



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

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



**2023**  
**INTERIM REPORT**

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# Definitions

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

“PRC Futures Exchanges”	China Financial Futures Exchange (中國金融期貨交易所), Dalian Commodity Exchange (大連商品交易所), Zhengzhou Commodity Exchange (鄭州商品交易所), Shanghai Futures Exchange (上海期貨交易所), Guangzhou Futures Exchange (廣州期貨交易所) and Shanghai International Energy Exchange (上海國際能源交易中心)
“Reporting Period”	the six months ended 30 June 2023
“Risk Control Committee”	the Risk Control Committee of the Board of Directors
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Zhongtai Huirong Capital”	Zhongtai Huirong Capital Investment Co., Ltd. (中泰匯融資本投資有限公司), renamed as Luzheng Trading Co., Ltd. (魯証經貿有限公司), and then renamed as Luzheng Capital Management Co., Ltd. (魯証資本管理有限公司), the Company’s wholly-owned subsidiary established in the PRC with limited liability on 24 April 2013
“Zhongtai Securities”	Zhongtai Securities Co., Ltd. (中泰證券股份有限公司), previously known as Qilu Securities Co., Ltd. (齊魯證券有限公司), a company established in the PRC on 15 May 2001 with limited liability, and listed in Shanghai Stock Exchange on 3 June 2020 (Stock code: 600918), 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

# Corporate Profile

## REGISTERED NAME OF THE COMPANY

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

## REGISTERED OFFICE

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

## HEAD OFFICE IN THE PRC

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Directors

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

### Independent Non-executive Directors

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

## AUTHORIZED REPRESENTATIVES

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

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

## JOINT COMPANY SECRETARIES

Mr. Liang Zhongwei  
Dr. Ngai Wai Fung

## AUDITOR

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

## LEGAL ADVISERS

### As to Hong Kong law:

Clifford Chance  
27/F, Jardine House  
One Connaught Place  
Central, Hong Kong

### As to PRC law:

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

## **PRINCIPAL BANKS**

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

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

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

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

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

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

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

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

### **Agricultural Bank of China (Jinan Shizhong Sub-branch)**

No. 11 Jingsan Road, Shizhong District, Jinan  
Shandong Province, the PRC

## **H SHARE REGISTRAR**

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

## **STOCK CODE**

01461

## **INVESTOR ENQUIRIES**

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# Financial Highlights

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

Item	January-June 2023 (Unaudited)	January-June 2022 (Unaudited)	Increase/decrease of the period as compared to that of last year
<b>Operating Results (RMB' 0000)</b>			
Operating revenue	82,338	134,912	-38.97%
Total Profit	9,387	12,355	-24.02%
Net Profit – attributable to the Company's Shareholders	6,813	9,065	-24.84%
Net cash generated in operating activities	30,872	698,419	-95.58%
<b>Earnings per Share (RMB/Share)</b>			
Basic earnings per Share	0.07	0.09	-22.22%
Diluted earnings per Share	0.07	0.09	-22.22%
<b>Profitability Indicators</b>			
Weighted average return on net asset <sup>(1)</sup>	2.76%	3.91%	Decreased by 1.15 percentage points
<b>Scale Indicators (RMB' 0000)</b>			
Total assets	3,004,748	2,885,916	4.12%
Total liabilities	2,755,237	2,641,688	4.30%
Currency margin payable	2,105,977	2,064,957	1.99%
Equity attributable to the Company's Shareholders	249,511	244,228	2.16%
<b>Total Share Capital (in ten thousands)</b>	<b>100,190</b>	100,190	–
Net asset per Share attributable to the Company's Shareholders (RMB)	2.49	2.44	2.05%
Gearing ratio <sup>(2)</sup>	50.25%	45.52%	Increased by 4.73 percentage points

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

<sup>(2)</sup> Gearing ratio = (Total liabilities – currency margin payable – acting trading securities – pledge margin payable)/(Total assets – currency margin payable – acting trading securities – pledge margin payable)

The financial information of the Group for the six months ended 30 June 2023 was extracted from pages 30 to 144 in this report, which set forth details of the basis of presentation for the unaudited consolidated financial statements. The financial statements of the Group for the six months ended 30 June 2023 were unaudited.

### NET CAPITAL AND RELEVANT CONTROL INDICATORS OF THE COMPANY AS AT 30 JUNE 2023

Indicators	As at 30 June 2023 (Unaudited)	Regulatory Standards
Net capital (RMB'0000)	<b>142,130.73</b>	3,000
Net capital/risk capital reserves	<b>189.19%</b>	100.00%
Net capital/net assets	<b>57.39%</b>	20.00%
Current assets/current liabilities	<b>568.31%</b>	100.00%
Liabilities/net assets	<b>14.97%</b>	150.00%
Settlement reserve funds (RMB'0000)	<b>39,174.85</b>	1,600

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



# Management Discussion and Analysis

## I. ECONOMIC CONDITIONS DURING THE REPORTING PERIOD

In the first half of 2023, under the strong leadership of the Central Committee of the Communist Party of China with Comrade Xi Jinping at the core, all regions and departments strictly implemented various decisions and plans of the Central Committee of the Communist Party and the State Council, and adhered to the general working guideline of making progress while maintaining stability while they brought macro policies into effect altogether, leading to a recovering and improving momentum of China's economy.

In the first half of 2023, the economy continued to recover and improve, and experienced a successive quarter-on-quarter growth. The gross domestic product (GDP) of China for the first half of 2023 was RMB59,303.4 billion, representing an increase of 5.5% year-on-year if calculated at constant prices, on the back of the general economic recovery and improvement. In particular, the added value of the primary industry is RMB3,041.6 billion, representing a year-on-year increase of 3.7%, and its contribution rate to the economic growth is 3.7%; the added values of the secondary industry is RMB23,068.2 billion, representing a year-on-year increase of 4.3%, and its contribution rate to the economic growth is 30.1%; the added value of the tertiary industry is RMB33,193.7 billion, representing a year-on-year increase of 6.4%, and its contribution rate to the economic growth is 66.1%. On a quarter-on-quarter basis, the seasonally-adjusted GDP in the second quarter increased by 0.8% over the previous quarter. Quarter-on-quarter growth has been accelerating for four consecutive quarters due to economic recovery and improvement.

The thrice industrial grew steadily on the back of resumption of industrial activities. In the first half of 2023, output in all sectors increased steadily. Agricultural production situation is stable, evidenced by a bumper harvest of summer grains and constant growth of the animal husbandry. The added value of agriculture, forestry, animal husbandry and fishery increased by 3.9% year-on-year, driving economic growth by 0.2 percentage point. Industrial production is basically stable, and the industrial added value increased by 3.7% year-on-year, driving economic growth by 1.2 percentage points. Of them, the added value of the manufacturing sector increased by 3.9% year-on-year, accounting for 27.8% of the GDP. The added value of the construction sector increased by 7.7% year-on-year, driving economic growth by 0.5 percentage point. Service sector witnessed a rapid growth. Wholesale and retail, transportation, warehousing and postal services, as well as accommodation and catering services which involve personal contact and gathering rebounded significantly, and their added values increased by 6.6%, 6.9% and 15.5% year-on-year, respectively, and they in aggregate drove economic growth by 1.1 percentage points; information transmission, software and information technology services, leasing and business services have developed well, and their added values increased by 12.9% and 10.1% year-on-year, respectively, and they in aggregate drove economic growth by 0.9 percentage point.

Consumption played a prominent role as the “main pillar (主引擎)” as the potential of domestic demand was being released. Firstly, consumption activities continued to rebound. Since 2023, all regions and departments have taken proactive actions to boost consumer confidence and free up consumption potential in order to restore and expand consumption. Consumption activities as a whole have rebounded rapidly, and played a prominent role as the “main pillar” in driving economic growth. In the first half of 2023, the final consumption expenditure drove economic growth by 4.2 percentage points. Secondly, investments maintained growth. As the construction of major projects accelerated, policy-based development-purposed financial instruments began to take effect, and the scale of effective investment continued to increase, providing considerable support for stabilizing growth. In the first half of 2023, the total capital formation drove economic growth by 1.8 percentage points. Thirdly, net exports decreased. As a result of weak global economic growth and high base in last year, the growth of external demand slowed down, the trade surplus of goods decreased year-on-year, cross-border travels continued to pick up, the trade deficit of services expanded year-on-year, and the driving effect of net exports of goods and services on economic growth moderated. In the first half of 2023, net exports of goods and services pulled the economy back by 0.6 percentage point.

High-tech sectors grew well on the back of continued high-quality development. The increasing investments in priority areas led to rapid growth of high-tech sectors. In the first half of 2023, investments in high-tech manufacturing and high-tech services increased by 11.8% and 13.9% year-on-year, respectively, which are 8.0 and 10.1 percentage points higher than the growth rate of the investments in all fixed assets. That is one reason behind the constant development of high-tech sectors. The added value of equipment manufacturing enterprises above the designated size increased by 6.5% year-on-year, which is 2.7 percentage points higher than the growth rate of the added value of all industrial enterprises above the designated size. The added value of aviation, spacecraft and equipment manufacturing in high-tech manufacturing increased by 22.9% year-on-year. Rapid development of new formats and new modes were freeing up market vitality. In the first half of 2023, on-line retail sales of physical goods increased by 10.8% year-on-year, accounting for 26.6% of total retail sales of goods consumed by the society.

## Management Discussion and Analysis

### II. FUTURES MARKET ANALYSIS DURING THE REPORTING PERIOD

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

According to statistics from the China Futures Association, the total trading volume in the futures market of China in the first half of 2023 was 3.951 billion board lots (all of the followings are per side), representing a year-on-year increase of 29.71% with a total turnover of RMB262.13 trillion, representing a year-on-year increase of 1.80%. As at the end of the Reporting Period, equity held by clients in the futures market amounted to RMB1,533.799 billion, representing a year-on-year increase of 12.18%, breaking the records in the same period of the history.

#### (ii) Volatility in the futures market

In the first half of 2023, prices of major raw materials on the domestic commodity futures market generally closed lower. Among them, soda ash futures suffered the biggest decline of more than 37%. Metal Nickel suffered the biggest decline of more than 30%. Other varieties such as coke, pulp, urea and industrial silicon also suffered a decline of more than 20% in the first half of 2023. Prices of WTI crude oil suffered a decline of 12.22% in the first half of 2023 on concerns about shrinking demand around the globe. The sharp decline in crude oil prices gave rise to immediate follow-up in the prices of related chemicals. Due to the rebounding of service industry and the weak investment in the real estate sector during the weak economic recovering course in China following the pandemic, prices of ferrous metals used as building materials plunged in the second quarter, and the WIND rebar index fell by 9.60% in the first half of 2023. In the first half of 2023, only certain agricultural products and precious metals on the domestic commodity market closed up. The gains in prices of agricultural products are primarily attributable to the global climate anomaly and the supply-side disruption caused by the prolonged Russian-Ukrainian conflict. Among them, prices of both sugar and cotton futures rose by more than 10%. As regards prices of precious metals, international gold prices broke through US\$2,000/oz and even near US\$2,100/oz in a while in the first half of 2023, primarily due to increasing expectation of the end of the rate-hiking cycle overseas as well as increased risk aversion caused by the turmoil in the international financial market. As at the end of the Reporting Period, the WIND Commodity Index experienced the biggest overall decline of 7.48% in the first half of 2023.

#### (iii) Developments of the futures market's infrastructure

1. In order to serve the state's overall prospect of ensuring the supply and price stability of primary products, efforts were made in three aspects to promote the construction of the futures market. At the 20th Shanghai Derivatives Market Forum held on 25 May 2023, Fang Xinghai, Vice Chairman of the CSRC, said that the futures market should serve the state's overall prospect of ensuring supply and stabilizing prices of primary products. It shall focus on the operation of futures varieties of primary products such as important agricultural products, basic energy and strategic minerals, and optimize contract rules and institutional design in a timely manner; proceed with opening up of specific futures products, expand the investment scope for qualified foreign institutional investors (QFII) and RMB qualified foreign institutional investors (RQFII), to lure more overseas institutions to fully participate in the pricing of China's primary product futures; properly perform its duty in the coordinated supervision of both the futures and spot markets, curb excessive speculation and jointly create a good market ecology.

2. In 2023, innovation of domestic futures and options varieties maintained a rapid development momentum. Since the beginning of 2023, four futures varieties, namely alumina, lithium carbonate, synthetic rubber and 30-year treasury bonds, and four option varieties, namely styrene, ethylene glycol, lithium carbonate and synthetic rubber have been listed. As at the beginning of August 2023, a total of 118 varieties have been listed in China's futures and derivatives market. Especially the listing of lithium carbonate futures is an important move taken by Guangzhou Futures Exchange following the introduction of industrial silicon futures in 2022. It was intended to further implement the new domestic development stage and new development concept and promote the environment-friendly and high-quality development of the domestic economy. China's futures market continued to expand its variety portfolio, and a number of industrial chain variety systems have been formed, such as non-ferrous industry represented by copper, steel industry represented by iron ore rebar, pressed farming industry represented by oil and fat, and energy industry represented by crude oil. The new energy variety system represented by industrial silicon and lithium carbonate is also being formed quickly. The futures market thus is serving the real economy more effectively in terms of the breadth and depth.

### III. GENERAL OPERATING RESULTS

During the Reporting Period, the Group realized operating revenue of RMB823.38 million and profit attributable to Shareholders of the Company of RMB68.13 million, representing a year-on-year decrease of 38.97% and 24.84% as compared with RMB1,349.12 million and RMB90.65 million in the same period of last year, respectively. The decline in the results was mainly due to the decrease in income from over-the-counter derivatives business.

As at the end of the Reporting Period, the total assets of the Group were RMB30.047 billion, representing an increase of 4.12% as compared with RMB28.859 billion as at the end of 2022. The total liabilities of the Group were RMB27.552 billion, representing an increase of 4.30% as compared with RMB26.417 billion as at the end of 2022. The equity attributable to Shareholders of the Company was RMB2.495 billion, representing an increase of 2.16% as compared with RMB2.442 billion as at the end of 2022. The Group's gearing ratio (both total assets and total liabilities excluding currency margin payable, acting trading securities and pledge margin payable) was 50.25%, representing an increase of 4.73 percentage points as compared with 45.52% as at the end of 2022. During the Reporting Period, the Group had good asset quality and sound financial position.

## Management Discussion and Analysis

### IV. ANALYSIS OF PRINCIPAL BUSINESS

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

During the Reporting Period, the Group focused on its main responsibility and core business, pursued the twin-wing development strategy of “organic growth + epitaxial growth”, insisted on solutions through investigation and study, made improvement by benchmarking against out-performers and acting out its words, and pushed the business transformation. It urged the brokerage business to enhance its professional service ability under the “research +” mode, and advanced the issuance of futures-featured asset management products, carried out high quality “Three Ones” talent construction project to implement the “talent-aided empowering” strategy, and continuously improved the effectiveness of the compliance and risk control system so as to promote the high-quality development of the Group.

#### (1) Futures Brokerage Business

During the Reporting Period, the Group focused on promoting the transformation of the brokerage business and improving the development quality of the brokerage business. By optimizing the organizational structure, setting up the headquarters of the industry-finance development business, and building a practical service team of industry research experts, the Group pushed the transformation of business entities to enhance their professional service capabilities under the “research +” mode. A combination of measures were introduced for developing institutional clients. The average daily equity held by the institutional clients of the Company grew by 35.37% year-on-year; the proportion of institutional clients' equity increased by 4.32 percentage points year-on-year. The Group made more efforts on building teams and developing business layout in key regional markets so as to continuously increase regional coverage in terms of breadth and depth. It reformed the appraisal mechanism for internet teams to tap the development potential of internet business; optimized the incentive and restraint policies for new customers and vigorously promoted the development of new customers. Focusing on customers' needs, the Group continuously diversified online transaction functions for customers, improved online service items, so as to empower business development and customer service. It optimized the bidding mechanism according to the exchanges' position policies so as to make better use of exchange policies. It promoted the implementation of high-quality “Three Ones” talent project, and strengthened process supervision and management, leading to increases in both headcounts and efficiency. It carried out various investor education publicity and campaigns, and actively promoted the market cultivation and development of new varieties. It continued to tap the business synergy potential with Zhongtai Securities, furthered the integrated service of securities and futures, and continuously enhanced the income-generating capacity of brokerage business. During the Reporting Period, the average daily client equity increased by 27.75% year-on-year, the trading volume increased by 21.47% year-on-year. The market share of fee income increased by 0.24 percentage points year-on-year.

### **(ii) Futures Transaction Consulting Business**

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

### **(iii) Futures Asset Management Business**

During the Reporting Period, the Group completed the preliminary arrangement for its product line featuring active management, independently developed the quantitative investment and research trading system and MOM product management system, promoted the development and innovation of quantitative trading, product management and other businesses through scientific and technological empowerment, and took various measures to build an asset management, investment and research team, continuously enhanced the internal control management level of asset management business, and carried out asset management business in a sound manner.

### **(iv) Risk Management Business**

During the Reporting Period, the Group continued to conduct risk management business through its subsidiary Zhongtai Huirong Capital, mainly including over-the-counter derivatives business, market making business and bulk commodities futures and spot trading business.

During the Reporting Period, the Group utilized financial derivatives such as futures and options to serve the personalized and diversified risk management needs of entity enterprises in multiple aspects, helping them to effectively hedge price fluctuation risks in a complex market environment and achieve sound operation. The cumulative incremental notional principal of over-the-counter derivatives business increased by 18.21% year-on-year; the Group has the market-making qualification for 29 varieties of futures and options of five futures exchanges, and the cumulative turnover of its market-making business increased by 49.87% year-on-year; the Group carried out futures and spot transaction of different varieties; focusing on ferrous metal industry chain, it increased presence in its advantageous varieties such as rebar and hot rolled coil; leveraging on the advantage of Shandong as a main producing area for agricultural products, it made full use of the approved qualification for warehousing peanut varieties prior to delivery of Zhengzhou Commodity Exchange to expand and strengthen the transactions of peanut and other featured varieties in this region; it made inroads into the industrial chain of physical energy and chemical products, and vigorously expanded futures and spot trading of PP, PVC, PE, natural rubber and other products leveraging on the benefits of Qingdao Port as a distribution center. It ranked in the forefront in the special evaluation of the effectiveness of futures risk management services for small and medium-sized enterprises organized by China Futures Association.

