	2,653,917,096.00
Trading financial liabilities						140,002,110.27	140,002,110.27
Payables						686,888,945.21	686,888,945.21
Lease liabilities	699,201.85	1,398,403.69	5,869,651.48	10,136,833.27	961,161.94		19,065,252.23
Other liabilities						4,623,025.51	4,623,025.51
Subtotal of financial liabilities	7,147,248,575.70	1,398,403.69	5,869,651.48	10,136,833.27	961,161.94	10,917,926,875.33	18,083,541,501.41
Interest rate sensitivity gap	4,540,388,807.32	151,251,186.64	750,040,485.50	-5,125,240.12	5,042,388.43	-3,049,834,685.98	2,391,762,941.79

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For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

XII. Financial risks (continued)

1. Market risk (continued)

(2) Interest rate risk (continued)

Sensitivity analysis:

The following sensitivity analysis is based on the interest rate risk exposure of interest-bearing assets and interest-bearing liabilities. It is calculated using a 25-basis point increase or decrease in the relevant interest rates, assuming all other variables remain unchanged. Positive numbers below indicate an increase in net interest income, while negative numbers indicate a decrease in net interest income.

	December 31st, 2022	December 31st, 2021
Net interest income		
25 basis points Increase	22,652,289.81	11,896,284.44
25 basis points decrease	-22,652,289.81	-11,896,284.44

In performing the sensitivity analysis on the interest rate, the Group made the following general assumptions in determining the business conditions and financial parameters:

- The same level of interest rate volatility for different interest-bearing assets and interest-bearing liabilities;
- All assets and liabilities are repriced in the middle of the period to which they relate;
- Analysis is based on static shortfall at the date of the statement of financial position, not considering subsequent changes;
- Without a consideration of the effect of interest rate changes on customer behaviour;
- Without a consideration of the effect of interest rate changes on market prices;
- The interest rate of demand deposits changes in the same direction and range;
- Without consideration of necessary measures adopted by the Group and the Company in response to changes in interest rates.

Notes to the Consolidated Financial Statements

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XII. Financial risks (continued)

1. Market risk (continued)

(3) Other price risks

Other price risks are the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk).

The Group's exposure to other price risks mainly involves stock investments, derivatives, public security investment funds, private security investment funds, asset management plans, bank finance products and trust plans whose underlying investments are equity instruments. The market prices of these financial instruments may result in fluctuations in the value of the investments. The majority of the Group's investments are made in the relevant capital markets, such as the domestic stock and futures exchanges and foreign futures exchanges.

The Group's management policy on other price risks involves setting investment objectives, scale and stop-loss limits for each investment. Two main measures are adopted at the management level to control this risk: 1) holding a diversified portfolio, setting investment limits for different categories of investments and monitoring the portfolio's actual performance to reduce concentration risk for any particular commodity type, industry or issuer; and 2) monitoring market price fluctuations and the implementation of investment limit management.

Sensitivity analysis:

The following is an analysis of the impact of a 5% change in the price of equity instruments and derivatives on profit before tax and other comprehensive income before tax, assuming that all other variables remain unchanged. Positive numbers show an increase in profit before tax and other comprehensive income before tax, while negative numbers show a decrease in them.

	December 31st, 2022	December 31st, 2021
Total profit		
5% increase	46,413,737.56	-20,973,439.26
5% decrease	-27,057,384.33	38,508,556.17

Notes to the Consolidated Financial Statements

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(All amounts in RMB'000 unless otherwise stated)

XII. Financial risks (continued)

2. Credit risk

Credit risk refers to the losses to the Group as a result of the Group's counterparties' failure to meet their contractual obligations to the Group or as a result of the financial assets held by the Group due to a decline in creditworthiness or default of third parties. The Group's financial assets that may be affected by credit risk mainly include cash and cash equivalents, currency margin receivable, pledge margin receivable, settlement guarantees receivable, risk loss amounts receivable, commission receivable, receivables, contract assets, buying back the sale of financial assets, trading financial assets, other assets - other receivables, etc.

The Group's and the Company's credit risk mainly arises from two aspects: firstly, if acting as an agent for clients in futures trading in the brokerage service, and if the clients are not required to pay the full trading margin in advance in accordance with the law, the Group is liable to settle on behalf of the clients if the clients' funds are not sufficient to pay the amount required by the transaction on the settlement date, or if the clients' funds are in shortage due to other reasons, resulting in losses; secondly, the risk of default on investments in credit products, i.e. the risk of loss of assets and change in earnings due to default and refusal to pay principal and interest due by the financiers or issuers of the credit products invested.

In order to control the credit risk arising from the futures brokerage business, the Company has developed and implemented a set of risk prevention, monitoring and response mechanisms involving the entire business process. The Company manages and controls the related credit risk mainly through measures such as reviewing account opening information, calculating risk levels for individual customers and monitoring customers' trading profit and loss and margin in real-time, requiring customers with higher risk levels to deposit additional futures margin, sending position covering or closing notices, promptly reminding trading rules, and strictly enforcing daily debt-free delivery system.

For credit product investments, especially trust-type investments, the Company has established strict product access standards, industry access standards and investment limits, and manages their credit risk through risk assessment, risk alert and judicial recourse for each product.

The Group's bank deposits are mainly placed with the four largest state-controlled commercial banks, joint-stock commercial banks and large city commercial banks, among which futures margin is placed with large commercial banks with exchange clearing qualifications approved by the regulatory authorities, and currency margin receivable are placed with the Shanghai Futures Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange, China Financial Futures Exchange, China Securities Depository and Clearing Corporation Limited, Shanghai International Energy Exchange and Guangzhou Futures Exchange. Cash and cash equivalents and currency margin receivable face relatively low credit risk.

