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**ZHONGTAI FUTURES Company Limited**  
**中泰期貨股份有限公司**

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

**(Stock Code: 01461)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

The board of directors (the “**Board**”) of ZHONGTAI FUTURES Company Limited (the “**Company**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the corresponding period in 2022. This announcement, containing the full text of the 2023 annual report of the Company, complies with the relevant disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results.

The consolidated annual results of the Group for the year ended 31 December 2023 have been reviewed by the audit committee of the Company.

This result announcement is available for viewing on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.ztqh.com](http://www.ztqh.com)), and the 2023 annual report of the Company will be published in due course.

By order of the Board  
**ZHONGTAI FUTURES Company Limited**  
**ZHONG Jinlong**  
*Chairman*

Jinan, the PRC  
26 March 2024

*As at the date of this announcement, the Board comprises of Mr. ZHONG Jinlong, Mr. LIU Qingbin and Mr. LIANG Zhongwei as executive directors, 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.*

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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 C1 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 Province
“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

“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 C3 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 2023
“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
“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)

## Definition

“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



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# 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 "X. 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

## I. 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 <sup>Note 1</sup>:

Mr. Zhong Jinlong (*Chairman of the Board*)  
Mr. Liu Qingbin  
Mr. Liang Zhongwei

Non-executive Directors <sup>Note 2</sup>:

Mr. Zheng Hanyin  
Mr. Ming Gang  
Mr. Liu Feng

Independent Non-executive Directors:

Mr. Zheng Jianping  
Mr. Chen Hua  
Mr. Luo Xinhua

Note 1: Mr. Liu Qingbin was appointed as an executive Director of the Company on 22 February 2024.

Note 2: Mr. Hu Kainan resigned as a non-executive Director of the Company on 22 February 2024.

## 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

## 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



## 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 Shizhong Sub-branch)**

No. 11 Jingsan 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](http://www.ztqh.com)  
E-mail: [investors@zts.com.cn](mailto:investors@zts.com.cn)

## II. 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 Co., Ltd. (中泰證券股份有限公司)), 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).

### III. STAFF PROFILE

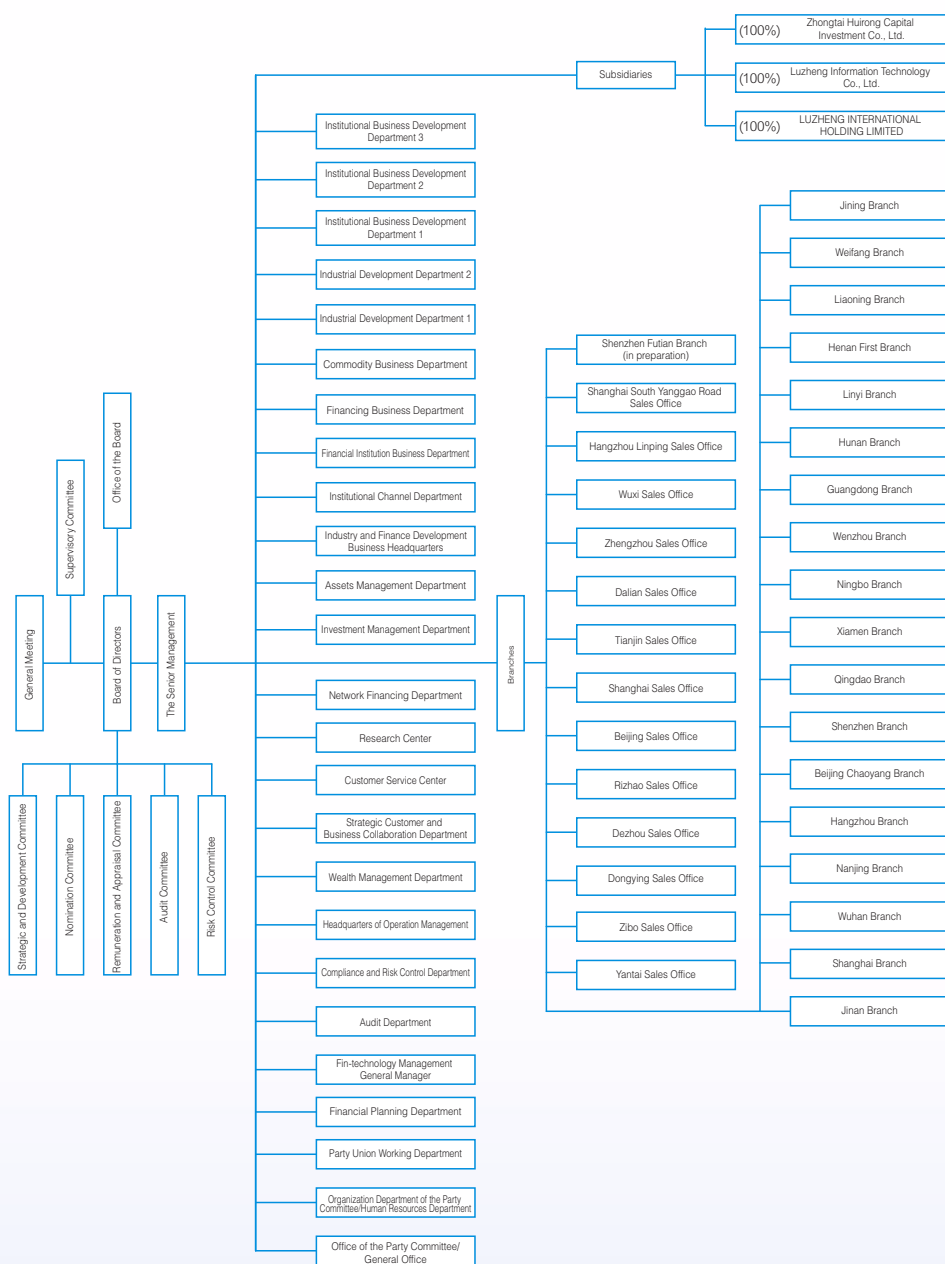
As at the end of the Reporting Period, the Group had 767 employees in total, and the breakdown of the composition of the employees is as follows:

	Category	Number	Proportion (%)
By profession	Administrative management	35	4.56%
	Financial planning	16	2.09%
	Management of brokerage business	90	11.73%
	Information technology	50	6.52%
	Risk control & Clearing	20	2.61%
	Compliance and audit	50	6.52%
	Research and development	49	6.39%
	Customer services	40	5.22%
	Investment management	3	0.39%
	Assets management	11	1.43%
	Marketing	302	39.37%
	Zhongtai Huirong Capital	101	13.17%
		Total	767
By gender	Male	464	60.50%
	Female	303	39.50%
	Total	767	100.00%
By age	30 and Below	248	32.33%
	31-35	192	25.03%
	36-40	181	23.60%
	41-45	82	10.69%
	Above 45	64	8.34%
	Total	767	100.00%
By education background	Post-graduate and above	219	28.55%
	Bachelor degree	487	63.49%
	College degree and below	61	7.95%
	Total	767	100.00%

# Company Profile

## IV. 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:

<b>Name of branch/sales office</b>	<b>Date of opening</b>	<b>Address of branch/sales office (China)</b>	<b>Contact telephone number</b>
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 B, 4/F, Main Building, Jihua Building, No. 19, Yingxian Street, Tianqiao District, Jinan	+86-531-81916262
Nanjing Branch	16 August 2017	Room 2301, 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 1609, 16/F, No. Yi 118 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
Linyi Branch	29 October 2007	Rooms 1105 and 1106, 11/F, Building 2, Aode International, northeast of intersection of Beijing Road and Menghe Road, Liuqing Street, Lanshan District, Linyi City	+86-539-8073721
Liaoning Branch	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

Name of branch/sales office	Date of opening	Address of branch/sales office (China)	Contact telephone number
Jining Branch	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
Weifang Branch	30 October 2008	Room 001, Building 1, No. 277, Dongfeng West Street, Weicheng District, Weifang, Shandong Province	+86-536-8268508
Henan First Branch	9 May 2023	No.2006, 20/F, Building 1, No.9 Chuangye Road, Henan Pilot Free Trade Zone (Zhengdong)	+86-371-63228331
Beijing Sales Office	16 April 2007	Unit 18, 16/F, Hongsheng International Center, No.9, Chaoyangmen Beidajie, Dongcheng District, Beijing	+86-10-82194421
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	+86-411-84806651
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

## Company Profile

Name of branch/sales office	Date of opening	Address of branch/sales office (China)	Contact telephone number
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
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

## V. BASIC INFORMATION ABOUT THE INDUSTRY IN WHICH THE COMPANY OPERATES

2023 marks the first year of following out the spirit of the 20th National Congress of the Communist Party of China, and it is also a crucial year for carrying on the 14th Five-Year Plan. In this year, due to the complicated international environment, combined with domestic cycle fluctuation and structural disequilibrium, the economic recovery in China was characterized by wave-like development. The overall economic operation rebounded for improvement as a result of strong high-quality development, showing solid progress towards building a socialist modern country in an all-round way. In this context, China's futures market forged ahead. Leveraging its risk management functions, it played an active role in securing the supply and price stability of bulk commodities, and maintaining healthy development of the futures market, thus contributing to the high-quality development of the real economy.

Firstly, the scale of the futures market steadily expanded, and the cumulative turnover reached a record high. In 2023, the cumulative trading volume of the futures market of China was approximately 8.501 billion board lots, and the cumulative turnover amounted to RMB568.51 trillion, representing a year-on-year increase of 25.60% and 6.28%, respectively. Secondly, drafted co-ordinated regulatory rules were published for comments from time to time, providing legal protection for the market development. The CSRC has successively issued Measures for the Supervision and Administration of Derivatives Trading (Draft for Comment), the Measures for the Supervision and Administration of Futures Companies (Draft for Comment) and the Measures for the Supervision and Administration of Derivatives Trading (Second Draft for Comment). Thirdly, the accelerated listing of new varieties led to constant expansion of the varieties eligible for trading on the futures market. Throughout the year, 14 option varieties such as lithium carbonate option, butadiene rubber option and ethylene glycol option were listed, and 7 futures varieties such as 30-year treasury bond futures and container freight index (European line) futures were listed. As at the end of the Reporting Period, there are a total of 131 futures and options varieties being traded on China's futures market. Fourthly, the futures market has become more international, evidenced by increase of specific varieties and wholly foreign-owned institutions. The CSRC has identified rapeseed oil, rapeseed meal, peanut futures and options as domestic specific varieties, permitting the container transport index (Europe Line) futures to be registered and identified as domestic specific varieties, and approved the establishment of Morgan Stanley Futures (China) Co., Ltd.

## VI. 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

### VII. 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 general business items, 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). Sale of chemical fertilizer; sale of fertilizer; sale of synthetic materials; sales of electronic special materials; sale of special chemical products (excluding dangerous chemicals). (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

### VIII. HONOURS AWARDED TO THE COMPANY DURING THE REPORTING PERIOD

In 2023, the Company won such titles as 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, Best-performing Futures Company APP of the Year Award\* (年度最佳期貨公司APP突出表現獎), Best Digitally Transformed Futures Companies\* (最佳數字化轉型期貨經營機構), Investor Education Model Innovation of the Year Award, Best Risk Management Subsidiary Service Innovation Award (Zhongtai Huirong Capital Investment Co., Ltd), Best Derivatives Comprehensive Service Innovation Award, Best Institution Contribution Award for Futures Talent Cultivation, China's Golden Futures Research Institute, Best Iron and Steel Research Team, Best Macro Financial Research Team, Best Energy and Chemicals Research Team, Best Agricultural Product Research Team, Best Metals Research Team in the 16th selection of best futures operation institutions in China.

The Company was awarded the title of "Provincial Spiritual Civilization Unit" by the Spiritual Civilization Construction Committee of Shandong Province.

The cases submitted by the Company was selected by the "Excellent Case Database of Futures Operating Institutions Serving the Real Economy" (期貨經營機構服務實體經濟優秀案例庫) of China Futures Association, and was presented as a typical case of futures serving the real economy at the 18th China (Shenzhen) International Futures Conference

The cases submitted by the Company won the titles of "Best Practice Case" and "Excellent Practice Case" in the best practice case creation activity of "Management of Risks by Listed Companies Using Futures Market" granted by China Association of Listed Companies.

\* For identification purpose only

# 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	2023	2022	Increase/ decrease over corresponding period of last year	2021
Operating income	215,323	244,763	-12.03%	225,462
Total profit	18,143	22,539	-19.51%	25,620
Net profit-attributable to shareholders of the Company	13,372	16,610	-19.50%	18,857
Net cash flows from operating activities	285,333	588,864	-51.55%	497,663

Unit: RMB'0000

Item	31 December 2023	31 December 2022	Increase/ decrease over corresponding period of last year	31 December 2021
Total assets	3,012,639	2,885,916	4.39%	2,068,210
Total liabilities	2,756,610	2,641,688	4.35%	1,840,014
Currency margin payable	2,313,802	2,064,957	12.05%	1,457,905
Equity attributable to shareholders of the Company	256,029	244,228	4.83%	228,196
Total share capital ('0000)	100,190	100,190	-	100,190

## Financial Summary

### II. MAJOR FINANCIAL INDICATORS OF THE GROUP

Item	2023	2022	Increase or decrease compared with the corresponding period last year	2021
Basic earnings per share (RMB)	<b>0.13</b>	0.17	-23.53%	0.19
Diluted earnings per share (RMB)	<b>0.13</b>	0.17	-23.53%	0.19
Weighted average return on net assets	<b>5.33%</b>	7.02%	decreased by 1.69 percentage points	8.57%
Net assets value per share attributable to shareholders of the Company (RMB)	<b>2.56</b>	2.44	4.83%	2.28
Gearing ratio <sup>(1)</sup>	<b>45.48%</b>	45.52%	decreased by 0.04 percentage point	33.84%

(1) Gearing ratio = (Total liabilities – acting trading securities – currency margin payable – pledge margin payable)/(Total assets – acting trading securities – currency margin payable – pledge margin payable)

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

Indicators	31 December 2023	31 December 2022	Regulatory standard
Net capital (RMB)	<b>1,430,583,496.42</b>	1,386,802,098.38	30,000,000.00
Net capital/total risk capital reserves	<b>191.17%</b>	192.01%	100.00%
Net capital/net assets	<b>56.60%</b>	57.47%	20.00%
Current assets/current liabilities	<b>522.03%</b>	554.70%	100.00%
Liabilities/net assets	<b>16.16%</b>	14.41%	150.00%
Settlement reserve funds (RMB)	<b>520,037,118.86</b>	150,615,499.01	16,000,000.00

Note: During the Reporting Period, the net capital and other risk regulatory indicators 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

##### 1. Profitability

Unit: RMB'0000

Item	2023	2022	2021	2020	2019
Operating income	<b>215,323</b>	244,763	225,462	129,089	180,395
Operating expenses	<b>196,873</b>	222,199	199,648	120,885	176,676
Total profit	<b>18,143</b>	22,539	25,620	8,139	3,482
Net profit-attributable to shareholders of the Company	<b>13,372</b>	16,610	18,857	4,199	2,221

##### 2. Assets condition

Unit: RMB'0000

Item	31 December 2023	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Total assets	<b>3,012,639</b>	2,885,916	2,068,210	1,310,661	899,751
Total liabilities	<b>2,756,610</b>	2,641,688	1,840,014	1,098,907	691,985
Currency margin payable	<b>2,313,802</b>	2,064,957	1,457,905	1,017,145	638,926
Equity attributable to shareholders of the Company	<b>256,029</b>	244,228	228,196	211,754	207,719
Total share capital ('0000)	<b>100,190</b>	100,190	100,190	100,190	100,190

## Financial Summary

### 3. Key financial indicators

Item	2023	2022	2021	2020	2019
Basic earnings per share (RMB)	<b>0.13</b>	0.17	0.19	0.04	0.02
Diluted earnings per share (RMB)	<b>0.13</b>	0.17	0.19	0.04	0.02
Weighted average return on net assets	<b>5.33%</b>	7.02%	8.57%	2.00%	1.06%
Net assets value per share attributable to shareholders of the Company (RMB per share)	<b>2.56</b>	2.44	2.28	2.11	2.07
Gearing ratio	<b>45.48%</b>	45.52%	33.84%	22.93%	18.14%

# Chairman Statement

Time flies as we ring in a new year. 2023 marks the first year of following out the spirit of the 20th CPC National Congress, and witnessed further development of the futures market in a healthy and orderly way. In 2023, the futures market in China was brave and determined in its pursuit while staying righteous and innovative. A development path based on the conditions of China and with reference to the useful experience of the world was paved after persistent perfection of coordinated regulations, continuous optimization of variety lines, gradual enhancement of market quality, persistent intensification of market functions, continuous improvement of its ability and level of serving the real economy.

In 2023, the Company continued to struggle and forge ahead, and made greater achievements. Over the past 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, adhered to focusing on the main business, vigorously deepened reform and innovation, implemented the “talent-aided empowering” strategy, insisting on solution through investigation and research and improvement through benchmarking against out-performers and acting out its words, pushed business transformation under the “research plus” model, built a continuous supportive care customer service system, and strengthened compliance and risk control. The new operating results achieved were evidenced by improvement in the Company’s major operating indicators in terms of market share.

While striving to create economic benefits, the Company gave full play to our professional advantages, and actively fulfilled our social responsibilities to reward the society. In 2023, the Company actively provided financial service support for rural revitalization, carrying out more than 200 “insurance + futures” projects across the country with insurance coverage of more than RMB3 billion and settling claims of farmers valued at more than RMB120 million. The Company won the “Best Rural Revitalization Service and Social Responsibility Public Welfare Award\* (最佳鄉村振興服務及社會責任公益獎)” and other awards in the 16th session of selection of China’s best futures enterprises \* (第十六屆中國最佳期貨經營機構評選).

We owe these achievements to the patient guidance and help from the party committees, governments and regulatory authorities at all levels, the full trust and support of Shareholders and customers, and the hard work and dedication of all the staff of the Company. On behalf of the Company, I would like to express my sincere gratitude to and high respect for them!

We shall live up to our heavy responsibilities though there is tough work ahead over a long period of time. In 2024, the Company will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly learn and follow out the spirit of the 20th CPC National Congress, the central financial work conference and the central economic work conference, adhere to the leadership of the Party building, adhere to focusing on the main business, adhere to benchmarking against outperformers and acting out words, build up our investment and research competence, intensify the business transformation, accelerate the construction of a continuous supportive care customer service system, create new momentum for the Company’s accelerated development, continuously enhance the effectiveness of the compliance and risk control system so as to hedge the impact brought about by the policy changes and to facilitate the Company’s high-quality development.

2024 is a year full of challenges and opportunities. The Company will concentrate all resources on speeding up transformation, seek progress while maintaining stability, and strive to build itself into a first-class futures company with loyal, lawful, innovative and harmonious people, and continuously create greater value for Shareholders and customers!

**ZHONGTAI FUTURES Company Limited**

**ZHONG Jinlong**

*Chairman*

26 March 2024

\* For identification purpose only

# Management Discussion and Analysis

## I. ECONOMIC AND FUTURES MARKET ANALYSIS DURING THE REPORTING PERIOD

### (1) Economic Conditions

In 2023, the national economy rebounded faster for solid high-quality development. In 2023, amidst the complicated and severe international environment and given the challenging reform, development and stability tasks at home, under the strong leadership of the Central Committee of the Communist Party of China with Comrade Xi Jinping at the core, all regions and departments strictly implemented various decisions and plans of the Central Committee of the Communist Party and the State Council, and adhered to the general working guideline of making progress while maintaining stability. They followed out the new development concept in a comprehensive, exacting and all-round way, accelerated the construction of a new development pattern, deepened reform and opening up in all aspects, and intensified macro-control, put more efforts on expanding domestic demand, optimizing the structure, boosting confidence and preventing and eliminating risks. China's economy rebounded faster, evidenced by constant improvement in supply and demand, great progress in transformation and upgrading, generally stable employment and prices, and effective guarantee of people's livelihood, and solid high-quality development. The major expected goals were achieved in a satisfactory manner.

Firstly, the recovery is faster. In terms of economic growth, China's Gross Domestic Product (GDP) for 2023 exceeded RMB126 trillion, and the growth rate is 2.2 percentage points higher than that for 2022. By quarter, the growth rate was low initially, rose in the middle and stabilized at the end, intensifying the recovery. The per capita GDP increased steadily, reaching RMB89,358 in 2023, up 5.4% over the previous year. In terms of employment, the general employment situation has improved. The average surveyed urban unemployment rate dropped by 0.4 percentage point over the previous year. The improvement is especially true for employment of migrant workers. In terms of prices, the general prices maintained a moderate rise, with the annual Consumer Price Index (CPI) rising by 0.2% and the core CPI rising by 0.7%. In terms of international payments, the annual export of goods increased by 0.6%, and the foreign exchange reserves at the end of the 2023 exceeded 3.2 trillion US dollars.

Secondly, the high-quality development is solid. In 2023, the whole country was coordinating effective improvement of quality and the reasonable growth of quantity. People from all walks worked together around the primary task of high-quality development, and promoted the economy to continuously gain edge through structural adjustment and transformation and upgrading, so that high-quality development was more solid. The innovation-driven development strategy was intensively implemented, leading to constant growth of investment in innovation. According to preliminary calculation, in 2023, investment in research and experimental development by the whole society reached RMB3,327.82 billion, and the intensity of scientific research and experimental development (R&D) investment reached 2.64%, representing an increase of 0.08 percentage point over the previous year. Thanks to the optimization and upgrading of economic structure, the service sector and consumption was playing a more prominent role as main engines of economic growth. In 2023, the added value of the service sector accounted for 54.6% of GDP, representing an increase of 1.2 percentage points over the previous year; the contribution of end consumption expenditure to economic growth reached 82.5%, representing an increase of 43.1 percentage points over the previous year. The foundation for safe development was further consolidated, and the annual grain output increased by 1.3% over the previous year; the output of raw coal, crude oil and natural gas produced by industrial enterprises above designated size increased by 2.9%, 2% and 5.8%, respectively. We have held the bottom line of no systemic risks, ensured economic and financial security, and more effectively ensured people's livelihood. The per capita disposable income of the national residents in real terms increased by 6.1% over the previous year.

Thirdly, the growth is remarkable. China's economic growth rate of 5.2% for 2023 is not only higher than the estimated global growth rate of approximately 3%, but also among the best in the world's major economies. It is expected that China's economy contributed more than 30% to world economic growth for 2023, and is the biggest contributor to world economic growth. Meanwhile, China's exports increased slightly and maintained stable share in the global market despite the expected decline in global trade. In addition, China's overall price increase is moderate, which is in sharp contrast to the high inflation around the globe and some countries' struggling to fight inflation while stabilizing growth.

Fourthly, the growth is hard-earned in light of the global economic downturn, the complicated and evolving international landscape, repeated outbreak of geopolitical conflicts, and the more complicated, sever and uncertain environment outside the country in 2023. There were a number of periodic and structural contradictions in China, in addition to frequent natural disasters. In this complicated context, such development achievements are even more notable. These achievements are the result of the strong leadership of the CPC Central Committee with Comrade Xi Jinping at the core, the scientific guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and the vigorous struggling for improvement of the people of the whole country.

### (2) Futures Market Analysis

#### 1. The size of the futures market

The total trading volume in the futures market of China from January to December of 2023 was 8.501 billion board lots, representing a year-on-year increase of 25.60%, with a total turnover of RMB568.51 trillion, representing a year-on-year increase of 6.28%. As at the end of December 2023, the equity of customers in 150 futures companies in China totaled RMB1,422.743 billion, representing a year-on-year decrease of 3.92%.

#### 2. Volatility in the futures market

Looking back to 2023, due to macroeconomic policies and international geographical events, the bulk commodity market was volatile. From January to May 2023, prices of domestic bulk commodity futures were generally under downside pressure as the forecast for the global economic growth was continuously revised downward, many central banks kept hiking interest rates and European and American banks suffered liquidity risk events. From June to December 2023, the inflation data of the United States overseas declined against strong economic resilience, leading to a consensus on the market that the interest rate hike cycle of major central banks in various countries may come to an end. Meanwhile, in China, the central bank lowered the deposit reserve ratio for the second time in September 2023, and the central government issued RMB1 trillion treasury bonds in October 2023. Under the dual effects of favorable domestic policies and improved international environment, prices of domestic bulk commodity futures began to upswing again in the middle of the year. In the fourth quarter of 2023, the Palestinian-Israeli conflict broke out and spilled over to the Red Sea region, which led to a significant impact on important international shipping channels. Consequently, price of bulk commodity futures fluctuated more violently in a mixed manner.



## Management Discussion and Analysis

### 3. Development of futures industry

#### **(1) The coordinated regulations of futures law was gradually developed**

In March 2023, in order to effectively implement the Futures and Derivatives Law, the CSRC has publicly solicited opinions on the Measures for the Supervision and Administration of Derivatives Trading (Draft for Comment) and the Measures for the Supervision and Administration of Futures Companies (Draft for Comment). Meanwhile, on 31 July 2023, the CSRC promulgated the Interim Provisions Governing Positions in the Futures Market\* (期貨市場持倉管理暫行規定) (hereinafter referred to as the Interim Provisions), which has become effective as of the date of promulgation. The Interim Provisions primarily provided for position limit, hedging, large position reporting and position aggregation, etc. The promulgation of the Interim Provisions was intended to further regulate the position behavior in the futures market and promote the smooth operation of the futures market.

#### **(2) The registration system became effective for all futures varieties**

In 2023, a total of 21 new varieties including 14 option varieties such as lithium carbonate option, butadiene rubber option and ethylene glycol option, and 7 futures varieties such as 30-year treasury bond futures and container freight index (European line) futures were listed. At the end of the year, there were totally 131 futures and option varieties in China's futures market, including 71 commodity futures varieties, 8 financial futures varieties, 40 commodity options varieties and 12 financial options varieties, diversifying the variety system.

#### **(3) Functions of the futures market were enhanced**

In 2023, exposed to fluctuation in commodity prices, enterprises in real economy became more conscious of using derivatives tools for risk management purpose. According to the data published by China Futures Association, by December 2023, the warehouse receipt service completed in that year provided a total of RMB5.142 billion financial support to micro-, small and medium-sized businesses, and a total of 684 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 RMB236.253 billion, and a total of 31,058 micro-, small and medium-sized businesses were served. The cum right trading provided services to micro-, small and medium-sized businesses in connection with a total trade volume of RMB3.657 billion, and a total of 426 micro-, small and medium-sized businesses were served. Additional nominal amount of OTC commodity derivatives held by micro-, small and medium-sized businesses increased by RMB924.149 billion in the whole year.

#### **(4) The two-way opening of the futures market was further expanded**

Since 2023, the futures market has become more international, mainly reflected in the increase of specific varieties and wholly foreign-owned corporations. In particular: in January 2023, the CSRC determined rapeseed oil, rapeseed meal, peanut futures and options as domestic specific varieties (domestic futures varieties, trading of which by foreign investors were approved by the CSRC); in May 2023, the establishment of Morgan Stanley Futures (China) Co., Ltd. was approved; in August 2023, approval was granted for the futures of container freight index being registered and determined as domestic specific varieties.

\* For identification purpose only



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

In 2023, under the correct leadership from the party committee of Zhongtai Securities, the Group made new operating achievements by continuously focusing on the main business, vigorously deepening reform and innovation, implementing the “talent-aided empowering” strategy, insisting on solution through investigation and research and improvement through benchmarking against out-performers and acting out its words, pushing business transformation under the “research plus” model and building a continuous supportive care customer service system, and strengthening compliance and risk control management.

### (1) Futures Brokerage Business

#### **Market Analysis:**

During the Reporting Period, with the Futures and Derivatives Law of the PRC coming into effect officially, registration system was adopted for listing of futures varieties, which obviously accelerated the listing of new varieties, and greatly accelerated innovation. In 2023, 21 new varieties of futures and options in the futures market were listed, setting a record high in history, adding up to 131 varieties, covering major areas of the national economy such as agricultural products, metals, energy, chemicals, shipping and finance. The variety system of the futures market was constantly optimized, and the market scale and quality, market influence were steadily increased. The ability to serve the real economy was continuously enhanced. The cumulative trading turnover and the cumulative turnover in the futures market increased by 25.60% and 6.28%, respectively.

#### **Development Plans and Results:**

In 2023, the Company honed the capability of our headquarters to empower front-line business entities, leading to a breakthrough in the transformation of brokerage business. We enabled subordinated business entities to transform and upgrade by establishing the Industry and Finance Development Business Headquarters; created a continuous supportive care customer service system to empower front-line business entities; visited outstanding peers and acquired experiences from them, and applied such experiences in light of actual conditions; carried out intensive benchmarking work to promote experience sharing and copying; implemented the “talent-aided empowering” strategy and new achievements were made in pooling cadre talents; practiced the concept of “One Zhongtai In Union”, creating new business synergy.

The Company's end-of-period client equity in futures increased by 4.45% as compared with the same period of last year; the end-of-period client equity of stock option business (including spot goods) increased by 15.49% as compared with the same period of last year. During the Reporting Period, the Company's fee income decreased by 1.98% as compared with the same period of last year.

## Management Discussion and Analysis

### (2) Futures Transaction Consulting Business

#### Market Analysis:

During the Reporting Period, 21 new futures and options varieties were listed in China's futures market, bringing the total number of futures and options varieties to 131. Generally speaking, with the further improvement of functions of the futures market, there are growing needs from industrial customers to use the futures market for risk management and hedging, and from asset management institutions for transaction consulting services. However, in a market where traditional brokerage business is dominant and trading consulting business is auxiliary, futures trading consulting business have not yet formed a scale.

#### Development Plans and Results:

In 2023, the Company built a continuous supportive care customer service system to attend customer needs and to continuously improve practical research. We developed an investment research APP called "Zhongtai Futures Micro-investment Research\* (中泰期貨微投研)" to allow customers to have convenient and pleasant experience of using the app. We revised the on-line trading consulting product called "Trading Compass\* (交易羅盤)" and "Volume/Price Star\* (量價之星)", developed a quantitative technical analysis product called "Smart Radar\* (智慧雷達)", and provided practical trading strategy services to customers through "one product-to- multiple customers\* (一對多)" trading consulting products. We continuously improved the competence to serve financial institutional customers, by creating a practical quantitative CTA strategy factor pool with its own characteristics, which has become a powerful tool for financial institutional customers to expand business. The research strength of the Company has been widely recognized. The research team of our Company has won the titles of "China's Golden Futures Research Institute", "Best Macro Financial Futures Research Team" and "Best Industry Futures Research Team for Iron and Steel, Energy, Chemical and Agricultural Products", and a large number of "Best Analysts" and "Senior Analysts" selected by Futures Daily and Futures Exchanges have emerged.

### (3) Futures Asset Management Business

#### Market Analysis:

At the end of 2023, the scale of futures asset management business in China was approximately RMB274.3 billion, representing a year-on-year decrease of approximately 13%, in contrast to 11% annual decrease in 2022, and denoting a continued decrease in the overall scale of the industry. Meanwhile, the futures asset management industry is characteristic of a high concentration of business in leading players and a low proportion of investment in futures and derivatives.

#### Development Plans and Results:

During the Reporting Period, the Company continued to strengthen and optimize the construction of the asset management investment research team; optimized the internal control system of asset management and improved the internal control management practice of asset management business; increased industry research and business exchanges, and copied mature experiences and advanced practices in light of our own conditions; perfected the construction of asset management business system; pushed ahead diversified layout of product lines and product research and development reserves.

\* For identification purpose only

### (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 commodity futures and spot business.

During the Reporting Period, affected by on-going interest rate hikes by the Federal Reserve and continuation of geopolitical conflicts, the real economy faced downside risks. Economic restructuring and transformation and upgrading were imminent. Enterprises faced increasing uncertainties in the course of economic restructuring. The Group actively exerted our professional advantages and played an important role in helping enterprises to manage their risks and promoting high-quality development of the real economy.

#### **Development Plans and Results:**

During the Reporting Period, in terms of OTC derivatives business, the Group continued to deepen intra-group business synergy, increased research and development and supply of innovative products, and expanded business automation, leading to improvement in the number of customers, product innovation and business scale, and better catered to the personalized risk management needs of customers. The additional nominal principal of the Group's OTC derivatives business saw a year-on-year growth of 10.12%, allowing all-round risk management services to industrial customers and financial institutional customers. The Group attaches great importance to the rural revitalization. We made full use of the advantages of OTC derivatives business to continuously promote the high-quality development of agricultural industry, and provided price and income insurance services to farmers and agriculture-related enterprises under the "insurance + futures" service model. We have played an active role in serving the development of rural industries.

During the Reporting Period, in terms of market making business, we actively applied for market making business varieties, added 8 futures and 4 options varieties eligible for market making, and provided market making services relating to more than 30 futures and options varieties of 5 futures exchanges, covering agricultural products, energy and chemical industries, precious metals and other industries. The annual turnover of the Group's market-making business increased by 21.37% year-on-year, and our ability to provide liquidity to the market continued to improve. The market making business team has further enhanced the market competitiveness by improving the research level and developing various futures and options market making strategies.

During the Reporting Period, in terms of bulk commodity futures and spot business, firstly, we made full use of the professional advantages of the futures and spot trading personnel who were newly introduced to expand the trading scale of agricultural products, energy and chemical related varieties and increase our income; secondly, we leveraged our professional advantages to actively study the futures and spot trading models such as swap trading, basis quote and cum right trading, and the advantages of our peanut variety delivery factory and warehouse to better serve the real economy; thirdly, we gave full play to our risk management ability, leveraging on our financial derivatives tools and the Group's customer resources to formulate personalized service plans for customers.

## Management Discussion and Analysis

### III. INFORMATION TECHNOLOGY

The Group firmly believes that information technology infrastructure and information systems are crucial to the effective management and successful development of the business, and continued to invest in information technology.

In 2023, the Company continuously strengthened the operation and maintenance management of the information technology. Firstly, we strengthened operation and maintenance management of information technology, and achieved “zero” accident in the operation of information systems throughout the year; secondly, we continuously perfected the operation and maintenance management system, reviewed and improved the construction of information security-related systems according to the latest national laws and regulations and regulatory requirements in the industry, and continuously strengthened information technology security compliance management; thirdly, we completed optimal deployment of computer room resources and system migration, continuously optimized the quantitative business system and layout, and continuously maintained the quantitative customer life cycle management system to provide system service support for quantitative business development.

In addition, the Company attaches great importance to the application of financial technology. Firstly, we built the Company’s continuous supportive care customer service system using the financial technology, and promoted the construction and launch of independently-developed applications such as enterprise WeChat, smart outbound calling, dual-version Zhongtai Futures mobile phone application (APP), booking system for live-streaming training, new investment research system and real-time trading competition system, and promoted the construction of a continuous supportive care customer service system framework in all aspects; secondly, we continuously promoted the construction of the Company’s “one platform with two APPs”, further improved the service support of the Company’s marketing system, and pushed the digital transformation of the marketing service system; thirdly, we continuously promoted the construction of a big data platform by strengthening data management and data analysis, improved the support of the Company’s management system, and gradually realized the digital transformation of internal management; fourthly, we have gradually improved our independent research and development capability. The OTC option business management system, futures and spot trading risk control management system, comprehensive risk management platform, asset management evaluation system and other software have been launched one after another and were updated from time to time, which has continuously empowered the rapid development of the Company and effectively promoted the digital transformation of the Company.