## Management Discussion and Analysis

The Group attaches great importance to the rural revitalization. It continued to promote the high-quality development of agricultural insurance, and provided price and income insurance services for farmers and agriculture-related enterprises under the “insurance + futures” service mode using financial instruments such as insurance and futures. It has played an active role in serving the development of rural industries. During the Reporting Period, the Group launched a total of 78 projects, involving six varieties, namely live pigs, eggs, corn, peanut, apples, soybean meal and other varieties in 22 regions and cities of six provinces and autonomous regions, namely Shandong, Guangdong, Liaoning, Gansu, Jiangsu and Henan. The insurance coverage of these projects amounted to RMB1,141 million. It ranked in the forefront in the special evaluation of “insurance + futures” business organized by China Futures Association.

### V. INFORMATION TECHNOLOGY DEVELOPMENT

In 2023, the Company continued to strengthen the governance of financial technology, deepen the application of digital technology, and promote the digital transformation of information technology, marketing service system, management and operation of the Company.

During the Reporting Period, the Company focused on the research and development of financial technology and investment in this regard to ensure the safe and stable operation of the Company’s information system, and continuously advanced technological innovation to empower its business. Firstly, the Company proceeded with the construction of “one platform with two APPs”, established a socialized customer relationship management (SCRM) system, further improved the service support to the Company’s marketing system, and promoted the digital transformation of the marketing service system; secondly, the Company proceeded with the construction of its business middle office, the application of robotic process automation (RPA) technology, optimized the operation and service support of the Company with reference to the advanced experience of the industry; thirdly, it gradually realized the digital transformation of internal management by continuously promoting the construction of big data platform, improving the support of the management system of the Company; fourthly, it continuously increased support of quantitative business service to ensure the Company’s leading position in terms of quantitative service system by optimizing the organization of the quantitative system, quantitative resources and quantitative business; fifthly, the gradual improvement of its independent research and development capabilities, the launch and upgrade of such software as over-the-counter option business management system, futures and spot transaction risk control and management system, investment and research mobile application (APP), comprehensive risk management platform and others, have constantly empowered the Company’s rapid development, and effectively promoted the digital transformation process of the Company.

### VI. DEVELOPMENT PLAN FOR THE SECOND HALF OF THE YEAR

In the second half of 2023, the Group will accelerate the implementation of the talent-aided empowering strategy, accelerate the transformation of brokerage business to enhance professional service capabilities under “research+” mode, accelerate the issuance of futures featured asset management products, optimize customer development policies, intensify market development, optimize customer service supply and customer experience, improve the investment management of its own funds, enhance the operational quality and income-generating ability of risk management business, and uphold the concept of “One Zhongtai In Union” to tap the potential of business synergy and improve the effectiveness of the compliance and risk control system to ensure the standardized and healthy development of the Group.

### VII. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at the end of the Reporting Period, the equity attributable to the Company’s Shareholders was RMB2,495 million (mainly including share capital of RMB1,001.9 million, share premium of RMB662 million, and retained earnings of RMB704 million), representing an increase of 2.16% as compared with RMB2,442 million at the end of 2022, mainly due to the increase in profit during the Reporting Period.

During the Reporting Period, the Group’s total assets increased, and maintained sound asset quality and liquidity. As at the end of the Reporting Period, the Group’s total assets excluding currency margin payable, acting trading securities and pledge margin payable were RMB5.015 billion, representing an increase of 11.87% as compared with total assets excluding currency margin payable, acting trading securities and pledge margin payable of RMB4.483 billion as at the end of 2022. Of the total, funds deposited with the PRC Futures Exchanges accounted for 48.01%; cash and bank balance accounted for 19.21%; investment assets (including investments in associates and financial assets, primarily investment in financial assets with strong liquidity) accounted for 19.79%, and the fixed assets and intangible assets accounted for 1.09%.

As at the end of the Reporting Period, the Group’s gearing ratio (both total assets and total liabilities excluding currency margin payable, acting trading securities and pledge margin payable) was 50.25%, representing an increase of 4.73 percentage points as compared with the end of 2022. The Group’s operating leverage (total assets excluding currency margin payable, acting trading securities and pledge margin payable/equity attributable to the Company’s Shareholders) was 2.01 times, increasing by approximately 9.24% as compared with 1.84 times as at the end of 2022. As at 30 June 2023, the Group’s total liabilities were RMB27,552 million, among which, RMB25,033 million was currency margin payable, acting trading securities and pledge margin payable. The total liabilities (net of currency margin payable, acting trading securities and pledge margin payable) were RMB2,519 million, of which RMB1,590 million was amounts payable to over-the-counter option clients, RMB263 million was derivative financial liabilities, RMB67 million was staff cost payable, RMB52 million was contract liabilities, and RMB47 million was short-term borrowings. The Group has sufficient resources to repay the aforementioned liabilities. During the Reporting Period, the aging analysis of accounts payable was not applicable to the Group.



## Management Discussion and Analysis

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

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

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

### VIII. MATERIAL FINANCING OF THE GROUP

#### (i) Equity Financing

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

#### (ii) Bond Financing

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

#### (iii) Other financing

During the Reporting Period, Zhongtai Huirong Capital, being a subsidiary of the Company, borrowed RMB200 million from Zhongtai Securities in February 2022. According to the agreed terms, the contract was automatically renewed for one year.

### IX. MATERIAL INVESTMENT OF THE GROUP

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

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

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

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

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

As at the end of the Reporting Period, the Group had a total of 733 employees. During the Reporting Period, the staff cost of the Group amounted to approximately RMB126.7605 million, details of which are set out in note 26 to the Financial Statements of this report. The Group provides employees with a good development platform. The number of our employees has grown significantly, and the growth is faster than the average in our industry. As at the end of the Reporting Period, the Group had a total of 733 employees, representing an increase of 48 over the same period of last year; more than 90% of the Group's employees have a bachelor's degree or above, more than 80% of our employees are under the age of 40.

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

## Management Discussion and Analysis

The Group has always attached great importance to the cultivation of talents, and strived to produce a group of enterprising management talents, professional and capable marketing service teams and high-quality functional professionals. During the Reporting Period, the Group continuously improved the job competencies of employees by offering targeted and practical training and completing the training system according to the needs of business development, strengthened the construction of talent echelon. During the Reporting Period, it organized 25 routine training sessions and produced 28 micro-courses, covering learning of rules and regulations, anti-money laundering, finance, auditing, asset management, new futures varieties, appropriateness, information technology, delivery, etc., and the daily trainings were being updated constantly to include more aspects.

## XII. POSSIBLE RISKS, UNCERTAINTIES AND COUNTERING MEASURES

### (i) Major risks

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

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

### **(2) Countering measures adopted**

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

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

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

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

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

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

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

## Management Discussion and Analysis

### **(4) Consistently improving the risk awareness**

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

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

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

- (i) The Company has established a systematic investment mechanism, and continuously strengthens analysis of the financial market. Prior to commencement of a new investment project, a business unit is required to submit an application to the Company's management, conduct due diligence, make detailed description of the investments, analyze the potential market risks and possible consequences.
- (ii) The Company adopts diversified capital management strategies to avoid excessive concentration of capital use, and reduce losses arising from systemic risks. It increases risk research on interest rate and exchange rate to make more forward-looking decisions about capital use, and the relevant decision-making organization will decide the feasibility through a standardized process.
- (iii) The Company tracks and monitors various risk limits by using quantitative indicators in the process of trading and risk control, to strengthen monitoring of the exposure limit, concentration limits, preset warning lines, stop line and position size. Designated personnel are on duty for monitoring, strengthening risk hedge, in order to reduce the loss resulting from drastic fluctuation and unexpected movement of market price.

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

- (i) For credit risks related to the commodities futures and spot transaction and risk management business of risk management subsidiary, the Group has established a client credit evaluation system for credit ratings of the existing and potential clients based on the appraisal conducted by the Group's risk control personnel and independent third-party, and adjust the credit ratings of the clients based on the financial conditions of the client and the experiences of co-operation with the Group.

Before entering into a contract, the Group decides on whether to engage in it or to increase the agreed interest rate or commodity price based on the credit evaluation results of the clients so as to cover the credit risk borne by the Group.

- (ii) For credit risks related to the futures brokerage business, the Company conducts risk rating on the clients based on their assets, professional knowledge on futures, trading experiences and risk tolerance before entering into contracts with such clients. Accordingly, the Company provides appropriate services to them and implements corresponding risk control measures. The Company requires our clients to maintain higher margin deposits than the minimum deposit required by the PRC Futures Exchanges. The risk control personnel will strictly comply with the internal control measures of the Company to close out the position compulsorily if such margin deposits fall short, with reference to the clients' past dealing history and reputation. This measure can control the risk of margin calls and at the same time, retain premium clients.

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

- (i) The Company has established a risk evaluation and monitoring system on net capital, and continuously monitors the Company's risk regulatory indicators such as net capital.
- (ii) The Company strengthens the real-time monitoring and management of large amounts of capital, in order to achieve centralized fund allocation and coordinated liquidity risk management.

## Management Discussion and Analysis

- (iii) The Company conducts a stress test on the risk control indicators on an ad hoc basis to observe and simulate the effects on the major regulatory indicators and the cash flow of the Company under different scenarios, such as drastic fluctuation in market price, material lack of market liquidity or massive changes in macro-economic environment, and work out prevention measures and emergency plans accordingly.
- (iv) The Company selects those commodities that are more actively traded in the physical commodity market for business when it conducts commodity trading and risk management business. The Company has a strict control on the position ratio during the option trading in order to reduce the liquidity risk of trading.

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

- (i) The Company formulates and strictly implements internal control system and work procedures with written terms covering every business line, including human resources and administration, brokerage business, intermediaries management, trading, settlement, delivery, compliance and internal control, risk control, legal affairs, anti-money laundering, customer service, financial management, information technology, research and development and investor education, asset management and option business. The Company constantly expands and improves such systems in accordance with the laws and regulations, regulatory requirements and the development of new businesses.
- (ii) The Company continuously classifies the risk points of each business line to form a control list, and constantly improves the process, strengthens accountability; increased the operational level of our employees, in an aim to reduce operational risks caused by internal operating procedures and personnel mistakes. It strictly implements the reward and punishment measures for units or individuals who cause operational risks or who effectively avoid operational risks, and holds self-examination and rectification internally to avoid the recurrence of similar risks.

- (iii) To avoid employee moral hazard, the Company established human-oriented incentives such as remuneration and promotion in an open, fair and impartial way. The Company provides its staff with favorable development environment, to enhance their sense of responsibility and belonging. It carries out professional ethics training, standardizes the operational behavior of employees, prohibits the transfer of benefits and market manipulation, to reduce the possibility of human operational risks.
- (iv) The Company has a strict internal audit system, and the audit department to inspect the rationality, the legitimacy and the effectiveness of the internal control system of the Company, the capital operation and the financial revenue and expenditure of each operating entity, the operation process of each functional department of the Company and the duty-performance of our personnel. If any illegal behavior is found in the course of audit, it will make recommendations about rectification and urge implementation of the measures.

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

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



# Corporate Governance Report

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

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

## **SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

### **AUDIT COMMITTEE**

The Company has established the Audit Committee in accordance with the requirements of the Listing Rules. The primary responsibilities of the Audit Committee are overseeing and evaluating the work performed by the external auditor; directing the work of the internal auditor; reviewing and expressing opinions on the Company's financial report; evaluating the effectiveness of the internal controls; coordinating the communication between the management, internal auditor and related departments and the external auditor; performing the duties of control and routine management of connected transactions of the Company; and other duties as assigned by the Board and other things as required by the relevant laws and regulations.

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

On 24 August 2023, the Audit Committee has reviewed and confirmed the Company's interim results announcement for the six months ended 30 June 2023, the 2023 interim report and the unaudited interim financial statements for the six months ended 30 June 2023 prepared in accordance with China Accounting Standards for Business Enterprises.

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

The Directors are responsible for preparing financial statements of the Company. The financial information set out in this interim report is unaudited.

# Other Information

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

As of 10 August 2023, the Company has paid all the final dividends for the year ended 31 December 2022.

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

## **SHARE CAPITAL**

As at the end of the Reporting Period, the total share capital of the Company was RMB1,001,900,000, divided into 1,001,900,000 Shares (including 724,810,000 Domestic Shares and 277,090,000 H Shares) with a nominal value of RMB1.00 each.

## **PUBLICATION OF INTERIM RESULTS**

The announcement of the interim results of the Group for the six months ended 30 June 2023 was published on the HKExnews website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.ztqh.com](http://www.ztqh.com)) on 24 August 2023.

## **INTERIM DIVIDEND**

When reviewing the interim results of Group for the six months ended 30 June 2023, the Board of Directors did not have any proposal of profit distribution.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

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

As at 30 June 2023, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register referred to therein pursuant to Section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2023, to the knowledge of the Directors, the interests or short positions of the following persons (which are not Directors, Supervisors or chief executive of the Company) in the Shares or underlying Shares of the Company, which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

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

The calculation above is based on 724,810,000 Domestic Shares and 277,090,000 H Shares (1,001,900,000 Shares in total) issued by the Company as at 30 June 2023.

## Other Information

### Notes:

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

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any other person (except for Directors, Supervisors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company, which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

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

### Directors

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

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

Mr. Chen Hua ceased to serve as independent director of Jining Hongrun Food Co., Ltd (stock code: 872568.NEEQ) with effect from April 2023; began to serve as independent director of Qingdao Shuangxing Co., Ltd. (stock code: 000599.SZ) with effect from April 2023.

Mr. Luo Xinhua ceased to serve as general manager of Penghua (Shandong) Education Technology Co., Ltd with effect from May 2023.

Mr. Liu Feng ceased to serve as chairman of the supervisory board of Shandong Guokong Capital Investment Co., Ltd., with effect from June 2023; began to serve as director of Shandong Guokong Capital Investment Co., Ltd., Ltd with effect from June 2023.

### Supervisors

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

On 15 February 2023, the first extraordinary general meeting of 2023 of the Company considered and approved the election of Mr. An Tie and Mr. Ding Jian as non-staff representative Supervisors of the the fourth session of the Supervisory Committee of the Company with effect from 15 February 2023.

Mr. Tan Shaojie ceased to serve as non-staff representative Supervisor of the Company with effect from February 2023. Mr. Mu Yong ceased to serve as non-staff representative Supervisor of the Company with effect from February 2023. Mr. Lin Zongheng ceased to serve as staff representative Supervisor of the Company with effect from February 2023. Mr. Wang Hairan ceased to serve as staff representative Supervisor of the Company with effect from February 2023.

### Chief Executive

On 15 February 2023, the first meeting of the fourth session of the Board of Directors of the Company resolved to appoint Liu Qingbin as the general manager of the Company.

# Review Report



信永中和会计师事务所

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XYZH/2023JNAA1B0387

To all the shareholders of Zhongtai Futures Company Limited:

We have reviewed the accompanying financial statements of Zhongtai Futures Company Limited (hereinafter referred to as the “Zhongtai Futures Company” or the “Company”), including the Consolidated and Parent Company’s Balance Sheet as at June 30th, 2023, the Consolidated and Parent Company’s Income Statement, Consolidated and Parent Company’s Cash Flow Statement, Consolidated Statement of Changes in Shareholder’s Equity and Parent Company’s Statement of Changes in Shareholders’ Equity, and Notes to the Financial Statements for the period January to June 2023. The preparation and fair presentation of these financial statements is the responsibility of the Management of Zhongtai Futures Company and our responsibility is to issue a review report on these financial statements based on our review work performed.

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

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with the provisions of the ASBE and do not present fairly the Consolidated and Parent Company’s financial position as at June 30th, 2023 and the Consolidated and Parent Company’s results of operations and cash flows for the period January to June 2023.