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XII. Financial risks (continued)

2. Credit risk (continued)

(1) Expected credit loss measurement

The Group applies the “expected credit loss model” to provide for the impairment of financial assets measured at amortized cost. The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition, and applies a “three-stage” impairment model to measure the allowance for losses and recognize expected credit losses (Note IV.10. (1) 2)).

The assessment of significant increases in credit risk and the calculation of expected credit losses involve forward-looking information. The Group performs historical data analysis to identify key economic indicators that affect credit risk and expected credit losses for each business type.

In FY 2022, the key economic indicator used by the Group is the GDP growth rate. The average forecast in the baseline scenario for 2022 is approximately 5.10%, with the optimistic scenario forecast moving up 0.50 percentage points from the baseline and the pessimistic scenario forecast moving down 0.50 percentage points from the baseline.

On December 31st, 2022, the weights for economic scenarios are as follows:

Item	Baseline scenario	Optimistic scenario	Pessimistic scenario
Various business types	60%	20%	20%

(2) Maximum credit risk exposure

At the balance sheet date, the book value of the Group’s financial assets, without taking into account collateral and other credit enhancement measures, represented its maximum exposure to credit risk.

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For the year ended 31 December 2022

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XII. Financial risks (continued)

2. Credit risk (continued)

(3) Credit risk in futures brokerage business

Client riskiness	December 31st, 2022		December 31st, 2021	
	Trading margin	Total equity	Trading margin	Total equity
Below 80%	4,128,929,408.99	16,507,358,983.48	3,833,563,853.96	11,432,554,103.89
80%-100%	4,357,384,361.31	4,040,606,375.69	2,906,558,369.62	3,124,922,060.50
Over 100%	82,289,829.69	103,934,575.98	27,438,791.20	21,568,907.80
Total	8,568,603,599.99	20,651,899,935.15	6,767,561,014.78	14,579,045,072.19
Coverage		241%		215%

3. Liquidity risk

Liquidity risk is the risk that the Group and the Company will have difficulty meeting the obligations associated with financial liabilities due to a lack of capital or funding. The Group may be exposed to liquidity risk in the ordinary course of business due to changes in macroeconomic policies, market fluctuations, poor operations, credit rating downgrades, mismatches between assets and liabilities, low asset turnover, significant proprietary trading positions or high long-term investment ratios. If the Group is unable to adjust its asset mix to address any liquidity risk or violates regulatory requirements regarding risk indicators, the Group may be subject to regulatory penalties and restrictions on its operations, which may adversely affect the Group's business and reputation.

The Group exercises centralized management and control over its funds. The Company's risk management is guided by the principles of comprehensiveness, prudence and predictability, seeking to establish a good liquidity management system so that liquidity risk can be monitored and controlled, and to ensure that the necessary liquidity compensation can be obtained at a reasonable cost, if necessary.

The Group organizes and prepares a capital plan each year through the finance department and prepares a financial budget based on the capital plan. After proper approval by the Company, the funds will be used evenly during the year in accordance with the plan to meet capital requirements and capital cost control.

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XII. Financial risks (continued)

3. Liquidity risk (continued)

After approval by the Company's Board of Directors, the finance department will analyze the Company's business scale, total liabilities, financing capacity and the duration of each asset and liability to determine the size and proportion of highly liquid assets to be retained in order to cope with liquidity risk and improve risk prevention capabilities.

Surpluses held by the operating entities above the balance required for working capital management are transferred to the Group. The Group invests the surplus cash in time deposits and marketable securities, selecting instruments with appropriate maturity dates or sufficient liquidity to provide sufficient liquidity for the above projections. The following table presents the Group's cash flows payable as of December 31st, 2022 for derivative and non-derivative financial liabilities based on the remaining contractual maturity. The amounts disclosed in the table represent the undiscounted contractual cash flows, including cash flows of interest and principal. For items with floating interest rates, the undiscounted amounts are calculated based on the interest rates at the end of each reporting period.

Item	December 31st, 2022					Total
	Spot	Within 1 month	1-3 months	3 months - 1 year	More than 1 year	
Cash flows from non-derivative financial instruments						
Short-term loans				10,011,388.89		10,011,388.89
Currency margin payable	20,651,899,935.15					20,651,899,935.15
Pledge margin payable	3,724,631,360.00					3,724,631,360.00
Payables	866,411,953.66	291,028,031.97			80,643,759.32	1,238,083,744.95
Lease liabilities		1,161,533.80	2,323,067.60	9,728,311.33	15,859,062.21	29,071,974.94
Other liabilities	8,991,738.85		210,257,333.35			219,249,072.20
Subtotal	25,251,934,987.66	292,189,565.77	212,580,400.95	19,739,700.22	96,502,821.53	25,872,947,476.14
Cash flows from derivative financial instruments						
Cash inflows		45,128,835.76	110,114,724.44	186,535,867.84	29,488,199.28	371,267,627.32
Cash outflows		-23,201,536.45	-96,070,863.91	-240,948,876.12	-5,245,186.71	-365,466,463.19

