



# ZHONGTAI FUTURES Company Limited

## 中泰期貨股份有限公司

(Formerly known as LUZHENG FUTURES Company Limited)

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

(Stock Code : 01461)

INTERIM REPORT  
2022

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# Definition

“Audit Committee”	the audit committee of the Board of Directors
“Board of Directors” or “Board”	the board of directors of the Company
“China”, “PRC” or “Country” or “Mainland China”	the People’s Republic of China which, for the purposes of this report, excludes the Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan Province
“Company”	ZHONGTAI FUTURES Company Limited (中泰期貨股份有限公司) (formerly known as LUZHENG FUTURES Company Limited (魯証期貨股份有限公司)), a company reorganized in the PRC on 10 December 2012 with limited liability (previously known as 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 Stock Exchange (stock code: 01461)
“Corporate Governance Code”	Corporate Governance Code in Appendix 14 to the Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the issued ordinary Shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed in Renminbi and credited as fully paid
“Group”	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 listed on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Luzheng Information Technology”	Luzheng Information Technology Co., Ltd. (魯証信息技術有限公司), the Company’s wholly-owned subsidiary established in the PRC with limited liability on 15 February 2015
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules

“Reporting Period”	the six months ended 30 June 2022
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Zhongtai Huirong Capital”	Zhongtai Huirong Capital Investment Co., Ltd. (中泰匯融資本投資有限公司), renamed as Luzheng Trading Co., Ltd. (魯証經貿有限公司), and then renamed as Luzheng Capital Management Co., Ltd. (魯証資本管理有限公司), the Company’s wholly-owned subsidiary established in the PRC with limited liability on 24 April 2013
“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), 46.37% of which is owned by Laiwu Steel Group Co., Ltd., and being one of the controlling shareholders of the Company

# Corporate Profile

## REGISTERED NAME OF THE COMPANY

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

## REGISTERED OFFICE

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

## HEAD OFFICE IN THE PRC

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Directors

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

### Independent Non-executive Directors

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

## 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

## JOINT COMPANY SECRETARIES

Mr. Liang Zhongwei  
Dr. Ngai Wai Fung

## AUDITOR

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

## 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

### **PRINCIPAL BANKS**

#### **China Construction Bank (Jinan Shizhong Sub-branch)**

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

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

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

#### **Bank of China (Jinan Branch)**

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

#### **Bank of Communications (Jinan Shizhong Sub-branch)**

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

#### **Agricultural Bank of China (Jinan Wanda Plaza Branch)**

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

### **H SHARE REGISTRAR**

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

### **STOCK CODE**

01461

### **INVESTOR ENQUIRIES**

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E-mail : [investors@ztqh.com](mailto:investors@ztqh.com)

# Financial Highlights

From 2022, the Group prepared the financial statements in accordance with the China Accounting Standards for Business Enterprises, therefore, the main financial indicators under the China Accounting Standards for Business Enterprises were discussed and analyzed. Unless otherwise stated herein, the relevant information for the same period of the previous year used in this announcement has been restated.

Item	January-June 2022 (Unaudited)	January-June 2021 (Unaudited)	Increase/decrease of the period as compared to that of last year
<b>Operating Results (RMB' 0000)</b>			
Operating revenue	134,912	98,466	37.01%
Total Profit	12,355	10,267	20.34%
Net Profit – attributable to the Company's Shareholders	9,072	7,609	19.22%
Net cash generated in operating activities	698,419	160,686	334.65%
<b>Earnings per Share (RMB/Share)</b>			
Basic earnings per Share	0.09	0.08	19.24%
Diluted earnings per Share	0.09	0.08	19.24%
<b>Profitability Indicators</b>			
Weighted average return on net asset <sup>(1)</sup>	3.91%	3.55%	Increased by 0.36 percentage point

Item	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)	Increase/decrease at the end of the period as compared to that of the end of last year
<b>Scale Indicators (RMB' 0000)</b>			
Total assets	3,088,160	2,068,210	49.32%
Total liabilities	2,852,665	1,840,014	55.03%
Accounts payable to brokerage clients	2,654,137	1,723,296	54.02%
Equity attributable to the Company's Shareholders	235,496	228,196	3.20%
<b>Total Share Capital (in ten thousands)</b>	<b>100,190</b>	100,190	–
Net asset per Share attributable to the Company's Shareholders (RMB/Share)	2.35	2.28	3.07%
Gearing ratio <sup>(2)</sup>	45.74%	33.84%	Increased by 11.90 percentage points

<sup>(1)</sup> Weighted average return on net asset = Net profit attributable to the Company's Shareholders/Average of the balances of the equity interest attributable to the Company's Shareholders as at the beginning and the end of the period

<sup>(2)</sup> Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)

## Financial Highlights

The financial information of the Group for the six months ended 30 June 2022 was extracted from pages 29 to 140 in this report, which set forth details of the basis of presentation for the unaudited consolidated financial statements. The financial statements of the Group for the six months ended 30 June 2022 were unaudited.

### NET CAPITAL AND RELEVANT CONTROL INDICATORS OF THE COMPANY AS AT 30 JUNE 2022

Indicators	As at 30 June 2022 (Unaudited)	Regulatory Standards
Net capital (RMB'0000)	130,988.42	3,000
Net capital/risk capital reserves	147.66%	100.00%
Net capital/net assets	55.76%	20.00%
Current assets/current liabilities	501.03%	100.00%
Liabilities/net assets	17.42%	150.00%
Settlement reserve funds (RMB'0000)	29,186.35	1,400

Note: During the Reporting Period, various risk regulatory indicators of the Company have been complying with relevant requirements under the Administrative Measures on Risk Regulatory Indicators of Futures Companies (revised in 2017) (《期貨公司風險監管指標管理辦法》) (2017年修訂版) (the "Regulatory Standard") promulgated by the CSRC.



# Management Discussion and Analysis

## FUTURES MARKET ANALYSIS DURING THE REPORTING PERIOD

### (i) The size of the futures market

According to statistics from the China Futures Association, the total trading volume in the futures market of China in the first half of 2022 was 3.046 billion board lots (all of the followings are per side), representing a year-on-year decrease of 18.04% with a total turnover of RMB257.48 trillion, representing a year-on-year decrease of 10.08%. As at the end of the Reporting Period, equity held by clients in the futures market amounted to RMB1,367.295 billion, representing a year-on-year increase of 32.08%, breaking the records in the same period of the history.

### (ii) Volatility in the futures market

In the first half of 2022, while the COVID-19 pandemic (the “Pandemic”) continued to hang over the global economy, geopolitical conflicts brought about new impacts on the global economy and prices of assets. The supply and transportation of bulk commodities were restricted, causing the prices of energy and related products to fluctuate violently. WTI crude oil rose by more than 40% to USD130 per barrel during 2022. As a result of the rapid rise in the prices of crude oil, related varieties followed up immediately. Domestic crude oil futures rose by as much as 43.43% during 2022, and Wind Chemical Futures Index rose by more than 15%. Prices of non-ferrous metals, and agricultural products such as grains and vegetable oil also fluctuated wildly due to the conflict between Russia and Ukraine, and hit a new high since 2009; however, certain non-ferrous varieties such as copper and aluminum, and certain building materials varieties such as threads, hot coils, and glass registered less volatility as compared with the same period of last year due to lack of outstanding fundamental contradiction. The sharp rise in prices of bulk commodities, especially energy, put major economies in the world under great inflationary pressure. The U.S. price index continued to climb and hit a 40-year high, prompting the Federal Reserve to accelerate the monetary tightening in the second quarter of 2022, with a continuous and substantial interest hikes. Subsequently, prices of global bulk commodities experienced a rapid decline. As at the end of the Reporting Period, the Wind Commodity Index fell 12.59% from the high in 2022, with a narrowed increase of 6.02%.

### (iii) Development of the Futures Market’s Infrastructure

#### 1. Futures and Derivatives Law was considered and adopted

The Futures and Derivatives Law of the People’s Republic of China was considered and adopted at the 34th Meeting of the Standing Committee of the 13th National People’s Congress on 20 April 2022, and became effective on 1 August 2022. Since then, the domestic futures market, which has developed for more than 30 years, has its own “Basic Law” finally. The Futures and Derivatives Law of the People’s Republic of China filled a “vacancy” in China’s laws governing the futures and derivatives sector, and provided a strong legal assurance for promoting and regulating the development of the industry and the market, protecting the rights and interests of investors, facilitating the functioning of the market, and better serving the real economy.

### 2. Guangzhou Futures Exchange officially issued trading rules

On 6 June 2022, Guangzhou Futures Exchange issued 12 trading rules including the “Measures of Guangzhou Futures Exchange on Trading Administration”, involving trading hours, market – maker qualifications, etc. These rules took effect from the date of issuance. Among them, it specified that an individual shall deposit a minimum of RMB100,000 for opening an account to trade in a variety that is suitable for him/her; a market maker qualification is administered based on varieties, which requires having a net asset of not less than RMB50 million or its equivalent foreign currency value. Guangzhou Futures Exchange was established on 19 April 2021. It is the fifth futures exchange set up with permission of the State Council of China and approval of China Securities Regulatory Commission.

## GENERAL OPERATING RESULTS

During the Reporting Period, the Group realized an operating revenue of RMB1,349.12 million and a profit attributable to the Company’s Shareholders of RMB90.72 million, representing a year-on-year increase of 37.01% and 19.22% as compared with RMB984.66 million and RMB76.09 million in the same period of last year, respectively. The improved performance was mainly because the Group followed the overall development idea called “1142” (i.e, one guidance – guided by the party building, one center – centering around the customers, four major strategies – regional breakthrough strategy, talent-aided empowering strategy, financial technology strategy, business transformation and upgrading strategy, two pillars – reform and innovation, compliance and risk control), implemented the twin-wing development strategy of “organic growth + epitaxial growth”, made more efforts in acquiring corporate clients, increased the scale and proportion of corporate clients’ equity; made more efforts in the build-up of a marketing service team; established more operating entities to optimize business footprints; further improved the quality of research service products and the marketing of such products; gave impetus to business collaboration, promoted business transformation and expedited the high-quality development of the Group.

As at the end of the Reporting Period, the total assets of the Group were RMB30.882 billion, representing an increase of 49.32% as compared with RMB20.682 billion as at the end of 2021. The total liabilities of the Group were RMB28.527 billion, representing an increase of 55.03% as compared with RMB18.400 billion as at the end of 2021. The equity attributable to Shareholders of the Company was RMB2.355 billion, representing an increase of 3.20% as compared with RMB2.282 billion as at the end of 2021. The Group’s gearing ratio (both total assets and total liabilities have excluded accounts payable to brokerage clients) was 45.74%, representing an increase of 11.90 percentage points as compared with 33.84% as at the end of 2021. During the Reporting Period, the Group had good asset quality and sound financial position.

## ANALYSIS OF PRINCIPAL BUSINESS

The Group’ principal business can be grouped into commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management, basis trading, warehouse receipt services, cooperative hedging, market-making business, over-the-counter derivatives business, information technology consulting services, and other business activities permitted by the CSRC.

## Management Discussion and Analysis

### (i) Futures and Options Brokerage Business

During the Reporting Period, adhering to the core service concept of “customer-centric”, the Group integrated its resources to make full use of comprehensive advantage and meet the needs of different types of customers for diversified investment services, and gained customers’ trust by showing good faith; made more efforts in the build-up of a marketing service team, further improved the marketing of research service products, continuously improved the professional service capabilities towards corporate clients, promoted the transformation of brokerage business; continued to leverage on its advantages in options brokerage business and optimize customer information technology system solutions to constantly improve customers’ trading experience; upholding “One ZHONGTAI” concept, the Group continued to make more efforts in business collaboration to create synergies; continuously made efforts in building an online customer service system to optimize service processes, and strengthen investor education, launched various investment education promotion and activities on the investment education website and new media matrix, to enhance the investor education publicity; further intensified Internet operations to provide more convenient services for business development and customer maintenance.

During the Reporting Period, the Group’s main business indicators (such as income from brokerage business, client’s equity, trading turnover) continued to rise, and the options brokerage business continued to lead peers in the market in terms of the market share. Among them, income from brokerage business amounted to RMB299 million, representing a year-on-year increase of 28.33%. At the end of the Reporting Period, the equity held by the Company’s clients amounted to RMB26.467 billion, representing a year-on-year increase of 56.07%; the Company was among the outperformers in terms of volume of stock options transacted on Shanghai Stock Exchange.

### (ii) Futures Investment Consulting Business

During the Reporting Period, the Group further optimized its appraisal mechanism and improved its research capabilities; continued to improve the quality of research products and constantly diversified the presentation forms of research products, further improved the marketing of research products, facilitated the revision and upgrade of the Group’s mobile applications and research report management system, so as to improve our service quality; continued to strengthen business synergy, fully understood customers’ investment consulting needs, and provided consulting services in a timely manner; continued to deepen research and development cooperation with exchanges, actively cooperated with exchanges in research and development of multiple varieties, and improved the level of research and development of varieties.

### (iii) Risk Management Business

During the Reporting Period, the Group continued to develop the risk management business through its subsidiary Zhongtai Huirong Capital, which primarily include over-the-counter derivatives business, market making business, warehouse receipt services and basis trading business.

## Management Discussion and Analysis

During the Reporting Period, the Group used financial derivatives tools such as futures and option to improve the pricing mechanism for operating entities, so as to hedge operational risks, realize the effective allocation of resources, and promote the sustainable and healthy operation of operating entities. The accumulated notional principal of the Group's over-the-counter derivatives transacted registered a year-on-year increase of 39.60%; the Group obtained market making qualifications for a total of 22 varieties of four futures exchanges, including 11 options market-making varieties and 11 futures market-making varieties; carried out multi-variety basis trading and warehouse receipt service business. The Group focused on the ferrous metal industry chain, expanded businesses in its advantageous varieties such as rebar, hot-rolled coil and coal and coke, leveraged on Shandong's advantages as main agricultural production area to expand and strengthen featured regional varieties such as apples and peanuts, and actively explored trade opportunities in energy and chemical varieties such as rubber.

The Group attaches great importance to the rural revitalization. It continued to promote the high-quality development of agricultural insurance, and proactively utilized financial instruments such as insurance and futures to serve the bulk commodity-related industrial chain under the "insurance + futures" service model. During the Reporting Period, the Group launched a total of 45 projects, involving live pigs, eggs, corn, soybeans, apples, soybean meal and other varieties in six provinces and autonomous regions, namely Shandong, Guangdong, Liaoning, Hunan, Gansu and Tibet, and 20 cities. The insurance coverage of these projects amounted to RMB920 million.

### **(iv) Asset Management Business**

During the Reporting Period, the Group followed the principle of "returning to the origin of asset management, adhering to active management, highlighting the characteristics of futures, and forming differentiated development ". It continued to recruit outstanding asset management and investment research personnel according to the industry's best criteria, and make plans for introducing futures asset management products in a rational manner, further improved the internal control construction for the asset management business to ensure the sound development of the asset management business of the Group.

### **(v) Information Technology**

2022 marks the first year of implementation of the Fintech Development Plan for 2022 to 2025. Strengthening fintech-based governance, deepening application of digital technology, and solidly cultivating financial technology talents are the key tasks of the Fintech Development Plan.

## Management Discussion and Analysis

During the Reporting Period, the Group focused on the research and development and investment in financial technology to ensure the safe and stable operation of the Group's information system and continuously increase the level of technological innovation to empower its business. Firstly, by continuing to promote the construction of "one platform with two APPs", the construction of business middle office, big data platform and the application of robotic process automation (RPA) technology, it continued to improve the service support of the Group's business system, and gradually realized the digital transformation of the business service system; secondly, it continuously promoted the diversified development of the Group's business through the deployment and construction of business systems; thirdly, by optimizing the quantitative system, quantitative resources and quantitative business layout, it continuously increased quantitative business service support to ensure the Group's quantitative service system continues to keep its leading position; fourthly, the Group gradually enhanced its independent research and development capabilities, and made satisfactory achievements. The launch and constant upgrade of the over-the-counter options business management system, the futures and physical commodity risk control management system, the investment research mobile application, the uniform risk control platform, the quotation forwarding platform and other software one and another, which empowered and fueled the Group's rapid development, and also gave a strong impetus to the Group's digital transformation. In particular the over-the-counter options business management system developed by the Group won the third prize in the 2020 Financial Technology Development Awards issued by the People's Bank of China, and the Company is one of the only two award-winning companies in the futures industry.

## ECONOMIC ENVIRONMENT AND FUTURE DEVELOPMENT PLAN

### (i) Economic Conditions

In the first half of 2022, the international environment became more complex and grim, as the domestic Pandemic broke out frequently in many places, and the economy was under a mounting downward pressure. Facing the extremely complex and difficult situation, China has coordinated the Pandemic prevention and control and economic and social development, intensified macro-policy-based adjustment, and effectively implemented a package of policy initiatives to stabilize the economy, leading to stabilization and rebounding of the national economy, marginal growth of the production demand, little change in market prices, and support of people's livelihood, sustained high-quality development, and the general stability of overall social situation.

Despite such difficulties, positive economic growth was achieved in the second quarter of 2022. In the first half of 2022, China's GDP registered a year-on-year growth of 2.5%, with a steady recovery in the general economy. China's economy opened well in the first quarter of 2022. However, in the second quarter of 2022, the international environment became complex and grim, domestic Pandemic broke out frequently in many places, and the economy was under a mounting downward pressure. Especially in April 2022, the main economic indicators fell sharply. Under the ever-mounting new downward pressure, the central government and ministries and commissions implemented policies and measures of the Central Economic Work Conference and the "Government Work Report" ahead of the schedule, with a package of policy initiatives to stabilize the economy, and held a national teleconference to plan and stabilize the overall economy. Those policies worked to effect quickly. In May 2022, the major economic indicators slowed down declining, and the economy stabilized and rebounded in June 2022, leading to positive economic growth in the second quarter of 2022.

## Management Discussion and Analysis

Thanks to the combined contribution from the three economic engines, the economy recorded a steady growth. In terms of consumption, as the effective coordination of Pandemic prevention and control and economic and social development continued to show results, a series of policy initiatives to stabilize growth and stimulate consumption were implemented meticulously, the general consumer demand continued to recover and grow. In the first half of 2022, final consumption spending drove economic growth by 0.8 percentage point. Among them, in the second quarter of 2022, due to the Pandemic, final consumer spending pulled the economy in that quarter down by 0.9 percentage point. In terms of investment, more efforts were made to maintain investment growth, infrastructure construction was accelerated. The constant growth of investment demand provided strong support for stabilizing the economic fundamentals. In the first half of 2022, gross capital formation drove economic growth by 0.8 percentage point. Among them, the gross capital formation in the second quarter drove the economic growth of that quarter by 0.3 percentage point. In terms of exports, with the accelerated implementation of the policy of stabilizing foreign trade and foreign investment, the continuous resumption of industrial and supply chains, foreign trade grew rapidly, which played an important role in stabilizing growth. In the first half of 2022, net exports of goods and services drove the economic growth of that quarter by 0.9 percentage point. Among them, the net export of goods and services in the second quarter of 2022 drove the economic growth of the quarter by 1.1 percentage points.

Employment and consumer prices were generally stable. The surveyed urban unemployment rate fell for two consecutive months as the Pandemic situation was improved. Consumer prices rose moderately. In the second quarter of 2022, the consumer price index rose by 2.3% as compared with the same period of last year. From a monthly perspective, the consumer price index rose by 2.1% in both April and May of 2022. It rose by 2.5% in June 2022, a slight increase over the previous month. The increase in China's consumer price index was far lower as compared with more than 8% increase in Europe and the United States. In June 2022, the consumer price index in the United States and the Euro area rose by 9.1% and 8.6% year-on-year, respectively. In the second quarter of 2022, the national surveyed urban unemployment rate averaged at 5.8%. From a monthly perspective, the surveyed urban unemployment rate in April 2022 was 6.1%. It continued to decline in May and June of 2022, to 5.9% in May 2022, and to 5.5% in June 2022.

### (ii) Future Development Plan

The Group will continue to implement the overall development ideas called "1142". Benchmarking against the annual tasks, it will accelerate implementation of the twin-wing development idea of "organic growth + epitaxial growth", encourage improvement of professional service capabilities, intensify the development of talents, double business expansion efforts, so as to fuel the high-quality development of the Group.