ShineWing Certified Public Accountants (LLP)

Chinese Certified Public Accountant: WANG Gongyong

Chinese Certified Public Accountant: LV Yulei

Beijing, China August 24th, 2023

# Consolidated Balance Sheet

(All amounts in RMB unless otherwise stated)

Assets	Note	June 30th, 2023	December 31st, 2022
<b>Assets:</b>			
Cash and cash equivalents	VII. 1	<b>16,875,816,237.92</b>	16,467,030,760.78
Including: Futures margin		<b>15,793,747,806.65</b>	15,290,821,662.01
Settlement provisions	VII. 2	<b>1,533,630.06</b>	1,611,782.36
Currency margin receivable	VII. 3	<b>7,453,364,155.50</b>	6,926,737,162.68
Pledge margin receivable	VII. 4	<b>3,971,133,544.00</b>	3,724,631,360.00
Settlement guarantees receivable	VII. 5	<b>57,618,327.64</b>	31,692,359.37
Risk loss receivables	VII. 6	<b>474,531.25</b>	648,477.96
Commission receivable		<b>109,085.89</b>	94,970.73
Accounts receivable	VII. 7	<b>378,576,967.22</b>	216,336,561.69
Inventories	VII. 8	<b>48,525,169.07</b>	77,218,365.69
Contract assets	VII. 9	<b>15,906,258.76</b>	26,394,536.79
Buying back the sale of financial assets	VII. 10	<b>35,231,060.40</b>	235,543,097.77
Trading financial assets	VII. 11	<b>916,001,683.41</b>	933,282,641.69
Investment in other equity instruments	VII. 13	<b>1,400,000.00</b>	1,400,000.00
Long-term equity investments	VII. 14	<b>39,774,423.05</b>	39,778,369.13
Investment properties			
Fixed assets	VII. 15	<b>45,114,889.80</b>	44,489,920.17
Construction in progress			
Right-of-use assets	VII. 16	<b>26,093,371.78</b>	24,945,426.59
Intangible assets	VII. 17	<b>9,664,325.50</b>	8,201,446.15
Goodwill			
Deferred income tax assets	VII. 18	<b>10,415,898.17</b>	21,988,741.45
Other assets	VII. 19	<b>160,729,255.01</b>	77,133,925.10
<b>Total assets</b>		<b>30,047,482,814.43</b>	28,859,159,906.10



## Consolidated Balance Sheet

(All amounts in RMB unless otherwise stated)

Liabilities and owners' equity	Note	June 30th, 2023	December 31st, 2022
<b>Liabilities:</b>			
Short-term loans	VII. 20	46,938,323.90	10,011,388.89
Acting trading securities	VII. 21	1,661,818.65	2,327,132.42
Currency margin payable	VII. 22	21,059,765,526.78	20,649,572,802.73
Pledge margin payable	VII. 23	3,971,133,544.00	3,724,631,360.00
Trading financial liabilities	VII. 12	263,259,050.75	184,636,805.58
Futures risk reserves	VII. 24	164,436,856.19	155,185,841.21
Futures investors' security funds payable	VII. 25	489,057.35	1,104,676.74
Employee benefits payable	VII. 26	66,928,113.51	91,912,775.38
Notes payable	VII. 27	8,276,283.48	200,000.00
Taxes and dues payable	VII. 28	4,983,875.68	68,690,635.05
Payables	VII. 29	1,615,599,179.38	1,238,083,744.95
Contract liabilities	VII. 30	51,932,790.04	18,375,107.56
Lease liabilities	VII. 31	25,364,452.20	25,267,643.60
Provisions	VII. 32	116,964.10	116,964.10
Deferred income tax liabilities	VII. 18	11,972,404.57	497.46
Other liabilities	VII. 33	259,516,105.28	246,762,631.16
<b>Total liabilities</b>		<b>27,552,374,345.86</b>	26,416,880,006.83
<b>Shareholders' equity:</b>			
Share capital	VII. 34	1,001,900,000.00	1,001,900,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	VII. 35	661,934,066.94	661,934,066.94
Less: Treasury share			
Other comprehensive income	VII. 36	2,556,886.78	1,829,585.72
Surplus reserve	VII. 37	99,583,825.02	99,583,825.02
General risk reserve	VII. 38	124,578,874.53	124,578,874.53
Undistributed profits	VII. 39	604,554,815.30	552,453,547.06
<b>Total owners' equity attributable to the parent company</b>		<b>2,495,108,468.57</b>	2,442,279,899.27
<b>Non-controlling interests</b>			
Total shareholders' equity		2,495,108,468.57	2,442,279,899.27
<b>Total liabilities and shareholders' equity</b>		<b>30,047,482,814.43</b>	28,859,159,906.10

# Parent Company's Balance Sheet

(All amounts in RMB unless otherwise stated)

Assets	Note	June 30th, 2023	December 31st, 2022
<b>Assets:</b>			
Cash and cash equivalents		<b>16,551,620,050.52</b>	15,993,939,725.23
Including: Futures margin		<b>15,793,747,806.65</b>	15,290,821,662.01
Settlement provisions		<b>1,533,630.06</b>	1,611,782.36
Currency margin receivable		<b>7,453,364,155.50</b>	6,926,737,162.68
Pledge margin receivable		<b>3,971,133,544.00</b>	3,724,631,360.00
Settlement guarantees receivable		<b>57,618,327.64</b>	31,692,359.37
Risk loss receivables		<b>474,531.25</b>	648,477.96
Commission receivable		<b>109,085.89</b>	94,970.73
Accounts receivable		<b>5,125,548.96</b>	10,302,960.20
Inventories			
Contract assets		<b>15,906,258.76</b>	26,394,536.79
Buying back the sale of financial assets			200,312,037.45
Trading financial assets		<b>695,563,486.71</b>	715,348,050.97
Investment in other equity instruments		<b>1,400,000.00</b>	1,400,000.00
Long-term equity investments	XVIII. 1	<b>790,577,508.00</b>	790,577,508.00
Investment properties			
Fixed assets		<b>43,369,295.51</b>	42,520,526.29
Construction in progress			
Right-of-use assets		<b>22,094,381.28</b>	19,467,245.65
Intangible assets		<b>10,429,527.11</b>	8,998,251.70
Goodwill			
Deferred income tax assets			13,451,589.89
Other assets		<b>49,269,917.92</b>	42,555,936.23
<b>Total assets</b>		<b>29,669,589,249.11</b>	28,550,684,481.50

## Parent Company's Balance Sheet

(All amounts in RMB unless otherwise stated)

Liabilities and owners' equity	Note	June 30th, 2023	December 31st, 2022
<b>Liabilities:</b>			
Acting trading securities		1,661,818.65	2,327,132.42
Currency margin payable		22,897,878,588.52	22,094,377,393.72
Pledge margin payable		3,971,133,544.00	3,724,631,360.00
Trading financial liabilities			
Futures risk reserves		164,436,856.19	155,185,841.21
Futures investors' security funds payable		489,057.35	1,104,676.74
Employee benefits payable		54,488,554.81	62,891,134.38
Notes payable			
Taxes and dues payable		3,870,431.45	36,459,521.30
Payables		33,040,754.80	30,380,764.57
Contract liabilities			
Lease liabilities		21,054,188.91	19,465,832.66
Provisions		116,964.10	116,964.10
Deferred income tax liabilities		11,971,907.11	
Other liabilities		32,677,879.91	10,464,321.41
<b>Total liabilities</b>		<b>27,192,820,545.80</b>	26,137,404,942.51
<b>Shareholders' equity:</b>			
Share capital		1,001,900,000.00	1,001,900,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		650,629,528.42	650,629,528.42
Less: Treasury share			
Other comprehensive income			
Surplus reserve		99,583,825.02	99,583,825.02
General risk reserve		124,578,874.53	124,578,874.53
Undistributed profits		600,076,475.34	536,587,311.02
<b>Total shareholders' equity</b>		<b>2,476,768,703.31</b>	2,413,279,538.99
<b>Total liabilities and shareholders' equity</b>		<b>29,669,589,249.11</b>	28,550,684,481.50

# Consolidated Income Statement

(All amounts in RMB unless otherwise stated)

Item	Note	January-June 2023	January-June 2022
<b>I. Operating income</b>		<b>823,380,391.66</b>	1,349,115,631.21
Net handling fees and commission income	VII. 40	<b>174,697,889.62</b>	177,828,809.54
Net interest income	VII. 41	<b>108,250,801.86</b>	106,691,849.24
Investment income (Loss marked with "-")	VII. 42	<b>-20,068,492.33</b>	100,926,296.44
Including: Investment income from associates and joint ventures		<b>-3,946.08</b>	-97,785.26
Gains from changes in fair value (Loss marked with "-")	VII. 43	<b>35,968,714.25</b>	-58,480,144.84
Exchange earnings (Loss marked with "-")		<b>-476,749.14</b>	6,097.97
Other operation income	VII. 44	<b>524,052,897.10</b>	1,021,796,479.22
Gains on disposal of assets (Loss marked with "-")		<b>229,794.91</b>	32,148.51
Other income	VII. 45	<b>725,535.39</b>	314,095.13
<b>II. Operating cost</b>		<b>727,981,668.79</b>	1,232,251,471.06
Expenditure on provision for futures risk	VII. 46	<b>9,251,014.98</b>	9,641,720.72
Taxes and surcharges	VII. 47	<b>1,606,796.21</b>	2,082,321.63
Business and management fees	VII. 48	<b>200,466,283.06</b>	184,994,924.45
Credit impairment losses	VII. 49	<b>-162,893.83</b>	14,839,064.52
Impairment losses on assets	VII. 50		903,106.05
Other business costs	VII. 51	<b>516,820,468.37</b>	1,019,790,333.69
<b>III. Operating profit (Loss marked with "-")</b>		<b>95,398,722.87</b>	116,864,160.15
Add: Non-operating income	VII. 52	<b>8,666.63</b>	7,584,601.16
Less: Non-operating expenses	VII. 53	<b>1,532,610.30</b>	894,251.80
<b>IV. Total profits (Total losses marked with "-")</b>		<b>93,874,779.20</b>	123,554,509.51
Less: Income tax expenses	VII. 54	<b>25,743,110.96</b>	32,907,463.19
<b>V. Net profits</b>		<b>68,131,668.24</b>	90,647,046.32
(I) Classified by business continuity:		<b>68,131,668.24</b>	90,647,046.32
1. Net profits from continuing operations (Net losses marked with "-")		<b>68,131,668.24</b>	90,647,046.32
2. Net profits of discontinuing operations (Net losses marked with "-")			
(II) Classified by ownership:		<b>68,131,668.24</b>	90,647,046.32
1. Net profit attributable to shareholders of the parent company (Net losses marked with "-")		<b>68,131,668.24</b>	90,647,046.32
2. Profit or loss of minority shareholders (Net losses marked with "-")			

## Consolidated Income Statement

(All amounts in RMB unless otherwise stated)

Item	Note	January-June 2023	January-June 2022
<b>VI. Net after-tax amount of other comprehensive income</b>		<b>727,301.06</b>	310,318.58
Net after tax of other comprehensive income attributable to the owner of the parent company		<b>727,301.06</b>	310,318.58
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income not converted into profit or loss under equity method			
3. Fair value changes of other equity instrument investments			
4. Fair value changes of enterprise's own credit risks			
(II) Other comprehensive income reclassified into profit and loss		<b>727,301.06</b>	310,318.58
1. Other comprehensive income converted into profit or loss under the equity method			
2. Fair value changes of other debt instruments			
3. Amount reclassified from financial assets to other comprehensive income			
4. Provision for credit impairment on other debt instruments			
5. Cash flow hedge reserves			
6. Translation difference of foreign currency statements		<b>727,301.06</b>	310,318.58
Net after tax of other comprehensive income attributable to minority shareholders			
<b>VII. Total comprehensive income</b>		<b>68,858,969.30</b>	90,957,364.90
Total comprehensive income attributable to the owner of the parent company		<b>68,858,969.30</b>	90,957,364.90
Total comprehensive income attributable to minority shareholders			
<b>VIII. Earnings per share</b>			
(I) Basic earnings per share	VII. 57	<b>0.07</b>	0.09
(II) Diluted earnings per share		<b>0.07</b>	0.09

# Parent Company's Income Statement

(All amounts in RMB unless otherwise stated)

Item	Note	January-June 2023	January-June 2022
<b>I. Operating income</b>		<b>311,252,244.22</b>	294,248,579.43
Net handling fees and commission income	XVIII. 2	<b>184,919,253.31</b>	192,879,609.23
Net interest income		<b>108,540,931.65</b>	105,935,769.67
Investment income (Loss marked with "-")	XVIII. 3	<b>-6,529,032.82</b>	6,573,775.68
Including: Investment income from associates and joint ventures			
Gains from changes in fair value (Loss marked with "-")		<b>18,810,347.88</b>	-14,735,392.77
Exchange earnings (Loss marked with "-")		<b>3,644.26</b>	4,768.72
Other operation income		<b>4,644,045.00</b>	3,276,829.39
Gains on disposal of assets (Loss marked with "-")		<b>229,870.94</b>	32,148.51
Other income		<b>633,184.00</b>	281,071.00
<b>II. Operating cost</b>		<b>200,790,074.63</b>	188,912,755.85
Expenditure on provision for futures risk		<b>9,251,014.98</b>	9,641,720.72
Taxes and surcharges		<b>713,715.32</b>	1,574,201.86
Business and management fees		<b>191,167,455.36</b>	177,549,058.43
Credit impairment losses		<b>-342,111.03</b>	147,774.84
Impairment losses on assets			
Other business costs			
<b>III. Operating profit (Loss marked with "-")</b>		<b>110,462,169.59</b>	105,335,823.58
Add: Non-operating income		<b>2,165.20</b>	19,108.72
Less: Non-operating expenses		<b>1,526,385.58</b>	894,251.80
<b>IV. Total profits (Total losses marked with "-")</b>		<b>108,937,949.21</b>	104,460,680.50
Less: Income tax expenses		<b>29,418,384.89</b>	27,936,987.75
<b>V. Net profits (Net losses marked with "-")</b>		<b>79,519,564.32</b>	76,523,692.75
1. Net profits from continuing operations (Net losses marked with "-")		<b>79,519,564.32</b>	76,523,692.75
2. Net profits of discontinuing operations (Net losses marked with "-")			

## Parent Company's Income Statement

(All amounts in RMB unless otherwise stated)

Item	Note	January-June 2023	January-June 2022
<b>VI. Net after-tax amount of other comprehensive income</b>			-
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1.Remeasurement of changes in defined benefit plans			
2.Other comprehensive income not converted into profit or loss under equity method			
3.Fair value changes of other equity instrument investments			
4.Fair value changes of enterprise's own credit risks			
(II) Other comprehensive income reclassified into profit and loss			
1.Other comprehensive income converted into profit or loss under the equity method			
2.Fair value changes of other debt instruments			
3.Amount reclassified from financial assets to other comprehensive income			
4.Provision for credit impairment on other debt instruments			
5.Cash flow hedge reserves			
6.Translation difference of foreign currency statements			
<b>VII. Total comprehensive income</b>		<b>79,519,564.32</b>	76,523,692.75

# Consolidated Statement of Cash Flow

(All amounts in RMB unless otherwise stated)

Item	Note	January-June 2023	January-June 2022
<b>I. Cash flows arising from operating activities:</b>			
Net decrease in financial assets held for trading purposes		<b>32,008,039.39</b>	126,934,663.74
Cash received from interest, fees and commissions		<b>474,239,648.10</b>	462,741,680.80
Cash received related to other operating activities		<b>2,151,767,006.30</b>	10,359,554,344.60
Subtotal of cash inflows from operating activities		<b>2,658,014,693.79</b>	10,949,230,689.14
Net increase of financial assets held for trading purposes		—	—
Cash paid for interest, fees and commissions		<b>113,216,989.24</b>	87,850,699.58
Cash paid to and for employees		<b>150,376,885.08</b>	136,910,953.20
Business and management fees paid in cash		<b>59,626,021.73</b>	43,618,757.80
Taxes paid		<b>93,500,786.44</b>	73,096,705.82
Cash paid related to other operating activities		<b>1,932,572,698.24</b>	3,623,562,945.84
Subtotal of cash outflows from operating activities		<b>2,349,293,380.73</b>	3,965,040,062.24
Net cash flows from operating activities		<b>308,721,313.06</b>	6,984,190,626.90
<b>II. Cash flows from investing activities:</b>			
Cash received from disinvestment		<b>5,000,000.00</b>	—
Cash received from the return of investment		<b>222,783.80</b>	79,654.52
Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets		<b>247,461.80</b>	100,759.15
Cash received related to other investing activities			
Subtotal of cash inflows from investing activities		<b>5,470,245.60</b>	180,413.67
Cash paid for investment		<b>0.00</b>	—
Cash paid for the acquisition of fixed assets, intangible assets and other long-term assets		<b>1,138,442.48</b>	800,871.19
Net cash paid by subsidiaries and other business units			
Cash paid related to other investing activities			
Subtotal of cash outflows from investing activities		<b>1,138,442.48</b>	800,871.19
Net cash flows from investing activities		<b>4,331,803.12</b>	-620,457.52



## Consolidated Statement of Cash Flow

(All amounts in RMB unless otherwise stated)

Item	Note	January-June 2023	January-June 2022
<b>III. Cash flows from financing activities:</b>			
Cash received from external investment			
Including: The subsidiary received cash from non-controllings' investment			
Cash received from loans granted		<b>46,878,432.03</b>	215,000,000.00
Cash received from issuing bonds			
Cash received relating to other financing activities			
Subtotal cash inflows from financing activities		<b>46,878,432.03</b>	215,000,000.00
Payment of debt in cash		<b>10,000,000.00</b>	
Cash used to pay dividends, profits, or interest payments		<b>12,403,565.42</b>	–
Including: Dividends and profits paid to non-controlling interests by subsidiaries			
Cash paid related to other financing activities		<b>1,038,779.38</b>	366,533.04
Subtotal cash outflows from financing activities		<b>23,442,344.80</b>	366,533.04
Net cash flows from financing activities		<b>23,436,087.23</b>	214,633,466.96
<b>IV. Impact of exchange rate fluctuations on cash and cash equivalents</b>			
		<b>30,618.37</b>	27,111.01
<b>V. Net increase in cash and cash equivalents</b>			
Add: Balance of cash and cash equivalents at the beginning of the period	VII. 55	<b>336,519,821.78</b>	7,198,230,747.35
	VII. 55	<b>15,830,763,403.92</b>	9,775,110,705.25
<b>VI. Balance of cash and cash equivalents at the end of the period</b>			
	VII. 55	<b>16,167,283,225.70</b>	16,973,341,452.60

# Parent Company's Statement of Cash Flows

(All amounts in RMB unless otherwise stated)

Item	Note	January-June 2023	January-June 2022
<b>I. Cash flows arising from operating activities:</b>			
Net decrease in financial assets held for trading purposes		32,008,039.39	128,034,663.74
Cash received from interest, fees and commissions		468,740,581.44	458,340,730.78
Cash received related to other operating activities		1,135,936,056.81	10,558,222,758.61
Subtotal of cash inflows from operating activities		1,636,684,677.64	11,144,598,153.13
Net increase of financial assets held for trading purposes		—	—
Cash paid for interest, fees and commissions		110,265,033.84	85,692,507.37
Cash paid to and for employees		123,295,692.90	109,096,427.18
Business and management fees paid in cash		63,033,400.30	53,472,910.84
Taxes paid		58,736,109.72	51,909,028.76
Cash paid related to other operating activities		794,500,481.64	3,713,626,303.39
Subtotal of cash outflows from operating activities		1,149,830,718.40	4,013,797,177.54
Net cash flows from operating activities		486,853,959.24	7,130,800,975.59
<b>II. Cash flows from investing activities:</b>			
Cash received from disinvestment		—	—
Cash received from the return of investment		—	—
Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets		229,870.94	100,759.15
Cash received related to other investing activities		—	—
Subtotal of cash inflows from investing activities		229,870.94	100,759.15
Cash paid for investment		—	—
Cash paid for the acquisition of fixed assets, intangible assets and other long-term assets		1,097,842.48	640,975.69
Net cash paid by subsidiaries and other business units		—	—
Cash paid related to other investing activities		—	—
Subtotal of cash outflows from investing activities		1,097,842.48	640,975.69
Net cash flows from investing activities		-867,971.54	-540,216.54

## Parent Company's Statement of Cash Flows

(All amounts in RMB unless otherwise stated)