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

XII. Financial risks (continued)

3. Liquidity risk (continued)

Item	Spot	Within 1 month	December 31st, 2021			Total
			1-3 months	3 months - 1 year	More than 1 year	
Cash flows from non-derivative financial instruments						
Currency margin payable	14,579,045,072.19					14,579,045,072.19
Pledge margin payable	2,653,917,096.00					2,653,917,096.00
Payables	660,179,862.63	15,294,837.93			11,414,244.65	686,888,945.21
Lease liabilities		842,627.58	1,685,255.16	7,098,422.61	13,427,447.08	23,053,752.43
Other liabilities	1,686,210.25				2,936,815.26	4,623,025.51
Subtotal	17,894,828,241.07	16,137,465.51	1,685,255.16	7,098,422.61	27,778,506.99	17,947,527,891.34
Cash flows from derivative financial instruments						
Cash inflows		51,859,259.15	19,564,222.11	129,491,749.21	13,894,055.93	214,809,286.40
Cash outflows		-31,876,072.36	-46,221,400.27	-40,879,516.76	-1,893,858.96	-120,870,848.35

XIII. Fair value disclosures

The level to which the results of a fair value measurement belong is determined by the lowest level to which the inputs that are significant to the fair value measurement as a whole belong:

Level I: the unadjusted quotation of the same assets or liabilities that can be obtained in the active market.

Level II: the direct or indirect observable input value of related assets or liabilities other than the Level I input value.

Level III: the unobservable input value of related assets or liabilities.

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For the year ended 31 December 2022
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XIII. Fair value disclosures (continued)

1. Financial instruments measured at fair value

The continuing assets and liabilities measured at fair value as at December 31st, 2022 are presented by the three levels described above as follows:

Item	Level I	Level II	Level III	Total
Financial assets				
Trading financial assets				
– Stock investment	5,202.00			5,202.00
– Private securities investment funds		69,619,198.05		69,619,198.05
– Public offering of securities investment funds	335,165,691.57			335,165,691.57
– Trust scheme		45,461,031.18	6,003,550.37	51,464,581.55
– Asset management plan		265,893,556.15		265,893,556.15
– Bank financial products		3,636,262.89		3,636,262.89
– Income certificates			5,007,890.41	5,007,890.41
– Exchange-traded option contract	15,212,402.50			15,212,402.50
– OTC options contracts		163,243,901.37		163,243,901.37
– Forward contracts		24,033,955.20		24,033,955.20
Futures membership investments			1,400,000.00	1,400,000.00
Total	350,383,296.07	571,887,904.84	12,411,440.78	934,682,641.69
Financial liabilities				
Trading financial liabilities				
– OTC options contracts		-61,787,710.58		-61,787,710.58
– Exchange-traded option contract	-28,181,120.00			-28,181,120.00
– Forward contracts		-94,667,975.00		-94,667,975.00
Total	-28,181,120.00	-156,455,685.58		-184,636,805.58

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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XIII. Fair value disclosures (continued)

1. Financial instruments measured at fair value (continued)

The continuing assets and liabilities measured at fair value as at December 31st, 2021 are presented by the three levels described above as follows:

Item	Level I	Level II	Level III	Total
Financial assets				
Trading financial assets				
– Stock investment	7,848.00			7,848.00
– Private securities investment funds		220,423,215.29		220,423,215.29
– Public offering of securities investment funds	36,718,642.26			36,718,642.26
– Trust scheme		7,152,299.26	6,003,550.37	13,155,849.63
– Asset management plan		146,842,192.43		146,842,192.43
– Bank financial products		3,550,592.66		3,550,592.66
– Income certificates			211,881,401.35	211,881,401.35
– Exchange-traded option contract	25,013,445.01			25,013,445.01
– OTC options contracts		214,477,784.65		214,477,784.65
– Forward contracts		4,390,900.00		4,390,900.00
Futures membership investments			1,400,000.00	1,400,000.00
Total	61,739,935.27	596,836,984.29	219,284,951.72	877,861,871.28
Financial liabilities				
Trading financial liabilities				
– OTC options contracts		-109,492,663.26		-109,492,663.26
– Exchange-traded option contract	-22,432,085.00			-22,432,085.00
– Forward contracts		-8,077,362.01		-8,077,362.01
Total	-22,432,085.00	-117,570,025.27		-140,002,110.27

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(All amounts in RMB'000 unless otherwise stated)

XIII. Fair value disclosures (continued)

1. Financial instruments measured at fair value (continued)

There were no significant transfers between level I and level II of the fair value hierarchy of the Group's financial instruments measured at fair value in FY 2022 (FY 2021: same)

For financial instruments traded in an active market, the Group determines their fair value using quoted prices in an active market; for financial instruments not traded in an active market, the Group uses valuation techniques to determine their fair value. The valuation models used are mainly the Black-Scholes Option Pricing Model, the Binomial Tree Option Pricing Model, the Monte Carlo model, and the Discounted Cashflow Model. The inputs to the valuation techniques mainly include risk-free rates, benchmark rates, credit spreads, liquidity discounts, and historical volatilities.