In the second half of 2022, the Group will attach more importance to talent team building to improve professional service capabilities; lay more stress on optimization of business footprints and be more aggressive in market development; lay more stress on enhancing risk management capabilities to effectively control business risks; lay more stress on talent attraction and risk control, so as to increase the profit contribution from risk management business; lay more stress on further exploring the potential business synergy with the parent company and the subsidiaries; lay more stress on optimizing operation and management, take vigorous measures to reform and innovate, and improve the moral integrity; adhere to the goal of zero deduction in compliance performance and unswervingly ensure the Group's lawful and healthy development.

## Management Discussion and Analysis

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at the end of the Reporting Period, the equity attributable to the Company's Shareholders was RMB2,355 million (of which share capital was RMB1,001.9 million, share premium was RMB651 million, and retained earnings were RMB591 million), representing an increase of 3.20% as compared with RMB2,282 million at the end of 2021, mainly due to the increase in profit during the Reporting Period.

During the Reporting Period, the Group's asset increased and maintained sound asset quality and liquidity. As at the end of the Reporting Period, the Group's total assets after deducting accounts payable to brokerage clients amounted to RMB4,340 million, increasing by 25.84% as compared with the total assets after deducting the accounts payable to brokerage clients of RMB3,449 million as at the end of 2021. Among which, funds deposited with the futures exchanges in the PRC accounted for 35.42%; cash and bank balance accounted for 27.21%; investment assets (including investments in associates and financial assets, especially investment in financial assets with strong liquidity) accounted for 19.00%; and the fixed assets and intangible assets accounted for 1.06%.

As at the end of the Reporting Period, the gearing ratio of the Group (both total assets and total liabilities less accounts payable to brokerage clients) was 45.74%, increasing by 11.90 percentage points as compared with that as at the end of 2021. The Group's operating leverage (the total assets less accounts payable to brokerage clients/equity attributable to the Company's Shareholders) was 1.84 times, increasing by approximately 21.85% as compared with 1.51 times as at the end of 2021. As at 30 June 2022, the Group's total liabilities were RMB28,527 million, among which, RMB26,541 million was accounts payable to brokerage clients. The total liabilities net of accounts payable to brokerage clients were RMB1,985 million, of which RMB970 million was payable to over-the-counter option clients, RMB240 million was derivative financial liabilities, RMB115 million was staff cost payable, RMB60 million was contract liabilities, RMB58 million was short-term borrowings. The Group has sufficient resources to repay the aforementioned liabilities. During the Reporting Period, the aging analysis of accounts payable was not applicable to the Group.

The Company monitors the net capital regulatory indicators on a dynamic and real-time basis. A simulation test and stress test will be done on regulatory indicators such as net capital before any material capital investment is made to ensure the Company's ongoing compliance in terms of regulatory indicators.

After taking into consideration of the financial resources available, including cash flow from operating activities, the Group has enough working capital to meet the capital demand for its business development.

The assets and liabilities held by the Group in foreign currencies are insignificant as compared with the total assets and total liabilities. In terms of the Group's revenue structure, a majority of the business transactions are settled in RMB, and the proportion of income from foreign currency transactions is insignificant. Therefore, the Group considers that it is exposed to insignificant exchange rate change risks. The Group does not use any derivative financial instruments to hedge the risk of exchange rate changes for now.

### **MATERIAL FINANCING OF THE GROUP**

#### **(i) Equity Financing**

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

#### **(ii) Bond Financing**

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

#### **(iii) Other financing**

During the Reporting Period, Zhongtai Huirong Capital borrowed RMB200 million from Zhongtai Securities.

### **MATERIAL INVESTMENT OF THE GROUP**

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

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

### **ACQUISITION AND DISPOSAL OF MATERIAL ASSETS, EXTERNAL GUARANTEE, MORTGAGE, PLEDGE AND MATERIAL CONTINGENT LIABILITIES**

As at the end of the Reporting Period, the Group's physical commodities with a book value of RMB45,052,700 was pledged to the futures exchange as a trading margin.

Save as disclosed above, during the Reporting Period, there was neither acquisition, disposal or replacement of the Group's material assets or business merger, nor any major off-balance sheet items, such as major external guarantee, mortgage, pledge, etc., that affected the Group's financial position and operating results. Details of contingent liabilities are set out in note X.2 to the Financial Statements of this report.

### **EMPLOYEES, REMUNERATION POLICIES AND TRAINING**

As at the end of the Reporting Period, the Group had a total of 685 employees. During the Reporting Period, the cost of employees of the Group amounted to approximately RMB121,872,400, details of which are set out in note VII. 41 to the Financial Statements of this report.



## Management Discussion and Analysis

The Group provides employees with a good development platform. In the past year, the number of employees has been growing and the structure of employees has been continuously optimized. As at the end of the Reporting Period, the Group had a total of 685 employees, representing an increase of 130 people or 23% over the same period of last year. Among them, the Company had a total of 574 employees, representing an increase of 116 people or 25% over the same period of last year. We rank among the top 10% in the industry in terms of headcount, which is far higher than the overall level of the industry in the same period; as at the end of the Reporting Period, more than 90% of the Group's employees have a bachelor's degree or above, more than 80% of our employees are under the age of 40, and the proportion of those who have obtained the qualification for futures investment consulting is higher than the industry average.

The Group has established a relatively complete and competitive system in respect of talent training, employment and incentive under which “a person can be either hired or dismissed, promoted or demoted and paid more or less”, providing multiple channels for promotion. The Group has established a competitive and fair remuneration system which allows management by sequence, links incentives and constraints to performance assessment. Remuneration and incentive policies are tailored to different talents. By introducing a strict performance assessment mechanism, the Group devoted more incentives to excellent employees, to encourage the employees and improve the Group's operating results constantly. The remuneration of the employees of the Group consists of basic salary, performance wage, bonus, regional subsidies, degree allowances, sales commissions, dispatchment subsidies, special allowances and insurance benefits. Basic salary is determined based on a combination of several factors such as job duties, responsibilities, operation scale, salary offered by comparable companies, the area where the employee is located, as well as his/her knowledge and experiences; performance wage and bonuses are flexible pay based on the performance appraisal results of various departments and employees; sales commissions are performance commissions payable to sales and service persons as a means to motivate them to generate revenue. The Group enters into employment contracts with each employee to establish employment relationships with them according to applicable laws and regulations of the PRC. The Group maintains contribution to various social insurances, housing provident fund and company annuity according to the PRC laws and regulations. Contribution to such social insurances, housing provident fund and company annuity are administered by the local entity.

The Group has always attached great importance to the cultivation of talents, and strived to produce a group of enterprising management talents, professional and capable marketing service teams and high-quality functional professionals. During the Reporting Period, the Company continuously improved the job competencies of employees by offering targeted and practical training, sorting out and integrating the resources of the training platform according to the needs of business development. It organized 35 routine training sessions, covering lawful operation, learning of Company rules and regulations, research of futures variety, delivery business, network and information security, business of risk management subsidiary, etc. It arranged new leaders of our branches to take trainings and special training on Interview skills, “Three Ones (三 個 一)” talent development project, organized them to attend learning courses such as Zhongtai Securities Progress Lectures; built a “wealth management business training system” on the training platform to improve the employees' wealth management service, produced 121 micro-courses, and collaborated with Zhongtai Securities in producing 57 “know Wealth at once” knowledge base courses, continuously sorted out and integrated resources for the training platform, and strengthened the construction of a learning organization.

### POSSIBLE RISKS, UNCERTAINTIES AND COUNTERING MEASURES

#### (i) Possible major risks

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

1. Market risks refer to the risk of the Group to incur loss due to the uncertainty of changes in prices of securities, futures, bulk commodities or interest rates, exchange rates, etc. These risks mainly include equity asset price risk, commodity price risk, option pricing risk, hedging risk and interest rate risk.
2. Liquidity risks refer to the capital liquidity risk of the Group having insufficient capital to settle the liabilities or obligations of capital payment in the operation, and the trading liquidity risk of being unable to buy or sell futures, spot, and option contracts at market prices.
3. Credit risks refer to the risk of the Group to incur loss due to the failure of a counter-party to timely perform its contractual obligations. These risks mainly include default risk and delivery risk.
4. Operational risks refer to the risk of the Group to incur loss caused by a series of non-financial issues such as imperfect internal operating procedures, human errors, system failure or external events.
5. Compliance risks refer to the risk of being subject to legal sanctions, regulatory penalties, regulatory measures, self-discipline penalties and financial loss or reputation loss due to the business activities or employees' conduct in violation of the relevant laws, regulations or regulatory rules.

## Management Discussion and Analysis

### (ii) Countermeasures which were taken

#### 1. General Countermeasures

##### (1) *Establishing a scientific and effective risk management organizational structure*

The Board of Directors of the Company is the highest decision-making organ for risk management. The Risk Control Committee and Audit Committee under it are responsible for deliberating and auditing major risk issues; the Supervisory Committee is responsible for overseeing the Board in performing risk management duties; the senior 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 various overall risk management tasks; the Compliance and Risk Control Department is the central management department in charge of the Company's overall risk management, which is responsible for the implementation of specific risk management tasks and evaluating their effectiveness; other functional departments and branches are responsible for setting up their own compliance risk control positions respectively, who are responsible for identification, evaluation, response and reporting of various risks of their own organization. The Company appoints a chief risk officer to its wholly-owned risk management subsidiary, who is responsible for organizing and carrying out the risk management work of the risk management subsidiary under the overall risk management framework of the Company, so as to improve the consistency and effectiveness of the overall risk management work of the Group.

##### (2) *Consistently improving the corporate governance structure*

The Company established a standard working mechanism of the general meeting and a complete corporate governance structure to ensure that all Shareholders, especially small and medium Shareholders, enjoy equal status and to protect the interests of small and medium Shareholders; to ensure that the Board of Directors provides strategic guidance to the Company and effective supervision of the Company's management, give full play to the role of the special committees of the Board of Directors and the Company's independent non-executive Directors; give full play to the monitoring role of the Supervisory Committee over the Board of Directors, the senior management and the Company's financial status; to ensure timely and accurate disclosure of major matters related to the Company.

##### (3) *Consistently improving the overall risk management system*

The Group's risk management system covers all the Group's units in every part of our business activities and throughout the business course. The Group continued to establish and improve the risk management system and organizational structure, established a risk indicator system comprising risk preference, risk tolerance, and overall risk limit, continuously expanded our pool of risk management talents, and gathered risk profile and business data of our business branches and subsidiaries on a consolidated basis for the purpose of overall risk analysis and management and centralized regulatory reporting.

### **(4) Continuously increasing risk awareness**

The Group attaches great importance to increasing the risk awareness and risk control capabilities of all employees. By conducting lectures and trainings within the Group, it consistently enhanced all employees' ability to identify and prevent risks, strengthened their risk management awareness, fostered an excellent risk management culture and ensured the realization of the overall risk management goals of the Group.

## **2. Countering Measures against Major Risks**

### **(1) Market Risk**

- 1 The Group has established a systematic investment mechanism, and continuously strengthens analysis of the financial market. Prior to commencement of a new investment project, a business unit is required to conduct due diligence and submit an application to the Group's relative approving department, stating the nature of transaction, analyzing the potential market risks and possible consequences, and specifying risk control measures.
- 2 The Group adopts diversified trading strategies to avoid excessive concentration of capital use, and reduce losses arising from systemic risks. It increased research on interest rate and exchange rate risks to make more forward-looking decisions about capital use, and the investment decision committee of the treasury operations of the Company will decide the feasibility of the plan through a standardized process.
- 3 The Group tracks monitoring various 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 are on duty for monitoring, strengthening risk hedge, in order to reduce the loss resulting from dramatic fluctuation and unexpected movement of market price.

### **(2) Credit Risk**

- 1 For credit risks related to the trading in commodity futures and physical commodities and risk management business, the Group has established a client credit evaluation system. It assigns credit ratings and credit lines to the existing and prospective clients based on the appraisal conducted by the Group's risk control personnel and independent third-party investigations, and reasonably set the minimum requirements for clients and warehousing and logistics units, and adjusts the credit ratings of the clients based on the financial conditions of clients and their experiences of co-operation with the Group. Before entering into a contract with any client, the Group decides whether to enter into a contract with the client or agree on relevant terms in a trade contract on the credit evaluation results of the clients so as to cover the credit risk exposed to the Group.

## Management Discussion and Analysis

- 2 For credit risks related to the futures brokerage business, when signing a brokerage contract with a client, the Company conducts risk rating on the clients based on the assessment of their assets, professional knowledge on futures, trading experiences, and risk tolerance, and provides appropriate services to its clients and implements corresponding risk management measures accordingly. Meanwhile, the Company requires its clients to maintain higher margin deposits than the minimum required by the futures exchanges in the PRC. When the customer's margin is insufficient, the relevant risk control personnel will strictly abide by the Company's internal control system based on the customer's past trading experience and reputation to close the position in a mandatory way, which can control the risk of negative equity on the books and retain high-quality customers.

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

- 1 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.
- 2 The Company strengthened real-time monitoring and management of large amounts of capital, in order to achieve centralized fund allocation and collaborative liquidity risk management.
- 3 The Company conducted stress tests on risk monitoring indicators from time to time to simulate the impact of drastic market price fluctuations, severe shortage of market liquidity or major changes in the macroeconomic environment on the Company's important regulatory indicators and cash flow, and formulated preventive measures and emergency plans accordingly.
- 4 The Company selected such commodities and contracts that are actively traded in the market when it conducts commodity trading and risk management business. The Company has a strict control on the position ratio in the option business in order to reduce the risk of trading liquidity.

### **(4) Operational Risk**

- 1 The Company developed and strictly implemented a documented internal control system and work process, which covers all business lines of the Company, including corporate governance, personnel administration, futures and options brokerage business, asset management business, Investment consulting business, intermediary management, transaction, settlement, delivery, compliance and internal control, risk control, legal affairs, anti-money laundering, customer service, financial management, information technology, Internet financing, research and development and investor education. The Company continuously expands and improves such systems according to the laws and regulations, regulatory requirements and the development of new businesses.

## Management Discussion and Analysis

- 2 The Company continuously reviewed the risks of each business line, and constantly improved the business process, strengthened compliance and risk control assessment and accountability, constantly increased the operational level of our employees, in an aim to reduce the risks caused by internal operational procedures and human errors. It strictly implemented the reward and punishment measures for entities or individuals who have caused operational risks or effectively avoided operational risks, and strengthened learning, trainings for active review and rectification within the organization to prevent similar risks from recurring.
- 3 In order to avoid the moral hazard of employees, the Company adopted a human-oriented approach and established an open, fair and just incentive mechanism concerning compensation, promotion and others, to create a good development environment for employees, strengthen employees' sense of responsibility and dedication to work, and conducted honest practice and professional ethics training to standardize the operation behavior of employees at work, prohibiting profit transmission and market manipulation, to reduce the possibility of risk events.
- 4 The Company has a strict internal audit system. There is an audit department who regularly audits the Company's internal control system, treasury operation and financial revenue and expenditure of each business entity, the business processes and job duties performance of functional departments to see if they are in compliance with laws and effective. It put forward opinions for rectifying violations and illegal issues discovered during the audit process and urged the implementation of such proposals.

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

- 1 The Company has built up a well-structured compliance management and organization system, and appointed a chief risk officer who is responsible for the Company's risk management, internal control and compliance and auditing, etc.
- 2 The Company has designated compliance and risk control managers in Headquarters' functional departments, branches and risk management subsidiaries to strengthen prior and in-process risk control.
- 3 The compliance and risk control department and the audit department of the Company operate under the guidance of the chief risk officer. The Company has adopted certain measures to reduce compliance risk, including interpreting the latest laws and regulations in a timely manner, organizing compliance training, offering compliance consultation and carrying out compliance check and internal audit, etc.

# Corporate Governance Report

The Company is committed to enhancing corporate governance standards and regards it as an integral part to creating values for Shareholders. The Company has established a corporate governance structure comprising “Party Committee, General Meeting of Shareholders, Board of Directors, Supervisory Committee and the Senior Management”. The Party Committee of the Company plays a leading role, which provides direction, manages the overall situation and urges policy implementation, and deliberates and decides on major issues of the Company in accordance with relevant rules and regulations. The general meeting is the highest authority of the Company, with the Board of Directors, the Supervisory Committee and the senior management serving as the organs for decision-making, supervision and execution, respectively. The Company firmly believes that a sound corporate governance is important for the Company to pursue standardized and healthy development and guard against major operational risks, and it is crucial to enhance the Company’s ability to operate in compliance with laws and regulations. The Board of Directors of the Company attaches great importance to the corporate governance, and enforces internal management in every aspect, effectively strengthens construction of compliance and risk control culture. It takes a series of improvement measures in personnel management and compliance and internal control management and continuously improves the Company’s governance to ensure that the Company operates in a sustainable and healthy manner. The Company also adopted the Corporate Governance Code as the Company’s corporate governance practice.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with all the code provisions set out in the Corporate Governance Code, and has met the requirements of most of the recommended best practice provisions set out therein.

## SECURITIES TRANSACTIONS BY 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.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

As at the end of 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 the requirements of the Listing Rules. The three independent non-executive Directors of the Company were Mr. Zheng Jianping, Mr. Chen Hua and Mr. Luo Xinhua.

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

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

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

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

## **AUDIT COMMITTEE**

The Company has established the Audit Committee in accordance with the requirements of the Listing Rules. The primary responsibilities of the Audit Committee are reviewing and supervising the Company’s financial reporting procedures, including making proposals on appointing or changing the external auditors; supervising the Company’s internal audit system and its implementation; guiding and evaluating the work of the internal auditing department, and making suggestions as to the appointment and removal of the head of the internal auditing department of the Company; reviewing the financial information and its disclosure; reviewing and supervising the effective implementation of the financial reporting system, internal control system and risk management system of the Company; evaluating and discussing the relevant arrangements formulated by the Company including the whistle-blowing system for employees to report on any potential misconducts regarding the financial reporting, internal control and other aspects; reviewing and supervising the Company’s Connected Transactions and commenting on the suitability of such Connected Transactions; and other matters that the Board of Directors has authorized it to deal with.

The Audit Committee consists of five Directors: Mr. Luo Xinhua (independent non-executive Director), Mr. Zheng Jianping (independent non-executive Director), Mr. Chen Hua (independent non-executive Director), Mr. Hu Kainan (non-executive Director) and Mr. Liu Feng (non-executive Director). Mr. Luo Xinhua currently serves as the chairman of the Audit Committee.



## Corporate Governance Report

On 25 August 2022, the Audit Committee has reviewed and confirmed the Company's interim results announcement for the six months ended 30 June 2022, the 2022 interim report and the unaudited interim financial statements for the six months ended 30 June 2022 prepared in accordance with China Accounting Standards for Business Enterprises.

### **DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The Directors have confirmed their responsibility for preparing financial statements of the Company. The financial information set out in this interim report is unaudited.

### **CHANGE OF AUDITORS AND ADOPTION OF CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES IN PREPARATION OF FINANCIAL STATEMENTS**

In view of the similarity of accounting standards and according to industry practices, in order to enhance the audit efficiency of the Company, reduce expenses and enable consistent and comparable disclosure of financial information, and having been approved at the annual general meeting held on 28 June 2022, the Company has amended its Articles of Association so that the China Accounting Standards for Business Enterprises are adopted in preparing the financial statements, and ShineWing Certified Public Accountants LLP was appointed as the Company's auditor of 2022 in relation to review of the interim financial statements and audit of the annual financial statements under China Accounting Standards for Business Enterprises, and will no longer review the interim financial statements and audit the annual financial statements under International Financial Reporting Standards. PricewaterhouseCoopers ("PricewaterhouseCoopers") and PricewaterhouseCoopers Zhong Tian LLP ("PricewaterhouseCoopers Zhong Tian") ceased to act as auditors of the Company. PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian have confirmed that there were no matters relating to termination of their services that need to be brought to the attention of the Shareholders. The Board and the Audit Committee also confirmed that they had no disagreement or outstanding matters with PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian and were not aware of any relevant matters that need to be brought to the attention of the Shareholders.

The Company's interim results for the six months ended 30 June 2022 were prepared in accordance with the China Accounting Standards for Business Enterprises only. The Company believes that the adoption of the China Accounting Standards for Business Enterprises alone will not have any material adverse effect on the Company's results for the six months ended 30 June 2022 and beyond. For details, please refer to the announcements dated 11 February 2022, 25 May 2022 and 28 June 2022 and the circular dated 27 May 2022 of the Company.