Item	Note	January-June 2023	January-June 2022
<b>III. Cash flows from financing activities:</b>			
Cash received from external investment			
Cash received from loans granted			
Cash received from issuing bonds			
Cash received relating to other financing activities			
Subtotal cash inflows from financing activities			
Payment of debt in cash			
Cash used to pay dividends, profits, or interest payments		-	-
Cash paid related to other financing activities		-	366,533.04
Subtotal cash outflows from financing activities		-	366,533.04
Net cash flows from financing activities		-	-366,533.04
<b>IV. Impact of exchange rate fluctuations on cash and cash equivalents</b>			
		<b>3,644.26</b>	4,768.72
<b>V. Net increase in cash and cash equivalents</b>			
	XVIII. 7	<b>485,989,631.96</b>	7,129,898,994.73
Add: Balance of cash and cash equivalents at the beginning of the period	XVIII. 7	<b>15,358,019,965.71</b>	9,605,250,193.19
<b>VI. Balance of cash and cash equivalents at the end of the period</b>			
	XVIII. 7	<b>15,844,009,597.67</b>	16,735,149,187.92

# Consolidated Statement of Changes in Owners' Equity

(All amounts in RMB'000 unless otherwise stated)

Item	January-June 2023											
	Equity attributable to shareholders of the parent company											
	Other equity instruments			Other							Total shareholders' equity	
Share capital	Preferred shares	Perpetual bonds	Other	Capital reserve	Less: Treasury share	comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Non-controlling interests		
<b>I. Balance as of December 31st, 2022</b>	1,001,900,000.00			661,934,066.94			1,829,585.72	99,583,860.34	124,578,909.85	552,372,922.16		2,442,199,345.01
Add: Impact from changes in accounting policies								-35.32	-35.32	80,624.90		80,554.26
Impact from corrections of errors in prior period												
Others												
<b>II. Balance on January 1st, 2023</b>	1,001,900,000.00			661,934,066.94			1,829,585.72	99,583,825.02	124,578,874.53	552,453,547.06		2,442,279,899.27
<b>III. Movement for current period</b>							727,301.06			52,101,268.24		52,828,569.30
(1) Total comprehensive income							727,301.06			68,131,668.24		68,858,968.30
(2) Shareholder's contributions and withdrawals of capital												
1) Common stock contributed by shareholders												
2) Capital contributed by other equity instruments holders												
3) Share-based payment recorded in shareholder's equity												
4) Others												
(3) Profits distribution										-16,030,400.00		-16,030,400.00
1) Appropriation of surplus reserve												
2) Extraction of general risk reserves												
3) Distribution to shareholders										-16,030,400.00		-16,030,400.00
4) Others												
(4) Internal transfer within shareholder's equity												
1) Conversion of capital reserve into share capital												
2) Conversion of surplus reserve into share capital												
3) Recover of loss by surplus reserve												
4) Benefit plans are carried forward to retained earnings												
5) Other comprehensive earnings are carried forward to retained earnings												
6) Others												
(5) Others												
<b>IV. Balance on June 30th, 2023</b>	1,001,900,000.00			661,934,066.94			2,556,886.78	99,583,825.02	124,578,874.53	604,554,815.30		2,495,108,468.57

## Consolidated Statement of Changes in Owners' Equity

(All amounts in RMB'000 unless otherwise stated)

Item	January-June 2022												
	Other equity instruments			Equity attributable to shareholders of the parent company					Surplus reserve	General risk reserve	Undistributed profits	Non-controlling interests	Total shareholders' equity
	Share capital	Preferred shares	Perpetual bonds	Other	Capital reserve	Less: Treasury share	Other comprehensive income						
<b>I. Balance as of December 31st, 2021</b>	1,001,900,000.00				651,642,466.48		-90,930.59	85,498,817.06	110,493,866.57	432,517,551.30		2,281,961,770.82	
Add: Impact from changes in accounting policies								-1,379.86	-1,379.86	40,901.50		38,141.78	
Impact from corrections of errors in prior period													
Others													
<b>II. Balance on January 1st, 2022</b>	1,001,900,000.00				651,642,466.48		-90,930.59	85,497,437.20	110,492,486.71	432,558,452.80		2,281,999,912.60	
<b>III. Movement for current period</b>							310,318.58			72,612,846.32		72,923,164.90	
(1) Total comprehensive income							310,318.58			90,647,046.32		90,957,364.90	
(2) Shareholder's contributions and withdrawals of capital													
1) Common stock contributed by shareholders													
2) Capital contributed by other equity instruments holders													
3) Share-based payment recorded in shareholder's equity													
4) Others													
(3) Profits distribution										-18,034,200.00		-18,034,200.00	
1) Appropriation of surplus reserve													
2) Extraction of general risk reserves													
3) Distribution to shareholders										-18,034,200.00		-18,034,200.00	
4) Others													
(4) Internal transfer within shareholder's equity													
1) Conversion of capital reserve into share capital													
2) Conversion of surplus reserve into share capital													
3) Recover of loss by surplus reserve													
4) Benefit plans are carried forward to retained earnings													
5) Other comprehensive earnings are carried forward to retained earnings													
6) Others													
(5) Others													
<b>IV. Balance on June 30th, 2022</b>	1,001,900,000.00				651,642,466.48		219,387.99	85,497,437.20	110,492,486.71	505,171,299.12		2,354,923,077.50	

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

(All amounts in RMB unless otherwise stated)

Item	January-June 2023										
	Share capital	Other equity instruments				Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits
Preferred shares		Perpetual bonds	Other								
<b>I. Balance as of December 31st, 2022</b>	1,001,900,000.00				650,629,528.42			99,583,860.34	124,578,909.85	536,587,593.62	2,413,279,892.23
Add: Impact from changes in accounting policies								-35.32	-35.32	-282.60	-353.24
Impact from corrections of errors in prior period											
Others											
<b>II. Balance on January 1st, 2023</b>	1,001,900,000.00				650,629,528.42			99,583,825.02	124,578,874.53	536,587,311.02	2,413,279,538.99
<b>III. Movement for current year</b>											
(1) Total comprehensive income										63,489,164.32	63,489,164.32
(2) Shareholder's contributions and withdrawals of capital										79,519,564.32	79,519,564.32
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution										-16,030,400.00	-16,030,400.00
1) Appropriation of surplus reserve											
2) Extraction of general risk reserves											
3) Distribution to shareholders											
4) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Benefit plans are carried forward to retained earnings											
5) Other comprehensive earnings are carried forward to retained earnings											
6) Others											
(5) Others											
<b>IV. Balance on June 30th, 2023</b>	1,001,900,000.00				650,629,528.42			99,583,825.02	124,578,874.53	600,076,475.34	2,476,768,703.31

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

(All amounts in RMB unless otherwise stated)

Item	Share capital	Other equity instruments			January-June 2022		Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Total shareholders' equity
		Preferred shares	Perpetual bonds	Other	Capital reserve	Less: Treasury share					
<b>I. Balance as of December 31st, 2021</b>	1,001,900,000.00				650,629,528.42		85,498,817.06	110,493,866.57	441,941,447.43	2,290,463,659.48	
Add: Impact from changes in accounting policies							-1,379.86	-1,379.86	-11,038.90	-13,798.62	
Impact from corrections of errors in prior period											
Others											
<b>II. Balance on January 1st, 2022</b>	1,001,900,000.00				650,629,528.42		85,497,437.20	110,492,486.71	441,930,408.53	2,290,449,860.86	
<b>III. Movement for current year</b>									58,489,492.75	58,489,492.75	
(1) Total comprehensive income									76,523,692.75	76,523,692.75	
(2) Shareholder's contributions and withdrawals of capital											
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution									-18,034,200.00	-18,034,200.00	
1) Appropriation of surplus reserve											
2) Extraction of general risk reserves											
3) Distribution to shareholders									-18,034,200.00	-18,034,200.00	
4) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Benefit plans are carried forward to retained earnings											
5) Other comprehensive earnings are carried forward to retained earnings											
6) Others											
(5) Others											
<b>IV. Balance on June 30th, 2022</b>	1,001,900,000.00				650,629,528.42		85,497,437.20	110,492,486.71	500,419,901.28	2,348,939,353.61	

# Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

## I. General information about the Company

Zhongtai Futures Company Limited, formerly known as Shandong Quanxin Futures Brokerage Co., Ltd., was incorporated in June 1995 by Jinan Chemical Light Group Corporation, Jinan Economic Development Corporation, Shandong Province Resources Development Corporation and Jinan Shizhong Cereals and Oils Trading Company, with a joint investment of RMB10.2 million. In October 1997, Jinan Chemical Light Group Corporation transferred its equity to Jinan Economic and Trade Industrial Investment Corporation, and Jinan Shizhong Cereals and Oils Trading Company transferred its equity to Jinan Economic Development Corporation. In May 2000 and June 2004, Jinan Energy Sources Investment Co., Ltd. increased its capital contribution to the company by RMB20 million and RMB620,000 respectively, and the registered capital of the company was RMB30.82 million after the two capital increases.

On December 31<sup>st</sup>, 2006, Shandong Quanxin Futures Brokerage Co., Ltd. increased two additional shareholders, Qilu Securities Co., Ltd. (now renamed as Zhongtai Securities Co., Ltd., hereinafter referred to as “Zhongtai Securities”) and Shandong New Mine Investment Holding Group Co., Ltd., with the registered capital increased to RMB50 million, and changed its name to Luzheng Futures Brokerage Co., Ltd. in February 2007. In August 2007, Luzheng Futures Brokerage Co., Ltd. increased its capital by RMB150 million; accordingly, its registered capital after the increase was RMB200 million, and in December 2007, it changed its name to Luzheng Futures Co., Ltd.

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

In February 2010, Shandong New Mine Investment Holding Group Co., Ltd. transferred its 8.33% equity in Luzheng Futures Co., Ltd., equal to a total of RMB16.66 million, to Zhongtai Securities. On March 8<sup>th</sup>, 2010, Zhongtai Securities acquired all equity of Shandong Resources Development Corporation in Luzheng Futures Co., Ltd.

In May 2010, after the approval by the China Securities Regulatory Commission (hereinafter referred to as “CSRC”) by ZJXK [2010] No. 602, Luzheng Futures Co., Ltd. increased its registered capital by RMB203,623,800, then the total registered capital being RMB403,623,800. In June 2011, after the approval of CSRC by ZJXK [2011] No. 859, Luzheng Futures Co., Ltd. increased its registered capital by RMB116,376,200, then its total registered capital being RMB520 million.

In September 2012, Luzheng Futures Co., Ltd. increased the registered capital by RMB120 million, of which the original shareholders, Zhongtai Securities and Jinan Energy Sources Investment Co., Ltd., subscribed RMB50 million in proportion to their previous shareholdings and the remaining additional registered capital of RMB70 million was subscribed by the new shareholders, including Yongfeng Group Co., Ltd. (hereinafter referred to as “Yongfeng Group”), Shandong State-owned Assets Investment Holding Co., Ltd., Shandong Linglong Rubber Co., Ltd. and Sanya Shengli Investment Co., Ltd.



## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

In December 2012, according to the *Proposal on Overall Change of Luzheng Futures Co., Ltd.* to a Joint Stock Company, adopted in the resolution of the fifth extraordinary shareholders' meeting of 2012 of Luzheng Futures Co., Ltd., and the *Approval of the Overall Change of Luzheng Futures Co., Ltd. to a Joint Stock Company (LGZSYH [2020] No. 60)*, approved by the Shandong Provincial State-owned Assets Supervision and Administration Commission, the audited net assets of Luzheng Futures Co., Ltd., as of September 30<sup>th</sup>, 2012, was converted into shares, and Luzheng Futures Co., Ltd. was reorganized into Luzheng Futures Company Limited (hereinafter referred to as "the Company" or "Company"). After this restructuring, the share capital of the Company was RMB750 million. The Company obtained the business license as a legal person with the No. 91370000614140809E, issued by the Shandong Administration for Industry and Commerce on September 20<sup>th</sup>, 2016.

In July 2015, the Company completed its initial public offering of 250,000,000 ordinary shares of overseas listed foreign shares and the over-allotment of 1,900,000 ordinary shares to overseas investors, which was listed on the Stock Exchange of Hong Kong Limited. Upon completion of the listing, the total share capital of the Company increased to RMB1,001.90 million. The major shareholders of the Company and their proportions of capital contribution, as of June 30<sup>th</sup>, 2023, are set out in Note VII. 34.

The Company obtained the qualification of financial futures general settlement business and the general settlement membership of China Financial Futures Exchange on August 15<sup>th</sup>, 2007 and November 28<sup>th</sup>, 2007, the qualification of investment consulting and asset management business on January 29<sup>th</sup>, 2012 and November 15<sup>th</sup>, 2012, and the membership of Guangzhou Futures Exchange on June 20<sup>th</sup>, 2022. As of June 30<sup>th</sup>, 2023, the Company had trading seats in five domestic futures exchanges and the Shanghai International Energy Exchange and was an agent for all varieties listed and traded on domestic futures exchanges.

On March 29<sup>th</sup>, 2022, the Company's name was changed from Luzheng Futures Company Limited to Zhongtai Futures Company Limited. As of June 30<sup>th</sup>, 2023, the Company had established 17 business offices in Jinan, Beijing, Shanghai, Shanghai Yanggaonan Road, Tianjin, Dalian, Shenyang, Yantai, Zibo, Weifang, Jining, Dongying, Zhengzhou, Dezhou, Rizhao, Wuxi, Hangzhou Linping and 15 branches in Jinan, Shanghai, Wuhan, Nanjing, Hangzhou, Beijing Chaoyang, Shenzhen, Qingdao, Xiamen, Ningbo, Wenzhou, Guangdong, Hunan, Linyi and Zhengzhou Zhengdong. Please refer to Note VI. for information on the Company's subsidiaries.

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

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

Legal representative: Zhong Jinlong

The financial statements were approved by the board of directors of the Company on August 24<sup>th</sup>, 2023.

## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

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

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

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

The financial statements of the Company for January-June 2023 comply with the requirements of the *Accounting Standards for Business Enterprises* and truly and completely reflect the consolidated and the Company’s financial position as of June 30<sup>th</sup>, 2023, and the consolidated and the Company’s operating results and cash flows for January-June 2023 and other relevant information.

### IV. Significant accounting policies and accounting estimates

#### 1. Fiscal year

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

#### 2. Functional currency

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

## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

#### 3. Foreign currency translation

##### (1) Foreign currency transactions

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

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

##### (2) Translation of foreign currency financial statements

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

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

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

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

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

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

#### 6. Method of management and accounting for collateral

The Company can accept collateral of the customers' treasury bonds, standard warehouse receipts and other marketable securities that comply with the trading rules of the futures exchange, as margin, and set up a special account to account for and supervise the whole process of customers' pledge business, which will be recorded after completing the pledge procedures of the futures exchange.

#### 7. Method of accounting for physical delivery

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

#### 8. Cash and cash equivalents

Cash and cash equivalents refer to cash on hand and deposits that are available for payment at any time, and the Company's investments that have short terms, strong liquidity, low risks of changes in the value and can be easily convertible into known amounts of cash, including cash, current bank deposits, futures margin deposits, other cash and cash equivalents, and time bank deposits maturing within 3 months from the date of purchase.

#### 9. Futures margin deposits

Futures margin deposits represent the balance of customers' currency deposits due to the Company, adjusted for the Company's actual margin transfers to or refunds from the futures exchange, and shall be presented under the heading of cash and cash equivalents on the balance sheets.

## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

#### 10. Financial instruments

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

##### (1) Financial assets

###### 1) Classification and measurement

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

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

###### *Debt instruments:*

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

###### *Measured at amortized cost:*

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

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

#### 10. Financial instruments (Continued)

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

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

*Measured at fair value through profit or loss:*

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

*Equity instruments:*

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

In addition, the Group designates part of investments in non-trading equity instruments as financial assets at fair value through other comprehensive income upon initial recognition. Such financial assets include investments in futures memberships, which are presented separately on the balance sheets.

###### 2) Impairment

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

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

## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

#### 10. Financial instruments (Continued)

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

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

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

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

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

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

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

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

#### 10. Financial instruments (Continued)

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

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

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

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

##### 3) *Derecognition*

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

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



## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

#### 10. Financial instruments (Continued)

##### (2) Financial liabilities

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

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

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

##### (3) Derivative financial instruments

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

Derivative financial instruments shall be initially recognized at their fair values at the date when the derivative transaction contracts are signed and subsequently measured at fair value. They shall be presented on the balance sheets as “trading financial assets” or “trading financial liabilities”, and their changes in fair value shall be recognized as gains or losses from changes in fair value in profit or loss.

##### (4) Fair value determination of financial instruments

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

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

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

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

Buying back the sale business shall be recorded as actual payments made and recognized as “buying back the sale of financial assets” on the balance sheets.

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

#### 12. Currency margin receivable

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

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

The Company acts as an agent for customers to use collateral as a margin in the futures exchange, forming the pledge margin receivable from the futures exchange and the pledge margin payable to the customers.

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

When the futures exchange returns the collateral to the customers, the Company shall derecognize the pledge margin receivable and the pledge margin payable at the amount of the pledge margin approved to be set off by the futures exchange.

#### 14. Settlement guarantees receivable

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

## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

#### 15. Futures membership investments

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

#### 16. Inventories

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

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

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

#### 17. Long-term equity investments

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

##### (1) Subsidiaries

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

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

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

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

##### (2) Associates

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

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

##### (3) Impairment of long-term equity investments

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

## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

#### 18. Fixed assets

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

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

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

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

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

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

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

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

#### 19. Intangible assets

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

#### 20. Long-term deferred expenses

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

#### 21. Impairment of long-term assets

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

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

#### 22. Currency margin payable

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

## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

#### 23. Employee benefits

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

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

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

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

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

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

##### (3) Termination benefits

Termination benefits mean that the Group severs employment relationship with an employee before the expiration of the contract or proposes compensation to encourage the staff to accept downsizing voluntarily. Liabilities arising from the provision of compensation to terminate employment relationships with employees are recognized in profit or loss at the earlier of when the Group is unable to unilaterally withdraw the plan for the termination of employment relationship or the proposal for downsizing and when the Group recognizes costs related to restructuring involving the payment of termination benefits.

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

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

#### 24. Dividends distribution

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

#### 25. Provisions

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

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

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

#### 26. Income taxes and deferred income taxes

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

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

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



## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

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

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

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

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

#### 27. Commission fees

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

#### 28. General risk reserve

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

#### 29. Revenue recognition

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

##### (1) Handling fees income

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

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

#### 29. Revenue recognition (Continued)

##### (1) Handling fees income (Continued)

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

For advisory services in investments, revenue is recognized over a period of time based on the progress of completed services in accordance with the conditions for recognition of revenue from the provision of services.

