
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in ZHONGTAI FUTURES Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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ZHONGTAI FUTURES Company Limited

中泰期貨股份有限公司

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

(Stock Code: 01461)

**PROPOSAL ON THE WORK REPORT OF THE BOARD OF DIRECTORS
FOR THE YEAR 2022
PROPOSAL ON THE WORK REPORT OF
THE SUPERVISORY COMMITTEE FOR THE YEAR 2022
PROPOSAL ON THE ANNUAL REPORT FOR THE YEAR 2022
PROPOSAL ON THE FINAL FINANCIAL ACCOUNTS FOR THE YEAR 2022
PROPOSAL ON THE PROFIT DISTRIBUTION PLAN FOR THE YEAR 2022
PROPOSAL ON THE FINANCIAL BUDGETS FOR THE YEAR 2023
PROPOSAL ON THE APPOINTMENT OF THE ACCOUNTING FIRMS
FOR THE YEAR 2023
PROPOSAL ON THE GENERAL MANDATE TO ISSUE DOMESTIC SHARES
AND H SHARES
PROPOSAL ON ENTERING INTO THE ASSET MANAGEMENT SERVICES
FRAMEWORK AGREEMENT WITH SHANDONG ENERGY
PROPOSAL ON ENTERING INTO THE RISK MANAGEMENT SERVICES
FRAMEWORK AGREEMENT WITH SHANDONG ENERGY
PROPOSAL ON ENTERING INTO THE BULK COMMODITIES SALE AND
PURCHASE FRAMEWORK AGREEMENT WITH SHANDONG ENERGY
AND
NOTICE OF ANNUAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders of ZHONGTAI FUTURES Company Limited**



A notice convening the AGM to be held by way of on-site meeting at 9:30 a.m. on Thursday, 15 June 2023 at Conference Room 1616, 16/F, Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC is set out on pages 48 to 50 of this circular. A letter from the Board is set out on pages 6 to 27 of this circular.

Shareholders who intend to appoint a proxy to attend the AGM shall complete and return the accompanying form of proxy in accordance with the instructions printed thereon. The form of proxy should be returned in person or by post not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof (i.e. before 9:30 a.m. on Wednesday, 14 June 2023) to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited (for holders of H Shares) and the Board's office of the Company (for holders of Domestic Shares). Completion and return of the form of proxy will not preclude any Shareholder from attending and voting at the AGM or any adjournment thereof in person if such Shareholder so wishes.

25 May 2023

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DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings in this circular:

“AGM” or “2022 AGM”	the annual general meeting of the Company for the year 2022 to be held by way of on-site meeting at 9:30 a.m. on Thursday, 15 June 2023 at Conference Room 1616, 16/F, Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC
“Articles of Association”	the Articles of Association of ZHONGTAI FUTURES Company Limited, as amended from time to time
“Asset Management Services Framework Agreement”	the Asset Management Services Framework Agreement entered into between the Company and Shandong Energy on 30 March 2023
“associates(s)”	has the meanings ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“Bulk Commodities Sale and Purchase Framework Agreement”	the Bulk Commodities Sale and Purchase Framework Agreement entered into between the Company and Shandong Energy on 30 March 2023
“China” or “PRC”	the People’s Republic of China, in this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”	ZHONGTAI FUTURES Company Limited (中泰期貨股份有限公司) (previously known as LUZHENG FUTURES Company Limited (魯証期貨股份有限公司)), a joint stock limited company incorporated in the PRC and its H Shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 01461)
“Company Law”	the Company Law of the People’s Republic of China
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Connected Transaction(s)”	has the meanings ascribed to it under the Listing Rules, and refers to the specific connected transaction(s) contemplated under the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement and the Bulk Commodities Sale and Purchase Framework Agreement (as the case may be)

DEFINITIONS

“Continuing Connected Transaction(s)”	has the meanings ascribed to it under the Listing Rules, and refers to the continuing connected transactions contemplated under the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement and the Bulk Commodities Sale and Purchase Framework Agreement (as the case may be)
“Controlling Shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) issued in the share capital of the Company, with a nominal value of RMB1.00 each, subscribed for and fully paid-up in RMB
“Framework Agreements”	collectively, the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement and the Bulk Commodities Sale and Purchase Framework Agreement
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to engage in category 6 (advising on corporate finance) regulated activities, to advise on the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps to the Independent Board Committee and Independent Shareholders
“Group”	the Company and its subsidiaries (or, the Company and any of its subsidiaries or various subsidiaries, as the context requires)
“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 Hong Kong Stock Exchange and subscribed for and traded in HK\$
“HK\$”	the lawful currency of Hong Kong
“holder(s) of Domestic Share(s)”	the holder(s) of the Domestic Share(s)
“holder(s) of H Share(s)”	the holder(s) of H Share(s)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent committee of the Board, comprised of all Independent Non-executive Directors, namely Mr. ZHENG Jianping, Mr. CHEN Hua and Mr. LUO Xinhua. The aim of its establishment is to provide advices in respect of the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps to the Independent Shareholders
“Independent Non-executive Director(s)”	independent non-executive Director(s) of the Company
“Independent Shareholder(s)”	Shareholders who are not required to abstain from voting on the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement and the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps
“Indirect Controlling Shareholders”	Shandong Steel, Shandong Energy, Laiwu Steel and Zaozhuang Mining
“Laiwu Steel”	Laiwu Steel Group Ltd. (萊蕪鋼鐵集團有限公司), a company incorporated in the PRC on 6 May 1999 with limited liability. 100.00% of its equity interest is held by Shandong Steel, and being one of the former Controlling Shareholders of the Company
“Latest Practicable Date”	22 May 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

DEFINITIONS

“Reorganisation”	the reorganisation completed on 28 July 2022 in relation to (i) Laiwu Steel’s transfer of approximately 26.05% and 5.32% equity interest in Zhongtai Securities to Zaozhuang Mining and Shandong Hi-Speed Investment Holdings Co., Ltd., respectively, and (ii) Shandong Energy’s transfer of approximately 6.57% equity interest in Zhongtai Securities to Zaozhuang Mining. Immediately upon completion of the share transfers, Shandong Energy (through Zaozhuang Mining and Xinwen Mining Group Co., Ltd.) holds more than 30% equity interest in Zhongtai Securities, and one Indirect Controlling Shareholder of the Company has been changed from Laiwu Steel (a subsidiary of Shandong Steel) to Zaozhuang Mining (a subsidiary of Shandong Energy) while Shandong SASAC remains the ultimate actual controller of the Company.
“Risk Management Services Framework Agreement”	the Risk Management Services Framework Agreement entered into between the Company and Shandong Energy on 30 March 2023
“RMB”	the lawful currency of the PRC
“Shandong Energy”	Shandong Energy Group Co., Ltd. (山東能源集團有限公司), a company incorporated in the PRC on 16 December 2010 with limited liability, 70% of which is owned by Shandong SASAC, and being one of the Controlling Shareholders of the Company
“Shandong SASAC”	the Stated-owned Assets Supervision and Administration Commission of Shandong Provincial People’s Government (山東省人民政府國有資產監督管理委員會)
“Shandong Steel”	Shandong Iron & Steel Group Co., Ltd. (山東鋼鐵集團有限公司), a company established in the PRC on 17 March 2008 with limited liability, 70% of which is owned by Shandong SASAC, and being one of the former Controlling Shareholders of the Company
“Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including domestic shares and H shares of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Zaozhuang Mining”	Zaozhuang Mining Group Co., Ltd. (棗莊礦業(集團)有限責任公司), a company incorporated in the PRC on 8 April 1998 with limited liability, and being a subsidiary of Shandong Energy

DEFINITIONS

“Zhongtai Huirong Capital”	Zhongtai Huirong Capital Investment Co., Ltd. (中泰匯融資本投資有限公司), previously known as Luzheng Capital Management Co., Ltd. (魯証資本管理有限公司), and Luzheng Trading Co., Ltd. (魯証經貿有限公司), a company established in the PRC with limited liability on 24 April 2013, and being a wholly-owned subsidiary of the Company
“Zhongtai Securities”	Zhongtai Securities Co., Ltd. (中泰證券股份有限公司), previously known as Qilu Securities Co., Ltd. (齊魯證券有限公司), a company established in the PRC on 15 May 2001 with limited liability, and listed in Shanghai Stock Exchange on 3 June 2020 (Stock code: 600918), 32.62% of which is owned by Zaozhuang Mining Group Co., Ltd. (棗莊礦業(集團)有限責任公司), and being one of the Controlling Shareholders of the Company
“%”	percentage

In case of any discrepancy between the Chinese version and the English version of this circular, the Chinese version shall prevail.

LETTER FROM THE BOARD



ZHONGTAI FUTURES Company Limited

中泰期貨股份有限公司

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

(Stock Code: 01461)

Executive Directors:

ZHONG Jinlong (Chairman)

LIANG Zhongwei

Non-executive Directors:

HU Kainan

ZHENG Hanyin

MING Gang

LIU Feng

Independent Non-executive Directors:

ZHENG Jianping

CHEN Hua

LUO Xinhua

Registered office & Headquarters 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

25 May 2023

To the Shareholders

Dear Sir or Madam,

**PROPOSAL ON THE WORK REPORT OF THE BOARD OF DIRECTORS
FOR THE YEAR 2022
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PURCHASE FRAMEWORK AGREEMENT WITH SHANDONG ENERGY
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

This circular contains the notice of AGM, which sets out the details of the resolutions to be proposed at the AGM, which enable you to make informed decision on whether to vote for, against or abstain from voting on the resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

MATTERS TO BE RESOLVED AT THE AGM

Ordinary resolutions will be proposed at the AGM to approve: (1) Proposal on the work report of the Board of Directors for the year 2022; (2) Proposal on the work report of the Supervisory Committee for the year 2022; (3) Proposal on the annual report for the year 2022; (4) Proposal on the final financial accounts for the year 2022; (5) Proposal on the profit distribution plan for the year 2022; (6) Proposal on the financial budgets for the year 2023; (7) Proposal on the appointment of the accounting firms for the year 2023; (8) Proposal on entering into the Asset Management Services Framework Agreement with Shandong Energy; (9) Proposal on entering into the Risk Management Services Framework Agreement with Shandong Energy; and (10) Proposal on entering into the Bulk Commodities Sale and Purchase Framework Agreement with Shandong Energy.

A special resolution will be proposed at the AGM to approve: (1) Proposal on the general mandate to issue Domestic Shares and H Shares.

ORDINARY RESOLUTIONS

1. Proposal on the Work Report of the Board of Directors for the Year 2022

The work report of the Board of Directors for the year 2022 has been approved by the Board, and is hereby proposed at the AGM for consideration and approval. The details of the work report of the Board of Directors are set out in the Appendix I to this circular.

2. Proposal on the Work Report of the Supervisory Committee for the Year 2022

The work report of the Supervisory Committee for the year 2022 has been approved by the Supervisory Committee, and is hereby proposed at the AGM for consideration and approval. The details of the work report of the Supervisory Committee are set out in the Appendix II to this circular.

3. Proposal on the Annual Report for the Year 2022

The annual report for the year 2022 has been approved by the Board and the Supervisory Committee, and is hereby proposed at the AGM for consideration and approval. The annual report has been published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.ztqh.com) on 25 April 2023.

4. Proposal on the Final Financial Accounts for the Year 2022

The financial statements of the Company for the year 2022 have been audited by an external auditor. Having finished the audit, the external auditor believes that the financial statements of the Company for the year 2022 have been prepared in accordance with the provisions of the China Accounting Standards for Business Enterprises and give a fair picture of the financial position of the Company as at 31 December 2022 and the operating results and cash flows in 2022 in all material aspects, and has issued a standard unqualified audit report. The audited financial position and operating results of the Company are hereby presented below.

LETTER FROM THE BOARD

I. Financial Position of the Company in 2022

(1) Assets

As at the end of 2022, the total consolidated assets of the Company amounted to RMB28,859 million, representing a year-on-year increase of RMB8,177 million or 39.54%. The consolidated current assets of the Company amounted to RMB28,641 million, representing a year-on-year increase of RMB8,140 million or 39.71%. Among them, the net increase in margin deposit amounted to RMB5,928 million, while the net increase in margin paid to the exchanges amounted to RMB1,842 million.

(2) Liability

As at the end of 2022, the total consolidated liability of the Company amounted to RMB26,417 million, representing a year-on-year increase of RMB8,017 million or 43.57%. Among them, currency margin payable amounted to RMB20,652 million, representing a year-on-year increase of RMB6,073 million or 41.65%.

(3) Shareholders' equity and net capital

As at the end of 2022, the consolidated Shareholders' equity of the Company amounted to RMB2,442 million, representing a year-on-year increase of RMB160 million or 7.02%. This was mainly due to the increase in net profit. Owner's equity is comprised of share capital of RMB1,002 million, capital reserve of RMB662 million, general risk reserve of RMB125 million and retained earnings of RMB652 million.