# Other Information

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 29 July 2022, the indirect controlling shareholder of the Company was changed from Laiwu Steel Group Co., Ltd. to Zaozhuang Mining (Group) Co., Ltd., Laiwu Steel Group Co., Ltd. became a substantial shareholder of Zhongtai Securities, and Shandong Hi-Speed Investment Holding Co., Ltd. became another substantial shareholder of Zhongtai Securities, Shandong Energy Group Co., Ltd. ceased to hold shares in Zhongtai Securities directly, and the ultimate actual controller of Zhongtai Securities remains Stated-owned Assets Supervision and Administration Commission of Shandong Provincial Government. For details, please refer to the announcements of the Company dated 1 December 2021, 6 July 2022 and 29 July 2022.

On 10 August 2022, the Company paid all dividends for the year ended 31 December 2021.

Save as disclosed above, up to the date of this report, the Group had no other significant events after the Reporting Period.

## SHARE CAPITAL

As at the end of the 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.

## PUBLICATION OF INTERIM RESULTS

The announcement of the interim results of the Group for the six months ended 30 June 2022 was published on the HKExnews website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.ztqh.com](http://www.ztqh.com)) on 25 August 2022.

## INTERIM DIVIDEND

When reviewing the interim results of Group for the six months ended 30 June 2022, the Board of Directors did not have any proposal of profit distribution.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor its subsidiaries purchased, sold or redeemed its listed securities.

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

As at 30 June 2022, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 were taken or deemed to have under such provisions of the SFO), or which were 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.

## Other Information

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

As at 30 June 2022, to the knowledge of the Directors, the interests or short positions of the following persons (which are not Directors, Supervisors or chief executive of the Company) in the Shares or underlying Shares of the Company, which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were 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. (formerly named as Qilu Securities Co., Ltd.) <sup>(1)</sup>	Domestic Shares	Beneficial owner	632,176,078 (long position)	63.10%	87.22%
Laiwu Steel Group Co., Ltd. <sup>(1), (2)</sup>	Domestic Shares	Interest of controlled corporation	632,176,078 (long position)	63.10%	87.22%
Shandong Iron & Steel Group Co., Ltd. <sup>(2)</sup>	Domestic Shares	Interest of controlled corporation	632,176,078 (long position)	63.10%	87.22%
CM International Capital Limited <sup>(3)</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>(3)</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>(3)</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 30 June 2022.

Notes:

- (1) Laiwu Steel Group Co., Ltd. directly holds approximately 46.37% of the equity interest in Zhongtai Securities Co., Ltd. (previously known as Qilu Securities Co., Ltd.) and is the holding company of Zhongtai Securities Co., Ltd. (previously known as Qilu Securities Co., Ltd.). Therefore, Laiwu Steel Group Co., Ltd. is deemed to be interested in the 632,176,078 (long position) Domestic Shares held by Zhongtai Securities Co., Ltd. (previously known as Qilu Securities Co., Ltd.) for the purpose of Part XV of the SFO.
- (2) Laiwu Steel Group Co., Ltd. is owned as to 100.00% by Shandong Iron & Steel Group Co., Ltd. Therefore, Shandong Iron & Steel Group Co., Ltd. is deemed to be interested in the 632,176,078 (long position) Domestic Shares indirectly held by Laiwu Steel Group Co., Ltd. for the purpose of Part XV of the SFO.
- (3) 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 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 (a company 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. (中國民生投資股份有限公司)), hold 31.5% and 68.5% of equity interests in CMIG International Capital Limited (中民投國際資本有限公司), 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 30 June 2022, the Directors were not aware of any other person (except for Directors, Supervisors or chief executive of the Company) who had 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 were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## Other Information

### CHANGES OF INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE AND UPDATED INFORMATION

Save as disclosed below, as at the end of the Reporting Period, there was no change to the information about the Directors, Supervisors and chief executive of the Company which are required to be disclosed under Rule 13.51B of the Listing Rules.

#### (I) Directors

Mr. Gao Zhu ceased to serve as independent non-executive Director of the Company with effect from 10 March 2022.

Mr. Wang Chuanshun ceased to serve as independent non-executive Director of the Company with effect from 10 March 2022.

Mr. Chen Hua began to serve as independent non-executive Director of the Company with effect from 10 March 2022.

Mr. Wang Xinyu began to serve as independent non-executive Director of the Company with effect from 10 March 2022; ceased to serve as independent non-executive Director of the Company with effect from 14 March 2022.

Mr. Liu Xinyi ceased to serve as non-executive Director of the Company with effect from 31 May 2022.

Mr. Zheng Hanyin began to serve as non-executive Director of the Company with effect from 31 May 2022.

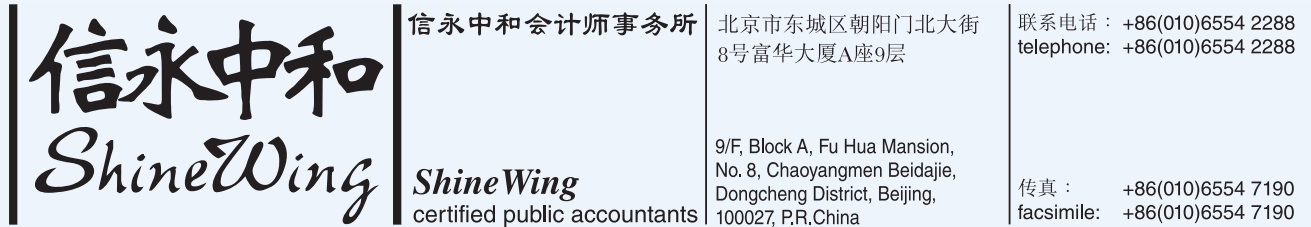
Mr. Luo Xinhua began to serve as independent non-executive Director of the Company with effect from 22 June 2022.

#### (II) Supervisors

Mr. Hu Yuyue ceased to serve as independent Supervisor of the Company with effect from 28 April 2022.

Mr. Yu Xuehui ceased to serve as independent Supervisor of the Company with effect from 13 June 2022.

# Review Report



XYZH/2022JNAA10230

To all the shareholders of Zhongtai Futures Company Limited:

We have reviewed the accompanying financial statements of Zhongtai Futures Company Limited (hereinafter referred to as the "Zhongtai Futures Company" or the "Company"), including the Consolidated and Parent Company's Balance Sheet as at 30 June 2022, the Consolidated and Parent Company's Income Statement, Consolidated and Parent Company's Cash Flow Statement, Consolidated Statement of Changes in Shareholder's Equity and Parent Company's Statement of Changes in Shareholders' Equity, and Notes to the Financial Statements for the period January to June 2022. The preparation and fair presentation of these financial statements is the responsibility of the Management of Zhongtai Futures Company and our responsibility is to issue a review report on these financial statements based on our review work performed.

We performed our review in accordance with *Chinese Certified Public Accountant Review Standard No. 2101 – Review of Financial Statements*. The standard requires that we plan and perform a review to obtain limited assurance about whether the financial statements are free from material misstatement. The review is limited primarily to making enquiries of persons in the company and performing analytical procedures on financial data and provides a lesser degree of assurance than an audit. We did not perform an audit and, accordingly, do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with the provisions of the ASBE and do not present fairly the Consolidated and Parent Company's financial position as at 30 June 2022 and the Consolidated and Parent Company's results of operations and cash flows for the period January to June 2022.

ShineWing Certified Public Accountants (LLP)

Chinese Certified Public Accountant: WANG Gongyong

Chinese Certified Public Accountant: LV Yulei

Beijing, China 25 August 2022

# Consolidated Balance Sheet

(All amounts in RMB unless otherwise stated)

Assets	Note	30 June 2022	31 December 2021
<b>Assets:</b>			
Cash and cash equivalents	VII. 1	<b>17,619,280,541.03</b>	10,365,579,940.54
Including: Futures margin		<b>16,389,588,404.35</b>	9,363,078,654.91
Currency margin receivable	VII. 2	<b>8,573,916,486.17</b>	6,157,195,296.14
Pledge margin receivable	VII. 3	<b>3,025,528,420.00</b>	2,653,917,096.00
Settlement guarantees receivable	VII. 4	<b>40,842,263.80</b>	40,607,913.12
Risk loss amounts receivable		<b>1,153,961.21</b>	522,809.53
Commission receivable		<b>19,502.04</b>	19,502.04
Receivables	VII. 5	<b>376,088,575.94</b>	222,020,601.88
Inventories	VII. 6	<b>169,365,612.31</b>	44,334,964.45
Contract assets	VII. 7	<b>14,823,717.02</b>	18,834,724.14
Buying back the sale of financial assets	VII. 8	<b>56,643,638.22</b>	121,689,919.11
Trading financial assets	VII. 9	<b>741,316,244.83</b>	876,461,871.28
Futures membership investments	VII. 11	<b>1,400,000.00</b>	1,400,000.00
Long-term equity investments	VII. 12	<b>25,278,859.08</b>	25,376,644.34
Investment properties			
Fixed assets	VII. 13	<b>39,241,877.80</b>	41,296,708.49
Construction in progress			
Right-of-use assets	VII. 14	<b>25,123,274.17</b>	18,912,685.12
Intangible assets	VII. 15	<b>6,644,117.18</b>	7,148,394.90
Goodwill			
Deferred tax assets	VII. 16	<b>707,830.36</b>	775,986.85
Other assets	VII. 17	<b>164,227,922.39</b>	86,004,669.90
<b>Total assets</b>		<b>30,881,602,843.55</b>	20,682,099,727.83

## Consolidated Balance Sheet

(All amounts in RMB unless otherwise stated)

Liabilities and owners' equity	Note	30 June 2022	31 December 2021
<b>Liabilities:</b>			
Short-term loans	VII. 18	57,770,529.85	
Currency margin payable	VII. 19	23,515,842,163.01	14,579,045,072.19
Pledge margin payable	VII. 20	3,025,528,420.00	2,653,917,096.00
Trading financial liabilities	VII. 10	240,313,348.00	140,002,110.27
Futures risk reserves	VII. 21	146,781,425.22	137,139,704.50
Futures investors' security funds payable	VII. 22	594,443.49	909,357.71
Employee benefits payable	VII. 23	114,853,109.78	128,230,406.01
Notes payable	VII. 24	50,160,000.00	
Taxes and surcharges payable	VII. 25	26,238,721.92	12,645,288.20
Payables	VII. 26	1,022,282,605.25	686,888,945.21
Contract liabilities	VII. 27	60,038,068.63	12,343,717.33
Lease liabilities		24,991,590.16	19,065,252.23
Provisions		474,734.26	877,230.75
Deferred tax liabilities	VII. 16	11,352,644.42	24,325,358.48
Other liabilities	VII. 28	229,425,041.05	4,748,418.13
<b>Total liabilities</b>		<b>28,526,646,845.04</b>	18,400,137,957.01
<b>Owners' equity:</b>			
Share capital	VII. 29	1,001,900,000.00	1,001,900,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	VII. 30	651,642,466.48	651,642,466.48
Less: Treasury share			
Other comprehensive income		219,387.99	-90,930.59
Surplus reserve	VII. 31	85,498,817.06	85,498,817.06
General risk reserve	VII. 32	110,493,866.57	110,493,866.57
Retained earnings	VII. 33	505,201,460.41	432,517,551.30
<b>Total owners' equity attributable to the parent company</b>		<b>2,354,955,998.51</b>	2,281,961,770.82
<b>Non-controlling interests</b>			
Total owners' equity		2,354,955,998.51	2,281,961,770.82
<b>Total liabilities and owners' equity</b>		<b>30,881,602,843.55</b>	20,682,099,727.83



# Parent Company's Balance Sheet

(All amounts in RMB unless otherwise stated)

Assets	Note	30 June 2022	31 December 2021
<b>Assets:</b>			
Cash and cash equivalents		17,380,903,598.09	10,195,719,428.48
Including: Futures margin		16,389,588,404.35	9,363,078,654.91
Currency margin receivable		8,573,916,486.17	6,157,195,296.14
Pledge margin receivable		3,090,692,520.00	2,789,547,324.00
Settlement guarantees receivable		40,842,263.80	40,607,913.12
Risk loss amounts receivable		1,153,961.21	522,809.53
Commission receivable		19,502.04	19,502.04
Receivables		3,382,316.33	8,161,794.37
Inventories			
Contract assets		14,823,717.02	18,834,724.14
Buying back the sale of financial assets			
Trading financial assets		483,727,568.48	617,785,579.51
Futures membership investments		1,400,000.00	1,400,000.00
Long-term equity investments	XVII. 1	790,577,508.00	790,577,508.00
Investment properties			
Fixed assets		37,174,233.25	39,053,758.60
Construction in progress			
Right-of-use assets		18,165,902.83	10,848,244.67
Intangible assets		7,471,936.70	8,007,228.32
Goodwill			
Deferred tax assets			
Other assets		36,013,614.24	30,129,530.53
<b>Total assets</b>		<b>30,480,265,128.16</b>	20,708,410,641.45

## Parent Company's Balance Sheet

(All amounts in RMB unless otherwise stated)

Liabilities and owners' equity	Note	30 June 2022	31 December 2021
<b>Liabilities:</b>			
Currency margin payable		24,676,516,313.26	15,305,301,881.57
Pledge margin payable		3,090,692,520.00	2,789,547,324.00
Trading financial liabilities			
Futures risk reserves		146,781,425.22	137,139,704.50
Futures investors' security funds payable		594,443.49	909,357.71
Employee benefits payable		84,205,971.76	91,814,473.58
Notes payable			
Taxes and surcharges payable		17,131,213.13	12,240,513.51
Payables		61,170,470.56	57,223,056.20
Contract liabilities			
Lease liabilities		17,744,175.31	10,793,050.19
Provisions		474,734.26	877,230.75
Deferred tax liabilities		10,987,226.42	8,136,325.26
Other liabilities		24,921,849.26	3,964,064.70
Total liabilities		28,131,220,342.67	18,417,946,981.97
<b>Owners' equity:</b>			
Share capital		1,001,900,000.00	1,001,900,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserve		650,629,528.42	650,629,528.42
Less: Treasury share			
Other comprehensive income			
Surplus reserve		85,498,817.06	85,498,817.06
General risk reserve		110,493,866.57	110,493,866.57
Retained earnings		500,522,573.44	441,941,447.43
Total owners' equity		2,349,044,785.49	2,290,463,659.48
Total liabilities and owners' equity		30,480,265,128.16	20,708,410,641.45

# Consolidated Income Statement

(All amounts in RMB unless otherwise stated)

Item	Note	Jan.-June 2022	Jan.-June 2021
<b>I. Operating income</b>		<b>1,349,115,631.21</b>	984,663,732.40
Net handling fees and commission income	VII. 34	<b>177,828,809.54</b>	165,989,069.02
Net interest income	VII. 35	<b>106,691,849.24</b>	86,209,784.48
Investment income (Loss marked with "-")	VII. 36	<b>100,926,296.44</b>	14,825,466.76
Including: Investment income from associates and joint ventures		<b>-97,785.26</b>	2,845,403.62
Gains from changes in fair value (Loss marked with "-")	VII. 37	<b>-58,480,144.84</b>	40,686,951.13
Exchange earnings (Loss marked with "-")		<b>6,097.97</b>	5,801.99
Other operation income	VII. 38	<b>1,021,796,479.22</b>	676,454,537.88
Gains on disposal of assets (Loss marked with "-")		<b>32,148.51</b>	-1,573.14
Other income		<b>314,095.13</b>	493,694.28
<b>II. Operating cost</b>		<b>1,232,251,471.06</b>	881,934,237.62
Withdrawal of risk reserves	VII. 39	<b>9,641,720.72</b>	8,233,798.15
Taxes and surcharges	VII. 40	<b>2,082,321.63</b>	1,412,030.72
Business and management fees	VII. 41	<b>184,994,924.45</b>	214,697,498.18
Credit impairment losses	VII. 42	<b>14,839,064.52</b>	504,203.03
Impairment losses on assets	VII. 43	<b>903,106.05</b>	981,256.29
Other business costs	VII. 44	<b>1,019,790,333.69</b>	656,105,451.25
<b>III. Operating profit (Loss marked with "-")</b>		<b>116,864,160.15</b>	102,729,494.78
Add: Non-operating income	VII. 45	<b>7,584,601.16</b>	98,950.25
Less: Non-operating expenses	VII. 46	<b>894,251.80</b>	154,838.82
<b>IV. Total profits (Total losses marked with "-")</b>		<b>123,554,509.51</b>	102,673,606.21
Less: Income tax expenses	VII. 47	<b>32,836,400.40</b>	26,581,428.58
<b>V. Net profits (Net losses marked with "-")</b>		<b>90,718,109.11</b>	76,092,177.63
(I) Classified by business continuity:		<b>90,718,109.11</b>	76,092,177.63
1. Net profits from continuing operations (Net losses marked with "-")		<b>90,718,109.11</b>	76,092,177.63
2. Net profits of discontinuing operations (Net losses marked with "-")			
(II) Classified by ownership:		<b>90,718,109.11</b>	76,092,177.63
1. Net profit attributable to shareholders of the parent company (Net losses marked with "-")		<b>90,718,109.11</b>	76,092,177.63
2. Profit or loss of minority shareholders (Net losses marked with "-")			

## Consolidated Income Statement

(All amounts in RMB unless otherwise stated)

Item	Note	Jan.-June 2022	Jan.-June 2021
<b>VI. Net after-tax amount of other comprehensive income</b>		<b>310,318.58</b>	-242,333.55
Net after tax of other comprehensive income attributable to the owner of the parent company		<b>310,318.58</b>	-242,333.55
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income not converted into profit or loss under equity method			
3. Fair value changes of other equity instrument investments			
4. Fair value changes of enterprise's own credit risks			
(II) Other comprehensive income reclassified into profit and loss		<b>310,318.58</b>	-242,333.55
1. Other comprehensive income converted into profit or loss under the equity method			
2. Fair value changes of other debt instruments			
3. Amount reclassified from financial assets to other comprehensive income			
4. Provision for credit impairment on other debt instruments			
5. Cash flow hedge reserves			
6. Translation difference of foreign currency statements		<b>310,318.58</b>	-242,333.55
Net after tax of other comprehensive income attributable to minority shareholders			
<b>VII. Total comprehensive income</b>		<b>91,028,427.69</b>	75,849,844.08
Total comprehensive income attributable to the owner of the parent company		<b>91,028,427.69</b>	75,849,844.08
Total comprehensive income attributable to minority shareholders			
<b>VIII. Earnings per share</b>			
(I) Basic earnings per share		<b>0.0905</b>	0.0759
(II) Diluted earnings per share		<b>0.0905</b>	0.0759

# Parent Company's Income Statement

(All amounts in RMB unless otherwise stated)

Item	Note	Jan.-June 2022	Jan.-June 2021
<b>I. Operating income</b>		<b>294,248,579.43</b>	266,112,202.66
Net handling fees and commission income	XVII. 2	<b>192,879,609.23</b>	165,739,835.40
Net interest income		<b>105,935,769.67</b>	80,433,716.48
Investment income (Loss marked with "-")	XVII. 3	<b>6,573,775.68</b>	10,155,530.60
Including: Investment income from associates and joint ventures			
Gains from changes in fair value (Loss marked with "-")		<b>-14,735,392.77</b>	7,910,996.13
Exchange earnings (Loss marked with "-")		<b>4,768.72</b>	-1,205.99
Other operation income		<b>3,276,829.39</b>	1,382,169.82
Gains on disposal of assets (Loss marked with "-")		<b>32,148.51</b>	-991.14
Other income		<b>281,071.00</b>	492,151.36
<b>II. Operating cost</b>		<b>188,912,755.85</b>	184,666,261.13
Withdrawal of risk reserves		<b>9,641,720.72</b>	8,233,798.15
Taxes and surcharges		<b>1,574,201.86</b>	1,143,480.67
Business and management fees		<b>177,549,058.43</b>	174,784,779.28
Credit impairment losses		<b>147,774.84</b>	504,203.03
Impairment losses on assets			
Other business costs			
<b>III. Operating profit (Loss marked with "-")</b>		<b>105,335,823.58</b>	81,445,941.53
Add: Non-operating income		<b>19,108.72</b>	735.19
Less: Non-operating expenses		<b>894,251.80</b>	154,838.82
<b>IV. Total profits (Total losses marked with "-")</b>		<b>104,460,680.50</b>	81,291,837.90
Less: Income tax expenses		<b>27,845,354.49</b>	21,744,402.47
<b>V. Net profits (Net losses marked with "-")</b>		<b>76,615,326.01</b>	59,547,435.43
1. Net profits from continuing operations (Net losses marked with "-")		<b>76,615,326.01</b>	59,547,435.43
2. Net profits of discontinuing operations (Net losses marked with "-")			

