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LUZHENG FUTURES Company Limited
魯証期貨股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 01461)

CONNECTED TRANSACTION
HOT ROLLED WIDE STEEL PLATE PURCHASE AGREEMENT
WITH LAIWU STEEL GROUP LTD.
(萊蕪鋼鐵集團有限公司)

The Board announces that, Luzheng Trading (as purchaser) and Laiwu Steel (as seller) entered into the Hot Rolled Wide Steel Plate Purchase Agreement on 21 October 2016, whereas, Laiwu Steel agreed to sell and Luzheng Trading agreed to purchase hot rolled wide steel plate for a consideration of approximately RMB2.93 million (equivalent to approximately HK\$3,365,100) in cash (the actual settlement amount shall depend on the final delivery quantity).

As at the date of this announcement, Luzheng Trading is a wholly-owned subsidiary of the Company, and Laiwu Steel is a wholly-owned subsidiary of Shandong Steel. At the same time, as the controlling shareholder of Zhongtai Securities, Laiwu Steel indirectly holds approximately 63.10% of the equity interest in the total issued share capital of the Company. Accordingly, Laiwu Steel is a Connected Person of the Company under Chapter 14A of the Listing Rules, and the transaction involved in the Hot Rolled Wide Steel Plate Purchase Agreement constitutes a Connected Transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the aggregated consideration under the Hot Rolled Wide Steel Plate Purchase Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Hot Rolled Wide Steel Plate Purchase Agreement is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. Hot Rolled Wide Steel Plate Purchase Agreement

The main provisions of the Hot Rolled Wide Steel Plate Purchase Agreement are as follows:

Date

21 October 2016

Parties

(i) Purchaser: Luzheng Trading

(ii) Seller: Laiwu Steel

Subject matter

1,000 tonnes of (the specific tonnage depends on the actual delivery quantity) hot rolled wide steel plate.

Consideration and payment method

The consideration is approximately RMB2.93 million (equivalent to approximately HK\$3,365,100), and shall be paid by Luzheng Trading in cash with its internal resources, of which RMB1.5 million shall be paid on the day on which the agreement is signed, and additional payment or refund will be made according to the quantity of goods that Luzheng Trading has actually received eventually. The unit price of the subject goods is determined in accordance with different specifications at fair market value.

2. Reasons for and benefits of carrying out the Connected Transaction

Recently there has been a rising trend of prices of hot rolled wide steel plate in Shandong market. The spot trade is active and there are greater trading opportunities in the market. Luzheng Trading is entrusted by the downstream traders to purchase hot rolled wide steel plates collectively on their behalf. The hot rolled wide steel plate produced by Laiwu Steel that Luzheng Trading intends to purchase is a delivery brand of Shanghai Futures Exchange with better circulation, and as the mainstream product in Shandong market, its market share is relatively high, and is accepted by the market easily. The profitability of Laiwu Steel is relatively strong and its business operation is stable. The default risk in relation to the purchase from Laiwu Steel faced by Luzheng Trading is smaller. By entering into the Hot Rolled Wide Steel Plate Purchase Agreement with Laiwu Steel, Luzheng Trading can seize favourable timing in the market prices and obtain stable profits from the differences in prices for the benefit of the Company.

The Directors (including the independent non-executive Directors) considered that the transaction involved in the Hot Rolled Wide Steel Plate Purchase Agreement was entered into on normal commercial terms in the ordinary course of business of the Group, and is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

3. Listing Rules implications

As at the date of this announcement, Luzheng Trading is a wholly-owned subsidiary of the Company, and Laiwu Steel is a wholly-owned subsidiary of Shandong Steel. At the same time, as the controlling shareholder of Zhongtai Securities, Laiwu Steel indirectly holds approximately 63.10% of the equity interest in the total issued share capital of the Company. Accordingly, Laiwu Steel is a Connected Person of the Company under Chapter 14A of the Listing Rules, and the transaction involved in the Hot Rolled Wide Steel Plate Purchase Agreement constitutes a Connected Transaction of the Company under Chapter 14A of the Listing Rules.