As at the end of 2022, net capital of the Company amounted to RMB1,387 million, representing a year-on-year increase of RMB339 million or 32.37%; total risk capital reserves amounted to RMB722 million, representing a year-on-year increase of RMB144 million or 24.94%. The Company exercised strict control over risks. The ratio of net capital to total risk capital reserves is 192.01%. All risk regulatory indicators are in compliance with the relevant requirements of the CSRC.

II. Operating Results in 2022

(1) Operating revenue

In 2022, the Company realized consolidated operating revenue of RMB2,448 million, representing a year-on-year increase of RMB193 million or 8.56%, primarily due to the increase in income from other businesses due to the futures and spot commodities trading by its subsidiaries.

(2) Operating expenses

In 2022, the consolidated operating expenses of the Company amounted to RMB2,222 million, representing a year-on-year increase of RMB226 million or 11.30%, primarily due to the increase in other operating cost as a result of the futures and spot commodities trading by its subsidiaries.

LETTER FROM THE BOARD

(3) *Profit*

In 2022, the Company realized net profit attributable to shareholders of the parent company of RMB166 million, representing a year-on-year decrease of RMB23 million or 11.94%. Weighted average return on net assets was 7.02%, representing a year-on-year decrease of 1.54 percentage points. Earnings per Share was RMB0.17, representing a year-on-year decrease of RMB0.02 or 11.94%.

The above proposal has been approved by the Board and the Supervisory Committee, and is hereby proposed to the AGM for consideration and approval.

5. Proposal on the Profit Distribution Plan for the Year 2022

As audited by ShineWing Certified Public Accountants LLP, the Company's net profit attributable to the parent company under the China Accounting Standards for Business Enterprises for the year 2022 is RMB140.8504 million. In accordance with the Articles of Association, after setting aside 10% of the net profits to each of the statutory reserve and the general risk reserve, the profit for the year 2022 available for distribution to Shareholders is RMB112.6803 million and the accumulated profit available for distribution to Shareholders is RMB536.5876 million.

In light of the current development of the industry and the operating conditions of the Company, with due regard for the capital structure and the requirement on risk regulatory indicators and the future development planning of the Company, the Company proposes a cash dividend payment of RMB0.16 (tax inclusive), amounting to a total cash dividend payment of RMB16,030,400.00 (tax inclusive) to Shareholders for every 10 Shares held based on the entire share capital of 1,001,900,000 Shares as at the end of 2022. The remaining undistributed profits will be carried forward to next year.

The proposed dividend will be denominated and declared in RMB, and will be paid in RMB and in HK\$ to holders of Domestic Shares and holders of H Shares, respectively. The actual distribution in HK\$ will be calculated based on the average benchmark exchange rate of RMB against HK\$ announced by the People's Bank of China for the five business days prior to the date of the 2022 AGM.

The aforesaid profit distribution plan for the year 2022 has been approved by the Board and the Supervisory Committee, and is hereby proposed to the AGM for consideration and approval.

In order to determine the entitlement of holders of H Shares to the 2022 final dividend, the H Share register of members of the Company will be closed from Thursday, 22 June 2023 to Wednesday, 28 June 2023, both days inclusive, during which period no transfer of H Shares will be registered. Shareholders whose names appear on the register of members of the Company on Wednesday, 28 June 2023 will be entitled to the 2022 final dividend. In order to qualify for the 2022 final dividend, holders of H Shares shall lodge all their share transfer documents accompanied by the relevant share certificates with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 21 June 2023.

Subject to the approval of the aforesaid profit distribution plan at the AGM, the 2022 final dividend is expected to be paid on 10 August 2023 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 28 June 2023.

LETTER FROM THE BOARD

6. Proposal on the Financial Budgets for the Year 2023

In accordance with the principles of ensuring operations and complying with regulatory requirements and on the basis of making best use of existing assets, and in light of the Company's actual situation, the Company's consolidated capital budget for 2023 was set at RMB172.5885 million, including RMB159.6485 million intended for fixed asset investment, and RMB12.9400 million intended for intangible asset investment.

The budget for fixed asset investment is mainly intended for purchase and maintenance of buildings, electronic equipments and office equipments, renovation, relocation and transformation of business premises, among which the budget for purchase of buildings is RMB134.2900 million. The budget for the intangible assets investment is mainly intended for purchase of trading and quotation softwares.

The above proposal has been considered and approved by the Board and the Supervisory Committee, and is hereby submitted to the AGM for consideration and approval.

7. Proposal on the Appointment of the Accounting Firms for the Year 2023

In order to maintain the consistency and integrity of the Company's audit work, after taking into account various factors, the Company intends to re-appoint ShineWing Certified Public Accountants LLP to audit our annual financial report and review our interim financial statement under China Accounting Standards for Business Enterprises in 2023.

Currently, based on the quantity of time committed by all levels of staff of ShineWing Certified Public Accountants LLP to audit work in 2022 and having taken into account the prevailing market rates and other factors, the service fees for audit of the annual financial report and review of the interim financial statements under China Accounting Standards for Business Enterprises for the year 2023 shall be RMB1.20 million, unchanged from 2022.

The above proposal has been considered and approved by the Board, and is hereby submitted to the AGM for consideration and approval.

8. Proposal on entering into the Asset Management Services Framework Agreement with Shandong Energy

(1) Background

References are made to the announcement dated 26 April 2019 and the circular dated 29 May 2019 of the Company in relation to, inter alia, the Asset Management Services Framework Agreement entered into between the Company and Shandong Steel and its annual caps for 2020, 2021 and 2022. Due to the Reorganisation of Indirect Controlling Shareholders, and the expectation of the Group to provide asset management services to Shandong Energy and/or its associates from time to time in the future, the Company entered into the Asset Management Services Framework Agreement with Shandong Energy on 30 March 2023 (after trading hours), and proposed the annual caps for 2023, 2024 and 2025 under the Asset Management Services Framework Agreement.

LETTER FROM THE BOARD

Pursuant to the agreement, the Group acting as the asset manager of Shandong Energy and/or its associates, will invest in financial products of various scopes marketed by the Group, Shandong Energy or independent third parties with the collective asset management schemes, and Shandong Energy and/or its associates would pay relevant asset management fees to the Group. The term of the Asset Management Services Framework Agreement is three years, valid from 1 January 2023 until 31 December 2025. Asset management service is an usual business of the Group and the Group has acted as asset manager for other clients. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transactions.

(2) Details of the agreement

Date: 30 March 2023

Parties: Shandong Energy

the Company

Principal terms

In the ordinary and usual course of their business, Shandong Energy and/or its associates purchase collective asset management schemes in which the Group acts as the manager. Being the asset manager, the Group will invest in financial products of various scopes marketed by the Group, Shandong Energy or independent third parties with the collective asset management schemes, and Shandong Energy and/or its associates would pay asset management fees to the Group.

Reasons for and benefits of the transaction

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

LETTER FROM THE BOARD

Pricing terms

- (i) The asset management fees charged by the Group as the manager of the collective asset management schemes are calculated by multiplying the investment amounts of Shandong Energy and/or its associates in the collective asset management schemes with the asset management fees rate; and
- (ii) For collective asset management schemes, the asset management fees rate as stipulated in the collective asset management contracts is applicable to other investors participating in such schemes equally and evenly, including Shandong Energy and/or its associates and any other independent third party investor participants. Such asset management fees rate is also comparable to, or no less favorable to the Group than, the asset management fees rate charged by the Group on any other independent third party for similar asset management schemes.

Historical amounts

All the historical transaction amounts of the asset management services provided by the Group to Shandong Energy and/or its associates for the three years ended 31 December 2020, 31 December 2021 and 31 December 2022 were 0.

Annual caps

The maximum daily amount invested for purchase of collective asset management schemes by Shandong Energy and/or its associates from the Group, and the maximum annual amount of asset management fees to be paid by them for the three years ending 31 December 2023, 2024 and 2025 shall not exceed the caps set out below:

	Proposed annual caps for the year ending 31 December <i>(RMB'000)</i>		
	2023	2024	2025
The maximum daily amount invested for purchase of asset management schemes by Shandong Energy and/or its associates from the Company	800,000	1,000,000	1,200,000
Asset management fees (based on the asset management fees rate of 1.5%) received from Shandong Energy and/or its associates	12,000	15,000	18,000

LETTER FROM THE BOARD

Basis of annual caps

The above proposed annual caps are determined on the basis that:

1. the collective asset management schemes in which the Company acts as the manager mainly invest in bulk commodities and their derivatives, which is in line with the nature of Shandong Energy as a bulk commodity producer, and can better meet the futures-related investment needs of Shandong Energy, and it is expected that the business cooperation between the Company and Shandong Energy will be further strengthened. The calculation formula of asset management fees charged by the Company on Shandong Energy is: the total amount of the collective asset management schemes purchased by Shandong Energy multiplied by the asset management fees rate (based on an average annual fee rate of 1.5%).
2. the Company's asset management business is in a rapid and healthy development stage, with business strategies being expanded and improved constantly, making acquisitions and expansion and deepening cooperation continuously. According to the initial business planning and considering the potential development business opportunities, the Company's asset management business will focus on developing active management products with new asset management schemes introduced. In addition, the Company is keen on acting out the "One ZHONGTAI in union" concept to increase synergy and business collaboration with other subsidiaries of Zhongtai Securities, and leveraging on advantages of each other to achieve a win-win effect. After taking into account (a) based on the information available to the Company, the amount of asset management products from members of Zhongtai Securities held by Zhongtai Securities as at the end of each of the three years ended 31 December 2022, i.e. approximately RMB8 billion in average (b) the assumption of 10% of amounts in item (a) to be purchased by Zhongtai Securities from the Company, and (c) the anticipated significant growth of transaction amount of asset management business of the Company as compared with prior years as the Company expects to put more efforts on its asset management business, the Company expects to have an increase of transaction amount of the asset management business with Shandong Energy and its associates.

The above proposal has been considered and approved by the Board and the Audit Committee of the Board, and is hereby submitted to the AGM for consideration and approval.

LETTER FROM THE BOARD

9. Proposal on entering into the Risk Management Services Framework Agreement with Shandong Energy

(1) Background

References are made to the announcement dated 10 May 2021 and the circular dated 28 May 2021 of the Company in relation to, inter alia, the Risk Management Services Framework Agreement entered into between the Company and Shandong Steel and its annual caps for 2021, 2022 and 2023. Due to the Reorganisation of Indirect Controlling Shareholders, and the expectation of the Group to provide risk management services to Shandong Energy and/or its associates from time to time in the future, the Company entered into the Risk Management Services Framework Agreement with Shandong Energy on 30 March 2023 (after trading hours), and proposed the annual caps for 2023, 2024 and 2025 under the Risk Management Services Framework Agreement.

Pursuant to the agreement, the Group will provide derivatives trading services, including but not limited to over-the-counter options (the “**OTC options**”), swap transactions, forward transactions, etc. to Shandong Energy and/or its associates. The term of the Risk Management Services Framework Agreement is three years, valid from 1 January 2023 until 31 December 2025. Risk management service is an usual business of the Group and the Group has provided similar services to other clients. The Company will comply with the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transactions.

(2) Details of the agreement

Date: 30 March 2023

Parties: Shandong Energy

the Company

Principal terms

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

LETTER FROM THE BOARD

Reasons for and benefits of the transaction

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

Pricing terms

Shandong Energy and/or its associates enter(s) into derivative transactions with the Group. As a derivative dealer, the Group adheres to the principle of fairness and justice, and tries to ensure the terms and prices of derivative transactions are fair and reasonable, based on fair market value and through arms' length negotiation with Shandong Energy and/or its associates and with reference to the same type of transactions in the derivative market. Among them:

- (i) in OTC option transactions, the premium is determined based on the market conditions and liquidity level, with reference to the prices quoted by our peers and the market volatility parameters provided by third-party information providers;
- (ii) in swap transactions and forward transactions, fixed/floating prices (income) and forward transaction prices are determined based on factors such as fair market value of the underlying asset and market costs, etc.

Historical amounts

For the derivatives trading business, the nominal principal amount of the derivatives trading between the Group and Shandong Energy and/or its associates during the three years ended 31 December 2020, 31 December 2021 and 31 December 2022 were RMB4,768.7267 million, RMB5,292.2331 million and RMB1,020.5306 million, respectively.