### IV. DEVELOPMENT PLAN FOR 2024

In 2024, the Group will conscientiously follow out the spirit of the Second Party Representative Congress of Zhongtai Securities and the decisions and arrangements of the Party Committee of Zhongtai Securities, adhere to the leadership of the Party building, adhere to focusing on the main business, adhere to benchmarking against out-performers and acting out its words, increase the investment research competence, intensify the business transformation, accelerate the construction of a continuous supportive care customer service system, create new momentum for accelerated development, continuously enhance the effectiveness of the compliance and risk control system, and promote the Group’s high-quality development.

By business types, the main work plans of the Group in 2024 are as follows:

### **Futures Brokerage Business**

In terms of brokerage business, multiple measures will be taken to tap the income-generating potential of brokerage business. Firstly, we will give full play to the industry-finance development headquarters as a leading element in brokerage business transformation. Secondly, we will speed up the establishment of a continuous supportive care customer service system featuring a professional team, diversified services, various marketing activities and extensive marketing tools, enabling account executives to easily use and promote, and allowing customers to understand with good experience. Thirdly, we will increase efforts in attracting customers over Internet. Fourthly, we will take intensive measures to maintain the advantage of lower fee on our holdings. Fifthly, we will carry out internal benchmarking work in a practical and meticulous manner.

### **Futures Transaction Consulting Business**

The Company will accelerate transformation of our research services and enhance the practical capability of our research services. We will cause our research services to shift from primarily serving industrial and financial institutional customers to serving a combination of industrial, financial and small and medium-sized customers, and to build the actual practical capability of research services. Firstly, we will build a trading consulting service product system covering different life cycles of small and medium-sized customers so as to enhance their sense of acquisition and experience. Secondly, we will promote the construction of an expert team in practical industrial research services, and use a combination of futures, options and various exchange-traded and OTC derivatives to provide industrial customers with risk management solutions of real practical value. Thirdly, on top of financial engineering research, we will continuously hone and enrich the CTA strategic products, and realize the commercialization of results through transaction consulting business and brokerage business. Fourthly, we will establish a special force task mechanism to promote the construction of the Company's practical research system, integrate the Company's research resources and push the transformation towards practical research, accelerate the improvement of the Company's investment research and trading capabilities, and improve the business competitiveness in various markets.

### **Futures Asset Management Business**

In terms of 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", we will carry out asset management business in a sound manner. Firstly, we will continue to strengthen the construction of the asset management and investment research team and enhance the active management ability; secondly, we will increase the R&D and reserve of asset management products, build asset management products featuring futures characteristics and active management capabilities, and continuously extend and broaden the product line layout; thirdly, we will further review and optimize the internal control system, product process and information system construction of asset management business, realize transaction of procedures over Internet as soon as possible subject to legal compliance, to improve the quality and efficiency of business operation; fourthly, we will strengthen the construction of information systems and improve work efficiency and management level.



## Management Discussion and Analysis

### Risk Management Business

The Group will strictly control risks, further enhance our professional service capabilities and risk management capabilities, and strive to improve the operating quality of our risk management subsidiaries. Firstly, in terms of OTC derivatives business, we will improve our research capability on industrial chains, hedge trading capability and risk control, intensify the research and development and promotion of innovative products to increase market share and consolidate the leading position in the industry. Secondly, in terms of market-making business, we will increase efforts on training and introduction of market-making talents to accumulate strength for expanding the scale of market-making business. We will establish a more comprehensive market-making variety research and tracking system to provide better support for various trading strategies. We will carry out market-making research on financial options and actively apply for market-making qualifications for financial options. We will continue to improve the market-making system and enrich the features of options trading auxiliary tools. Thirdly, in terms of futures and spot trading business, we will actively study new business models such as swap and cum-right trade, and increase income from futures and spot arbitrage services provided that risks are effectively controlled. We will carry out cooperation and management of warehousing logistics in a practical and meticulous manner, by deepening cooperation with upstream and downstream enterprises, and form new income source. We will well plan the use of funds, increase investment in futures and spot trading business, and expand the scale of futures and spot trading business provided that risks are effectively controlled.

## V. FINANCIAL STATEMENT ANALYSIS

### (1) Profitability Analysis

During the Reporting Period, the Group adhered to focusing on the main business, vigorously deepened reform and innovation, implemented the “talent-aided empowering” strategy, insisting on solution through investigation and research and improvement through benchmarking against out-performers and acting out its words, pushed business transformation under the “research plus” model to build a continuous supportive care customer service system, and achieved new operating results by strengthening compliance and risk control management. Affected by the overall environment of the PRC futures market, the Group’s net profit attributable to Shareholders for the year ended 31 December 2023 decreased as compared with the same period of last year. During the Reporting Period, the Group achieved total operating income of RMB2,153.2325 million, representing a decrease of 12.03% as compared with RMB2,447.6282 million in 2022; total operating expense of RMB1,968.7284 million, representing a decrease of 11.40% as compared with RMB2,221.9925 million in 2022; and net profit attributable to Shareholders amounted to RMB133.7188 million, representing a decrease of 19.50% as compared with RMB166.1021 million in 2022. Earnings per share was RMB0.13, representing a decrease of 23.53% as compared with RMB0.17 in 2022.



### (2) Asset Structure and Asset Quality

At the end of the Reporting Period, affected by the increase in customers' equity, both total assets and total liabilities of the Group grew slightly.

At the end of the Reporting Period, the Group's total assets amounted to RMB30.126 billion, representing an increase of 4.39% as compared with RMB28.859 billion at the end of 2022. The Group's liabilities totaled RMB27.566 billion, representing an increase of 4.35% as compared with RMB26.417 billion at the end of 2022. Net assets attributable to Shareholders were RMB2.560 billion, representing an increase of 4.83% as compared with RMB2.442 billion at the end of 2022.

At the end of the Reporting Period, the Group's total assets were as follows: non-current assets were RMB324 million, representing an increase of 48.83% as compared with RMB218 million at the end of 2022, and current assets were RMB29.802 billion, representing an increase of 4.05% as compared with RMB28.641 billion at the end of 2022. The increase in non-current assets is mainly attributable to the increase in prepayments and other receivables, while the increase in current assets is mainly due to the increase in margin deposits. During the Reporting Period, there was no significant impairment of the Group's assets.

At the end of the Reporting Period, liabilities excluding acting trading securities, currency deposit payable and pledge deposit payable were RMB2.135 billion, representing an increase of 4.66% as compared with RMB2.040 billion at the end of 2022. The Group's gearing ratio was 45.48%, representing a decrease of 0.04 percentage point as compared with 45.52% at the end of 2022. During the Reporting Period, the gearing ratio was relatively stable, and we had no liquidity pressure.

### (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 subordinated bonds in response to market condition and requirements 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 regulatory indicators of the Company in each month throughout 2023 complied with the regulatory requirements of the CSRC.

## Management Discussion and Analysis

### (5) Items of Income Statement

During the Reporting Period, the Group achieved a total profit of RMB181.4254 million, representing a year-on-year decrease of RMB43.9640 million or 19.51%. Summary of the financial results are as follows:

In RMB'0000

	2023	2022
<b>I. Operating income</b>	<b>215,323</b>	244,763
Net fees and commission income	35,381	35,541
Net interest income	23,173	22,573
Investment income (Loss marked with "-")	-10,810	19,432
Including: Investment income from associates and joint ventures	348	411
Gains from changes in fair value (Loss marked with "-")	14,663	-11,983
Exchange earnings (Loss marked with "-")	-26	-131
Other operating income	152,813	179,223
Gains on disposal of assets (Loss marked with "-")	22	3
Other income	107	104
<b>II. Operating expenses</b>	<b>196,873</b>	222,199
Expenditure on provision for futures risks	2,074	1,805
Taxes and surcharges	398	393
Business and management fees	43,630	40,639
Credit impairment losses	-18	835
Impairment losses on assets	72	-29
Other business costs	150,717	178,557
<b>III. Operating profit (Loss marked with "-")</b>	<b>18,450</b>	22,564
Add: Non-operating income	1	196
Less: Non-operating expenses	309	220
<b>IV. Total profits (Total losses marked with "-")</b>	<b>18,143</b>	22,539
Less: Income tax expenses	4,771	5,929
<b>V. Net profits</b>	<b>13,372</b>	16,610
<b>VI. Net after-tax amount of other comprehensive income</b>	<b>32</b>	192
Net after-tax amount of other comprehensive income attributable to owners of the parent company	32	192
Including: difference arising from translation of foreign exchange financial statements	32	192
Net after-tax amount of other comprehensive income attributable to minority interest	0	0
<b>VII. Total comprehensive income</b>	<b>13,404</b>	16,802
Total comprehensive income attributable to owners of the parent company	13,404	16,802
Total comprehensive income attributable to minority interest	0	0
<b>VIII. Earnings per share</b>	<b>0.13</b>	0.17
Basic and diluted earnings per share(RMB)	0.13	0.17

## 1. Fees and interest income

In 2023, the Group achieved net fees and commission income and net interest income of RMB585.54 million in aggregate, representing a year-on-year increase of 0.76%. In particular, the net fees and commission income accounted for 60.42% and 61.16%, respectively in 2023 and 2022, while the net interest income accounted for 39.58% and 38.84%, respectively. The breakdown is as follows:

In RMB'0000

	2023		2022		Change in 2023 as compared with 2022	
	Amount	Percentage	Amount	Percentage	Change in amount	Rate
Net fees and commission income	35,381	60.42%	35,541	61.16%	-160	-0.45%
Net interest income	23,173	39.58%	22,573	38.84%	600	2.66%
<b>Total</b>	<b>58,554</b>	<b>100%</b>	<b>58,115</b>	<b>100%</b>	<b>440</b>	<b>0.76%</b>

### (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

	2023	2022	Percentage change(%)
Net income from return and reduction of fees of the exchange	33,041	31,725	4.15
Net income from transaction fees	1,432	3,095	-53.75
Net income from exercise fees	790	672	17.54
Investment consulting fee income	68	22	211.52
Net income from settlement fees	2	1	42.28
Net income from asset management service	49	26	89.34
<b>Total</b>	<b>35,381</b>	<b>35,541</b>	<b>-0.45</b>

During the Reporting Period, the Group achieved net fees and commission income of RMB353,810 thousand, representing a year-on-year decrease of 0.45%.

## Management Discussion and Analysis

### (2) Net interest income

During the Reporting Period, the Group achieved net interest income of RMB231,730 thousand, representing a year-on-year increase of 2.66%. The composition of the Group's net interest income in 2023 is as follows:

In RMB'0000

	2023	2022	Percentage change(%)
<b>Interest income</b>	<b>48,342</b>	44,008	9.85
Including: Interest income from deposits with banks	44,847	37,259	20.36
Interest income from financial assets held under resale agreements	117	175	-33.28
Exchange margin interest income	3,377	6,574	-48.62
<b>Interest expense</b>	<b>25,168</b>	21,435	17.42
Including: Interest expense paid to customers	24,096	20,006	20.44
Interest expense of lease liabilities	319	290	10.05
Interest expense for settlement and clearing service	79	71	11.54
Loan interest expense	674	1,068	-36.85
<b>Net interest income</b>	<b>23,173</b>	22,573	2.66

Interest income was mainly derived from interest on demand and term deposits of the Group's own capital and interest from demand deposits of the client margin deposits. Interest income increased by RMB43,330 thousand or 9.85% as compared with the same period of last year, which was primarily due to an increase in the client margin deposits.

Interest expense increased by RMB37,330 thousand or 17.42% as compared with the same period of last year, 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 RMB38.53 million, representing a year-on-year decrease of RMB35.96 million or 48.28%, which was mainly attributable to the decrease in investment income affected by the conditions of markets. The composition of the Group's financial assets income in 2023 is as follows:

In RMB'0000

	2023	2022	Percentage change(%)
Investment income	-10,810	19,432	-155.63
Gains from changes in fair value	14,663	-11,983	222.37
<b>Total</b>	<b>3,853</b>	7,449	-48.28

## (1) Investment income

During the Reporting Period, the Group achieved net investment income of RMB-108,100 thousand. The composition of the Group's investment income in 2023 is as follows:

In RMB'0000

	2023	2022	Percentage change(%)
Investment income from disposal of held for trading financial instruments	-12,019	18,067	-166.52
Investment income obtained during the holding period of held for trading financial assets	860	954	-9.89
Long term equity investment income accounted by equity method	348	411	-15.24
<b>Total</b>	<b>-10,810</b>	<b>19,432</b>	<b>-155.63</b>

## (2) Gains from changes in fair value

During the Reporting Period, the Group's gain from changes in fair value was RMB146.63 million, representing a year-on-year increase of RMB266.46 million or 222.37%.

In RMB'0000

	2023	2022	Percentage change(%)
Changes in fair value of held for trading financial instruments	14,663	-11,983	222.37
<b>Total</b>	<b>14,663</b>	<b>-11,983</b>	<b>222.37</b>

## 3. Other operating income

In RMB'0000

	2023	2022	Percentage change(%)
Spot sales revenue from the combination of futures and spot trading services	150,609	176,381	-14.61
Others	2,204	2,842	-22.43
<b>Total</b>	<b>152,813</b>	<b>179,223</b>	<b>-14.74</b>

## Management Discussion and Analysis

### 4. Other income

In RMB'0000

	2023	2022	Percentage change(%)
Income from refund of individual income tax agency fee	52	23	123.87
Employment stabilization subsidy	32	2	1,554.70
Government grant	19	22	-13.63
Exempted taxes	1	2	-61.39
Others	3	54	-94.36
<b>Total</b>	<b>107</b>	<b>104</b>	<b>3.43</b>

### 5. Business and management fees

In 2023, the Group's business and management fees amounted to RMB436.30 million, representing a year-on-year increase of RMB29.92 million or 7.36%. The breakdown is as follows:

In RMB'0000

	2023	2022	Percentage change(%)
Staff costs	26,205	25,933	1.05
Running costs of electronic equipment	3,684	2,606	41.38
Depreciation and amortization	2,748	2,279	20.57
Advertising expenses	2,157	1,298	66.20
Communication fee	1,258	1,111	13.26
Business entertainment expenses	1,208	1,044	15.67
Travel expenses	903	496	82.27
Labor remuneration payable to Introducing broker	843	972	-13.22
Conference expense	812	219	271.29
Consulting fee	790	616	28.13
Audit fees	132	142	-7.18
Others	2,889	3,923	-26.37
<b>Total</b>	<b>43,630</b>	<b>40,639</b>	<b>7.36</b>



## (6) Asset Items

As at 31 December 2023, the Group's total assets were RMB30,126,390 thousand, representing a year-on-year increase of 4.39%, among which cash assets amounted to RMB27,761,370 thousand, representing a year-on-year increase of 2.36%; financial investment assets amounted to RMB1,490,450 thousand, representing a year-on-year increase of 23.32%; and other assets amounted to RMB874,570 thousand, representing a year-on-year increase of 64.84%. The Group's total assets are as follows:

In RMB'0000

	31 December 2023	31 December 2022	31 December 2023 compared with 31 December 2022	
			Amount	%
Cash assets	2,776,137	2,712,001	64,136	2.36
Financial investment assets	149,045	120,860	28,184	23.32
Other assets	87,457	53,054	34,402	64.84
<b>Total</b>	<b>3,012,639</b>	<b>2,885,916</b>	<b>126,723</b>	<b>4.39</b>

### 1. Cash assets

As at 31 December 2023, the Group's cash assets increased by RMB641,360 thousand or 2.36% as compared with the same period of last year. The composition of the Group's cash assets is as follows:

In RMB'0000

	31 December 2023	31 December 2022	31 December 2023 compared with 31 December 2022	
			Amount	%
Cash and cash equivalents	1,881,847	1,646,703	235,143	14.28
Currency margin receivable	665,420	692,835	-27,415	-3.96
Pledge margin receivable	228,871	372,463	-143,592	-38.55
<b>Total</b>	<b>2,776,137</b>	<b>2,712,001</b>	<b>64,136</b>	<b>2.36</b>

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 RMB18,818,470 thousand, accounting for 62.47% of the total assets of the Group, representing a year-on-year increase of RMB2,351,430 thousand or 14.28%; currency margin receivable amounted to RMB6,654,200 thousand, accounting for 22.09% of the total assets of the Group, representing a year-on-year decrease of RMB274,150 thousand or 3.96%. Pledge margin receivable amounted to RMB2,288,710 thousand, accounting for 7.60% of the total assets of the Group, representing a year-on-year decrease of RMB1,435,920 thousand or 38.55%.

## Management Discussion and Analysis

### 2. Financial investment assets

As at 31 December 2023, the Group's financial investment assets increased by RMB281,840 thousand, or 23.32% as compared with the same period of last year. The composition of the Group's financial investment assets is as follows:

In RMB'0000

	31 December 2023	31 December 2022	31 December 2023 compared with 31 December 2022	
			Amount	%
Long-term equity investments	4,326	3,978	348	8.76
Held for trading financial assets	112,776	93,328	19,448	20.84
Financial assets held under resale agreements	31,942	23,554	8,388	35.61
<b>Total</b>	<b>149,045</b>	<b>120,860</b>	<b>28,184</b>	<b>23.32</b>

#### (1) Held for trading financial assets

As at 31 December 2023, the Group's held for trading financial assets increased by RMB194,480 thousand, or 20.84% as compared with the same period of last year. The composition of the Group's held for trading financial assets is as follows:

In RMB'0000

	31 December 2023	31 December 2022	31 December 2023 compared with 31 December 2022	
			Amount	%
Public offering securities investment fund	34,013	33,517	497	1.48
Derivative financial instruments	32,210	20,249	11,961	59.07
Asset management schemes	25,513	26,589	-1,077	-4.05
Private securities investment funds	19,928	6,962	12,966	186.25
Trust schemes	700	5,146	-4,446	-86.39
Stock investment	239	1	239	45,886.69
Bank wealth management products	172	364	-192	-52.67
Income certificates	0	501	-501	-100.00
<b>Total</b>	<b>112,776</b>	<b>93,328</b>	<b>19,448</b>	<b>20.84</b>

### 3. Other assets

As at 31 December 2023, the Group's other assets amounted to RMB874,540 thousand, representing a year-on-year increase of RMB344,020 thousand or 64.84%. The composition of the Group's other assets is as follows:

In RMB'0000

	31 December 2023	31 December 2022	31 December 2023 compared with 31 December 2022	
			Amount	%
Receivables	46,443	21,634	24,810	114.68
Contract assets	3,023	2,639	383	14.52
Inventories	3,710	7,722	-4,012	-51.95
Fixed assets	4,722	4,449	273	6.14
Right-of-use assets	2,874	2,495	379	15.19
Intangible assets	1,450	820	630	76.83
Deferred income tax assets	873	2,199	-1,325	-60.28
Futures membership investment	140	140	0	0.00
Others	24,221	10,957	13,264	121.05
<b>Total</b>	<b>87,457</b>	<b>53,054</b>	<b>34,402</b>	<b>64.84</b>

### (7) Items of Liabilities

As at 31 December 2023, the Group's total liabilities amounted to RMB27,566,100 thousand, representing a year-on-year increase of RMB1,149,220 thousand or 4.35%. Among them, currency deposits payable amounted to RMB23,138,020 thousand, representing a year-on-year increase of 12.05%. Summary of Changes in the Group's total liabilities are as follows:

In RMB'0000

	31 December 2023	31 December 2022	31 December 2023 compared with 31 December 2022	
			Amount	%
Currency margin payable	2,313,802	2,064,957	248,845	12.05
Pledge margin payable	228,871	372,463	-143,592	-38.55
Funds payable to OTC option customers	144,612	121,478	23,134	19.04
Held for trading financial liabilities	17,448	18,464	-1,016	-5.50
Other liabilities	51,877	64,326	-12,449	-19.35
<b>Total</b>	<b>2,756,610</b>	<b>2,641,688</b>	<b>114,922</b>	<b>4.35</b>

## Management Discussion and Analysis

### 1. Currency margin payable

As at 31 December 2023, the Group's currency margin payable amounted to RMB23,138,020 thousand, accounting for 83.95% of the Group's total liabilities, and representing a year-on-year increase of RMB2,488,450 thousand or 12.05%. The composition of the Group's currency margin payable is as follows:

In RMB'0000

	31 December 2023	31 December 2022	31 December 2023 compared with 31 December 2022	
			Amount	%
Natural person	672,469	592,870	79,600	13.43
Legal person	1,636,015	1,436,587	199,427	13.88
Non-settlement member	5,318	35,500	-30,182	-85.02
<b>Total</b>	<b>2,313,802</b>	<b>2,064,957</b>	<b>248,845</b>	<b>12.05</b>

### (8) Items of Equity

As at 31 December 2023, the Group's total equity amounted to RMB2,560,290 thousand, representing a year-on-year increase of 4.83%. The composition of the Group's equity is as follows:

In RMB'0000

	31 December 2023	31 December 2022	31 December 2023 compared with 31 December 2022	
			Amount	%
Share capital	100,190	100,190	0	0.00
Share capital premium	65,063	65,063	0	0.00
Other reserves	15,109	13,771	1,337	9.71
Retained earnings	75,668	65,204	10,464	16.05
<b>Total equity</b>	<b>256,029</b>	<b>244,228</b>	<b>11,801</b>	<b>4.83</b>

## (9) Charges over Assets

As at 31 December 2023, the fair value of standard warehouse receipts that can be used for re-pledge among the pledges received by the Group for warehouse receipt pledge financing amounted to RMB30,547,000.00, all of which were used for re-pledge to offset the trading margin (31 December 2022: Nil).

## (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 income from foreign currency transactions is insignificant. Therefore, the Group considers that its foreign exchange risk is immaterial. As at 31 December 2023, the Group does not use any derivative financial instruments to hedge the exchange risk.

## (11) Contingencies

As at the balance sheet date, the Group has no significant contingencies that are discloseable.

## (12) Gearing Ratio

Item	As at 31 December 2023	As at 31 December 2022	Increase/ decrease compared with the same period of last year	31 December 2021
Gearing ratio	45.48%	45.52%	decreased by 0.04 percentage point	33.84%

Gearing ratio = (Total liabilities – acting trading securities – currency margin payable – pledge margin payable) / (Total assets – acting trading securities – currency margin payable – pledge margin payable)

## Management Discussion and Analysis

### VI. EMPLOYEES STRUCTURE, REMUNERATION AND TRAINING

For the Composition of Employees of the Company, please see “(3) Staff Profile” of Chapter III of this report.

During the Reporting Period, the total expenses of staff remuneration of the Group were RMB262,050 thousand, details of which are as follows (amounts stated in RMB'0000):

	Year ended 31 December	
	2023	2022
Short-term benefits	22,308	22,310
Post-employment benefits-defined contribution scheme	3,891	3,612
Other welfares	7	10
<b>Total</b>	<b>26,205</b>	<b>25,933</b>

#### The five highest-paid individuals

During the Reporting Period, the five highest-paid individuals do not include any Directors or Supervisors (2022: do not include any Directors or Supervisors). Details of the total remuneration for the five highest-paid individuals for the year are as follows (amounts stated in RMB'0000):

	Year ended 31 December	
	2023	2022
Salaries and allowances	645	1,032
Social insurance, housing fund and related pension costs	95	95
Bonus	337	812
<b>Total</b>	<b>1,077</b>	<b>1,939</b>

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

Item	2023	2022
RMB1,500,001 to RMB2,000,000	2	–
RMB2,000,001 to RMB2,500,000	2	–
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
<b>Total</b>	<b>5</b>	<b>5</b>



## 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 protection from occupational hazards, 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, enterprise annuities and supplementary medical insurance for our employees. We have made full contribution to the aforesaid social insurances, supplementary medical insurance and housing provident fund and enterprise annuities in accordance with the applicable regulations.

During the Reporting Period, focusing on talent development and cultivation, the Company trained the staff's thinking habits, built a curriculum system, and promoted the construction of a learning organization. We continuously paid attention to improving the professional capability of cadres and employees, constantly improved and enriched the Company's curriculum system, and caused the Company's E-Learning learning platform to play a role as the "main position". Firstly, we continuously enriched our curriculum system, improved the knowledge structure of employees, strengthened training and assessment, gradually realized the systematization and standardization of on-line learning, made best use of the convenient and efficient learning platform to hold 69 routine trainings and produce 72 micro-courses. Secondly, we organized a series of training on the Qihang Plans\* (啟航計劃) in 2023. Through three special training projects, namely "Future Marketing Service Stars Special Session", "Future Function Professionals Special Session\* (未來職能專才專場)" and "New Employees Special Session in 2023", we organized off-line training activities with rich contents and in various forms to help employees fully understand the Company, further familiarize themselves with and master relevant business knowledge, improve their post competence and professional quality, and effectively apply such knowledge to their daily work. Thirdly, we carried out targeted and practical training projects, organized six Qihang Plans and advanced experience sharing meetings of business entities in form of key and pilot projects in batches, exchange and train outstanding and advanced business entities, conducted benchmarking discussions on advanced experience and practices, and formulated improvement measures in light of the actual situation of each employee to achieve the purpose of improving and enhancing business development.

\* For identification purpose only

### VII. CHANGES IN BRANCHES AND SUBSIDIARIES AND IMPACT ON RESULTS

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

##### 1. Establishment and closure of branches of the Company

During the Reporting Period, the Company established Henan First Branch (formerly known as Zhengzhou Zhengdong Branch) on 9 May 2023, and closed Jinan Sales Office on 7 August 2023.

##### 2. Relocation of branches of the Company

During the Reporting Period, the Company completed the relocation of Beijing Chaoyang Branch in the same city on 31 March 2023; completed the relocation of Jinan Branch in the same city on 9 May 2023; completed the relocation of Jinan Sales Office in the same city on 9 May 2023; completed the relocation of Nanjing Branch in the same city on 16 August 2023; completed the relocation of Linyi Branch in the same city on 18 September 2023.

##### 3. Change of names of branches of the Company

During the Reporting Period, the Company's Linyi Sales Office changed its name to Linyi Branch, Weifang Sales Office changed its name to Weifang Branch, Shenyang Sales Office changed its name to Liaoning Branch, Jining Sales Office changed its name to Jining Branch, and Zhengzhou Zhengdong Branch changed its name to Henan First 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, the Company established one new branch, closed one branch, relocated five branches in the same city and changed names of five branches. None of them had material impact on the Company's results.

#### **Effects of changes in subsidiaries of the Group on the results**

During the Reporting Period, there were no significant changes in subsidiaries of the Group and hence, the results were not materially affected.

## **VIII. MAJOR INVESTMENTS AND FINANCING**

### **(1) Major investments**

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

As at the date of this report, the Group has no future plan for major investments or acquisition of major capital assets.

### **(2) Major financing**

The Group did not conduct any major financing activity during the Reporting Period.

## **IX. DISPOSAL OF MATERIAL ASSETS, ACQUISITION, REPLACEMENT, SPIN-OFF AND REORGANIZATION OF OTHER COMPANIES**

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

## Management Discussion and Analysis

### X. POSSIBLE RISKS, UNCERTAINTIES AND COUNTERING MEASURES

#### (1) Major risks

Major risks to which the Group might be exposed include market risk, credit risk, liquidity risk, operational risk and compliance risk. The above risks are caused by various uncertainties in the business activities of the Group.

1. **Market Risk:** the risk of incurring losses of the Group due to changes in the prices of securities, futures and bulk commodities or interest rates and exchange rates. The major market risks faced by the Group are the price risks of equity assets, price risks of commodities, pricing risks of options, hedging risks and interest rate risks.
2. **Credit Risk:** the risk of incurring losses of the Group due the unwillingness or failure of a counter-party to perform its contractual obligations. The major credit risks that the Group may encounter are default risks and settlement risks.
3. **Liquidity Risk:** the capital liquidity risk resulting from the Group's unavailability of sufficient capital to meet its obligations or payment settlement during operation, and the trading liquidity risk due to its failure to buy or dispose of options, physical commodities and option contracts at the market prices.
4. **Operational Risk:** the risk of incurring losses due to a series of non-financial issues, including incomplete internal operation procedures, staff, system or negative external incidents.
5. **Compliance Risks:** the risk that the Group or its staff may face legal sanction, regulatory measures and self-regulatory punishment and may incur economic loss and reputation harm due to violation of laws, regulations and self-regulatory rules on the part of our business activities or behavior of our staff.

### **(2) Countering Measures Adopted**

#### **1. General Countering Measures**

##### **(1) *Establishing a 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 the Risk Control Committee and the Audit Committee to review and audit major risk matters; the Supervisory Committee is responsible for supervising the Board of Directors in performing its risk management duties; the management 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 the effectiveness of such work; other functional departments, branches and risk management subsidiaries are responsible for setting up their own compliance and risk control positions respectively, who are responsible for organizing the identification, assessment, response and reporting of various types of risks of their own.

##### **(2) *Constantly perfecting the corporate governance structure***

The Company constantly standardizes the operation mechanism of the general meeting and improves the corporate governance structure to ensure that all Shareholders, especially small and medium Shareholders, can enjoy equal rankings and have their interests well protected; ensures that the Board gives strategic guidance to the Company and effectively monitors the management of the Company. Moreover, we give full play to the roles of all special committees of the Board and independent non-executive Directors of the Company; give full play to the role of the Supervisory Committee in monitoring the Board and the management of the Company as well as supervising the financial condition of the Company; ensure that significant events in relation to the Company are disclosed in a timely manner.

##### **(3) *Constantly perfecting the comprehensive risk management system***

The Company's risk management covers all functional departments, branches and subsidiaries in every part of business throughout the course. The Company has established and continuously improved a comprehensive risk management system covering all types of risks, and standardized the development of risk management. It takes the Company as a whole in gathering risk information and business data of all business lines and subsidiaries for overall risk analysis and management, centralized reporting.

##### **(4) *Constantly enhancing the risk awareness***

The Company puts great emphasis on enhancing risk awareness and risk control capabilities among our staff. Through internal advocating and training, the Company constantly enhances the capabilities of the staff in identifying and preventing risks as well as raising their risk management 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 a systematic investment management mechanism, and continuously strengthens analysis of the financial market. Prior to commencement of a new investment project, a business unit is required to submit an application to the Company's management, conduct due diligence, describe nature of the investment, analyze the potential market risks and possible consequences.
- (ii) The Company adopts diversified fund management strategies to avoid excessive concentration of capital use, and reduce loss arising from systemic risks. We increases research on interest rate and exchange rate risks to make more forward-looking decisions about capital use, and the relevant decision-making organization will decide the feasibility of the plan through a standardized procedures.
- (iii) The Company tracks and monitors risk limits by using quantitative indicators 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 commodity futures and spot transaction and risk management business of risk management subsidiaries, the Group has established a client credit evaluation system for credit ratings of existing and potential clients based on the appraisal conducted by the Group's risk control personnel and independent third-parties, 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 client or to increase the agreed interest rate or commodity price based on the credit evaluation results of the client 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 clients based on their assets, professional knowledge on futures, trading experiences and risk tolerance before entering into brokerage contracts with such clients. Accordingly, the Company provides appropriate services to them and implements corresponding risk control measures. 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 trading history and reputation. This measure can control the risk of margin call liquidation while retaining premium clients.

### **(3) Liquidity Risk**

- (i) The Company has established a net capital risk assessment and monitoring system to continuously monitor the Company's net capital and other risk regulatory indicators.
- (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 indicators on an ad hoc basis by observing and simulating 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 we 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 and internal control, 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 constantly expands and improves such systems in accordance with the laws and regulations, requirements of self-regulatory rules and the development of new businesses.
- (ii) The Company continuously reviewed the risk points of each business line to form a control list, and constantly improved the procedures, strengthens accountability. We increased the operational level of our employees, in an aim to reduce operational risks caused by internal operating procedures and personnel errors. We strictly implements the reward and punishment measures for units or individuals who cause operational risks or who 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 established human-oriented incentives such as remuneration and promotion in an open, fair and impartial way to provide our staff with a favorable development environment, and to enhance their sense of responsibility and dedication to their duties. We held trainings about professional ethics, standardized the operational behavior of employees, prohibited transfer of benefits and market manipulation, to reduce possible human operational risks.

## Management Discussion and Analysis

### **(5) Compliance Risk**

- (i) The Company has built up a well-structured compliance management system and organizational system, and appointed a chief risk officer who is fully responsible for the risk management, internal control and compliance and auditing, etc.
- (ii) The Company has designated compliance and risk control executives in the functional departments of the headquarters, each branch and the risk management subsidiaries to strengthen risk control before the facts and in the course of the facts.
- (iii) The Company has an audit department who inspects the rationality, legitimacy and effectiveness of the internal control system of the Company, the capital operation and the financial revenue and expenditure of each operating entity, the operation procedures of each functional department of the Company and the duty-performance of our personnel.
- (iv) The compliance and risk control department and the audit department of the Company fully discharge their duties under the guidance of the chief risk officer. They have adopted certain measures to reduce compliance risks, including interpreting the latest laws and regulations in a timely manner, conducting compliance training, offering compliance consultation and carrying out compliance monitoring and compliance check , and internal audit, etc.

## **XI. MAJOR EVENTS AFTER THE REPORTING PERIOD**

At the first extraordinary general meeting of shareholders in 2024 held on 22 February 2024, Liu Qingbin was elected as executive director of the fourth session of the Board of Directors of the Company; Hu Kainan ceased to be a non-executive director of the Company with effect from 22 February 2024.

At the 15th meeting of the fourth session of the Board of Directors of the Company held on 13 March 2024, Meng Xiancheng was appointed as deputy general manager of the Company, and Meng Xiancheng ceased to be the chief risk officer of Company with effect from 13 March 2024; Ji Qihong was appointed as the chief risk officer of the Company, and Ji Qihong ceased to be deputy general manager of the Company with effect from 13 March 2024.

Except for the above matters, please refer to Note XV to the financial statements of this report for other subsequent events.

# Report of the Board of Directors

## I. 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.

## II. 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 2023.

The Board of Directors recommends the payment of a final dividend (the "2023 Final Dividend") of RMB0.14 (tax inclusive) per 10 Shares for the year ended 31 December 2023. The total amount of dividends to be distributed is RMB14,026,600 (the total amount of final dividends distributed for the year ended 31 December 2022 was RMB16,030,400), accounting for 13.44% of the Company's profit available for distribution. The proposal for distribution of the 2023 Final Dividend shall come into effect upon the approval by the Shareholders at the forthcoming annual general meeting (the "AGM"). After the 2023 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 2023 Final Dividend will be distributed on or around 8 August 2024 in the event that the distribution of 2023 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.

## Report of the Board of Directors

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.

### III. BUSINESS REVIEW

A review of the business for the year and a discussion on future development of the Group are set out from pages 29 to 33 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 34 to 44 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 48 to 49 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 62.

### IV. 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, Mr. Liu Qingbin (appointed on 22 February 2024) and Mr. Liang Zhongwei as executive Directors; Mr. Hu Kainan (resigned on 22 February 2024 due to other work commitments), Mr. Zheng Hanyin, Mr. Ming Gang and Mr. Liu Feng as non-executive Directors; Mr. Zheng Jianping, Mr Chen Hua and Mr. Luo Xinhua as independent non-executive Directors.

Mr. Liu Qingbin received the legal opinion as stated in Rule 3.09D of the Listing Rules on 20 February, 2024, and he also expressed his understanding the responsibility for the matter as a director of the listed issuer.

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.

## **V. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

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.

## **VI. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 31 December 2023, 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.