##### (2) Interest income

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

##### (3) Income from the sale of goods

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

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

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

## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

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

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

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

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

#### 31. Government grants

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

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

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

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

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

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

#### 32. Leases

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

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

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

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

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

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

## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

#### 33. Method for preparation of the consolidated financial statements

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

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

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

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

#### 34. Related party

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

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

#### 35. Segment information

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

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

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

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

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

## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

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

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

Specific adjustments to the consolidated statements are as follows:

<b>Accounts affected</b>	<b>December 31<sup>st</sup>, 2022 (January-June 2022) amount affected</b>	<b>Note</b>
Total assets	80,554.26	
Including: Deferred income tax assets	80,554.26	
Total shareholders' equity	80,554.26	
Including: Surplus reserves	-35.32	
General risk reserve	-35.32	
Undistributed profit	80,624.90	
Net profit	-71,062.79	
Including: Income tax expenses	71,062.79	Deferred income tax expenses

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

<b>Accounts affected</b>	<b>December 31<sup>st</sup>, 2022 (January-June 2022) amount affected</b>	<b>Note</b>
Total assets	-353.24	
Including: Deferred income tax assets	-353.24	
Total shareholders' equity	-353.24	
Including: Surplus reserves	-35.32	
General risk reserve	-35.32	
Undistributed profits	-282.60	
Net profit	-91,633.26	
Including: Income tax expenses	91,633.26	Deferred income tax expenses

## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

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

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

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

The following significant accounting estimates and key assumptions will result in a significant risk that the book values of assets and liabilities within the next fiscal year will be adjusted materially:

##### 1) *Fair value of financial instruments*

For financial instruments for which there is no active market, the Group uses valuation techniques to determine their fair value, including the discount cash flow model, Black-Scholes model, and other valuation models. Valuation methodology utilizes observable market information to the greatest extent, however, when observable market information is not available, the Group makes estimates of significant unobservable information included in the valuation methodology. The objective of valuation techniques is to determine a fair value that reflects the same determination of market participants at the reporting date on an orderly trading basis.

##### 2) *Income taxes*

The Group is subject to corporate income tax in several jurisdictions. There is uncertainty about the ultimate tax treatment of certain transactions and events in the normal course of the Group's business activities. Significant judgments are required by the Group in the provision of income tax expenses. If the final determination of these tax matters differs from the amounts initially recorded, such difference will have an impact on the amount of income tax expense and deferred income tax in the period in which such final determination is made.



## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

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

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

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

##### 3) Consolidation of structured entities

The determination of whether the Group controls a structured entity requires management to make a comprehensive judgment based on all the facts and circumstances. The control principle consists of three elements: the asset manager's power over the structured entity, the asset manager's exposure to or enjoyment of variable returns as a result of its participation in the management of the structured entity's investments, and the asset manager's ability to use its power over the structured entity to influence the asset manager's variable returns. Management has assessed the combination of the above three elements on a comprehensive basis based on its judgment and the Group will reassess these factors whenever changes in relevant facts and circumstances cause them to change.

##### (3) Critical judgments in the adoption of accounting policies

##### 1) Classification of financial assets

The significant judgments involved in determining the classification of the Group's financial assets include analysis of the business model and contractual cash flow characteristics, etc.

The Group determines the business model for managing financial assets at the level of the financial asset portfolio, considering factors such as the manner in which the performance of financial assets is evaluated and reported to key management personnel, the risks affecting the performance of financial assets and how they are managed, and how the relevant business management personnel are compensated.

The following key judgments exist when the Group assesses whether the contractual cash flows of financial assets are consistent with the underlying lending arrangements: whether the principal amount is likely to change in time distribution or amount over the duration of the asset due to, for example, early repayment; whether the interest includes only the time value of money, credit risk, other underlying lending risks and consideration for costs and profits.

## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

### V. Taxes

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

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

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

## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

### VI. Subsidiaries

Subsidiaries included in the scope of consolidation as of June 30<sup>th</sup>, 2023

Name of subsidiary	Place of registration	Main place of business	Legal person type	Business nature	Shareholding ratio (%)	Voting ratio (%)
Luzheng CAPITAL Management Limited	Shenzhen, China	Jinan, China	Limited company	Risk management	100.00	100.00
ZHONGTAI HUIRONG INVESTMENT (HK) COMPANY LIMITED	Hong Kong, China	Hong Kong, China	Limited company	Derivatives trading	100.00	100.00
Luzheng Information Technology Co., Ltd.	Jinan, China	Jinan, China	Limited company	Information system services, software development	100.00	100.00
LUZHENG INTERNATIONAL HOLDING LIMITED	Hong Kong, China	Hong Kong, China	Limited company	Investment holding	100.00	100.00

Luzheng Capital Management Co., Ltd. was renamed Zhongtai Huirong Capital Investment Co., Ltd. (hereinafter referred to as “Zhongtai Huirong Capital”) on July 19<sup>th</sup>, 2022. The subsidiary was established in April 2013, and its main business scope includes: Investment activities with own funds; investment planning of own capital; enterprise management consulting; sales and wholesale of agricultural products, metal products, metallurgical materials, mineral products (except those specified by the state), precious metals and chemical products (except dangerous chemicals, monitoring chemicals, fireworks, civil explosives and precursor chemicals); import and export business (except for items prohibited by laws, administrative regulations and the State Council’s decision, restricted items can only be operated after obtaining permission); technical consultation; investment consultant (excluding restricted items); sales of petroleum products (excluding dangerous chemicals); wholesale of refined oil (excluding dangerous chemicals); sales of paper products; sales of pulp; sales of rubber products; sales of technical glass products; sales of daily glass products; sales of functional glass and new optical materials; general goods warehousing services (excluding hazardous chemicals and other items that need to be approved) (except for items that need to be approved according to law, business activities shall be independently carried out according to law with business license). The licensed items are: Sales and wholesale of edible oil; warehouse receipt service; basis trading; cooperation insurance; OTC derivatives business; market-making business; renewable resources sales. On June 30<sup>th</sup>, 2023, the registered capital of Zhongtai Huirong Capital was RMB750 million and the paid-in capital was RMB750 million.

## Notes to the Financial Statement

(All amounts are expressed in RMB unless stated otherwise)

### VI. Subsidiaries (Continued)

ZHONGTAI HUIRONG INVESTMENT (HK) COMPANY LIMITED (hereinafter referred to as “ZHONGTAI HUIRONG”) was established in November 2013. The main business scope includes import and export trade, investment, capital risk management, technical consulting services, etc. As of June 30<sup>th</sup>, 2023, the registered capital of ZHONGTAI HUIRONG was HKD118,820,000.00 and the paid-in capital was HKD84,449,920.83.

Luzheng Information Technology Co., Ltd. (hereinafter referred to as “Luzheng Information”) was established in February 2015. The main business scope includes: The sales of electronic products, office automation equipment, computers, cultural office machinery, control equipment and computer room equipment; information system integration service; development and sales of computer products and software and related technical services; electronic design and construction; information technology consulting service. As of June 30<sup>th</sup>, 2023, the registered capital of Luzheng Information was RMB50 million and the paid-in capital was RMB34 million.

LUZHENG INTERNATIONAL HOLDING LIMITED (hereinafter referred to as “LUZHENG INTERNATIONAL HOLDING”) was established in April 2018. The main business scope includes investment holding. As of June 30<sup>th</sup>, 2023, the registered capital was HKD30 million and the paid-in capital was HKD20 million.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 1. Cash and cash equivalents

Item	June 30th, 2023	December 31st, 2022
Cash on hand	36,924.55	36,124.55
Current bank deposit	360,342,584.13	539,982,498.65
– Principal	359,395,789.75	539,609,926.09
– Interest accrued	946,794.38	372,572.56
Time bank deposit	593,428,583.44	584,765,696.76
– Principal	580,000,000.00	580,000,000.00
– Interest accrued	13,428,583.44	4,765,696.76
Deposit of futures margin	15,908,558,238.69	15,342,842,967.74
– Principal	15,793,747,806.65	15,290,821,662.01
– Interest accrued	114,810,432.04	52,021,305.73
Other cash and cash equivalents	14,102,704.75	295,691.27
Less: Expected credit impairment reserves	652,797.64	892,218.19
Total	16,875,816,237.92	16,467,030,760.78

As of June 30th, 2023, there were no large amounts (over RMB1,000,000) in the short-term split of own bank deposits and no restrictions on the use of time bank deposits (December 31st, 2022: same).

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

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

Item	June 30th, 2023	December 31st, 2022
China Minsheng Banking Corp., Ltd.	<b>3,160,474,489.58</b>	4,211,355,161.76
Shanghai Pudong Development Bank Co., Ltd.	<b>2,800,326,207.93</b>	2,701,575,446.72
Industrial and Commercial Bank of China Limited	<b>2,150,632,717.64</b>	262,823.16
China Construction Bank Corporation	<b>2,150,392,285.53</b>	1,528,480.17
Industrial Bank Co., Ltd.	<b>1,180,188,377.52</b>	1,420,308,124.50
China Everbright Bank Co., Ltd.	<b>1,100,128,449.77</b>	1,000,129,492.98
Ping An Bank Co., Ltd.	<b>1,096,120,192.62</b>	1,096,238,809.35
Bank of Communications Co., Ltd.	<b>852,907,810.68</b>	242,559,728.84
China CITIC BANK Corporation Limited	<b>800,207,091.44</b>	1,201,483,291.93
China Merchants Bank Co., Ltd.	<b>500,131,678.29</b>	500,115,638.51
China Guangfa Bank Co., Ltd.	<b>1,536,680.19</b>	30,486.63
Bank of China Limited	<b>364,138.40</b>	318,614.62
Agricultural Bank of China Limited	<b>322,578.15</b>	2,914,119,953.90
Postal Savings BANK of China Co., Ltd.	<b>15,108.91</b>	795,608.94
<b>Total</b>	<b>15,793,747,806.65</b>	15,290,821,662.01

- (2) As at June 30th, 2023, other cash and cash equivalents represent the Group's unencumbered trading margin placed with securities and futures brokers (December 31st, 2022: same).

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

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

Item	December 31st, 2022	Accrual in the current period	June 30th, 2023
Expected credit impairment reserves	892,218.19	-239,420.55	<b>652,797.64</b>
Total	892,218.19	-239,420.55	<b>652,797.64</b>

#### 2. Settlement provisions

##### (1) Details of settlement provisions

Item	June 30th, 2023			December 31st, 2022				
	Book balance	As a percentage of total book balance (%)	Bad debt provision	Book value	Book balance	As a percentage of total book balance (%)	Bad debt provision	Book value
Provision for bad debts by portfolio	1,533,630.06	100.00		1,533,630.06	1,611,782.36	100.00		1,611,782.36
Total	1,533,630.06	100.00		1,533,630.06	1,611,782.36	100.00		1,611,782.36

##### (2) Settlement provisions with provision for bad debts by portfolio

Item	June 30th, 2023			December 31st, 2022		
	Book balance	Bad debt provision	Accrual ratio (%)	Book balance	Bad debt provision	Accrual ratio (%)
Portfolio of receivables from clearing agency	1,533,630.06			1,611,782.36		
Total	1,533,630.06			1,611,782.36		

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 3. Currency margin receivable

Item	June 30th, 2023	December 31st, 2022
Dalian Commodity Exchange	1,996,605,107.05	1,811,313,063.79
Zhengzhou Commodity Exchange	1,544,090,589.45	955,833,319.21
Shanghai Futures Exchange	1,505,472,266.29	1,358,446,039.10
China Financial Futures Exchange	1,502,670,742.72	2,081,674,434.97
Shanghai International Energy Trading Center	484,992,988.41	324,490,448.06
China Securities Depository and Clearing Corporation Limited	378,188,587.95	372,732,361.88
Guangzhou Futures Exchange	41,343,873.63	22,247,495.67
Total	7,453,364,155.50	6,926,737,162.68

#### 4. Pledge margin receivable

##### (1) Classification by Exchange

Item	June 30th, 2023	December 31st, 2022
Shanghai Futures Exchange	1,611,657,212.00	1,604,839,680.00
China Financial Futures Exchange	1,549,328,000.00	47,820,800.00
Dalian Commodity Exchange	503,536,161.60	1,152,862,936.00
Zhengzhou Commodity Exchange	250,956,170.40	575,810,720.00
Shanghai International Energy Trading Center	55,656,000.00	343,297,224.00
Total	3,971,133,544.00	3,724,631,360.00



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 4. Pledge margin receivable (continued)

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

Category of collateral	Market value at time of pledge	Discount rate	June 30th, 2023 Closing market value
Treasury Bonds	4,825,595,150.00	80%	3,860,476,120.00
Ag Silver	8,951,250.00	80%	7,161,000.00
C Corn	18,098,700.00	80%	14,478,960.00
Ru Rubber	12,360,400.00	80%	9,888,320.00
Sn Tin	6,916,480.00	80%	5,533,184.00
Ni Nickel	959,400.00	80%	767,520.00
TSR 20	9,555,000.00	80%	7,644,000.00
Thread	4,495,200.00	80%	3,596,160.00
BU Asphalt	14,022,000.00	80%	11,217,600.00
Cotton	649,600.00	80%	519,680.00
Hot Rolled Coil	23,484,000.00	80%	18,787,200.00
CU Copper	38,829,750.00	80%	31,063,800.00
<b>Total</b>	<b>4,963,916,930.00</b>		<b>3,971,133,544.00</b>

Category of collateral	Market value at time of pledge	Discount rate	December 31st, 2022 Closing market value
Treasury Bonds	4,532,958,600.00	80%	3,626,366,880.00
Ag Silver	22,151,040.00	80%	17,720,832.00
FU Fuel Oil	45,935,340.00	80%	36,748,272.00
Ru Rubber	11,610,000.00	80%	9,288,000.00
Sn Tin	26,718,720.00	80%	21,374,976.00
Ni Nickel	4,189,500.00	80%	3,351,600.00
PG Liquefied Petroleum Gas	4,292,000.00	80%	3,433,600.00
P Palm Oil	7,934,000.00	80%	6,347,200.00
<b>Total</b>	<b>4,655,789,200.00</b>		<b>3,724,631,360.00</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 5. Settlement guarantees receivable

Item	June 30th, 2023	December 31st, 2022
China Financial Futures Exchange	45,940,942.64	20,108,390.93
China Securities Depository and Clearing Corporation Limited	11,677,385.00	11,583,968.44
Total	57,618,327.64	31,692,359.37

#### 6. Risk loss receivables

##### (1) Analysis by aging

Item	June 30th, 2023				December 31st, 2022			
	Book balance	As a percentage of total book balance (%)	Bad debt provision	Book value	Book balance	As a percentage of total book balance (%)	Bad debt provision	Book value
Within 1 year					562,907.41	79.84	28,145.37	534,762.04
1-2 years	511,807.41	93.64	51,180.74	460,626.67				
2-3 years					142,106.86	20.15	28,421.37	113,685.49
Over 3 years	34,761.46	6.36	20,856.88	13,904.58	76.07	0.01	45.64	30.43
Total	546,568.87	100.00	72,037.62	474,531.25	705,090.34	100.00	56,612.38	648,477.96

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 6. Risk loss receivables (continued)

- (2) As of June 30th, 2023, the top five risk loss receivables of the Group totalled RMB525,856.02, representing 96.21% of the total receivables, as follows:

Company name	Book balance	Aging	Ratio to total receivables (%)	Nature of payment
First place	361,193.07	1-2 years	66.08	Closeout loss payments
Second place	97,515.24	1-2 years	17.84	Closeout loss payments
Third place	53,099.10	1-2 years	9.71	Closeout loss payments
Fourth place	7,788.65	Over 3 years	1.43	Closeout loss payments
Fifth place	6,259.96	Within 1 year	1.15	Closeout loss payments
<b>Total</b>	<b>525,856.02</b>		<b>96.21</b>	

#### 7. Accounts receivable

- (1) Listed by details

Item	June 30th, 2023	December 31st, 2022
OTC Options clients' capital receivable	<b>337,072,908.73</b>	173,356,147.93
Notes receivable	<b>36,988,011.60</b>	28,000,000.00
Trade receivable	<b>3,410,235.47</b>	9,886,920.96
Exchange service fee receivable	<b>1,744,177.02</b>	4,295,797.24
Others	<b>1,872,358.68</b>	3,129,202.64
<b>Total</b>	<b>381,087,691.50</b>	218,668,068.77
Less: Bad debt provision	<b>2,510,724.28</b>	2,331,507.08
<b>Book value of accounts receivable</b>	<b>378,576,967.22</b>	216,336,561.69

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 7. Accounts receivable (continued)

##### (2) Analysis by aging

Item	June 30th, 2023		December 31st, 2022	
	Amount	As a percentage of total book balance (%)	Amount	As a percentage of total book balance (%)
Within 1 year	299,493,972.85	78.58	201,200,888.88	92.01
1-2 years	79,480,600.85	20.86	15,323,523.64	7.01
2-3 years	141,953.04	0.04	32,550.50	0.01
Over 3 years	1,971,164.76	0.52	2,111,105.75	0.97
<b>Total</b>	<b>381,087,691.50</b>	<b>100.00</b>	218,668,068.77	100.00

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

Category	Opening balance	Accrual	Changes in current year			Closing balance
			Recovery or reversal	Carry-forward or write-off	Others	
Provision for bad debts on accounts receivable	2,331,507.08	179,217.20				2,510,724.28
<b>Total</b>	2,331,507.08	179,217.20				<b>2,510,724.28</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 7. Accounts receivable (continued)

- (4) As of June 30th, 2023, the top five receivables of the Group totalled RMB225,176,004.63, representing 59.09% of the total receivables, as follows:

Company name	Amount	Aging	Ratio to total receivables (%)	Nature of payment
Galaxy Derivatives Capital Management Co., Ltd.	74,725,600.00	Within 1 year/ 1-2 years	19.61	Option trading funds
Everbright Securities Company Limited	60,000,000.00	Within 1 year	15.74	Option trading funds
Soochow Securities Co., Ltd.	33,000,000.00	Within 1 year	8.66	Option trading funds
Guotai Junan Securities Co., Ltd.	30,026,743.68	Within 1 year	7.88	Option trading funds
Huatai Great Wall Capital Management Co., Ltd.	27,423,660.95	Within 1 year	7.20	Option trading funds
Total	225,176,004.63		59.09	

As at June 30th, 2023, there were no amounts due from shareholders holding 5% (or more) of the voting shares of the Company in accounts receivable (December 31st, 2022: same).