LETTER FROM THE BOARD

Annual caps

The maximum aggregate annual amount of nominal principal of derivatives trading between the Group and Shandong Energy and/or its associates for the three years ending 31 December 2023, 2024 and 2025 shall not exceed the caps set out below:

	Proposed annual caps for the year ending 31 December		
	<i>(RMB'000)</i>		
	2023	2024	2025
Nominal principal of derivatives trading between the Group and Shandong Energy and/or its associates	7,000,000	8,000,000	9,000,000

Basis of annual caps

- (i) With reference to the historical information of nominal principal of derivatives trading between the Group and Shandong Energy, the nominal principal of derivatives trading between the Company and Shandong Energy in 2020, 2021 and 2022 were RMB4,768.7267 million, RMB5,292.2331 million and RMB1,020.5306 million, respectively. With the sharp fluctuations in bulk commodity prices, the enterprises in real economy are becoming increasingly aware of risk management by using OTC options, swaps and forward and other derivatives. Growing demand of Shandong Energy for derivatives trading is anticipated in the future, and the scale of transactions between both parties will increase accordingly.
- (ii) With the gradual recovery of economic activities following the end of the Pandemic, the Group's derivatives trading business is expected to maintain a relatively high growth rate. In addition, the Company is keen on acting out the "One ZHONGTAI in Union" concept to increase synergy with Zhongtai Securities. Further growth of the scale of derivatives trading of the Company such as OTC options, swaps and forwards with Zhongtai Securities in the future is anticipated.

The above proposal has been considered and approved by the Board and the Audit Committee of the Board, and is hereby submitted to the AGM for consideration and approval.

LETTER FROM THE BOARD

10. Proposal on entering into the Bulk Commodities Sale and Purchase Framework Agreement with Shandong Energy

(1) Background

References are made to the announcement dated 26 April 2019 and the circular dated 29 May 2019 of the Company in relation to, inter alia, the Bulk Commodities Sale and Purchase Framework Agreement between the Company and Shandong Steel and its caps for 2020, 2021 and 2022. Due to the Reorganisation of Indirect Controlling Shareholders and the expectation of the Group to conduct bulk commodities sale and purchase with Shandong Energy and/or its associates from time to time in the future, the Company entered into the Bulk Commodities Sale and Purchase Framework Agreement with Shandong Energy on 30 March 2023 (after trading hours), and proposed the annual caps for 2023, 2024 and 2025 under the Bulk Commodities Sale and Purchase Framework Agreement.

Pursuant to the agreement, Shandong Energy and/or its associates will sell bulk commodities such as coal and coal chemical related products, steel products and rubber products to the Group, and purchase bulk commodities such as coal and coal chemical related products, and steel products from the Group. The term of the Bulk Commodities Sale and Purchase Framework Agreement is three years, valid from 1 January 2023 until 31 December 2025. Bulk commodities sales and purchase business is an usual business of the Group and the Group has provided similar services to other clients. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transactions.

(2) Details of the agreement

Date: 30 March 2023

Parties: the Company

Shandong Energy

Principal terms

In the Group's ordinary and usual course of business, Shandong Energy and/or its associates sell bulk commodities such as coal and coal chemical related products, steel products, rubber products to the Group and receive a consideration; purchase bulk commodities such as coal and coal chemical related products and steel products from the Group and pay a consideration.

LETTER FROM THE BOARD

Reasons for and benefits of the transaction

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

Pricing term

For the sale and purchase of bulk commodities between the Company and Shandong Energy and/or its associates, the prices are arrived at based on the fair value in the market after arm's length negotiation and with reference to comparable prices of similar products sold by independent third parties in the local market in order to ensure that the prices and terms are fair and reasonable.

Historical amounts

For the three years ended 31 December 2020, 31 December 2021 and 31 December 2022, the transaction amounts of bulk commodities such as coal and coal chemical related products, steel products and rubber products sold by Shandong Energy and/or its associates to the Group were approximately RMB nil, RMB nil and RMB22.9978 million, respectively, the transaction amounts of bulk commodities such as coal and coal chemicals related products and steel products purchased by Shandong Energy and/or its associates from the Group were approximately RMB nil, RMB13.8689 million and RMB102.0146 million, respectively.

Annual caps

The maximum aggregate annual amount of sale and purchase of bulk commodities between the Group and Shandong Energy and/or its associates for the three years ending 31 December 2023, 2024 and 2025 shall not exceed the caps set out below:

	Proposed annual caps for the year ending 31 December		
	<i>(RMB'000)</i>		
	2023	2024	2025
Transaction amount of sales of bulk commodities by Shandong Energy and/or its associates to the Group	160,000	240,000	320,000
Transaction amount of purchases of bulk commodities by Shandong Energy and/or its associates from the Group	250,000	375,000	500,000

LETTER FROM THE BOARD

Basis of caps

The proposed annual caps under the above Bulk Commodities Sale and Purchase Framework Agreement are determined with reference to historical amounts on the basis as follows:

1. Refer to the historical information of the sale and purchase of bulk commodities between the Company and Shandong Energy. The sale and purchase amounts with Shandong Energy in 2021 and 2022 were RMB13.8689 million and RMB125.0124 million, respectively, indicating rapid growth of the sale and purchase amounts.
2. With the gradual pick up of economic activities following the end of the pandemic, and in line with the development plan of the Company for the sale and purchase of bulk commodities such as coal and coal chemicals, rubber and steel to and from Shandong Energy, accelerating growth of sale and purchase of bulk commodities with Shandong Energy is anticipated.

Internal control procedures and corporate governance measures

The Company would strive to exercise stringent monitoring over the transaction amounts and respective annual caps of (1) the Asset Management Services Framework Agreement, (2) the Risk Management Services Framework Agreement, and (3) the Bulk Commodities Sale and Purchase Framework Agreement between the Group and Shandong Energy to ensure that necessary measures and appropriate actions can be timely taken in order to comply with the requirements of the Listing Rules. The Company has adopted the following internal management procedures to ensure that the Continuing Connected Transactions under the Framework Agreements are fair and reasonable and are entered into on normal commercial terms:

- The Group has formulated a series of measures and policies, among others, Contract Policies, Project Management Policies and Administration Rules of Connected Transactions in order to ensure that the Company's Continuing Connected Transactions are conducted under such Framework Agreements and the respective pricing terms. The fairness and reasonableness of the terms of such Framework Agreements and the Continuing Connected Transactions contemplated thereunder, in particular the pricing terms under respective agreements, would be examined and approved by the audit committee of the Board of the Directors, the Board of the Directors and various internal departments of the Company (including but not limited to the finance department and the audit and compliance department of the Company) to ensure that the terms of the Framework Agreements are in compliance with relevant regulatory guidelines (if applicable) and market practices and would not deviate from the terms of the Framework Agreements disclosed in this circular.

LETTER FROM THE BOARD

- When determining the actual prices of products supplied by Shandong Energy and/or its associates to the Group, the above counter-party will offer a proposed price to the Company for consideration first. As mentioned above, in order to ensure that the pricing terms under the agreements of Continuing Connected Transactions are fair and reasonable, the proposed price will be first evaluated and approved by the finance department, the audit department and various relevant business departments of the Company. In addition, the transactions under the Framework Agreements shall be conducted on a non-exclusive basis. Payments shall be made on the aforementioned pricing principles basis. However, the Group usually seeks quotations or makes enquiries on relevant prices from no less than two other independent third party suppliers providing similar products or services, and makes reference to such pricing and terms offered by independent third parties for similar products or services, to make sure whether the prices and terms of products and services offered by Shandong Energy and/or its associates to the Group are fair, reasonable and are no less favorable to the Group than those offered by such independent third parties;
- When determining the actual prices of services or products provided by the Group to Shandong Energy and/or its associates, the Group will provide the counter-party with a proposed price for consideration first. As mentioned above, in order to ensure that the pricing terms under the agreements of Continuing Connected Transactions are fair and reasonable, the proposed price will be first evaluated and approved by the finance department, the audit department and other relevant business departments of the Company. In addition, the transactions contemplated under the Framework Agreements shall be conducted on a non-exclusive basis. Payments shall be made substantially on the aforementioned pricing principles basis. Nevertheless, the Group usually makes enquiries on relevant prices from no less than two other independent third party suppliers providing similar products or services as references to the market prices, and refers to such prices and certain other transaction terms offered to independent third parties by us for similar products, to make sure whether the prices and terms of services or products offered by the Group to Shandong Energy and/or its associates are fair, reasonable and are no less favorable to the Group than those offered to such independent third parties; and
- The audit committee of the Board, the office of the Board and various internal departments of the Company also regularly monitor the fulfillment of the Framework Agreements and the transaction updates thereunder. In addition, the management of the Company also regularly reviews the pricing terms. The Independent Non-executive Directors of the Company conduct annual review of the implementation and execution of the Continuing Connected Transactions (including related pricing mechanisms); the auditors of the Company would conduct annual assessment and review of the internal control measures of the Company and conduct annual review of the Continuing Connected Transactions under the Framework Agreements pursuant to the requirements of the Listing Rules, in order to confirm that, among others, the transactions are entered into in accordance to the pricing terms of the Company and relevant agreements governing such transactions.

LETTER FROM THE BOARD

- The office of the Board of the Company is responsible for monitoring daily Connected Transactions. It monitors and analyzes the Connected Transactions on a real time basis each day to ensure that the Company can be updated in a timely manner and discuss with the business department in advance when the amount of Connected Transactions is about to reach the annual caps and report the same to the Company's management to consider if it's necessary to revise the annual caps.

Listing Rules' Implications

As disclosed in the Announcement dated 29 July 2022 of the Company, the Reorganisation of Indirect Controlling Shareholders was completed on 28 July 2022, and Shandong Energy became the Controlling Shareholder of Zhongtai Securities, indirectly holding approximately 63.10% of the Shares in the Company. Accordingly, Shandong Energy and/or its associates constitute connected persons of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement and the Bulk Commodities Sale and Purchase Framework Agreement constitute Continuing Connected Transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of each of the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement and the Bulk Commodities Sale and Purchase Framework Agreement entered into between the Company and Shandong Energy is more than 5% pursuant to the Listing Rules, the Continuing Connected Transactions under the above Framework Agreements are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

During the period from 28 July 2022 to 31 December 2022, Zhongtai Huirong Capital sold a total of 67,748.3 tonnes of coal to New Minerals International Trading Limited* (新礦國際貿易有限公司) ("NMIT") at a cash consideration of RMB29,339,630.05, with an expected revenue of approximately RMB341,739.22 (calculated based on sales revenue less purchase costs).

During the period from 1 January 2023 to 30 March 2023, Zhongtai Huirong Capital sold a total of 38,349.32 tonnes of coal to NMIT at a cash consideration of RMB14,975,364.70, with an expected revenue of approximately RMB193,443.48 (calculated based on sales revenue less purchase costs).

The Board has ratified and confirmed the transactions on 30 March 2023.

The proceeds from the above coal sale and purchase are intended as general working capital of Zhongtai Huirong Capital.

* For identification purpose only

LETTER FROM THE BOARD

Following the completion of the Reorganisation, the Continuing Connected Transactions Framework Agreements previously entered into between the Group and Shandong Steel are no longer applicable. Due to the unintentional negligence of business personnel of the subsidiaries of the Company, the Company was not aware that the coal sale and purchase transactions entered into during the year ended 31 December 2022 and the period from 1 January 2023 to 30 March 2023 constitute discloseable Connected Transactions of the Company under Chapter 14A of the Listing Rules, and failed to make disclosure of the transactions in a timely manner. The management of the Company did not know that the above matters were not disclosed in a timely manner until they reviewed the 2022 annual results and the information of historical transactions of the Company.

Upon becoming aware of the incident and being informed by the management that the above transactions were not disclosed in a timely manner, the Board immediately ordered submission of all the amounts and terms relating to the coal sale and purchase agreements by the management. The Board has also passed resolutions to ratify and/or approve the coal sale and purchase transactions and entered into the Bulk Commodities Sale and Purchase Framework Agreement with Shandong Energy with proposed annual caps, and issued appropriate announcements. The Company deeply regrets the failure to comply with the relevant requirements under Chapter 14A of the Listing Rules, and would like to emphasize that the non-compliance is unintentional. In view of the failure to comply with the relevant requirements under Rule 14A.35 of the Listing Rules in a timely manner, and in order to prevent similar incidents from recurring in the future, the Company has taken the following remedial measures to enhance its internal control procedures and ensure that the relevant Listing Rules are fully understood and complied with in due course:

1. setting up a multi-departmental workforce of the Company in charge of Connected Transactions among the management, the members of which comprise of relevant personnel of the Office of the Board, the General Office, the Human Resources Department, the Compliance and Risk Control Department, the Financial Planning Department and the Business Department, etc. The workforce is led by a designated department and is responsible for identification and maintenance of the list of connected persons, and management of Connected Transactions on a daily basis;
2. arranging relevant internal training courses to explain the Listing Rules and the reporting procedures of Connected Transactions to the Directors and senior management/relevant personnel of the Company and its subsidiaries, stressing the importance of identifying the nature of transactions before signing an agreement to ensure that the Company will comply with the requirements of the Listing Rules in the future;
3. designating the management of the Company to monitor the Connected Transactions and to prevent failure of disclosure of any Connected Transactions in a timely manner from re-occurring;
4. enhancing the reporting and monitoring procedures for the amounts of Connected Transactions, and improving the procedures and frequency of data collection and cross-checking to ensure that the transaction amounts do not exceed the relevant annual caps or any minimum exemption level;

LETTER FROM THE BOARD

5. causing the internal audit department of the Company to monitor the effectiveness and adequacy of internal control measures, and regularly make recommendations and reports to the Audit Committee of the Company;
6. consulting legal counsel and the Hong Kong Stock Exchange in respect of any proposed transaction in a timely manner (if necessary) before entering into such transactions that may constitute new Connected Transactions of the Company; and
7. regularly reminding connected persons that if there is a change in their shareholdings, which may affect Connected Transactions of the Company, they must notify the Company in advance to determine whether there are any Listing Rules implications.