## Parent Company's Income Statement

(All amounts in RMB unless otherwise stated)

Item	Note	Jan.-June 2022	Jan.-June 2021
<b>VI. Net after-tax amount of other comprehensive income</b>			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income not converted into profit or loss under equity method			
3. Fair value changes of other equity instrument investments			
4. Fair value changes of enterprise's own credit risks			
(II) Other comprehensive income reclassified into profit and loss			
1. Other comprehensive income converted into profit or loss under the equity method			
2. Fair value changes of other debt instruments			
3. Amount reclassified from financial assets to other comprehensive income			
4. Provision for credit impairment on other debt instruments			
5. Cash flow hedge reserves			
6. Translation difference of foreign currency statements			
<b>VII. Total comprehensive income</b>		<b>76,615,326.01</b>	59,547,435.43

# Consolidated Statement of Cash Flow

(All amounts in RMB unless otherwise stated)

Item	Note	Jan.-June 2022	Jan.-June 2021
<b>I. Cash flows arising from operating activities:</b>			
Net decrease in financial assets held for trading purposes		126,934,663.74	
Cash received from interest, fees and commissions		462,741,680.80	405,575,948.07
Cash received related to other operating activities		10,359,554,344.60	4,860,648,593.47
Subtotal of cash inflows from operating activities		10,949,230,689.14	5,266,224,541.54
Net increase of financial assets held for trading purposes		—	77,936,570.91
Cash paid for interest, fees and commissions		87,850,699.58	45,163,739.41
Cash paid to and for employees		136,910,953.20	112,418,908.83
Business and management fees paid in cash		43,618,757.80	60,586,629.89
Taxes paid		73,096,705.82	49,032,667.78
Cash paid related to other operating activities		3,623,562,945.84	3,314,224,371.67
Subtotal of cash outflows from operating activities		3,965,040,062.24	3,659,362,888.49
Net cash flows from operating activities		6,984,190,626.90	1,606,861,653.05
<b>II. Cash flows from investing activities:</b>			
Cash received from disinvestment			
Cash received from the return of investment		79,654.52	139,083.64
Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets		100,759.15	1,186.96
Cash received related to other investing activities		—	
Subtotal of cash inflows from investing activities		180,413.67	140,270.60
Cash paid for investment			8,211,684.00
Cash paid for the acquisition of fixed assets, intangible assets and other long-term assets		800,871.19	1,101,078.40
Net cash paid by subsidiaries and other business units			
Cash paid related to other investing activities		—	
Subtotal of cash outflows from investing activities		800,871.19	9,312,762.40
Net cash flows from investing activities		-620,457.52	-9,172,491.80

## Consolidated Statement of Cash Flow

(All amounts in RMB unless otherwise stated)

Item	Note	Jan.-June 2022	Jan.-June 2021
<b>III. Cash flows from financing activities:</b>			
Cash received from external investment		—	
Including: The subsidiary received cash from non-controllings' investment			
Cash received from loans granted		215,000,000.00	
Cash received from issuing bonds			
Cash received relating to other financing activities		—	
Subtotal cash inflows from financing activities		215,000,000.00	—
Payment of debt in cash		—	27,869,375.91
Cash used to pay dividends, profits, or interest payments		—	
Including: Dividends and profits paid to non-controlling interests by subsidiaries			
Cash paid related to other financing activities		366,533.04	
Subtotal cash outflows from financing activities		366,533.04	27,869,375.91
Net cash flows from financing activities		214,633,466.96	-27,869,375.91
<b>IV. Impact of exchange rate fluctuations on cash and cash equivalents</b>		27,111.01	-1,029,618.38
<b>V. Net increase in cash and cash equivalents</b>		7,198,230,747.35	1,568,790,166.96
Add: Balance of cash and cash equivalents at the beginning of the period		9,775,110,705.25	5,128,310,387.43
<b>VI. Balance of cash and cash equivalents at the end of the period</b>		16,973,341,452.60	6,697,100,554.39



# Parent Company's Statement of Cash Flows

(All amounts in RMB unless otherwise stated)

Item	Jan.-June 2022	Jan.-June 2021
<b>I. Cash flows arising from operating activities:</b>		
Net decrease in financial assets held for trading purposes	128,034,663.74	
Cash received from interest, fees and commissions	458,340,730.78	405,570,711.81
Cash received related to other operating activities	10,558,222,758.61	3,089,898,382.95
Subtotal of cash inflows from operating activities	11,144,598,153.13	3,495,469,094.76
Net increase of financial assets held for trading purposes	—	75,936,570.91
Cash paid for interest, fees and commissions	85,692,507.37	44,333,599.72
Cash paid to and for employees	109,096,427.18	92,944,520.91
Business and management fees paid in cash	53,472,910.84	51,991,446.10
Taxes paid	51,909,028.76	45,166,083.98
Cash paid related to other operating activities	3,713,626,303.39	1,597,569,488.39
Subtotal of cash outflows from operating activities	4,013,797,177.54	1,907,941,710.01
Net cash flows from operating activities	7,130,800,975.59	1,587,527,384.75
<b>II. Cash flows from investing activities:</b>		
Cash received from disinvestment		
Cash received from the return of investment		
Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets	100,759.15	1,186.96
Cash received related to other investing activities		
Subtotal of cash inflows from investing activities	100,759.15	1,186.96
Cash paid for investment		4,000,000.00
Cash paid for the acquisition of fixed assets, intangible assets and other long-term assets	640,975.69	1,097,022.40
Net cash paid by subsidiaries and other business units		
Cash paid related to other investing activities		
Subtotal of cash outflows from investing activities	640,975.69	5,097,022.40
Net cash flows from investing activities	-540,216.54	-5,095,835.44

## Parent Company's Statement of Cash Flows

(All amounts in RMB unless otherwise stated)

Item	Jan.-June 2022	Jan.-June 2021
<b>III. Cash flows from financing activities:</b>		
Cash received from external investment		
Cash received from loans granted		
Cash received from issuing bonds		
Cash received relating to other financing activities		
Subtotal cash inflows from financing activities	-	-
Payment of debt in cash		
Cash used to pay dividends, profits, or interest payments		
Cash paid related to other financing activities	366,533.04	
Subtotal cash outflows from financing activities	366,533.04	-
Net cash flows from financing activities	-366,533.04	-
<b>IV. Impact of exchange rate fluctuations on cash and cash equivalents</b>	<b>4,768.72</b>	-1,205.99
<b>V. Net increase in cash and cash equivalents</b>	<b>7,129,898,994.73</b>	1,582,430,343.32
Add: Balance of cash and cash equivalents at the beginning of the period	9,605,250,193.19	4,787,850,211.29
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	<b>16,735,149,187.92</b>	6,370,280,554.61

# Consolidated Statement of Changes in Owners' Equity

(All amounts in RMB'000 unless otherwise stated)

Item	January-June 2022											
	Other equity instruments				Owners' equity attributable to the parent company					Retained earnings	Non-controlling interests	Total owners' equity
	Share capital	Preferred shares	Perpetual bonds	Other	Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserve	General risk reserve			
I. Balance as of 31 December 2021	1,001,900,000.00			651,642,466.48			-90,930.59	65,498,817.06	110,493,866.57	432,517,551.30		2,281,961,770.82
Add: Impact from changes in accounting policies												
Impact from corrections of errors in prior period												
Others												
II. Balance on 1 January 2022	1,001,900,000.00			651,642,466.48			-90,930.59	65,498,817.06	110,493,866.57	432,517,551.30		2,281,961,770.82
III. Movement for current period							310,318.58			72,683,909.11		72,994,227.69
(1) Total comprehensive income							310,318.58			90,718,109.11		91,028,427.69
(2) Shareholder's contributions and withdrawals of capital												
1) Common stock contributed by shareholders												
2) Capital contributed by other equity instruments holders												
3) Share-based payment recorded in shareholder's equity												
4) Others												
(3) Profits distribution										-18,034,200.00		-18,034,200.00
1) Appropriation of surplus reserve												
2) Extraction of general risk reserves												
3) Distribution to shareholders										-18,034,200.00		-18,034,200.00
4) Others												
(4) Internal transfer within shareholder's equity												
1) Conversion of capital reserve into share capital												
2) Conversion of surplus reserve into share capital												
3) Recover of loss by surplus reserve												
4) Benefit plans are carried forward to retained earnings												
5) Other comprehensive earnings are carried forward to retained earnings												
6) Others												
(5) Others												
IV. Balance on 30 June 2022	1,001,900,000.00			651,642,466.48			219,387.99	65,498,817.06	110,493,866.57	505,201,460.41		2,354,955,998.51

## Consolidated Statement of Changes in Owners' Equity

(All amounts in RMB'000 unless otherwise stated)

Item	January-June 2021										Total owners' equity	
	Share capital	Other equity instruments			Equity attributable to shareholders of the parent company				General risk reserve	Retained earnings		Non-controlling interests
		Preferred shares	Perpetual bonds	Other	Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserve				
I. Balance as of 31 December 2020	1,001,900,000.00				650,629,528.42		1,429,400.32	69,572,957.89	94,568,007.40	299,441,205.51		2,117,541,099.54
Add: Impact from changes in accounting policies												
Impact from corrections of errors in prior period												
Others												
II. Balance on 1 January 2021	1,001,900,000.00				650,629,528.42		1,429,400.32	69,572,957.89	94,568,007.40	299,441,205.51		2,117,541,099.54
III. Movement for current period												
(1) Total comprehensive income							-242,333.55			52,447,337.63		52,205,004.08
(2) Shareholder's contributions and withdrawals of capital							-242,333.55			76,092,177.63		75,849,844.08
1) Common stock contributed by shareholders												
2) Capital contributed by other equity instruments holders												
3) Share-based payment recorded in shareholder's equity												
4) Others												
(3) Profits distribution										-23,644,840.00		-23,644,840.00
1) Appropriation of surplus reserve												
2) Extraction of general risk reserves												
3) Distribution to shareholders										-23,644,840.00		-23,644,840.00
4) Others												
(4) Internal transfer within shareholder's equity												
1) Conversion of capital reserve into share capital												
2) Conversion of surplus reserve into share capital												
3) Recover of loss by surplus reserve												
4) Benefit plans are carried forward to retained earnings												
5) Other comprehensive earnings are carried forward to retained earnings												
6) Others												
(5) Others												
IV. Balance on 30 June 2021	1,001,900,000.00				650,629,528.42		1,187,066.77	69,572,957.89	94,568,007.40	351,888,543.14		2,169,746,103.62

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

(All amounts in RMB unless otherwise stated)

Item	January-June 2022										
	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	Retained earnings	Total owners' equity
I. Balance as of 31 December 2021	1,001,900,000.00				650,629,528.42			85,498,817.06	110,493,866.57	441,941,447.43	2,290,463,659.48
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
II. Balance on 1 January 2022	1,001,900,000.00				650,629,528.42			85,498,817.06	110,493,866.57	441,941,447.43	2,290,463,659.48
III. Movement for current year										58,581,126.01	58,581,126.01
(1) Total comprehensive income										76,615,326.01	76,615,326.01
(2) Shareholder's contributions and withdrawals of capital											
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution										-18,034,200.00	-18,034,200.00
1) Appropriation of surplus reserve											
2) Extraction of general risk reserves											
3) Distribution to shareholders										-18,034,200.00	-18,034,200.00
4) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Benefit plans are carried forward to retained earnings											
5) Other comprehensive earnings are carried forward to retained earnings											
6) Others											
(5) Others											
IV. Balance on 30 June 2022	1,001,900,000.00				650,629,528.42			85,498,817.06	110,493,866.57	500,522,573.44	2,349,044,785.49

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

(All amounts in RMB unless otherwise stated)

Item	January-June 2021										
	Share capital	Other equity instruments			Equity attributable to shareholders of the parent company			Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings
Preferred shares		Perpetual bonds	Other	Capital reserve	Less: Treasury share	Other					
I. Balance as of 31 December 2020	1,001,900,000.00				650,629,528.42			69,572,957.89	94,568,007.40	338,179,414.10	2,154,849,907.81
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
II. Balance on 1 January 2021	1,001,900,000.00				650,629,528.42			69,572,957.89	94,568,007.40	338,179,414.10	2,154,849,907.81
III. Movement for current year											
(1) Total comprehensive income										35,902,595.43	35,902,595.43
(2) Shareholder's contributions and withdrawals of capital										59,547,435.43	59,547,435.43
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution										-23,644,840.00	-23,644,840.00
1) Appropriation of surplus reserve											
2) Extraction of general risk reserves											
3) Distribution to shareholders										-23,644,840.00	-23,644,840.00
4) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Benefit plans are carried forward to retained earnings											
5) Other comprehensive earnings are carried forward to retained earnings											
6) Others											
(5) Others											
IV. Balance on 30 June 2021	1,001,900,000.00				650,629,528.42			69,572,957.89	94,568,007.40	374,082,009.53	2,190,752,503.24

# Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

## I. General information of 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 RMB10.20 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 31 December 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, 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 8 March 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. additional increased its registered capital by RMB116,376,200, then its total registered capital being RMB520 million.

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.

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

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 30 September 2012, was converted into shares, and the Luzheng Futures Co., Ltd. was converted into Luzheng Futures Company Limited (hereinafter referred to as "the 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. 91370000614140809E, issued by the Administration for Industry and Commerce of Shandong Province on 20 September 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 30 June 2022, are set out in Note VII. 29.

The Company obtained the qualification of financial futures general settlement business and general settlement membership of China Financial Futures Exchange on 15 August 2007 and 28 November 2007, and obtained the qualification of investment consulting and asset management business on 29 January 2012 and 15 November 2012. On 20 June 2022, the Company obtained the qualification of Guangzhou Futures Exchange membership and, as of 30 June 2022, has trading seats in five domestic futures exchanges and the Shanghai International Energy Exchange, and is an agent for all species listed and traded on domestic futures exchanges.

On 29 March 2022, the Company's name was changed from "Luzheng Futures Company Limited" to "Zhongtai Futures Company Limited". As of 30 June 2022, the Company had established a total of 19 business offices, respectively in Jinan, Beijing, Shanghai, Tianjin, Dalian, Shenyang, Yantai, Linyi, Zibo, Weifang, Jining, Dongying, Zhengzhou, Dezhou, Changsha, Rizhao, Wuxi, Guangzhou, Hangzhou Linping, and 11 branches, respectively in Shanghai, Wuhan, Jinan, Nanjing, Hangzhou, Shenzhen, Beijing Chaoyang, Ningbo, Qingdao, Wenzhou, and Xiamen. The subsidiaries of the Company were detailed in Note VI.

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

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

Legal representative: Zhong Jinlong

The financial statements were approved for presentation by the board of directors of the Company on 25 August 2022.



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### II. Basis for the preparation of financial statements

The financial statements have been prepared in accordance with the *Accounting Standards for Business Enterprises – Basic Standards*, issued by the Ministry of Finance on or after 15 February 2006, the specific accounting standards, the subsequent guidance on the application of accounting standards for business enterprises, the interpretation of accounting standards for business enterprises and other related regulations (hereinafter collectively referred to as “Accounting Standards for Business Enterprises”) and *the Notice on the Issuance of Guidelines on the setting of Accounting subjects and Accounting for Futures Companies*, issued by the China Futures Association on 18 June 2007.

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

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

The Company’s financial statements for January-June 2022 comply with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company’s financial position for the Company as of 30 June 2022; as well as the consolidated and the Company’s operating results and cash flows for the period of January-June 2022 and other related information.

### IV. Significant accounting policies and accounting estimates

#### 1. Fiscal year

The fiscal year is based on a calendar year, from 1 January to 31 December 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 HK dollar. The financial statements were presented in Renminbi.

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

#### 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 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.

#### 4. Principles of funds management and transaction clearing for branches

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

#### 5. Method of management and accounting for customer margin

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

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 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 monetary funds, and time bank deposits maturing within 3 months from the date of purchase.

#### 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.

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

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

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### 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 presented separately in the statement of financial position.

###### 2) *Impairment*

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

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

### 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 carrying amounts not net of impairment allowances and effective interest rates. For financial instruments in the third stage, interest income is calculated based on their carrying amount 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.

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.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 10. Financial instruments (Continued)

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

##### 2) *Impairment (Continued)*

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 carrying amount 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 carrying amount of the derecognized portion and the consideration paid is recognized in profit or loss.

##### (3) Derivative financial instruments

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

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

##### (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.



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 11. Buying back the sale of financial assets

A buying back the sale 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.

#### 13. Pledge margin receivable and pledge margin payable

The Company acts as an agent for the customer in pledge margin replenishment 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 carrying amount of the pledge margin receivable and the pledge margin payable accordingly.

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

#### 14. Settlement guarantees receivable

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

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

#### 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.

#### 16. Inventories

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

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

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

#### 17. Long-term equity investments

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

##### (1) Subsidiaries

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

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

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

##### (2) Associates

Associates are investees over which the Group is able to 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 carrying amount 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 that 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 carrying amount of the long-term equity investment and credited to the capital reserve. The carrying amount 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 carrying amount 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 carrying amounts (Note IV. 21).

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### 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 carrying amount 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 carrying amount less the provision for impairment and the remaining useful life.

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

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

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

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

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 19. Intangible assets

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

#### 20. Long-term deferred expenses

Long-term deferred expenses include expenses arising from the improvement of right-of-use assets and other expenses that have 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 carrying amount, 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; and (2) money temporarily deposited with the Group by investors of exchanges for which the Group provides registration and settlement services.

### 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, and employee education funds, short-term paid absences, etc. The Group shall recognize the short-term employee benefits incurred as a liability in the accounting period in which the services are rendered by the employees and include it in profit or loss or the related cost of assets, where short-term employee benefit is a non-monetary benefit, it is measured at fair value.

##### (2) Post-employment benefits

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

##### (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 the 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.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 24. Dividends distribution

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

#### 25. Provision

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 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 carrying amount of the provision resulting from the recovery of discount over time shall be recognized as interest expense.

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

#### 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 carrying amounts. 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.

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

#### 26. Income taxes and deferred income taxes (Continued)

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.

#### 27. General risk reserves

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

#### 28. 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.



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 28. Revenue recognition (Continued)

##### (1) Commission income (Continued)

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.

##### (2) 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.

##### (3) Income from futures exchange returns, etc., are 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)

#### 29. 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 agent commission income deducting 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.

#### 30. 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.

Government grants related to assets are written down to the carrying amount 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 and those not related to ordinary activities are included in non-operating income and expenses.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 31. 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 carrying amount of the right-of-use asset, the Group writes down the carrying amount to its recoverable amount.

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 carrying amount 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 carrying amount of the right-of-use asset accordingly.

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

#### 32. Method for preparation of the consolidated financial statement

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

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

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 minority shareholders' share of the subsidiary's current loss exceeds the minority shareholders' share of the subsidiary's owners' equity at the beginning of the period, the balance is eliminated to reduce the minority shareholders' equity. Unrealized gains or losses on internal transactions, if they are caused by the sale of assets by the Company to a subsidiary, are fully offset against net income attributable to shareholders of the parent company; if they have resulted from the sale of assets by a subsidiary to the Company, are allocated to offset between net income attributable to shareholders of the parent company and minority interests in proportion to the Company's allocation to that subsidiary; if they arise from the sale of assets between subsidiaries, are allocated to offset between net income attributable to shareholders of the parent company and minority interests in proportion to the parent company's allocation to the seller's subsidiary.

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

#### 33. Segment information

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

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

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

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

The circular of the annual general meeting of the Company, dated 27 May 2022, was that the resolution of the annual general meeting of the Company, held on 28 June 2022, considered and adopted the Proposal on the Uniform Adoption of China Accounting Standards for Business Enterprises for the Preparation of Financial Statements, in view of the convergence of accounting standards and reference to industry practices, as well as in order to improve the efficiency of the company's audit, save costs and achieve consistency and comparability of financial data disclosure, which agreed that the Company shall uniformly adopt the Accounting Standards for Business Enterprises to prepare its financial statements and disclose corresponding financial reports from 2022 onwards. In this report, the Company has made restatement adjustments to the comparative data for January-June 2021, the comparable period of January-June 2022 in accordance with the relevant provisions of the Accounting Standards for Business Enterprises.