#### 8. Inventories

Item	June 30th, 2023	December 31st, 2022
Bulk commodity	48,525,169.07	77,218,365.69
Others		
Subtotal	48,525,169.07	77,218,365.69
Less: Inventory depreciation reserves		
Total	48,525,169.07	77,218,365.69

As at June 30th, 2023, there were no inventories pledged to the futures exchange as trading margin (as at December 31st, 2022, there were no inventories pledged to the futures exchange as trading margin).

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 9. Contract assets

Item	June 30th, 2023	December 31st, 2022
Contract assets	15,906,258.76	26,394,536.79
Less: Impairment provision of contract assets		
Total	15,906,258.76	26,394,536.79

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

Item	June 30th, 2023	December 31st, 2022
National debt reverse repurchase		200,312,037.45
Including: Principal		200,007,000.00
Interest accrued		305,037.45
Warehouse receipt pledge fund lent	42,804,031.35	42,804,031.27
Including: Principal	42,804,031.35	42,804,031.27
Interest accrued		
Less: Impairment provision	7,572,970.95	7,572,970.95
Total	35,231,060.40	235,543,097.77

The Group received warehouse receipts as pledges for warehouse receipt pledge financing, and these pledges can be used for re-pledge. As at June 30th, 2023, the Group had no collateral accepted for re-pledging (As at December 31st, 2022, the Group had no collateral accepted for re-pledging).

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 11. Trading financial assets

Item	June 30th, 2023	December 31st, 2022
Public securities investment funds	250,867,454.03	335,165,691.57
Asset management plan	244,175,898.15	265,893,556.15
Derivative financial assets	209,655,983.77	202,490,259.07
Private securities investment fund	160,108,385.21	69,619,198.05
Trust scheme	47,495,057.23	51,464,581.55
Bank financial products	3,693,938.52	3,636,262.89
Stock investment	4,966.50	5,202.00
Income certificates		5,007,890.41
<b>Total</b>	<b>916,001,683.41</b>	<b>933,282,641.69</b>

#### 12. Derivative financial instruments

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

Item	June 30th, 2023		
	Nominal principal	Assets	Liabilities
OTC options contract	16,832,788,047.30	130,961,565.57	97,990,327.02
Exchange-traded option contract	4,677,285,000.00	23,992,977.50	66,428,232.50
Exchange-traded futures contract	22,179,014,475.00		
Forward contract	3,845,003,231.35	54,701,440.70	98,840,491.23
<b>Total</b>	<b>47,534,090,753.65</b>	<b>209,655,983.77</b>	<b>263,259,050.75</b>

Item	Nominal principal	December 31st, 2022	
		Assets	Liabilities
OTC options contract	8,580,746,406.62	163,243,901.37	61,787,710.58
Exchange-traded option contract	1,920,487,750.00	15,212,402.50	28,181,120.00
Exchange-traded futures contract	15,898,531,455.00		
Forward contract	1,672,285,208.00	24,033,955.20	94,667,975.00
<b>Total</b>	<b>28,072,050,819.62</b>	<b>202,490,259.07</b>	<b>184,636,805.58</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

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

Item	June 30th, 2023		December 31st, 2022	
	Nominal amount	Fair value changes	Nominal amount	Fair value changes
Exchange-traded futures contract	22,179,014,475.00	40,242,670.00	15,898,531,455.00	-26,629,630.00
Less: Settlement cash paid		-40,242,670.00		26,629,630.00
Futures contract net position				

For exchange-traded futures contracts, under the daily debt-free settlement system, the currency margin receivable has included the amount of position gains and losses arising from all futures contracts of June 30th, 2023. Therefore, the exchange-traded futures contract under derivative financial instruments is listed as the net amount after offset, which is RMB0.

#### 13. Investments in other equity instruments

Futures membership investments	June 30th, 2023	December 31st, 2022
Shanghai Futures Exchange	500,000.00	500,000.00
Dalian Commodity Exchange	500,000.00	500,000.00
Zhengzhou Commodity Exchange	400,000.00	400,000.00
Total	1,400,000.00	1,400,000.00

Note: Since January 1st, 2023, the Group has begun to implement the *Implementation Regulations on Financial Treatment of Futures Companies* (hereinafter referred to as the "Regulations") issued by the China Futures Association on June 14th, 2022, which is applicable to all futures companies. Prior to January 1st, 2023, it was presented as "Futures membership investments", and effective January 1st, 2023, it was presented as "Other equity instruments investments" under financial investments.



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 14. Long-term equity investments

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

Item	June 30th, 2023	December 31st, 2022
Long-term equity investment accounted by cost method		
Long-term equity investment accounted by equity method	<b>39,774,423.05</b>	39,778,369.13
Including: Investment in associates	<b>39,774,423.05</b>	39,778,369.13
Total long-term equity investment	<b>39,774,423.05</b>	39,778,369.13
Less: Impairment provision of long-term equity investment		
Net value of long-term equity investment	<b>39,774,423.05</b>	39,778,369.13

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

Investee	December 31st, 2022	Initial investment	Additional investments	Reduced investment	Changes in current period							June 30th, 2023	Closing impairment provision	
					Gains and losses on investments recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Cash dividend or profit declared to distribute	Impairment provision accrued	Exchange rate difference	Others			
Associates														
Shandong Trading Market Clearing House Co., Ltd.	24,634,892.38				679,994.73								25,314,887.11	
Shandong Board of Trade	15,143,476.75				-683,940.81								14,459,535.94	
Total	39,778,369.13				-3,946.08								39,774,423.05	

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 15. Fixed assets

Item	Houses and buildings	Transportation equipment	Computers, electronic equipment and others	Total
I. Original book value				
1. December 31st, 2022	40,072,644.53	6,149,935.45	57,843,407.62	104,065,987.60
2. Increased amount in current period		292,049.82	5,055,649.60	5,347,699.42
3. Decreased amount in current period			159,149.96	159,149.96
4. June 30th, 2023	40,072,644.53	6,441,985.27	62,739,907.26	109,254,537.06
II. Accumulated depreciation				
1. December 31st, 2022	15,427,056.15	4,093,531.53	40,055,479.75	59,576,067.43
2. Increased amount in current period	647,841.06	237,978.01	3,840,768.57	4,726,587.64
3. Decreased amount in current period			163,007.81	163,007.81
4. June 30th, 2023	16,074,897.21	4,331,509.54	43,733,240.51	64,139,647.26
III. Impairment provision				
1. December 31st, 2022				
2. Increased amount in current period				
3. Decreased amount in current period				
4. June 30th, 2023				
IV. Book value				
1. Book value as of June 30th, 2023	23,997,747.32	2,110,475.73	19,006,666.75	45,114,889.80
2. Book value as of December 31st, 2022	24,645,588.38	2,056,403.92	17,787,927.87	44,489,920.17

As of June 30th, 2023, the Group's fixed assets were not mortgaged, guaranteed or sealed (December 31st, 2022: same). As of June 30th, 2023, no sign of impairment was found in the above-mentioned fixed assets, so no impairment provision of fixed assets was accrued (December 31st, 2022: same).

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

Item	Houses and buildings	Total
I. Original book value		
1. December 31st, 2022	49,119,198.60	49,119,198.60
2. Increase in current period	9,799,340.65	9,799,340.65
New lease contract	9,799,340.65	9,799,340.65
3. Decrease in current period	3,850,576.88	3,850,576.88
Others	3,850,576.88	3,850,576.88
4. June 30th, 2023	55,067,962.37	55,067,962.37
II. Accumulated depreciation		
1. December 31st, 2022	24,173,772.01	24,173,772.01
2. Increase in current period	7,022,803.64	7,022,803.64
Accrual	7,022,803.64	7,022,803.64
3. Decrease in current period	2,221,985.06	2,221,985.06
Others	2,221,985.06	2,221,985.06
4. June 30th, 2023	28,974,590.59	28,974,590.59
III. Book value		
1. June 30th, 2023	26,093,371.78	26,093,371.78
2. December 31st, 2022	24,945,426.59	24,945,426.59

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 17. Intangible assets

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

Item	Software	Total
I. Original book value		
1. December 31st, 2022	22,865,365.66	22,865,365.66
2. Increased amount in current period	2,162,566.40	2,162,566.40
(1) Acquisition	2,162,566.40	2,162,566.40
(2) Increase from business combination		
3. Decreased amount in current period		
(1) Disposal		
(2) Others		
4. Translation difference in foreign currency statements		
5. June 30th, 2023	25,027,932.06	25,027,932.06
II. Accumulated amortization		
1. December 31st, 2022	13,225,586.03	13,225,586.03
2. Increased amount in current period	699,687.05	699,687.05
(1) Accrual	699,687.05	699,687.05
(2) Others		
3. Decreased amount in current period		
(1) Disposal		
(2) Others		
4. Translation difference in foreign currency statements		
5. June 30th, 2023	13,925,273.08	13,925,273.08
III. Impairment provision		
1. December 31st, 2022	1,438,333.48	1,438,333.48
2. Increased amount in current period		
(1) Accrual		
(2) Increase from business combination		
3. Decreased amount in current period		
(1) Disposal		
4. Translation difference in foreign currency statements		
5. June 30th, 2023	1,438,333.48	1,438,333.48
IV. Book value		
1. Book value as of June 30th, 2023	9,664,325.50	9,664,325.50
2. Book value as of December 31st, 2022	8,201,446.15	8,201,446.15

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

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

Item	June 30th, 2023	
	Deductible temporary difference	Deferred income tax assets
Gains and losses on changes in fair value	119,517,421.80	29,879,355.45
Interest payable	52,724,592.47	13,181,148.12
Deductible losses	49,747,621.54	12,436,905.39
Asset impairment provision	12,941,973.33	3,235,493.34
Depreciation of fixed assets	2,576,050.40	588,550.34
Lease liabilities	25,364,452.20	6,341,113.05
<b>Total</b>	<b>262,872,111.74</b>	<b>65,662,565.69</b>

Item	December 31st, 2022	
	Deductible temporary difference	Deferred income tax assets
Gains and losses on changes in fair value	143,753,849.93	35,938,462.48
Interest payable	41,892,155.10	10,473,038.78
Employee benefits payable	46,722,240.95	11,680,560.24
Asset impairment provision	13,120,292.40	3,280,073.10
Depreciation of fixed assets	2,576,050.40	644,012.60
Lease liabilities	25,267,643.60	6,316,910.90
<b>Total</b>	<b>273,332,232.38</b>	<b>68,333,058.10</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

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

Item	June 30th, 2023	
	Taxable temporary difference	Deferred income tax liabilities
Gains and losses on changes in fair value	113,160,266.34	28,290,066.58
Interest receivable	129,620,660.42	32,405,165.10
Depreciation of fixed assets	1,989.84	497.46
Right-of-use assets	26,093,371.82	6,523,342.95
<b>Total</b>	<b>268,876,288.42</b>	<b>67,219,072.09</b>

Item	December 31st, 2022	
	Taxable temporary difference	Deferred income tax liabilities
Gains and losses on changes in fair value	101,675,612.48	25,418,903.12
Interest receivable	58,756,227.61	14,689,056.89
Depreciation of fixed assets	1,989.84	497.46
Right-of-use assets	24,945,426.59	6,236,356.65
<b>Total</b>	<b>185,379,256.52</b>	<b>46,344,814.12</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

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

Item	Closing offset amount of deferred income tax assets and liabilities	Closing balance of deferred income tax assets or liabilities after offsetting	Opening offset amount of deferred income tax assets and liabilities	Opening balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets	55,246,667.52	10,415,898.17	46,344,316.66	21,988,741.45
Deferred income tax liabilities	55,246,667.52	11,972,404.57	46,344,316.66	497.46

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

Item	June 30th, 2023	December 31st, 2022
Deductible losses	73,568,408.22	73,288,208.24
Total	73,568,408.22	73,288,208.24

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

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

Year	June 30th, 2023	December 31st, 2022
FY 2024	27,410.68	27,410.68
FY 2025	422,622.24	422,622.24
FY 2026	1,074,779.92	1,074,779.92
FY 2027	1,169,556.88	1,169,556.88
FY 2028	24,406.01	
No maturity date	70,849,632.49	70,593,838.52
<b>Total</b>	<b>73,568,408.22</b>	<b>73,288,208.24</b>

#### 19. Other assets

- (1) Details of other assets

Item	June 30th, 2023	December 31st, 2022
Prepayments	138,226,454.61	55,674,331.25
Other receivables	8,531,235.11	11,389,363.27
Certified input tax to be deducted	2,335,277.52	5,580,954.30
Long-term deferred expenses	2,581,255.29	2,677,947.19
Input tax to be certified	1,702,729.36	1,811,329.09
Advance payment of enterprise income tax	7,352,303.12	
<b>Total</b>	<b>160,729,255.01</b>	<b>77,133,925.10</b>



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 19. Other assets (continued)

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

Item	June 30th, 2023	December 31st, 2022
Margin receivable	3,191,383.66	5,992,360.71
Deposit	4,255,968.37	4,781,673.30
Others	3,232,751.16	2,882,313.06
Subtotal	10,680,103.19	13,656,347.07
Less: Bad debt provision	2,148,868.08	2,266,983.80
Book value of other receivables	8,531,235.11	11,389,363.27

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

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses for the next 12 months	Expected credit losses over the entire duration (no credit impairment)	Expected credit losses over the entire duration (credit impairment has occurred)	
Balance as of January 1st, 2023	2,266,983.80			2,266,983.80
Book balance of other receivables as of January 1st, 2023 in current year				
- Transfer to stage 2				
- Transfer to stage 3				
- Reverse to stage 2				
- Reverse to stage 1				
Accrual in current year	-118,115.72			-118,115.72
Reversal in current year				
Carry forward in current year				
Write-off in current year				
Other changes				
Balance at June 30th, 2023	2,148,868.08			2,148,868.08

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 19. Other assets (continued)

##### (4) Other assets – prepayments

Item	June 30th, 2023		December 31st, 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	133,812,433.77	96.80	51,584,678.78	92.66
1-2 years	2,736,282.75	1.98	3,222,624.75	5.79
2-3 years	989,493.40	0.72	346,563.12	0.62
Over 3 years	688,244.69	0.50	520,464.60	0.93
<b>Total</b>	<b>138,226,454.61</b>	<b>100.00</b>	55,674,331.25	100.00

#### 20. Short-term loans

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

Classification of short-term loans	June 30th, 2023	December 31st, 2022
Credit loan	46,878,432.03	10,000,000.00
Add: Accrued interest	59,891.87	11,388.89
<b>Total</b>	<b>46,938,323.90</b>	10,011,388.89

Zhongtai Huirong Capital signed a working capital loan contract with the Jinan Branch of China Everbright Bank Company Limited, with a loan of RMB5 million for the purchase of hot-rolled ribbed bars and other products. The loan interest rate is 4.8%, and the loan term is from March 17th, 2023 to September 17th, 2023; Zhongtai Huirong Capital signed a working capital loan contract with Jinan Branch of China Everbright Bank Company Limited, with a loan of RMB4.2554 million for the purchase of screw steel, with an interest rate of 4.80% and the loan term is from March 21st, 2023 to September 21st, 2023; Zhongtai Huirong Capital signed a working capital loan contract with Jinan Branch of China Everbright Bank Company Limited, with a loan amount of RMB37.623 million for the purchase of steel plates, structural steel and other products, with an interest rate of 4.55%, and a loan term is from April 27th, 2023 to October 27th, 2023.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 21. Acting trading securities

Item	June 30th, 2023	December 31st, 2022
Brokerage business	<b>1,661,818.65</b>	2,327,132.42
Including: Individuals	<b>92,150.70</b>	117,828.05
Organization	<b>1,569,667.95</b>	2,209,304.37
Total	<b>1,661,818.65</b>	2,327,132.42

#### 22. Currency margin payable

Item	June 30th, 2023	December 31st, 2022
Currency margin payable by futures and options customers	<b>21,059,765,526.78</b>	20,649,572,802.73
Total	<b>21,059,765,526.78</b>	20,649,572,802.73

#### (1) Listed by customer category

Item	June 30th, 2023		December 31st, 2022	
	Number of accounts	Amount	Number of accounts	Amount
Natural person	159,401	6,876,436,941.23	153,779	5,928,696,781.13
Legal person	6,224	14,127,551,076.84	5,621	14,365,873,822.67
Non-settlement member	3	55,777,508.71	3	355,002,198.93
Total	165,961.00	21,059,765,526.78	159,683	20,649,572,802.73

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 23. Pledge margin payable

##### (1) Listed by exchange

Item	June 30th, 2023	December 31st, 2022
Shanghai Futures Exchange	1,611,657,212.00	1,604,839,680.00
China Financial Futures Exchange	1,549,328,000.00	343,297,224.00
Dalian Commodity Exchange	503,536,161.60	1,152,862,936.00
Zhengzhou Commodity Exchange	250,956,170.40	575,810,720.00
Shanghai International Energy Trading Center	55,656,000.00	47,820,800.00
<b>Total</b>	<b>3,971,133,544.00</b>	<b>3,724,631,360.00</b>

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

Item	June 30th, 2023		December 31st, 2022	
	Number of accounts	Amount	Number of accounts	Amount
Legal person	32	3,971,133,544.00	43	3,724,631,360.00
<b>Total</b>	<b>32</b>	<b>3,971,133,544.00</b>	<b>43</b>	<b>3,724,631,360.00</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 24. Futures risk reserves

Item	June 30th, 2023	December 31st, 2022
Opening balance	155,185,841.21	137,139,704.50
Increase in current period	9,251,014.98	18,046,136.71
Used in current period		
Closing balance	164,436,856.19	155,185,841.21

According to the *Provisions of the Measures for the Supervision and Administration of Futures Companies* (Order No. 155 of the China Securities Regulatory Commission) and the *Interim Provisions on the Financial Management of Commodity Futures Trading* (CSZ [1997] No. 44), the futures risk reserve shall be withdrawn at the proportion of 5% of the net income from the agency service fee income minus the service fee payable to the futures exchange. The *Measures for the Administration of Private Asset Management Business of Securities and Futures Institutions* (Order No. 151 of the China Securities Regulatory Commission) stipulates that the risk provision shall not be less than 10% of the management fee income, and the Company provides risk provision at 10% of the management fee income of the products.