## Report of the Board of Directors

### VII. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, 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.) <sup>(1)</sup>	Domestic Shares	Beneficial owner	632,176,078 (long position)	63.10%	87.22%
Shandong Energy Group Co., Ltd. <sup>(1)</sup>	Domestic Shares	Interest of controlled corporation	632,176,078 (long position)	63.10%	87.22%
CM International Capital Limited <sup>(2)</sup>	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) <sup>(2)</sup>	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) <sup>(2)</sup>	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 2023.

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 2023, 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.

### **VIII. 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.

## Report of the Board of Directors

### IX. 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 proposed by the futures industry of promoting the rural revitalization in all aspects and contributing to the common prosperity, and commits itself to the national rural revitalization strategy. The Company won the "Best Rural Revitalization Service and Social Responsibility Public Welfare Award" granted by the Futures Daily and the Securities Times, the Second Prize for the "Insurance+Futures" Pilot Project (natural rubber) granted by Shanghai Futures Exchange in 2022, and "Outstanding Project Award" for "Agricultural Insurance Without Worries (農險無憂)" Pilot Project granted by Zhengzhou Commodity Exchange in 2022.

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 2023, the Company leveraged on its professional expertise to provide financial service support for rural revitalization. The Company signed more than 30 "paired assistance agreements" with former state-level poverty-stricken counties and rural revitalization areas in Shandong Province, and carried out more than 200 "insurance+futures" projects in respect of 11 varieties such as pigs, corn and soybeans, underwriting more than RMB3.0 billion. The Company purchased agricultural and sideline products of more than RMB470,000 from rural revitalization areas in Huachuan County, Heilongjiang Province. At the same time, leveraging on our technical advantage, we assisted local enterprises in establishing sales platforms. We have taken various measures in promoting rural revitalization. In the evaluation for 2022 to 2023 conducted by China Futures Association, the Company ranked second in the futures sector for rural revitalization, and the fourth in its sector for the "insurance+futures".

### X. 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.



## Report of the Board of Directors

### (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 "VI. 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 2023, 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.

### (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 39 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 15 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, based on the information available to the Company and the knowledge of the Directors, 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 34 to the consolidated financial statements of this Report.

## Report of the Board of Directors

### (15) Issuance of Debentures

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

### (16) Donation

In 2023, the Company applied a total of RMB850,000 in industrial project assistance funds to rural revitalization places, including Shigatse City of Xizang Autonomous Region, Juye County of Shandong Province, Yinan county and Yishui County of Shandong Province, so as to further enhance the self-development ability of rural revitalization areas through industrial assistance. We assisted development of featured industrial projects in those areas, to spur local employment and increase farmers' income; the party organizations of the Company cooperated with the party organizations in rural revitalization areas to promote paired Helping activities through Party-building, and donated materials equivalent to RMB139,700. The Company donated RMB1,000 to Shandong Population Care Fund\* (山東省人口關愛基金).

By order of the Board

**Zhong Jinlong**

*Chairman*

26 March 2024

\* For identification purpose only

# Work Report of the Supervisory Committee in 2023

In 2023, the Supervisory Committee earnestly performed and independently exercised its supervision powers and duties in strict compliance with the requirements of the Company Law of the PRC, the Futures and Derivatives Act, the Listing Rules, the Articles of Association and Terms of Reference of the Supervisory Committee of the Company, and relevant laws and regulations. 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 the general meetings and Board, and also supervised the compliance of the Company with laws in operation and the performance of duties by the Directors and senior management of the Company. The work report of the Supervisory Committee in 2023 is as follows.

## I. MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2023

### (1) Meetings of the Supervisory Committee in 2023 and the attendance of Supervisors at such meetings

During the Reporting Period, the Supervisory Committee held four meetings, details of which are as follows:

1. The 10th meeting of the third session of the Supervisory Committee was held through voting by correspondence on 10 January 2023, at which the Proposal on Election of Non-staff Representative Supervisors of the Fourth Session of the Supervisory Committee of ZHONGTAI FUTURES Company Limited to Be Considered at the General Meeting was considered and approved;
2. The first meeting of the fourth session of the Supervisory Committee was held by voting on site and through video on 15 February 2023, at which the Proposal on Election of An Tie as Chairman of the Fourth Session of the Supervisory Committee of ZHONGTAI FUTURES Company Limited was considered and approved;
3. The second meeting of the fourth session of the Supervisory Committee was held by voting on site on 30 March 2023, at which the following proposals were considered and approved: the Proposal on the Work Report of the General Manager of ZHONGTAI FUTURES Company Limited for the Year 2022, the Proposal on the Work Report of the Supervisory Committee of ZHONGTAI FUTURES Company Limited for the Year 2022, the Proposal on the Internal Control Evaluation Report of ZHONGTAI FUTURES Company Limited for the Year 2022, the Proposal on the Annual Report of ZHONGTAI FUTURES Company Limited for the Year 2022 (Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited), the Proposal on the Annual Report of ZHONGTAI FUTURES Company Limited for the Year 2022 (Guidelines of the CSRC Regarding the Contents and Formats of Annual Reports of Futures Companies), the Proposal on the Final Financial Accounts Plan of ZHONGTAI FUTURES Company Limited for the Year 2022, the Proposal on the Profit Distribution Plan of ZHONGTAI FUTURES Company Limited for the Year 2022 and the Proposal on the Financial Budgets of ZHONGTAI FUTURES Company Limited for the Year 2023;
4. The third meeting of the fourth session of the Supervisory Committee was held by voting on site and through video on 24 August 2023, at which the Proposal on the Work Report of the General Manager of ZHONGTAI FUTURES Company Limited for First Half of the Year 2023 and the Proposal on the Interim Report of ZHONGTAI FUTURES Company Limited for 2023 were considered and approved.

## Work Report of the Supervisory Committee in 2023

Details of attendance and voting of Supervisors at the meetings in 2023 are as follows

Name of Supervisor	Capacity	Attendance at meetings of the Supervisory Committee					Are there two consecutive meetings not attended in person	Votes
		Number of meetings required to attend	Number of meetings attended in person	Number of meetings attended by means of correspondence	Number of meetings attended by proxy	Number of meetings not attended		
An Tie	Chairman of the Supervisory Committee	4	4	0	0	0	No	For all
Tan Shaojie	Supervisor (resigned on 15 February 2023)	1	1	0	0	0	No	For all
Ding Jian	Supervisor (appointed on 15 February 2023)	3	2	0	1	0	No	For all
Liu Pu	Staff representative Supervisor	4	4	0	0	0	No	For all
Wang Hairan	Staff representative Supervisor (resigned on 15 February 2023)	1	1	0	0	0	No	For all
Lin Zongheng	Staff representative Supervisor (resigned on 15 February 2023)	1	1	0	0	0	No	For all
Mou Yong	Supervisor (resigned on 15 February 2023)	1	1	0	0	0	No	For all

### (2) Attending important meetings of the Company to perform monitoring duties

The Supervisory Committee arranged Supervisors to attend important meetings of the Company as a voting member or not, including the general meetings and the Board meetings held during the Reporting Period. By attending the above-mentioned meetings, it made sure that the decision-making process of major matters of the Company complied with laws and best practices, and supervised the performance of duties by the directors and senior management personnel of the Company, continuously monitored the effectiveness of the Company's internal control, and thus earnestly performed their supervisory duties.



## Work Report of the Supervisory Committee in 2023

### **(3) Carrying out information disclosure, connected transactions and financial supervision.**

In 2023, the Supervisory Committee supervised whether the procedures for preparing and approving the Company's periodic reports, and the contents and formats of such reports conform with laws and regulatory requirements by regularly reviewing the Company's periodic reports, and kept a close eye on information disclosure and connected transactions; monitored the truthfulness, accuracy and completeness of the Company's financial information by reviewing the Company's financial reports to be updated about the Company's assets and liabilities, cash flow and operating results, and other financial information in a timely manner and following the liquidity of the Company's own funds and customer margin deposit, and risk regulatory indicators such as net capital and others.

### **(4) Carrying out a combination of daily supervision and special supervision**

In 2023, the Supervisory Committee persevered in daily supervision and inspection of the Company's operating activities, and carried out supervision and inspection of 10 branches in Jinan, Zibo, Shanghai, Ningbo, Yantai, Wuhan, Shenzhen, Hangzhou, Wuxi and Weifang; during the Reporting Period, special internal compliance inspections were carried out in the form of special inspection on Zhongtai Huirong Capital, a risk management subsidiary; carried out special supervision and inspection on the Company's IT management, self-owned fund investment management, anti-money laundering management, etc., and effectively improved the effectiveness of supervision by putting forward suggestions for the problems found.

### **(5) Supervision and inspection of the duty-performance of the Directors and senior management personnel**

In 2023, members of the Supervisory Committee implemented 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 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, and monitored how the Directors and the senior management personnel of the Company discharged their duties.

### **(6) Improving the ability of the Supervisory Committee to perform their duties**

In 2023, the Supervisory Committee continuously made arrangements for its members to study the latest regulatory policies and regulations, 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 in accordance with the requirements of the Hong Kong Stock Exchange for the operation of listed companies and based on the Company's actual situation.

## Work Report of the Supervisory Committee in 2023

### II. REVIEW OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS IN 2023

During the Reporting Period, the Supervisory Committee of the Company performed its supervisory duties in accordance with the Company Law, the Futures and Derivatives Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association, the Terms of Reference of the Supervisory Committee and relevant laws and regulations, and expressed the following opinions:

#### (1) Lawful operation of the Company

In 2023, the Company operated in accordance with the law, continuously improved its corporate governance level, and strengthened and perfected its internal control system. All business management activities were in compliance with laws and regulations, regulatory policies and the Articles of Association, and the decision-making procedures for major issues were legal and compliant. During the Reporting Period, the Supervisory Committee did not find any material breach of laws and regulations by the Company.

#### (2) Financial management of the Company

The Company has established and continuously improved its financial system. The financial report of 2023 has been audited by ShineWing Certified Public Accountants LLP who has issued a standard unqualified audit report. The Supervisory Committee believed that the financial statements have been prepared under the requirements of China Accounting Standards for Business Enterprises, and give a true and fair picture of the financial status and results of operation of the Company in 2023.

#### (3) Performance of Duties by the Directors and Senior Management Personnel

The Directors and senior management personnel of the Company have diligently performed their duties and strictly implemented the resolutions of the general meetings and the Board. During the Reporting Period, the Supervisory Committee did not find violations of laws and regulations and the Articles of Association on the part of the Directors and senior management personnel in performing their duties for the Company or any acts detrimental to the interests of the Company.

## Work Report of the Supervisory Committee in 2023

### **(4) Connected transactions**

The transactions between the Company and its related parties were entered into on normal terms, the prices are fair and the transactions are fair and reasonable. During the Reporting Period, the Supervisory Committee did not find any connected transaction being used to harm the interests of the Company and other minority shareholders.

### **(5) Internal control of the Company**

The Company has prepared the Internal Control Evaluation Report of the Company for 2023. The Supervisory Committee believes that as of the benchmark reporting date (31 December 2023), the Company has maintained effective internal control over financial reporting in all material aspects in accordance with the requirements of the enterprise internal control standard system and relevant regulations, and there are no material defects in internal control over financial reporting, and no material defects in internal control over non-financial reporting have been found.

### **(6) Preparation and approval of the 2023 annual report**

The Supervisory Committee believes that the preparation and approval procedures for the Company's 2023 annual report are in compliance with relevant laws, regulations, normative documents, the Articles of Association and the Company's internal regulations; the content and format satisfied all the requirements of the CSRC, the Hong Kong Stock Exchange and other relevant authorities, and can give a true, accurate and complete picture of the Company's business management and financial status in 2023; the Supervisory Committee did not find violation of the confidentiality provisions about inside information on the part of the personnel involved in the preparation and approval of the report.

## Work Report of the Supervisory Committee in 2023

### III. WORK PLANS OF THE SUPERVISORY COMMITTEE FOR 2024

In 2024, 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 operations 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 Board 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, and promote the high-quality development of the Company; thirdly, it will keep frequent communication and contact with the internal audit and the accounting firm engaged by the Company, make full use of internal and external audit information, to understand and master the relevant situation of the Company in a timely manner; fourthly, it will continuously 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*

26 March 2024

# 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 three executive Directors with Mr. Zhong Jinlong serving as the Chairman of the Board, Mr. Liu Qingbin serving as the general manager and Mr. Liang Zhongwei serving as a staff representative Director, and six non-executive Directors (including three independent non-executive Directors).
2. Supervisors: the Supervisory Committee consists of three members, including two Shareholder representative Supervisors (Mr. An Tie serving as the Chairman of the Supervisory Committee), one staff representative Supervisor.
3. Senior management: there are eight senior management, including one general manager, five deputy general managers (Among them, Mr. Liu Yunzhi, deputy general manager, also serves as the Person in Charge of Financial Affairs; Mr. Meng Xiancheng, deputy general manager, also serves as general counsel), one chief risk officer, and one chief information officer.



## Directors, Supervisors, Senior Management and Staff

### (I) The Board

#### Executive Directors

Mr. Zhong Jinlong (鐘金龍先生), aged 59, joined the Company in September 2019. At present, he is the secretary to the party committee, executive Director and the Chairman of the Board of the Company, the chief consultant of Zhongtai Securities Co., Ltd.. He is also a member of the Council under Shandong Zhongtai Charity Foundation (山東中泰慈善基金會) and a director representative of the Sixth Council of China Futures Association and President of Shandong Futures Association. Mr. Zhong Jinlong served as assistant engineer and engineer at the Electric Power Test and Research Institute of Shandong Electric Power Supply Bureau (山東省電力局電力試驗研究所) and 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 director, vice general manager and 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. (previously known as Qilu Securities Co., Ltd. (齊魯證券有限公司)) from January 2008 to March 2022; he serves as the chief consultant of Zhongtai Securities Co., Ltd. since March 2022; serves 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; and serves as a member of the Council under Shandong Zhongtai Charity Foundation since June 2020, serves as the president of Shandong Futures Association since February 2023, and serves as the director representative of the Sixth Council of China Futures Association since September 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 University of International Business and Economics (previously known as Shanghai Institute of Foreign Trade (上海對外貿易學院)) 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. Zhong Jinlong was awarded the professional qualification of the engineer in August 1987. He obtained the professional qualification of lawyer issued by the Ministry of Justice of the People's Republic of China in February 2005.

## Directors, Supervisors, Senior Management and Staff

Mr. LIU Qingbin (劉慶斌), aged 54, joined the Company in May 2014. At present, he is the deputy secretary of the party committee, executive director and the general manager of the Company. He is also branch secretary of the party committee of Zhongtai Huirong Capital Investment Co., Ltd., a deputy chief member of the Legal Committee under China Futures Association (中國期貨業協會), a member of the Talent Development Committee of China Futures Association, a member of the Trading Committee of Dalian Commodity Exchange (大連商品交易所), the chief member of 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 (濟南市證券管理辦公室) 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 Institution Supervision of Jinan Securities Administration Office of China Securities Regulatory Commission 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 China Securities Regulatory Commission (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 the China Securities Regulatory Commission 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; serves as the general manager of the Company since August 2016; served as a member of the Party Committee of the Company from August 2016 to July 2023, and serves as the deputy secretary of the Party Committee of the Company since July 2023; he serves as an executive director of the Company since February 2024. He serves as the director of the Metal Variety Committee of Shanghai Futures Exchange since August 2018; serves as a member of the trading committee of Dalian Commodity Exchange since July 2019; serves as the deputy chief member of the Legal Committee of the Council of China Futures Association since May 2021; serves as a member of the Talent Training Committee of China Futures Association since December 2021; serves as branch secretary of the party committee of Zhongtai Huirong Capital Investment Co., Ltd. since March 2024. Mr. Liu Qingbin graduated from Luoyang Institute of Technology (洛陽工學院) with a bachelor's degree in marketing in July 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 January 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. Liang Zhongwei (梁中偉), aged 50, joined the Company in March 2009. At present, he is a staff representative Director, secretary of the Board, 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; held several positions in Qilu Securities Co., Ltd (now known as Zhongtai Securities Co., Ltd.), including assistant to the departmental general manager and departmental senior business manager in succession 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; serves 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 Board Office 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 party committee of the Company from August 2018 to July 2022; serves as the secretary to the Board and 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 Board Office 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 of the PRC in November 2001.

### Non-executive Directors

Mr. Zheng Hanyin (鄭韓胤), aged 48, joined the Company in May 2022. At present, he is a non-executive Director of the Company, and serves as the executive officer, the director of the wealth management committee, 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; served as the assistant to the general manager of the Taizhou sales office of Caitong Securities Co., Ltd. from February 2003 to June 2005; served as the deputy general manager of Lanxi sales office of Caitong Securities Co., Ltd. from June 2005 to February 2006; 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 sales office 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; 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 of Zhongtai Securities Co., Ltd. from December 2018 to March 2021; served as the assistant to the general manager, of Zhongtai Securities Co., Ltd. from January 2022 to August 2023; serves as the director 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; serves as the executive officer of Zhongtai Securities Co., Ltd. since August 2023. 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 with a bachelor's degree in finance; graduated from Shanghai Jiaotong University with a master's degree in EMBA in June 2017.

\* For identification purpose only

## Directors, Supervisors, Senior Management and Staff

Mr. Ming Gang (明鋼), aged 50, 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). Mr. Ming Gang served as a section member in Laiwu Steel Group Ltd. from October 1994 to August 2001; served 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; 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; 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) 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.

Liu Feng (劉峰), aged 51, joined the Company in February 2015. At present, he is a Director of the Company, as well as a full-time external director and supervisor of Shandong State-owned Assets Investment Holdings Co., Ltd.\* (山東國有資產投資有限公司). 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 cadre in the silk worm cocoon business department 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 deputy 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; serves as a Director of 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. from December 2016 to March 2024; served as the 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 the risk management department and the head of the legal compliance department (the head of the production safety management office) of Shandong State-owned Assets Investment Holding Co., Ltd. from November 2019 to March 2024; served as a supervisor of Yunding Technology Co., Ltd.\* (雲鼎科技股份有限公司) from February 2020 to March 2024; serves as a supervisor of Shandong Marine Group Ltd.\* (山東海洋集團有限公司) from April 2020 to March 2024; served as the chairman of the supervisory committee of Shandong Dongyin Investment Co., Ltd. (山東東銀投資有限公司) from April 2021 to May 2023; served as a director of Shandong Guokong Capital Investment Co., Ltd. (山東省國控資本投資有限公司) from May 2023 to March 2024. Liu Feng graduated from Shandong Agricultural University with a bachelor degree in 21 sericultural science(21蠶學專業) in July 1994; graduated from Renmin University of China with a master degree in business administration in July 2004; graduated from Shandong Agricultural University with a doctoral degree in the management of agricultural economy in June 2011. 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.

\* For identification purpose only



## Directors, Supervisors, Senior Management and Staff

### Independent non-executive Directors

Mr. Zheng Jianping (鄭堅平), aged 60, joined the Company in December 2019. At present, he is an independent Director of the Company, and also serves as 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) and a director of Huiyu Private Equity Fund Management (Huzhou) Co., Ltd (匯譽私募基金管理(湖州)有限公司). Mr. Zheng Jianping had served as at London and Singapore as the executive officer of Investment Bank Department of Rothschild from September 1994 to February 2002, and was an director of Rothschild China and Rothschild Hong Kong Limited from February 2002 to May 2002; served as director of ICEA (工商東亞有限公司) from June 2002 to August 2003; he was a founder of Enith Consulting (BVI) Ltd from September 2003 to August 2004; he held various positions at Investment Banking division of HSBC (滙豐銀行), such as 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 and head of China M&A at Investment Banking Division of Citigroup Group from July 2011 to April 2015; serves 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 a director of Huiyu Private Equity Fund Management (Huzhou) Co., Ltd. since May 2017; serves as an independent 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 56, joined the Company in March 2022. At present, he is an independent Director of the Company, and serves as the director of the Modern Finance Research Institute 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 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 serves as an independent director of Impulse (Qingdao) Health Technology Co., Ltd. (青島英派斯健康科技股份有限公司) (stock code: 002899.SZ), an independent 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; 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 director of Champion Alliance International Holdings Limited since May 2019; serves as an independent 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 director of Bank of Rizhao Co., Ltd. (日照銀行股份有限公司) since July 2021; and serves as an independent 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.

\* For identification purpose only

## Directors, Supervisors, Senior Management and Staff

Mr. Luo Xinhua (羅新華), aged 58, joined the Company in June 2022. At present, he is an independent Director of the Company, and a professor in the accounting department, school of management, Shandong University, an independent director of Jinlei Technology Co., Ltd. (a company listed on Shenzhen Stock Exchange's ChiNext, stock code: 300443), an independent director of Sansec Technology Co., Ltd.\* (三未信安科技股份有限公司), an independent director of Shandong Boyuan Pharmaceutical Co., Ltd.\* (山東鉑源藥業股份有限公司), an independent director of Shandong Pengda Ecological Technology Co., Ltd.\* (山東鵬達生態科技股份有限公司). 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; serves as professor at the accounting department, school of management, Shandong University since September 2008; serves as an independent director of Sansec Technology Co., Ltd.\* since October 2020; serves as an independent director of Jinlei Technology Co., Ltd. since December 2021; serves as an independent director of Shandong Boyuan Pharmaceutical Co., Ltd. since January 2022; he serves as an independent Director of the Company since June 2022; and serves as an independent director of Shandong Pengda Ecological Technology Co., Ltd. since July 2022. Mr. Luo Xinhua graduated from Jiangxi University of Finance and Economics with a bachelor's degree in accounting in July 1986; he graduated from Shandong University with a master's degree in business management in June 2001; he graduated from Huazhong University of Science and Technology with a doctorate degree in business administration in December 2008.

\* For identification purpose only

## Directors, Supervisors, Senior Management and Staff

### (II) Supervisory Committee

Mr. An Tie (安鐵), aged 54, 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; serves as a staff representative Supervisor, the general manager of the compliance management headquarters of Zhongtai Securities Co., Ltd. since May 2017; serves as a 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 49, 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; served as an employee of the asset department of Jinan Energy Investment Co., Ltd. from August 2018 to April 2022; serves as the departmental manager of the asset operation department of Jinan Energy Investment Co., Ltd since April 2022; and serves as a Supervisor of the Company since February 2023. Mr. Ding Jian graduated from Shandong School of Economics (山東經濟學院) with a bachelor degree in accounting in July 1998.

Mr. Liu Pu (劉普), aged 52, joined the Company in April 2007. At present, he is a staff representative Supervisor and 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鏈條廠) from July 1989 to November 1993; served in session as an employee 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 Zhongtai Securities Co., Ltd. (previously known as 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 general 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 the 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; serves as staff representative Supervisor of the Company since April 2019; served as an employee in the office of the Board of the Company from August 2019 to December 2019; serves 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.

\* For identification purpose only

## Directors, Supervisors, Senior Management and Staff

### (III) Senior management personnel

Mr. Liu Qingbin is currently the general manager and executive Director of the Company. For Mr. Liu Qingbin's biography, please refer to "(1) The Board" in this section.

Mr. Liu Yunzhi (劉運之), aged 54, joined the Company in January 2007. At present, he is a member of the party committee, a 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. (now known as Zhongtai 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; serves as a deputy general manager of the Company since January 2008, and serves as the person in charge of financial affairs of the Company since December 2008, serves as a member of the Party Committee and chairman of the labour union of the Company since December 2009; served as a non-executive director of Luzheng Trading Co., Ltd. from April 2013 to August 2019; served as secretary of the Board of Directors of and joint company secretary 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; serves as a director of LUZHENG INTERNATIONAL HOLDINGS LIMITED since August 2019, and serves as the chairman of the board of directors of LUZHENG INTERNATIONAL HOLDINGS LIMITED since September 2019; serves as a council member of Yongxing County Gold and Silver Association since January 2021; serves 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, and serves as a council member of Shandong Chlor-alkali Industry Association since March 2022. Mr. Liu Yunzhi graduated from Jiangxi College of Finance and Economics (江西財經學院) 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 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; and obtained the qualification of asset valuer issued by the Ministry of Finance in October 1999.



## Directors, Supervisors, Senior Management and Staff

Mr. Liu Tong (劉通), aged 44, joined the Company in November 2007, and now is a deputy general manager of the Company, the general manager of the wealth management department, and a director of Zhongtai Huirong Capital Investment Co., Ltd. Mr. Liu Tong served 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; served as a project manager in Beijing ChinaSoft Century Software Technology Co., Ltd from September 2005 to July 2007; served 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 and 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 serves 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; serves as a director of Zhongtai Huirong Capital Investment Co., Ltd. since March 2020; serves as a deputy general manager of the Company since February 2023; served as the general manager of the Strategic Customer and Business Collaboration Department of the Company from September 2023 to March 2024. Mr. Liu Tong graduated from Shandong University with a bachelor's degree in Automation of the School of Control Science and Engineering in July 2002. In January 2004, Mr. Liu Tong obtained the title of assistant engineer by the preliminary engineering technical evaluation committee of Inspur Group Co., Ltd..

Mr. Zhao Dong (趙東), aged 37, joined the Company in September 2010. At present, he is a deputy general manager of the Company and vice chairman and general manager of Zhongtai Huirong Capital Investment Co., Ltd. Mr. Zhao Dong served as an intermediary in Qilu Futures Brokerage Co., Ltd. from May 2005 to April 2007; served as an intermediary in Jinan Sales Office of the Company from April 2007 to September 2010; served 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 from February 2020 to April 2023; served as assistant to the general manager in the Company from September 2021 to February 2023; serves as a deputy general manager of the Company since February 2023; serves as a director of Zhongtai Huirong Capital Investment Co., Ltd. since April 2023, and serves as vice chairman and general manager of Zhongtai Huirong Capital Investment Co., Ltd. since March 2024. 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.

\* For identification purpose only



## Directors, Supervisors, Senior Management and Staff

Mr. Wang Hongkan (王洪刊), aged 36, joined the Company in April 2013. At present, he is a deputy general manager of the Company. He also serves as a director of ZHONGTAI HUIRONG INVESTMENT (HK) COMPANY LIMITED, a member of the Derivatives Dealer Committee 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 served as an assistant analyst in Jinan Sales Office in Yong'an Futures Co., Ltd. from February 2013 to March 2013; served as an employee of the Research Institute in the Company from April 2013 to February 2014; served 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 Luzheng Trading Co., Ltd. (now known as Zhongtai Huirong Capital Investment Co., Ltd.) from August 2018 to February 2023; served as the executive deputy general manager of Luzheng Trading Co., Ltd. (now known as Zhongtai Huirong Capital Investment Co., Ltd.) from March 2020 to February 2023; served as the general manager of product innovation department of Luzheng Capital Management Co., Ltd. from May 2020 to February 2023; serves as a director of ZHONGTAI HUIRONG INVESTMENT (HK) COMPANY LIMITED since July 2020; serves as deputy general manager of the Company since February 2023; served as the chairman of Zhongtai Huirong Capital Investment Co., Ltd., from February 2023 to March 2024; serves as a member of the derivatives dealers committee of China Futures Association since February 2019 and serves as a member of the third council of the National Youth Federation of Financial Systems since March 2019; serves 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 Xiancheng (孟現成), aged 47, joined the Company in December 2021. At present, he is a deputy general manager, general counsel of the Company, and serves as chairman of the board of Zhongtai Huirong Capital Investment Co., Ltd. Mr. Meng Xiancheng served as a trainee lawyer in Shandong Luzhong Law Firm (山東魯中律師事務所) from December 1998 to November 2003; served as a practicing lawyer in Beijing Tianduo Law Firm (北京天鐸律師事務所) from November 2003 to August 2009; served as a senior manager in Qilu Securities Co., Ltd. (now known as Zhongtai Securities Co., Ltd.) from August 2009 to September 2015; served as a senior manager in the Risk Control and Compliance Department of Zhongtai Securities Co., Ltd. from September 2015 to December 2016; served as senior deputy manager, assistant general manager and deputy general manager in the compliance management headquarters of in Zhongtai Securities Co., Ltd. from December 2016 to December 2021; serves as the general counsel of the Company since December 2021, and served as the general manager of the compliance and risk control department from January 2022 to March 2024; served as a director of Zhongtai Huirong Capital Investment Co., Ltd. from January 2022 to April 2023; served as the chief risk officer of the Company from February 2023 to March 2024; serves as the chairman of the board of Zhongtai Huirong Capital since March 2024; serves as a deputy general manager of the Company since March 2024. Mr. Meng Xiancheng 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 Xiancheng obtained the lawyer qualification certificate issued by the Ministry of Justice in July 2001.

## Directors, Supervisors, Senior Management and Staff

Ms. Ji Qihong (季秋紅), aged 51, joined the Company in February 2014. At present, she is Chief Risk Officer of the Company and the chairman of the supervisory committee of Zhongtai Huirong Capital Investment Co., Ltd. Ms. Ji Qihong served as a technician in the transportation and marketing company of Jinan Headquarters of Shandong Petroleum Group from July 1992 to July 1995; 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 inspection office of Jinan Securities Regulatory Office of China Securities Regulatory Commission from October 1999 to February 2000; served as the deputy director of the inspection office of Jinan Securities Regulatory Office of China Securities Regulatory Commission from February 2000 to August 2001; served as the deputy director of the Institutional Supervision Department of Jinan Securities Regulatory Office of China Securities Regulatory Commission from August 2001 to May 2002; served as the chief director in the Institutional Supervision Department of Jinan Securities Regulatory Office of China Securities Regulatory Commission from May 2002 to March 2004; served as the chief director in the Institutional Supervision Department of Shandong Regulatory Bureau of China Securities Regulatory Commission from March 2004 to July 2006; served as an assistant researcher in the Institutional Supervision Department of Shandong Regulatory Bureau of China Securities Regulatory Commission from July 2006 to November 2006; served as deputy director of the Institutional Supervision Department of Shandong Regulatory Bureau of China Securities Regulatory Commission from November 2006 to August 2008; served as deputy director of the futures supervision department of Shandong Regulatory Bureau of China Securities Regulatory Commission from August 2008 to February 2013; served as an investigator in the Futures Supervision Department of Shandong Regulatory Bureau of China Securities Regulatory Commission from February 2013 to July 2013; served as an investigator in the Institutional Supervision Department of Shandong Regulatory Bureau of China Securities Regulatory Commission from July 2013 to September 2013; served as an investigator in the Party Affairs Office (Discipline Inspection and Supervision Office) of Shandong Regulatory Bureau of China Securities Regulatory Commission from September 2013 to February 2014; served 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, while serving 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; upon recommendation of the Company, 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 general manager of the company from January 2023 to March 2024, served as the general manager of Industrial Development Department I of the Company from July 2023 to March 2024 and the chief risk officer of the Company since March 2024; serves as the chairman of the supervisory committee of Zhongtai Huirong Capital Investment Co., Ltd. since March 2024. 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. Pei Yingjian (裴英劍), aged 50, 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 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 the 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 technology department of Qilu Securities Co., Ltd. (now known as Zhongtai 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 technology department and general manager of the information 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; serves as an executive director of Luzheng Information Technology Co., Ltd. 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; serves as the vice president of Shandong Big Data Research Association since October 2017; serves as a member of the Information Technology Committee of the Council of China Futures Association since February 2019; serves as a member of the external technical expert committee of Shanghai Financial Futures Information Technology Co., Ltd. since June 2020; serves 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 the School of Continuing Education (online education) of China Renmin University with a bachelor's degree in finance in July 2014. 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 "(I) The Board" in this section.

Dr. Ngai Wai Fung is a joint company secretary of the Company. He currently serves as Director and 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 a Fellow 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's Degree of Business Administration from Andrews University of Michigan, a Master's Degree of Corporate Finance from Hong Kong Polytechnic University, and a Doctoral Degree in Economics majoring in Finance from the Shanghai University of Finance and Economics.

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

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 in 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 fourth session of the Supervisory Committee of the Company with effect from 15 February 2023. Mr. Tan Shaojie, Mr. Mou Yong, Mr. Lin Zongheng and Mr. Wang Hairan ceased to serve as Supervisors of the Company with effect from 15 February 2023.

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 Company's Person in Charge of Financial Affairs; 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; former deputy general manager Jiang Hui and former chief risk officer Liu Jianmin, retired upon expiration of their terms of office, and former deputy general manager Pei Yingjian was appointed as chief information officer; Liu Tong, Zhao Dong and Wang Hongkan were appointed as new deputy general managers, and Meng Xiancheng was appointed a new chief risk officer.

Save as disclosed above, there was no change in the Directors, Supervisors and senior management of the Company during the Reporting Period.

### 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; Directors who are concurrently held by senior management personnel of the company are not eligible for director compensation.



## Directors, Supervisors, Senior Management and Staff

### (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.

### (III) Long-term incentive scheme or share scheme

During the Reporting Period and up to the date of this report, the Company 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 (8) Remuneration of the Senior Management" of Chapter XI of this Report for details.

## IV. STAFF AND REMUNERATION

Please refer to "VI. 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 business, securities investment fund custody 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 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. Acceptance of Securities Brokerage and other Financial Services provided by Zhongtai Securities and/or its associates: 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.

\* For identification purpose only

## 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 2023 (RMB' 000)	Proposed annual caps for the year ended 31 December 2023 (RMB' 000)
<b>A. Acceptance of IB Services Provided by Zhongtai Securities and/or its associates</b> Commissions charged by Zhongtai Securities and/or its associates for provision of IB services to the Group	8,433.80	31,250
<b>B. Purchase of Asset Management Schemes from Zhongtai Securities and/or its associates</b> Maximum daily amount invested	90,000	242,000
Asset Management Fees charged by Zhongtai Securities and/or its associates	787.2	3,630
<b>C. Acceptance of Securities Brokerage and other Financial Services Provided by Zhongtai Securities and/or its associates</b> Commissions charged by Zhongtai Securities and/or its associates	112.1	1,300
<b>Total Commissions charged by Zhongtai Securities and/or its associates on the Group</b>	<b>9,333.05</b>	<b>36,180</b>

### **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.

## Significant Events

### 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.

**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.



## Significant Events

### **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 Energy and/or its associates**

### **A. *Futures Brokerage Services Framework Agreement***

On 30 March 2023, the Company entered into a Futures Brokerage Service Framework Agreement with Shandong Energy, and proposed the annual caps for 2023, 2024 and 2025 under the Futures Brokerage Services Framework Agreement. The agreement is for a period of three years, effective from 1 January 2023, and will expire on 31 December 2025. 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 30 March 2023.

The summary of commissions charged by the Group on Shandong Energy 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 2023 (RMB' 000)	Proposed annual caps for the year ended 31 December 2023 (RMB' 000)
Commissions charged by the Group for provision of futures, options and other derivatives brokerage services to Shandong Energy and/or its associates	1,777.5	5,000

### Principal terms:

In the Group's ordinary and usual course of business, the Group provides Shandong Energy and/or its associates with futures brokerage services and other related financial services according to agreement. That is to provide access and related services to Shandong Energy and/or its associates upon their request so that they may engage in trading of futures, options and other derivatives. The outcome of transaction will be born by Shandong Energy and/or its associates while the Group receives commissions for such services.