##### (2) Significant accounting estimates and the key assumptions

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

The following significant accounting estimates and key assumptions will result in a significant risk that the carrying amounts 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 discount cash flow model, Black-Scholes model, and other valuation models. Valuation methodology utilizes observable market information to the maximum extent possible, however, when observable market information is not available, the Group makes estimates of significant unobservable information included in the valuation methodology. The objective of valuation techniques is to determine a fair value that reflects the same determination of market participants at the reporting date on an orderly trading basis.

###### 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.

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

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

##### (2) Significant accounting estimates and the key assumptions (Continued)

###### 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.

##### (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 Statement

(All amounts in RMB unless otherwise stated)

### V. Taxes

The major taxes applicable to the Group and their tax rates are set out below:

Taxes	Taxation basis	Tax rate	Note
Corporate income tax	Taxable income	25% and 16.5%	Note 1
Value added tax (VAT)	Taxable value added (tax payable is calculated by multiplying taxable sales by the applicable tax rate less the current input tax allowed for deduction)	13%, 9% and 6%	
Value added tax (VAT)	Taxable value added (tax payable is calculated by multiplying taxable sales by the levy rate)	3%, 1%	Note 2
Urban maintenance and construction tax	Amount of turnover tax paid	7%	

Note 1: The income tax rate applicable to the Group's Hong Kong subsidiaries is 16.5%.

Note 2: Some of the Group's business units are subject to VAT as small-scale taxpayers with a tax rate of 3%. According to the No. 15 Announcement on the Exemption of Small-scale VAT Payers from VAT, issued by the Ministry of Finance and the General Administration of Taxation in the announcement of 2022, small-scale VAT payers shall be exempt from VAT on their taxable sales income subject to 3% levy rate; and VAT prepayment shall be suspended for VAT prepayment items subject to 3% prepayment rate from 1 April 2022 to 31 December 2022. According to the preferential tax policies regulated in Article 1 of Announcement of the General Administration of Taxation of the Ministry of Finance on the Renewal of the Implementation of Certain Tax Preferential Policies in Response to the Epidemic (Announcement of the General Administration of Taxation of the Ministry of Finance No. 7 of 2021), the implementation period is extended to 31 March 2022. Some of the Group's business units, as small-scale VAT payers, are subject to a reduced VAT rate of 1% on taxable sales revenue subject to a 3% levy rate from January to March 2022, and are exempt from VAT from April to December 2022.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### VI. Subsidiaries

#### Subsidiaries included in the scope of consolidation as of 30 June 2022

Name of subsidiary	Place of registration	Main place of business	Business nature	Shareholding ratio (%)	Voting ratio (%)
Luzheng Capital Management Co., Ltd.	Shenzhen	Jinan	Risk management	100%	100%
ZHONGTAI HUIRONG INVESTMENT (HK) COMPANY LIMITED	Hong Kong	Hong Kong	Derivatives trading	100%	100%
Luzheng Information Technology Co., Ltd.	Jinan	Jinan	Information system services, software development	100%	100%
LUZHENG INTERNATIONAL HOLDING LIMITED	Hong Kong	Hong Kong	Investment holding	100%	100%

Luzheng Capital Management Co., Ltd. was renamed Zhongtai Huirong Capital Investment Co., Ltd. (hereinafter referred to as “Zhongtai Huirong Capital”) on 19 July 2022. The subsidiary was established in April 2013, and its main business scope includes: Investment activities with own funds; investment planning of own capital; enterprise management consulting; sales and wholesale of agricultural products, metal products, metallurgical materials, mineral products (except those specified by the state), precious metals and chemical products (except dangerous chemicals, monitoring chemicals, fireworks, civil explosives and precursor chemicals); import and export business (except for items prohibited by laws, administrative regulations and the State Council’s decision, restricted items can only be operated after obtaining permission); technical consultation; investment consultant (excluding restricted items); sales of petroleum products (excluding dangerous chemicals); wholesale of refined oil (excluding dangerous chemicals); sales of paper products; sales of pulp; sales of rubber products; sales of technical glass products; sales of daily glass products; sales of functional glass and new optical materials; general goods warehousing services (excluding hazardous chemicals and other items that need to be approved) (except for items that need to be approved according to law, business activities shall be independently carried out according to law with business license). The licensed items are: Sales and wholesale of edible oil; warehouse receipt service; basis trading; cooperation insurance; OTC derivatives business; market-making business. On 30 June 2022, the registered capital of Zhongtai Huirong Capital was RMB750 million and the paid-in capital was RMB750 million.



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### VI. Subsidiaries (Continued)

ZHONGTAI HUIRONG INVESTMENT (HK) COMPANY LIMITED (hereinafter referred to as “ZHONGTAI HUIRONG”) was established in November 2013. The main business scope includes import and export trade, investment, capital risk management, technical consulting services, etc. As of 30 June 2022, 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 and sales of computer products and software and related technical services; electronic design and construction; information technology consulting service. As of 30 June 2022, the registered capital of Luzheng Information was RMB50 million and the paid-in capital was RMB34 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 30 June 2022, the registered capital was HKD30 million and the paid-in capital was HKD20 million.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 1. Cash and cash equivalents

Item	30 June 2022	31 December 2021
Cash on hand	34,203.55	24,385.69
Current bank deposit	570,706,102.33	198,426,537.77
– Principal	565,735,287.63	198,288,861.31
– Interest accrued	4,970,814.70	137,676.46
Time bank deposit	593,018,208.27	591,073,027.78
– Principal	580,000,000.00	580,000,000.00
– Interest accrued	13,018,208.27	11,073,027.78
Deposit of futures margin	16,438,299,837.97	9,415,546,545.63
– Principal	16,389,588,404.35	9,363,078,654.91
– Interest accrued	48,711,433.62	52,467,890.72
Other cash and cash equivalents	17,983,557.07	161,113,236.16
Less: Expected credit impairment reserves	761,368.16	603,792.49
<b>Total</b>	<b>17,619,280,541.03</b>	<b>10,365,579,940.54</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

##### (1) Details of deposit of futures margin – Principal

Item	30 June 2022	31 December 2021
China Construction Bank Jinan Shizhong Branch Business Office	4,060,423,740.28	91,262.95
Agricultural Bank of China Jinan Shizhong Branch	3,000,013,553.14	29,955.34
China Construction Bank Shanghai Futures Branch	2,001,008,591.41	1,075,386,800.42
Ping An Bank Shanghai Exchange Branch	1,760,094,863.08	1,760,200,660.72
China CITIC Bank Shanghai Pudian Road Branch	1,000,054,117.60	400,025,883.87
Bank of Communications Jinan Shizhong Branch	991,584,453.91	1,351,007,389.85
Industrial Bank Zhengzhou Jinshui East Road Branch	940,065,575.55	160,059,982.37
Industrial Bank Dalian Commodity Exchange Branch	780,060,705.77	940,359,290.37
China CITIC bank Zhengzhou Branch Business Office	600,032,652.71	500,037,510.00
Industrial Bank Shanghai Exchange Branch	320,060,461.34	680,022,257.68
China Minsheng Banking Zhengzhou Shangding Road Branch	300,017,893.29	380,526,416.65
Agricultural Bank of China Dalian Commodity Exchange Branch	207,804,771.16	179,267.18
China CITIC bank Dalian Commodity Exchange Branch	200,855,306.05	200,913,875.49
China Minsheng Banking Jinan Branch Business Office	160,010,524.26	160,091,636.68
China Minsheng Banking Shanghai Futures Exchange Branch	64,169,804.12	509,259,715.42
Shanghai Pudong Development Bank Shanghai Futures Exchange Branch	911,116.35	743,600,813.62
Shanghai Pudong Development Bank Dalian Branch	680,211.77	36,542.68
Bank of Communications Shanghai Futures Tower Branch	425,076.91	500,042,330.08

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

##### (1) Details of deposit of futures margin – Principal (Continued)

Item	30 June 2022	31 December 2021
Bank of China Dalian Commodity Exchange Branch	206,384.56	205,630.47
ICBC Shanghai Futures Tower Branch	177,574.46	156,767.04
China Minsheng Banking Dalian Commodity Exchange Branch	93,091.78	72,524.06
Bank of China Jinan Branch	90,864.09	55,262.49
Bank of Communications Dalian Branch Commodity Exchange Branch	81,360.95	80,787.94
Shanghai Pudong Development Bank Jinan Branch Business Office	79,883.30	71,517.61
Industrial Bank Jinan Branch Business Office	75,451.66	93,071.10
China CITIC Bank Jinan Jingshi Road Branch	74,624.93	71,258.66
ICBC Jinan Lixia Branch	54,203.41	22,823.74
China Everbright Bank Jinan Branch Business Office	51,741.07	59,571.50
Bank of China Shanghai Futures Tower Branch	47,786.69	47,682.54
China Guangfa Bank Jinan Branch Business Office	47,295.39	47,353.66
China Merchants Bank Shanghai Century Avenue Branch	46,000.27	45,722.47
China Construction Bank Beijing Jinsong Branch	43,637.80	43,571.69
China Merchants Bank Jinan Convention and Exhibition Center Branch	42,466.19	48,605.99

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

##### (1) Details of deposit of futures margin – Principal (Continued)

Item	30 June 2022	31 December 2021
China Construction Bank Dalian Commodity Exchange Branch	37,639.44	38,100.95
Ping An Bank Jinan Branch Business Office	26,020.84	17,285.15
Postal Savings Bank of China Jinan Free Trade Zone Branch	10,001.67	
Bank of China Zhengzhou Commodity Exchange Branch	9,427.47	9,570.30
Agricultural Bank of China Shanghai Futures Tower Branch	7,454.21	8,401.18
Bank of Communications Zhengzhou Futures Tower Branch	7,124.61	7,296.29
China Construction Bank Zhengzhou Futures City Branch	4,950.86	3,620.03
China Construction Bank Hangzhou West Lake Branch		432.93
ICBC Dalian Commodity Exchange Branch		205.75
<b>Total</b>	<b>16,389,588,404.35</b>	9,363,078,654.91

(2) As of 30 June 2022, other cash and cash equivalents are the unoccupied trading margin deposited by the Group in securities and futures commission merchants.

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

Item	31 December 2021	Accrual in the current period	30 June 2022
Expected credit impairment provision	603,792.49	157,575.67	761,368.16
<b>Total</b>	603,792.49	157,575.67	<b>761,368.16</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 2. Currency margin receivable

Item	30 June 2022	31 December 2021
China Financial Futures Exchange	<b>858,155,343.04</b>	1,816,732,221.59
Shanghai Futures Exchange	<b>1,906,461,516.89</b>	1,680,209,253.34
Dalian Commodity Exchange	<b>2,382,209,607.96</b>	1,109,495,651.31
Zhengzhou Commodity Exchange	<b>1,683,564,605.99</b>	617,690,377.52
China Securities Depository and Clearing Corporation Limited	<b>678,385,180.98</b>	602,872,063.72
Shanghai International Energy Exchange	<b>1,065,140,231.31</b>	330,195,728.66
Total	<b>8,573,916,486.17</b>	6,157,195,296.14

#### 3. Pledge margin receivable

##### (1) Classification by Exchange

Item	30 June 2022	31 December 2021
Shanghai Futures Exchange	<b>1,471,785,788.00</b>	1,116,654,376.00
Dalian Commodity Exchange	<b>820,528,848.00</b>	807,051,360.00
Zhengzhou Commodity Exchange	<b>453,894,552.00</b>	452,181,968.00
China Financial Futures Exchange	<b>248,560,832.00</b>	248,210,512.00
Shanghai International Energy Exchange	<b>30,758,400.00</b>	29,818,880.00
Total	<b>3,025,528,420.00</b>	2,653,917,096.00

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 3. Pledge margin receivable (Continued)

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

Category of collateral	Discount rate	30 June 2022 Closing market value	31 December 2021 Closing market value
T 10-year Treasury Bonds	80%	2,885,627,840.00	2,558,228,080.00
BU Asphalt	80%	38,559,368.00	26,678,720.00
SR White sugar	80%	27,695,472.00	
SP Needle Bleached Kraft Pulp	80%	20,891,520.00	4,760,000.00
ZN Zinc	80%	15,436,800.00	8,694,000.00
RU Rubber	80%	13,213,200.00	–
C Corn	80%	10,984,000.00	
AL Aluminium	80%	5,003,700.00	
CU Copper	80%	2,570,800.00	–
CJ Dried Chinese Jujubes	80%	2,549,680.00	
CS Corn Starch	80%	2,098,440.00	
NR TSR 20	80%	897,600.00	
PTA Pure Terephthalic Acid	80%		28,704,240.00
AG Silver	80%		25,234,056.00
CF Cotton First	80%		697,760.00
PB Plumbum	80%		614,000.00
PF Polyester Staple Fiber	80%		306,240.00
<b>Total</b>		<b>3,025,528,420.00</b>	<b>2,653,917,096.00</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 4. Settlement guarantees receivable

Item	30 June 2022	31 December 2021
China Financial Futures Exchange	29,348,192.73	29,202,519.40
China Securities Depository and Clearing Corporation Limited	11,494,071.07	11,405,393.72
<b>Total</b>	<b>40,842,263.80</b>	<b>40,607,913.12</b>

#### 5. Receivables

##### (1) Listed by details

Item	30 June 2022	31 December 2021
OTC Options clients' capital receivable	320,416,242.92	159,618,187.77
Bills receivable	45,387,129.85	22,690,291.03
Trade receivable	9,038,322.76	37,518,126.01
Exchange service fee receivable	3,001,854.78	1,200,014.50
Others		3,156,693.15
<b>Total</b>	<b>377,843,550.31</b>	<b>224,183,312.46</b>
Less: Bad debt provision	1,754,974.37	2,162,710.58
<b>Book value of receivables</b>	<b>376,088,575.94</b>	<b>222,020,601.88</b>



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 5. Receivables (Continued)

##### (2) Analysis by aging

Item	30 June 2022		31 December 2021	
	Amount	Ratio of total book balance (%)	Amount	Accrued ratio of bad debt provision (%)
Within 1 year	376,986,120.30	99.77%	221,720,426.17	98.90%
1-2 years	142,452.94	0.04%	468,188.00	0.21%
2-3 years	549,430.56	0.15%	903,504.11	0.40%
Over 3 years	165,546.51	0.04%	1,091,194.18	0.49%
<b>Total</b>	<b>377,843,550.31</b>	<b>100.00%</b>	<b>224,183,312.46</b>	<b>100.00%</b>

(3) As of 30 June 2022, the total amount of the top five receivables of the Group was RMB276,048,824.69, accounting for 73.06% of the total receivables. Details are as follows:

Company name	Amount	Aging	Ratio of total receivables (%)	Nature of payment
Zhongtai Securities Co., Ltd.	135,916,116.10	Within 1 year	35.98%	Option trading funds
Galaxy Derivatives Capital Management Co., Ltd.	74,132,699.60	Within 1 year	19.62%	Option trading funds
China Fortune Securities Co., Ltd.	28,000,000.00	Within 1 year	7.41%	Option trading funds
China Industrial Securities Co., Ltd.	20,000,000.00	Within 1 year	5.29%	Option trading funds
Shenwan Hongyuan Securities Co., Ltd.	18,000,008.99	Within 1 year	4.76%	Option trading funds
<b>Total</b>	<b>276,048,824.69</b>		<b>73.06%</b>	

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 6. Inventories

Item	30 June 2022	31 December 2021
Bulk commodity	170,506,463.50	44,572,709.59
Others	51,769.91	51,769.91
Subtotal	170,558,233.41	44,624,479.50
Less: Inventory depreciation reserves	1,192,621.10	289,515.05
Total	169,365,612.31	44,334,964.45

As of 30 June 2022, inventories with a book value of RMB45,052,668.99 are pledged to the futures exchange as trading margin.

#### 7. Contract assets

Item	30 June 2022	31 December 2021
Contract assets	14,823,717.02	18,834,724.14
Less: Impairment provision of contract assets		
Total	14,823,717.02	18,834,724.14

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 8. Buying back the sale of financial assets

Item	30 June 2022	31 December 2021
Warehouse receipt pledge fund lent	<b>56,643,638.22</b>	121,689,919.11
Including: Principal	<b>71,661,580.08</b>	121,668,839.11
Interest accrued	<b>81,084.03</b>	21,080.00
Less: Impairment provision	<b>15,099,025.89</b>	
Total	<b>56,643,638.22</b>	121,689,919.11

The Group received warehouse receipts as pledges for warehouse receipt pledge financing, and these pledges can be used for re-pledge. As of 30 June 2022, the fair value of the collateral that can be re-pledged and accepted by the Group was RMB26,680,500.00 (31 December 2021: 157,705,500.00), all of which were used for re-pledge to offset the trading margin. (31 December 2021: Non-standard warehouse receipts were used for re-pledge to offset the trading margin).

See Note XVI. Other significant matters for details of the impairment provision in the current period.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 9. Trading financial assets

Item	30 June 2022	31 December 2021
Derivative financial assets (Notes VII. 10)	241,281,089.29	243,882,129.66
Private equity investment fund	107,256,077.52	220,423,215.29
Income receipts	110,739,561.57	211,881,401.35
Asset management plan	65,153,378.95	146,842,192.43
Public offering securities investment fund	195,086,784.95	36,718,642.26
Trust plan	18,189,364.40	13,155,849.63
Bank financial products	3,604,558.15	3,550,592.66
Stock investment	5,430.00	7,848.00
<b>Total</b>	<b>741,316,244.83</b>	<b>876,461,871.28</b>

#### 10. Derivative financial instruments

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

Item	Nominal principal	30 June 2022	
		Assets	Liabilities
OTC option contract	16,444,578,007.80	173,521,081.78	159,424,995.29
Exchange-traded option contract	2,584,017,550.00	39,274,067.51	51,546,297.51
Exchange-traded futures contract	10,546,455,240.00		
Forward contract	1,343,000,800.00	28,485,940.00	29,342,055.20
<b>Total</b>	<b>30,918,051,597.80</b>	<b>241,281,089.29</b>	<b>240,313,348.00</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

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

Item	Nominal principal	31 December 2021	
		Assets	Liabilities
OTC option contract	10,438,282,960.76	214,477,784.65	109,492,663.26
Exchange-traded option contract	1,721,743,200.00	25,013,445.01	22,432,085.00
Exchange-traded futures contract	7,303,390,315.00		
Forward contract	1,581,560,546.00	4,390,900.00	8,077,362.01
Total	21,044,977,021.76	243,882,129.66	140,002,110.27

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

Item	30 June 2022		31 December 2021	
	Nominal amount	Fair value changes	Nominal amount	Fair value changes
Exchange-traded futures contract	10,546,455,240.00	27,408,740.00	7,303,390,315.00	-38,733,905.00
Less: Settlement cash paid		-27,408,740.00		38,733,905.00
Futures contract net position				

For exchange-traded futures contract, 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 30 June 2022. Therefore, the exchange-traded futures contract under derivative financial instruments is listed as the net amount after offset, which is RMB0.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 11. Futures membership investments

Item	30 June 2022	31 December 2021
Shanghai Futures Exchange	500,000.00	500,000.00
Dalian Commodity Exchange	500,000.00	500,000.00
Zhengzhou Commodity Exchange	400,000.00	400,000.00
Total	1,400,000.00	1,400,000.00

#### 12. Long-term equity investment

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

Item	30 June 2022	31 December 2021
Long-term equity investment accounted by cost method		
Long-term equity investment accounted by equity method	25,278,859.08	25,376,644.34
Including: Investment in associates	25,278,859.08	25,376,644.34
Total long-term equity investment	25,278,859.08	25,376,644.34
Less: Impairment provision of long-term equity investment		
Net value of long-term equity investment	25,278,859.08	25,376,644.34

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 12. Long-term equity investment (Continued)

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

Investee	31 December 2021	Initial investment	Additional investment	Reduced investment	Changes in current period							30 June 2022	Closing impairment provision	
					Investment profit and loss recognized under equity method	Other comprehensive income adjustment	Other changes in equity	Cash dividends or profits declared	Impairment provision accrued	Exchange rate difference	Others			
Associates														
Shandong Trading Market Clearing														
House Co., Ltd.	18,932,153.68				1,450,286.73								20,382,440.41	
Shandong Board of Trade	6,444,490.66				-1,548,071.99								4,896,418.67	
Total	25,376,644.34				-97,785.26								25,278,859.08	

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 12. Long-term equity investment (Continued)

##### (3) Main financial information of important 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 30 June 2022, the registered capital of Lu Clearing was RMB71.5 million, and the paid-in capital is RMB71.5 million. The Group holds 34.97% of the shares. The Group accounts for the investment of Lu Clearing according to the equity method.