The changes in Level III financial instruments above are as follows:

Item	Trading financial assets	Trading financial liabilities	Futures membership investments
December 31st, 2021	217,884,951.72		1,400,000.00
Purchase	190,390,000.00		
Disposal	-390,390,000.00		
Total loss included in profit or loss for the current period	-6,873,510.94		
December 31st, 2022	11,011,440.78		1,400,000.00
Movement in unrealized losses on assets still held at December 31st, 2022 included in profit or loss for FY 2022	-6,873,510.94		

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For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

XIII. Fair value disclosures (continued)

1. Financial instruments measured at fair value (continued)

Item	Trading financial assets	Trading financial liabilities	Futures membership investments
December 31st, 2020	268,104,428.17		1,400,000.00
Purchase	242,913,550.37		
Disposal	-268,104,428.17		
Total loss included in profit or loss for the current period	-25,028,598.65		
December 31st, 2021	217,884,951.72		1,400,000.00
Movement in unrealized losses on assets still held at December 31st, 2021 included in profit or loss for FY 2021	-25,028,598.65		

Information related to Level III fair value measurements is as follows:

Financial instruments	Fair value as at December 31st, 2022	Significant unobservable parameters	Relationship between unobservable parameters and fair value
Trading financial assets			
– Trust scheme	6,003,550.37	Expected future cash flows; expected payback date; discount rate commensurate with an expected level of risk	The more the future cash flows, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value
– Income certificates	5,007,890.41	Expected future cash flows; expected payback date; discount rate commensurate with an expected level of risk	The more the future cash flows, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value

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XIII. Fair value disclosures (continued)

2. Financial instruments not measured at fair value

Financial assets and liabilities that are not measured at fair value mainly include: Cash and cash equivalents, currency margin receivable, pledged margin receivable, settlement guarantees receivable, receivables, buying back the sale of financial assets, currency margin payable, pledge margin payable, notes payable and payables. Their fair values are equal to their book values.

XIV. The Group's interest in structured entities not included in the scope of consolidation

1. Interests in structured entities initiated and established by third-party institutions

As at December 31st, 2022, the Group's interest in structured entities not included in the scope of consolidation was mainly trading financial assets, mainly comprising trust schemes, asset management plans, bank wealth management, public offering of securities investment funds, and private securities investment funds. The relevant book values and maximum exposures are as follows:

Item	December 31st, 2022	December 31st, 2021
Trading financial assets	725,779,290.21	420,690,492.27

In FY 2022, the Group received the following income from these structured entities held not included in the scope of consolidation:

Item	FY 2022	FY 2021
Investment income	12,543,874.10	15,243,321.00
Gains and losses on changes in fair value	-48,180,008.89	2,765,505.01
Total	-35,636,134.79	18,008,826.01

As at December 31st, 2022, the Group has not provided and does not intend to provide any financial support to these structural entities not included in the scope of consolidation (December 31st, 2021: same).

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XIV. The Group's interest in structured entities not included in the scope of consolidation (continued)

2. Interests in structured entities initiated and established

As at December 31st, 2022, the structured entities associated with the Company, but not included in the scope of the Company's consolidated financial statements, are asset management plans sponsored by the Company, and the nature and purpose of such structured entities are primarily to manage investors' assets and earn management fees. The Company's interest in such structured entities that are not included in the scope of the consolidated financial statements is primarily to earn management fee income and performance-based commission through the management of these structured entities. The net assets of such structured entities as of December 31st, 2022 were RMB 30,017,165.41.

XV. Subsequent events

As of the date of this report, the Group has no significant post-balance sheet events.

XVI. Capital management

The Group's capital management objectives are as follows:

- (i) Ensuring that the Group and its subsidiaries continue as a going concern so that they can provide returns and benefits to shareholders and stakeholders
- (ii) Maintaining stable growth of the Group and its subsidiaries
- (iii) Ensuring adequate capital to support the development of the Company's business
- (iv) Meeting regulatory capital requirements

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XVI. Capital management (continued)

In accordance with the Measures for the Administration of Risk Supervision Indicators of Futures Companies (CSCR order No. 131 dated April 18th, 2017; amended in 2022), as amended according to the Decision of the China Securities Regulatory Commission on Amending and Repealing Some Securities and Futures Regulations dated August 12th, 2022, the Company's main risk supervision indicator standards are as follows:

- (i) The net capital shall not be less than RMB 30 million;
- (ii) The ratio of net capital to the company's risk-based capital provision shall not be less than 100%;
- (iii) The ratio of net capital to net assets shall not be less than 20%;
- (iv) The ratio of current assets to current liabilities shall not be less than 100%;
- (v) The ratio of liabilities to net assets shall not exceed 150%;
- (vi) The required minimum settlement reserve should be higher than RMB 16 million.

Net capital is obtained by adjusting net assets less corresponding asset risks; assets and current assets refer to the futures company's own assets, excluding customer margin; liabilities and current liabilities refer to the futures company's external liabilities, excluding customer equity.

The Group's capital management ensures that the Group's regulatory indicators continue to meet regulatory requirements and internal management needs, resist potential risks, and support the healthy and sustainable development of its businesses through timely monitoring, analysing, and reporting of capital levels, compared with capital management objectives and adopting various measures including controlling the growth rate of assets, adjusting the structure of risky assets, improving internal capital accumulation and replenishing capital from external sources.

XVII. Other significant matters

1. Significant litigation

In May 2022, the subsidiary Zhongtai Huirong Capital carried out an agreed repurchase business of electrolytic aluminium with an upstream international trading company and entered into a purchase contract of electrolytic aluminium, paying a total of RMB 50,330,100 for the goods, with the spot stored in a warehouse management company in Foshan City (hereinafter referred to as "Warehouse"), while entering into a forward sales contract for electrolytic aluminium with a downstream international trading company (hereinafter referred to as "Downstream"). At the end of May, there was a run on the Warehouse and the spot of electrolytic aluminium involved in the above contract was seized by the public security authorities as the Warehouse was suspected of committing a crime. In June 2022, Zhongtai Huirong Capital filed lawsuits with Foshan City Nanhai District People's Court and the Jinan City Shizhong District People's Court respectively, and both Courts ruled to dismiss the lawsuits on the grounds that the cases were suspected of criminal offences, and after Zhongtai Huirong Capital appealed, Foshan Intermediate People's Court was hearing the case at the second instance, and Jinan Intermediate People's Court ruled to dismiss the appeal. Based on prudent consideration, Zhongtai Huirong Capital made an impairment provision of RMB 15,099,000 for the above electrolytic aluminium contract repurchase business, and at the same time, forfeited RMB 7,526,100 Downstream performance deposit in accordance with the agreement, with an aggregate impact on the net profit of RMB -5,679,700.