### Reasons for the transaction:

With the increasing varieties in China's futures market, the accelerating opening up to the outside world, and the growing market scale, the futures market will play a bigger role. Thus, more frequent futures transactions are anticipated. Shandong Energy needs hedging its business through futures transactions, and the Company has extensive experiences in the futures industry. Therefore, Shandong Energy entrusts the Company to provide futures brokerage services to them. In addition, the Company has been providing futures brokerage services to Shandong Energy for consecutive years and developed a better understanding of the trading habits and personalized needs of Shandong Energy, and is able to provide high-quality services.

### Pricing terms:

The fees charged by the Company for providing futures, options and other derivative brokerage services to Shandong Energy and/or its associates shall comply with the fee standards and policies (if applicable) promulgated from time to time by the CSRC, two stock exchanges (Shenzhen Stock Exchange, Shanghai Stock Exchange) and six futures exchanges (Dalian Commodity Exchange, Zhengzhou Commodity Exchange, Shanghai Futures Exchange, Shanghai International Energy Exchange, China Financial Futures Exchange, Guangzhou Futures Exchange and others) for similar services, and with reference to the prevailing futures commission rates on the market and shall be determined according to fee policies plus a certain commission, and in line with market practices.

## Significant Events

### **B. Asset Management Service Framework Agreement**

The Company entered into the Asset Management Service Framework Agreement with Shandong Energy on 30 March 2023 (after trading hours), and proposed the annual caps for 2023, 2024 and 2025 under the Asset Management Services Framework Agreement. The Asset Management Service Framework is for a term of three years, valid from 1 January 2023 to 31 December 2025. 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 25 May 2023.

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

Nature of transaction	Amounts for the	Proposed annual
	year ended 31 December 2023 (RMB' 000)	caps for the year ended 31 December 2023 (RMB' 000)
Maximum daily amount invested by Shandong Energy and/or its associates for purchase of collective asset management schemes	0	800,000
Asset management fees charged on Shandong Energy and/or its associates	0	12,000

#### **Principal terms:**

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

#### **Reasons for the transaction:**

China's futures asset management business has developed rapidly, with an average annual growth rate of approximately 13% in the past five years; after a reshuffle in recent years, the Company has an improved internal control system for asset management, a group of high-quality asset management professionals, and a number of investment and research teams. Considering that Shandong Energy has real need for purchasing asset management products, while the Company also has a better understanding of the investment needs of Shandong Energy, the mutual cooperation will increase the return on assets for Shandong Energy and the income from asset management business for the Company.

### **Pricing terms:**

- (1) As the manager of the collective asset management schemes, the Group charges Asset Management Fees based on the calculation of the investment amounts in the collective asset management schemes by Shandong Energy and/or its associates times the Asset Management Fees rate; and
- (2) For collective asset management schemes, the Asset Management Fees rate as stipulated in the collective asset management contracts is applicable to other investors participating in such plan, including Shandong Energy 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 Group 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 Energy on 30 March 2023 (after trading hours), and proposed the annual caps for 2023, 2024 and 2025 under the Bulk Commodities Sale and Purchase Framework Agreement. The Bulk Commodities Sale and Purchase Framework Agreement is for a term of three years, valid from 1 January 2023 to 31 December 2025. 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 25 May 2023.

## Significant Events

The summary of transactions conducted between the Group and Shandong Energy 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:

<b>Nature of transaction</b>	<b>Amounts for the year ended 31 December 2023 (RMB' 000)</b>	<b>Proposed annual caps for the year ended 31 December 2023 (RMB' 000)</b>
Transaction amount of sales of bulk commodities by Shandong Energy and/or its associates to the Group	85,105.6	160,000
Transaction amount of purchases of bulk commodities by Shandong Energy and/or its associates from the Group	27,979.6	250,000

### Principal terms:

In the ordinary and usual course of business of both parties, Shandong Energy and/or its associates agreed to sell and deliver bulk commodities such as coke and coal chemical related products, steel products, rubber products to the Company and its subsidiaries for a consideration pursuant to the agreement. Shandong Energy and/or its associates agreed to purchase and receive bulk commodities such as coke and coal chemical related products, steel products to the Company and its subsidiaries at a consideration pursuant to the agreement.

### Reasons for the transaction:

Coal, steel and rubber are the priority bulk commodities in the futures and spot trading business of Zhongtai Huirong Capital. In addition, it plans to undertake the sale and purchase of bulk commodities related to coal chemical industry in the future. As a large-size state-owned energy enterprise, Shandong Energy is powerful with good credit standing and solid track record of contract performance, which will enable the Company to lower purchase cost and realize constant profits.

### Pricing terms:

For the sale and purchase of bulk commodities between the Company and Shandong Energy and/or its associates, the prices are arrived at based on the fair value in the market after arm's length negotiation 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 are fair and reasonable.



**D. Risk Management Services Framework Agreement**

The Company entered into the Risk Management Services Framework Agreement with Shandong Energy on 30 March 2023 (after trading hours), and proposed the annual caps for 2023, 2024 and 2025 under the Risk Management Services Framework Agreement. The Risk Management Services Framework is for a term of three years, valid from 1 January 2023 to 31 December 2025. The continuing transactions are subject to the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules, and the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For details, please refer to the circular of the Company dated 25 May 2023.

The summary of transactions conducted between the Group and Shandong Energy 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	Amounts for the year ended 31 December 2023 (RMB' 000)	Proposed annual caps for the year ended 31 December 2023 (RMB' 000)
Nominal principal of derivatives traded between the Group and Shandong Energy and/or its associates	927,401.2	7,000,000

**Principal terms:**

Providing risk management services by the Group to Shandong Energy and/or its associates refers to those trading activities, the subject of which include OTC options, derivative trading activities (other than futures trading), forward transactions and their portfolio in the ordinary and usual course of business of both parties. In particular, trading OTC options between Shandong Energy and/or its associates and the Company and/or its associates, refers to a transaction where a party as an option buyer is entitled to buy or sell the underlying asset under an agreement at a specified price at a point of time in the future. Trading in swaps between Shandong Energy and/or its associates and the Group refers to a transaction where a party pays the fixed/floating price (income) of the underlying asset under an agreement to the other party, who in exchange will pay fixed/floating price (income) to the former. Swap transactions by common types are classified into exchange of fixed income for floating income and exchange of floating income for floating income. Currently, exchange of fixed income for floating income is the prevailing transaction type. Forward trading between Shandong Energy and/or its associates and the Group refers to a transaction where both parties buy and sell the underlying assets at a forward price and quantity on the delivery date according to the agreement, or settle in cash based on the settlement amount of the forward transaction on the settlement date.

## Significant Events

### Reasons for the transactions:

Shandong Energy has a large production capacity and asset scale, and needs to use derivatives to hedge against the risk of price fluctuation of raw materials and equity assets. Zhongtai Huirong Capital has a strong expertise in derivatives. As a futures derivatives service provider within Shandong Energy, the Company is in a good place to communicate with Shandong Energy and understand its needs better. The derivative transactions between the Company and Shandong Energy can not only meet the risk management needs of Shandong Energy, but also foster the development of the Company's derivative business and increase the Company's business income.

### Pricing terms:

Shandong Energy and/or its associates enter(s) into derivative transactions with the Group. As a derivative dealer, the Group adheres to the principle of fairness and justice, and tries to ensure the terms and prices of derivative transactions are fair and reasonable, based on fair market value and through arms' length negotiation with Shandong Energy and/or its associates and with reference to the same type of transactions in the derivative market. Among them: (i) in OTC option transactions, the premium is determined based on the market conditions and liquidity level, with reference to the prices quoted by our peers and the market volatility parameters provided by third-party information providers; (ii) in swap transactions and forward transactions, fixed/floating prices (income) and forward transaction prices are determined based on factors such as fair market value of the underlying asset and market costs, etc.

### 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 1 January 2023 to 30 March 2023, Zhongtai Huirong Capital sold a total of 38,349.32 tonnes of coal to NMIT at a cash consideration of RMB14,975,364.70. Coal and other varieties are the major commodities that Zhongtai Huirong Capital focuses on in the current business. In addition, it plans to carry out the purchase and sale of commodities related to coal chemical industry in the future. Zhongtai Huirong Capital originally sold coal to NMIT to generate stable profits.

As at the date of this report, Zhongtai Huirong Capital is a wholly-owned subsidiary of the Company, NMIT is a wholly-owned subsidiary of Xinwen Mining Group Co., Ltd., 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 maximum applicable percentage ratio of such transactions on an aggregate basis is more than 0.1% but less than 5%, therefore such transactions are subject to the reporting and announcement requirements, but exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For details of the transaction, please refer to the announcement of the Company dated 30 March 2023.

## Significant Events

### 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, 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.) to the Company;

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 2023 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 2021, the Company appointed PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as its domestic and international auditors, and in 2022, it changed its auditors, and in 2022 and 2023, 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 2023, the total auditor's remuneration paid by the Group to ShineWing Certified Public Accountants LLP amounted to RMB1.36 million. Among them, the annual audit service fee is RMB1.32 million, and fees for other assurance service amounted to RMB40,000.

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 2023.



# Corporate Governance Report

## I. OVERVIEW OF CORPORATE GOVERNANCE AND CULTURAL CONSTRUCTION

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 31 meetings, of which there were 2 general meetings, 11 Board meetings, 4 Supervisory Committee meetings, 2 Strategic Development Committee meetings, 3 Risk Control Committee meetings, 4 Audit Committee meetings, 4 Nomination Committee meetings and 1 Remuneration and Appraisal Committee meeting.

The Company earnestly studied General Secretary Xi Jinping's important exposition on cultural construction, thoroughly implemented the core values of the futures industry culture of "compliance, honesty, professionalism, stability and responsibility" proposed by the CSRC and China Futures Association. Adhering to the business philosophy of "compliance and risk control first, customer interests first, talent value first, innovation and development first", and in line with our corporate spirit of "all-line efforts, whole-hearted operation, all-out innovation and all-round improvement", we strive to build a modern and first-class futures company with loyalty, compliance, innovation and harmony.

The Company's mission is to provide competitive professional services and risk management solutions by using futures and derivatives tools, continuously create value for customers and realize the Chinese dream of the capital market. In order to carry out the mission of the Company of building a first-class futures company with perfect governance, sufficient capital, complete functions, strong innovation and strict internal control, and in light of the connotation of the Company's cultural concept, the Company has formed a cultural construction working mechanism under which the Company's Party Committee gives unified leadership, the senior management are responsible for organization and promotion, the Party-union working department is responsible for taking the lead, and relevant departments act in cooperation, and all staff of the Company are involved. Thus, cultural construction is organically integrated with the Company's development strategy and corporate governance, deepening the cultural system construction with full participation of all staff of the Company.

## II. GENERAL MEETING

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

### 1. The first extraordinary general meeting of 2023

On 15 February 2023, the Company convened the first extraordinary general meeting of 2023 by voting on site, at which the following resolutions were approved:

- (1) Proposal on Amendments to the Articles of Association;
- (2) Proposal on Amending the Rules of Procedure of the Board of Directors;
- (3) Proposal on electing non-staff representative directors for the fourth session of the Board of Directors; and
- (4) Proposal on electing non-staff representative supervisors for the fourth session of the Supervisory Committee.

# Corporate Governance Report

## 2. The 2022 annual general meeting

On 15 June 2023, the Company convened the 2022 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 2022;
- (2) Proposal on the Work Report of the Supervisory Committee for the Year 2022;
- (3) Proposal on the Annual Report for the Year 2022;
- (4) Proposal on the Final Financial Accounts Plan for the Year 2022;
- (5) Proposal on the Profit Distribution Plan for the Year 2022;
- (6) Proposal on the Financial Budgets for the Year 2023;
- (7) Proposal on the Appointment of the Accounting Firms for the Year 2023;
- (8) Proposal on Entering into the Asset Management Services Framework Agreement with Shandong Energy;
- (9) Proposal on Entering into the Risk Management Services Framework Agreement with Shandong Energy;
- (10) Proposal on Entering into the Bulk Commodities Sale and Purchase Framework Agreement with Shandong Energy; and
- (11) 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.

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

Name of Directors	Number of Board meetings attended	Attendance at Board meetings			Whether absent from two consecutive meetings	Attendance at general meetings Number of general meetings attended	
		Attended in person	Attended by means of correspondence	Number of meetings attended by proxy			
<b>Executive Directors</b>							
ZHONG Jinlong	11	3	8	0	0	No	2
LIANG Zhongwei	11	3	8	0	0	No	2
<b>Non-executive Directors</b>							
HU Kainan	11	3	8	2	0	No	1
ZHENG Hanyin	11	3	8	0	0	No	1
MING Gang	11	3	8	0	0	No	2
LIU Feng	11	1	8	2	0	No	0
<b>Independent Non-executive Directors</b>							
ZHENG Jianping	11	3	8	0	0	No	2
CHEN Hua	11	1	8	2	0	No	2
LUO Xinhua	11	3	8	0	0	No	2
Number of Board meetings held during the Reporting Period							11
In which: conducted by voting on-site							3
conducted by means of correspondence voting							8
Number of general meetings held during the Reporting Period							2

## Corporate Governance Report

### (3) Board meetings and resolutions during the Reporting Period

During the Reporting Period, the Company held 11 meetings of the Board of Directors, with details and resolutions as follows:

#### 1. The 46th Meeting of the third session of the Board of Directors

On 20 January 2023, the meeting was held through voting by correspondence, at which the following proposals were considered and approved:

- (1) Proposal on Amendments to the Articles of Association of ZHONGTAI FUTURES Company Limited;
- (2) Proposal on Election of Non-staff Representative Directors of the Fourth Session of the Board of Directors of ZHONGTAI FUTURES Company Limited to be Considered at the General Meeting; and
- (3) Proposal on Appointment of Ji QiuHong as Deputy General Manager of ZHONGTAI FUTURES Company Limited.

#### 2. The first meeting of the fourth session of the Board of Directors

On 15 February 2023 the meeting was held through voting on-site and through video, at which the following proposals were considered and approved:

- (1) Proposal on Election of Zhong Jinlong as the Chairman of the Fourth Session of the Board of Directors of ZHONGTAI FUTURES Company Limited;
- (2) Proposal on Election of the Chairman and Members of the Special Committees of the Fourth Session of the Board of Directors of ZHONGTAI FUTURES Company Limited;
- (3) Proposal on Appointment of Liu Qingbin as General Manager of ZHONGTAI FUTURES Company Limited;
- (4) Proposal on Appointment of Liu Yunzhi as Deputy General Manager of ZHONGTAI FUTURES Company Limited;
- (5) Proposal on Appointment of Liu Yunzhi as the Person in Charge of Financial Affairs of ZHONGTAI FUTURES Company Limited;
- (6) Proposal on Appointment of Meng Xiancheng as Chief Risk Officer of ZHONGTAI FUTURES Company Limited;
- (7) Proposal on Appointment of Liang Zhongwei as Secretary of the Board of Directors of ZHONGTAI FUTURES Company Limited;
- (8) Proposal on Appointment of Meng Xiancheng as General Counsel of ZHONGTAI FUTURES Company Limited; and
- (9) Proposal on Appointment of Pei Yingjian as Chief Information Officer of ZHONGTAI FUTURES Company Limited.



### **3. The second meeting of the fourth session of the Board of Directors**

On 21 February 2023, the meeting was held by voting through correspondence, at which the Proposal on Extending the Term of Loans Given by Subsidiary Zhongtai Huirong Capital Investment Co., Ltd. to Zhongtai Securities Co., Ltd. was considered and approved.

### **4. The third meeting of the fourth session of the Board of Directors**

On 8 March 2023, the meeting was held through voting by correspondence, at which the following proposals were considered and approved:

- (1) Proposal on the Establishment of Digital Finance Department of ZHONGTAI FUTURES Company Limited; and
- (2) Proposal on the Establishment of Investment Management Department of ZHONGTAI FUTURES Company Limited.

## Corporate Governance Report

### 5. The fourth meeting of the fourth session of the Board of Directors

On 30 March 2023, 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 Year 2022;
- (2) Proposal on the Work Report of the Board of Directors of ZHONGTAI FUTURES Company Limited for the Year 2022;
- (3) Proposal on the Internal Control Evaluation Report of ZHONGTAI FUTURES Company Limited for the Year 2022;
- (4) Proposal on the Annual Report of ZHONGTAI FUTURES Company Limited for the Year 2022 (Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited);
- (5) Proposal on the Annual Report of ZHONGTAI FUTURES Company Limited for the Year 2022 (Guidelines of the CSRC Regarding the Contents and Formats of Annual Reports of Futures Companies);
- (6) Proposal on the Final Financial Accounts of ZHONGTAI FUTURES Company Limited for the Year 2022;
- (7) Proposal on the Profit Distribution Plan of ZHONGTAI FUTURES Company Limited for the Year 2022;
- (8) Proposal on Risk Regulatory Indicators of ZHONGTAI FUTURES Company Limited for the Year 2022;
- (9) Proposal on the Financial Budgets of ZHONGTAI FUTURES Company Limited for the Year 2023;
- (10) Proposal on Appointment of Accounting Firm of ZHONGTAI FUTURES Company Limited for the Year 2023;
- (11) Proposal on the Mandate Given by the Board of Directors of ZHONGTAI 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 ZHONGTAI FUTURES Company Limited;
- (13) Proposal on Amendments to the Measures for the Integrity in ZHONGTAI FUTURES Company Limited;
- (14) Proposal on Maintaining Statement for the Risk Preference of and Adjusting Certain Risk Quantitative Indicators of ZHONGTAI FUTURES Company Limited for the Year 2023;
- (15) Proposal on Ratification and Approval of the Coal Purchase and Sale Agreement between Zhongtai Huirong Capital and NMIT;
- (16) Proposal on Entering into Framework Agreements In relation to Continuing Connected Transactions with Shandong Energy; and
- (17) Proposal on Convening the Annual General Meeting of ZHONGTAI FUTURES Company Limited for the Year 2022.

### **6. The fifth meeting of the fourth session of the Board of Directors**

On 3 April 2023, the meeting was held through voting by correspondence, at which the Proposal on Establishing the Industry and Finance Development Business Headquarters of ZHONGTAI FUTURES Company Limited was considered and approved.

### **7. The sixth meeting of the fourth session of the Board of Directors**

On 25 April 2023, the meeting was held through voting by correspondence, at which the Proposal on the Environmental, Social and Governance Report of ZHONGTAI FUTURES Company Limited for the Year 2022 was considered and approved.

### **8. The seventh meeting of the fourth session of the Board of Directors**

On 24 August 2023, 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 2023;
- (2) Proposal on the Interim Report of ZHONGTAI FUTURES Company Limited for the Year 2023;.
- (3) Proposal on the Risk Regulatory Indicators of ZHONGTAI FUTURES Company Limited for the First Half of the Year 2023;
- (4) Proposal on the Election of Mr. Liu Qingbin as a Non-staff Representative Director of ZHONGTAI FUTURES Company Limited; and
- (5) Proposal on the Amendments to the Measures for the Integrity of ZHONGTAI FUTURES Company Limited.

## Corporate Governance Report

### 9. The eighth meeting of the fourth session of the Board of Directors

On 8 September 2023, the meeting was held through voting by correspondence, at which the following proposals were considered and approved:

- (1) Proposal on the Duty Performance Report of the Strategic Development Committee of the Board of Directors of ZHONGTAI FUTURES Company Limited for the Year 2022;
- (2) Proposal on the Duty Performance Report of the Risk Control Committee of the Board of Directors of ZHONGTAI FUTURES Company Limited for the Year 2022;
- (3) Proposal on the Duty Performance Report of the Audit Committee of the Board of Directors of ZHONGTAI FUTURES Company Limited for the Year 2022;
- (4) Proposal on the Duty Performance Report of the Remuneration and Appraisal Committee of the Board of Directors of ZHONGTAI FUTURES Company Limited for the Year 2022; and
- (5) Proposal on the Duty Performance Report of the Nomination Committee of the Board of Directors of ZHONGTAI FUTURES Company Limited for the Year 2022.

### 10. The ninth meeting of the fourth session of the Board of Directors

On 17 November 2023, the meeting was held through voting by correspondence, at which the following proposals were considered and approved:

- (1) Proposal on Increasing the Business Scope of Zhongtai Huirong Capital Investment Co., Ltd., a wholly-owned subsidiary, and amending its Articles of Association; and
- (2) Proposal on the Special Report on Information Technology Management of ZHONGTAI FUTURES Company Limited for the Year 2022.

### 11. The tenth meeting of the fourth session of the Board of Directors

On 25 November 2023, the meeting was held through voting by correspondence, at which the following proposals were considered and approved:

- (1) Proposal on the Report of Performance of Independent Non-executive Directors of ZHONGTAI FUTURES Company Limited for the Year 2022; and
- (2) Proposal on Changes in the Setup and Duties of Several Departments 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 non-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.

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

Name of Directors	Date	Duration	Organizer	Content
ZHONG Jinlong	24 August 2023	2 hours	Clifford Chance LLP	Compliance Training for Directors of Hong Kong Listed Companies
	September 2023	20 hours	CSRC	Follow-up Vocational Qualification Training for Securities Practitioners 2023
LIANG Zhongwei	24 August 2023	2 hours	Clifford Chance LLP	Compliance Training for Directors of Hong Kong Listed Companies
	15 October 2023- 17 October 2023	20 hours	ShineWing Certified Public Accountants	High-level Financial Seminar
HU Kainan	24 August 2023	2 hours	Clifford Chance LLP	Compliance Training for Directors of Hong Kong Listed Companies
	September 2023	20 hours	CSRC	Follow-up Vocational Qualification Training for Securities Practitioners 2023
	9 October 2023	4 hours	Zhongtai Securities Co., Ltd.	Training of Middle and High-Level Personnel Companies
	12 December 2023 – 13 December 2023	8 hours	Securities Association of China	Risk Management Exchange and Training
ZHENG Hanyin	24 August 2023	2 hours	Clifford Chance LLP	Compliance Training for Directors of Hong Kong Listed Companies
	September 2023	20 hours	CSRC	Follow-up Vocational Qualification Training for Securities Practitioners 2023
MING Gang	24 August 2023	2 hours	Clifford Chance LLP	Compliance Training for Directors of Hong Kong Listed Companies



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Name of Directors	Date	Duration	Organizer	Content
LIU Feng	24 August 2023	2 hours	Clifford Chance LLP	Compliance Training for Directors of Hong Kong Listed Companies
	December 2023	4 hours	Shandong Securities Regulatory Bureau	Training of Directors, Supervisors and Senior Management of Listed Companies
ZHENG Jianping	23 February 2023	2 hours	HKBFundServices	Opportunities and Prospects of Virtual Asset Management in Hong Kong
	22 March 2023	1 hour	KPMG	The Regulatory Updates – the key Regulatory areas of asset management department
	29 March 2023	1 hour	Refinitiv	Third Party Risks and M & A Transactions
	24 April 2023	1 hour	KPMG	The Value of Value Investment
	10 May 2023	2 hours	KPMG	The latest development of private equity/venture capital funds in Asia/Middle East
	13 June 2023	1 hour	KPMG	Hong Kong Banking Forum 2023
	14 June 2023	1 hour	Refinitiv	Mid-year Review and Forecast of Investment Prospects in American Market
	4 July 2023	3 hours	LSEG	2023 Market Outlook– Summer Forum
	13 July 2023	1 hour	KPMG	SoHo series-planning liquidity activities and your future
	24 August 2023	2 hours	Clifford Chance LLP	Compliance Training for Directors of Hong Kong Listed Companies
CHEN Hua	23 November 2023	1 hour	KPMG	Network seminar series– Resilient Operation: the future of Resilient Operation
	5 December 2023	2 hours	HKBFundServices	Risk Prevention in the Establishment And Operation of Virtual Assets Fund
	24 August 2023	2 hours	Clifford Chance LLP	Compliance Training for Directors of Hong Kong Listed Companies
LUO Xinhua	28 December 2023	3 hours	Qingdao Listed Company Association	Special Training on the Reform of Independent Director System in Qingdao Area
	20 November 2023 – 18 December 2023	33 hours	Qingdao Securities Regulatory Bureau	Special Training for Chairman, General Manager and Supervisor of Listed Companies 2023
LUO Xinhua	24 August 2023	2 hours	Clifford Chance LLP	Compliance Training for Directors of Hong Kong Listed Companies
	5 September 2023 – 6 September 2023	8 hours	Shenzhen Stock Exchange	The 134 th Follow-up Training for Independent Directors of Listed Companies
	14 December 2023 – 27 December 2023	16 hours	Shanghai Stock Exchange	The 6th Follow-up Training for Independent Directors of Listed Companies

## IV. 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 the Person in Charge of Financial Affairs 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;

## Corporate Governance Report

- (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;
- (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 the 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.

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### **(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.

1. 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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2. 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, was 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.

3. 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.

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4. 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;
  - (7) to review and/or approve the matters related to the share plan described in Chapter 17 of the Listing Rules; and
  - (8) other functions authorized by the Board of Directors.

5. 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.

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.



# Corporate Governance Report

## (5) Meetings of special committees

### 1. Strategic Development Committee

On 21 April 2023, the first meeting of the Strategic Development Committee of the fourth session of the Board of Directors reviewed and approved the proposal on the 2022 Environmental, Social and Governance Report of ZHONGTAI FUTURES Company Limited through correspondence voting.

On 7 September 2023, the second meeting of the Strategic Development Committee of the fourth session of the Board of Directors reviewed and approved the proposal on the 2022 Performance Report of the Strategic Development Committee of the Board of Directors of ZHONGTAI FUTURES Company Limited through correspondence voting.

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
CHEN Hua	2/2
ZHENG Jianping	2/2
MING Gang	2/2
LIU Feng	2/2

## 2. Risk Control Committee

On 30 March 2023, the first meeting of the Risk Control Committee of the fourth session of the Board of Directors reviewed and approved the Proposal on the Risk Supervision Indicators of Zhongtai Futures Co., Ltd. for the Year 2022, the Proposal on Amendments to the Measures for the Integrity of ZHONGTAI FUTURES Company Limited and the Proposal on Maintaining the Risk Appetite Statement and Adjusting Some Risk Quantitative Indicators of ZHONGTAI FUTURES Company Limited for the Year 2023, by voting on site and through video.

On 24 August 2023, the second meeting of the Risk Control Committee of the fourth session of the Board of Directors reviewed and approved the Proposal on Risk Supervision Indicators for the First Half of 2023 of ZHONGTAI FUTURES Company Limited and the Proposal on Amendments to the Measures for the Integrity of ZHONGTAI FUTURES Company Limited by voting on site and through video.

On 7 September 2023, the third meeting of the Risk Control Committee of the fourth session of the Board of Directors reviewed and approved the Proposal on the Performance Report of the Risk Control Committee of ZHONGTAI FUTURES Company Limited for the Year 2022, by voting through 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)	3/3
ZHENG Jianping	3/3
CHEN Hua	3/3
MING Gang	3/3
LIANG Zhongwei	3/3

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### 3. Audit Committee

On 20 February 2023, the first meeting of the audit committee of the fourth session of the board of directors reviewed and approved the proposal on extending the loan term from Zhongtai Huirong Capital Investment Co., Ltd. to Zhongtai Securities Co., Ltd., by voting through correspondence.

On 30 March 2023, the second meeting of the Audit Committee of the fourth session of the Board of Directors reviewed and approved the Proposal on the 2022 Internal Control Evaluation Report of ZHONGTAI FUTURES Company Limited the Proposal on the 2022 Annual Report of ZHONGTAI FUTURES Company Limited (Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited), the proposal on the 2022 Annual Report of ZHONGTAI FUTURES Company Limited (Guidelines of the CSRC Regarding the Contents and Formats of Annual Reports of Futures Companies), the Proposal on the 2022 Final Financial Accounts of ZHONGTAI FUTURES Company Limited, the Proposal on the 2023 Financial Budget Plan of ZHONGTAI FUTURES Company Limited, the proposal on the Postscript Approval of the Coal Purchase and Sale Agreement between Zhongtai Huirong Capital and NMIT and the Proposal on Establishing a Continuous Related Transaction Framework Agreement with Shandong Energy, by voting on site and through video.

On 24 August 2023, the third Meeting of the Audit Committee of the fourth session of the Board of Directors reviewed and approved the proposal on the 2023 Interim Report of ZHONGTAI FUTURES Company Limited by voting through correspondence.

On 7 September 2023, the fourth meeting of the Audit Committee of the fourth session of the Board of Directors reviewed and approved the Proposal on the performance report of the Audit Committee of ZHONGTAI FUTURES Company Limited for the year 2022, by voting through correspondence.

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)	4/4
CHEN Hua	4/4
ZHENG Jianping	4/4
LIU Feng	4/4
HU Kainan	4/4

## 4. Remuneration and Appraisal Committee

On 7 September 2023, the first meeting of the Remuneration and Appraisal Committee of the fourth session of the Board of Directors reviewed and approved the Proposal on the 2022 Performance Report of the Remuneration and Appraisal Committee of the Board of Directors of ZHONGTAI FUTURES Company Limited, by voting through 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)	1/1
ZHENG Jianping	1/1
LUO Xinhua	1/1
ZHENG hanyin	1/1
LIANG Zhongwei	1/1

## 5. Nomination Committee

On 19 January 2023, the seventh meeting of the Nomination Committee of the third session of the Board of Directors reviewed and approved the Proposal on the Qualification Review of Ji Qihong, the Deputy General Manager candidate of ZHONGTAI FUTURES Company Limited and the Proposal on the Qualification Review of Non-employee Representative Directors of the fourth session of the Board of Directors of ZHONGTAI FUTURES Company Limited by voting through correspondence.

On 12 February 2023, the eighth meeting of the Nomination Committee of the third session of the Board of Directors reviewed and approved the Proposal on the Qualification Review of Liu Qingbin, the Candidate for General Manager of the Company, the Proposal on the Qualification Review of Liu Yunzhi, the Candidate for Deputy General Manager and Financial Manager of the Company, the Proposal on the Qualification Review of Ji Qihong, and other candidates for Deputy General Managers of the Company, the Proposal on Qualification Review of Meng Xiancheng, Candidate for Chief Risk Officer and General Counsel of the Company, the Proposal on Qualification Review of Liang Zhongwei, Candidate for Secretary of the Board of the Company, and Proposal on Qualification Review of Pei Yingjian, Candidate for Chief Information Officer of the Company, by voting through correspondence.

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On 24 August 2023, the first meeting of the Nomination Committee of the fourth session of the Board of Directors reviewed and approved the proposal on reviewing the qualification for the appointment of Mr. Liu Qingbin, a candidate for the director, by voting on site and through video.

On 7 September 2023, the second meeting of the Nomination Committee of the fourth session of the Board of Directors reviewed and approved the proposal on the 2022 Performance Report of the Nomination Committee of the Board of Directors of the ZHONGTAI FUTURES Company Limited 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)	4/4
CHEN Hua	4/4
LUO Xinhua	4/4
ZHENG hanyin	4/4
LIANG Zhongwei	4/4

## V. CHAIRMAN AND GENERAL MANAGER

The roles of the Chairman of the Board of Directors and the general manager of the Company 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 this 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.

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;

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- (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**

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.

All independent non-executive Directors have confirmed their independence pursuant to the factors set out in Rule 3.13 of the Listing Rules. The Company considers each of independent non-executive Directors to be independent.

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, Having received confirmation from the Company's operating management regarding the effectiveness of the Group's risk management and internal control system, the Board is of the view that the risk management and internal control system is effective and adequate and no significant concerns were identified during the review. During the Reporting Period, the Company did not implement any changes to its risk management and internal control systems. 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.

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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 once. 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.

### **IX. OTHER RELEVANT MATTERS**

#### **(1) Auditor and its 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 2023. 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 auditor’s 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 2023 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 “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.



## Corporate Governance Report

### (3) Company secretaries

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 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 2023.

### (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](http://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.

### **(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.

## Corporate Governance Report

The Board of Directors has achieved the measurable goals 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 464 males and 303 females and the ratio of male to female staff was approximately 1.53:1. 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 2023 held on 15 February 2023. For details of the amendments to the Articles of Association, please refer to the announcements dated 20 January 2023, and 15 February 2023, and the circular dated 31 January 2023 of the Company, respectively.

The amended Articles of Association came into effect on 15 February 2023, 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 2023 is set out below:

Remuneration bands	Number
RMB300,001 to RMB500,000	3
RMB500,001 to RMB700,000	1
RMB700,001 to RMB900,000	1
RMB900,001 to RMB1,100,000	1
RMB1,100,001 to RMB1,300,000	–
RMB1,300,001 to RMB1,500,000	–
RMB1,500,001 to RMB1,700,000	2
	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.

## (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.

## Corporate Governance Report

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 tightened internal control 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, striving to improve the Company’s management practice and risk prevention ability, and promote the Company’s sustainable development.

## I. ESTABLISHMENT OF INTERNAL CONTROL STRUCTURE

The Company established and perfected the corporate governance structure 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 Party Committee and 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 Party Committee, the General Meeting, the Rules of Procedure for the Board of Directors, and the Rules of Procedure for the Supervisory Committee, the financial management system, administrative management system, the information technology management system, the compliance, risk control management system and business management systems, etc., and continuously optimizes the process control, perfects 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 the management of our business regularly or irregularly. Entities who have been identified with problems were urged to rectify.

During the Reporting Period, the Compliance and Risk Control Department of the Company organized compliance inspection and self-inspection in accordance with regulatory requirements and internal control management needs, with reference to regulatory cases and in light of key business areas or parts, covering asset management, clean practice, investor suitability, intermediary management, information technology, transaction consulting and employee practice behavior, etc. For the problems and potential risks found in inspection, self-inspection and daily supervision, the Compliance and Risk Control Department issued compliance opinions and rectification notices to relevant units, followed up and urged relevant units to implement rectification, and conducted compliance and risk control performance assessment on the units involved, effectively reducing the compliance and risk control exposure of the Company and ensuring the smooth operation of various business lines such as brokerage business, asset management business and transaction consulting business. At the same time, the Audit Department of the Company carried out various internal audits according to the annual audit plan, mainly including routine audits of branches, outgoing audits of relevant responsible persons of the Company, annual internal control evaluation, information technology management of the Company, management of investment of our own funds, audit of IT application innovation, anti-money laundering and audit of subsidiaries. The Audit Department has urged the audited entity to rectify the problems found in the audit in a timely manner, and traced the original responsibility, so as to achieve the purpose of promoting the Company to achieve perfect governance, sound operation and value enhancement through audit activities.

# Auditor's Report

	信永中和会计师事务所	北京市东城区朝阳门北大街 8号富华大厦A座9层	联系电话：+86(010)6554 2288 telephone: +86(010)6554 2288
	ShineWing certified public accountants	9/F, Block A, Fu Hua Mansion, No. 8, Chaoyangmen Beidajie, Dongcheng District, Beijing, 100027, P.R.China	传真：+86(010)6554 7190 facsimile: +86(010)6554 7190

## Auditor's Report

XYZH/2024JNAA1B0004  
Zhongtai Futures Company Limited

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 balance sheet as of December 31st, 2023, 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 2023, 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 presented, in all material respects, the consolidated and the parent company's financial position of Zhongtai Futures Company as at December 31st, 2023, and the consolidated and the parent company's operating results and cash flows for the year 2023.