Item	30 June 2022	31 December 2021
Current assets	<b>3,788,775,154.12</b>	2,440,788,088.31
Non-current assets	<b>8,549,137.11</b>	6,409,214.71
Total assets	<b>3,797,324,291.23</b>	2,447,197,303.02
Current liabilities	<b>3,735,725,463.90</b>	2,406,274,331.91
Non-current liabilities	<b>1,554,508.93</b>	
Total liabilities	<b>3,737,279,972.83</b>	2,406,274,331.91
Net assets	<b>60,044,318.40</b>	40,922,971.11
Share of net assets calculated according to shareholding ratio	<b>20,997,498.14</b>	19,550,670.70
Adjustment matters (i)	<b>-615,057.73</b>	-618,517.02
Book value of investment in associates	<b>20,382,440.41</b>	18,932,153.68



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 12. Long-term equity investment (Continued)

##### (3) Main financial information of important associates (Continued)

##### 1) Shandong Trading Market Clearing House Co., Ltd. (Continued)

Item	Jan.-June 2022	Jan.-June 2021
Operating income	11,353,697.38	6,745,481.64
Net profit/(loss)	4,121,347.29	1,156,306.29
Other comprehensive income		
Total comprehensive income	4,121,347.29	1,156,306.29
Dividends received by the Group from associates in the current period		

Net profit and other comprehensive income have considered the fair value of identifiable assets and liabilities at the time of obtaining investment and the adjustment impact of unified accounting policies.

Adjustment matters include the offset of unrealized profits from internal transactions between the Company and associates.

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

### 12. Long-term equity investment (Continued)

#### (3) Main financial information of important associates (Continued)

##### 2) Shandong Board of Trade

As of 30 June 2022, 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.

On 22 May 2015, Shandong Board of Trade completed its equity restructuring, and the Group’s shareholding in Shandong Board of Trade was diluted from 49% to 29.5%. The Group accounts for the investment of Shandong Board of Trade according to the equity method.

Item	30 June 2022	31 December 2021
Current assets	<b>230,323,240.81</b>	176,611,292.96
Non-current assets	<b>28,646,619.04</b>	25,935,672.99
Total assets	<b>258,969,859.85</b>	202,546,965.95
Current liabilities	<b>217,406,472.31</b>	155,174,184.77
Non-current liabilities	<b>571,000.17</b>	621,000.15
Total liabilities	<b>217,977,472.48</b>	155,795,184.92
Net assets attributable to the parent company	<b>16,598,029.39</b>	21,845,731.06
Share of net assets calculated by shareholding ratio	<b>4,896,418.67</b>	6,444,490.66
Book value of investment in associates	<b>4,896,418.67</b>	6,444,490.66

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 12. Long-term equity investment (Continued)

##### (3) Main financial information of important associates (Continued)

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

Item	Jan.-June 2022	Jan.-June 2021
Operating income	4,173,090.57	199,863,939.20
Net loss attributable to parent company	-6,305,308.41	11,544,926.08
Other comprehensive income		
Total comprehensive income	-6,305,308.41	11,615,105.76
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.

##### 3) Shanghai Luzheng Fengtong Economic and Trade Co., Ltd.

In 2017, the Group invested RMB17.5 million and established Shanghai Luzheng Fengtong Economic and Trade Co., Ltd. jointly with Yongfeng Group. (hereinafter referred to as "Luzheng Fengtong"). Luzheng Fengtong was liquidated on 29 October 2021.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 13. Fixed assets

Item	Houses and buildings	Transportation equipment	Computers, electronic equipment and others	Total
I. Original book value				
1. 31 December 2021	40,072,644.53	6,185,543.16	48,375,422.88	94,633,610.57
2. Increased amount in current period		204,472.29	1,868,332.01	2,072,804.30
3. Decreased amount in current period		240,080.00	1,310,374.41	1,550,454.41
4. 30 June 2022	40,072,644.53	6,149,935.45	48,933,380.48	95,155,960.46
II. Accumulated depreciation				
1. 31 December 2021	14,131,374.03	3,901,247.93	35,304,280.12	53,336,902.08
2. Increased amount in current period	647,841.06	330,524.98	3,007,251.52	3,985,617.56
3. Decreased amount in current period	228,076.00	1,180,360.98	1,408,436.98	1,408,436.98
4. 30 June 2022	14,779,215.09	4,003,696.91	37,131,170.66	55,914,082.66
III. Impairment provision				
1. 31 December 2021				
2. Increased amount in current period				
3. Decreased amount in current period				
4. 30 June 2022				
IV. Book value				
1. Book value as of 30 June 2022	25,293,429.44	2,146,238.54	11,802,209.82	39,241,877.80
2. Book value as of 31 December 2021	25,941,270.50	2,284,295.23	13,071,142.76	41,296,708.49

As of 30 June 2022, the Group's fixed assets were not mortgaged, guaranteed or sealed. As of 30 June 2022, no sign of impairment was found in the above-mentioned fixed assets, so no impairment provision of fixed assets was accrued.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 14. Right-of-use assets

Item	Houses and buildings	Total
Original price		
1. 31 December 2021	31,133,193.50	31,133,193.50
2. Increase in current period	12,612,105.37	12,612,105.37
New lease contract	12,612,105.37	12,612,105.37
3. Decrease in current period	669,628.97	669,628.97
Others	669,628.97	669,628.97
4. 30 June 2022	43,075,669.90	43,075,669.90
Accumulated depreciation		
1. 31 December 2021	12,220,508.38	12,220,508.38
2. Increase in current period	5,731,887.35	5,731,887.35
Accrual	5,731,887.35	5,731,887.35
3. Decrease in current period		
Others		
4. 30 June 2022	17,952,395.73	17,952,395.73
Book value		
1. 30 June 2022	25,123,274.17	25,123,274.17
2. 31 December 2021	18,912,685.12	18,912,685.12

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 15. Intangible assets

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

Item	Software	Total
I. Original book value		
1. 31 December 2021	20,445,188.71	20,445,188.71
2. Increased amount in current period	194,690.26	194,690.26
(1) Acquisition	194,690.26	194,690.26
(2) Increase of business combination		
3. Decreased amount in current period		
(1) Disposal		
(2) Others		
4. Translation difference of financial statements in foreign currency		
5. 30 June 2022	20,639,878.97	20,639,878.97
II. accumulated amortization		
1. 31 December 2021	11,858,460.33	11,858,460.33
2. Increased amount in current period	698,967.98	698,967.98
(1) Accrual	698,967.98	698,967.98
(2) Others		
3. Decreased amount in current period		
(1) Disposal		
(2) Others		
4. Translation difference of financial statements in foreign currency		
5. 30 June 2022	12,557,428.31	12,557,428.31

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 15. Intangible assets (Continued)

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

Item	Software	Total
III. Impairment provision		
1. 31 December 2021	1,438,333.48	1,438,333.48
2. Increased amount in current period		
(1) Accrual		
(2) Increase of business combination		
3. Decreased amount in current period		
(1) Disposal		
4. Translation difference of financial statements in foreign currency		
5. 30 June 2022	1,438,333.48	1,438,333.48
IV. Book value		
1. Book value as of 30 June 2022	6,644,117.18	6,644,117.18
2. Book value as of 31 December 2021	7,148,394.90	7,148,394.90

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 16. Deferred tax assets and deferred tax liabilities

##### (1) Deferred tax assets without offset

Item	30 June 2022	
	Deductible temporary difference	Deferred tax assets
Fair value changes	91,270,666.56	22,817,666.64
Interest payable	49,486,039.40	12,371,509.85
Deductible losses	11,301,350.12	2,825,337.53
Asset impairment provision	20,816,163.44	5,204,040.86
Depreciation of fixed assets	2,831,321.44	707,830.36
<b>Total</b>	<b>175,705,540.96</b>	<b>43,926,385.24</b>

Item	31 December 2021	
	Deductible temporary difference	Deferred tax assets
Fair value changes	108,933,431.36	27,233,357.84
Interest payable	29,499,982.23	7,374,995.56
Deductible losses	11,301,350.11	2,825,337.53
Asset impairment provision	5,073,992.88	1,268,498.22
Depreciation of fixed assets	3,103,947.40	775,986.85
Accrued expenses	1,000,000.00	250,000.00
<b>Total</b>	<b>158,912,703.98</b>	<b>39,728,176.00</b>



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 16. Deferred tax assets and deferred tax liabilities (Continued)

##### (2) Deferred tax liabilities without offset

Item	30 June 2022	
	Taxable temporary differences	Deferred tax liabilities
Fair value changes	110,777,780.08	27,694,445.02
Interest receivable	107,501,879.68	26,875,469.92
Depreciation of fixed assets	5,137.44	1,284.36
Total	218,284,797.20	54,571,199.30

Item	31 December 2021	
	Taxable temporary differences	Deferred tax liabilities
Fair value changes	187,002,568.77	46,750,642.19
Interest receivable	66,102,484.33	16,525,621.08
Depreciation of fixed assets	5,137.45	1,284.36
Total	253,110,190.55	63,277,547.63

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 16. Deferred tax assets and deferred tax liabilities (Continued)

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

Item	Closing offset amount of deferred tax assets and liabilities	Closing balance of deferred tax assets or liabilities after offsetting	Opening offset amount of deferred tax assets and liabilities	Opening balance of deferred tax assets or liabilities after offsetting
Deferred tax assets	43,218,554.88	707,830.36	38,952,189.15	775,986.85
Deferred tax liabilities	43,218,554.88	11,352,644.42	38,952,189.15	24,325,358.48

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

Item	30 June 2022	31 December 2021
Deductible losses	<b>71,306,836.45</b>	70,837,842.60
Bad debt provision		
Impairment provision of assets lent		
Impairment provision of debt investment		
Impairment provision of interest receivable and other assets		
<b>Total</b>	<b>71,306,836.45</b>	70,837,842.60

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 16. Deferred tax assets and deferred tax liabilities (Continued)

(5) **Deductible losses that have not confirmed deferred tax assets will mature in the following years**

Year	30 June 2022	31 December 2021
2023		
2024	27,410.68	27,410.68
2025	422,622.24	422,622.24
2026	1,074,779.92	1,074,779.92
2027	414,410.23	
No maturity date	69,367,613.38	69,313,029.76
Total	71,306,836.45	70,837,842.60

#### 17. Other assets

(1) **Details of other assets**

Item	30 June 2022	31 December 2021
Prepayment	94,898,474.58	50,056,924.71
Other receivables	45,703,291.09	17,054,769.42
Input tax to be certified	20,872,227.08	1,589,215.93
Long-term deferred expenses	2,733,268.07	2,972,213.26
Certified input tax to be deducted	20,661.57	6,393,332.69
Advance payment of enterprise income tax		7,938,213.89
Total	164,227,922.39	86,004,669.90

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 17. Other assets (Continued)

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

Item	30 June 2022	31 December 2021
Deposit receivable	40,819,843.53	13,182,318.45
Deposit	3,650,682.00	3,460,260.95
Arbitration litigation costs	2,024,310.86	1,671,189.00
Employee loans	436,182.77	27,918.04
Other	780,445.86	731,057.74
Subtotal	47,711,465.02	19,072,744.18
Less: Bad debt provision	2,008,173.93	2,017,974.76
Book value of other receivables	45,703,291.09	17,054,769.42

##### (3) Other assets – prepayments

Item	30 June 2022		31 December 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	92,632,548.01	97.62%	48,647,085.59	97.18%
1-2 years	1,242,547.06	1.31%	525,299.52	1.05%
2-3 years	412,446.95	0.43%	655,016.25	1.31%
Over 3 years	610,932.56	0.64%	229,523.35	0.46%
Total	94,898,474.58	100.00%	50,056,924.71	100.00%

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 18. Short-term loans

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

Classification of short-term loans	30 June 2022	31 December 2021
Credit loan	57,750,529.85	
Add: Accrued interest	20,000.00	
Total	57,770,529.85	

Short-term loans – description of credit loan:

The Company signed a working capital loan contract with Jinan Branch of China Everbright Bank Company Limited, with a loan of RMB15 million for the purchase of hot-rolled ribbed bars, hot-rolled diaphragm bars and other products. The loan interest rate is 4.80%, and the loan term is from 30 May 2022 to 30 November 2022; As of 30 June 2022, the commercial acceptance bill with recourse was discounted by RMB41,902,833.91, and the bank acceptance bill with recourse was discounted by RMB847,695.94.

#### 19. Currency margin payable

Item	30 June 2022	31 December 2021
Currency margin payable by futures and options customers	23,515,842,163.01	14,579,045,072.19
Total	23,515,842,163.01	14,579,045,072.19

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 19. Currency margin payable (Continued)

##### (1) Listed by customer category

Item	30 June 2022		31 December 2021	
	Number of accounts	Amount	Number of accounts	Amount
Natural person	139,839	6,507,838,642.67	140,625	5,545,292,972.12
Legal person	5,859	16,631,486,474.90	4,629	8,653,934,560.60
Non-settlement member	3	376,517,045.44	3	379,817,539.47
<b>Total</b>	<b>145,701</b>	<b>23,515,842,163.01</b>	<b>145,257</b>	<b>14,579,045,072.19</b>

#### 20. Pledge margin payable

Item	30 June 2022	31 December 2021
Shanghai Futures Exchange	<b>1,471,785,788.00</b>	1,116,654,376.00
Dalian Commodity Exchange	<b>820,528,848.00</b>	807,051,360.00
Zhengzhou Commodity Exchange	<b>453,894,552.00</b>	452,181,968.00
China Financial Futures Exchange	<b>248,560,832.00</b>	248,210,512.00
Shanghai International Energy Trading Center	<b>30,758,400.00</b>	29,818,880.00
<b>Total</b>	<b>3,025,528,420.00</b>	<b>2,653,917,096.00</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 21. Futures risk reserves

Item	30 June 2022	31 December 2021
Opening balance	137,139,704.50	116,882,271.77
Increase in current period	9,641,720.72	20,257,432.73
Used in current period		
Closing balance	146,781,425.22	137,139,704.50

According to the Provisions of the Measures for the Supervision and Administration of Futures Companies (Order No. 155 of the China Securities Regulatory Commission) and the Interim Provisions on the Financial Management of Commodity Futures Trading (CSZ [1997] No. 44), the futures risk reserve shall be withdrawn at the proportion of 5% of the net income from the agency service fee income minus the service fee payable to the futures exchange.

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

Item	30 June 2022	31 December 2021
Opening balance	909,357.71	539,051.07
Increase in current period	514,241.68	868,212.35
Payment in current period	829,155.90	497,905.71
Closing balance	594,443.49	909,357.71

In accordance with the Provisions of the Measures for the Administration of Futures Investor Protection Funds (Order No. 129 of the China Securities Regulatory Commission) and the Provisions on Specifying Matters Related to the Payment Proportion of Futures Investor Protection Funds (China Securities Regulatory Commission Announcement 2016, No. 26, hereinafter referred to as the Provisions), futures companies shall pay the futures investor protection funds at 5 to 10 parts per billion of the agency trading volume from the transaction fees they collect.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 23. Employee benefits payable

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

Item	31 December 2021	Increase in current period	Decrease in current period	30 June 2022
i. Short-term employee benefits	128,136,963.41	105,335,786.78	118,711,212.45	<b>114,761,537.74</b>
ii. Post-employment benefits – defined contribution plans	93,442.60	17,466,794.72	17,468,665.28	<b>91,572.04</b>
iii. Termination benefits		73,212.72	73,212.72	<b>–</b>
<b>Total</b>	<b>128,230,406.01</b>	<b>122,875,794.22</b>	<b>136,253,090.45</b>	<b>114,853,109.78</b>

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

Item	31 December 2021	Increase in current period	Decrease in current period	30 June 2022
Employee salaries, bonuses, allowances and subsidies	113,798,372.67	91,630,304.61	102,725,029.52	<b>102,703,647.76</b>
Employee welfares		697,174.89	673,041.54	<b>24,133.35</b>
Social insurance contributions	46,507.04	4,874,800.36	4,872,935.72	<b>48,371.68</b>
Including: Medical insurance premiums	37,980.68	4,707,301.78	4,706,002.69	<b>39,279.77</b>
Injury insurance premiums	1,527.38	114,072.16	113,956.90	<b>1,642.64</b>
Maternity insurance premiums	6,998.98	53,426.42	52,976.13	<b>7,449.27</b>
Others				
Housing provident fund	17,810.21	6,496,105.32	6,496,105.32	<b>17,810.21</b>
Funds for trade unions and staff education	14,274,273.49	1,637,401.60	3,944,100.35	<b>11,967,574.74</b>
Other short-term employee benefits				
<b>Total</b>	<b>128,136,963.41</b>	<b>105,335,786.78</b>	<b>118,711,212.45</b>	<b>114,761,537.74</b>



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

##### (3) Termination benefits

Item	31 December 2021	Increase in current period	Decrease in current period	30 June 2022
Termination benefits		73,212.72	73,212.72	
Total		73,212.72	73,212.72	

##### (4) Defined contribution plans

Item	31 December 2021	Increase in current period	Decrease in current period	30 June 2022
Basic pension insurance	77,738.59	9,315,039.53	9,307,828.39	84,949.73
Unemployment insurance premiums	6,397.23	357,883.16	357,658.08	6,622.31
Enterprise annuity contributions	9,306.78	7,793,872.03	7,803,178.81	
Total	93,442.60	17,466,794.72	17,468,665.28	91,572.04

#### 24. Notes payable

Categories	30 June 2022	31 December 2021
Bank acceptance Trade acceptance	50,160,000.00	
Total	50,160,000.00	

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 25. Taxes and surcharges payable

Item	30 June 2022	31 December 2021
Corporate income tax payable	20,760,415.30	9,393,901.19
Personal income tax payable	1,304,414.30	1,937,049.92
Unpaid VAT	3,705,945.09	1,027,246.13
Stamp duty		87,918.08
Property tax payable	84,152.55	84,152.55
Urban construction tax payable	222,478.18	65,813.91
Education surcharges payable	95,900.64	28,410.06
Local education surcharges payable	62,926.35	18,000.49
Simple taxation	2,419.02	2,382.13
Other local taxes payable	70.49	70.49
Other		343.25
<b>Total</b>	<b>26,238,721.92</b>	<b>12,645,288.20</b>

#### 26. Payables

##### (1) Classification by details

Item	30 June 2022	31 December 2021
Funds payable to OTC option customers	969,735,189.45	634,255,949.90
Return of brokerage service fee payable	13,000,000.00	10,785,883.60
Accounts payable	8,518,163.70	1,381,429.15
Commission payable for Futures Introduction and brokerage services	6,804,665.76	15,170,041.56
Payables for insurance and futures business	5,287,227.29	5,287,227.29
Labor remuneration payable	5,234,753.78	7,224,128.02
Advertising expenses payable	2,323,866.53	5,613,804.79
Consulting service fee payable	2,097,638.68	1,764,875.96
Agency fees payable	1,002,457.70	1,146,373.90
Rent and property costs payable	136,465.76	209,863.20
Other	8,142,176.60	4,049,367.84
<b>Total</b>	<b>1,022,282,605.25</b>	<b>686,888,945.21</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 26. Payables (Continued)

(2) As of 30 June 2022, the top five companies with balance of accounts payable:

Company name	Amount	Aging	Proportion of account payable	Nature of funds
Zhoushan Zheshan Supply Chain Management Co., Ltd.	106,131,800.00	Within 1 year	10.39%	Over the counter option client funds
Haitong Securities Co., Ltd.	90,000,387.19	Within 1 year	8.80%	Over the counter option client funds
Fengrun Taixin No. 15 Private Equity Securities Investment Fund	73,445,000.00	Within 1 year	7.18%	Over the counter option client funds
Fengrun Taixin No. 16 Private Equity Securities Investment Fund	61,832,750.00	Within 1 year	6.05%	Over the counter option client funds
Ningbo Zhongtuo Supply Chain Management Co., Ltd.	46,922,513.50	Within 1 year	4.59%	Over the counter option client funds
Total	378,332,450.69		37.01%	

(3) As of 30 June 2022, the Group's balance payable to the shareholder Zhongtai Securities for house purchase was RMB42,643.89 (31 December 2021: RMB42,643.89), cabinet rental fee was RMB799,840.57 (31 December 2021: RMB799,840.57), and brokerage service commission was RMB5,962,181.30 (31 December 2021: RMB15,127,397.67).