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

Item	June 30th, 2023	December 31st, 2022
Opening balance	1,104,676.74	909,357.71
Increase in current period	411,538.89	1,024,474.93
Payment in current period	1,027,158.28	829,155.90
Closing balance	489,057.35	1,104,676.74

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

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 26. Employee benefits payable

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

Item	December 31st, 2022	Increase in current period	Decrease in current period	June 30th, 2023
I. Short-term employee benefits	91,817,178.44	107,230,096.18	132,212,960.29	<b>66,834,314.33</b>
II. Post-employment benefits – defined contribution plans	95,596.94	19,525,870.44	19,527,668.20	<b>93,799.18</b>
III. Termination benefits		4,563.50	4,563.50	
<b>Total</b>	<b>91,912,775.38</b>	<b>126,760,530.12</b>	<b>151,745,191.99</b>	<b>66,928,113.51</b>

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

Item	December 31st, 2022	Increase in current period	Decrease in current period	June 30th, 2023
Employee salaries, bonuses, allowances and subsidies	78,157,873.34	90,371,580.55	115,052,312.15	<b>53,477,141.74</b>
Employee welfares	6,480.00	368,446.59	365,125.19	<b>9,801.40</b>
Social insurance contributions Including: Medical insurance premiums	48,913.44	6,126,683.68	6,127,621.55	<b>47,975.57</b>
Injury insurance premiums	41,597.03	5,936,580.45	5,937,466.75	<b>40,710.73</b>
Maternity insurance premiums	1,705.04	140,096.57	140,118.24	<b>1,683.37</b>
Others	5,611.37	50,006.66	50,036.56	<b>5,581.47</b>
Housing provident fund	17,810.21	8,536,342.26	8,536,342.26	<b>17,810.21</b>
Funds for trade unions and staff education	13,586,101.45	1,827,043.10	2,131,559.14	<b>13,281,585.41</b>
Other short-term employee benefits				
<b>Total</b>	<b>91,817,178.44</b>	<b>107,230,096.18</b>	<b>132,212,960.29</b>	<b>66,834,314.33</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

##### (3) Termination benefits

Item	December 31st, 2022	Increase in current period	Decrease in current period	June 30th, 2023
Termination benefit		4,563.50	4,563.50	
Total		4,563.50	4,563.50	

##### (4) Defined contribution plans

Item	December 31st, 2022	Increase in current period	Decrease in current period	June 30th, 2023
Basic pension insurance	88,852.63	11,776,345.10	11,778,082.31	87,115.42
Unemployment insurance premiums	6,744.31	770,271.72	770,332.27	6,683.76
Enterprise annuity contributions		6,979,253.62	6,979,253.62	
Total	95,596.94	19,525,870.44	19,527,668.20	93,799.18

The Group's employees participate in the basic pension insurance established by government agencies. The Group determines the base within the upper and lower limits of the local basic pension insurance contribution base based on the employees' average monthly income in the previous year and makes contributions in accordance with the stipulated ratio.

In addition to participating in the basic pension insurance organized and implemented by the local labor and security authorities in accordance with the relevant PRC regulations, the Group has established an enterprise annuity plan for eligible employees on a voluntary basis, and the unit contributions and their investment income in the employees' accounts of the enterprise annuity are attributed to the employees on a pro-rata basis in accordance with the relevant regulations. The Group established the principle of compensation for middle-aged employees in the enterprise pension fund. Employees who are less than 10 years away from retirement from the date of implementation of the enterprise pension fund will be compensated after retirement in accordance with the relevant regulations.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 27. Notes payable

Category	June 30th, 2023	December 31st, 2022
Bank's acceptance bill	8,276,283.48	200,000.00
Total	8,276,283.48	200,000.00

#### 28. Taxes and dues payable

Item	June 30th, 2023	December 31st, 2022
Corporate income tax	26,978.13	59,018,325.49
Personal income tax	3,276,943.40	1,908,636.49
Value added tax (VAT)	1,291,493.56	6,933,022.80
Stamp duty	154,253.69	182,659.58
Property tax	84,152.55	84,152.55
Urban maintenance and construction tax	87,241.89	327,182.79
Education surcharge	38,398.45	141,164.64
Local education surcharge	24,414.01	93,038.09
Others		2,452.62
Total	4,983,875.68	68,690,635.05



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 29. Payables

##### (1) Classification by details

Item	June 30th, 2023	December 31st, 2022
Funds payable to OTC option customers	1,589,628,574.81	1,214,784,411.06
Return of brokerage service fee payable	6,771,943.36	12,919,754.05
Commission payable for futures introduction and brokerage services	5,317,913.55	980,883.61
Consulting service fee payable	3,688,870.79	2,013,739.02
Advertising expenses payable	3,628,905.22	459,312.97
Labor remuneration payable	2,745,804.61	3,061,511.39
Rent and property costs payable	138,009.49	119,863.20
Agency fees payable	400,000.00	1,200,000.00
Others	3,279,157.55	2,544,269.65
<b>Total</b>	<b>1,615,599,179.38</b>	<b>1,238,083,744.95</b>

##### (2) As of June 30th, 2023, the top five companies with balance of accounts payable:

Company name	Amount	Aging	Proportion of account payable (%)	Nature of payment
Haitong Securities Co., Ltd.	119,995,449.52	Within 1 year	7.43	OTC option client funds
Zhoushan Zheshan Supply Chain Management Co., Ltd.	101,576,750.00	Within 1 year	6.29	OTC option client funds
Shaanxi Wen'an Iron and Steel Trade Co., Ltd.	96,353,450.00	Within 1 year	5.96	OTC option client funds
Fengrun Taixin No. 15 Private Equity Securities Investment Fund	73,445,000.00	1-2 years	4.55	OTC option client funds
Hainan Kuohai Trade Co., Ltd.	68,229,010.00	Within 1 year	4.22	OTC option client funds
<b>Total</b>	<b>459,599,659.52</b>		<b>28.45</b>	

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 29. Payables (continued)

- (3) As at June 30th, 2023, the Group's balance payable to the shareholder Zhongtai Securities for the house purchase was RMB42,643.89 (December 31st, 2022: RMB42,643.89), and the brokerage service commission was RMB5,317,913.55 (December 31st, 2022: RMB938,239.72), and consulting service fees of RMB1,675,131.77 (December 31st, 2022: RMB0).
- (4) As of June 30th, 2023, the Group has no large number of payables unpaid for more than one year.

#### 30. Contract liabilities

Item	June 30th, 2023	December 31st, 2022
Advance payment	51,932,790.04	18,375,107.56
Total	51,932,790.04	18,375,107.56

#### 31. Lease liabilities

Item	June 30th, 2023	December 31st, 2022
Unpaid lease payments	29,832,105.86	29,082,921.46
Less: Unrecognized financing costs	4,467,653.66	3,815,277.86
Total	25,364,452.20	25,267,643.60

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 32. Provisions

Item	June 30th, 2023	December 31st, 2022
Expected losses	116,964.10	116,964.10
Total	116,964.10	116,964.10

See XI.2. Contingencies for further details

#### 33. Other liabilities

Item	June 30th, 2023	December 31st, 2022
Other payables	213,483,954.94	219,249,072.20
Advances from customers	699,708.36	15,723.31
Pending output tax	1,494,030.38	2,497,835.65
Endorsed outstanding notes	27,808,011.60	25,000,000.00
Dividends payable	16,030,400.00	–
Total	259,516,105.28	246,762,631.16

Among other payables, the subsidiary Zhongtai Huirong Capital borrowed RMB200 million from Zhongtai Securities Co., Ltd. in February 2022, with a term of one year and an annual interest rate of 5.88%, mainly used to carry out futures market investments. One month prior to the maturity of the loan contract, if either party to the contract does not object in writing, the contract will be automatically extended for a period of one year at a time.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 34. Share capital

Name of shareholder	June 30th, 2023		December 31st, 2022	
	Contribution amount	Proportion (%)	Contribution amount	Proportion (%)
Zhongtai Securities Co., Ltd.	632,176,077.50	63.10	632,176,077.50	63.10
Yongfeng Group Co., Ltd.	35,156,250.00	3.51	35,156,250.00	3.51
Shandong State-owned Assets Investment Holding Co., Ltd.	22,583,601.69	2.25	22,583,601.69	2.25
Shandong Linglong Rubber Co., Ltd.	11,718,750.00	1.17	11,718,750.00	1.17
Yantai Shengli Investment Co., Ltd.	11,718,750.00	1.17	11,718,750.00	1.17
Jinan Energy Sources Investment Co., Ltd.	11,456,570.81	1.14	11,456,570.81	1.14
Overseas Listed Ordinary Shares ("H Shares")	277,090,000.00	27.66	277,090,000.00	27.66
<b>Total</b>	<b>1,001,900,000.00</b>	<b>100.00</b>	<b>1,001,900,000.00</b>	<b>100.00</b>

As of June 30th, 2023, the Company's shares have not been pledged or frozen.

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

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 35. Capital reserve

Item	December 31st, 2022	Increase in current period	Decrease in current period	June 30th, 2023
Equity premium	650,629,528.42			650,629,528.42
Other capital reserves	11,304,538.52			11,304,538.52
<b>Total</b>	<b>661,934,066.94</b>			<b>661,934,066.94</b>

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

#### 36. Other comprehensive income

Item	Balance as of December 31st, 2022	Amount incurred from January to June 2023 before income tax	Amount incurred from January to June 2023				Less: Income tax expenses	Amount attributable to the parent company after tax	Amount attributable to minority shareholders after tax	Balance as of June 30th, 2023
			Less: Amount included in other comprehensive income in the prior period transferred to current profit or loss	Less: Amount included in other comprehensive income in the prior period transferred to retained earnings in the current period						
Other comprehensive income to be reclassified to profit or loss	1,829,585.72	727,301.06					727,301.06		2,556,886.78	
Including: Other comprehensive income available for transfer to profit or loss under the equity method										
Provision for credit impairment of other debt investments										
Translation differences in foreign currency financial statements	1,829,585.72	727,301.06					727,301.06		2,556,886.78	
Others										
<b>Total other comprehensive income</b>	<b>1,829,585.72</b>	<b>727,301.06</b>					<b>727,301.06</b>		<b>2,556,886.78</b>	

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 37. Surplus reserve

Item	Pre-adjustment (December 31st, 2022)	Changes in accounting policies	Post-adjustment (December 31st, 2022)	Increase in current period	Decrease in current period	June 30th, 2023
Statutory surplus reserve	99,583,860.34	-35.32	99,583,825.02			99,583,825.02
Total	99,583,860.34	-35.32	99,583,825.02			99,583,825.02

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

The withdrawal amount of the Company's discretionary surplus reserve shall be proposed by the board of directors and approved by the general meeting of shareholders. After approval, any surplus reserve can be used to cover the losses of previous years or increase the paid-in capital. The Company did not withdraw any discretionary surplus reserve from January to June 2023.

#### 38. General risk reserve

Item	January-June 2023	January-June 2022
Closing balance of the prior period before adjustments	124,578,909.85	110,493,866.57
Add: Changes in accounting policies	-35.32	-1,379.86
Closing balance of the prior period after adjustments	124,578,874.53	110,492,486.71
Accrual in the current period		
Closing balance	124,578,874.53	110,492,486.71

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

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 39. Undistributed profits

Item	January-June 2023	January-June 2022
Closing balance of the prior period before adjustments	<b>552,372,922.16</b>	432,517,551.30
Add: Changes in accounting policies	<b>80,624.90</b>	40,901.50
Closing balance of the prior period after adjustments	<b>552,453,547.06</b>	432,558,452.80
Add: Net profit attributable to the owners of the parent company	<b>68,131,668.24</b>	90,647,046.32
Less: Withdrawal of statutory surplus reserves		
Withdrawal of general risk reserve		
Distribution of dividends on ordinary shares	<b>16,030,400.00</b>	18,034,200.00
Others		
Closing balance of the current period	<b>604,554,815.30</b>	505,171,299.12

According to the resolution of the general meeting of shareholders No. 2 of ZTQGJZ [2023] on June 15th, 2023, the Company distributed a profit of RMB18,034,200.00 to all shareholders.

#### 40. Handling fees and commission income

##### (1) Listed by category

Item	January-June 2023	January-June 2022
Net income from return and reduction of handling fees of the exchange	<b>137,745,296.75</b>	133,337,768.82
Net income from transaction fees	<b>32,797,233.93</b>	40,989,328.53
Net income from exercise fees	<b>3,719,380.34</b>	3,456,429.38
Investment consulting service fee income	<b>155,189.08</b>	37,735.85
Net income from settlement fees	<b>8,919.89</b>	7,546.96
Asset management business income	<b>271,869.63</b>	
Total	<b>174,697,889.62</b>	177,828,809.54

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 40. Handling fees and commission income (continued)

##### (2) Listed by region

Region	January-June 2023		January-June 2022	
	Number of segments	Handling fee income	Number of segments	Handling fee income
Shandong Province	12	147,998,066.13	12	138,288,760.35
Shanghai	3	7,338,449.91	2	14,852,548.20
Zhejiang Province	4	5,419,820.83	4	6,818,341.12
Guangdong Province	2	4,052,589.50	2	2,424,468.25
Liaoning Province	2	2,238,373.81	2	3,081,807.09
Beijing	2	1,933,909.58	2	1,712,428.44
Henan Province	2	1,746,333.08	1	980,390.57
Tianjin	1	1,337,378.66	1	753,116.54
Jiangsu Province	2	865,894.11	2	6,472,828.89
Hunan Province	1	762,854.84	1	615,927.20
Hubei Province	1	587,830.22	1	1,774,200.87
Fujian Province	1	416,388.95	1	53,992.02
<b>Total</b>	<b>33</b>	<b>174,697,889.62</b>	<b>31</b>	<b>177,828,809.54</b>

#### 41. Net interest income

Item	January-June 2023	January-June 2022
Interest income	232,329,483.36	198,427,600.86
Including: Interest income from bank deposits	217,858,075.28	157,119,223.93
Exchange margin interest income	14,478,011.77	40,400,533.83
Interest income from repurchase for resale	-6,603.69	907,843.10
Interest expenses	124,078,681.50	91,735,751.62
Including: Interest expenses paid to customers	115,906,216.61	85,809,280.57
Interest expense of lease liabilities	1,624,923.40	1,289,022.98
Interest expense for settlement and settlement services	260,736.99	346,781.40
Interest expenses on borrowings	6,286,804.50	4,290,666.67
<b>Net interest income</b>	<b>108,250,801.86</b>	<b>106,691,849.24</b>



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 42. Investment income

Item	January-June 2023	January-June 2022
Investment income from disposal of financial instruments held for trading	-27,021,968.13	100,548,020.92
Investment income obtained during the holding period of financial instruments held for trading	6,957,421.88	476,060.78
Investment income from the disposal of long-term equity investment		
Income from long-term equity investments accounted for by the equity method	-3,946.08	-97,785.26
Total	-20,068,492.33	100,926,296.44

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

Item	January-June 2023	January-June 2022
Changes in the fair value of financial instruments held for trading	35,968,714.25	-58,480,144.84
Total	35,968,714.25	-58,480,144.84

#### 44. Other operation income

Item	January-June 2023	January-June 2022
Revenue from spot sales of futures and spot combination business	522,787,837.74	1,021,378,049.03
Revenue from software services	56,603.78	9,433.98
Exchange service fees and others	1,208,455.58	408,996.21
Total	524,052,897.10	1,021,796,479.22

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 45. Other income

Item	January-June 2023	January-June 2022
Tax exemption	7,698.78	20,215.76
Return of handling fees on individual income tax agency	521,909.96	236,488.45
Government grants	190,854.65	
Job stabilization subsidy	72.00	56,390.92
Others	5,000.00	1,000.00
<b>Total</b>	<b>725,535.39</b>	<b>314,095.13</b>

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

Item	January-June 2023	January-June 2022
Withdrawal of risk reserves	9,251,014.98	9,641,720.72
<b>Total</b>	<b>9,251,014.98</b>	<b>9,641,720.72</b>

Note: From January 1st, 2023, the Company started implementing the Rules issued by the China Futures Association on June 14th, 2022, which adjusted the account "withdrawal of futures risk reserves" to "expenditure on provision for futures risk".