### 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 the audit opinion.

### 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.

## Auditor's Report

### 1. Recognition of net handling fees and commission income

Key Audit Matters	Response in Audit
<p>As stated in Note IV.29.(1) and Note VII.40. to the financial statements, Zhongtai Futures Company's net handling fees and commission income for FY2023 was RMB353,809,957.16.</p> <p>The net handling fees and commission income of Zhongtai Futures Company is mainly from the brokerage business (including net handling fee income from brokerage business and exchange reduction).</p> <p>We identified the recognition of net handling fees and commission 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 net handling fees and commission income included:</p> <ol style="list-style-type: none"><li data-bbox="810 655 1390 875">(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><li data-bbox="810 914 1390 1168">(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 net handling fees and commission income, and testing and evaluating the design and operational effectiveness of the relevant IT application controls within the selected systems.</li><li data-bbox="810 1203 1390 1483">(3) Performing analytical review procedures to conduct a comparative analysis of the Company's net handling fees and commission income for the past two years; and obtaining national futures market turnover data to perform comparative analysis of the Company's futures turnover data and net handling fees and commission income trends with national market trends.</li><li data-bbox="810 1517 1390 1737">(4) Obtaining the details of retained handling fees from the Company's trade settlement system and reconciling them with the book data; comparing the book data with the settlement data and conducting a cut-off test of net handling fees and commission income from futures brokerage business.</li></ol>

## 2. Valuation of financial instruments measured at fair value

Key Audit Matters	Response in Audit
<p>As stated in Notes VII. 11., VII. 12., VII. 13., and XIII. to the financial statements, as of December 31st, 2023, the fair value of the trading financial assets of Zhongtai Futures Company was RMB1,127,762,719.70, the fair value of trading financial liabilities was RMB174,479,228.35, and the fair value of investments in other equity instruments was RMB1,400,000.00.</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's 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> <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> <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 confirmed the net values by way of a letter to the asset managers.</li> </ol>



## 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> <p>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.</p> <p>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.</p> <p>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.</p> <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 obtained 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, so as to evaluate the reasonableness of its valuation results.</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 2023 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 other information and, in doing so, consider whether 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.

Those charged with 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 misstatements, 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.

## 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 work:

- (1) Identify and assess the risks of material misstatements 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).

## 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 constituted key audit matters. We described 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 determined 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 26th, 2024

# Consolidated Balance Sheet

Currency: RMB Yuan

Assets	Note	31st December, 2023	31st December, 2022
Assets:			
Cash and cash equivalents	VII. 1	<b>18,818,465,172.73</b>	16,467,030,760.78
Including: Futures margin deposits		<b>18,311,428,504.24</b>	15,290,821,662.01
Settlement provisions	VII. 2	<b>1,623,501.24</b>	1,611,782.36
Currency margin receivable	VII. 3	<b>6,652,576,409.65</b>	6,926,737,162.68
Pledge margin receivable	VII. 4	<b>2,288,708,936.00</b>	3,724,631,360.00
Settlement guarantees receivable	VII. 5	<b>61,112,209.64</b>	31,692,359.37
Risk loss receivables	VII. 6	<b>531,192.61</b>	648,477.96
Handling fees and commission receivables		<b>68,814.35</b>	94,970.73
Receivables	VII. 7	<b>464,431,759.53</b>	216,336,561.69
Inventories	VII. 8	<b>37,101,394.75</b>	77,218,365.69
Contract assets	VII. 9	<b>30,227,821.96</b>	26,394,536.79
Buyback financial assets	VII. 10	<b>319,422,830.82</b>	235,543,097.77
Financial assets held for trading	VII. 11	<b>1,127,762,719.70</b>	933,282,641.69
Investments in other equity instruments	VII. 13	<b>1,400,000.00</b>	1,400,000.00
Long-term equity investments	VII. 14	<b>43,262,218.99</b>	39,778,369.13
Investment properties			
Fixed assets	VII. 15	<b>47,224,677.82</b>	44,489,920.17
Construction in progress			
Right-of-use assets	VII. 16	<b>28,743,027.37</b>	24,945,426.59
Intangible assets	VII. 17	<b>14,496,512.24</b>	8,201,446.15
Goodwill			
Deferred tax assets	VII. 18	<b>8,734,772.40</b>	21,988,741.45
Other assets	VII. 19	<b>180,495,262.98</b>	77,133,925.10
<b>Total assets</b>		<b>30,126,389,234.78</b>	28,859,159,906.10



## Consolidated Balance Sheet

Currency: RMB Yuan

Liabilities and owners' equity	Note	31st December, 2023	31st December, 2022
<b>Liabilities:</b>			
Short-term loans	VII. 20	20,723,402.50	10,011,388.89
Acting trading securities	VII. 21	3,934,663.15	2,327,132.42
Currency margins payable	VII. 22	23,138,021,657.15	20,649,572,802.73
Pledge margins payable	VII. 23	2,288,708,936.00	3,724,631,360.00
Financial liabilities held for trading	VII. 12	174,479,228.35	184,636,805.58
Futures risk reserves	VII. 24	175,922,356.78	155,185,841.21
Futures investors' security funds payable	VII. 25	873,243.90	1,104,676.74
Employee benefits payable	VII. 26	70,783,689.67	91,912,775.38
Notes payable	VII. 27	80,347,520.00	200,000.00
Taxes payable	VII. 28	4,314,715.17	68,690,635.05
Payables	VII. 29	1,488,791,603.91	1,238,083,744.95
Contract liabilities	VII. 30	26,491,204.51	18,375,107.56
Lease liabilities	VII. 31	29,391,476.28	25,267,643.60
Provisions	VII. 32	59,343.00	116,964.10
Deferred tax liabilities	VII. 18	3,179,111.88	497.46
Other liabilities	VII. 33	60,076,369.97	246,762,631.16
<b>Total liabilities</b>		<b>27,566,098,522.22</b>	26,416,880,006.83
<b>Owners' equity:</b>			
Share capital	VII. 34	1,001,900,000.00	1,001,900,000.00
Other equity instruments Including: Preferred shares Perpetual bonds			
Capital reserves	VII. 35	661,934,066.94	661,934,066.94
Less: Treasury share			
Other comprehensive income	VII. 36	2,151,975.26	1,829,585.72
Surplus reserves	VII. 37	112,633,923.22	99,583,825.02
General risk reserve	VII. 38	137,628,972.73	124,578,874.53
Undistributed profits	VII. 39	644,041,774.41	552,453,547.06
Total owners' equity attributable to the parent company		2,560,290,712.56	2,442,279,899.27
Non-controlling interests			
<b>Total owners' equity</b>		<b>2,560,290,712.56</b>	2,442,279,899.27
<b>Total liabilities and owners' equity</b>		<b>30,126,389,234.78</b>	28,859,159,906.10

Legal Representative:

Person in Charge of Accounting  
Work:

Person in Charge of Accounting  
Department:

# Parent Company's Balance Sheet

Currency: RMB Yuan

Assets	Note	31st December, 2023	31st December, 2022
Assets:			
Cash and cash equivalents	XVIII. 1	<b>18,704,250,376.58</b>	15,993,939,725.23
Including: Futures margin deposits		<b>18,311,428,504.24</b>	15,290,821,662.01
Settlement provisions		<b>1,623,501.24</b>	1,611,782.36
Currency margin receivable		<b>6,652,576,409.65</b>	6,926,737,162.68
Pledge margin receivable		<b>2,288,708,936.00</b>	3,724,631,360.00
Settlement guarantees receivable		<b>61,112,209.64</b>	31,692,359.37
Risk loss receivables		<b>531,192.61</b>	648,477.96
Handling fees and commission receivables		<b>68,814.35</b>	94,970.73
Receivables		<b>10,563,876.78</b>	10,302,960.20
Inventories			
Contract assets		<b>30,227,821.96</b>	26,394,536.79
Buyback financial assets		<b>200,159,669.92</b>	200,312,037.45
Financial assets held for trading		<b>796,884,825.38</b>	715,348,050.97
Investments in other equity instruments		<b>1,400,000.00</b>	1,400,000.00
Long-term equity investments	XVIII. 2	<b>781,577,508.00</b>	790,577,508.00
Investment properties			
Fixed assets		<b>45,747,784.43</b>	42,520,526.29
Construction in progress			
Right-of-use assets		<b>23,313,641.06</b>	19,467,245.65
Intangible assets		<b>15,227,158.86</b>	8,998,251.70
Goodwill			
Deferred tax assets			13,451,589.89
Other assets		<b>50,933,722.87</b>	42,555,936.23
<b>Total assets</b>		<b>29,664,907,449.33</b>	28,550,684,481.50

## Parent Company's Balance Sheet

Currency: RMB Yuan

Liabilities and owners' equity	Note	31st December, 2023	31st December, 2022
Liabilities:			
Acting trading securities		3,934,663.15	2,327,132.42
Currency margins payable		24,465,515,906.03	22,094,377,393.72
Pledge margins payable		2,288,708,936.00	3,724,631,360.00
Financial liabilities held for trading			
Futures risk reserves		175,922,356.78	155,185,841.21
Futures investors' security funds payable		873,243.90	1,104,676.74
Employee benefits payable	XVIII. 3	54,774,519.17	62,891,134.38
Notes payable			
Taxes payable		3,582,756.73	36,459,521.30
Payables		104,524,033.64	30,380,764.57
Contract liabilities			
Lease liabilities		23,665,786.37	19,465,832.66
Provisions		59,343.00	116,964.10
Deferred tax liabilities		3,178,614.42	
Other liabilities		12,417,169.14	10,464,321.41
<b>Total liabilities</b>		<b>27,137,157,328.33</b>	26,137,404,942.51
Owners' equity:			
Share capital		1,001,900,000.00	1,001,900,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves		650,629,528.42	650,629,528.42
Less: Treasury share			
Other comprehensive income			
Surplus reserves		112,633,923.22	99,583,825.02
General risk reserve		137,628,972.73	124,578,874.53
Undistributed profits		624,957,696.63	536,587,311.02
<b>Total owners' equity</b>		<b>2,527,750,121.00</b>	2,413,279,538.99
<b>Total liabilities and owners' equity</b>		<b>29,664,907,449.33</b>	28,550,684,481.50

Legal Representative:

Person in Charge of Accounting  
Work:

Person in Charge of Accounting  
Department:

# Consolidated Income Statement

Currency: RMB Yuan

Item	Note	FY2023	FY2022
I. Operating income		<b>2,153,232,473.64</b>	2,447,628,197.65
Net handling fees and commission income	VII. 40	<b>353,809,957.16</b>	355,412,061.66
Net interest income	VII. 41	<b>231,733,024.01</b>	225,734,734.49
Investment income (Loss marked with "-")	VII. 42	<b>-108,101,349.38</b>	194,322,657.61
Including: Investment income from associates and joint ventures		<b>3,483,849.86</b>	4,110,124.33
Gains from changes in fair value (Loss marked with "-")	VII. 43	<b>146,631,203.41</b>	-119,830,258.80
Exchange earnings (Loss marked with "-")		<b>-262,976.39</b>	-1,312,348.05
Other operation income	VII. 44	<b>1,528,130,089.40</b>	1,792,233,479.63
Gains on disposal of assets (Loss marked with "-")		<b>221,322.08</b>	32,148.51
Other income	VII. 45	<b>1,071,203.35</b>	1,035,722.60
II. Operating expenses		<b>1,968,728,383.34</b>	2,221,992,487.87
Expenditure on provision for futures risk	VII. 46	<b>20,736,515.57</b>	18,046,136.71
Taxes and surcharges	VII. 47	<b>3,980,827.00</b>	3,926,670.04
Business and management fees	VII. 48	<b>436,302,752.91</b>	406,386,887.45
Credit impairment loss	VII. 49	<b>-177,011.44</b>	8,349,614.57
Impairment losses on assets	VII. 50	<b>715,591.18</b>	-289,515.05
Other business costs	VII. 51	<b>1,507,169,708.12</b>	1,785,572,694.15
III. Operating profit (Loss marked with "-")		<b>184,504,090.30</b>	225,635,709.78
Add: Non-operating income	VII. 52	<b>9,008.99</b>	1,957,714.01
Less: Non-operating expenses	VII. 53	<b>3,087,696.03</b>	2,204,002.85
IV. Total profits (Total losses marked with "-")		<b>181,425,403.26</b>	225,389,420.94
Less: Income tax expenses	VII. 54	<b>47,706,579.51</b>	59,287,351.04
V. Net profits		<b>133,718,823.75</b>	166,102,069.90
(I) Classified by business continuity:			
1. Net profits from continuing operations (Net losses marked with "-")		<b>133,718,823.75</b>	166,102,069.90
2. Net profits from discontinued operations (Net losses marked with "-")		<b>133,718,823.75</b>	166,102,069.90
(II) Classified by ownership:			
1. Net profit attributable to shareholders of the parent company (Net losses marked with "-")		<b>133,718,823.75</b>	166,102,069.90
2. Profit or loss of minority shareholders (Net losses marked with "-")		<b>133,718,823.75</b>	166,102,069.90

## Consolidated Income Statement

Currency: RMB Yuan

Item	Note	FY2023	FY2022
VI. Net after-tax amount of other comprehensive income		<b>322,389.54</b>	1,920,516.31
Net after-tax amount of other comprehensive income attributable to shareholders of the parent company		<b>322,389.54</b>	1,920,516.31
(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 the equity method			
3. Fair value changes of investments in other equity instruments			
4. Fair value changes of enterprise's own credit risks			
(II) Other comprehensive income to be reclassified to profit or loss		<b>322,389.54</b>	1,920,516.31
1. Other comprehensive income available for transfer to 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 of other debt investments			
5. Cash flow hedge reserves			
6. Translation difference of foreign currency statements		<b>322,389.54</b>	1,920,516.31
Net after-tax amount of other comprehensive income attributable to minority shareholders			
VII. Total comprehensive income		<b>134,041,213.29</b>	168,022,586.21
Total comprehensive income attributable to shareholders of the parent company		<b>134,041,213.29</b>	168,022,586.21
Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share			
(I) Basic earnings per share	VII. 57	<b>0.13</b>	0.17
(II) Diluted earnings per share		<b>0.13</b>	0.17

Legal Representative:

Person in Charge of Accounting Work:

Person in Charge of Accounting Department:



# Parent Company's Income Statement

Currency: RMB Yuan

Item	Note	FY2023	FY2022
I. Operating income		<b>617,151,447.82</b>	601,287,037.05
Net handling fees and commission income	XVIII. 4	<b>353,756,545.98</b>	360,893,348.92
Net interest income		<b>227,349,942.58</b>	223,119,028.98
Investment income (Loss marked with "-")	XVIII. 5	<b>-10,990,777.37</b>	30,735,578.15
Including: Investment income from associates and joint ventures			
Gains from changes in fair value (Loss marked with "-")		<b>18,043,811.44</b>	-48,373,861.18
Exchange earnings (Loss marked with "-")		<b>-63,338.10</b>	-15,980.21
Other operation income		<b>27,855,013.22</b>	33,907,374.77
Gains on disposal of assets (Loss marked with "-")		<b>221,398.11</b>	32,148.51
Other income		<b>978,851.96</b>	989,399.11
II. Operating expenses		<b>437,141,482.08</b>	406,723,761.65
Expenditure on provision for futures risk		<b>20,736,515.57</b>	18,046,136.71
Taxes and surcharges		<b>2,067,651.94</b>	2,255,978.15
Business and management fees	XVIII. 6	<b>397,045,915.13</b>	359,419,262.88
Credit impairment loss		<b>-490,163.76</b>	607,847.12
Impairment losses on assets			
Other business costs		<b>17,781,563.20</b>	26,394,536.79
III. Operating profit (Loss marked with "-")		<b>180,009,965.74</b>	194,563,275.40
Add: Non-operating income		<b>2,335.10</b>	172,264.09
Less: Non-operating expenses		<b>1,690,177.50</b>	2,162,981.54
IV. Total profits (Total losses marked with "-")		<b>178,322,123.34</b>	192,572,557.95
Less: Income tax expenses		<b>47,821,141.33</b>	51,708,679.82
V. Net profits (Net losses marked with "-")		<b>130,500,982.01</b>	140,863,878.13
(I) Net profits from continuing operations (Net losses marked with "-")		<b>130,500,982.01</b>	140,863,878.13
(II) Net profits from discontinued operations (Net losses marked with "-")			

## Parent Company's Income Statement

Currency: RMB Yuan

Item	Note	FY2023	FY2022
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 the equity method			
3. Fair value changes of investments in other equity instruments			
4. Fair value changes of enterprise's own credit risks			
(II) Other comprehensive income to be reclassified to profit or loss			
1. Other comprehensive income available for transfer to 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 of other debt investments			
5. Cash flow hedge reserves			
6. Translation difference of foreign currency statements			
VII. Total comprehensive income		<b>130,500,982.01</b>	140,863,878.13

Legal Representative:

Person in Charge of Accounting  
Work:

Person in Charge of Accounting  
Department:

# Consolidated Cash Flow Statement

Currency: RMB Yuan

Item	Note	FY2023	FY2022
I. Cash flows arising from operating activities:			
Net decrease of financial assets held for trading purposes			
Cash received from interest, handling fees and commission		<b>1,034,890,909.87</b>	951,114,601.72
Cash received related to other operating activities		<b>4,738,542,635.28</b>	7,927,976,620.57
Subtotal of cash inflows from operating activities		<b>5,773,433,545.15</b>	8,879,091,222.29
Net increase of financial assets held for trading purposes		<b>81,586,427.04</b>	113,062,786.65
Cash paid for interest, handling fees and commission		<b>283,901,840.80</b>	235,110,253.00
Cash paid to and for employees		<b>282,065,131.09</b>	287,575,438.02
Business and management fees paid in cash		<b>133,961,512.69</b>	124,267,551.32
Taxes paid		<b>112,513,187.79</b>	114,593,602.45
Cash paid related to other operating activities		<b>2,026,074,604.55</b>	2,115,841,328.09
Subtotal of cash outflows from operating activities		<b>2,920,102,703.96</b>	2,990,450,959.53
Net cash flows from operating activities		<b>2,853,330,841.19</b>	5,888,640,262.76
II. Cash flows arising from investing activities:			
Cash received from disinvestment			
Cash received from the return of investment			9,544,062.59
Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets		<b>258,118.64</b>	36,574.51
Cash received related to other investing activities		<b>258,118.64</b>	9,580,637.10
Subtotal of cash inflows from investing activities		<b>258,118.64</b>	9,580,637.10
Cash paid for investment			
Cash paid for the acquisition of fixed assets, intangible assets and other long-term assets		<b>21,566,408.70</b>	13,587,015.62
Net cash paid by subsidiaries and other business units			
Cash paid related to other investing activities		<b>21,566,408.70</b>	13,587,015.62
Subtotal of cash outflows from investing activities		<b>-21,308,290.06</b>	-4,006,378.52
Net cash flows from investing activities		<b>-21,308,290.06</b>	-4,006,378.52

## Consolidated Cash Flow Statement

Currency: RMB Yuan

Item	Note	FY2023	FY2022
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		<b>88,288,425.21</b>	225,000,000.00
Cash received from issuing bonds			
Cash received related to other financing activities			
Subtotal of cash inflows from financing activities		<b>88,288,425.21</b>	225,000,000.00
Payment of debt in cash		<b>281,870,587.00</b>	20,954,444.22
Cash used to pay dividends, profits, or interest payments		<b>28,731,390.80</b>	18,034,200.00
Including: Dividends and profits paid to non-controlling interests by subsidiaries			
Cash paid related to other financing activities		<b>17,802,512.97</b>	15,018,180.66
Subtotal of cash outflows from financing activities		<b>328,404,490.77</b>	54,006,824.88
Net cash flows from financing activities		<b>-240,116,065.56</b>	170,993,175.12
IV. Impact of exchange rate fluctuations on cash and cash equivalents		<b>143,426.59</b>	25,639.31
V. Net increase in cash and cash equivalents	VII. 55	<b>2,592,049,912.16</b>	6,055,652,698.67
Add: Opening balance of cash and cash equivalents	VII. 55	<b>15,830,763,403.92</b>	9,775,110,705.25
VI. Closing balance of cash and cash equivalents	VII. 55	<b>18,422,813,316.08</b>	15,830,763,403.92

Legal Representative:

Person in Charge of Accounting  
Work:

Person in Charge of Accounting  
Department:

# Parent Company's Cash Flow Statement

Currency: RMB Yuan

Item	Note	FY2023	FY2022
I. Cash flows arising from operating activities:			
Net decrease of financial assets held for trading purposes			
Cash received from interest, handling fees and commission		<b>1,026,101,901.03</b>	942,301,487.58
Cash received related to other operating activities		<b>3,157,529,662.27</b>	7,169,692,418.15
Subtotal of cash inflows from operating activities		<b>4,183,631,563.30</b>	8,111,993,905.73
Net increase of financial assets held for trading purposes		<b>74,541,580.27</b>	113,062,786.65
Cash paid for interest, handling fees and commission		<b>273,701,012.22</b>	230,441,303.29
Cash paid to and for employees		<b>240,454,656.69</b>	246,159,477.69
Business and management fees paid in cash		<b>127,600,242.87</b>	123,615,934.70
Taxes paid		<b>85,130,235.06</b>	99,340,885.85
Cash paid related to other operating activities		<b>349,092,214.97</b>	1,512,972,602.94
Subtotal of cash outflows from operating activities		<b>1,150,519,942.08</b>	2,325,592,991.12
Net cash flows from operating activities		<b>3,033,111,621.22</b>	5,786,400,914.61
II. Cash flows arising from investing activities:			
Cash received from disinvestment		<b>9,000,000.00</b>	
Cash received from the return of investment			9,295,360.04
Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets		<b>239,827.78</b>	36,574.51
Cash received related to other investing activities			
Subtotal of cash inflows from investing activities		<b>9,239,827.78</b>	9,331,934.55
Cash paid for investment			
Cash paid for the acquisition of fixed assets, intangible assets and other long-term assets		<b>21,393,059.68</b>	13,399,287.22
Net cash paid by subsidiaries and other business units			
Cash paid related to other investing activities			
Subtotal of cash outflows from investing activities		<b>21,393,059.68</b>	13,399,287.22
Net cash flows from investing activities		<b>-12,153,231.90</b>	-4,067,352.67



## Parent Company's Cash Flow Statement

Currency: RMB Yuan

Item	Note	FY2023	FY2022
III. Cash flows from financing activities:			
Cash received from external investment			
Cash received from loans granted			
Cash received from issuing bonds			
Cash received related to other financing activities			
Subtotal of cash inflows from financing activities			
Payment of debt in cash			
Cash used to pay dividends, profits, or interest payments		<b>16,030,400.00</b>	18,034,200.00
Cash paid related to other financing activities		<b>14,034,764.19</b>	11,513,609.21
Subtotal of cash outflows from financing activities		<b>30,065,164.19</b>	29,547,809.21
Net cash flows from financing activities		<b>-30,065,164.19</b>	-29,547,809.21
IV. Impact of exchange rate fluctuations on cash and cash equivalents		<b>-63,338.10</b>	-15,980.21
V. Net increase in cash and cash equivalents	XVIII. 7	<b>2,990,829,887.03</b>	5,752,769,772.52
Add: Opening balance of cash and cash equivalents	XVIII. 7	<b>15,358,019,965.71</b>	9,605,250,193.19
VI. Closing balance of cash and cash equivalents	XVIII. 7	<b>18,348,849,852.74</b>	15,358,019,965.71

Legal Representative:

Person in Charge of Accounting  
Work:

Person in Charge of Accounting  
Department:

# Consolidated Statement of Changes in Shareholders' Equity

Currency: RMB Yuan

Item	FY 2023										Total shareholders' equity	
	Equity attributable to shareholders of the parent company											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profit		Non-controlling interests
I. Balance before adjustments 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
Add: Changes in accounting policies										80,624.90		80,554.26
Correction of prior-period errors												
Others												
II. Adjusted balance as of January 1st, 2023	1,001,900,000.00				661,934,066.94		1,829,585.72	99,583,825.02	124,578,874.53	552,453,547.06		2,442,279,899.27
III. Movement for current period							322,389.54	13,050,098.20	13,050,098.20	91,588,227.35		118,010,813.29
(1) Total comprehensive income							322,389.54			133,718,823.75		134,041,213.29
(2) Shareholder's inputs and decreases in capital												
1) Ordinary shares invested by shareholders												
2) Other equity instrument holder's investment												
3) Amount of share-based payments included in shareholder's equity												
4) Others												
(3) Profit distribution								13,050,098.20	13,050,098.20	-42,130,596.40		-16,030,400.00
1) Appropriation of surplus reserve								13,050,098.20		-13,050,098.20		
2) Extraction of general risk reserve									13,050,098.20	-13,050,098.20		
3) Distribution to shareholders										-16,030,400.00		-16,030,400.00
4) Others												
(4) Internal transfer of shareholders' 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) Changes in defined benefit plans carried forward to retained earnings												
5) Other comprehensive income carried forward to retained earnings												
6) Others												
(5) Others												
IV. Balance on December 31st, 2023	1,001,900,000.00				661,934,066.94		2,151,975.26	112,633,923.22	137,628,972.73	644,041,774.41		2,560,290,712.56

# Consolidated Statement of Changes in Shareholders' Equity

Currency: RMB Yuan

Item	FY 2022											Total shareholders' equity	
	Share capital	Other equity instruments			Equity attributable to shareholders of the parent company					General risk reserve	Undistributed profit		Non-controlling interests
		Preferred share	Perpetual bond	Others	Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserve					
I. Balance before adjustments 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			2,281,961,770.82
Add: Changes in accounting policies										-1,379.86	-1,379.86	40,901.50	38,141.78
Correction of prior-period errors													
Others													
II. Adjusted balance as of January 1st, 2022	1,001,900,000.00				651,642,466.48		-90,930.59	85,497,437.20	110,492,486.71	432,558,452.80			2,281,999,912.60
III. Movement for current period					10,291,600.46			1,920,516.31	14,086,387.82	14,086,387.82	119,895,094.26		160,279,986.67
(1) Total comprehensive income								1,920,516.31			166,102,069.90		168,022,586.21
(2) Shareholder's inputs and decreases in capital					10,291,600.46								10,291,600.46
1) Ordinary shares invested by shareholders													
2) Other equity instrument holder's investment													
3) Amount of share-based payments included in shareholder's equity													
4) Others					10,291,600.46								10,291,600.46
(3) Profit distribution									14,086,387.82	14,086,387.82	-46,206,975.64		-18,034,200.00
1) Appropriation of surplus reserve									14,086,387.82		-14,086,387.82		
2) Extraction of general risk reserve										14,086,387.82	-14,086,387.82		
3) Distribution to shareholders											-18,034,200.00		-18,034,200.00
4) Others													
(4) Internal transfer of shareholders' 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) Changes in defined benefit plans carried forward to retained earnings													
5) Other comprehensive income 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	99,583,825.02	124,578,874.53	552,453,547.06			2,442,279,899.27

Legal Representative:

Person in Charge of Accounting Work:

Person in Charge of Accounting Department:

# Parent Company's Statement of Changes in Shareholders' Equity

Currency: RMB Yuan

Item	FY 2023										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profit	Total shareholders' equity
		Preferred share	Perpetual bond	Others							
I. Balance before adjustments 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
Add: Changes in accounting policies								-35.32	-35.32	-282.60	-353.24
Correction of prior-period errors											
Others											
II. Adjusted balance as of January 1st, 2023	1,001,900,000.00				650,629,528.42			99,583,825.02	124,578,874.53	536,587,311.02	2,413,279,538.99
III. Movement for current period								13,050,098.20	13,050,098.20	88,370,385.61	114,470,582.01
(1) Total comprehensive income										130,500,982.01	130,500,982.01
(2) Shareholder's inputs and decreases in capital											
1) Ordinary shares invested by shareholders											
2) Other equity instrument holder's investment											
3) Amount of share-based payments included in shareholder's equity											
4) Others											
(3) Profit distribution								13,050,098.20	13,050,098.20	-42,130,596.40	-16,030,400.00
1) Appropriation of surplus reserve								13,050,098.20		-13,050,098.20	
2) Extraction of general risk reserve									13,050,098.20	-13,050,098.20	
3) Distribution to shareholders										-16,030,400.00	-16,030,400.00
4) Others											
(4) Internal transfer of shareholders' 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) Changes in defined benefit plans carried forward to retained earnings											
5) Other comprehensive income carried forward to retained earnings											
6) Others											
(5) Others											
IV. Balance on December 31st, 2023	1,001,900,000.00				650,629,528.42			112,633,923.22	137,628,972.73	624,957,696.63	2,527,750,121.00

# Parent Company's Statement of Changes in Shareholders' Equity

Currency: RMB Yuan

Item	FY 2022										
	Share capital	Preferred share	Other equity instruments Perpetual bond	Others	Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profit	Total shareholders' equity
I. Balance before adjustments 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
Add: Changes in accounting policies								-1,379.86	-1,379.86	-11,038.90	-13,798.62
Correction of prior-period errors											
Others											
II. Adjusted balance as of January 1st, 2022	1,001,900,000.00				650,629,528.42			85,497,437.20	110,492,486.71	441,930,408.53	2,290,449,860.86
III. Movement for current period								14,086,387.82	14,086,387.82	94,656,902.49	122,829,678.13
(1) Total comprehensive income										140,863,878.13	140,863,878.13
(2) Shareholder's inputs and decreases in capital											
1) Ordinary shares invested by shareholders											
2) Other equity instrument holder's investment											
3) Amount of share-based payments included in shareholder's equity											
4) Others											
(3) Profit distribution								14,086,387.82	14,086,387.82	-46,206,975.64	-18,034,200.00
1) Appropriation of surplus reserve								14,086,387.82		-14,086,387.82	
2) Extraction of general risk reserve									14,086,387.82	-14,086,387.82	
3) Distribution to shareholders										-18,034,200.00	-18,034,200.00
4) Others											
(4) Internal transfer of shareholders' 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) Changes in defined benefit plans carried forward to retained earnings											
5) Other comprehensive income carried forward to retained earnings											
6) Others											
(5) Others											
IV. Balance on December 31st, 2022	1,001,900,000.00				650,629,528.42			99,583,825.02	124,578,874.53	536,587,311.02	2,413,279,538.99

Legal Representative:

Person in Charge of Accounting Work:

Person in Charge of Accounting Department:



# Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

## 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 RMB10.2 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 RMB20 million and RMB620,000 respectively, and the registered capital of the company was RMB30.82 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 RMB50 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 RMB150 million; accordingly, its registered capital after the increase was RMB200 million, and in December 2007, it 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 RMB16.66 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 RMB203,623,800, then the total registered capital being RMB403,623,800. In June 2011, with the approval of CSRC by ZJXK [2011] No. 859, Luzheng Futures Co., Ltd. increased its registered capital by RMB116,376,200, then its total registered capital was RMB520 million.

### I. General information about the Company (Continued)

In September 2012, Luzheng Futures Co., Ltd. had an increased registered capital of RMB120 million, of which the original shareholders, Zhongtai Securities and Jinan Energy Sources Investment Co., Ltd., subscribed RMB50 million in proportion to their original holdings, the remaining additional registered capital of RMB70 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 RMB750 million. The Company obtained the business license as a legal person with the No. 91370000614140809 E, 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 RMB1,001,900,000. The major shareholders of the Company and their capital contribution, as of December 31st, 2023, are set out in Note VII. 34.

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, 2023, 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, 2023, the Company had set up a total of 13 business offices in Zhengzhou, Wuxi, Beijing, Shanghai, Dalian, Tianjin, Yantai, Zibo, Dongying, Dezhou, Rizhao, Hangzhou Linping, Shanghai Yang Gaonan Road, and 18 branches in Jinan, Liaoning, Jining, Qingdao, Ningbo, Wenzhou, Shenzhen, Guangdong, Hunan, Shanghai, Wuhan, Nanjing, Hangzhou, Weifang, Linyi, Beijing Chaoyang, Xiamen and Henan First Branch. Please refer to Note VI. for information on the Company’s subsidiaries.

# Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

## 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; market making; over-the-counter derivatives business; information technology consulting services, etc.

The Company’s address: 15th and 16th Floor, 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 26th, 2024.

## II. Basis for the preparation of financial statements

The Group’s financial statements have been prepared on the basis of transactions and events that actually occurred, in accordance with the *Accounting Standards for Business Enterprises*, its application guidelines, interpretations and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as the “Accounting Standards for Business Enterprises”), as well as the disclosure requirements of the Hong Kong *Companies Ordinance* and the *Rules Governing the Listing of Securities* on the Stock Exchange of Hong Kong.

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 2023 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, 2023, and the consolidated and corporate operating results and cash flows for the year 2023 and other relevant information.

### 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 RMB.

#### 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 Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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 deposit 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.



### 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.

###### *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, settlement provision, currency margin receivable, pledge margin receivable, settlement guarantees receivable, risk loss amounts receivable, Handling fees and commission receivables, receivables, buying back the sale of financial assets, other assets – other receivables, etc.

# Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

## IV. Significant accounting policies and accounting estimates (Continued)

### 10. Financial instruments (Continued)

#### (1) Financial assets (Continued)

##### 1) *Classification and measurement (Continued)*

*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.

*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 shown separately in the balance sheet as “other investments in equity instruments”.

##### 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.

### 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 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 Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

## 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.

### 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 “financial assets held for trading” or “financial liabilities held for trading”, and their changes in fair value shall be recognized as gains or losses from changes in fair value in profit or loss.



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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.

### 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 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.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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.

### 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 Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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 rate	Yearly depreciation rate
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.



### 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 Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

## 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, 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.

### 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 Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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.

### 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 reserve

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 and 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 Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (Continued)

#### 29. Revenue recognition (Continued)

**(2) Interest income**

Please refer to Note IV.10. (1).1) 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.

### 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 is 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.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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.

Government grants related to ordinary activities are included in operating profit, while government grants not related to ordinary activities are recognized in non-operating income and expenditure.

#### 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.

### 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 statements

When the consolidated financial statements are prepared, 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 Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (Continued)

#### 33. Method for preparation of the consolidated financial statements (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, they 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, they 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 or the Company or a subsidiary is the accounting entity, the transaction is adjusted from the Group's perspective.

#### 34. Related party

A related party involves the relationship that a party 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. 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 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 Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (Continued)

#### 36. Significant accounting policies and changes in accounting estimates

##### (1) Changes in significant accounting policies

On January 1st, 2023, the Company started to implement the provision of *Accounting Standards for Business Enterprises Interpretation No. 16*, "Accounting for Deferred Income Taxes on Assets and Liabilities Arising from Individual Transactions Not Subject to the Initial Recognition Exemption," issued by the Ministry of Finance of the People's Republic of China, and the individual transactions to which the provision applies that occur between the beginning of the earliest period of financial statement presentation in which the provision is first implemented and the date of first implementation shall be adjusted in accordance with the provision. If there are taxable temporary differences and deductible temporary differences arising from lease liabilities and right-of-use assets recognized at the beginning of the earliest period of financial statement presentation in which the provision is first implemented as a result of individual transactions to which the provision applies, as well as from projected liabilities recognized in respect of abandonment obligations and corresponding assets, the retained earnings at the beginning of the earliest period of financial statement presentation and other related financial statement items shall be adjusted against the cumulative effects, in accordance with the provision and the provisions of *Accounting Standard for Business Enterprises No. 18 – Income Taxes*.