Save as stated above, the Directors confirmed that there were no other Connected Transactions in respect of which the Company failed to comply with the Listing Rules.

The opinions of the Board

As Mr. ZHONG Jinlong, Mr. HU Kainan and Mr. ZHENG Hanyin (all being Directors of the Company) are holding office at Zhongtai Securities and/or its associates, and are deemed to be connected with the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and the transactions contemplated thereunder, they have abstained from voting on the resolutions of the Board to approve the above Connected Transactions. Save as disclosed above, no other Director has any material interest in the aforementioned agreements and none of other Directors is required to abstain from voting on the resolutions of the Board to consider and approve the aforementioned agreements and their proposed annual caps.

Taking into consideration the pricing terms, the basis of determining the proposed annual caps, the reasons for and benefits of the transactions and the Company's internal control procedures, the Directors, including Independent Non-executive Directors, are of the view that the terms of the transactions contemplated under the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and the proposed annual caps (if applicable) thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole. In the meantime, the Company considers that it has adequate mechanisms, internal control procedures and external monitoring measures to ensure that the Continuing Connected Transactions are in strict compliance with relevant regulatory guidelines and the terms of the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement and the Bulk Commodities Sale and Purchase Framework Agreement.

LETTER FROM THE BOARD

The Independent Board Committee

The Independent Board Committee (comprised of all Independent Non-executive Directors, namely Mr. ZHENG Jianping, Mr. CHEN Hua and Mr. LUO Xinhua) has been established, to provide advices on the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement, the Bulk Commodities Sale And Purchase Framework Agreement and their respective proposed annual caps to the Independent Shareholders.

The Company has appointed Gram Capital as the Independent Financial Advisor to advise the Independent Board Committee and Independent Shareholders in respect of the above matter.

Information about the transaction parties

(1) Information about the Company

The Company is principally engaged in commodity futures brokerage, financial futures brokerage, futures asset management and futures investment consultancy.

(2) Information about Shandong Energy

Shandong Energy was incorporated in the PRC in December 2010 and mainly engages in coal, coal-fired electricity generation, coal chemical industry, high-end equipment manufacturing, new energy and new materials, modern logistics trade and other businesses. It is owned by Shandong SASAC, Shandong Guohui Investment Holding Group Co., Ltd.* (山東國惠投資控股集團有限公司) and Shandong Caixin Assets Operation Co., Ltd.* (山東省財欣資產運營有限公司), as to 70%, 20% and 10%, respectively. The ultimate beneficial owner of Shandong Energy is Shandong SASAC.

(3) Information about Zhongtai Huirong Capital

Zhongtai Huirong Capital was incorporated in the PRC in April 2013, and is a wholly-owned subsidiary of the Company. It mainly engages in commodity trading, import and export, technical consultation, investment consultation etc.

The above proposal has been considered and approved by the Board and the Audit Committee of the Board, and is hereby submitted to the AGM for consideration and approval.

* For identification purpose only

LETTER FROM THE BOARD

SPECIAL RESOLUTION

1. Proposal on the General Mandate to Issue Domestic Shares and H Shares

The Board proposed to the 2022 AGM to grant an unconditional general mandate by way of a special resolution to the Board and to permit the Board's further delegation of the aforesaid mandate to the management, based on market conditions and the needs of the Company, to issue, allot and deal with, either separately or concurrently, new Shares of the Company not exceeding 20% of each of the number of Domestic Shares and/or overseas listed foreign Shares (H Shares) in issue at the date of this proposal being considered and approved at the 2022 AGM.

The specific details of authorisation include but are not limited to the following:

- (1) to formulate and implement detailed issuance plan, including but not limited to the class of new Shares to be issued, pricing mechanism and/or issuance price (including price range and the final price), number of Shares to be issued, allottees and use of proceeds, deciding the time of issuance, period of issuance and whether to place Shares to existing Shareholders;
- (2) to consider and approve and execute, on behalf of the Company, agreements relating to Share issuance, including but not limited to the underwriting agreement under the placing and agreements for engaging intermediaries;
- (3) to consider and approve, and execute, on behalf of the Company, statutory documents relating to Share issuance for submission to regulatory authorities, and to perform relevant approval procedures as required by regulatory authorities and the place in which the Company is listed;
- (4) to amend, as required by regulatory authorities within or outside the PRC, agreements and statutory documents referred to in (2) and (3) above;
- (5) to decide to affix the seal of the Company on the agreements and statutory documents relating to the proposed issuance;
- (6) to engage the intermediaries for Share issuance, and to approve and execute all acts, deeds, documents and other matters necessary, appropriate, desirable for or in connection with Share issuance; and
- (7) to approve the matters related with the increase of the registered capital of the Company after new Share issuance, and to make corresponding amendments to the Articles of Association relating to total share capital and shareholdings etc., and to carry out statutory registrations and filings within and outside the PRC.

LETTER FROM THE BOARD

Except that the Board may enter into or grant offers, agreements, or options during the Relevant Period in relation to the issuance of Domestic Shares and/or H Shares, which might require further promotion or implementation after the end of the Relevant Period, the exercise of the mandate referred to above shall not exceed the Relevant Period. “Relevant Period” means the period from the passing of this resolution as a special resolution at the 2022 AGM until whichever is the earliest of:

- (1) the conclusion of the 2023 annual general meeting of the Company;
- (2) the expiry of the 12-month period following the passing of this resolution by way of a special resolution at the 2022 AGM;
- (3) the date on which the authority given to the Board under this proposal is revoked or varied by the Shareholders by way of a special resolution at a general meeting.

The above proposal has been considered and approved by the Board, and is hereby submitted to the AGM for consideration and approval.

AGM

A notice convening the AGM to be held by way of on-site meeting at 9:30 a.m. on Thursday, 15 June 2023 at Conference Room 1616, 16/F, Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC is set out on pages 48 to 50 of this circular.

All the resolutions proposed at the AGM will be taken by poll. Zhongtai Securities will abstain from voting on the resolutions in relation to the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps at the AGM. Zhongtai Securities is required to abstain from voting in respect of 632,176,078 Shares held by it, representing 63.10% of the total number of voting Shares of the Company. As at the Latest Practicable Date, no other Shareholder, to the knowledge and belief of the Directors having made all reasonable enquiries, will be required to abstain from voting at the AGM in respect of relevant resolutions.

A form of proxy for use at the AGM are also enclosed herein and published on the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.com.hk) and the website of the Company (www.ztqh.com). Shareholders who intend to appoint a proxy to attend the AGM shall complete, sign and return the appropriate form of proxy in accordance with the instructions printed thereon.

LETTER FROM THE BOARD

For holders of H Shares, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no less than 24 hours (i.e. before 9:30 a.m. on Wednesday, 14 June 2023) before the time appointed for holding the AGM in order for such documents to be valid. For holders of Domestic Shares, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority, must be delivered to the Board's office of the Company in the PRC at Room 1608, 16/F, Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC, not less than 24 hours before the time appointed for holding the AGM (i.e. before 9:30 a.m. on Wednesday, 14 June 2023) in order for such documents to be valid. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjournment thereof in person should you so wish.

Pursuant to the Articles of Association, for the purpose of determining the entitlements of the Shareholders to attend and vote at the AGM, the register of members of H Shares will be closed from Tuesday, 16 May 2023 to Thursday, 15 June 2023 (both days inclusive), during which period no transfer of H Shares will be registered. Shareholders whose names appear on the register of members of the Company on Thursday, 15 June 2023 will be entitled to attend and vote at the AGM.

In order to be eligible to attend the AGM, holders of H Shares shall lodge all their transfer documents accompanied by the relevant share certificates to Computershare Hong Kong Investor Services Limited, the Company's H share registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 15 May 2023.

RECOMMENDATION

The Directors believe that all the resolutions to be proposed at the AGM are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the AGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ZHONGTAI FUTURES Company Limited

中泰期貨股份有限公司

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

(Stock Code: 01461)

25 May 2023

To the Independent Shareholders

Dear Sir or Madam,

**ASSET MANAGEMENT SERVICES FRAMEWORK AGREEMENT
RISK MANAGEMENT SERVICES FRAMEWORK AGREEMENT
BULK COMMODITIES SALE AND PURCHASE FRAMEWORK AGREEMENT**

We have been appointed by the Board as members of the Independent Board Committee, to advise the Independent Shareholders as to whether the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps are fair and reasonable, details of which are set out in the “Letter from the Board” in the circular dated 25 May 2023 (the “**Circular**”) to the Shareholders. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the advice of Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps as set out in the “LETTER FROM GRAM CAPITAL” in the Circular. Having taken into account the advice of Gram Capital, we are of the view that the terms of the transactions contemplated under the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps have been entered into in the Group’s ordinary and usual course of business and on normal commercial terms, are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions proposed at the AGM to approve the Asset Management Services Framework Agreement, the Risk Management Services Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps.

Yours faithfully,

for and on behalf of the Independent Board Committee

ZHENG Jianping

*Independent Non-executive
Director*

CHEN Hua

*Independent Non-executive
Director*

LUO Xinhua

*Independent Non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

25 May 2023

To: The independent board committee and the independent shareholders
of ZHONGTAI FUTURES Company Limited

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Framework Agreements (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 25 May 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

A. Asset Management Services Framework Agreement

The Company entered into the Asset Management Services Framework Agreement with Shandong Energy on 30 March 2023, and proposed the annual caps for 2023, 2024 and 2025 under the Asset Management Services Framework Agreement. Pursuant to the agreement, (i) Shandong Energy and/or its associates will purchase collective asset management schemes in which the Group acts as the manager; and (ii) the Group (being the asset manager) will invest in financial products of various scopes with the collective asset management schemes, and Shandong Energy and/or its associates would pay relevant asset management fees to the Group. The term of the Asset Management Services Framework Agreement is three years, valid from 1 January 2023 until 31 December 2025.

B. Risk Management Services Framework Agreement

The Company entered into the Risk Management Services Framework Agreement with Shandong Energy on 30 March 2023, and proposed the annual caps for 2023, 2024 and 2025 under the Risk Management Services Framework Agreement. Pursuant to the agreement, the Group will provide derivatives trading services (other than futures trading), including but not limited to OTC options, swap transactions, forward transactions, etc. to Shandong Energy and/or its associates. The term of the Risk Management Services Framework Agreement is three years, valid from 1 January 2023 until 31 December 2025.

LETTER FROM GRAM CAPITAL

C. Bulk Commodities Sale and Purchase Framework Agreement

The Company entered into the Bulk Commodities Sale and Purchase Framework Agreement with Shandong Energy on 30 March 2023, and proposed the annual caps for 2023, 2024 and 2025 under the Bulk Commodities Sale and Purchase Framework Agreement. Pursuant to the agreement, Shandong Energy and/or its associates will sell bulk commodities such as coal and coal chemical related products, steel products and rubber products to the Group, and purchase bulk commodities such as coal and coal chemical related products, and steel products from the Group. The term of the Bulk Commodities Sale and Purchase Framework Agreement is three years, valid from 1 January 2023 to 31 December 2025.

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. ZHENG Jianping, Mr. CHEN Hua and Mr. LUO Xinhua has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the AGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the continuing connected transactions (details of which are set out in the Company's circular dated 28 May 2021).

Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Besides, apart from the advisory fee and expenses payable to us in connection with our aforesaid engagement and this engagement (as the Independent Financial Adviser), there was no arrangement whereby we shall receive any other fees or benefits from the Company.

Having considered the above, in particular (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only independent financial adviser engagement, we are of the view that we are independent to act as the Independent Financial Adviser.

LETTER FROM GRAM CAPITAL

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and/or the Company's management (the "**Management**"). We have assumed that all information and representations that have been provided by the Directors and/or the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and/or the Management in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Directors and/or the Management, which have been provided to us. Our opinion is based on the Directors' and/or the Management's representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Shandong Energy and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Company

With reference to the Board Letter, the Company is principally engaged in commodity futures brokerage, financial futures brokerage, futures asset management and futures investment consultancy.

Information on Shandong Energy

With reference to the Board Letter, Shandong Energy was incorporated in the PRC in December 2010 and mainly engages in coal, coal-fired electricity generation, coal chemical industry, high-end equipment manufacturing, new energy and new materials, modern logistics trade and other businesses.