(4) As of 30 June 2022, the Group has no large number of payables unpaid for more than one year.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 27. Contract liabilities

Item	30 June 2022	31 December 2021
Advance payment	60,038,068.63	12,343,717.33
Total	60,038,068.63	12,343,717.33

#### 28. Other liabilities

Item	30 June 2022	31 December 2021
Other payables	210,123,590.49	4,623,025.51
Dividends payable	18,034,200.00	
Output tax to be transferred	1,071,149.91	
Advances received	196,100.65	125,392.62
Total	229,425,041.05	4,748,418.13

Among other payables, 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.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 29. Share capital

Name of shareholder	30 June 2022		31 December 2021	
	Contribution amount	Proportion	Contribution amount	Proportion
Zhongtai Securities Co., Ltd.	632,176,077.50	63.10%	632,176,077.50	63.10%
Yongfeng Group Co., Ltd.	35,156,250.00	3.51%	35,156,250.00	3.51%
Shandong State-owned Assets Investment Holding Co., Ltd.	22,583,601.69	2.25%	22,583,601.69	2.25%
Shandong Linglong Rubber Co., Ltd.	11,718,750.00	1.17%	11,718,750.00	1.17%
Yantai Shengli Investment Co., Ltd.	11,718,750.00	1.17%	11,718,750.00	1.17%
Jinan Energy Sources Investment Co., Ltd.	11,456,570.81	1.14%	11,456,570.81	1.14%
Overseas Listed Ordinary Shares ("H Shares")	277,090,000.00	27.66%	277,090,000.00	27.66%
Total	1,001,900,000.00	100.00%	1,001,900,000.00	100.00%

As of 30 June 2022, the Company's shares have not been pledged or frozen.

Legal person shareholders holding more than 10% of the Company's shares: Zhongtai Securities Co., Ltd., legal representative: Li Feng, business scope: securities brokerage; Securities investment consulting; Financial advisers related to securities trading and securities investment activities; Securities underwriting and recommendation; Self-operated securities; Margin trading; Securities investment fund sales on a commission basis; Selling financial products on a commission basis; Stock option market making; Securities investment fund custody. Industry category: securities brokerage trading services. Registered capital: RMB6,968,625,756.00.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 30. Capital reserve

Item	31 December 2021	Increase in current period	Decrease in current period	30 June 2022
Equity premium	650,629,528.42			650,629,528.42
Other capital reserves	1,012,938.06			1,012,938.06
<b>Total</b>	<b>651,642,466.48</b>			<b>651,642,466.48</b>

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

#### 31. Surplus reserve

Item	31 December 2021	Increase in current period	Decrease in current period	30 June 2022
Statutory surplus reserve	85,498,817.06			85,498,817.06
<b>Total</b>	<b>85,498,817.06</b>			<b>85,498,817.06</b>

Item	31 December 2020	Increase in current period	Decrease in current period	31 December 2021
Statutory surplus reserve	69,572,957.89	15,925,859.17	–	85,498,817.06
<b>Total</b>	<b>69,572,957.89</b>	<b>15,925,859.17</b>		<b>85,498,817.06</b>

According to the Company Law of the People's Republic of China and the articles of association of the Company, the Company withdraws the statutory surplus reserve at 10% of the annual net profit. When the accumulated amount of the statutory surplus reserve reaches more than 50% of the registered capital, it can no longer be withdrawn. After approval, the statutory surplus reserve may be used to make up for losses or increase the share capital.

The withdrawal amount of the Company's discretionary surplus reserve shall be proposed by the board of directors and approved by the general meeting of shareholders. After approval, any surplus reserve can be used to cover the losses of previous years or increase the paid-in capital. The Company did not withdraw any surplus reserve from January to June 2022.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 32. General risk reserve

Item	General risk reserve
Balance as of 31 December 2020	94,568,007.40
Accrued in current period	15,925,859.17
Balance as of 31 December 2021	110,493,866.57
Accrued in current period	
Balance as of 30 June 2022	110,493,866.57

According to the Guidelines for the Implementation of Financial Rules for Financial Enterprises (Cai Jin [2007] No. 23), the Company withdraws general risk reserves at 10% of its net profit for risk compensation, and shall not be used for dividend or capital increase.

#### 33. Retained earnings

Item	January-June 2022	January-June 2021
Opening balance of retained earnings	432,517,551.30	299,441,205.51
Add: Net profit attributable to owners of the parent company	90,718,109.11	76,092,177.63
Less: Withdrawal of statutory surplus reserve		
Withdrawal of general risk reserves		
Distribution of common stock dividends	18,034,200.00	23,644,840.00
Others		
Closing balance of retained earnings	505,201,460.41	351,888,543.14

According to the resolution of the shareholders' meeting No. 2 of ZTQGJZ [2022] on 28 June 2022, the Company distributed a profit of RMB18,034,200.00 to all shareholders.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 34. Handling fees and commission income

##### (1) Listed by category

Item	January-June 2022	January-June 2021
Net income from return and reduction of handling fees of the exchange	133,337,768.82	129,373,136.00
Net income from transaction fees	40,989,328.53	33,993,137.80
Net income from exercise fees	3,456,429.38	2,599,201.50
Investment consulting service fee income	37,735.85	23,584.91
Net income from settlement fees	7,546.96	8.81
Total	177,828,809.54	165,989,069.02

##### (2) Listed by region

Region	January-June 2022		January-June 2021	
	Number of divisions	Commission income	Number of divisions	Commission income
Shandong Province	12	138,288,760.35	12	133,091,569.55
Shanghai	2	14,852,548.20	2	8,421,461.68
Jiangsu Province	2	6,472,828.89	2	4,328,974.33
Zhejiang Province	4	6,818,341.12	3	5,858,160.36
Liaoning Province	2	3,081,807.09	2	5,261,799.75
Guangdong Province	2	2,424,468.25	2	3,668,588.55
Beijing	2	1,712,428.44	1	2,147,595.69
Hubei province	1	1,774,200.87	1	974,885.18
Tianjin	1	753,116.54	1	805,399.76
Henan Province	1	980,390.57	1	893,329.30
Hunan Province	1	615,927.20	1	537,304.87
Fujian Province	1	53,992.02		
Total	31	177,828,809.54	28	165,989,069.02



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 35. Net interest income

Item	January-June 2022	January-June 2021
Interest income	<b>198,427,600.86</b>	123,480,362.55
Including: Interest income from bank deposits	<b>157,119,223.93</b>	97,875,819.73
Exchange margin interest income	<b>40,400,533.83</b>	24,791,837.27
Interest income from repurchase for resale	<b>907,843.10</b>	812,705.55
Interest expense	<b>91,735,751.62</b>	37,270,578.07
Including: Interest expense paid to customers	<b>84,735,179.50</b>	35,962,191.69
Interest expense of lease liabilities	<b>1,289,022.98</b>	994,758.98
Interest expense for settlement and settlement services	<b>346,781.40</b>	313,627.40
Loan interest expense	<b>4,290,666.67</b>	–
Discount interest expense	<b>1,074,101.07</b>	–
Net interest income	<b>106,691,849.24</b>	86,209,784.48

#### 36. Investment income

Item	January-June 2022	January-June 2021
Investment income from disposal of trading financial instruments	<b>100,548,020.92</b>	8,570,103.64
Investment income obtained during the holding period of trading financial assets	<b>476,060.78</b>	3,409,959.50
Investment income from disposal of long-term equity investment		
Long term equity investment loss accounted by equity method	<b>-97,785.26</b>	2,845,403.62
Total	<b>100,926,296.44</b>	14,825,466.76

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

Item	January-June 2022	January-June 2021
Changes in fair value of trading financial instruments	-58,480,144.84	40,686,951.13
Total	-58,480,144.84	40,686,951.13

#### 38. Other operation income

Item	January-June 2022	January-June 2021
Cash sales revenue of future cash combined business	1,021,378,049.03	674,408,577.21
Software service income	9,433.98	150,792.42
Exchange service fee and others	408,996.21	1,895,168.25
Total	1,021,796,479.22	676,454,537.88

#### 39. Withdrawal of risk reserves

Item	January-June 2022	January-June 2021
Withdrawal of risk reserves	9,641,720.72	8,233,798.15
Total	9,641,720.72	8,233,798.15

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 40. Taxes and surcharges

Item	January-June 2022	January-June 2021
Urban construction tax	811,137.70	561,504.32
Stamp duty	515,445.50	273,360.70
Education surcharges	347,979.16	240,622.75
Local education surcharges	231,918.28	160,241.47
Others	175,840.99	176,301.48
Total	2,082,321.63	1,412,030.72

#### 41. Business and management fees

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

Item	January-June 2022	January-June 2021
Business and management fees	184,994,924.45	214,697,498.18
Total	184,994,924.45	214,697,498.18

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 41. Business and management fees (Continued)

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

Item	January-June 2022	January-June 2021
Employee benefits	121,872,372.75	130,724,780.65
Depreciation and amortization	11,164,262.77	8,763,933.26
Information maintenance fee	11,256,568.00	9,623,032.53
Remuneration for intermediary's services	9,798,227.54	11,083,891.98
Advertising expenses	6,208,703.62	11,104,874.43
Communication fee	4,664,246.34	4,278,085.41
Business entertainment expenses	3,750,874.29	3,222,062.00
Introducing broker services	4,168,589.47	6,301,236.46
Travel expenses	1,721,319.16	2,180,873.92
Consulting fee	1,714,057.07	6,396,261.80
<b>Total</b>	<b>176,319,221.01</b>	<b>193,679,032.44</b>

#### 42. Credit impairment losses

Item	January-June 2022	January-June 2021
Impairment loss/(reversal) of cash and cash equivalents	157,575.67	504,203.03
Impairment loss/(reversal) of receivables	-407,736.21	
Impairment loss/(reversal) of other receivables	-9,800.83	
Impairment loss of buying back the sale of financial assets	15,099,025.89	
<b>Total</b>	<b>14,839,064.52</b>	<b>504,203.03</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 43. Impairment losses on assets

Item	January-June 2022	January-June 2021
Inventory impairment loss	903,106.05	981,256.29
Total	903,106.05	981,256.29

#### 44. Other business costs

Item	January-June 2022	January-June 2021
Cost of spot sales of future cash combined business	1,018,655,747.16	656,074,543.52
Others	1,134,586.53	30,907.73
Total	1,019,790,333.69	656,105,451.25

#### 45. Non-operating income

Item	January-June 2022	January-June 2021
Gains from the scrapping of non-current assets	3,250.00	
Including: Gains from the scrapping of fixed assets	3,250.00	
Gains from the scrapping of intangible assets		
Government subsidies and support funds	2,804.40	
Others	7,578,546.76	98,950.25
Total	7,584,601.16	98,950.25

Note: Non-operating income – other mainly refers to the compensation withheld by customers due to non-performance of the contract.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 46. Non-operating expenses

Item	January-June 2022	January-June 2021
Loss on retirement of non-current assets	9,466.90	13,811.72
Including: loss on retirement of fixed assets	9,466.90	13,811.72
Loss on retirement of intangible assets		
Donation and sponsorship expenses	880,000.00	100,000.00
Provision		
Others	4,784.90	41,027.10
<b>Total</b>	<b>894,251.80</b>	<b>154,838.82</b>

#### 47. Income tax expenses

##### (1) Income tax expenses

Item	January-June 2022	January-June 2021
Current income tax	45,740,957.97	10,097,839.15
Deferred income tax	-12,904,557.57	16,483,589.43
<b>Total</b>	<b>32,836,400.40</b>	<b>26,581,428.58</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 47. Income tax expenses (Continued)

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

Item	January-June 2022	January-June 2021
Total consolidated profit	123,554,509.51	102,673,606.21
Income tax expense calculated at legal/ applicable tax rate	30,888,627.37	25,668,401.55
Effect of different tax rates applied to subsidiaries	-1,945.09	2,530.99
Effect of income tax adjustment in previous periods		
Impact of non-taxable income	-381,247.12	-602,981.75
Impact of non-deductible costs, expenses, and losses	2,218,356.39	1,474,354.56
Effect of deductible loss of unrecognized deferred income tax assets in the prior period		
Effect of deductible temporary difference or deductible loss of deferred income tax assets not recognized in the current period	112,608.85	39,123.23
Effect of deductible temporary difference or deductible loss of deferred income tax assets not recognized in the previous period		
Income tax expense	32,836,400.40	26,581,428.58

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 48. Other comprehensive income

Item	January-June 2022				After tax attributable to the parent company	After tax attributable to the minority shareholders
	Amount before income tax in current period	Less: income tax expense	Less: included in other comprehensive income in the previous period and transferred to profit and loss in current period	Total		
I. Other comprehensive income that cannot be reclassified into profit or loss						
Remeasurement of changes in defined benefit plans						
Other comprehensive income not converted into profit or loss under the equity method						
Fair value changes of other equity instrument investments						
Fair value changes of enterprise's own credit risks						
II. Other comprehensive income reclassified into profit and loss						
Other comprehensive income converted into profit or loss under the equity method						
Fair value changes of other debt instruments						
Amount reclassified from financial assets to other comprehensive income						
Provision for credit impairment on other debt instruments						
Cash flow hedge reserves						
Translation difference of foreign currency statements	310,318.58			310,318.58	310,318.58	
<b>Total</b>	<b>310,318.58</b>			<b>310,318.58</b>	<b>310,318.58</b>	



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 48. Other comprehensive income (Continued)

Item	Amount before income tax in current period	Less: income tax expense	January-June 2021	Total	After tax attributable to the parent company	After tax attributable to the minority shareholders
			Less: included in other comprehensive income in the previous period and transferred to profit and loss in current period			
I. Other comprehensive income that cannot be reclassified into profit or loss						
Remeasurement of changes in defined benefit plans						
Other comprehensive income not converted into profit or loss under the equity method						
Fair value changes of other equity instrument investments						
Fair value changes of enterprise's credit risks						
II. Other comprehensive income reclassified into profit and loss						
Other comprehensive income converted into profit or loss under the equity method						
Fair value changes of other debt instruments						
Amount reclassified from financial assets to other comprehensive income						
Provision for credit impairment on other debt instruments						
Cash flow hedge reserves						
Translation difference of foreign currency statements	-242,333.55			-242,333.55	-242,333.55	
<b>Total</b>	<b>-242,333.55</b>			<b>-242,333.55</b>	<b>-242,333.55</b>	

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 49. Cash flow statements

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

Item	January-June 2022	January-June 2021
<b>1. Adjustment from net profits to cash flows from operating activities</b>		
Net profits	90,718,109.11	76,092,177.63
Add: Impairment loss of other assets	903,106.05	981,256.29
Credit impairment loss	14,839,064.52	504,203.03
Depreciation of right-of-use assets	5,731,887.35	4,007,245.51
Depreciation of fixed assets	3,985,617.56	3,396,432.78
Amortization of intangible assets	698,967.98	722,112.32
Amortization of long-term deferred expenses	749,525.92	638,142.65
Losses on the disposal of fixed assets, intangible assets, and other long-term assets (gains marked with "-")	-32,148.51	1,573.14
Losses on the scrapping of fixed assets (gains marked with "-")	6,216.90	154,838.82
Losses on changes in fair values (gains marked with "-")		
Interest expense (gains marked with "-")	366,533.04	995,142.57
Exchange loss	-6,097.97	-5,801.99
Investment losses (gains marked with "-")	97,785.26	-2,845,403.62
Decrease in deferred tax assets (increase marked with "-")	68,156.49	12,126.14
Increase in deferred tax liabilities (decrease marked with "-")	-12,972,714.06	18,134,882.73
Decrease in financial assets measured at fair value with changes included in current profit and loss (increase marked with "-")		

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 49. Cash flow statements (Continued)

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

Item	January-June 2022	January-June 2021
Decrease in buying back the sale of financial assets (increase marked with “-”)	80,145,306.78	293,292,962.55
Decrease in trading financial assets (increase marked with “-”)	376,426,715.74	-199,222,245.52
Decrease in inventories (increase marked with “-”)	-123,838,026.76	-81,241,088.86
Decrease in operating receivables (increase marked with “-”)	-3,411,136,675.08	-2,362,384,088.55
Increase in operating payables (decrease marked with “-”)	9,957,439,296.58	3,853,627,185.43
Other		
Net cash flow from operating activities	6,984,190,626.90	1,606,861,653.05
<b>2. Significant investing and financing activities that do not involve cash receipts and payment</b>		
Transfer of debt to 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	16,973,341,452.60	6,697,100,554.39
Less: Opening balance of cash	9,775,110,705.25	5,128,310,387.43
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	7,198,230,747.35	1,568,790,166.96

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 49. Cash flow statements (Continued)

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

Item	30 June 2022	31 December 2021
Cash	<b>16,973,341,452.60</b>	9,775,110,705.25
Including: Cash on hand	<b>34,203.55</b>	24,385.69
Bank deposits readily available for payment	<b>16,955,323,691.98</b>	9,613,973,083.40
Other cash and cash equivalents readily available for payment	<b>17,983,557.07</b>	161,113,236.16
Settlement provision		
Cash equivalents		
Including: Bond investments due within 3 months		
Closing balance of cash and cash equivalents	<b>16,973,341,452.60</b>	9,775,110,705.25

#### 50. Dividends

As of 30 June 2022, the Company declared a final dividend of RMB18,034,200.00 as of 31 December 2021.

The board of directors has not prepared a profit distribution plan for the six months ending 30 June 2022.

#### 51. Earnings per share

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

Basic earnings per share is calculated by dividing the period profit attributable to the shareholders of the Company by the weighted average number of ordinary shares issued during the period.

Item	January-June 2022	January-June 2021
Profit attributable to shareholders of the Company	<b>90,718,109.11</b>	76,092,177.63
Weighted average number of ordinary shares issued	<b>1,001,900,000.00</b>	1,001,900,000.00
Basic earnings per share	<b>0.0905</b>	0.0759

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

There were no potentially dilutive common shares for the six months ended 30 June 2022, so diluted earnings per share is the same as basic earnings per share.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### VIII. Segment reports

The Group's reportable segments are business units that provide different products or services. As the various businesses require different technological and market strategies, the Group manages the production and operating activities of each reportable segment separately and evaluates its operating results separately to determine the allocation of resources to it and to evaluate its performance.

The Group's reportable segments are primarily classified into brokerage business segment, risk management business segment, and asset management segment, depending on the type of business.

There is no significant dependence on a single customer as the Group's business is not conducted to a specific customer.