Specific adjustments to the consolidated statements are as follows:

Accounts affected	December 31st, 2022 (FY 2022) amount affected	Note
Total assets	80,554.26	
Including: Deferred income tax assets	80,554.26	
Total shareholders' equity	80,554.26	
Including: Surplus reserves	-35.32	
General risk reserve	-35.32	
Undistributed profits	80,624.90	
Net profit	42,412.48	
Including: Income tax expenses	-42,412.48	Deferred income tax expenses

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (Continued)

#### 36. Significant accounting policies and changes in accounting estimates (Continued)

##### (1) Changes in significant accounting policies (Continued)

Specific adjustments to the parent company's statements are as follows:

Accounts affected	December 31st, 2022 (FY 2022) amount affected	Note
Total assets	-353.24	
Including: Deferred income tax assets	-353.24	
Total shareholders' equity	-353.24	
Including: Surplus reserves	-35.32	
General risk reserve	-35.32	
Undistributed profits	-282.60	
Net profit	13,445.38	
Including: Income tax expenses	-13,445.38	Deferred income tax expenses

##### (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 greatest extent. 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.

### 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.

# Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

## 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 Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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 amount (tax payable is calculated by multiplying taxable sales by the applicable tax rate less the current input tax allowed for deduction)	13%, 9%, 6%	
Value added tax (VAT)	Taxable value added amount (tax payable is calculated by multiplying taxable sales by the levy rate)	3%, 1%, etc.	Note 2
Urban maintenance and construction tax	Amount of turnover tax paid	7%	
Education surcharge	Amount of turnover tax paid	3%	
Local education surcharge	Amount of turnover tax paid	2%	

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%. Pursuant to the *Announcement of the Ministry of Finance and the State Taxation Administration No. 1 of 2023 Announcement of the Ministry of Finance and the State Taxation Administration on Clarifying the Policies of Reducing and Exempting Value-added Tax and Other Policies for VAT Small-Scale Taxpayers*, from January 1st, 2023 to December 31st, 2023, some of the Group's business divisions, as small-scale taxpayers of VAT, are subject to a reduced levy VAT rate of 1% on their taxable sales income applicable to the 3% levy rate.



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VI. Subsidiaries

#### Subsidiaries included in the scope of consolidation as of December 31st, 2023

Name of subsidiary	Place of registration	Principal place of operation	Type of legal person	Business nature	Shareholding ratio (%)	Percentage of voting rights (%)
Zhongtai Huirong Capital Investment Co., Ltd.	Shenzhen, China	Jinan, China	Limited company	Risk management	100.00	100.00
Zhongtai Huirong Investment (HK) Company Limited	Hong Kong, China	Hong Kong, China	Limited company	Derivatives trading	100.00	100.00
Luzheng Information Technology Co., Ltd.	Jinan, China	Jinan, China	Limited company	Information system services, software development	100.00	100.00
Luzheng International Holding Limited	Hong Kong, China	Hong Kong, China	Limited company	Investment holding	100.00	100.00

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. Its main business scope includes: Investment activities with owned funds, investment planning of owned 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 permissions); technical consulting; investment consulting (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-use 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). Sales of chemical fertilisers; sales of manures; sales of synthetic materials; sales of electronic special-purpose materials; sales of special-purpose chemical products (excluding hazardous chemicals). (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; co-operative hedging; over-the-counter derivatives business; market making business; and sale of renewable resources. On December 31st, 2023, the registered capital of Zhongtai Huirong Capital was RMB750 million and the paid-in capital was RMB750 million.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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, 2023, the registered capital of Zhongtai Huirong was HKD118,820,000.00 and the paid-in capital was HKD84,449,920.83.

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, sales and related technical services of computer network products and software; electronic engineering design and construction; information technology consulting service. As of December 31st, 2023, the registered capital of Luzheng Information was RMB25 million and the paid-in capital was RMB25 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, 2023, the registered capital was HKD30 million and the paid-in capital was HKD20 million.

As of December 31st, 2023, none of the Company’s subsidiaries had issued equity or debt securities.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements

#### 1. Cash and cash equivalents

Item	December 31st, 2023	December 31st, 2022
Cash on hand	<b>38,024.55</b>	36,124.55
Current bank deposit	<b>109,220,919.75</b>	539,982,498.65
– Principal	<b>109,121,782.23</b>	539,609,926.09
– Interest accrued	<b>99,137.52</b>	372,572.56
Time bank deposit	<b>293,376,368.34</b>	584,765,696.76
– Principal	<b>280,000,000.00</b>	580,000,000.00
– Interest accrued	<b>13,376,368.34</b>	4,765,696.76
Futures margin deposits	<b>18,373,904,190.36</b>	15,342,842,967.74
– Principal	<b>18,311,428,504.24</b>	15,290,821,662.01
– Interest accrued	<b>62,475,686.12</b>	52,021,305.73
Other cash and cash equivalents	<b>42,398,765.06</b>	295,691.27
Less: Expected credit impairment provision	<b>473,095.33</b>	892,218.19
Total	<b>18,818,465,172.73</b>	16,467,030,760.78

As of December 31st, 2023, there were no large amounts (over RMB1,000,000) in the short-term calls on owned bank deposits and no restrictions on the use of time bank deposits (December 31st, 2022: same). There is a restricted use of RMB40,173,760.00 of note deposits in other cash and cash equivalents.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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, 2023	December 31st, 2022
China Minsheng Banking Corp., Ltd.	951,215,716.00	4,211,355,161.76
Shanghai Pudong Development Bank Co., Ltd.	550,587,195.50	2,701,575,446.72
Industrial and Commercial Bank of China Limited	1,246,804,337.15	262,823.16
China Construction Bank Corporation	1,000,355,038.10	1,528,480.17
Industrial Bank Co., Ltd.	2,952,086,733.05	1,420,308,124.50
China Everbright Bank Co., Ltd.	87,454.76	1,000,129,492.98
Ping An Bank Co., Ltd.	1,400,159,817.18	1,096,238,809.35
Bank of Communications Co., Ltd.	1,202,546,793.41	242,559,728.84
China CITIC Bank Corporation Limited	700,182,638.74	1,201,483,291.93
China Merchants Bank Co., Ltd.	200,231,261.51	500,115,638.51
China Guangfa Bank Co., Ltd.	89,301.86	30,486.63
Bank of China Limited	325,359.45	318,614.62
Agricultural Bank of China Limited	8,100,421,502.86	2,914,119,953.90
Postal Savings Bank of China Limited	6,335,354.67	795,608.94
Total	18,311,428,504.24	15,290,821,662.01

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 1. Cash and cash equivalents (Continued)

(2) As at December 31st, 2023, other cash and cash equivalents represent the Group's unencumbered settlement reserves placed with securities and futures brokers and banks' acceptance bills.

#### (3) Changes in expected credit impairment provision

Item	December 31st, 2022	Accrual in the current period	December 31st, 2023
Expected credit impairment provision	892,218.19	-419,122.86	<b>473,095.33</b>
Total	892,218.19	-419,122.86	<b>473,095.33</b>

#### 2. Settlement provisions

Item	December 31st, 2023	December 31st, 2022
China Securities Depository and Clearing Corporation Limited	<b>1,623,501.24</b>	1,611,782.36
Total	<b>1,623,501.24</b>	1,611,782.36

Note: Since January 1st, 2023, the Group has begun to implement the *Implementation Regulations on Financial Treatment of Futures Companies* issued by the China Futures Association on June 14th, 2022, which requires that the item of "Settlement provisions" is presented separately. Prior to that, the item is presented under the item of "Currency margin receivable".

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 3. Currency margin receivable

Item	December 31st, 2023	December 31st, 2022
China Financial Futures Exchange	<b>2,032,297,069.93</b>	2,081,674,434.97
Shanghai Futures Exchange	<b>1,534,951,808.04</b>	1,358,446,039.10
Dalian Commodity Exchange	<b>1,067,729,355.72</b>	1,811,313,063.79
Zhengzhou Commodity Exchange	<b>967,312,375.98</b>	955,833,319.21
China Securities Depository and Clearing Corporation Limited	<b>602,707,472.58</b>	372,732,361.88
Shanghai International Energy Exchange	<b>311,506,519.36</b>	324,490,448.06
Guangzhou Futures Exchange	<b>136,071,808.04</b>	22,247,495.67
Total	<b>6,652,576,409.65</b>	6,926,737,162.68

#### 4. Pledged margin receivable

##### (1) Classification by Exchange

Item	December 31st, 2023	December 31st, 2022
China Financial Futures Exchange	<b>1,327,767,624.00</b>	1,152,862,936.00
Dalian Commodity Exchange	<b>408,382,480.00</b>	575,810,720.00
Shanghai Futures Exchange	<b>300,699,072.00</b>	1,604,839,680.00
Zhengzhou Commodity Exchange	<b>243,079,760.00</b>	343,297,224.00
Shanghai International Energy Exchange	<b>8,780,000.00</b>	47,820,800.00
Total	<b>2,288,708,936.00</b>	3,724,631,360.00



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 4. Pledged margin receivable (Continued)

##### (2) Classification by the category of collateral

Category of collateral	Market value at time of pledge	Discount rate	December 31st, 2023 Closing market value
Treasury Bonds	2,487,098,570.00	80%	<b>1,989,678,856.00</b>
HC hot rolled coils	149,620,800.00	80%	<b>119,696,640.00</b>
Ag Silver	99,833,400.00	80%	<b>79,866,720.00</b>
Ru Rubber	36,934,100.00	80%	<b>29,547,280.00</b>
AL Aluminium	29,355,000.00	80%	<b>23,484,000.00</b>
SP Pulp	13,600,400.00	80%	<b>10,880,320.00</b>
NR Glue No. 20	10,975,000.00	80%	<b>8,780,000.00</b>
CU Copper	10,360,500.00	80%	<b>8,288,400.00</b>
AO Aluminium Oxide	6,955,200.00	80%	<b>5,564,160.00</b>
BU Asphalt	6,746,960.00	80%	<b>5,397,568.00</b>
CJ Jujube	2,950,000.00	80%	<b>2,360,000.00</b>
PVC	2,816,000.00	80%	<b>2,252,800.00</b>
SS Stainless Steel	1,635,600.00	80%	<b>1,308,480.00</b>
CF Cotton	1,237,600.00	80%	<b>990,080.00</b>
Ni Nickel	767,040.00	80%	<b>613,632.00</b>
<b>Total</b>	<b>2,860,886,170.00</b>		<b>2,288,708,936.00</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 4. Pledged margin receivable (Continued)

##### (2) Classification by the category of collateral (Continued)

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
<b>Total</b>	<b>4,655,789,200.00</b>		<b>3,724,631,360.00</b>

#### 5. Settlement guarantees receivable

Item	December 31st, 2023	December 31st, 2022
China Financial Futures Exchange	<b>49,346,715.28</b>	20,108,390.93
China Securities Depository and Clearing Corporation Limited	<b>11,765,494.36</b>	11,583,968.44
<b>Total</b>	<b>61,112,209.64</b>	<b>31,692,359.37</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 6. Risk loss receivables

##### (1) Analysis by aging

Item	December 31st, 2023				December 31st, 2022			
	Book balance	As a percentage of total book balance (%)	Bad debt provision	Book value	Book balance	As a percentage of total book balance (%)	Bad debt provision	Book value
Within 1 year	116,485.64	19.32	5,824.28	110,661.36	562,907.41	79.84	28,145.37	534,762.04
1-2 years	451,807.41	74.92	45,180.74	406,626.67				
2-3 years					142,106.86	20.15	28,421.37	113,685.49
Over 3 years	34,761.46	5.76	20,856.88	13,904.58	76.07	0.01	45.64	30.43
Total	603,054.51	100.00	71,861.90	531,192.61	705,090.34	100.00	56,612.38	648,477.96

(2) As of December 31st, 2023, the top five risk loss receivables of the Group totaled RMB559,494.95, representing 92.78% of the total risk loss receivables, as follows:

Company name	Book balance	Aging	Ratio to total risk loss receivables (%)	Nature of payment
First place	301,193.07	1-2 years	49.94	Closeout loss payments
Second place	97,515.24	1-2 years	16.17	Closeout loss payments
Third place	85,311.79	Within 1 year	14.15	Closeout loss payments
Fourth place	53,099.10	1-2 years	8.81	Closeout loss payments
Fifth place	22,375.75	Within 1 year	3.71	Closeout loss payments
Total	559,494.95		92.78	

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023  
(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 7. Receivables

##### (1) Listed by details

Item	December 31st, 2023	December 31st, 2022
OTC Options clients' capital receivables	396,698,306.07	173,356,147.93
Notes receivable	48,193,405.83	28,000,000.00
Trade receivable	15,353,866.08	9,886,920.96
Exchange service fee receivable	4,715,707.02	4,295,797.24
Others	2,350,919.28	3,129,202.64
<b>Total</b>	<b>467,312,204.28</b>	218,668,068.77
Less: Bad debt provision	2,880,444.75	2,331,507.08
<b>Book value of accounts receivable</b>	<b>464,431,759.53</b>	216,336,561.69

##### (2) Analysis by aging

Item	December 31st, 2023		December 31st, 2022	
	Amount	As a percentage of total book balance (%)	Amount	As a percentage of total book balance (%)
Within 1 year	423,457,182.97	90.62	201,200,888.88	92.01
1-2 years	37,917,565.56	8.11	15,323,523.64	7.01
2-3 years	3,957,245.96	0.85	32,550.50	0.01
Over 3 years	1,980,209.79	0.42	2,111,105.75	0.97
<b>Total</b>	<b>467,312,204.28</b>	<b>100.00</b>	218,668,068.77	100.00

Notes receivable are aged within 180 days.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 7. Receivables (Continued)

##### (3) Changes in bad debt provision

Category	Balance as of December 31st, 2022	Accrual	Changes in current year Recovery or reversal	Carry-forward or write-off	Others	Balance as of December 31st, 2023
Provision for bad debts on receivables	2,331,507.08	548,937.67				2,880,444.75
<b>Total</b>	<b>2,331,507.08</b>	<b>548,937.67</b>				<b>2,880,444.75</b>

- (4) As of December 31st, 2023, the top five receivables of the Group totaled RMB200,319,668.35, representing 42.86% of the total receivables, as follows:

Company name	Amount	Aging	Ratio to total receivables (%)	Nature of payment
Everbright Securities Company Limited	60,000,000.00	Within 1 year	12.84	Option trading funds
Western Securities Co., Ltd.	37,750,000.00	Within 1 year	8.08	Option trading funds
Soochow Securities Co., Ltd.	36,000,000.00	Within 1 year	7.70	Option trading funds
Galaxy Derivatives Capital Management Co., Ltd.	36,000,000.00	Within 1 year/ 1-2 years	7.70	Option trading funds
Huatai Securities Co., Ltd.	30,569,668.35	Within 1 year	6.54	Option trading funds
<b>Total</b>	<b>200,319,668.35</b>		<b>42.86</b>	

As at December 31st, 2023, there were no amounts due from shareholders holding 5% (or more) of the voting shares of the Company in receivables (December 31st, 2022: same).

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 7. Receivables (Continued)

##### (5) Notes receivable and receivables financing endorsed or discounted at year-end and not yet due at the balance sheet date

Item	Amounts derecognised at year-end (Receivables financing)	Amounts not derecognised at year-end (Notes receivable)
Bank's acceptance bill	55,701,391.13	46,003,405.83
<b>Total</b>	<b>55,701,391.13</b>	<b>46,003,405.83</b>

#### 8. Inventories

Item	December 31st, 2023	December 31st, 2022
Bulk commodity	37,816,985.93	77,218,365.69
Subtotal	37,816,985.93	77,218,365.69
Less: Inventory depreciation reserves	715,591.18	
<b>Total</b>	<b>37,101,394.75</b>	<b>77,218,365.69</b>

As at December 31st, 2023, there were no inventories pledged to the Futures Exchange as trading margins (as at December 31st, 2022, there were no inventories pledged to the Futures Exchange as trading margins).



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 9. Contract assets

Item	December 31st, 2023	December 31st, 2022
Contract assets	<b>30,227,821.96</b>	26,394,536.79
Less: Impairment provision of contract assets		
Total	<b>30,227,821.96</b>	26,394,536.79

#### 10. Buyback financial assets

Item	December 31st, 2023	December 31st, 2022
National debt reverse repurchase	<b>200,159,669.92</b>	200,312,037.45
Including: Principal	<b>200,000,000.00</b>	200,007,000.00
Interest accrued	<b>159,669.92</b>	305,037.45
Warehouse receipt pledge fund lent	<b>126,836,131.85</b>	42,804,031.27
Including: Principal	<b>126,747,594.64</b>	42,804,031.27
Interest accrued	<b>88,537.21</b>	
Less: Impairment provision	<b>7,572,970.95</b>	7,572,970.95
Total	<b>319,422,830.82</b>	235,543,097.77

When the Group receives warehouse receipts as pledges for warehouse receipt pledge financing, these pledges can be used for re-pledge. As at December 31st, 2023, The fair value of standard warehouse receipts available for re-pledging in the pledge of warehouse receipt pledge financing received by the Group amounted to RMB30,547,000.00, all of which were used for re-pledging against trading margins. As at December 31st, 2022, the Group had no collateral accepted for re-pledging.

See Note XVII.1 Significant litigations for details of the impairment provision in the current period.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023  
(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 11. Financial assets held for trading

Item	December 31st, 2023	December 31st, 2022
Public offering of securities investment funds	340,133,370.89	335,165,691.57
Derivative financial assets (Note VII.12)	322,102,246.16	202,490,259.07
Asset management plan	255,127,322.48	265,893,556.15
Private securities investment fund	199,282,940.52	69,619,198.05
Trust scheme	7,003,550.37	51,464,581.55
Stock investment	2,392,227.84	5,202.00
Bank financial products	1,721,061.44	3,636,262.89
Income certificates		5,007,890.41
<b>Total</b>	<b>1,127,762,719.70</b>	<b>933,282,641.69</b>

#### 12. Derivative financial instruments

##### (1) Details of derivative financial instruments

Item	Nominal principal	December 31st, 2023	
		Assets	Liabilities
OTC options contract	18,527,985,767.86	284,245,013.66	150,861,157.82
Exchange-traded option contract	1,640,978,200.00	8,324,472.50	11,365,277.50
Exchange-traded futures contract	12,059,231,625.00		
Forward contract	1,449,240,233.21	29,532,760.00	12,252,793.03
<b>Total</b>	<b>33,677,435,826.07</b>	<b>322,102,246.16</b>	<b>174,479,228.35</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 12. Derivative financial instruments (Continued)

##### (1) Details of derivative financial instruments (Continued)

Item	Nominal principal	December 31st, 2022	
		Assets	Liabilities
OTC options 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
<b>Total</b>	<b>28,072,050,819.62</b>	<b>202,490,259.07</b>	<b>184,636,805.58</b>

##### (2) Exchange-traded futures contract

Item	December 31st, 2023		December 31st, 2022	
	Nominal amount	Gains and losses on changes in fair value	Nominal amount	Gains and losses on changes in fair value
Exchange-traded futures contract	12,059,231,625.00	-18,291,040.00	15,898,531,455.00	-26,629,630.00
Less: Settlement cash paid		18,291,040.00		26,629,630.00
<b>Futures contract net position</b>				

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, 2023. Therefore, the exchange-traded futures contract under derivative financial instruments is listed as the net amount after offsetting, which is RMB0.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023  
(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 13. Investments in other equity instruments

Item	December 31st, 2023	December 31st, 2022
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
<b>Total</b>	<b>1,400,000.00</b>	1,400,000.00

Note: All the above investments in other equity instruments are futures membership investments. Since January 1st, 2023, the Group has begun to implement the Implementation Regulations on Financial Treatment of Futures Companies issued by the China Futures Association on June 14th, 2022, and present them under "Investments in other equity instruments".

#### 14. Long-term equity investments

##### (1) Classification of long-term equity investments

Item	December 31st, 2023	December 31st, 2022
Long-term equity investment accounted by cost method		
Long-term equity investment accounted by equity method	43,262,218.99	39,778,369.13
Including: Investment in associates	43,262,218.99	39,778,369.13
<b>Total long-term equity investment</b>	<b>43,262,218.99</b>	39,778,369.13
Less: Impairment provision of long-term equity investment		
<b>Net value of long-term equity investment</b>	<b>43,262,218.99</b>	39,778,369.13

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 14. Long-term equity investments (Continued)

##### (2) Long-term equity investment accounted by equity method

Investee	December 31st, 2022	Initial investment	Additional investments	Reduced investments	Changes in current period							Others	December 31st, 2023	Closing impairment provision	
					Gains and losses on investments recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Cash dividend or profit declared to distribute	Impairment provision accrued	Exchange rate difference					
Associates															
Shandong Trading Market															
Clearing House Co.,															
Ltd.	24,634,892.38				1,392,635.51									26,027,527.89	
Shandong Board of Trade	15,143,476.75				2,091,214.35									17,234,691.10	
<b>Total</b>	<b>39,778,369.13</b>				<b>3,483,849.86</b>									<b>43,262,218.99</b>	

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 15. Fixed assets

Item	Houses and buildings	Transportation equipment	Computers, electronic equipment and others	Total
I. Original book value				
1. December 31st, 2022	40,072,644.53	6,149,935.45	57,843,407.62	104,065,987.60
2. Increased amount in current period		292,049.82	12,886,840.70	13,178,890.52
3. Decreased amount in current period			2,180,346.20	2,180,346.20
4. December 31st, 2023	40,072,644.53	6,441,985.27	68,549,902.12	115,064,531.92
II. Accumulated depreciation				
1. December 31st, 2022	15,427,056.15	4,093,531.53	40,055,479.75	59,576,067.43
2. Increased amount in current period	1,295,682.12	438,903.78	8,551,023.83	10,285,609.73
3. Decreased amount in current period			2,021,823.06	2,021,823.06
4. December 31st, 2023	16,722,738.27	4,532,435.31	46,584,680.52	67,839,854.10
III. Impairment provision				
1. December 31st, 2022				
2. Increased amount in current period				
3. Decreased amount in current period				
4. December 31st, 2023				
IV. Book value				
1. Book value as of December 31st, 2023	23,349,906.26	1,909,549.96	21,965,221.60	47,224,677.82
2. Book value as of December 31st, 2022	24,645,588.38	2,056,403.92	17,787,927.87	44,489,920.17

As of December 31st, 2023, the Group's fixed assets were not mortgaged, guaranteed or sealed (December 31st, 2022: same). As of December 31st, 2023, no sign of impairment was found in the above-mentioned fixed assets, so no impairment provision of fixed assets was accrued (December 31st, 2022: same).



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 16. Right-of-use assets

Item	Houses and buildings	Total
I. Original book value		
1. December 31st, 2022	49,119,198.60	49,119,198.60
2. Increase in current period	19,633,298.50	19,633,298.50
New lease contract	19,633,298.50	19,633,298.50
3. Decrease in current period	4,016,693.83	4,016,693.83
Others	4,016,693.83	4,016,693.83
4. December 31st, 2023	64,735,803.27	64,735,803.27
II. Accumulated depreciation		
1. December 31st, 2022	24,173,772.01	24,173,772.01
2. Increase in current period	13,907,422.56	13,907,422.56
Accrual	13,907,422.56	13,907,422.56
3. Decrease in current period	2,088,418.67	2,088,418.67
Others	2,088,418.67	2,088,418.67
4. December 31st, 2023	35,992,775.90	35,992,775.90
III. Book value		
1. Book value as of December 31st, 2023	28,743,027.37	28,743,027.37
2. Book value as of December 31st, 2022	24,945,426.59	24,945,426.59

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 17. Intangible assets

##### (1) Changes in intangible assets

Item	Software	Total
I. Original book value		
1. December 31st, 2022	22,865,365.66	22,865,365.66
2. Increased amount in current period	7,858,268.34	7,858,268.34
(1) Acquisition	7,858,268.34	7,858,268.34
(2) Increase in business combination		
3. Decreased amount in current period		
(1) Disposal		
(2) Others		
4. Translation difference of foreign currency statements		
5. December 31st, 2023	30,723,634.00	30,723,634.00
II. Accumulated amortization		
1. December 31st, 2022	13,225,586.03	13,225,586.03
2. Increased amount in current period	1,563,202.25	1,563,202.25
(1) Accrual	1,563,202.25	1,563,202.25
(2) Others		
3. Decreased amount in current period		
(1) Disposal		
(2) Others		
4. Translation difference of foreign currency statements		
5. December 31st, 2023	14,788,788.28	14,788,788.28
III. Impairment provision		
1. December 31st, 2022	1,438,333.48	1,438,333.48
2. Increased amount in current period		
(1) Accrual		
(2) Increase in business combination		
3. Decreased amount in current period		
(1) Disposal		
4. Translation difference of foreign currency statements		
5. December 31st, 2023	1,438,333.48	1,438,333.48
IV. Book value		
1. Book value as of December 31st, 2023	14,496,512.24	14,496,512.24
2. Book value as of December 31st, 2022	8,201,446.15	8,201,446.15

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 18. Deferred income tax assets and deferred income tax liabilities

##### (1) Deferred income tax assets without offsetting

Item	December 31st, 2023	
	Deductible temporary difference	Deferred tax assets
Gains and losses on changes in fair value	50,307,961.92	12,576,990.48
Interest payable	29,546,336.50	7,386,584.13
Deductible losses	157,158,072.91	39,289,518.23
Asset impairment provision	13,658,872.14	3,414,718.04
Depreciation of fixed assets	2,120,456.01	530,114.00
Lease liabilities	29,391,476.28	7,347,869.07
<b>Total</b>	<b>282,183,175.76</b>	<b>70,545,793.95</b>

Item	December 31st, 2022	
	Deductible temporary difference	Deferred tax assets
Gains and losses on changes in fair value	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	11,680,560.25
Asset impairment provision	13,120,292.40	3,280,073.10
Depreciation of fixed assets	2,576,050.40	644,012.60
Lease liabilities	25,267,643.60	6,316,910.90
<b>Total</b>	<b>273,332,232.38</b>	<b>68,333,058.11</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 18. Deferred income tax assets and deferred income tax liabilities (Continued)

##### (2) Deferred income tax liabilities without offsetting

Item	December 31st, 2023	
	Taxable temporary difference	Deferred income tax liabilities
Gains and losses on changes in fair value	154,521,857.81	38,630,464.45
Interest receivable	23,991,824.65	5,997,956.16
Depreciation of fixed assets	1,989.84	497.46
Right-of-use assets	81,444,861.44	20,361,215.36
<b>Total</b>	<b>259,960,533.74</b>	<b>64,990,133.43</b>

Item	December 31st, 2022	
	Taxable temporary difference	Deferred income tax liabilities
Gains and losses on changes in fair value	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
Right-of-use assets	24,945,426.59	6,236,356.65
<b>Total</b>	<b>185,379,256.52</b>	<b>46,344,814.12</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 18. Deferred income tax assets and deferred income tax liabilities (Continued)

##### (3) Deferred income tax assets or liabilities listed in net amount after offset

Item	Closing offset amount of deferred income tax assets and liabilities	Closing balance of deferred income tax assets or liabilities after offsetting	Opening offset amount of deferred income tax assets and liabilities	Opening balance of deferred income tax assets or liabilities after offsetting
Deferred tax assets	61,811,021.55	8,734,772.40	46,344,316.66	21,988,741.45
Deferred income tax liabilities	61,811,021.55	3,179,111.88	46,344,316.66	497.46

##### (4) Details of unrecognized deferred income tax assets

Item	December 31st, 2023	December 31st, 2022
Deductible losses	73,135,110.25	73,288,208.24
Total	73,135,110.25	73,288,208.24

##### (5) Deductible losses on unrecognized deferred income tax assets will mature in the following years:

Year	December 31st, 2023	December 31st, 2022
2024 years		27,410.68
2025 years	210,073.02	422,622.24
2026 years	1,074,779.92	1,074,779.92
2027 years	1,169,556.88	1,169,556.88
2028 years		
No maturity date	70,680,700.43	70,593,838.52
Total	73,135,110.25	73,288,208.24

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023  
(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 19. Other assets

##### (1) Breakdown

Item	December 31st, 2023	December 31st, 2022
Prepayments	131,481,005.11	55,674,331.25
Other receivables	29,913,937.30	11,389,363.27
Input tax to be certified	9,866,868.54	1,811,329.09
Certified input tax to be deducted	3,307,010.75	5,580,954.30
Advance payment of enterprise income tax	3,035,646.48	
Long-term deferred expenses	2,890,794.80	2,677,947.19
<b>Total</b>	<b>180,495,262.98</b>	77,133,925.10

##### (2) Other assets – other receivables

Item	December 31st, 2023	December 31st, 2022
Margin receivable	25,450,920.22	5,992,360.71
Deposit	3,542,177.41	4,781,673.30
Others	2,865,747.70	2,882,313.06
<b>Subtotal</b>	<b>31,858,845.33</b>	13,656,347.07
Less: Bad debt provision	1,944,908.03	2,266,983.80
<b>Book value of other receivables</b>	<b>29,913,937.30</b>	11,389,363.27



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 19. Other assets (Continued)

##### (3) Other assets – impairment of other receivables

	Stage 1	Stage 2	Stage 3	
	Expected credit losses for the next 12 months	Expected credit losses over the entire duration (no credit impairment)	Expected credit losses over the entire duration (credit impairment has occurred)	Total
Bad debt provision				
Balance as of January 1st, 2023	2,266,983.80			2,266,983.80
Book balance of other receivables as of January 1st, 2023 in current year				
- Transfer to stage 2				
- Transfer to stage 3				
- Reverse to stage 2				
- Reverse to stage 1				
Accrual in current year	-322,075.77			-322,075.77
Reversal in current year				
Carry forward in current year				
Write-off in current year				
Other changes				
Balance as of December 31st, 2023	1,944,908.03			1,944,908.03

##### (4) Other assets – prepayments

Item	December 31st, 2023		December 31st, 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	128,352,442.95	97.62	51,584,678.78	92.66
1-2 years	1,416,990.72	1.08	3,222,624.75	5.79
2-3 years	1,395,493.87	1.06	346,563.12	0.62
Over 3 years	316,077.57	0.24	520,464.60	0.93
Total	131,481,005.11	100.00	55,674,331.25	100.00

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023  
(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 20. Short-term loans

##### (1) Classification of short-term loans

Classification of short-term loans	December 31st, 2023	December 31st, 2022
Credit loan	20,700,000.00	10,000,000.00
Add: Accrued interest	23,402.50	11,388.89
<b>Total</b>	<b>20,723,402.50</b>	<b>10,011,388.89</b>

Zhongtai Huirong Capital signed a working capital loan contract with the Shenzhen Branch of Zhuhai China Resources Bank Co., Ltd. for a loan of RMB20.7 million at the interest rate of 3.70% to purchase bulk commodities, and the loan term is from October 25th, 2023 to October 25th, 2024.

#### 21. Acting trading securities

Item	December 31st, 2023	December 31st, 2022
Brokerage business	3,934,663.15	2,327,132.42
Including: Individuals	374,502.60	117,828.05
Organizations	3,560,160.55	2,209,304.37
<b>Total</b>	<b>3,934,663.15</b>	<b>2,327,132.42</b>

Note: Since January 1st, 2023, the Group has begun to implement the Implementation Regulations on Financial Treatment of Futures Companies issued by the China Futures Association on June 14th, 2022, which requires that the item "Acting trading securities" is presented separately. Prior to that, the item is presented under the item "Currency margin payable".

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 22. Currency margin payable

Item	December 31st, 2023	December 31st, 2022
Currency margin payable by futures and options customers	<b>23,138,021,657.15</b>	20,649,572,802.73
Total	<b>23,138,021,657.15</b>	20,649,572,802.73

#### (1) Listed by customer category

Item	December 31st, 2023		December 31st, 2022	
	Number of accounts	Amount	Number of accounts	Amount
Natural person	<b>168,412</b>	<b>6,724,692,495.29</b>	153,879	5,928,696,781.13
Legal person	<b>7,229</b>	<b>16,360,146,454.98</b>	5,801	14,365,873,822.67
Non-settlement member	<b>3</b>	<b>53,182,706.88</b>	3	355,002,198.93
Total	<b>175,644</b>	<b>23,138,021,657.15</b>	159,683	20,649,572,802.73

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023  
(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 23. Pledge margin payable

##### (1) Listed by exchange

Item	December 31st, 2023	December 31st, 2022
China Financial Futures Exchange	1,327,767,624.00	1,152,862,936.00
Dalian Commodity Exchange	408,382,480.00	575,810,720.00
Shanghai Futures Exchange	300,699,072.00	1,604,839,680.00
Zhengzhou Commodity Exchange	243,079,760.00	343,297,224.00
Shanghai International Energy Exchange	8,780,000.00	47,820,800.00
<b>Total</b>	<b>2,288,708,936.00</b>	<b>3,724,631,360.00</b>

##### (2) Listed by customer category

Item	December 31st, 2023		December 31st, 2022	
	Number of accounts	Amount	Number of accounts	Amount
Legal person	49	2,288,708,936.00	43	3,724,631,360.00
<b>Total</b>	<b>49</b>	<b>2,288,708,936.00</b>	<b>43</b>	<b>3,724,631,360.00</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 24. Futures risk reserves

Item	December 31st, 2023	December 31st, 2022
Opening balance	<b>155,185,841.21</b>	137,139,704.50
Increase in current period	<b>20,736,515.57</b>	18,046,136.71
Used in current period		
Closing balance	<b>175,922,356.78</b>	155,185,841.21

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.

#### 25. Futures investors' security funds payable

Item	December 31st, 2023	December 31st, 2022
Opening balance	<b>1,104,676.74</b>	909,357.71
Increase in current period	<b>925,638.53</b>	1,024,474.93
Payment in current period	<b>1,157,071.37</b>	829,155.90
Closing balance	<b>873,243.90</b>	1,104,676.74

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 No. 26 of 2016, 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 Financial Statements

January 1st, 2023 – December 31st, 2023  
(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 26. Employee benefits payable

##### (1) Details of employee benefits payable

Item	December 31st, 2022	Increase in current period	Decrease in current period	December 31st, 2023
I. Short-term employee benefits	91,817,178.44	223,076,863.17	244,200,811.96	<b>70,693,229.65</b>
II. Post-employment benefits – defined contribution plans	95,596.94	38,909,957.45	38,915,094.37	<b>90,460.02</b>
III. Termination benefits		65,602.25	65,602.25	
<b>Total</b>	<b>91,912,775.38</b>	<b>262,052,422.87</b>	<b>283,181,508.58</b>	<b>70,783,689.67</b>

##### (2) Short-term employee benefits

Item	December 31st, 2022	Increase in current period	Decrease in current period	December 31st, 2023
Employee salaries, bonuses, allowances and subsidies	78,157,873.34	181,831,591.82	202,916,924.62	<b>57,072,540.54</b>
Employee welfares	6,480.00	4,040,539.78	4,033,737.32	<b>13,282.46</b>
Social insurance contributions Including: Medical insurance premiums	48,913.44	12,596,218.65	10,069,030.09	<b>2,576,102.00</b>
Work-related injury insurance premiums	41,597.03	12,207,101.26	9,679,970.65	<b>2,568,727.64</b>
Maternity insurance premiums	1,705.04	266,939.03	267,318.39	<b>1,325.68</b>
Others	5,611.37	122,178.36	121,741.05	<b>6,048.68</b>
Housing provident fund	17,810.21	18,456,956.02	18,456,956.02	<b>17,810.21</b>
Funds for trade unions and staff education	13,586,101.45	6,151,556.90	8,724,163.91	<b>11,013,494.44</b>
Other short-term employee benefits				
<b>Total</b>	<b>91,817,178.44</b>	<b>223,076,863.17</b>	<b>244,200,811.96</b>	<b>70,693,229.65</b>



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 26. Employee benefits payable (Continued)

##### (3) Defined contribution plans

Item	December 31st, 2022	Increase in current period	Decrease in current period	December 31st, 2023
Basic pension insurance	88,852.63	23,649,502.39	23,654,692.12	83,662.90
Unemployment insurance premiums	6,744.31	1,259,914.00	1,259,861.19	6,797.12
Enterprise annuity contributions		14,000,541.06	14,000,541.06	
Total	95,596.94	38,909,957.45	38,915,094.37	90,460.02

##### (4) Termination benefits

Item	December 31st, 2022	Increase in current period	Decrease in current period	December 31st, 2023
Termination benefits		65,602.25	65,602.25	
Total		65,602.25	65,602.25	

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 and based on the employees' average monthly income in the previous year and makes contributions in accordance with the stipulated ratio.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 26. Employee benefits payable (Continued)

##### (4) Termination benefits (Continued)

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 in the enterprise pension fund for employees who are less than 10 years away from retirement from the date of implementation of the enterprise pension fund, and such employees will be compensated after retirement in accordance with the relevant regulations.