Shandong Energy is owned by Shandong SASAC, Shandong Guohui Investment Holding Group Co., Ltd.* (山東國惠投資控股集團有限公司) and Shandong Caixin Assets Operation Co., Ltd.* (山東省財欣資產運營有限公司), as to 70%, 20% and 10%, respectively. The ultimate beneficial owner of Shandong Energy is Shandong SASAC.

As at the Latest Practicable Date, Shandong Energy was a controlling shareholder of Zhongtai Securities, indirectly holding approximately 63.10% of the Shares in the Company.

Reasons for and benefits of the Transactions

Detailed reasons for and benefits of entering into the Framework Agreements are set out under sub-sections headed “Reasons for and benefits of the transaction” under sections headed “8. Proposal on entering into the Asset Management Services Framework Agreement with Shandong Energy”, “9. Proposal on entering into the Risk Management Services Framework Agreement with Shandong Energy” and “10. Proposal on entering into the Bulk Commodities Sale and Purchase Framework Agreement with Shandong Energy” of the Board Letter respectively.

As confirmed by the Directors, as the transactions contemplated under the Framework Agreements will be entered into in the ordinary and usual course of business of the Group and on a frequent basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary. Accordingly, the Directors are of the view that the transactions contemplated under the Framework Agreements will be beneficial to the Company and the Shareholders as a whole.

Having considered the above, we concur with the view of the Directors that the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

LETTER FROM GRAM CAPITAL

A. ASSET MANAGEMENT SERVICES FRAMEWORK AGREEMENT

Principal terms of the transactions contemplated under the Asset Management Services Framework Agreement

Set out below are the key terms of the transactions contemplated under the Asset Management Services Framework Agreement, details of which are set out under the section headed “Proposal on entering into the Asset Management Services Framework Agreement with Shandong Energy” of the Board Letter.

Date: 30 March 2023

Parties: Shandong Energy
the Company

Principal terms: In the ordinary and usual course of their business, Shandong Energy and/or its associates purchase collective asset management schemes in which the Group acts as the manager. Being the asset manager, the Group will invest in financial products of various scopes marketed by the Group, Shandong Energy or independent third parties with the collective asset management schemes, and Shandong Energy and/or its associates would pay asset management fees to the Group.

Pricing terms

- (i) The asset management fees charged by the Group as the manager of the collective asset management schemes are calculated by multiplying the investment amounts of Shandong Energy and/or its associates in the collective asset management schemes with the asset management fees rate; and
- (ii) For collective asset management schemes, the asset management fees rate as stipulated in the collective asset management contracts is applicable to other investors participating in such schemes equally and evenly, including Shandong Energy and/or its associates and any other independent third party investor participants. Such asset management fees rate is also comparable to, or no less favorable to the Group than, the asset management fees rate charged by the Group on any other independent third party for other similar asset management schemes.

As the asset management fees rate as stipulated in the collective asset management contracts is applicable to all investors participating in such schemes equally and evenly, including Shandong Energy and/or its associates and any other independent third party investor participants, we consider the pricing terms under the Asset Management Services Framework Agreement are fair and reasonable.

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As also confirmed by the Management, other terms offered by the Group under the same collective asset management scheme applicable to all investors participating in such scheme equally and evenly.

With reference to the Board Letter, the Company would strive to exercise stringent monitoring over the transaction amounts and annual caps of the Asset Management Services Framework Agreement to ensure that necessary measures and appropriate actions can be timely taken in order to comply with the requirements of the Listing Rules. The Company has adopted certain internal management procedures to ensure that the transactions contemplated under the Asset Management Services Framework Agreement are fair and reasonable and are entered into on normal commercial terms. Details of the internal control procedures are set out under the section headed “Internal Control Procedures and Corporate Governance Measures” of the Board Letter. We consider that the effective implementation of the internal control procedures would ensure the fair pricing under the Asset Management Services Framework Agreement.

Proposed annual caps

Set out below are the maximum daily amount of collective asset management schemes purchased by Shandong Energy and/or its associates from the Group, and the maximum annual asset management fees to be paid by them for the three years ending 31 December 2025:

	For the year ending 31 December 2023 RMB'000	For the year ending 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000
The maximum daily amount invested for purchase of asset management schemes by Shandong Energy and/or its associates from the Company	800,000	1,000,000	1,200,000
Asset management fees (based on the asset management fees rate of 1.5%) received from Shandong Energy and/or its associates	12,000	15,000	18,000

Details of the basis of the proposed annual caps for transactions contemplated under the Asset Management Services Framework Agreement the three years ending 31 December 2025 are set out in the Board Letter.

With reference to the Board Letter, the historical transaction amounts of the asset management services provided by the Group to Shandong Energy and/or its associates for the three years ended 31 December 2022 were nil.

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As advised by the Management, they mainly took into account the possible demand of asset management services from Shandong Energy and Zhongtai Securities. In this regard, we conducted the following analyses:

- Based on the financial statements of Shandong Energy for FY2022, Shandong Energy group recorded cash for investment (投資支付的現金) of approximately RMB48,135 million for FY2022.

We also noted from the financial statements of Zhongtai Securities for FY2022, Zhongtai Securities group recorded cash for investment (投資支付的現金) of approximately RMB5,699 million for FY2022.

According to the financial statements, Zhongtai Securities recorded financial assets measured at fair value (以公允價值計量的金融資產) of approximately RMB77,505 million as at the beginning of 2022 and approximately RMB65,469 million as at the end of 2022, of which 券商資管產品 (Securities Firms Asset Management Products*) was approximately RMB997 million as at the beginning of 2022 and approximately RMB453 million as at the end of 2022, which was mainly due to the Group's sale/redemption of 券商資管產品 (Securities Firms Asset Management Products*) with amount of approximately RMB530 million. As advised by the Management, they expected that the nature of collective asset management products to be purchased by Zhongtai Securities group would be similar to Zhongtai Securities' 券商資管產品 (Securities Firms Asset Management Products*). Therefore, the Management considered that the size of Zhongtai Securities' 券商資管產品 (Securities Firms Asset Management Products*) indicated the possible demand of collective asset management products of the Group and 券商資管產品 (Securities Firms Asset Management Products*) of other securities firms.

- As advised by the Management, the estimated maximum daily amount to be invested for the purchase of asset management schemes by Shandong Energy and/or its associates from the Company for FY2023 was also determined with reference to (i) the amount of asset management products held by Zhongtai Securities for the three years ended 31 December 2022; and (ii) an assumption of 10% of amounts in (i) to be purchased by Zhongtai Securities group from the Company.

Based on Zhongtai Securities' annual reports for FY2020, FY2021 and FY2022, our discussion with the Management and information available to the Management, Zhongtai Securities held asset management products from members of Zhongtai Securities of approximately RMB8 billion in average as at the end of the aforesaid periods.

We further noted from Zhongtai Securities' announcement dated 31 March 2023 in relation to its daily connected transaction that Zhongtai Securities will provide asset management services to its connected persons (including Shandong Energy and its related enterprises) with maximum amount being not more than 10% of revenue generated from such business. As the Company is a subsidiary of Zhongtai Securities (according to Zhongtai Securities' annual report for FY2022), we consider the Company's assumption of abovementioned 10% to be justifiable.

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Based on the above factors, we are of the view that the maximum daily amount invested for purchase of asset management schemes by Shandong Energy and/or its associates from the Company for FY2023 is fair and reasonable.

According to the above table, the maximum daily amounts invested for purchase of asset management schemes by Shandong Energy and/or its associates from the Company for FY2024 and FY2025 represented increases of 25% and 20% as compared to that for FY2023 and FY2024 respectively. According to the financial statement of Shandong Energy for FY2022, its consolidated cash for investment (投資支付的現金) for FY2022 was approximately 29% more than that for FY2021. Therefore, we consider the abovementioned increases of 25% and 20% to be justifiable.

Accordingly, we consider the maximum daily amounts invested for purchase of asset management schemes by Shandong Energy and/or its associates from the Company for FY2024 and FY2025 are fair and reasonable.

We further noted that the proposed annual caps in respect of annual management fees represented 1.5% of the maximum daily amounts invested for purchase of asset management schemes by Shandong Energy and/or its associates from the Company for each of the three years ending 31 December 2025. As advised by the Management, based on their understanding, annual management fee rates charged by other asset management service provider for similar products ranged from approximately 1% to 2%. In addition, we also obtained a collective asset management scheme in which the Group acted as the manager. According to the scheme, the estimated annual management fee rate of 1.5% is close to the asset management fee rate according to the scheme. Therefore, we consider the estimated annual management fee rate is reasonable.

Accordingly, we consider the proposed annual caps in respect of annual management fees for the three years ending 31 December 2025 to be fair and reasonable.

Shareholders should note that as the proposed annual caps for the three years ending 31 December 2025 are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenue/cost to be recorded/incurred from the transactions contemplated under the Asset Management Services Framework Agreement. Consequently, we express no opinion as to how closely the actual revenue/cost to be recorded/incurred from the transactions contemplated under the Asset Management Services Framework Agreement will correspond with the proposed annual caps for the three years ending 31 December 2025.

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B. RISK MANAGEMENT SERVICES FRAMEWORK AGREEMENT

Set out below are the key terms of the Risk Management Services Framework Agreement, details of which are set out under the section headed “Proposal on the Risk Management Services Framework Agreement with Shandong Energy” of the Board Letter.

Date: 30 March 2023

Parties: Shandong Energy and the Company

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

Pricing terms:

With reference to the Board Letter, Shandong Energy and/or its associates enter(s) into derivative transactions with the Group. As a derivative dealer, the Group adheres to the principle of fairness and justice, and tries to ensure the terms and prices of derivative transactions are fair and reasonable, based on fair market value and through arms' length negotiation with Shandong Energy and/or its associates and with reference to the same type of transactions in the derivative market.

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Among them:

- In OTC option transactions, the premium is determined based on the market conditions and liquidity level, with reference to the prices quoted by our peers and the market volatility parameters provided by third-party information providers.
- In swap transactions and forward transactions, fixed/floating prices (income) and forward transaction prices are determined based on factors such as fair market value of the underlying asset and market costs, etc.

As further advised by the Management, Black Scholes Merton Model and Monte-Carlo Model are used to evaluate OTC options, which are commonly used models to estimate the fair value of OTC options. We discussed with the deputy general manager of over-the-counter derivatives department of the Company's subsidiary, who will be mainly responsible for the Group's the OTC derivatives business, and understood Black Scholes Merton Model and Monte-Carlo Model applied to pricing of OTC options transactions between the Company and its counterparty (including independent third parties and Shandong Energy and/or its associates). As also confirmed by the Management, the mechanisms in the determination of swaps and forward were the same in all relevant swaps or forward transactions regardless of the counterparties' identities. Therefore, we are of the view that the pricing terms under the Risk Management Services Framework Agreement are fair and reasonable.

With reference to the Board Letter, the Company would strive to exercise stringent monitoring over the transaction amounts and annual caps of the Risk Management Services Framework Agreement with Shandong Energy to ensure that necessary measures and appropriate actions can be timely taken in order to comply with the requirements of the Listing Rules. In order to ensure that the abovementioned continuing connected transactions are fair and reasonable and on normal commercial terms, the Company has adopted the internal control procedures. Details of the internal control procedures are set out under the section headed "Internal Control Procedures and Corporate Governance Measures" of the Board Letter. We consider that the effective implementation of the internal control procedures would ensure the fair pricing under the Risk Management Services Framework Agreement.

LETTER FROM GRAM CAPITAL

Proposed annual caps

Set out below are (i) the annual nominal principal amount of the derivatives trading between the Group and Shandong Energy and/or its associates during the three years ended 31 December 2022; and (ii) the maximum aggregate annual amount of nominal principal received or paid for derivatives trading between the Group and Shandong Energy and/or its associates for the three years ending 31 December 2025.

	For the year ended 31 December 2020 ("FY2020") RMB'000	For the year ended 31 December 2021 ("FY2021") RMB'000	For the year ended 31 December 2022 ("FY2022") RMB'000
Nominal principal of derivatives trading between the Group and Shandong Energy and/or its associates	4,768,726.7	5,292,233.1	1,020,530.6
	For the year ending 31 December 2023 ("FY2023") RMB'000	For the year ending 31 December 2024 ("FY2024") RMB'000	For the year ending 31 December 2025 ("FY2025") RMB'000
Nominal principal of derivatives trading between the Group and Shandong Energy and/or its associates	7,000,000	8,000,000	9,000,000

Details of the basis of the proposed annual caps for proposed annual caps under Risk Management Services Framework are set out in the Board Letter. We further understood from the Management that in addition to the bases as set out in the Board Letter, the Management also considered the historical transaction amounts for the two years ended 31 December 2021 and the recent market conditions of the OTC derivatives market.