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XVII. Other significant matters (continued)

2. The five highest-paid individuals

The five highest-paid individuals do not include any directors or supervisors for the year ending December 31st, 2022 (2021: same). Details of the annual remuneration of the five highest-paid individuals are as follows:

Item	FY 2022	FY 2021
Salaries, allowances and other benefits	11,273,397.74	8,854,350.44
Bonus	8,119,277.84	2,054,807.02
Total	19,392,675.58	10,909,157.46

The five highest paid individuals' salaries fall into the following categories:

Item	FY 2022	FY 2021
RMB 1,500,001 – 2,000,000	–	3
RMB 2,000,001 – 2,500,000	–	1
RMB 2,500,001 – 3,000,000	1	1
RMB 3,000,001 – 3,500,000	1	–
RMB 4,000,001 – 4,500,000	1	–
RMB 4,500,001 – 5,000,000	2	–
Total	5	5

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XVII. Other significant matters (continued)

3. Directors', Supervisors' and Chief Executive Officers' benefits and interests

Name	Remuneration	FY 2022			Total
		Salaries, allowances and other benefits	Retirement benefits	Annual bonus	
Executive director					
Zhong Jinlong ⁽¹⁾					
Liang Zhongwei	385,153.78	62,886.66	136,406.45	213,173.29	797,620.18
CEO					
Liu Qingbin	713,874.84	81,506.82	160,192.47	290,000.06	1,245,574.19
Non-executive director					
Liu Feng	50,000.00				50,000.00
Hu Kainan ⁽²⁾					
Ming Gang	47,599.92				47,599.92
Wang Chuanshun ⁽⁶⁾	22,993.75				22,993.75
Gao Zhu ⁽⁷⁾	22,993.75				22,993.75
Zheng Jianping	119,047.56				119,047.56
Liu Xinyi ⁽²⁾⁽⁴⁾⁽⁸⁾					
Zheng Hanyin ⁽²⁾⁽⁹⁾					
Chen Hua ⁽¹⁰⁾	96,583.61				96,583.61
Luo Xinhua ⁽¹¹⁾	62,716.63				62,716.63
Supervisor					
An Tie ⁽¹⁾					
Wang Hairan	217,432.45	60,592.62	84,385.93	98,360.00	460,771.00
Tan Shaojie ⁽²⁾					
Lin Zongheng	298,787.19	58,086.84	63,163.68	189,200.00	609,237.71
Liu Pu	276,703.66	62,604.42	101,666.32	159,644.39	600,618.79
Hu Yuyue ⁽¹²⁾	23,809.52				23,809.52
Mou Yong	71,428.56				71,428.56
Yu Xuehui ⁽¹³⁾	31,677.61				31,677.61
Total	2,440,802.83	325,677.36	545,814.85	950,377.74	4,262,672.78

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XVII. Other significant matters (continued)

3. Directors', Supervisors' and Chief Executive Officers' benefits and interests (continued)

Name	Remuneration	Salaries, allowances and other benefits	FY 2021		Total
			Retirement benefits	Annual bonus	
Executive director					
Zhong Jinlong ⁽¹⁾					
Liang Zhongwei	409,720.08	59,841.04	113,663.05	30,269.93	613,494.10
CEO					
Liu Qingbin	740,719.92	117,548.06	143,010.89		1,001,278.87
Non-executive director					
Liu Hongsong ^{(2),(5)}					
Liu Feng	50,000.00				50,000.00
Hu Kainan ⁽²⁾					
Ming Gang	47,603.15				47,603.15
Wang Chuanshun	119,047.61				119,047.61
Gao Zhu	119,047.61				119,047.61
Li Dapeng ⁽³⁾	89,285.67				89,285.67
Zheng Jianping	119,047.61				119,047.61
Liu Xinyi ^{(2),(4)}					
Supervisor					
An Tie ⁽¹⁾					
Wang Hairan	338,021.43	57,684.41	85,190.78	102,376.30	583,272.92
Tan Shaojie ⁽²⁾					-
Lin Zongheng	305,390.00	53,409.81	60,911.52	138,300.00	558,011.33
Liu Pu	318,831.25	59,558.81	84,250.30	84,321.56	546,961.92
Hu Yuyue	71,428.56				71,428.56
Mou Yong	71,428.56				71,428.56
Yu Xuehui	71,428.56				71,428.56
Total	2,871,000.01	348,042.13	487,026.54	355,267.79	4,061,336.47

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XVII. Other significant matters (continued)