In order to further improve the multi-tiered medical insurance system for the Company's employees and effectively enhance the employees' medical insurance level, the Company participates in the basic medical insurance and on this basis, formulates the *Implementation Plan Regarding the Supplementary Medical Insurance of Zhongtai Futures Company Limited* in accordance with the relevant national regulations. It has implemented supplementary medical insurance since July 2023 for current employees and retired employees who have signed full-time employment contracts with the Company.

#### 27. Notes payable

Category	December 31st, 2023	December 31st, 2022
Bank's acceptance bill	80,347,520.00	200,000.00
Total	80,347,520.00	200,000.00

There were no notes payable due and unpaid at year-end. The aging of the Group's notes payable at year-end described above was within 120 days.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 28. Taxes payable

Item	January 1st, 2023	Current period payable	Current period paid	December 31st, 2023
Corporate income tax payable	59,018,325.49	31,273,996.04	89,997,932.85	294,388.68
Personal income tax payable	1,908,636.49	18,927,276.94	17,810,899.45	3,025,013.98
Unpaid VAT	6,933,022.80	11,656,601.10	18,097,438.88	492,185.02
Stamp duty	182,659.58	999,894.14	827,426.19	355,127.53
Property tax payable	84,152.55	336,610.20	336,610.20	84,152.55
Urban construction tax payable	327,182.79	1,529,964.04	1,820,194.87	36,951.96
Education surcharge payable	141,164.64	656,904.52	781,289.19	16,779.97
Local education surcharge payable	93,038.09	438,068.46	520,991.07	10,115.48
Others	2,452.62	128,851.92	131,304.54	
<b>Total</b>	<b>68,690,635.05</b>	<b>65,948,167.36</b>	<b>130,324,087.24</b>	<b>4,314,715.17</b>

#### 29. Payables

##### (1) Classification by details

Item	December 31st, 2023	December 31st, 2022
Funds payable to OTC option customers	1,446,117,544.90	1,214,784,411.06
Return of brokerage service fee payable	11,466,008.92	12,919,754.05
Commission payable for futures introduction and brokerage services	10,842,361.40	938,239.72
Advertising expenses payable	4,094,320.08	459,312.97
Remuneration payable for intermediary services	2,145,027.24	3,061,511.39
Consulting service fee payable	1,949,355.45	2,013,739.02
Agency fees payable	1,200,000.00	1,200,000.00
Rent and property costs payable	426,366.53	119,863.20
Others	10,550,619.39	2,586,913.54
<b>Total</b>	<b>1,488,791,603.91</b>	<b>1,238,083,744.95</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023  
(All amounts are expressed in RMB unless stated otherwise)

### VII. Notes on main items of consolidated financial statements (Continued)

#### 29. Payables (Continued)

(2) As of December 31st, 2023, the companies with the five largest balances of payables:

Company name	Amount	Aging	As a percentage of total payables (%)	Nature of payment
Fengrun Taixin No. 15 Private Equity Securities Investment Fund	73,445,000.00	Within 1 year	4.93	OTC option client funds
Changjiang Securities Company Limited	70,000,000.00	Within 1 year	4.70	OTC option client funds
Hainan Kuohai Trade Co., Ltd.	64,869,810.00	Within 1 year	4.36	OTC option client funds
Jiangsu Oureway E-COMMERCE Co., Ltd.	51,017,840.30	Within 1 year	3.43	OTC option client funds
Sinolink Securities Co., Ltd.	49,500,000.00	Within 1 year	3.32	OTC option client funds
<b>Total</b>	<b>308,832,650.30</b>		<b>20.74</b>	

(3) Payables by aging

Aging	December 31st, 2023	December 31st, 2022
Within 1 year	<b>1,316,438,006.71</b>	1,124,252,069.15
1-2 years	<b>166,948,896.89</b>	105,234,384.07
2-3 years	<b>2,096,751.92</b>	3,736,498.70
Over 3 years	<b>3,307,948.39</b>	4,860,793.03
<b>Total</b>	<b>1,488,791,603.91</b>	1,238,083,744.95

(4) As at December 31st, 2023, the Group's balance payable to the shareholder Zhongtai Securities for the house purchase was RMB42,643.89 (December 31st, 2022: RMB42,643.89), and the introducing brokers' service commission was RMB10,842,361.40 (December 31st, 2022: RMB938,239.72).

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 30. Contract liabilities

Item	December 31st, 2023	December 31st, 2022
Advance payment for goods	26,491,204.51	18,375,107.56
Total	26,491,204.51	18,375,107.56

#### 31. Lease liabilities

Item	December 31st, 2023	December 31st, 2022
Unpaid lease payments	35,349,965.91	29,082,921.46
Less: Unrecognized financing costs	5,958,489.63	3,815,277.86
Total	29,391,476.28	25,267,643.60

#### 32. Provisions

Item	December 31st, 2023	December 31st, 2022
Expected losses	59,343.00	116,964.10
Total	59,343.00	116,964.10

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023  
(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 33. Other liabilities

Item	December 31st, 2023	December 31st, 2022
Other payables	<b>12,338,370.45</b>	219,249,072.20
Advances from customers	<b>23,584.90</b>	15,723.31
Pending output tax	<b>1,711,008.79</b>	2,497,835.65
Endorsed notes undue	<b>46,003,405.83</b>	25,000,000.00
<b>Total</b>	<b>60,076,369.97</b>	246,762,631.16

Among other payables of the year 2022, the subsidiary Zhongtai Huirong Capital borrowed RMB200 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. In July 2023, the subsidiary Zhongtai Huirong Capital paid off the principal and interest on the above borrowing.

As at December 31st, 2023, the Company had RMB799,840.57 (December 31st, 2022: RMB799,840.57) payable to the shareholder, Zhongtai Securities, for the lease of cabinets.

#### 34. Share capital

Name of shareholder	December 31st, 2023		December 31st, 2022	
	Contribution amount	Proportion (%)	Contribution amount	Proportion (%)
Zhongtai Securities Co., Ltd.	<b>632,176,077.50</b>	<b>63.10</b>	632,176,077.50	63.10
Yongfeng Group Co., Ltd.	<b>35,156,250.00</b>	<b>3.51</b>	35,156,250.00	3.51
Shandong State-owned Assets Investment Holding Co., Ltd.	<b>22,583,601.69</b>	<b>2.25</b>	22,583,601.69	2.25
Linglong Group Co., Ltd.	<b>11,718,750.00</b>	<b>1.17</b>	11,718,750.00	1.17
Sanya Shengli Investment Co., Ltd.	<b>11,718,750.00</b>	<b>1.17</b>	11,718,750.00	1.17
Jinan Energy Investment Co., Ltd.	<b>11,456,570.81</b>	<b>1.14</b>	11,456,570.81	1.14
Overseas Listed Ordinary Shares ("H Shares")	<b>277,090,000.00</b>	<b>27.66</b>	277,090,000.00	27.66
<b>Total</b>	<b>1,001,900,000.00</b>	<b>100.00</b>	1,001,900,000.00	100.00



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 34. Share capital (continued)

As of December 31st, 2023, the Company's shares were not 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 transactions; securities investment fund custody; industry category: capital market services; registered capital: RMB6,968,625,756.00.

#### 35. Capital reserves

Item	December 31st, 2022	Increase in current period	Decrease in current period	December 31st, 2023
Equity premium	650,629,528.42			650,629,528.42
Other capital reserves	11,304,538.52			11,304,538.52
Total	661,934,066.94			661,934,066.94

Other capital reserves refer to changes in the equity of the investee other than comprehensive income and profit distribution accounted for by the equity method.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 36. Other comprehensive income

Item	Balance as of December 31st, 2022	Amount incurred during the year	Amount incurred before income tax for the year			Less: Income tax expenses	Amount attributable to the parent company after tax	Amount attributable to minority shareholders after tax	Balance as of December 31st, 2023
			Less: Amount included in other comprehensive income in the prior period transferred to current profit or loss	Less: Amount included in other comprehensive income in the prior period transferred to retained earnings in the current period					
Other comprehensive income to be reclassified to profit or loss Including: Other comprehensive income available for transfer to profit or loss under the equity method	1,829,585.72	322,389.54				322,389.54		2,151,975.26	
Provision for credit impairment of other debt investments									
Translation difference of foreign currency statements	1,829,585.72	322,389.54				322,389.54		2,151,975.26	
Others									
<b>Total other comprehensive income</b>	<b>1,829,585.72</b>	<b>322,389.54</b>				<b>322,389.54</b>		<b>2,151,975.26</b>	

#### 37. Surplus reserves

Item	Pre-adjustment (December 31st, 2022)	Changes in accounting policies	Post-adjustment (December 31st, 2022)	Increase in current period	Decrease in current period	December 31st, 2023
Statutory surplus reserve	99,583,860.34	-35.32	99,583,825.02	13,050,098.20		112,633,923.22
<b>Total</b>	<b>99,583,860.34</b>	<b>-35.32</b>	<b>99,583,825.02</b>	<b>13,050,098.20</b>		<b>112,633,923.22</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 37. Surplus reserves (continued)

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 discretionary surplus reserve for the year 2023.

#### 38. General risk reserve

Item	FY2023	FY2022
Closing balance of the prior period before adjustments	<b>124,578,909.85</b>	110,493,866.57
Add: Changes in accounting policies	<b>-35.32</b>	-1,379.86
Closing balance of the prior period after adjustments	<b>124,578,874.53</b>	110,492,486.71
Accrual in the current period	<b>13,050,098.20</b>	14,086,387.82
Closing balance	<b>137,628,972.73</b>	124,578,874.53

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 the reserves shall not be used for dividends or capital increase.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 39. Undistributed profits

Item	FY2023	FY2022
Closing balance of the prior period before adjustments	<b>552,372,922.16</b>	432,517,551.30
Add: Changes in accounting policies	<b>80,624.90</b>	40,901.50
Closing balance of the prior period after adjustments	<b>552,453,547.06</b>	432,558,452.80
Add: Net profit attributable to shareholders of the parent company	<b>133,718,823.75</b>	166,102,069.90
Less: Withdrawal of statutory surplus reserves	<b>13,050,098.20</b>	14,086,387.82
Withdrawal of general risk reserve	<b>13,050,098.20</b>	14,086,387.82
Distribution of dividends on ordinary shares	<b>16,030,400.00</b>	18,034,200.00
Others		
Closing balance of the current period	<b>644,041,774.41</b>	552,453,547.06

The details of dividends declared and paid or proposed during the track record period are as follows:

Pursuant to the resolutions of the board of directors' meeting held on March 24th, 2022 and the resolutions of the general meeting of shareholders for the year ended December 31st, 2021 held on June 28th, 2022, the Company declared the final dividend for the year 2021 to its shareholders on the basis of a dividend of RMB0.18 (inclusive of tax) for every 10 shares, which amounted to a total of RMB18,034,200.00. The Company completed the dividend payment in 2022.

According to the resolutions of the board of directors' meeting held on March 30th, 2023 and the resolutions of the general meeting of shareholders for the year ended December 31st, 2022 held on June 15th, 2023, the Company declared the final dividend for the year 2022 to its shareholders on the basis of a dividend of RMB0.16 (inclusive of tax) for every 10 shares, totaling RMB16,030,400.00. The Company completed the dividend payment in 2023.

On March 26th, 2024, the board of directors proposed the final dividend for the year ended December 31st, 2023 on the basis of a dividend of RMB0.14 (inclusive of tax) for every 10 ordinary shares, totaling RMB14,026,600.00. The proposal is subject to the approval of the annual general meeting of shareholders for the year 2023.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 40. Net handling fees and commission income

##### (1) Listed by category

Item	FY2023	FY2022	Percentage increase or decrease (%)
Net income from return and reduction of handling fees of the exchange	<b>330,409,919.39</b>	317,248,317.44	4.15
Net income from transaction fees	<b>14,315,482.70</b>	30,953,426.79	-53.75
Net income from exercise fees	<b>7,901,636.90</b>	6,722,541.19	17.54
Investment consulting service fee income	<b>675,944.12</b>	216,981.13	211.52
Net income from settlement fees	<b>17,378.15</b>	12,214.33	42.28
Asset management business income	<b>489,595.90</b>	258,580.78	89.34
Total	<b>353,809,957.16</b>	355,412,061.66	-0.45

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 40. Net handling fees and commission income (continued)

##### (2) Listed by region

Region	FY2023		FY2022	
	Number of divisions	Handling fee income	Number of divisions	Handling fee income
Shandong Province	11	291,575,506.80	12	282,532,573.08
Shanghai	3	14,775,588.81	3	26,160,123.18
Zhejiang Province	4	10,675,813.63	4	12,688,905.47
Guangdong Province	2	10,029,876.65	2	5,000,975.77
Liaoning Province	2	6,339,443.04	2	6,590,652.57
Henan Province	2	4,927,241.26	1	2,526,074.23
Beijing	2	4,525,755.79	2	4,258,364.11
Tianjin	1	3,574,192.51	1	1,731,369.24
Jiangsu Province	2	2,997,565.50	2	9,438,106.97
Hunan Province	1	1,914,011.04	1	1,319,169.59
Hubei Province	1	1,264,528.52	1	2,862,202.81
Fujian Province	1	1,210,433.61	1	303,544.64
<b>Total</b>	<b>32</b>	<b>353,809,957.16</b>	<b>32</b>	<b>355,412,061.66</b>

In 2023, the Company canceled Zhongtai Futures Company Limited Jinan Business Department in Shandong Province and established Zhongtai Futures Company Limited Henan First Branch in Henan Province.



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 41. Net interest income

Item	FY2023	FY2022	Percentage increase or decrease (%)
Interest income	<b>483,415,121.76</b>	440,084,750.29	9.85
Including: Interest income from bank deposits	<b>448,472,705.11</b>	372,594,569.49	20.36
Exchange margin interest income	<b>33,772,746.24</b>	65,736,954.36	-48.62
Interest income from repurchase for resale	<b>1,169,670.41</b>	1,753,226.44	-33.28
Interest expenses	<b>251,682,097.75</b>	214,350,015.80	17.42
Including: Interest expenses paid to customers	<b>240,958,408.50</b>	200,064,058.03	20.44
Interest expense of lease liabilities	<b>3,190,296.66</b>	2,898,956.38	10.05
Interest expense for settlement and clearing services	<b>790,478.40</b>	708,709.70	11.54
Interest expense on borrowings	<b>6,742,914.19</b>	10,678,291.69	-36.85
Net interest income	<b>231,733,024.01</b>	225,734,734.49	2.66

#### 42. Investment income

Item	FY2023	FY2022	Percentage increase or decrease (%)
Investment income from disposal of financial instruments held for trading	<b>-120,185,801.23</b>	180,668,470.69	-166.52
Investment income obtained during the holding period of financial assets held for trading	<b>8,600,601.99</b>	9,544,062.59	-9.89
Income from long-term equity investments accounted for by the equity method	<b>3,483,849.86</b>	4,110,124.33	-15.24
Total	<b>-108,101,349.38</b>	194,322,657.61	-155.63

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023  
(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 43. Gains from changes in fair value

Item	FY2023	FY2022	Percentage increase or decrease (%)
Changes in the fair value of financial instruments held for trading	<b>146,631,203.41</b>	-119,830,258.80	222.37
<b>Total</b>	<b>146,631,203.41</b>	-119,830,258.80	222.37

#### 44. Other operation income

Item	FY2023	FY2022	Percentage increase or decrease (%)
Revenue from spot sales of futures and spot combination business	<b>1,506,085,280.20</b>	1,763,812,863.91	-14.61
Others	<b>22,044,809.20</b>	28,420,615.72	-22.43
<b>Total</b>	<b>1,528,130,089.40</b>	1,792,233,479.63	-14.74

#### 45. Other income

Item	FY2023	FY2022
Return of handling fees on personal income tax agency	<b>523,189.14</b>	233,705.24
Job stabilization subsidy	<b>320,922.12</b>	19,394.63
Government grants	<b>188,575.47</b>	218,332.83
Tax exemption	<b>7,806.04</b>	20,215.76
Others	<b>30,710.58</b>	544,074.14
<b>Total</b>	<b>1,071,203.35</b>	1,035,722.60

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 46. Expenditure on provision for futures risk

Item	FY2023	FY2022
Withdrawal of risk reserves	20,736,515.57	18,046,136.71
Total	20,736,515.57	18,046,136.71

#### 47. Taxes and surcharges

Item	FY2023	FY2022	Percentage increase or decrease (%)
Stamp duty	999,894.14	1,192,162.76	-16.13
Urban construction tax	1,529,964.04	1,390,641.00	10.02
Education surcharge	656,904.52	595,860.95	10.24
Local education surcharge	438,068.46	397,479.33	10.21
Others	355,995.84	350,526.00	1.56
Total	3,980,827.00	3,926,670.04	1.38

#### 48. Business and management fees

##### (1) Comparison and presentation of business and management fees

Item	FY2023	FY2022	Percentage increase or decrease (%)
Business and management fees	436,302,752.91	406,386,887.45	7.36
Total	436,302,752.91	406,386,887.45	7.36

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 48. Business and management fees (continued)

(2) The main items of business and management fees are as follows:

Item	FY2023	FY2022	Percentage increase or decrease (%)
Employee benefits	262,052,422.87	259,325,554.14	1.05
Running costs of electronic equipment	36,839,615.58	26,056,883.04	41.38
Depreciation and amortization	27,482,938.96	22,793,781.99	20.57
Advertising expenses	21,574,500.61	12,981,083.51	66.20
Communication fee	12,581,076.60	11,107,946.56	13.26
Business entertainment expenses	12,079,566.92	10,443,122.37	15.67
Travel expenses	9,033,027.77	4,955,981.97	82.27
IB introducing fees	8,433,796.85	9,718,138.28	-13.22
Conference expenses	8,121,738.51	2,187,436.63	271.29
Consulting fee	7,895,495.81	6,162,138.07	28.13
Audit fee	1,319,833.45	1,421,907.16	-7.18
Including: ShineWing (Note 1)	1,278,371.51	1,300,000.00	-1.66
Others	41,461.94	121,907.16	-65.99
<b>Total</b>	<b>407,414,013.93</b>	<b>367,153,973.72</b>	<b>10.97</b>

Note 1: ShineWing is short for ShineWing Certified Public Accountants (LLP).

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 49. Credit impairment loss

Item	FY2023	FY2022
Impairment loss on cash and cash equivalents	<b>-419,122.86</b>	288,425.70
Impairment loss on receivables	<b>548,937.67</b>	168,796.50
Impairment loss on other receivables	<b>-322,075.77</b>	262,809.04
Impairment loss on receivables from risk losses	<b>15,249.52</b>	56,612.38
Impairment loss of buying back the sale of financial assets		7,572,970.95
<b>Total</b>	<b>-177,011.44</b>	<b>8,349,614.57</b>

#### 50. Impairment losses on assets

Item	FY2023	FY2022
Inventory impairment loss	<b>715,591.18</b>	-289,515.05
<b>Total</b>	<b>715,591.18</b>	<b>-289,515.05</b>

#### 51. Other business costs

Item	FY2023	FY2022	Percentage increase or decrease (%)
Cost of spot sales in futures and spot combination business	<b>1,488,257,311.56</b>	1,759,017,882.71	-15.39
Others	<b>18,912,396.56</b>	26,554,811.44	-28.78
<b>Total</b>	<b>1,507,169,708.12</b>	<b>1,785,572,694.15</b>	<b>-15.59</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 52. Non-operating income

Item	FY2023	FY2022
Gains from the scrapping of non-current assets	<b>1,140.55</b>	4,520.00
Including: Gains from the scrapping of fixed assets	<b>1,140.55</b>	4,520.00
Gains from the scrapping of intangible assets		
Government grants and support funds	<b>6,000.00</b>	223,877.56
Income from forfeited margin		1,435,530.42
Others	<b>1,868.44</b>	293,786.03
<b>Total</b>	<b>9,008.99</b>	1,957,714.01

#### 53. Non-operating expenses

Item	FY2023	FY2022
Losses on the scrapping of non-current assets	<b>170,496.03</b>	13,242.80
Including: Losses on the scrapping of fixed assets	<b>170,496.03</b>	13,242.80
Donation and sponsorship expenses	<b>851,000.00</b>	2,140,487.38
Insurance premium support	<b>1,391,293.81</b>	
Others	<b>674,906.19</b>	50,272.67
<b>Total</b>	<b>3,087,696.03</b>	2,204,002.85

Note: "Non-operating expenses – Others" mainly represent overdue payment for tax in arrears.



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 54. Income tax expenses

##### (1) Presentation of income tax expenses

Item	FY2023	FY2022
Current income tax expenses	<b>31,273,996.04</b>	104,786,824.88
Deferred income tax expenses	<b>16,432,583.47</b>	-45,499,473.84
Total	<b>47,706,579.51</b>	59,287,351.04

##### (2) Adjustment process of accounting profit and income tax expense

Item	FY2023	FY2022
Total consolidated profit	<b>181,425,403.26</b>	225,389,420.94
Income tax expense calculated at the legal/ applicable tax rate	<b>45,356,350.82</b>	56,347,355.24
Effect of different tax rates applied to subsidiaries	<b>-175,746.40</b>	396,242.72
Effect of income tax adjustment in previous periods	<b>-322,567.93</b>	-1,027,531.09
Effect of non-taxable income	<b>2,874,113.49</b>	3,298,251.70
Effect of non-deductible costs, expenses and losses	<b>2,874,113.49</b>	3,298,251.70
Effect of using the deductible losses for which deferred income tax assets are not recognized in the prior period		
Effect of deductible temporary differences or deductible losses for which deferred income tax assets are not recognized in the current period	<b>16,043.89</b>	291,799.05
Effect of deductible temporary differences or deductible losses for which deferred income tax assets are not recognized in the prior period	<b>-41,614.36</b>	-18,766.58
Final settlement difference of the prior year		
Income tax expenses	<b>47,706,579.51</b>	59,287,351.04

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 55. Cash flow statement items

##### (1) Supplementary information of the consolidated cash flow statement

Item	FY2023	FY2022
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	133,718,823.75	166,102,069.90
Add: Impairment loss of other assets	715,591.18	-289,515.05
Credit impairment loss	-177,011.44	8,349,614.57
Depreciation of right-of-use assets	13,907,422.56	11,953,263.63
Depreciation of fixed assets	10,285,609.73	8,042,340.63
Amortization of intangible assets	1,563,202.25	1,367,125.70
Amortization of long-term deferred expenses	1,726,704.42	1,431,052.03
Losses on the disposal of fixed assets, intangible assets and other long-term assets (gains marked with "-")	-221,322.08	32,148.51
Losses on the scrapping of fixed assets (gains marked with "-")	169,355.48	8,722.80
Losses on changes in fair values (gains marked with "-")	-146,631,203.41	119,830,258.80
Interest expenses (gains marked with "-")	10,830,562.53	-13,577,248.07
Exchange loss	262,976.39	1,312,348.05
Investment losses (gains marked with "-")	-3,483,849.86	-4,110,124.33
Decrease in deferred income tax assets (increase marked with "-")	13,253,969.05	-21,174,612.82
Increase in deferred income tax liabilities (decrease marked with "-")	3,178,614.42	-24,324,861.02
Accrual of futures risk reserve	20,736,515.57	18,046,136.71

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 55. Cash flow statement items (continued)

##### (1) Supplementary information of the consolidated cash flow statement (continued)

Item	FY2023	FY2022
Decrease in inventories (increase marked with "-")	39,401,379.76	-32,935,171.15
Decrease in operating receivables (increase marked with "-")	1,047,145,417.66	-1,996,780,703.09
Increase in operating payables (decrease marked with "-")	1,706,948,083.23	7,645,357,416.96
Others		
Net cash flows from operating activities	2,853,330,841.19	5,888,640,262.76
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>		
Conversion of debt into capital		
Convertible corporate bonds due within 1 year		
Fixed assets acquired under finance leases		
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	18,422,813,316.08	15,830,763,403.92
Less: Opening balance of cash	15,830,763,403.92	9,775,110,705.25
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	2,592,049,912.16	6,055,652,698.67

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023  
(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 55. Cash flow statement items (continued)

##### (2) Cash and cash equivalents

Item	December 31st, 2023	December 31st, 2022
Cash	<b>18,422,813,316.08</b>	15,830,763,403.92
Including: Cash on hand	<b>38,024.55</b>	36,124.55
Bank deposits readily available for payment	<b>18,420,550,286.47</b>	15,830,431,588.10
Other cash and cash equivalents readily available for payment	<b>2,225,005.06</b>	295,691.27
Cash equivalents		
Including: Bond investments due within 3 months		
Closing balance of cash and cash equivalents	<b>18,422,813,316.08</b>	15,830,763,403.92

#### 56. Dividends

As of December 31st, 2023, the Company declared a final dividend of RMB16,030,400.00 ending on December 31st, 2022 (inclusive of tax).

The board of directors has prepared a profit distribution proposal for the 12 months ending on December 31st, 2023 and the proposed amount of distribution is RMB14,026,600.00 (inclusive of tax).

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### IV. Significant accounting policies and accounting estimates (continued)

#### 57. Earnings per share

##### (1) Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares issued during the period.

Item	FY2023	FY2022
Net profit attributable to the ordinary shareholders of the parent company	133,718,823.75	166,102,069.90
Weighted average number of ordinary shares issued	1,001,900,000.00	1,001,900,000.00
Basic earnings per share	0.13	0.17

##### (2) Diluted earnings per share

There were no potentially dilutive ordinary shares for the twelve months ended December 31st, 2023, so diluted earnings per share are the same as basic earnings per share.

#### 58. Assets with restricted ownership or use rights

Item	Book value as of December 31st, 2023	Type of restriction	Restriction details
Cash and cash equivalents	40,173,760.00	Margin	Margin for bank's acceptance bill
Total	40,173,760.00	–	–

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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.

#### FY2023 Segment report (by business)

Item	Asset management					Total
	Brokerage business	Risk management business	management business	Other businesses	Offset	
I. Operating income	580,616,892.66	1,539,595,657.03	489,595.90	38,386,679.26	-5,856,351.21	2,153,232,473.64
External operating income	574,362,319.91	1,539,993,878.57	489,595.90	38,386,679.26		2,153,232,473.64
Inter-segment operating income	6,254,572.75	-398,221.54			-5,856,351.21	
II. Operating expenses	398,241,648.15	1,537,453,827.06	3,563,288.20	35,793,461.82	-6,323,841.89	1,968,728,383.34
External operating expenses	398,693,280.87	1,531,145,843.13	3,563,288.20	35,325,971.14		1,968,728,383.34
Inter-segment operating expenses	-451,632.72	6,307,983.93		467,490.68	-6,323,841.89	
III. Total profits/(losses)	182,375,244.51	750,985.59	-3,073,692.30	905,374.78	467,490.68	181,425,403.26
IV. Income tax expenses	47,821,141.33	-228,460.42			113,898.60	47,706,579.51
V. Net profit/(loss)	134,554,103.18	979,446.01	-3,073,692.30	905,374.78	353,592.08	133,718,823.75
VI. Total assets	28,724,491,351.01	2,608,242,070.31	123,577.58	975,937,130.50	-2,182,404,894.62	30,126,389,234.78
VII. Total liabilities	27,118,913,205.24	1,827,642,148.31	3,400,011.51	15,380,201.77	-1,399,237,044.61	27,566,098,522.22
VIII. Additional information						
1. Depreciation and amortization expenses	19,195,316.65	4,347,440.45	45,920.96	4,361,751.58	-467,490.68	27,482,938.96
2. Capital expenditure	37,575,565.20	3,590,619.08	37,053.69	2,644,061.12		43,847,299.09



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### VIII. Segment reports (continued)

FY2022 Segment report (by business)

Item	Risk management business		Asset management business		Offset	Total
	Brokerage business	Risk management business	Asset management 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	51,679,712.72	7,476,450.97		-786.9	131,974.25	59,287,351.04
V. Net profit/(loss)	223,973,187.81	21,398,653.82	-1,391,631.80	-78,262,166.38	384,026.45	166,102,069.90
VI. Total assets	27,608,636,158.87	2,516,939,410.51	132,444.85	984,762,634.36	-2,251,310,742.49	28,859,159,906.10
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 amortization 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

### IX. Transfer and sale of significant assets

As of December 31st, 2023, there are no transfers and sales of significant assets that need to be disclosed by the Company.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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, 2022	Increase in current period	Decrease in current period	December 31st, 2023
Zhongtai Securities	RMB6,968,625,756			RMB6,968,625,756

##### (3) Parent company's shareholding and voting rights in the Company

Controlling shareholders	December 31st, 2023		December 31st, 2022	
	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 Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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, 2023, the registered capital of Lu Clearing was RMB200 million, and the paid-in capital was RMB200 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, 2023	December 31st, 2022
Current assets	<b>5,404,238,791.06</b>	3,497,254,560.45
Non-current assets	<b>56,471,325.16</b>	8,398,817.34
Total assets	<b>5,460,710,116.22</b>	3,505,653,377.79
Current liabilities	<b>5,252,374,084.00</b>	3,307,068,469.39
Non-current liabilities		1,512,627.80
Total liabilities	<b>5,252,374,084.00</b>	3,308,581,097.19
Net assets	<b>208,336,032.22</b>	197,072,280.60
Share of net assets calculated according to shareholding ratio	<b>26,042,004.03</b>	24,634,035.08
Adjustment matters <sup>①</sup>	<b>-14,476.14</b>	857.30
Book value of investment in associates	<b>26,027,527.89</b>	24,634,892.38

Item	FY2023	FY2022
Operating income	<b>25,220,504.87</b>	24,539,361.96
Net profit	<b>11,256,855.51</b>	9,625,089.92
Other comprehensive income		
Total comprehensive income	<b>11,256,855.51</b>	9,625,089.92
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 Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### X. Related-party relationships and transitions (continued)

#### 3. Associates (continued)

##### (2) Shandong Board of Trade

As of December 31st, 2023, the Group has an investment of RMB35.40 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, 2023, the registered capital of the Shandong Board of Trade was RMB200 million, and the paid-in capital was RMB200 million. The Group holds 8.85% of the shares. The Group accounts for the investment of the Shandong Board of Trade according to the equity method.

Item	December 31st, 2023	December 31st, 2022
Current assets	<b>155,848,121.65</b>	522,928,703.55
Non-current assets	<b>52,532,914.55</b>	57,491,532.33
Total assets	<b>208,381,036.20</b>	580,420,235.88
Current liabilities	<b>11,973,929.70</b>	367,029,993.65
Non-current liabilities	<b>1,664,834.23</b>	1,981,000.19
Total liabilities	<b>13,638,763.93</b>	369,010,993.84
Net assets attributable to the parent company	<b>194,742,272.27</b>	171,112,679.99
Share of net assets calculated according to shareholding ratio	<b>17,234,691.10</b>	15,143,476.75
Book value of investment in associates	<b>17,234,691.10</b>	15,143,476.75

Item	FY2023	FY2022
Operating income	<b>32,534,566.09</b>	14,093,434.44
Net profit attributable to parent company	<b>5,290,429.05</b>	2,683,542.19
Other comprehensive income		
Total comprehensive income	<b>5,290,429.05</b>	2,683,542.19
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 Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

## 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
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”)	Controlled by the same 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
Shandong Yongtong Industries Co., Ltd. (“Shandong Yongtong”)	Controlled by Yongfeng Group.
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

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### X. Related-party relationships and transitions (continued)

#### 4. Other related parties (continued)

Name of other related parties	Relationship with the Group
Shandong Trading Market Clearing House Co., Ltd. (“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
JiGang International Trade Co., Ltd. (“JiGang International Trade”)	Controlled by SD Steel
Shanneng (Qingdao) Smart Industry Technology Co., Ltd. (“Shanneng Industry”)	Controlled by Shandong Energy Group
XI AN LU HUI Trading Co., Ltd. (“LU HUI Trading”)	Controlled by Shandong Energy Group



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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	FY2023	FY2022
Investment income	-14,033,085.20	-21,818,351.47
Commission expenses for futures introducing brokerage services	8,433,796.85	9,718,138.28
Fee income from futures brokerage services	4,101,267.60	8,239,685.28
Interest expenses on futures margin deposits	5,161,481.78	5,010,074.98
Consultation and information service charges	1,340,000.00	2,437,185.85
Securities trading commission expenses	112,048.73	9,906.00
Borrowing interest expenditures	5,804,500.00	10,257,333.35
Housing rental expenses	331,192.66	

Item	December 31st, 2023	December 31st, 2022
Cash and cash equivalents–other cash and cash equivalents	478,536.91	1,812.21
Trading financial assets– derivative financial assets	1,633,266.39	5,449,622.11
Currency margin payable	1,953,970,978.19	805,040,829.75
Trading financial liabilities – derivative financial liabilities	8,041,612.66	
Lease liabilities	305,545.59	863,928.91
Payables	10,885,005.29	980,883.61
– Commission payable for futures brokerage services	10,842,361.40	938,239.72
– Others	42,643.89	42,643.89
Other payables	799,840.57	211,057,173.92
– Short-term borrowings		210,257,333.35
– Cabinet rental fees payable	799,840.57	799,840.57
Other receivables	9,686.66	9,686.66
– Others	9,686.66	9,686.66

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### X. Related-party relationships and transitions (continued)

#### 5. Related party transactions and balances (continued)

##### (2) Transactions and balances with other related parties

Item	FY2023	FY2022
Fee income from futures brokerage services	<b>1,176,052.20</b>	1,571,136.61
Interest income from self-owned funds deposited with Laishang Bank		14,041,709.90
Purchase of securities investment funds and asset management plans		
– Zhongtai Asset Management	<b>300,000.00</b>	45,000,000.00
– Wanjia Asset	<b>20,000,000.00</b>	95,000,000.00
Disposal of securities investment funds and asset management plans		
– Zhongtai Asset Management	<b>10,300,000.00</b>	67,000,100.00
– Wanjia Asset	<b>40,000,000.00</b>	60,000,000.00
Revenue of selling spot goods		
– Yongfeng Trade		18,693,918.26
– Xinkuang International Trade	<b>27,979,597.44</b>	29,339,630.05
– JiGang International Trade		1,988,384.07
Cost of purchasing spot goods		
– Shanneng Industry	<b>1,955,341.59</b>	
– LU HUI Trading	<b>10,575,971.67</b>	
– Shandong Iron and Steel		95,335,428.58
– Laigang Yongfeng		322,884,246.07
– Yongfeng Lingang		35,961,335.68
– Anhui Shangang		1,927,615.75
– Shangang International Trade		1,960,133.81
– Laiwu Steel		3,151,094.38
Revenue from sales of equipment and provision of services		
– Lu Clearing	<b>15,723.30</b>	18,867.96
Rental income		
– Lu Clearing	<b>339,622.68</b>	400,561.37
OTC Options investment income		
– Yongfeng Trade	<b>5,239,600.00</b>	– 2,540,500.00
Rental costs		
– Qilu Zhongtai Property	<b>733,393.44</b>	

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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, 2023	December 31st, 2022
Trading financial assets – asset management plans and funds managed by Zhongtai Asset Management	42,347,359.05	50,558,460.38
Trading financial assets – funds managed by ZHONGTAI INTERNATIONAL ASSET MANAGEMENT	5,140,306.40	4,984,446.60
Trading financial assets – funds managed by Wanjia Asset	18,968,768.41	36,592,946.18
Receivables – Receivables from goods – Xinkuang International Trade	14,703,865.98	9,486,920.86
Other assets – prepayments – Shanneng Industry	254,194.41	
Other assets – Other receivables – Lu Clearing		216,246.70
Currency margin payable	62,915,783.93	103,417,405.47
Payables – consultancy fees payable – Zhongtai Asset Management		44,675.22
Lease liabilities – Qilu Zhongtai Property	29,625.88	
Other liabilities – Other payables – Qilu Zhongtai Property	380,863.20	

#### 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	FY2023	FY2022
Key management remuneration	14,416,763.94	11,113,725.16

### **XI. Commitments and contingencies**

#### **1. Capital expenditure commitments**

The Group has no significant capital expenditure commitments as at the balance sheet date.