We noted from the above table that the size of nominal principal of derivatives trading between the Group and Shandong Energy and/or its associates from FY2020 to FY2021 moved in an increasing trend, but significantly decreased from FY2021 to FY2022. As advised by the Management, the aforesaid significant decrease was mainly due to the personnel changes in derivatives related business of Shandong Energy's associate in 2022, affecting the derivatives related business operation of the associate in the corresponding period. As also advised by the Management, the aforesaid change of personnel was solved and the affected business operation was recovered as at the Latest Practicable Date. Based on the aforesaid, we concur with the Management that the determination of proposed annual caps by making reference to the historical amounts for the two years ended 31 December 2021 instead of the historical amounts for FY2022 is appropriate.

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The proposed annual cap for FY2023 represented an annual growth of approximately 15% as compared to the historical transaction amounts for FY2021; whereas the proposed annual caps for FY2024 and FY2025 represented increases of approximately 14% and 13% respectively as compared to the proposed annual caps for FY2023 and FY2024. To assess the fairness and reasonableness of the aforesaid increases, we conducted the following analyses:

- As stated in the Board Letter, with the gradual recovery of economic activities following the end of the pandemic, the Company's derivatives trading business is expected to maintain a relatively high growth rate. In addition, the Company is keen on acting out the "One ZHONGTAI in Union" concept to increase synergy with Zhongtai Securities. Further growth of the scale of derivatives trading such as OTC options, swaps and forwards with Zhongtai Securities in the future is anticipated.
- The historical transaction amounts for FY2021 represented an increase of approximately 11% as compared to that for FY2020.
- As advised by the Management, as the derivatives trading business of risk management companies in the PRC grew substantially in 2022, they expected business needs of risk management of Shandong Energy and/or its associates will also increase. Therefore, the size of derivatives trading with Shandong Energy and/or its associates will also increase accordingly.

We noted from《風險管理公司試點業務情況報告》(Report on the Pilot Business of Risk Management Companies*) (i) for December 2021 published in January 2022; and (ii) for December 2022 published in January 2023, that the newly-added nominal principal of risk management companies' OTC business (comprising option, forward and swap) for FY2022 increased by approximately 25% on a year-on-year basis.

As also advised by the Management, the newly-added nominal principal of the Company's OTC derivatives business for FY2022 increased by approximately 20% on a year-on-year basis.

Based on the above, we are of the view that the above annual growths of approximately 15%, 14% and 13% are fair and reasonable. Accordingly, we consider that the proposed annual caps for the three years ending 31 December 2025 are fair and reasonable.

Shareholders should note that as the proposed annual caps for the three years ending 31 December 2025 are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenue/cost to be recorded/incurred from the transactions contemplated under the Risk Management Services Framework Agreement. Consequently, we express no opinion as to how closely the actual revenue/cost to be recorded/incurred from the transactions contemplated under the Risk Management Services Framework Agreement will correspond with the proposed annual caps for the three years ending 31 December 2025.

LETTER FROM GRAM CAPITAL

C. BULK COMMODITIES SALE AND PURCHASE FRAMEWORK AGREEMENT

Set out below are the key terms of the Bulk Commodities Sale and Purchase Framework Agreement, details of which are set out under the section headed “Proposal on the Bulk Commodities Sale and Purchase Framework Agreement with Shandong Energy” of the Board Letter.

Date: 30 March 2023

Parties: Shandong Energy
the Company

Principal terms: In the Group’s ordinary and usual course of business, Shandong Energy and/or its associates sell bulk commodities such as coal and coal chemical related products, steel products, rubber products to the Group and receive a consideration; purchase bulk commodities such as coal and coal chemical related products and steel products from the Group and pay a consideration.

Pricing terms:

For the sale and purchase of bulk commodities between the Company and Shandong Energy and/or its associates, the prices are arrived at based on the fair value in the market after arm’s length negotiation and with reference to comparable prices of similar products sold by independent third parties in the local market in order to ensure that the prices and terms are fair and reasonable.

Having considered that (i) the prices will be arrived at based on the fair value in the market and with reference to comparable prices of similar products sold by independent third parties; (ii) various departments of the Group will be involved in the determination of actual prices of products; (iii) the prices and terms offered by Shandong Energy and/or its associates to the Group are fair, reasonable and are no less favorable to the Group than those offered by independent third parties; and (iv) the prices and terms offered to Shandong Energy and/or its associates by the Group are fair, reasonable and are no less favorable to the Group than those offered to independent third parties, we are of the view that the pricing terms under the Bulk Commodities Sale and Purchase Framework Agreement are fair and reasonable.

With reference to the Board Letter, the Company would strive to exercise stringent monitoring over the transaction amounts and respective annual caps of the Bulk Commodities Sale and Purchase Framework Agreement with Shandong Energy to ensure that necessary measures and appropriate actions can be timely taken in order to comply with the requirements of the Listing Rules. In order to ensure that the abovementioned continuing connected transactions are fair and reasonable and on normal commercial terms, the Company has adopted the internal control procedures. Details of the internal control procedures are set out under the section headed “Internal Control Procedures and Corporate Governance Measures” of the Board Letter. Having considered that there will be price quotations procedures; and evaluation and approval procedures, we consider that the effective implementation of the internal procedures would ensure the fair pricing under the Bulk Commodities Sale and Purchase Framework Agreement.

LETTER FROM GRAM CAPITAL

Proposed annual caps

Set out below are (i) the historical transaction amounts of sales/purchase of bulk commodities by Shandong Energy and/or its associates to/from the Group for the three years ended 31 December 2022; and (ii) proposed annual caps of sales/purchase of bulk commodities by Shandong Energy and/or its associates to/from the Group for the three years ending 31 December 2025:

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>
Transaction amount of sales of bulk commodities by Shandong Energy and/or its associates to the Group	Nil	Nil	22,997.8
Transaction amount of purchases of bulk commodities by Shandong Energy and/or its associates from the Group	Nil	13,868.9	102,014.6
	For the year ending 31 December 2023 <i>RMB'000</i>	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>
Transaction amount of sales of bulk commodities by Shandong Energy and/or its associates to the Group	160,000	240,000	320,000
Transaction amount of purchases of bulk commodities by Shandong Energy and/or its associates from the Group	250,000	375,000	500,000

Details of the basis of the proposed annual caps of transactions contemplated under the Bulk Commodities Sales and Purchase Framework Agreement are set out in the Board Letter.

Sales of bulk commodities by Shandong Energy and/or its associates to the Group

We noted that the transactions in respect of the sale of bulk commodities by Shandong Energy and/or its associates to the Group were nil, nil and approximately RMB23.0 million for the three years ended 31 December 2022. However, the proposed annual caps of the sales of bulk commodities by Shandong Energy and/or its associates to the Group for FY2023 was approximately six times more than the historical amounts for FY2022.

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As advised by the Management, the products under the transactions in respect of the sale of bulk commodities by Shandong Energy and/or its associates to the Group included coal and steel products, both of which were expected as major products under the aforesaid transactions.

The Management initially intended to determine the proposed annual caps with reference to the historical amounts of the sale of coal and steel products by all suppliers to the Group for the three years ended 31 December 2022.

However, for coal products, the Group only commenced the trading of coal in FY2021. Therefore, the Management could only make reference to the historical transaction amounts of the sale of coal by all suppliers to the Group for FY2021 and FY2022.

For steel products, after considering that the COVID-19 Pandemic prevention and control period in FY2022, the Management only make reference to the historical transaction amounts of the sale of steel products by all suppliers to the Group for FY2020 and FY2021.

According to the trading statistics of coal and steel products provided by the Management, the Group recorded an increase of approximately 233% in the sale quantity of coal by all suppliers to the Group from FY2021 to FY2022; and an increase of approximately 441% in the sale quantity of steel products by all suppliers to the Group from FY2020 to FY2021.

Upon our further request, the Management provided us historical trading price index of coal and steel products (which were generally made reference to by the business department of the Group when they conducted commodities trading) for FY2020, FY2021 and FY2022. According to the historical trading price index, the maximum increase in (a) average annual trading price of coal for FY2021 to FY2022 was approximately 21%; and (b) average annual trading price of steel products for FY2020 to FY2021 was approximately 40%.

Having considered 1) the change of historical volume of sale of coal and steel products by all suppliers to the Group; 2) the historical trading prices of coal and steel products; and 3) coal and steel products were expected as major products under the Bulk Commodities Sale and Purchase Framework Agreement, we are of the view that the proposed annual cap regarding the sales of bulk commodities by Shandong Energy and/or its associates to the Group for FY2023 is fair and reasonable.

According to the above table, the proposed annual caps regarding the sales of bulk commodities by Shandong Energy and/or its associates to the Group for FY2024 and FY2025 represented increases of 50% and approximately 33% as compared to those for FY2023 and FY2024 respectively.

LETTER FROM GRAM CAPITAL

As advised by the Management, they assumed that the trading amounts of coal and steel would increase for FY2024 and FY2025 as compared to previous years. One of the factors which may cause the aforesaid increase in trading amounts of coal and steel is the possible increase in trading prices of the aforesaid products. Having considered the abovementioned figures (i.e. the maximum increase in (a) average annual trading price of coal for FY2021 to FY2022 was approximately 21%; and (b) average annual trading price of steel products for FY2020 to FY2021 was approximately 40%), we consider the increases in proposed annual caps for FY2024 and FY2025 are justifiable. Accordingly, we consider the proposed annual cap regarding the sales of bulk commodities by Shandong Energy and/or its associates to the Group for FY2024 and FY2025 are fair and reasonable.

Purchases of bulk commodities by Shandong Energy and/or its associates from the Group

We noted that the transactions in respect of the purchases of bulk commodities by Shandong Energy and/or its associates from the Group were nil, RMB13.9 million and RMB102.0 million for the three years ended 31 December 2022. However, the proposed annual caps of the purchases of bulk commodities by Shandong Energy and/or its associates from the Group for FY2023 was approximately 145% more than the historical amounts for FY2022.

As advised by the Management, the products under the transactions in respect of the purchases of bulk commodities by Shandong Energy and/or its associates from the Group included coal and steel products, both of which were expected as major products under the aforesaid transactions. Having considered the historical trading volume and market conditions of coal and steel products as mentioned above, the Management only make reference to the historical transaction amounts of the purchase of coal by all purchasers from the Group for FY2021 and FY2022; and historical transaction amounts of the purchase of steel products by all purchasers from the Group for FY2020 and FY2021 for the determination of proposed annual caps relating the purchases of bulk commodities by Shandong Energy and/or its associates from the Group for the three years ending 31 December 2025.

According to the trading statistics of coal and steel products provided by the Management, the Group recorded an increase of approximately 233% in the purchase quantity of coal by all purchasers from the Group from FY2021 to FY2022; and an increase of approximately 250% in the purchase quantity of steel products by all purchasers from the Group from FY2020 to FY2021.

As mentioned above, according to the historical trading price index, the maximum increase in (a) average annual trading price of coal for FY2021 to FY2022 was approximately 21%; and (b) average annual trading price of steel products for FY2020 to FY2021 was approximately 40%.

Having considered (i) the change of historical volume of purchase of coal and steel products by all purchasers from the Group; (ii) the historical trading prices of coal and steel products; and (iii) coal and steel products were expected as major products under the Bulk Commodities Sale and Purchase Framework Agreement, we are of the view that the proposed annual cap regarding the purchase of bulk commodities by Shandong Energy and/or its associates from the Group for FY2023 is fair and reasonable.

LETTER FROM GRAM CAPITAL

According to the above table, the proposed annual caps regarding the purchases of bulk commodities by Shandong Energy and/or its associates from the Group for FY2024 and FY2025 represented increases of 50% and approximately 33% as compared to those for FY2023 and FY2024 respectively.

As advised by the Management, they assumed that the trading amounts of coal and steel would increase for FY2024 and FY2025 as compared to previous years. One of the factors which may cause the aforesaid increase in trading amounts of coal and steel is the possible increase in trading prices of the aforesaid products. Having considered the abovementioned figures (i.e. the maximum increase in (a) average annual trading price of coal for FY2021 to FY2022 was approximately 21%; and (b) average annual trading price of steel products for FY2020 to FY2021 was approximately 40%), we consider the changes in proposed annual caps for FY2024 and FY2025 are justifiable. Accordingly, we consider the proposed annual caps regarding the purchase of bulk commodities by Shandong Energy and/or its associates from the Group for FY2024 and FY2025 are fair and reasonable.

Shareholders should note that as the proposed annual caps for the three years ending 31 December 2025 are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenue/cost to be recorded/incurred from the transactions contemplated under the Bulk Commodities Sale and Purchase Framework Agreement. Consequently, we express no opinion as to how closely the actual revenue/cost to be recorded/incurred from the transactions contemplated under the Bulk Commodities Sale and Purchase Framework Agreement will correspond with the proposed annual caps for the three years ending 31 December 2025.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of transactions contemplated under the Framework Agreements must be restricted by their respective proposed annual caps for the period concerned under the Framework Agreements; (ii) the terms of transactions contemplated under the Framework Agreements (including their respective proposed annual caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the transactions contemplated under the Framework Agreements must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the transactions contemplated under the Framework Agreements (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing terms of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps.