#### Segment report January-June 2022 (by business)

Item	Brokerage business	Risk management business	Asset management business	Other businesses	Offset	Total
I. Operating income	299,469,686.32	1,074,129,310.74		-2,949,119.49	-21,534,246.36	1,349,115,631.21
External operating income	286,411,311.02	1,069,292,658.84		-6,588,338.65		1,349,115,631.21
Inter-segment operating income	13,058,375.30	4,836,651.90		3,639,219.16	-21,534,246.36	
II. Operating expenses	97,660,965.07	1,063,962,827.36	397,701.08	92,036,849.87	-21,806,872.32	1,232,251,471.06
External operating expenses	79,765,937.87	1,060,763,269.52	397,701.08	91,324,562.59		1,232,251,471.06
Inter-segment operating expenses	17,895,027.20	3,199,557.84		712,287.28	-21,806,872.32	
III. Total profits/(losses)	201,800,123.85	17,731,975.82	-397,701.08	-95,852,515.04	272,625.96	123,554,509.51
IV. Income tax expenses	27,845,354.49	4,922,889.42			68,156.49	32,836,400.40
V. Net profits/(losses)	173,954,769.36	12,809,086.40	-397,701.08	-95,852,515.04	204,469.47	90,718,109.11
VI. Total assets	27,124,726,291.66	2,403,591,878.04	13,697.42	3,399,885,990.90	-2,046,615,014.47	30,881,602,843.55
VII. Total liabilities	28,018,389,027.65	1,641,759,566.47	987,023.15	119,314,105.97	-1,253,802,878.20	28,526,646,845.04
VIII. Additional information						
1. Depreciation and amortisation expenses	6,333,488.78	2,412,983.40	1,695.86	2,671,383.32	-272,625.96	11,146,925.40
2. Capital expenditure	7,131,904.95	2,085,843.39	2,079.21	3,582,656.62		12,802,484.17

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### VIII. Segment reports (Continued)

#### Segment report January-June 2021 (by business)

Item	Brokerage business	Risk management business	Asset management business	Other businesses	Offset	Total
I. Operating income	233,172,140.10	717,671,944.40		34,154,994.03	-335,346.13	984,663,732.40
External operating income	232,660,153.68	718,247,940.33		33,755,638.39		984,663,732.40
Inter-segment operating income	511,986.42	-575,995.93		399,355.64	-335,346.13	
II. Operating expenses	98,153,081.64	696,501,280.48	533,652.32	87,158,083.35	-411,860.17	881,934,237.62
External operating expenses	98,153,081.64	696,467,318.22	533,652.32	86,780,185.44		881,934,237.62
Inter-segment operating expenses		33,962.26		377,897.91	-411,860.17	
III. Total profits/(losses)	134,864,954.83	21,268,878.98	-533,652.32	-53,003,089.32	76,514.04	102,673,606.21
IV. Income tax expenses	21,744,402.47	4,824,899.97			12,126.14	26,581,428.58
V. Net profits/(losses)	113,120,552.36	16,443,979.01	-533,652.32	-53,003,089.32	64,387.90	76,092,177.63
VI. Total assets	15,059,665,252.33	1,530,388,848.28	22,631.09	1,902,398,248.94	-1,463,537,099.87	17,028,937,880.77
VII. Total liabilities	14,676,482,766.72	791,945,979.97		62,953,620.26	-672,190,589.80	14,859,191,777.15
VIII. Additional information						
1. Depreciation and amortisation expenses	4,673,861.53	2,134,518.31	7,952.97	2,281,260.89	-334,712.07	8,762,881.63
2. Capital expenditure	7,200,592.63	167,523.09		2,708,193.37		10,076,309.09

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### IX. 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	Li Feng	Securities and financial services	729246347

##### (2) Registered capital of the parent company and changes therein

Parent Company	31 December 2021	Increase in current period	Decrease in current period	30 June 2022
Zhongtai Securities	RMB6,968,625,800			RMB6,968,625,800

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

Controlling shareholders	30 June 2022		31 December 2021	
	Percentage of capital contribution	Percentage of voting rights	Percentage of capital contribution	Percentage of voting rights
Zhongtai Securities	63.10%	63.10%	63.10%	63.10%

#### 2. Subsidiaries

See Note VI for basic information on subsidiaries and related information.

#### 3. Associates

See Note VII. 12 for basic information on associates and related information.

## IX. Related-party relationships and transitions (Continued)

## 4. Other related parties

Name of other related parties	Relationship with the Group
Zhongtai (Shanghai) Asset Management Co., Ltd. (“Zhongtai Asset Management”)	Controlled by the same Parent Company
Qilu Zhongtai Property Co., Ltd. (“Qilu Zhongtai Property”)	Controlled by the same Parent Company
Shandong Yongtong Industries Co., Ltd. (“Shandong Yongtong”)	Controlled by the same Parent Company
ZHONGTAI INTERNATIONAL SECURITIES LIMITED (“ZHONGTAI INTERNATIONAL SECURITIES”)	Controlled by the same Parent Company
ZHONGTAI INTERNATIONAL ASSET MANAGEMENT LIMITED (“ZHONGTAI INTERNATIONAL ASSET MANAGEMENT”)	Controlled by the same Parent Company
Wanjia Asset Management Co., Ltd. (“Wanjia Asset”)	An associate significantly influenced by the Parent Company
Laiwu Steel Group, Ltd. (“Laiwu Steel”)	Controlling shareholder of the Parent Company
Shandong Laigang Yongfeng Steel Corp. (“Laigang Yongfeng”)	An associate significantly affected by Laiwu Steel
Shandong Iron & Steel Group Yongfeng Lingang Corp. (“Yongfeng Lingang”)	Controlled by Laigang Yongfeng
Yongfeng Group Co., Ltd. (“Yongfeng Group”)	Shareholders of the Company
Laishang Bank Co., Ltd. (“Laishang Bank”)	An associate significantly affected by Laiwu Steel
Shandong Iron & Steel Group Co., Ltd. (“SD Steel”)	Indirect controlling shareholder of the Parent Company
Shandong Iron and Steel Co., Ltd. (“Shandong Iron and Steel”)	Controlled by SD Steel
Shandong Yongfeng International Trade Co., Ltd. (“Yongfeng Trade”)	Controlled by Yongfeng Group
Laiwu Steel Group Lunan Mining Co., Ltd. (“Lunan Mining”)	Controlled by Laiwu Steel
Xintai Copper Industrial Co., Ltd of Laiwu Iron and Steel Group (“Xintai Copper Industrial”)	Controlled by Laiwu Steel
Lu Clearing	An associate



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### IX. 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	January-June 2022	January-June 2021
Investment income	-339,275.30	-12,952,276.16
Commission expenses for futures introducing brokerage services	4,168,589.47	6,301,236.46
Fee income from futures brokerage services	4,406,687.15	1,130,193.21
Interest expenses on futures margin deposits	4,471,548.76	5,491,512.45
Housing rental expenses	162,095.23	50,000.00
Securities trading commission expenses	50.00	10,995.00
<b>Total</b>	<b>12,869,695.31</b>	<b>31,660.96</b>

Item	30 June 2022	31 December 2021
Cash and bank balances – other cash and bank balances	17,518,175.83	160,133,383.88
Option settlement receivables	135,916,116.10	787,076.63
Trading financial assets – derivative financial assets	-16,065,557.39	38,369,929.68
Currency margin payable	926,485,508.44	818,278,780.80
Trading financial liabilities – derivative financial liabilities	9,144,702.62	2,833,291.66
Lease liabilities	726,828.46	863,587.93
Other payables		
– Commission payable for futures brokerage services	5,962,181.30	15,127,397.67
– Cabinet rental fees payable	799,840.57	799,840.57
– Short-term borrowings	200,000,000.00	
– Interest payable on short-term borrowings	4,246,666.67	
– Others	42,643.89	42,643.89

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### IX. Related-party relationships and transitions (Continued)

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

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

Item	January-June 2022	January-June 2021
Fee income from futures brokerage services	431,348.60	69,762.34
Interest income from self-owned funds deposited with Laishang Bank	8,384,585.31	4,816,326.03
Purchase of securities investment funds and asset management plans		
– Zhongtai Asset Management	35,000,000.00	17,000,100.00
– Wanjia Asset	35,000,000.00	5,000,000.00
Disposal of securities investment funds and asset management plans		
– Zhongtai Asset Management	20,000,000.00	
– Wanjia Asset	10,000,000.00	
Cost of purchasing spot goods		
– Shandong Iron and Steel	128,280,788.04	28,477,378.29
– Laigang Yongfeng	295,938,044.25	170,301,001.02
Revenue from sales of equipment and provision of services		
– Lu Clearing	9,433.98	9,433.98
Rental income		
– Lu Clearing	166,037.70	254,400.00
OTC Options investment income		
– Yongfeng Trade	-2,389,500.00	1,648,850.00
Rental costs		
– Qilu Zhongtai Property	162,095.23	144,540.00

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### IX. Related-party relationships and transitions (Continued)

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

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

Item	30 June 2022	31 December 2021
Deposit of self-owned funds with Laishang Bank	679,512,655.66	677,770,310.99
Trading financial assets – asset management plans and funds managed by Zhongtai Asset Management	83,366,741.07	70,440,370.96
Trading financial assets – funds managed by ZHONGTAI INTERNATIONAL ASSET MANAGEMENT	4,883,961.59	4,592,072.21
Trading financial assets – funds managed by Wanjia Asset	31,046,613.04	4,958,254.36
Other assets – prepayments		
– Laigang Yongfeng	1,783,994.55	313,067.98
– Qilu Zhongtai Property	196,000.00	88,000.00
Other assets – other receivables		
– Lu Clearing	176,100.65	1,132.08
Currency margin payable	926,525,358.21	20,486,466.48
Payables – consultancy fees payable		
– Zhongtai Asset Management	44,675.22	44,675.22

#### 6. Key management remuneration

Key management personnel of the Group are those persons, including directors, supervisors, and senior management, who have the authority and responsibility, directly or indirectly, for planning, directing, and controlling the activities of the Group.

Zhongtai Securities assumed the current period's remuneration of individual key management personnel assigned to the Company.

Item	January-June 2022	January-June 2021
Key management remuneration	5,108,146.35	4,368,729.61

### X. Commitments and contingencies

#### 1. Capital expenditure commitments

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

#### 2. Contingencies

The Group acted as the manager of five asset management plans, which were established between November 2017 and May 2018 and were all distributed by a joint-stock commercial bank. The asset management plans incurred losses and entered into liquidation in December 2018. From February 2021, the Group, in conjunction with the distributor, commenced negotiations with investors holding asset management plans at the commencement date of liquidation and as at 30 June 2022, had reached agreement with the vast majority of investors.

As at 30 June 2022, the aggregate losses of other investors pending negotiation amounted to RMB12.65 million, of which one investor applied to the Jinan Arbitration Commission for arbitration and its losses amounted to RMB855,900. Other than that, the Group is not involved in other significant contingencies.

### XI. Risk analysis and sensitivity analysis of financial instruments

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's exposure to operational risks mainly includes credit risk, market risk, liquidity risk, and capital management risk. The Group has designed comprehensive systems, internal control policies, and procedures to identify, assess, monitor, and manage financial risks. The Group regularly reviews its risk management policies and systems and makes changes to them in response to market conditions, as well as changes to its products and services. The Group is committed to establishing a controlled environment consisting of a clear organisational structure, routine procedures, and specific responsibilities.

There have been no changes to the risk management policy and structure since the year-end.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### XII. 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.

#### 1. Financial instruments measured at fair value

The continuing assets and liabilities measured at fair value as at 30 June 2022 are presented by the three levels described above as follows:

Item	Level I	Level II	Level III	Total
Financial assets				
Trading financial assets				
– Stock investment	5,430.00			5,430.00
– Private securities investment funds		107,256,077.52		107,256,077.52
– Public offering of securities investment funds	195,086,784.95			195,086,784.95
– Trust scheme		12,185,814.03	6,003,550.37	18,189,364.40
– Asset management plan		65,153,378.95		65,153,378.95
– Bank financial products		3,604,558.15		3,604,558.15
– Income certificates			110,739,561.57	110,739,561.57
– Exchange-traded option contract	39,274,067.51			39,274,067.51
– OTC options contracts		173,521,081.78		173,521,081.78
– Forward contracts		28,485,940.00		28,485,940.00
Futures membership investments			1,400,000.00	1,400,000.00
<b>Total</b>	<b>234,366,282.46</b>	<b>390,206,850.43</b>	<b>118,143,111.94</b>	<b>742,716,244.83</b>
Financial liabilities				
Trading financial liabilities				
– OTC options contracts		-159,424,995.29		-159,424,995.29
– Exchange-traded option contract	-51,546,297.51			-51,546,297.51
– Forward contracts		-29,342,055.20		-29,342,055.20
<b>Total</b>	<b>-51,546,297.51</b>	<b>-188,767,050.49</b>		<b>-240,313,348.00</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### XII. Fair value disclosures (Continued)

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

The continuing assets and liabilities measured at fair value as at 31 December 2021 are presented by the three levels described above as follows:

Item	Level I	Level II	Level III	Total
Financial assets				
Trading financial assets				
– Stock investment	7,848.00			7,848.00
– Private securities investment funds		220,423,215.29		220,423,215.29
– Public offering of securities investment funds	36,718,642.26			36,718,642.26
– Trust scheme		7,152,299.26	6,003,550.37	13,155,849.63
– Asset management plan		146,842,192.43		146,842,192.43
– Bank financial products		3,550,592.66		3,550,592.66
– Income certificates			211,881,401.35	211,881,401.35
– Exchange-traded option contract	25,013,445.01			25,013,445.01
– OTC options contracts		214,477,784.65		214,477,784.65
– Forward contracts		4,390,900.00		4,390,900.00
Futures membership investments			1,400,000.00	1,400,000.00
<b>Total</b>	<b>61,739,935.27</b>	<b>596,836,984.29</b>	<b>219,284,951.72</b>	<b>877,861,871.28</b>
Financial liabilities				
Trading financial liabilities				
– OTC options contracts		-109,492,663.26		-109,492,663.26
– Exchange-traded option contract	-22,432,085.00			-22,432,085.00
– Forward contracts		-8,077,362.01		-8,077,362.01
<b>Total</b>	<b>-22,432,085.00</b>	<b>-117,570,025.27</b>		<b>-140,002,110.27</b>

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 as at January-June 2022 (FY 2021: same)

For financial instruments traded in an active market, the Group determines their fair value using quoted prices in an active market; for financial instruments not traded in an active market, the Group uses valuation techniques to determine their fair value. The valuation models used are mainly the Black-Scholes Option Pricing Model, the Binomial Tree Option Pricing Model, the Monte Carlo model, and the Discounted Cashflow Model. The inputs to the valuation techniques mainly include risk-free rates, benchmark rates, credit spreads, illiquidity discounts, and historical volatilities.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### XII. Fair value disclosures (Continued)

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

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

Item	Trading financial assets	Trading financial liabilities	Futures membership investments
31 December 2021	217,884,951.72		1,400,000.00
Purchase	157,403,963.56		
Disposal	-260,509,529.34		
Total loss included in profit or loss for the current period	1,963,726.00		
30 June 2022	116,743,111.94		1,400,000.00
Movement in unrealized losses on assets still held at 30 June 2022 included in profit or loss for January to June 2022	1,963,726.00		

Item	Trading financial assets	Trading financial liabilities	Futures membership investments
31 December 2020	268,104,428.17		1,400,000.00
Purchase	242,913,550.37		
Disposal	-268,104,428.17		
Total loss included in profit or loss for the current period	-25,028,598.65		
31 December 2021	217,884,951.72		1,400,000.00
Movement in unrealized losses on assets still held at 31 December 2021 included in profit or loss for 2021	-25,028,598.65		

## XII. Fair value disclosures (Continued)

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

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

Financial instruments	Fair value as at 30 June 2022	Significant unobservable parameters	Relationship between unobservable parameters and fair value
Trading financial assets – Trust scheme	6,003,550.37	Expected future cash flows; expected payback date; discount rate commensurate with an expected level of risk	The more the future cash flows, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value
– Income certificates	110,739,561.57	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

### 2. Financial instruments not measured at fair value

Financial assets and liabilities that are not measured at fair value mainly include: Cash and cash equivalents, currency margin receivable, pledged margin receivable, settlement guarantees receivable, receivables, buying back the sale of financial assets, currency margin payable, pledge margin payable, notes payable and payables. Their fair values are equal to their book values.



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### XIII. The Group's interest in structured entities not included in the scope of consolidation

As at 30 June 2022, the Group's interest in structured entities not included in the scope of consolidation was mainly trading financial assets, mainly comprising trust schemes, asset management plans, bank wealth management, public offering of securities investment funds, and private securities investment funds. The relevant book values and maximum exposures are as follows:

Item	30 June 2022	31 December 2021
Trading financial assets	369,107,173.17	420,690,492.27

From January to June 2022, the Group received the following income from these structured entities held not included in the scope of consolidation:

Item	January-June 2022	FY 2021
Investment income	618,634.02	15,243,321.00
Gains and losses on changes in fair value	-12,536,141.97	2,765,505.01
Total	-11,917,507.95	18,008,826.01

As at 30 June 2022, the Group has not provided and does not intend to provide any financial support to these structural entities not included in the scope of consolidation (31 December 2021: same).

### XIV. Subsequent events

On 29 July 2022, the controlling shareholder of Parent Company Zhongtai Securities Co., Ltd. was changed from Laiwu Steel Group, Ltd. to Zaozhuang Mining (Group) Co., Ltd., Laiwu Steel Group, Ltd. became the major shareholder, and the new major shareholder is Shandong High Speed Investment Holdings Co., Ltd. Shandong Energy Group Co., Ltd. no longer directly held the shares of Zhongtai Securities, and the final effective controller of Zhongtai Securities remained the Shandong Provincial State-owned Assets Supervision and Administration Commission.

### XV. 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

In accordance with the Measures for the Administration of Risk Supervision Indicators of Futures Companies (CSRC Order No. 131 of 18 April 2017), 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 RMB14 million.

Net capital is obtained by adjusting net assets less corresponding asset risks.

The Group's capital management ensures that the Group's regulatory indicators continue to meet regulatory requirements and internal management needs, resist potential risks, and support the healthy and sustainable development of its businesses through timely monitoring, analysing, and reporting of capital levels, compared with capital management objectives and adopting various measures including controlling the growth rate of assets, adjusting the structure of risky assets, improving internal capital accumulation and replenishing capital from external sources.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### XVI. Other significant matters

#### 1. Significant litigation

In May 2022, the subsidiary Zhongtai Huirong Capital carried out an agreed repurchase business of electrolytic aluminium with an upstream international trading company and entered into a purchase contract of electrolytic aluminium, paying a total of 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 aluminium with a downstream international trading company (hereinafter referred to as “Downstream”). At the end of May, there was a run on the Warehouse and the spot of electrolytic aluminium involved in the above contract was seized by the public security authorities as the Warehouse was suspected of committing a crime. On 7 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. As at 30 June, the court has filed the above two cases. Based on prudent consideration, Zhongtai Huirong Capital made an impairment provision of RMB15,099,000 for the above electrolytic aluminium contract repurchase business, and at the same time, forfeited RMB7,526,100 Downstream performance deposit in accordance with the agreement, with an aggregate impact on net profit of RMB –5,679,700.

### XVII. Notes to items in the financial statements of the Parent Company

#### 1. Long-term equity investments

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

Item	30 June 2022			31 December 2021		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	801,635,280.00	11,057,772.00	790,577,508.00	801,635,280.00	11,057,772.00	790,577,508.00
Total	801,635,280.00	11,057,772.00	790,577,508.00	801,635,280.00	11,057,772.00	790,577,508.00

##### (2) Investment in subsidiaries

Investee	31 December 2021	Increase in current period	Decrease in current period	30 June 2022	
				30 June 2022	Provision for impairment at 30 June 2022
Zhongtai Huirong Capital Investment Co., Ltd.	750,000,000.00			750,000,000.00	
Luzheng Information Technology Co., Ltd.	34,000,000.00			34,000,000.00	
LUZHENG INTERNATIONAL HOLDING LIMITED	17,635,280.00			17,635,280.00	11,057,772.00
Total	801,635,280.00			801,635,280.00	11,057,772.00

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### XVII. Notes to items in the financial statements of the Parent Company (Continued)

#### 2. Handling fees and commission income

##### (1) Listed by category

Item	January-June 2022	January-June 2021
Exchange handling fee refunds and reduction of net income	148,388,568.51	109,244,252.94
Net trading handling fee income	40,989,328.53	53,872,787.24
Net handling fee income from exercise of options	3,456,429.38	2,599,201.50
Investment advisory fee income	37,735.85	23,584.91
Net delivery fee income	7,546.96	8.81
<b>Total</b>	<b>192,879,609.23</b>	<b>165,739,835.40</b>

##### (2) Listed by region

Region	January-June 2022		January-June 2021	
	Number of segments	Handling fee income	Number of segments	Handling fee income
Shandong province	12	153,339,560.04	12	132,842,335.93
Shanghai	2	14,852,548.20	2	8,421,461.68
Jiangsu province	2	6,472,828.89	2	4,328,974.33
Zhejiang province	4	6,818,341.12	3	5,858,160.36
Liaoning Province	2	3,081,807.09	2	5,261,799.75
Guangdong province	2	2,424,468.25	2	3,668,588.55
Beijing	2	1,712,428.44	1	2,147,595.69
Hubei province	1	1,774,200.87	1	974,885.18
Tianjin	1	753,116.54	1	805,399.76
Henan province	1	980,390.57	1	893,329.30
Hunan province	1	615,927.20	1	537,304.87
Fujian province	1	53,992.02		
<b>Total</b>	<b>31</b>	<b>192,879,609.23</b>	<b>28</b>	<b>165,739,835.40</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### XVII. Notes to items in the financial statements of the Parent Company (Continued)

#### 3. Investment income

##### (1) Breakdown

Item	January-June 2022	January-June 2021
Investment gains/losses on disposal of financial instruments held for trading	6,097,714.90	6,745,571.10
Investment income earned during the holding period of trading financial assets	476,060.78	3,409,959.50
Dividend income from subsidiaries		
Total	6,573,775.68	10,155,530.60

ZHONGTAI FUTURES Company Limited  
25 August 2022