#### **2. Contingencies**

As at the balance sheet date, the Group has no material contingencies requiring disclosure.

### **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.

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.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### XII. Financial risks (continued)

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 Operations Management Headquarters, the risk control post in the Asset Management Department, branch risk control post 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.

## 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 arise 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, settlement guarantees receivable, settlement provisions, 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 Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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, 2023						Total
	Within 1 months	1-3 months	3 months – 1 year	1 – 3 years	Over 3 years	Free of interest	
Cash and cash equivalents	18,538,465,172.73			280,000,000.00			18,818,465,172.73
Currency margin receivable	1,601,483,152.11					5,051,093,257.54	6,652,576,409.65
Settlement provisions	1,623,501.24						1,623,501.24
Pledge margin receivable						2,288,708,936.00	2,288,708,936.00
Settlement guarantees receivable	61,112,209.64						61,112,209.64
Risk loss receivables						531,192.61	531,192.61
Handling fees and commission receivables						68,814.35	68,814.35
Accounts receivable						464,431,759.53	464,431,759.53
Contract assets						30,227,821.96	30,227,821.96
Buying back the sale of financial assets	284,191,770.50					35,231,060.32	319,422,830.82
Trading financial assets			41,506,849.34		6,003,550.37	1,080,252,319.99	1,127,762,719.70
Investments in other equity instruments						1,400,000.00	1,400,000.00
Other assets – other receivables						29,913,937.30	29,913,937.30
<b>Subtotal of financial assets</b>	<b>20,486,875,806.22</b>		<b>41,506,849.34</b>	<b>280,000,000.00</b>	<b>6,003,550.37</b>	<b>8,981,859,099.60</b>	<b>29,796,245,305.53</b>
Short-term loans			20,723,402.50				20,723,402.50
Currency margin payable	18,543,089,884.43					4,594,931,772.72	23,138,021,657.15
Acting trading securities	3,934,663.15						3,934,663.15
Pledge margin payable						2,288,708,936.00	2,288,708,936.00
Trading financial liabilities						174,479,228.35	174,479,228.35
Payables						1,488,791,603.91	1,488,791,603.91
Lease liabilities	1,284,577.36	2,540,896.66	10,620,316.26	13,549,832.07	1,395,853.93		29,391,476.28
Other liabilities – Other payables						12,338,370.45	12,338,370.45
<b>Subtotal of financial liabilities</b>	<b>18,548,309,124.94</b>	<b>2,540,896.66</b>	<b>31,343,718.76</b>	<b>13,549,832.07</b>	<b>1,395,853.93</b>	<b>8,559,249,911.43</b>	<b>27,156,389,337.79</b>
<b>Interest rate sensitivity gap</b>	<b>1,938,566,681.28</b>	<b>-2,540,896.66</b>	<b>10,163,130.58</b>	<b>266,450,167.93</b>	<b>4,607,696.44</b>	<b>422,609,188.17</b>	<b>2,639,855,967.74</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### XII. Financial risks (continued)

#### 1. Market risk (continued)

##### (2) Interest rate risk (continued)

Item	December 31st, 2022						Total
	Within 1 months	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	1,065,151,239.18					5,861,585,923.50	6,926,737,162.68
Settlement provisions	1,611,782.36						1,611,782.36
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 receivables						648,477.96	648,477.96
Handling fees and commission receivables						94,970.73	94,970.73
Accounts receivable						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
Investments in other equity instruments						1,400,000.00	1,400,000.00
Other assets – other receivables						11,389,363.27	11,389,363.27
<b>Subtotal of financial assets</b>	<b>17,190,806,069.55</b>		<b>300,000,000.00</b>	<b>280,000,000.00</b>	<b>6,003,550.37</b>	<b>10,799,983,455.17</b>	<b>28,576,793,075.09</b>
Short-term loans			10,011,388.89				10,011,388.89
Currency margin payable	12,106,363,399.71					8,543,209,403.02	20,649,572,802.73
Acting trading securities	2,327,132.42						2,327,132.42
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 – Other payables		210,257,333.35				8,991,738.85	219,249,072.20
<b>Subtotal of financial liabilities</b>	<b>12,109,696,102.30</b>	<b>212,268,473.69</b>	<b>18,415,429.56</b>	<b>12,357,091.13</b>	<b>1,489,801.29</b>	<b>13,699,553,052.40</b>	<b>26,053,779,950.37</b>
<b>Interest rate sensitivity gap</b>	<b>5,081,109,967.25</b>	<b>-212,268,473.69</b>	<b>281,584,570.44</b>	<b>267,642,908.87</b>	<b>4,513,749.08</b>	<b>-2,899,569,597.23</b>	<b>2,523,013,124.72</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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, 2023	December 31st, 2022
Net interest income		
25 basis points Increase	9,297,434.15	22,652,289.81
25 basis points decrease	-9,297,434.15	-22,652,289.81

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 Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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, 2023	December 31st, 2022
Total profit		
5% increase	11,624,147.87	46,413,737.56
5% decrease	-20,188,441.87	-27,057,384.33

# Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

## 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, Handling fees and commission receivables, 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.

## 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 FY2023, the key economic indicator used by the Group is the GDP growth rate. The average forecast in the baseline scenario for 2023 is approximately 4.73%, 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, 2023, 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.



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### XII. Financial risks (continued)

#### 2. Credit risk (continued)

##### (3) Credit risk in futures brokerage business

Client riskiness	December 31st, 2023		December 31st, 2022	
	Trading margin	Total equity	Trading margin	Total equity
Below 80%	6,332,495,691.11	20,504,748,042.29	5,146,678,166.74	15,653,123,374.06
80%-100%	2,257,733,565.89	2,431,164,552.00	4,504,692,774.82	4,893,656,283.89
Over 100%	214,827,134.30	202,109,062.86	108,294,781.95	102,793,144.78
Total	8,805,056,391.30	23,138,021,657.15	9,759,665,723.51	20,649,572,802.73
Coverage		263%		212%

#### 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.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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, 2023 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, 2023					Total
	Spot	Within 1 month	1-3 months	3 months – 1 year	Over 1 years	
<b>Cash flows from non-derivative financial instruments</b>						
Short-term loans				20,723,402.50		20,723,402.50
Currency margin payable	23,138,021,657.15					23,138,021,657.15
Acting trading securities	3,934,663.15					3,934,663.15
Pledge margin payable	2,288,708,936.00					2,288,708,936.00
Payables	1,487,594,039.30	1,197,564.61				1,488,791,603.91
Lease liabilities		1,326,594.37	2,653,188.73	12,250,285.21	19,119,897.60	35,349,965.91
Other liabilities – Other payables	12,338,370.45					12,338,370.45
<b>Subtotal</b>	<b>26,930,597,666.05</b>	<b>2,524,158.98</b>	<b>2,653,188.73</b>	<b>32,973,687.71</b>	<b>19,119,897.60</b>	<b>26,987,868,599.07</b>
<b>Cash flows from derivative financial instruments</b>						
Cash inflows		98,747,456.62	46,936,943.48	47,923,532.30	237,504,445.11	431,112,377.51
Cash outflows		-69,309,136.04	-42,607,288.48	-33,038,872.94	-151,616,801.37	-296,572,098.83

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### XII. Financial risks (continued)

#### 3. Liquidity risk (continued)

Item	Spot	Within 1 month	December 31st, 2022			Total
			1-3 months	3 months – 1 year	Over 1 years	
<b>Cash flows from non-derivative financial instruments</b>						
Short-term loans				10,011,388.89		10,011,388.89
Currency margin payable	20,649,572,802.73					20,649,572,802.73
Acting trading securities	2,327,132.42					2,327,132.42
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 – Other payables	8,991,738.85		210,257,333.35			219,249,072.20
<b>Subtotal</b>	<b>25,251,934,987.66</b>	<b>292,189,565.77</b>	<b>212,580,400.95</b>	<b>19,739,700.22</b>	<b>96,502,821.53</b>	<b>25,872,947,476.13</b>
<b>Cash flows from derivative financial instruments</b>						
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

### 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.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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, 2023 are presented by the three levels described above as follows:

Item	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading				
– Stock investment	2,392,227.84			2,392,227.84
– Private securities investment funds		199,282,940.52		199,282,940.52
– Public offering of securities investment funds	340,133,370.89			340,133,370.89
– Trust plan		1,000,000.00	6,003,550.37	7,003,550.37
– Asset management plan		255,127,322.48		255,127,322.48
– Bank financial products		1,721,061.44		1,721,061.44
– Income certificates				
– Exchange-traded option contract	8,324,472.50			8,324,472.50
– OTC options contract		284,245,013.66		284,245,013.66
– Forward contracts		29,532,760.00		29,532,760.00
Investments in other equity instruments (Futures membership investments)			1,400,000.00	1,400,000.00
<b>Total</b>	<b>350,850,071.23</b>	<b>770,909,098.10</b>	<b>7,403,550.37</b>	<b>1,129,162,719.70</b>
Financial liabilities				
Financial liabilities held for trading				
– OTC options contract		-150,861,157.82		-150,861,157.82
– Exchange-traded option contract	-11,365,277.50			-11,365,277.50
– Forward contracts		-12,252,793.03		-12,252,793.03
<b>Total</b>	<b>-11,365,277.50</b>	<b>-163,113,950.85</b>		<b>-174,479,228.35</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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, 2022 are presented by the three levels described above as follows:

Item	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading				
– 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 plan		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 contract		163,243,901.37		163,243,901.37
– Forward contracts		24,033,955.20		24,033,955.20
Investments in other equity instruments (Futures membership investments)			1,400,000.00	1,400,000.00
<b>Total</b>	<b>350,383,296.07</b>	<b>571,887,904.84</b>	<b>12,411,440.78</b>	<b>934,682,641.69</b>
Financial liabilities				
Financial liabilities held for trading				
– OTC options contract		-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
<b>Total</b>	<b>-28,181,120.00</b>	<b>-156,455,685.58</b>		<b>-184,636,805.58</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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 FY2023 (FY2022: 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 main valuation models used are 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, illiquidity discounts, and historical volatilities.

The changes in Level III financial instruments above are as follows:

Item	Financial assets held for trading	Financial liabilities held for trading	Investments in other equity instruments (Futures membership investments)
December 31st, 2022	<b>11,011,440.78</b>		<b>1,400,000.00</b>
Purchase	<b>14,800,000.00</b>		
Disposal	<b>-19,800,000.00</b>		
Total loss included in profit or loss for the current period	<b>-7,890.41</b>		
December 31st, 2023	<b>6,003,550.37</b>		<b>1,400,000.00</b>
Movement in unrealized losses on assets still held at December 31st, 2023 included in profit or loss for FY2023	<b>-7,890.41</b>		



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### XIII. Fair value disclosures (continued)

#### 1. Financial instruments measured at fair value (continued)

Item	Financial assets held for trading	Financial liabilities held for trading	Investments in other equity instruments (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 on December 31st, 2022 included in profit or loss for FY2022	-6,873,510.94		

Information related to Level III fair value measurements is as follows:

Financial instruments	Fair value as at December 31st, 2023	Significant unobservable parameters	Relationship between unobservable parameters and fair value
Financial assets held for trading – Trust plan	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
Investments in other equity instruments	1,400,000.00	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

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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, pledged 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, 2023, the structured entities initiated and established at third-party institutions but not included in the scope of consolidation were mainly financial assets held for trading, mainly comprising trust plans, 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, 2023	December 31st, 2022
Financial assets held for trading	803,268,245.70	725,779,290.21

In FY2023, the Group received the following income from these structured entities held not included in the scope of consolidation:

Item	FY2023	FY2022
Investment income	-10,907,167.90	12,543,874.10
Gains and losses on changes in fair value	18,385,536.59	-48,180,008.89
Total	7,478,368.69	-35,636,134.79

As at December 31st, 2023, 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, 2022: same).

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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, 2023, there were no structured entities initiated and established by the Company.

### XV. Subsequent events

#### 1. Significant non-adjusting matters

The unaudited net profit of the subsidiary Zhongtai Huirong Capital for January-February 2024 amounted to RMB -74 million, which was mainly due to the significant fluctuations in the domestic A-share market conditions, resulting in a phased loss in its equity options business.

#### 2. Distribution of profits

The Board of Directors recommended, on March 26th, 2024, to distribute a final dividend of RMB0.14 (inclusive of tax) per 10 ordinary shares for the year ended December 31st, 2023, totaling RMB14,026,600 (inclusive of tax), which is subject to approval by the Annual General Meeting of Shareholders.

As at the date of the financial report, apart from the above events, the Group has no other subsequent events to disclose.

### 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

### 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 on Amending and Repealing Some Securities and Futures Regulations of the China Securities Regulatory Commission on August 12th, 2022, the Company's main risk supervision indicator standards are as follows:

- (i) The net capital shall not be less than RMB30 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 RMB16 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, analyzing, 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.

# Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

## XVII. Other significant matters

### 1. Significant litigation

In May 2022, the subsidiary Zhongtai Huirong Capital carried out an agreed repurchase business of electrolytic aluminum with an upstream international trading company and entered into a purchase contract of electrolytic aluminum, paying a total of RMB50,330,100 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 aluminum with a downstream international trading company. At the end of May 2022, there was a run on the Warehouse and the spot of electrolytic aluminum 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 the 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. Later, Zhongtai Huirong Capital appealed to the Foshan Intermediate People's Court and Jinan Intermediate People's Court against the result of the first trial, which were both rejected. As a victim in a criminal case, Zhongtai Huirong Capital's rights can be protected and resolved through asset recovery and compensation in the criminal case. The case has been prosecuted by the People's Procuratorate of Foshan to the Foshan Intermediate People's Court. In FY2023, the above criminal case of contract fraud was brought to the court to adjudicate the addition of assets such as aluminum ingots, properties and equity to the list of items, which will be conducive to the recovery of the goods or requests for compensation by Zhongtai Huirong Capital. Currently, the case is in the process of the first-instance trial. As at December 31st, 2023, Zhongtai Huirong Capital has made an impairment provision of RMB7,572,970.95 in respect of the above business.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### XVII. Other significant matters (continued)

#### 2. The five highest-paid individuals

For FY2023, the five highest-paid individuals do not include directors or supervisors (FY2022: same). Details of the annual remuneration of the five highest-paid individuals are as follows:

Item	FY2023	FY2022
Salaries, allowances	<b>6,448,463.16</b>	10,320,377.66
social insurance, housing fund and related pension costs	<b>950,342.45</b>	953,020.08
Bonus	<b>3,371,288.40</b>	8,119,277.84
Total	<b>10,770,094.01</b>	19,392,675.58

The five highest-paid individuals' salaries fall into the following categories:

Item	FY2023	FY2022
RMB1,500,001 – 2,000,000	<b>2</b>	
RMB2,000,001 – 2,500,000	<b>2</b>	
RMB2,500,001 – 3,000,000	<b>1</b>	1
RMB3,000,001 – 3,500,000		1
RMB4,000,001 – 4,500,000		1
RMB4,500,001 – 5,000,000		2
Total	<b>5</b>	5

During the track record period, the Company did not pay any emoluments to the five highest paid individuals as an incentive to join or when joining the Company or as compensation for departure from the Company.



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### XVII. Other significant matters (continued)

#### 3. Directors', Supervisors' and Chief Executive Officers' benefits and interests

Name	Remuneration	Salaries, allowances and other benefits	FY2023		Total
			Retirement benefits	Annual bonus	
<b>Executive director</b>					
Zhong Jinlong <sup>(1)</sup>					
Liang Zhongwei	409,720.08	65,480.01	114,770.75	383,236.08	973,206.92
<b>CEO</b>					
Liu Qingbin	740,719.92	89,190.90	138,512.22	804,545.96	1,772,969.00
<b>Non-executive director</b>					
Liu Feng	5,975.18				5,975.18
Hu Kainan <sup>(2)</sup>					
Ming Gang	47,599.97				47,599.97
Wang Chuanshun <sup>(3)</sup>					
Gao Zhu <sup>(4)</sup>					
Zheng Jianping	119,047.61				119,047.61
Liu Xinyi <sup>(2)(5)</sup>					
Zheng Hanyin <sup>(2)(6)</sup>					
Chen Hua <sup>(7)</sup>	119,047.61				119,047.61
Luo Xinhua <sup>(8)</sup>	119,047.61				119,047.61
<b>Supervisor</b>					
An Tie <sup>(1)</sup>					
Wang Hairan <sup>(11)</sup>	30,800.00	10,436.31	12,304.19		53,540.50
Tan Shaojie <sup>(2)(12)</sup>					
Lin Zongheng <sup>(13)</sup>	48,694.02	10,492.46	10,945.84	112,200.00	182,332.32
Liu Pu	266,635.80	65,480.01	88,705.47	74,778.90	495,600.18
Hu Yuyue <sup>(9)</sup>					
Mou Yong <sup>(14)</sup>	5,952.38				5,952.38
Yu Xuehui <sup>(10)</sup>					
Ding Jian <sup>(2)(15)</sup>					
<b>Total</b>	<b>1,913,240.18</b>	<b>241,079.69</b>	<b>365,238.47</b>	<b>1,374,760.94</b>	<b>3,894,319.28</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### XVII. Other significant matters (continued)

#### 3. Directors', Supervisors' and Chief Executive Officers' benefits and interests (continued)

Name	Remuneration	Salaries, allowances and other benefits	FY2022		Total
			Retirement benefits	Annual bonus	
<b>Executive director</b>					
Zhong Jinlong <sup>(1)</sup>					
Liang Zhongwei	385,153.78	62,886.66	136,406.45	213,173.29	797,620.18
<b>CEO</b>					
Liu Qingbin	713,874.84	81,506.82	160,192.47	290,000.06	1,245,574.19
<b>Non-executive director</b>					
Liu Feng	50,000.00				50,000.00
Hu Kainan <sup>(2)</sup>					
Ming Gang	47,599.92				47,599.92
Wang Chuanshun <sup>(3)</sup>	22,993.75				22,993.75
Gao Zhu <sup>(4)</sup>	22,993.75				22,993.75
Zheng Jianping	119,047.56				119,047.56
Liu Xinyi <sup>(2)(5)</sup>					
Zheng Hanyin <sup>(2)(6)</sup>					
Chen Hua <sup>(7)</sup>	96,583.61				96,583.61
Luo Xinhua <sup>(8)</sup>	62,716.63				62,716.63
<b>Supervisor</b>					
An Tie <sup>(1)</sup>					
Wang Hairan <sup>(11)</sup>	217,432.45	60,592.62	84,385.93	98,360.00	460,771.00
Tan Shaojie <sup>(2)(12)</sup>					
Lin Zongheng <sup>(13)</sup>	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 <sup>(9)</sup>	23,809.52				23,809.52
Mou Yong <sup>(14)</sup>	71,428.56				71,428.56
Yu Xuehui <sup>(10)</sup>	31,677.61				31,677.61
<b>Total</b>	<b>2,440,802.83</b>	<b>325,677.36</b>	<b>545,814.85</b>	<b>950,377.74</b>	<b>4,262,672.78</b>

# Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

## 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, 2023 and December 31st, 2022 are borne by the shareholders.
- (3) Wang Chuanshun ceased to be an independent non-executive director with effect from March 10th, 2022.
- (4) Gao Zhu ceased to be an independent non-executive director with effect from March 10th, 2022.
- (5) Liu Xinyi ceased to be a non-executive director with effect from May 31st, 2022.
- (6) Zheng Hanyin was appointed as a non-executive director with effect from May 31st, 2022.
- (7) Chen Hua was appointed as an independent non-executive director with effect from March 10th, 2022.
- (8) Luo Xinhua was appointed as an independent non-executive director with effect from June 22nd, 2022.
- (9) Hu Yuyue ceased to be a supervisor with effect from April 28th, 2022.
- (10) Yu Xuehui ceased to be a supervisor with effect from June 13th, 2022.
- (11) Wang Hairan ceased to be a supervisor with effect from February 15th, 2022.
- (12) Tan Shaojie ceased to be a supervisor with effect from February 15th, 2023.
- (13) Lin Zongheng ceased to be a supervisor with effect from February 15th, 2023.
- (14) Mou Yong ceased to be a supervisor with effect from February 15th, 2023.
- (15) Ding Jian ceased to be a supervisor with effect from February 15th, 2023.

During the track record period, none of the Directors waived or agreed to waive any emoluments. The Company did not pay any emoluments to the Directors and Supervisors as an incentive to join or when joining the Company or as compensation for departure from the Company during the track record period. The Company did not provide loans to the Directors, Supervisors and their related parties during the track record period.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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, 2023	December 31st, 2022
<b>Cash on hand</b>	<b>31,030.35</b>	29,130.35
Current bank deposit	<b>35,591,366.26</b>	67,150,106.24
– Principal	<b>35,569,801.55</b>	67,125,131.02
– Interest accrued	<b>21,564.71</b>	24,975.22
Time bank deposit	<b>293,376,368.34</b>	584,765,696.76
– Principal	<b>280,000,000.00</b>	580,000,000.00
– Interest accrued	<b>13,376,368.34</b>	4,765,696.76
Futures margin deposits	<b>18,373,904,190.36</b>	15,342,842,967.74
– Principal	<b>18,311,428,504.24</b>	15,290,821,662.01
– Interest accrued	<b>62,475,686.12</b>	52,021,305.73
Other cash and cash equivalents	<b>1,820,516.60</b>	44,042.33
Less: Expected credit impairment provision	<b>473,095.33</b>	892,218.19
<b>Total</b>	<b>18,704,250,376.58</b>	15,993,939,725.23

As at December 31st, 2023, there were no large amounts (more than RMB1 million) in own bank deposits that were short-term borrowings or temporary deposits, and there were no restrictions on their use (December 31st, 2022: same).

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### XVIII. Notes to items in the financial statements of the parent company (continued)

#### 1. Cash and cash equivalents (continued)

##### (2) Futures margin deposits – principal

Item	December 31st, 2023	December 31st, 2022
China Minsheng Banking Corp., Ltd.	<b>951,215,716.00</b>	4,211,355,161.76
Shanghai Pudong Development Bank Co., Ltd.	<b>550,587,195.50</b>	2,701,575,446.72
Industrial and Commercial Bank of China Limited	<b>1,246,804,337.15</b>	262,823.16
China Construction Bank Corporation	<b>1,000,355,038.10</b>	1,528,480.17
Industrial Bank Co., Ltd.	<b>2,952,086,733.05</b>	1,420,308,124.50
China Everbright Bank Co., Ltd.	<b>87,454.76</b>	1,000,129,492.98
Ping An Bank Co., Ltd.	<b>1,400,159,817.18</b>	1,096,238,809.35
Bank of Communications Co., Ltd.	<b>1,202,546,793.41</b>	242,559,728.84
China CITIC BANK Corporation Limited	<b>700,182,638.74</b>	1,201,483,291.93
China Merchants Bank Co., Ltd.	<b>200,231,261.51</b>	500,115,638.51
China Guangfa Bank Co., Ltd.	<b>89,301.86</b>	30,486.63
Bank of China Limited	<b>325,359.45</b>	318,614.62
Agricultural Bank of China Limited	<b>8,100,421,502.86</b>	2,914,119,953.90
Postal Savings Bank of China Limited	<b>6,335,354.67</b>	795,608.94
<b>Total</b>	<b>18,311,428,504.24</b>	15,290,821,662.01

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023  
(All amounts are expressed in RMB unless stated otherwise)

### XVIII. Notes to items in the financial statements of the parent company (continued)

#### 2. Long-term equity investments

##### (1) Classification of long-term equity investments

Item	December 31st, 2023			December 31st, 2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	792,635,280.00	11,057,772.00	781,577,508.00	801,635,280.00	11,057,772.00	790,577,508.00
Total	792,635,280.00	11,057,772.00	781,577,508.00	801,635,280.00	11,057,772.00	790,577,508.00

##### (2) Investment in subsidiaries

Investee	December 31st, 2022	Increase in current period	Decrease in current period	Current period		
				December 31st, 2023	Impairment provision accrued	Provision for impairment
Zhongtai Huirong Capital Investment Co., Ltd.	750,000,000.00			750,000,000.00		
Luzheng Information Technology Co., Ltd.	34,000,000.00		9,000,000.00	25,000,000.00		
LUZHENG INTERNATIONAL HOLDING LIMITED	17,635,280.00			17,635,280.00		11,057,772.00
Total	801,635,280.00		9,000,000.00	792,635,280.00		11,057,772.00



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### XVIII. Notes to items in the financial statements of the parent company (continued)

#### 3. Employee benefits payable

##### (1) Details of employee benefits payable

Item	December 31st, 2022	Increase in current year	Decrease in current year	December 31st, 2023
I. Short-term employee benefits	62,864,237.94	199,479,493.39	207,588,216.71	54,755,514.62
II. Post-employment benefits – defined contribution plans	26,896.44	34,092,669.89	34,100,561.78	19,004.55
III. Termination benefits				
<b>Total</b>	<b>62,891,134.38</b>	<b>233,572,163.28</b>	<b>241,688,778.49</b>	<b>54,774,519.17</b>

##### (2) Short-term employee benefits

Item	December 31st, 2022	Increase in current year	Decrease in current year	December 31st, 2023
Salaries, bonuses, allowances and subsidies	52,203,698.96	163,670,169.77	171,976,648.23	43,897,220.50
Employee welfares	6,480.00	3,593,213.82	3,599,693.82	2,532,102.71
Social insurance contributions	6,210.84	10,728,668.00	8,202,776.13	2,532,102.71
Including: Medical insurance premiums	2,042.23	10,420,047.81	7,894,503.42	2,527,586.62
Work-related injury insurance premiums	639.14	214,890.76	214,897.13	632.77
Maternity insurance premiums	3,529.47	93,729.43	93,375.58	3,883.32
Others				
Housing provident fund	17,810.21	15,699,113.38	15,699,113.38	17,810.21
Funds for trade unions and staff education	10,630,037.93	5,788,328.42	8,109,985.15	8,308,381.20
<b>Total</b>	<b>62,864,237.94</b>	<b>199,479,493.39</b>	<b>207,588,216.71</b>	<b>54,755,514.62</b>

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023  
(All amounts are expressed in RMB unless stated otherwise)

### 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, 2022	Increase in current year	Decrease in current year	December 31st, 2023
Basic pension insurance	22,234.03	20,169,221.28	20,177,082.52	<b>14,372.79</b>
Unemployment insurance premiums	4,662.41	1,120,227.60	1,120,258.25	<b>4,631.76</b>
Enterprise annuity contributions		12,803,221.01	12,803,221.01	
<b>Total</b>	<b>26,896.44</b>	<b>34,092,669.89</b>	<b>34,100,561.78</b>	<b>19,004.55</b>

- (4) 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.

#### 4. Net handling fees and commission income

##### (1) Listed by category

Item	FY2023	FY2022	Percentage increase or decrease (%)
Net income from return and reduction of handling fees of the exchange	<b>266,444,011.22</b>	273,993,137.32	-2.76
Net income from transaction fees	<b>78,227,979.69</b>	79,689,894.17	-1.83
Net income from exercise fees	<b>7,901,636.90</b>	6,722,541.19	17.54
Investment consulting service fee income	<b>675,944.12</b>	216,981.13	211.52
Net income from settlement fees	<b>17,378.15</b>	12,214.33	42.28
Asset management business income	<b>489,595.90</b>	258,580.78	89.34
<b>Total</b>	<b>353,756,545.98</b>	360,893,348.92	-1.98

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### XVIII. Notes to items in the financial statements of the parent company (continued)

#### 4. Net handling fees and commission income (continued)

##### (2) Listed by region

Region	FY2023		FY2022	
	Number of divisions	Handling fee income	Number of divisions	Handling fee income
Shandong Province	11	291,522,095.62	12	288,013,860.34
Shanghai	3	14,775,588.81	3	26,160,123.18
Zhejiang Province	4	10,675,813.63	4	12,688,905.47
Guangdong Province	2	10,029,876.65	2	5,000,975.77
Liaoning Province	2	6,339,443.04	2	6,590,652.57
Henan Province	2	4,927,241.26	1	2,526,074.23
Beijing	2	4,525,755.79	2	4,258,364.11
Tianjin	1	3,574,192.51	1	1,731,369.24
Jiangsu Province	2	2,997,565.50	2	9,438,106.97
Hunan Province	1	1,914,011.04	1	1,319,169.59
Hubei Province	1	1,264,528.52	1	2,862,202.81
Fujian Province	1	1,210,433.61	1	303,544.64
<b>Total</b>	<b>32</b>	<b>353,756,545.98</b>	<b>32</b>	<b>360,893,348.92</b>

In 2023, the Company canceled Zhongtai Futures Company Limited Jinan Business Department in Shandong Province and established Zhongtai Futures Company Limited Henan First Branch in Henan Province.

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### XVIII. Notes to items in the financial statements of the parent company (continued)

#### 5. Investment income

##### (1) Breakdown

Item	FY2023	FY2022	Percentage increase or decrease (%)
Investment income/loss from disposal of financial instruments held for trading	<b>-19,469,624.45</b>	21,440,218.11	-190.81
Investment income obtained during the holding period of financial assets held for trading	<b>8,478,847.08</b>	9,295,360.04	-8.78
Dividend income from subsidiaries			
<b>Total</b>	<b>-10,990,777.37</b>	30,735,578.15	-135.76

#### 6. Business and management fees

##### (1) Comparison and presentation of business and management fees

Item	FY2023	FY2022	Percentage increase or decrease (%)
Business and management fees	<b>397,045,915.13</b>	359,419,262.88	10.47
<b>Total</b>	<b>397,045,915.13</b>	359,419,262.88	10.47

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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	FY2023	FY2022	Percentage increase or decrease (%)
Employee benefits	<b>233,572,163.28</b>	217,383,214.03	7.45
Running costs of electronic equipment	<b>36,839,615.58</b>	27,848,399.08	32.29
Depreciation and amortization	<b>23,589,563.27</b>	18,675,507.27	26.31
Advertising expenses	<b>21,574,500.61</b>	12,981,083.51	66.20
Communication fee	<b>12,485,844.63</b>	11,019,634.67	13.31
Business entertainment expenses	<b>11,087,863.57</b>	9,590,481.62	15.61
IB introducing fees	<b>8,433,796.85</b>	9,718,138.28	-13.22
Conference expenses	<b>8,076,338.01</b>	2,110,933.83	282.60
Travel expenses	<b>7,893,777.82</b>	4,317,081.99	82.85
Consulting fee	<b>5,346,036.39</b>	9,393,191.33	-43.09
Audit fee	<b>1,198,670.75</b>	1,311,109.42	-8.58
Including: ShineWing	<b>1,169,811.32</b>	1,200,000.00	-2.52
Others	<b>28,859.43</b>	111,109.42	-74.03
Total	<b>370,098,170.76</b>	324,348,775.03	14.11

## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### XVIII. Notes to items in the financial statements of the parent company (continued)

#### 7. Supplementary information of parent company's cash flow statement

##### (1) Reconciliation of net profit to cash flows from operating activities:

Item	FY2023	FY2022
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	<b>130,500,982.01</b>	140,863,878.13
Add: Impairment losses on assets		
Impairment losses on credit assets	<b>-490,163.76</b>	607,847.12
Depreciation of right-of-use assets	<b>11,013,674.37</b>	8,994,883.05
Depreciation of fixed assets	<b>9,675,855.76</b>	7,391,675.18
Amortization of intangible assets	<b>1,629,361.18</b>	1,429,153.62
Amortization of long-term deferred expenses	<b>1,270,671.96</b>	859,795.42
Losses on the disposal of fixed assets, intangible assets and other long-term assets (gains marked with "-")	<b>-221,398.11</b>	32,148.51
Losses on scrapping of fixed assets (gains marked with "-")	<b>169,526.13</b>	8,443.47
Losses on changes in fair values (gains marked with "-")	<b>-18,043,811.44</b>	48,373,861.18
Interest expenses	<b>2,697,180.75</b>	-2,236,897.10
Exchange losses (gains marked with "-")	<b>-63,338.10</b>	-15,980.21
Investment losses (gains marked with "-")		
Decrease in deferred income tax assets (increase marked with "-")	<b>13,451,589.89</b>	-13,465,388.51
Increase in deferred income tax liabilities (decrease marked with "-")	<b>3,178,614.42</b>	-8,136,325.26
Accrual of futures risk reserve	<b>20,736,515.57</b>	18,046,136.71
Decrease in operating receivables (increase marked with "-")	<b>1,586,950,373.22</b>	-2,017,525,161.36
Increase in operating payables (decrease marked with "-")	<b>1,270,655,987.37</b>	7,601,172,844.66
Others		
Net cash flows from operating activities	<b>3,033,111,621.22</b>	5,786,400,914.61



## Notes to the Financial Statements

January 1st, 2023 – December 31st, 2023

(All amounts are expressed in RMB unless stated otherwise)

### 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) Reconciliation of net profit to cash flows from operating activities: (continued)

Item	FY2023	FY2022
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into 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	<b>18,348,849,852.74</b>	15,358,019,965.71
Less: Opening balance of cash	<b>15,358,019,965.71</b>	9,605,250,193.19
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	<b>2,990,829,887.03</b>	5,752,769,772.52

##### (2) Cash and cash equivalents

Item	FY2023	FY2022
Cash	<b>18,348,849,852.74</b>	15,358,019,965.71
Including: Cash on hand	<b>31,030.35</b>	29,130.35
Bank deposits readily available for payment	<b>18,346,998,305.79</b>	15,357,946,793.03
Other cash and cash equivalents readily available for payment	<b>1,820,516.60</b>	44,042.33
Cash equivalents		
Including: Bond investments due within 3 months		
Closing balance of cash and cash equivalents	<b>18,348,849,852.74</b>	15,358,019,965.71

Zhongtai Futures Company Limited  
March 26th, 2024