3. Directors', Supervisors' and Chief Executive Officers' benefits and interests (continued)

- (1) Zhong Jinlong and An Tie were appointed and remunerated by Zhongtai SECURITIES and no allocation of remuneration was made between them and the Group during the year.
- (2) These non-executive directors and supervisors of the Company are appointed by the shareholders and their remuneration for the years ending December 31st, 2022 and December 31st, 2021 are borne by the shareholders.
- (3) Li Dapeng ceased to be a non-executive director with effect from October 7th, 2021.
- (4) Liu Xinyi was appointed as a non-executive director with effect from June 17th, 2021.
- (5) Liu Hongsong ceased to be a non-executive director with effect from March 10th, 2021.
- (6) Wang Chuanshun ceased to be a non-executive director with effect from March 10th, 2022.
- (7) Gao Zhu ceased to be a non-executive director with effect from March 10th, 2022.
- (8) Liu Xinyi ceased to be a non-executive director with effect from May 31st, 2022.
- (9) Zheng Hanyin was appointed as a non-executive director with effect from May 31st, 2022.
- (10) Chen Hua was appointed as a non-executive director with effect from March 10th, 2022.
- (11) Luo Xinhua was appointed as a non-executive director with effect from June 22nd, 2022.
- (12) Hu Yuyue ceased to be a supervisor with effect from April 28th, 2022.
- (13) Yu Xuehui ceased to be a supervisor with effect from June 13th, 2022.

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For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

XVIII. Notes to items in the financial statements of the Parent Company

1. Cash and cash equivalents

(1) Breakdown of cash and cash equivalents

Item	December 31st, 2022	December 31st, 2021
Cash on hand	29,130.35	17,391.49
Current bank deposit	67,150,106.24	28,666,196.19
– Principal	67,125,131.02	28,662,056.03
– Interest accrued	24,975.22	4,140.16
Time bank deposit	584,765,696.76	591,073,027.78
– Principal	580,000,000.00	580,000,000.00
– Interest accrued	4,765,696.76	11,073,027.78
Deposit of futures margin	15,342,842,967.74	9,415,546,545.63
– Principal	15,290,821,662.01	9,363,078,654.91
– Interest accrued	52,021,305.73	52,467,890.72
Other cash and cash equivalents	44,042.33	161,020,059.88
Less: Expected credit impairment reserves	892,218.19	603,792.49
Total	15,993,939,725.23	10,195,719,428.48

As of December 31st, 2022, there were no large amounts (more than RMB 1 million) in own bank deposits that were short-term borrowings or temporary deposits, and there were no restrictions on their use (December 31st, 2021: same).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

XVIII. Notes to items in the financial statements of the Parent Company (continued)

1. Cash and cash equivalents (continued)

(2) Deposit of futures margin – Principal

Item	December 31st, 2022	December 31st, 2021
Agricultural Bank of China Dalian Commodity Exchange Branch	1,914,052,623.84	179,267.18
China Minsheng Banking Shanghai Futures Exchange Branch	1,760,535,905.35	509,259,715.42
Shanghai Pudong Development Bank Shanghai Futures Exchange Branch	1,400,918,853.86	743,600,813.62
Shanghai Pudong Development Bank Jinan Branch Business Office	1,300,621,307.28	71,517.61
China Minsheng Banking Shenzhen Branch	1,250,007,951.67	–
Ping An Bank Shanghai Exchange Branch	1,096,012,807.67	1,760,200,660.72
China Everbright Bank Shanghai Branch	1,000,083,642.98	–
Agricultural Bank of China Jinan Shizhong Branch	1,000,062,332.80	29,955.34
China CITIC Bank Shanghai Pudian Road Branch	900,082,759.40	400,025,883.87
Industrial Bank Zhengzhou Jinshui East Road Branch	860,056,157.65	160,059,982.37
China Minsheng Banking Jinan Branch Business Office	700,037,478.80	160,091,636.68
China Merchants Bank Shanghai Century Avenue Branch	500,046,080.31	45,722.47
China Minsheng Banking Zhengzhou Shangding Road Branch	300,622,420.35	380,526,416.65
Industrial Bank Shanghai Exchange Branch	280,074,224.14	680,022,257.68
Industrial Bank Dalian Commodity Exchange Branch	280,036,166.81	940,359,290.37
Bank of Communications Jinan Shizhong Branch	242,341,923.22	1,351,007,389.85
China CITIC bank Zhengzhou Branch Business Office	200,610,208.76	500,037,510.00
China Minsheng Banking Dalian Commodity Exchange Branch	200,151,405.59	72,524.06
China CITIC bank Dalian Commodity Exchange Branch	100,732,261.99	200,913,875.49
China Construction Bank Shanghai Futures Branch	1,405,862.06	1,075,386,800.42
Postal Savings Bank of China Jinan Free Trade Zone Branch	795,608.94	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

XVIII. Notes to items in the financial statements of the Parent Company (continued)

1. Cash and cash equivalents (continued)

(2) Deposit of futures margin – Principal (continued)

Item	December 31st, 2022	December 31st, 2021
Ping An Bank Jinan Branch Business Office	226,001.68	17,285.15
Bank of China Dalian Commodity Exchange Branch	191,381.51	205,630.47
ICBC Shanghai Futures Tower Branch	178,200.40	156,767.04
Industrial Bank Jinan Branch Business Office	141,575.90	93,071.10
Bank of Communications Shanghai Futures Tower Branch	113,340.49	500,042,330.08
Bank of Communications Dalian Branch Commodity Exchange Branch	97,279.02	80,787.94
ICBC Jinan Lixia Branch	84,622.76	22,823.74
China Construction Bank Jinan Shizhong Branch Business Office	74,181.50	91,262.95
Bank of China Jinan Branch	69,799.94	55,262.49
China Merchants Bank Jinan Convention and Exhibition Center Branch	69,558.20	48,605.99
China CITIC Bank Jinan Jingshi Road Branch	58,061.78	71,258.66
Bank of China Shanghai Futures Tower Branch	47,927.90	47,682.54
China Everbright Bank Jinan Branch Business Office	45,850.00	59,571.50
China Construction Bank Beijing Jinsong Branch	43,698.49	43,571.69
Shanghai Pudong Development Bank Dalian Branch	35,285.58	36,542.68
China Guangfa Bank Jinan Branch Business Office	30,486.63	47,353.66
Bank of China Zhengzhou Commodity Exchange Branch	9,505.27	9,570.30
Bank of Communications Zhengzhou Futures Tower Branch	7,186.11	7,296.29
Agricultural Bank of China Shanghai Futures Tower Branch	4,997.26	8,401.18
China Construction Bank Zhengzhou Futures City Branch	4,738.12	3,620.03
China Construction Bank Dalian Commodity Exchange Branch		38,100.95
China Construction Bank Hangzhou West Lake Branch		432.93
ICBC Dalian Commodity Exchange Branch		205.75
Total	15,290,821,662.01	9,363,078,654.91