LETTER FROM GRAM CAPITAL

In the event that the total amounts of the transactions contemplated under the Framework Agreements are anticipated to exceed the annual caps, or that there are any proposed material amendment to the terms of the Framework Agreements, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Framework Agreements and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the AGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purpose only*

NOTICE OF ANNUAL GENERAL MEETING



ZHONGTAI FUTURES Company Limited

中泰期貨股份有限公司

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

(Stock Code: 01461)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that 2022 annual general meeting (the “**AGM**”) of ZHONGTAI FUTURES Company Limited (the “**Company**”) will be held by way of on-site meeting at Conference Room 1616, 16/F Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the People's Republic of China (the “**PRC**”) at 9:30 a.m. on Thursday, 15 June 2023 for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the proposal on the work report of the board of directors for the year 2022;
2. To consider and approve the proposal on the work report of the supervisory committee for the year 2022;
3. To consider and approve the proposal on the annual report for the year 2022;
4. To consider and approve the proposal on the final financial accounts for the year 2022;
5. To consider and approve the proposal on the profit distribution plan for the year 2022;
6. To consider and approve the proposal on the financial budgets for the year 2023;
7. To consider and approve the proposal on the appointment of the accounting firms for the year 2023;
8. To consider and approve the proposal on entering into the asset management services framework agreement with Shandong Energy Group Co., Ltd.;

NOTICE OF ANNUAL GENERAL MEETING

9. To consider and approve the proposal on entering into the risk management services framework agreement with Shandong Energy Group Co., Ltd.; and
10. To consider and approve the proposal on entering into the bulk commodities sale and purchase framework agreement with Shandong Energy Group Co., Ltd.

SPECIAL RESOLUTION

11. To consider and approve the proposal on the general mandate to issue domestic shares and H shares.

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

Jinan, the PRC, 17 May 2023

Notes:

1. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by poll. As such, each of the resolutions set out in the notice of AGM will be voted by poll. After the closure of the AGM, results of the poll voting will be published on the Company's website at www.ztqh.com and the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.
2. Any shareholder of the Company (the "Shareholder") entitled to attend and vote at the AGM is entitled to appoint one proxy or more proxies to attend and vote at the meeting instead of him/her. A proxy need not be a Shareholder.
3. In order to be valid, the form of proxy together with the notarized power of attorney or other documents of authorization, if any, must be completed and returned to the Board's office of the Company (for holders of domestic shares) or the H share registrar of the Company, Computershare Hong Kong Investor Services Limited (for holders of H shares), not less than 24 hours before the time appointed for holding the AGM (i.e. before 9:30 a.m. on Wednesday, 14 June 2023) or any adjournment thereof. The address of Board's office of the Company is Room 1608, 16/F Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the AGM or any adjournment thereof should he/she so wish.
4. For the purpose of determining the entitlements of the Shareholders to attend and vote at the AGM and their entitlement to the final dividend for 2022, the register of members of the Company will be closed respectively from Tuesday, 16 May 2023 to Thursday, 15 June 2023, both days inclusive, and from Thursday, 22 June 2023 to Wednesday, 28 June 2023, both days inclusive, during which no transfers of shares shall be effected. Shareholders whose names appear on the Company's register of members on Thursday, 15 June 2023 will be entitled to attend and vote at the AGM, and Shareholders whose names appear on the Company's register of members on Wednesday, 28 June 2023 will be entitled to receive the final dividend for 2022.

In order for holders of H shares of the Company to qualify for attending and voting at the AGM, share transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 15 May 2023. In order for holders of H shares of the Company to qualify for receiving the final dividend for 2022 subject to the approval of Shareholders at AGM, share transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company at the aforementioned address, no later than 4:30 p.m. on Wednesday, 21 June 2023.

NOTICE OF ANNUAL GENERAL MEETING

5. In case of joint holders of any shares, the one whose name stands first in the register of members of the Company shall be entitled to attend and vote at the AGM in respect of such shares.

6. Below is the principal place of business of the Company in the PRC:

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

Tel: +86-531-81678629

Fax: +86-531-81916777

Below is the contact of Computershare Hong Kong Investor Services Limited, the H share registrar of the Company:

17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Tel: +852-28628555

Fax: +852-28650990

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

ZHONGTAI FUTURES COMPANY LIMITED
WORK REPORT OF THE BOARD OF DIRECTORS FOR 2022

In 2022, due to the combination of the drastic changes and the Covid-19 epidemic (the “**Pandemic**”) in the world that were rarely seen in one century as well as the geopolitics tensions, the global economy faced an intensifying downside risk. The development environment has become more complex, sever and uncertain as a result of persistent development in demand contraction, supply shock and weaker expectation of domestic economy. Despite the challenging international environment and the tough tasks of domestic reform, development and stability, the state has intensified macro-control and effectively coped with the shock from unexpected factors. Thus, the overall macro-economy remained stable on the whole, with a further step towards high-quality development. In 2022, the “Futures and Derivatives Law” was officially promulgated for implementation and Guangzhou Futures Exchange commenced operation, starting a new chapter in the high-quality development of China’s futures market. China’s futures market went smoothly. Chinese exchanges were in the leading places of the world’s ranking in terms of trading volume and number of varieties of commodity futures. Meanwhile, in 2022, due to multiple factors such as the geopolitics, the Pandemic and the efforts to guarantee supply and stabilize prices, the cumulative trading volume and the cumulative turnover in the Chinese futures market decreased by 9.93% and 7.96% as compared with last year, respectively; Operating income of futures companies decreased by 18.81% as compared with last year.

In 2022, the Company continued deepening of reform and innovation to push transformation of business, implemented the twin-wing development strategy of “organic growth + epitaxial growth”, adhered to benchmarking against outperformers and acting out its words in all aspects, enhanced talent development, strengthened business development, enhanced professional service ability and core competitiveness, continuously strengthened the construction of compliance and risk control system. By doing so, the Company made achievements in all rounds, and our major operating indicators grew faster than our peers, advancing our rankings forward. On a consolidation basis, the total assets of the Company as at the end of the period amounted to RMB28,859 million, representing a year-on-year increase of 39.54%; Shareholders’ equity attributable to the parent company was RMB2,442 million, representing a year-on-year increase of 7.02%; the operating revenue for the year was RMB2,448 million, representing a year-on-year increase of 8.56%; net profit attributable to shareholders of the parent company was RMB166 million, representing a year-on-year decrease of 11.94%. In 2022, the Company’s accumulative trading volume of futures increased by 5.08% as compared with last year, with an increase of 0.2 percentage point in the market share. The accumulative turnover increased by 18.25% as compared with last year with an increase of 0.36 percentage point in the market share. The Company’s end-of-period client equity amounted to RMB25,435 million, ranking 16th in the industry, up by three places from 2021. The fee income for the year amounted to RMB361 million, ranking 20th in the industry, up by five places from 2021.

I. MAJOR WORK OF THE BOARD OF DIRECTORS IN 2022

In 2022, in the light of the principles of being accountable to the Company and the shareholders as a whole, the Board strictly observed its duties, and effectively performed each of its functions and powers conferred upon by the general meetings, and implemented all the resolutions passed at the general meetings, diligently and conscientiously carried out various activities, safeguarded the legitimate rights and interests of the Company and Shareholders, supervised and guided the management in organising and implementing the resolutions and decisions of the Board, and effectively guaranteed the timely implementation of major business management issues. In 2022, the Board convened 16 meetings to consider and approve 57 proposals. Three general meetings of shareholders were held to consider 17 proposals; the special committees of the Board convened 14 meetings, which provided strong professional support for the decision-making of the Board. Over the past year, the Board of the Company primarily carried out the following activities:

(1) Timely changed the members of the Board and special committees of the Board

In order to give full play to the professional advantages of the Board and the special committees of the Board, and improve the quality and efficiency of decision-making, the Company changed the members of the third session of the Board and the special committees of the Board of the Company in a timely manner in accordance with the relevant laws, regulations, regulatory requirements, including the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the requirements of the Articles of Association. Accordingly, Mr. ZHENG Hanyin, Mr. CHEN Hua and Mr. LUO Xinhua were appointed respectively to perform the duties as Directors and members of relevant committees of the Board instead of Mr. LIU Xinyi, Mr. GAO Zhu and Mr. WANG Chuanshun who lost office due to change of job or expiry of their terms of office.

(2) Seized opportunities to promote the Company's high quality development

The Board of Directors of the Company supervised and guided the senior management to implement the resolutions and decisions of the Board of Directors, actively supported the senior management of the Company to perform their duties, leading to significant improvement of the quality and effectiveness of the operation and management of the Company, and acceleration of transformation and upgrading of the Company. The growth rate of major operating indicators was faster than that of our peers, thus achieving the advance in rankings. Firstly, in order to action out the concept of "ONE ZHONGTAI IN UNION", it completed various tasks of changing the company name to "ZHONGTAI FUTURES Company Limited" and started a new journey of reform, innovation and development of the Company; secondly, it pushed the "talent-aided empowering" strategy, leading to increases in both headcount and efficiency; thirdly, it implemented the regional breakthrough strategy to optimize the business layout; fourthly, it strengthened the quality improvement and promotion of research service products to enhance its professional service capabilities; fifthly, it forced the implementation of the mechanism "supervise in pace and along with power exercise in the same direction (三同)" to increase business collaboration between the parent company and the subsidiary; sixthly, it held to the goal of zero penalty points in compliance and risk control, and continued to improve the effectiveness of the Company's compliance and risk control system; seventhly, it integrated party building with operation in a rational manner, and the efficiency of party building work has been continuously improved.

(3) Continuously optimized the organizational structure, implemented the regional breakthrough strategy and improved the management efficiency of the Company

Firstly, a strategic customer and business collaboration department was established to further enhance the Company's service capability and business stickiness towards strategic customers, and to strengthen business collaboration between the parent company and the subsidiary; secondly, the Fin-Technology management headquarters was established through integration to actively promote the innovation and development of the Company's financial technology; thirdly, approval was given for establishing Institutional Business Development Department 1, 2 and 3, setting up new branches in Beijing, Xiamen and Hangzhou, and the six sales offices in Qingdao, Shenzhen, Ningbo, Wenzhou, Changsha and Guangzhou were upgraded to branches, which effectively promoted the implementation of the regional breakthrough strategy of "deeply exploring the potential in Shandong, expanding our footprints in Beijing and establishing strong presence in Southern China". This strategy worked very well with a growth of our market share of client's equity in the major regions in 2022.

(4) Continuously implemented the "talent-aided empowering" strategy

In 2022, the Company focused on strengthening the construction of business teams, and among the net increases of employees, the front office represents nearly 90% of those in the middle and front office. Enhanced version of "Three Ones" talent development project was effective. There is a significant increase in the percentage of staff of operating entities. Efficiency increased along with growing headcount. Meanwhile, we have strengthened the training and selection of cadres and increased the proportion of cadres above master degrees aged 35 or below. The cadres and employees who were deemed incompetent in positions in the performance appraisal and cadre evaluation were removed and eliminated. Thus a cadre team and staff team structure was further optimized, shaping a good talent selection and recruitment culture in which "major roles and functions shall be assumed by outstanding people instead of those of general or limited merits (能者上、平者讓、庸者下)".

(5) Continuously improved the corporate governance system

In order to continuously optimise corporate governance and establish and improve a modern corporate management system, in accordance with relevant domestic and overseas laws and regulations and regulatory requirements, and taking into account the needs of corporate governance, amendments were made to more than ten basic systems, including the Articles of Association, the Rules of Procedures for General Meeting, the Rules of Procedure for the Board of Directors, the Rules of Procedures for the General Manager Office Meeting as well as the list of matters to be considered and the Terms of Reference of Remuneration and Appraisal Committee of the Board, to ensure that the governing bodies of the Company exercise their functions and powers and discharge their duties in accordance with the laws, and enhance the quality of decision-making and efficiency of deliberations. This further perfected the institutional foundation of corporate governance.

(6) Formulated the Company’s “14th Five-Year Plan”

In order to solidly follow out Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the important statements and instructions made by Xi Jinping, the General Secretary of CPC Central Committee during his visit to Shandong Province, and the Strategic decision-making and deployment of our higher-level party committees, the the Company formulated the “14th Five-Year Plan” in line with development trend of futures industry and so as to build a first-class modern financial enterprise with loyal, lawful, innovative and harmonious people, and continue to create more value for Shareholders and customers. This plan has been considered and approved at the 35th meeting of the third session of the Board of Directors of the Company. The “14th Five-Year Plan” clarified the strategic direction, strategic objectives and specific strategic measures, etc of the Company.