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The Company convened the 36th meeting of the first session of the Board on 15 April 2016, and considered and approved the "Resolution in Respect of Authorisation to Carry out Commodity Purchase and Sale during 2016 with Shandong Steel and its Subsidiaries". As Directors of the Company, Mr. Chen Fang, Mr. Lv Xiangyou and Mr. Zhang Yunwei are employees of Zhongtai Securities, and have abstained from voting in respect of the resolution of the Board in respect of authorisation to carry out commodity purchase and sale during 2016 with Shandong Steel and its subsidiaries. Save as disclosed above, no Director has material interest in the contemplated transaction involved in the above resolution of the Board, and no Director has abstained from voting in the related resolution of the Board. Based on the above resolution of the Board, with the exemption of compliance with Rule 14A.76(2) of the Listing Rules regarding the five applicable percentage ratios for circulars (including independent financial advice) and approval of independent Shareholders, the Board authorized the upper limit of approximately RMB18.49 million for the Group to carry out purchase and sales of commodities during 2016 with Shandong Steel and its subsidiaries. Therefore, there is no need to convene another Board meeting to consider and approve the transaction involved in the Hot Rolled Wide Steel Plate Purchase Agreement.

4. General information

The Group mainly engages in commodity futures brokerage, financial futures brokerage, futures asset management, futures investment consultation, trading of commodities and risk management businesses.

Luzheng Trading is a wholly-owned subsidiary of the Company. It mainly engages in commodity trading, import and export, technical consultation, investment consultation etc.

Laiwu Steel mainly engages in the businesses of refinery, processing and sale of ferrous metal.

Zhongtai Securities is a Controlling Shareholder of the Company. It holds approximately 63.10% of the equity interest in the total issued share capital of the Company. It mainly engages in securities brokerage; securities investment consultation; financial consultation related to securities trading, securities investment activities; underwriting and sponsorship of securities; proprietary trading of securities; margin trading and securities lending; distribution of securities investment funds; distribution of financial products; provision of intermediary introduction for futures companies etc.

Laiwu Steel holds 45.91% of the equity interest in Zhongtai Securities, a Controlling Shareholder of the Company, and Zhongtai Securities holds approximately 63.10% of the equity interest in the total issued share capital of the Company. It mainly engages in the refinery, processing and sale of ferrous metal.

Shandong Steel indirectly holds approximately 63.10% of the equity interest in the total issued share capital of the Company. It mainly engages in the refinery, processing and sale of ferrous metal.

5. Definitions

In this announcement, unless the context requires otherwise, the following terms have the meanings as set out below:

Board	The board of Directors of the Company
Company	LUZHENG FUTURES Company Limited, a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on The Stock Exchange of Hong Kong Limited (stock code: 01461)
Connected Person(s)	Meaning ascribed thereto under the Listing Rules
Connected Transaction	Meaning ascribed thereto under the Listing Rules
Controlling Shareholder	Meaning ascribed thereto under the Listing Rules
Director(s)	The directors of the Company
Group	The Company and its subsidiaries
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
HK\$	Lawful currency of Hong Kong
Laiwu Steel	Laiwu Steel Group Ltd. (萊蕪鋼鐵集團有限公司), a limited company incorporated in the PRC on 6 May 1999. It is wholly-owned by Shandong Steel and is a Controlling Shareholder of the Company

Listing Rules	The “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited”
Luzheng Trading	Luzheng Trading Co., Ltd. (魯証經貿有限公司), a limited company incorporated in the PRC on 24 April 2013, is a wholly-owned subsidiary of the Company
PRC	The People’s Republic of China (in this announcement, it does not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
Hot Rolled Wide Steel Plate Purchase Agreement	The agreement entered into between Luzheng Trading and Laiwu Steel on 21 October 2016 regarding the purchase of hot rolled wide steel plates
RMB	Lawful currency of the PRC
Shandong Steel	Shandong Iron & Steel Group Co., Ltd. (山東鋼鐵集團有限公司), a limited company incorporated in the PRC on 17 March 2008. It is wholly-owned by Shandong Province State-owned Assets Supervision and Administration Commission and is a Controlling Shareholder of the Company
Shanghai Futures Exchange	Shanghai Futures Exchange
Shareholders	Shareholders of the Company
Zhongtai Securities	Zhongtai Securities Co., Ltd. (中泰證券股份有限公司), a limited company incorporated in the PRC on 15 May 2001 and its 45.91% equity interests are held by Laiwu Steel. It is a subsidiary of Laiwu Steel and a Controlling Shareholder of the Company

By order of the Board
LUZHENG FUTURES Company Limited
Meng Tao
*Secretary of the Board and
Joint Company Secretary*

Jinan, the PRC
26 October 2016

As at the date of this announcement, the Board consists of Mr. Chen Fang and Mr. Liang Zhongwei as executive Directors; Mr. Lv Xiangyou, Mr. Yin Ge, Mr. Li Chuanyong and Mr. Liu Feng as non-executive Directors; and Mr. Gao Zhu, Mr. Yu Xuehui, Mr. Wang Chuanshun and Mr. Li Dapeng as independent non-executive Directors.