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

XVIII. Notes to items in the financial statements of the Parent Company (continued)

2. Long-term equity investment

(1) Classification of long-term equity investment

Item	December 31st, 2022			December 31st, 2021		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	801,635,280.00	11,057,772.00	790,577,508.00	801,635,280.00	11,057,772.00	790,577,508.00
Total	801,635,280.00	11,057,772.00	790,577,508.00	801,635,280.00	11,057,772.00	790,577,508.00

(2) Investment in subsidiaries

Investee	December 31st, 2021	Increase in current period	Decrease in current period	December 31st, 2022		
				December 31st, 2022	Provision for impairment for the current period	Provision for impairment at December 31st, 2022
Zhongtai Huirong Capital Investment Co., Ltd.	750,000,000.00			750,000,000.00		
Luzheng Information Technology Co., Ltd.	34,000,000.00			34,000,000.00		
LUZHENG INTERNATIONAL HOLDING LIMITED	17,635,280.00			17,635,280.00		11,057,772.00
Total	801,635,280.00			801,635,280.00		11,057,772.00

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

XVIII. Notes to items in the financial statements of the Parent Company (continued)

3. Employee benefits payable

(1) Classification of employee benefits payable

Item	December 31st, 2021	Increase during the year	Decrease during the year	December 31st, 2022
i. Short-term employee benefits	91,787,588.18	185,623,108.26	214,546,458.50	62,864,237.94
ii. Post-employment benefits – defined contribution plans	26,885.40	31,658,678.55	31,658,667.51	26,896.44
iii. Termination benefits		101,427.22	101,427.22	
Total	91,814,473.58	217,383,214.03	246,306,553.23	62,891,134.38

(2) Short-term employee benefits

Item	December 31st, 2021	Increase during the year	Decrease during the year	December 31st, 2022
Employee salaries, bonuses, allowances and subsidies	80,692,685.88	158,088,739.30	186,577,726.22	52,203,698.96
Employee welfares		3,471,816.26	3,465,336.26	6,480.00
Social insurance contributions	9,186.98	8,290,037.69	8,293,013.83	6,210.84
Including: Medical insurance premiums	5,018.33	8,041,594.52	8,044,570.62	2,042.23
Injury insurance premiums	639.18	183,601.83	183,601.87	639.14
Maternity insurance premiums	3,529.47	64,841.34	64,841.34	3,529.47
Others				
Housing provident fund	17,810.21	12,611,636.91	12,611,636.91	17,810.21
Funds for trade unions and staff education	11,067,905.11	3,160,878.10	3,598,745.28	10,630,037.93
Total	91,787,588.18	185,623,108.26	214,546,458.50	62,864,237.94

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

XVIII. Notes to items in the financial statements of the Parent Company (continued)

3. Employee benefits payable (continued)

(3) Defined contribution plans

Item	December 31st, 2021	Increase during the year	Decrease during the year	December 31st, 2022
Basic pension insurance	22,223.03	16,532,770.56	16,532,759.56	22,234.03
Unemployment insurance premiums	4,662.37	730,228.09	730,228.05	4,662.41
Enterprise annuity contributions		14,395,679.90	14,395,679.90	
Total	26,885.40	31,658,678.55	31,658,667.51	26,896.44

(4) Termination benefits

Item	December 31st, 2021	Increase during the year	Decrease during the year	December 31st, 2022
Termination benefits		101,427.22	101,427.22	
Total		101,427.22	101,427.22	

- (5) The closing balance of employee benefits payable mainly represents the Company's accrued and unpaid bonuses, employee salaries, termination benefits, accrued and unpaid and unused labor union funds and employee education expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

XVIII. Notes to items in the financial statements of the Parent Company (continued)

4. Handling fees and commission income

(1) Listed by category

Item	FY 2022	FY 2021	Percentage increase or decrease (%)
Net income from return and reduction of handling fees of the exchange	273,993,137.32	287,090,117.82	-4.56
Net income from transaction fees	79,689,894.17	112,814,912.62	-29.36
Net income from exercise fees	6,722,541.19	5,413,874.24	24.17
Investment consulting service fee income	216,981.13	306,603.73	-29.23
Net income from settlement fees	12,214.33	192,751.10	-93.66
Asset management business income	258,580.78		100.00
Total	360,893,348.92	405,818,259.51	-11.07