(7) Devoted more efforts to compliance and risk control management, and improved the comprehensive, efficient and effective compliance and risk control system

The Board has unswervingly adhered to the goal of zero deduction for compliance and risk control, adhered to the principle of “supervision-orientation and problem-orientation”, exercised targeted compliance and risk control management in key business on a on-going basis to expand the scope of control and make the control more tailored. Firstly, it held fast to the compliance red line, vigorously promoted the concept of “compliance and risk control first”, continuously forced the construction of a compliance culture, effectively improved the development of systems of the Company, strengthen prevention prior facts, control in the process and finding accountability after facts to ensure the sustainable and healthy development of the Company; secondly, it strengthened risk prevention, continuously improved a multi-level risk control mechanism under which various levels are mutually connected to provide effective checks and balances among them, and to promote the transition of risk management from using qualitative tools to using quantitative tools, and to ensure that the overall risks of the Company are measurable, controllable and bearable; thirdly, an effective risk management was carried out at the group level by establishing a risk management system, regular inspecting and supervising, and strengthening hierarchical authorization and approval, exercising penetration management of each subsidiary, especially the risk management subsidiary, effectively improving the compliance and risk control effectiveness of the subsidiaries; fourthly, the Company continuously improved the money laundering risk management, adhered to the risk-based approach, and formulated three anti-money laundering systems, including the “Basic System for Money Laundering Risk Management”, optimized and upgraded the anti-money laundering monitoring system, made a major breakthrough in the monitoring and reporting of suspicious transactions, and effectively improved the quality and effectiveness of the Company’s anti-money laundering work.

(8) Implemented the profit distribution plan for the year 2021

Taking into account the long-term interests of the Company, the overall interests of all shareholders and the Company’s plan for future development, the Board actively implemented the cash dividend policy to repay shareholders practically and effectively safeguard the Shareholders’ interests. In 2022, pursuant to the resolutions of the 35th meeting of the third session of the Board and the annual general meeting of 2021, the Company distributed a dividend of RMB0.18 (including tax) to Shareholders for every ten shares held, totaling more than RMB18 million.

(9) Discharged its information disclosure obligations according to regulations

In 2022, save as disclosed in this circular and the Company’s announcement dated 30 March 2023 in relation to the continuing connected transactions, the Company fulfilled its information disclosure obligations in strict compliance with laws, regulations and regulatory requirements and in accordance with the Listing Rules and the Company’s “Information Disclosure Management Measures”. Information disclosure and audit procedures were improved to ensure true, accurate, complete disclosure of the status of corporate governance and operation management to investors in a timely manner. In 2022, the Company released information on a total of 60 occasions, which demonstrated its good public image and earnestly safeguarded the legitimate rights and interests of its Shareholders.

(10) Gave full play to its professional advantages to practice its social responsibility

In 2022, the Company leveraged on its professionalism in providing financial service support to rural revitalization. It carried out more than 100 “insurance + futures” projects across the country, underwriting spot commodities of approximately 260 thousand tonnes. It was among the top companies in the industry in terms of the number of projects, scale and innovation models. During the evaluation period from 2021 to 2022, the Company ranked fourth in its sector for rural revitalization evaluation and sixth in its sector for the “insurance+futures” evaluation. While continuously increasing risk management capabilities, the Company has created a Zhongtai Futures Brand in serving “agriculture, farmer and rural area” with financial tools.

(11) Conscientiously convened general meetings and fully implemented the resolutions of the meeting

The Board of the Company duly performed its responsibility as the convener of the general meetings in accordance with the requirements of laws, regulations and the Articles of Association of the Company. In 2022, it convened a total of three general meetings, considered and adopted 17 proposals, including the election of members of the Board of Directors, change of the Company name, annual financial budget and final financial accounts, annual profit distribution, the engagement of an accounting firm, amendments to the Articles of Association, the Rules of Procedures for the General Meetings and the Rules of Procedures for the Board of Directors. The Board of the Company was able to strictly implement the resolutions considered and adopted by the general meetings.

II. THE DUTY PERFORMANCE BY DIRECTORS IN 2022

In 2022, in accordance with the requirements and responsibilities conferred by the Company Law of the People’s Republic of China, the Listing Rules and the Articles of Association, all Directors diligently and earnestly performed their obligations and exercised their functions and power, carefully considered each resolution put before the Board, and offered advice and suggestions in connection with the Company’s strategic planning and improvement of governance structure, and acted as professional gatekeepers on such issues, which ensured those major decisions were made in a scientific and standardized way, preserved the interests of the shareholders practically and contributed to the sustainable and healthy development of the Company. For the sake of independence, objectiveness and fairness, the Independent Non-executive Directors faithfully performed their duties and safeguarded the overall interests of the Company, and was particularly concerned with the legitimate rights and interests of small and medium Shareholders, ensuring that the Board makes scientific and fair decisions independently. The attendance of Directors at the Board meetings in 2022 is as follows.

The attendance of directors at the Board meetings in 2022

Name of Directors	Number of Board meetings required to attend	Number of meetings attended in person	Number of meetings attended by proxy	Number of resolutions required to vote	Number of resolutions actually voted
ZHONG Jinlong	16	16	0	57	57
HU Kainan	16	16	0	57	57
LIU Xinyi ¹	9	9	0	38	38
ZHENG Hanyin ²	7	7	0	19	19
MING Gang	16	16	0	57	57
LIU Feng	16	16	0	57	57
GAO Zhu ³	4	4	0	9	9
WANG Chuanshun ⁴	4	4	0	9	9
ZHENG Jianping	16	16	0	57	57
CHEN Hua ⁵	12	11	1	48	48
LUO Xinhua ⁶	6	6	0	17	17
LIANG Zhongwei	16	16	0	57	57

¹ LIU Xinyi resigned as a non-executive Director of the Company on 31 May 2022.

² ZHENG Hanyin was appointed as a non-executive Director of the Company on 31 May 2022.

³ GAO Zhu resigned as an independent non-executive Director of the Company on 10 March 2022.

⁴ WANG Chuanshun resigned as an independent non-executive Director of the Company on 10 March 2022.

⁵ CHEN Hua was appointed as an independent non-executive Director of the Company on 10 March 2022.

⁶ LUO Xinhua was appointed as an independent non-executive Director of the Company on 22 June 2022.

III. MAIN WORK ARRANGEMENTS FOR THE YEAR 2023

In 2023, the Board of the Company will continue to adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, study and implement all the requirements of the 20th National Congress of the Communist Party of China, adhere to the leadership of the Party Building and persistently implement the twin-wing development idea of “organic growth + epitaxial growth” to accelerate business transformation, increase application of financial technology to empower businesses and improve quality and efficiency significantly, and secure the compliance bottom line, so as to effectively control risks and advance the Company’s high-quality development. It will perform due diligence and endeavour through teamwork to turn the Company into a first-class modern financial enterprise with loyal, lawful, innovative and harmonious people. It will foster the brokerage business to enhance its professional service ability, and make brokerage business bigger and stronger; strictly control risks, optimize the business mix and vigorously carry out risk management business; subject to the principles of “returning to the original function of asset management, adhering to active management, highlighting the characteristics of futures, and realizing an advantage-based development”, carry out asset management business in a prudent manner. It will continue to implement the “talent-aided empowering” strategy and make more efforts on the construction of professional talents. It will accelerate research capacity building, further enrich research service product varieties, improve product quality, improve customer service level, and enhance the income-generating ability of futures trading and consulting business. Upholding “ONE ZHONGTAI IN UNION” concept, it will further explore business synergies; optimize the management system and mechanism to improve the quality and efficiency of management, strengthen corporate governance and continuously improve the standard of compliant operation and decision-making; improve information disclosure quality, and properly manage investor relationship so as to build a positive image of the Company in the capital market, give full play to its professional advantages to actively fulfill its social responsibility.

ZHONGTAI FUTURES COMPANY LIMITED
WORK REPORT OF THE SUPERVISORY COMMITTEE FOR
THE YEAR 2022

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

I. MEETINGS OF THE SUPERVISORY COMMITTEE IN 2022

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

- (1) The eighth meeting of the third session of the Supervisory Committee was held on 24 March 2022. The following eight proposals were approved by voting on site and through video:
1. The Proposal on the Work Report of the General Manager of LUZHENG FUTURES Company Limited for the Year 2021;
 2. The Proposal on the Work Report of the Supervisory Committee of LUZHENG FUTURES Company Limited for the Year 2021;
 3. The Proposal on the Annual Report (IFRSs) of LUZHENG FUTURES Company Limited for the Year 2021;
 4. The Proposal on the Annual Report (China Accounting Standards for Business Enterprises) of LUZHENG FUTURES Company Limited for the Year 2021;
 5. The Proposal on the Final Financial Accounts Plan of LUZHENG FUTURES Company Limited for the Year 2021;
 6. The Proposal on the Profit Distribution Plan of LUZHENG FUTURES Company Limited for the Year 2021;
 7. The Proposal on the Financial Budgets of LUZHENG FUTURES Company Limited for the Year 2022;
 8. The Proposal on the Internal Control Evaluation Report of LUZHENG FUTURES Company Limited for the Year 2021.

- (2) The ninth meeting of the third session of the Supervisory Committee was held on 25 August 2022. The following two proposals were approved by voting on site and through video:
 1. The Proposal on the Work Report of the General Manager of ZHONGTAI FUTURES Company Limited for the First Half of the Year 2022;
 2. The Proposal on the Interim Report of ZHONGTAI FUTURES Company Limited for the Year 2022.

II. MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2022

(1) Supervision and inspection of daily operating activities

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

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

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

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

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

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

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

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

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

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

IV. WORK PLAN OF THE SUPERVISORY COMMITTEE IN 2023

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS

- a. As at the Latest Practicable Date, none of the Directors, Supervisors or chief executives 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 Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any of such Directors, Supervisors or chief executives or their respective associates were deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules.
- b. As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of or leased by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of or leased by the Company or any of its subsidiaries since 31 December 2022 (being the date on which the latest published audited consolidated accounts of the Company were made up).
- c. As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.
- d. As at the Latest Practicable Date, except that Mr. ZHONG Jinlong, Mr. HU Kainan and Mr. ZHENG Hanyin, being Directors, are holding office in Zhongtai Securities and/or its associates, none of the Directors are directors or employees of a company having an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors and their respective associates had any interest in a business which competes or is likely to compete with the business of the Group.

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than a Director, a Supervisor or the chief executive of the Company) had an interest or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or have been recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

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

Notes:

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

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge of the Directors, there were no other persons (other than a Director, a Supervisor and the 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 notified 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.

5. SERVICE CONTRACTS

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

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

As at the Latest Practicable Date, save as disclosed above, none of the Directors or Supervisors has entered or proposed to enter any service contract with any member of the Group (other than contracts expiring or determinable within one year without the payment of compensation (other than statutory compensation)).

6. EXPERT'S DISCLOSURE OF INTEREST AND CONSENTS

- (1) As at the Latest Practicable Date, Gram Capital, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for securities in any member of the Group.
- (2) As at the Latest Practicable Date, Gram Capital did not have any direct or indirect interests in any assets which have been acquired or disposed of or leased or which were proposed to be acquired or disposed of or leased by any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated accounts of the Company were made up.
- (3) Gram Capital has issued a letter dated 25 May 2023 for the purpose of incorporation in this circular in connection with its recommendation to the Independent Board Committee and the Independent Shareholders.
- (4) Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of recommendation and reference to its name in the form and context in which they appear.

7. DOCUMENTS ON DISPLAY

Copies of the following documents are available on the website of HKEXnews (www.hkexnews.hk) of the Hong Kong Stock Exchange and the website of the Company (www.ztqh.com) during the period from the date of the circular up to and including the date of the AGM:

- (1) the Asset Management Services Framework Agreement;
- (2) the Risk Management Services Framework Agreement;
- (3) the Bulk Commodities Sale and Purchase Framework Agreement;
- (4) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders as set out on pages 30 to 47 of this Circular; and
- (5) the written consent of Gram Capital referred to in paragraph 6 of this appendix.

8. GENERAL

- (1) As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the Group's financial or trading position since 31 December 2022, being the date on which the latest published audited consolidated accounts of the Company were made up.
- (2) The registered office of the Company is 15-16/F, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC and the postal code is 250001.
- (3) The H share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (4) The joint company secretaries of the Company are Mr. LIANG Zhongwei and Dr. NGAI Wai Fung. Dr. NGAI Wai Fung is a Fellow of the Hong Kong Chartered Governance Institute, a Fellow of the Chartered Governance Institute in the United Kingdom, a member of The Hong Kong Institute of Certified Public Accountants, a Fellow of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Chartered Institute of Arbitrators.
- (5) If there is any discrepancy between the English version and Chinese version of this circular, the Chinese version shall prevail.