(2) Listed by region

Region	FY 2022		FY 2021	
	Number of divisions	Commission income	Number of divisions	Commission income
Shandong Province	12	288,013,860.34	12	318,616,324.47
Shanghai	3	26,160,123.18	2	27,191,620.55
Zhejiang Province	4	12,688,905.47	3	13,523,621.10
Jiangsu Province	2	9,438,106.97	2	16,608,206.42
Liaoning Province	2	6,590,652.57	2	9,539,734.30
Guangdong Province	2	5,000,975.77	2	7,759,126.70
Beijing	2	4,258,364.11	1	4,142,347.77
Hubei Province	1	2,862,202.81	1	2,775,290.01
Henan Province	1	2,526,074.23	1	1,985,053.70
Tianjin	1	1,731,369.24	1	2,511,646.03
Hunan Province	1	1,319,169.59	1	1,165,288.46
Fujian Province	1	303,544.64		
Total	32	360,893,348.92	28	405,818,259.51

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

XVIII. Notes to items in the financial statements of the Parent Company (continued)

5. Investment income

(1) Breakdown

Item	FY 2022	FY 2021	Percentage increase or decrease (%)
Investment gains/losses on disposal of financial instruments held for trading	21,440,218.11	12,692,058.71	68.93
Investment income earned during the holding period of trading financial assets	9,295,360.04	7,331,789.24	26.78
Dividend income from subsidiaries			
Total	30,735,578.15	20,023,847.95	53.49

6. Business and management fees

(1) Comparison and presentation of business and management fees

Item	FY 2022	FY 2021	Percentage increase or decrease (%)
Business and management fees	359,419,262.88	401,476,689.29	-10.48
Total	359,419,262.88	401,476,689.29	-10.48

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

XVIII. Notes to items in the financial statements of the Parent Company (continued)

6. Business and management fees (continued)

(2) Breakdown of significant items of business and management fees

Item	FY 2022	FY 2021	Percentage increase or decrease (%)
Employee benefits	217,383,214.03	223,510,378.23	-2.74
Information maintenance fee	27,848,399.08	23,305,938.28	19.49
Depreciation and amortization	18,675,507.27	13,357,322.52	39.81
Remuneration for intermediary's services	14,789,506.91	33,127,528.95	-55.36
Advertising expenses	12,981,083.51	20,224,124.27	-35.81
Communication fee	11,019,634.67	10,961,604.18	0.53
Introducing broker services	9,718,138.28	13,531,795.54	-28.18
Business entertainment expenses	9,590,481.62	7,405,088.12	29.51
Consulting fee	9,393,191.33	3,285,842.45	185.87
Travel expenses	4,317,081.99	4,969,108.90	-13.12
Total	335,716,238.69	353,678,731.44	-5.08

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All amounts in RMB'000 unless otherwise stated)

XVIII. Notes to items in the financial statements of the Parent Company (continued)

7. Supplementary information of parent company's cash flow statement

(1) Adjustments from net profits to cash flows from operating activities

Item	FY 2022	FY 2021
1. Adjustment from net profits to cash flows from operating activities		
Net profits	140,850,432.75	159,258,591.67
Add: Impairment losses on assets		
Impairment loss on credit assets	607,847.12	555,919.06
Depreciation of right-of-use assets	8,994,883.05	4,796,993.43
Depreciation of fixed assets	7,391,675.18	6,581,314.39
Amortization of intangible assets	1,429,153.62	1,285,356.50
Amortization of long-term deferred expenses	859,795.42	693,658.20
Losses on the disposal of fixed assets, intangible assets, and other long-term assets (gains marked with "-")	32,148.51	251,233.97
Losses on the scrapping of fixed assets (gains marked with "-")	8,443.47	
Losses on changes in fair values (gains marked with "-")		
Interest expense	-2,236,897.10	-4,786,340.13
Exchange loss (gains marked with "-")	-15,980.21	91,220.59
Investment losses (gains marked with "-")		
Decrease in deferred tax assets (increase marked with "-")	-13,451,943.13	
Increase in deferred tax liabilities (decrease marked with "-")	-8,136,325.26	8,123,949.19
Decrease in financial assets measured at fair value with changes included in current profit and loss (increase marked with "-")		
Decrease in trading financial assets (increase marked with "-")		
Decrease in operating receivables (increase marked with "-")	-2,017,525,161.36	-2,357,756,042.56
Increase in operating payables (decrease marked with "-")	7,667,592,842.55	7,340,861,242.32
Other		
Net cash flow from operating activities	5,786,400,914.61	5,159,957,096.63

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(All amounts in RMB'000 unless otherwise stated)

XVIII. Notes to items in the financial statements of the Parent Company (continued)

7. Supplementary information of parent company's cash flow statement (continued)

(1) Adjustments from net profits to cash flows from operating activities (continued)

Item	FY 2022	FY 2021
2. Significant investing and financing activities that do not involve cash receipts and payment		
Transfer of debt to capital		
Convertible corporate bonds due within 1 year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents		
Closing balance of cash	15,358,019,965.71	9,605,250,193.19
Less: Opening balance of cash	9,605,250,193.19	4,787,850,211.29
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	5,752,769,772.52	4,817,399,981.90

(2) Cash and cash equivalents

Item	FY 2022	FY 2021
Cash	15,358,019,965.71	9,605,250,193.19
Including: cash on hand	29,130.35	17,391.49
Bank deposits readily available for payment	15,357,946,793.03	9,444,212,741.82
Other cash and cash equivalents readily available for payment	44,042.33	161,020,059.88
Settlement provision		
Cash equivalents		
Including: Bond investments due within 3 months		
Add: Expected credit impairment losses		
Closing balance of cash and cash equivalents	15,358,019,965.71	9,605,250,193.19

Zhongtai Futures Company Limited
March 30th, 2023