#### 47. Taxes and surcharges

Item	January-June 2023	January-June 2022
Stamp duty	344,689.72	811,137.70
Urban construction tax	631,114.24	515,445.50
Education surcharge	269,520.02	347,979.16
Local education surcharge	179,680.61	231,918.28
Others	181,791.62	175,840.99
<b>Total</b>	<b>1,606,796.21</b>	<b>2,082,321.63</b>

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 48. Business and management fees

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

Item	January-June 2023	January-June 2022
Business and management fees	200,466,283.06	184,994,924.45
Total	200,466,283.06	184,994,924.45

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

Item	January-June 2023	January-June 2022
Employee benefits	126,760,530.12	121,872,372.75
Information maintenance fee	15,341,781.97	11,256,568.00
Depreciation and amortization	13,297,447.19	11,164,262.77
Advertising expenses	8,813,913.39	6,208,703.62
Business entertainment expenses	5,543,011.66	3,750,874.29
Communication fee	5,270,251.76	4,664,246.34
Consulting fee	4,747,970.57	1,714,057.07
Travel expenses	3,242,830.43	1,721,319.16
Introducing broker services	2,866,705.11	4,168,589.47
Conference expenses	2,152,714.02	562,594.29
Audit fee	364,150.94	
Total	188,401,307.16	167,083,587.76

#### 49. Credit impairment losses

Item	January-June 2023	January-June 2022
Impairment loss on cash and cash equivalents	-239,420.55	157,575.67
Impairment loss on receivables	179,217.20	-407,736.21
Impairment loss on other receivables	-118,115.72	-9,800.83
Impairment loss on receivables from risk losses	15,425.24	
Impairment loss of buying back the sale of financial assets		15,099,025.89
Total	-162,893.83	14,839,064.52

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 50. Impairment losses on assets

Item	January-June 2023	January-June 2022
Inventory impairment loss		903,106.05
Total		903,106.05

#### 51. Other business costs

Item	January-June 2023	January-June 2022
Cost of spot sales in futures and spot combination business	516,298,342.76	1,018,655,747.16
Others	522,125.61	1,134,586.53
Total	516,820,468.37	1,019,790,333.69

#### 52. Non-operating income

Item	January-June 2023	January-June 2022
Gains from the scrapping of non-current assets	800.00	3,250.00
Including: Gains from the scrapping of fixed assets	800.00	3,250.00
Gains from the scrapping of intangible assets		
Government grants and support funds	6,000.00	2,804.40
Income from forfeited margin		
Others	1,866.63	7,578,546.76
Total	8,666.63	7,584,601.16

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

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 53. Non-operating expenses

Item	January-June 2023	January-June 2022
Losses on scrapping of non-current assets	10,107.36	9,466.90
Including: Losses on scrapping of fixed assets	10,107.36	9,466.90
Losses on scrapping of intangible assets		
Donation and sponsorship expenses	850,000.00	880,000.00
Overdue payment	515,450.11	
Others	157,052.83	4,784.90
Total	1,532,610.30	894,251.80

#### 54. Income tax expenses

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

Item	January-June 2023	January-June 2022
Current income tax expenses	2,198,360.57	45,740,957.97
Deferred income tax expenses	23,544,750.39	-12,833,494.78
Total	25,743,110.96	32,907,463.19

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 54. Income tax expenses (continued)

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

Item	January-June 2023	January-June 2022
Total consolidated profit	93,874,779.20	123,554,509.51
Income tax expenses at the statutory/ applicable tax rates	23,468,694.80	30,888,627.37
Effect of different tax rates applied to subsidiaries	109,753.52	-1,945.09
Effect of adjustments to prior periods' income taxes		
Effect of non-taxable income	-445,912.23	-381,247.12
Effect of non-deductible costs, expenses and losses	2,633,703.72	2,289,419.18
Effect of deductible loss of unrecognized deferred income tax assets in the prior period		
Effect of deductible temporary difference or deductible loss of deferred income tax assets not recognized in the current period	-23,128.85	112,608.85
Effect of deductible temporary difference or deductible loss of deferred income tax assets not recognized in the previous period		
Income tax expenses	25,743,110.96	32,907,463.19

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 55. Cash flow statement items

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

Item	January-June 2023	January-June 2022
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	<b>68,131,668.24</b>	90,647,046.32
Add: Impairment loss of other assets		903,106.05
Credit impairment loss	<b>-162,893.83</b>	14,839,064.52
Depreciation of right-of-use assets	<b>7,022,803.64</b>	5,731,887.35
Depreciation of fixed assets	<b>4,726,587.64</b>	3,985,617.56
Amortization of intangible assets	<b>699,687.05</b>	698,967.98
Amortization of long-term deferred expenses	<b>848,368.86</b>	749,525.92
Losses on the disposal of fixed assets, intangible assets and other long-term assets (gains marked with "-")	<b>-229,794.91</b>	-32,148.51
Losses on scrapping of fixed assets (gains marked with "-")	<b>9,307.36</b>	6,216.90
Losses on changes in fair values (gains marked with "-")		
Interest expense (gains marked with "-")	<b>7,911,727.90</b>	366,533.04
Exchange loss	<b>476,749.14</b>	-6,097.97
Investment losses (gains marked with "-")	<b>3,946.08</b>	97,785.26
Decrease in deferred income tax assets (increase marked with "-")	<b>11,572,843.28</b>	68,156.49
Increase in deferred income tax liabilities (decrease marked with "-")	<b>11,971,907.11</b>	-12,901,651.27
Decrease in financial assets at fair value through profit or loss (increase marked with "-")		

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

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

Item	January-June 2023	January-June 2022
Decrease in buying back the sale of financial assets (increase marked with "-")	200,312,037.37	80,145,306.78
Decrease in financial assets held for trading (increase marked with "-")	17,280,958.28	376,426,715.74
Decrease in inventories (increase marked with "-")	28,693,196.62	-123,838,026.76
Decrease in operating receivables (increase marked with "-")	-1,034,164,618.65	-3,411,136,675.08
Increase in operating payables (decrease marked with "-")	983,616,831.88	9,957,439,296.58
Others		
Net cash flows from operating activities	308,721,313.06	6,984,190,626.90
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>		
Conversion of debt into capital		
Convertible corporate bonds due within 1 year		
Fixed assets acquired under finance leases		
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	16,167,283,225.70	16,973,341,452.60
Less: Opening balance of cash	15,830,763,403.92	9,775,110,705.25
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	336,519,821.78	7,198,230,747.35



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

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

Item	June 30th, 2023	December 31st, 2022
Cash	<b>16,167,283,225.70</b>	15,830,763,403.92
Including: Cash on hand	<b>36,924.55</b>	36,124.55
Bank deposits readily available for payment	<b>16,153,143,596.40</b>	15,830,431,588.10
Other cash and cash equivalents readily available for payment	<b>14,102,704.75</b>	295,691.27
Settlement provisions		
Cash equivalents		
Including: Bond investments due within 3 months		
Closing balance of cash and cash equivalents	<b>16,167,283,225.70</b>	15,830,763,403.92

#### 56. Dividends

As of June 30th, 2023, the Company declared a final dividend of RMB16,030,400.00 as of December 31st, 2022.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 57. Earnings per share

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

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

Item	January-June 2023	January-June 2022
Profit attributable to shareholders of the Company	68,131,668.24	90,647,046.32
Weighted average number of ordinary shares issued	1,001,900,000.00	1,001,900,000.00
Basic earnings per share	0.07	0.09

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

There were no potentially dilutive ordinary shares for the six months ended June 30th, 2023, so diluted earnings per share are the same as basic earnings per share.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### VIII. Segment reports

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

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

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

#### Segment report for January-June 2023 (by business)

Item	Brokerage business	Risk management business	Asset management business	Other businesses	Offset	Total
I. Operating income	293,304,995.88	558,532,018.95	155,189.08	19,051,054.19	-47,662,866.44	823,380,391.66
External operating income	279,478,231.43	524,695,916.96	155,189.08	19,051,054.19		823,380,391.66
Inter-segment operating income	13,826,764.45	33,836,101.99			-47,662,866.44	
II. Operating expenses	185,582,526.82	536,860,014.23	1,753,865.31	13,831,336.56	-10,046,074.13	727,981,668.79
External operating expenses	179,375,598.79	533,254,613.47	1,753,865.31	13,597,591.22		727,981,668.79
Inter-segment operating expenses	6,206,928.03	3,605,400.76		233,745.34	-10,046,074.13	
III. Total profits/(losses)	107,722,469.06	-16,178,255.96	-1,598,676.23	3,695,496.99	233,745.34	93,874,779.20
IV. Income tax expenses	29,418,384.89	-3,739,499.81		8,763.62	55,462.26	25,743,110.96
V. Net profit/(loss)	78,304,084.17	-12,438,756.15	-1,598,676.23	3,686,733.37	178,283.08	68,131,668.24
VI. Total assets	28,721,004,667.26	2,981,180,203.01	184,890.84	992,399,821.85	-2,647,286,768.53	30,047,482,814.43
VII. Total liabilities	27,174,838,731.24	2,213,728,069.95	348,338.34	18,402,815.85	-1,854,943,609.52	27,552,374,345.86
VIII. Additional information						
1. Depreciation and amortization expenses	8,482,828.42	2,355,200.44	8,555.66	2,684,608.01	-233,745.34	13,297,447.19
2. Capital expenditure	17,650,477.09	1,856,773.34		3,572,476.62		23,079,727.05

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### VIII. Segment reports (continued)

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

Item	Brokerage business	Risk management business	Asset management business	Other businesses	Offset	Total
I. Operating income	299,469,686.32	1,074,129,310.74		-2,949,119.49	-21,534,246.36	1,349,115,631.21
External operating income	286,411,311.02	1,069,292,658.84		-6,588,338.65		1,349,115,631.21
Inter-segment operating income	13,058,375.30	4,836,651.90		3,639,219.16	-21,534,246.36	
II. Operating expenses	97,660,965.07	1,063,962,827.36	397,701.08	92,036,849.87	-21,806,872.32	1,232,251,471.06
External operating expenses	79,765,937.87	1,060,763,269.52	397,701.08	91,324,562.59		1,232,251,471.06
Inter-segment operating expenses	17,895,027.20	3,199,557.84		712,287.28	-21,806,872.32	
III. Total profits/(losses)	201,800,123.85	17,731,975.82	-397,701.08	-95,852,515.04	272,625.96	123,554,509.51
IV. Income tax expenses	27,936,987.75	4,902,318.95			68,156.49	32,907,463.19
V. Net profit/(loss)	173,863,136.10	12,829,656.87	-397,701.08	-95,852,515.04	204,469.47	90,647,046.32
VI. Total assets	27,124,634,658.40	2,403,612,448.51	13,697.42	3,399,885,990.90	-2,046,615,014.47	30,881,531,780.76
VII. Total liabilities	28,018,389,027.65	1,641,759,566.47	987,023.15	119,314,105.97	-1,253,802,878.20	28,526,646,845.04
VIII. Additional information						
1. Depreciation and amortization expenses	6,333,488.78	2,412,983.40	1,695.86	2,671,383.32	-272,625.96	11,146,925.40
2. Capital expenditure	7,131,904.95	2,085,843.39	2,079.21	3,582,656.62		12,802,484.17

### IX. Transfer and sale of significant assets

As of June 30th, 2023, there are no transfers and sales of significant assets that need to be disclosed by the Company.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### X. Related-party relationships and transitions

#### 1. Controlling shareholders

##### (1) Parent company

Parent company	Type of company	Place of registration	Legal representative	Nature of business	Organization code
Zhongtai Securities	Stock corporation	Jinan	Wang Hong	Securities and financial services	729246347

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

Parent company	December 31st, 2022	Increase in current period	Decrease in current period	June 30th, 2023
Zhongtai Securities	RMB6,968,625,800			RMB6,968,625,800

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

Controlling shareholders	June 30th, 2023		December 31st, 2022	
	Percentage of capital contribution	Percentage of voting rights	Percentage of capital contribution	Percentage of voting rights
Zhongtai Securities	63.10%	63.10%	63.10%	63.10%

#### 2. Subsidiaries

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

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 3. Associates

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

Shandong Trading Market Clearing House Co., Ltd. (hereinafter referred to as “Lu Clearing”) is located in Jinan City, Shandong Province. It is mainly engaged in transaction settlement services and derivatives clearing services.

As of June 30th, 2023, the registered capital of Lu Clearing was RMB200 million, and the paid-in capital is RMB200 million. The Group holds 12.50% of the shares. The Group accounts for the investment of Lu Clearing according to the equity method.

Item	June 30th, 2023	December 31st, 2022
Current assets	<b>4,467,768,750.51</b>	3,497,254,560.45
Non-current assets	<b>6,826,443.52</b>	8,398,817.34
<b>Total assets</b>	<b>4,474,595,194.03</b>	3,505,653,377.79
Current liabilities	<b>4,272,100,855.74</b>	3,307,068,469.39
Non-current liabilities		1,512,627.80
<b>Total liabilities</b>	<b>4,272,100,855.74</b>	3,308,581,097.19
Net assets	<b>202,494,338.29</b>	197,072,280.60
Share of net assets calculated according to shareholding ratio	<b>25,314,887.11</b>	24,634,892.38
Adjustment matters <sup>1</sup>		
Book value of investment in associates	<b>25,314,887.11</b>	24,634,892.38

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 3. Associates (continued)

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

Item	January-June 2023	January-June 2022
Operating income	<b>11,055,451.85</b>	11,353,697.38
Net profit	<b>5,422,057.69</b>	4,121,347.29
Other comprehensive income		
Total comprehensive income	<b>5,422,057.69</b>	4,121,347.29
Dividends received by the Group from associates in the current period		

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

<sup>1</sup> Adjustment matters include the offset of unrealized profits from internal transactions between the Company and associates.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 3. Associates (continued)

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

As of June 30th, 2023, the Group has an investment of RMB35.40 million in Shandong Board of Trade (formerly known as “Rizhao Board of Trade Co., Ltd.”, hereinafter referred to as “Shandong Board of Trade”). Shandong Board of Trade, located in Rizhao, Shandong Province, mainly provides electronic trading services for bulk commodities. At present, the company is operating normally.

As of June 30th, 2023, the registered capital of the Shandong Board of Trade was RMB200 million, and the paid-in capital is RMB200 million. The Group holds 8.85% of the shares. The Group accounts for the investment of the Shandong Board of Trade according to the equity method.

Item	June 30th, 2023	December 31st, 2022
Current assets	<b>732,698,672.02</b>	522,928,703.55
Non-current assets	<b>58,907,086.11</b>	57,491,532.33
<b>Total assets</b>	<b>791,605,758.13</b>	580,420,235.88
Current liabilities	<b>579,746,181.91</b>	367,029,993.65
Non-current liabilities	<b>1,936,088.29</b>	1,981,000.19
<b>Total liabilities</b>	<b>581,682,270.20</b>	369,010,993.84
Net assets attributable to the parent company	<b>163,384,587.00</b>	171,112,679.99
Share of net assets calculated according to shareholding ratio	<b>14,459,535.94</b>	15,143,476.75
Book value of investment in associates	<b>14,459,535.94</b>	15,143,476.75



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 3. Associates (continued)

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

Item	January-June 2023	January-June 2022
Operating income	<b>6,596,491.94</b>	4,173,090.57
Net profit attributable to parent company	<b>-7,215,458.43</b>	-6,305,308.41
Other comprehensive income		
Total comprehensive income	<b>-7,215,458.43</b>	-6,305,308.41
Dividends received by the Group from associates in the current period		

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

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 4. Other related parties

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

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

Name of other related parties	Relationship with the Group
Lu Clearing	An associate
Anhui Shangang Trading Co., Ltd. (“Anhui Shangang”)	Controlled by SD Steel
Shandong Steel International Trade Co., Ltd. (“Shangang International Trade”)	Controlled by SD Steel
Shandong Energy Group Co., Ltd. (“Shandong Energy Group”)	Indirect controlling shareholder of the parent company
Zaozhuang Mining (GROUP) Co., Ltd. (“Zaozhuang Mining”)	Controlling shareholders of the parent company
Xinkuang International Trade Co., Ltd. (“Xinkuang International Trade”)	Controlled by Shandong Energy Group
JiGang International Trade Co., Ltd. (“JiGang International Trade”)	Controlled by SD Steel
QingDao ZhongYan Trade Co., Ltd. (“QingDao ZhongYan Trade”)	Controlled by Shandong Energy Group
Shanneng (Qingdao) Smart Industry Technology Co., Ltd. (“Shanneng Smart Industry”)	Controlled by Shandong Energy Group

#### 5. Related party transactions and balances

The Group complies with normal commercial terms for related transactions that occur in the normal course of business. The prices of related transactions are determined after negotiation among the parties mainly with reference to market prices.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

##### (1) Transactions and balances with the parent company Zhongtai Securities

Item	January-June 2023	January-June 2022
Investment income	-890,136.99	-339,275.30
Commission expenses for futures introducing brokerage services	4,337,029.94	4,168,589.47
Fee income from futures brokerage services	333,650.03	4,406,687.15
Interest expenses on futures margin deposits	4,759,226.55	4,471,548.76
Consultation and information service charges	1,675,131.77	
Housing rental expenses		162,095.23
Securities trading commission expenses		50.00
Borrowing interest expenditures	5,696,000.00	

Item	June 30th, 2023	December 31st, 2022
Cash and cash equivalents – other cash and cash equivalents	7,390,006.77	1,812.21
Trading financial assets – derivative financial assets	5,980,472.18	5,449,622.11
Currency margin payable	945,590,870.58	805,040,829.75
Trading financial liabilities – derivative financial liabilities	2,150,605.69	
Lease liabilities	79,159.65	863,928.91
Other payables		
– Commission payable for futures brokerage services	5,275,269.66	938,239.72
– Cabinet rental fees payable	799,840.57	799,840.57
– Short-term loans	204,030,000.00	210,257,333.35
– Others	42,643.89	42,643.89
– Consulting service fee payable	1,675,131.77	
Other receivables		
– Others	9,686.66	9,686.66

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

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

Item	January-June 2023	January-June 2022
Fee income from futures brokerage services	574,115.55	431,348.60
Interest income from self-owned funds deposited with Laishang Bank		8,384,585.31
Purchase of securities investment funds and asset management plans		
– Zhongtai Asset Management		35,000,000.00
– Wanjia Asset	20,000,000.00	35,000,000.00
Disposal of securities investment funds and asset management plans		
– Zhongtai Asset Management		20,000,000.00
– Wanjia Asset	10,000,000.00	10,000,000.00
Cost of purchasing spot goods		
– Shandong Iron and Steel		128,280,788.04
– Laigang Yongfeng		295,938,044.25
Revenue of selling spot goods		
– Xinkuang International Trade Co., Ltd.	14,975,364.70	
Revenue from sales of equipment and provision of services		
– Lu Clearing	9,433.98	9,433.98
Rental income		
– Lu Clearing	169,811.34	166,037.70
OTC Options investment income		
– Yongfeng Trade	-509,250.00	-2,389,500.00
Rental costs		
– Qilu Zhongtai Property	408,800.00	162,095.23

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

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

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

Item	June 30th, 2023	December 31st, 2022
Trading financial assets – asset management plans and funds managed by Zhongtai Asset Management	43,001,023.25	50,558,460.38
Trading financial assets – funds managed by ZHONGTAI INTERNATIONAL ASSET MANAGEMENT	5,180,836.12	4,984,446.60
Trading financial assets – funds managed by Wanjia Asset	48,029,493.59	36,592,946.18
Receivables – Receivables from goods – Xinkuang International Trade	9,082.97	9,486,920.86
Other assets – Other receivables – Lu Clearing		216,246.70
Currency margin payable	102,587,970.19	103,417,405.47
Payables – consultancy fees payable – Zhongtai Asset Management	44,675.22	44,675.22

#### 6. Key management remuneration

Key management personnel of the Group are those persons, including directors, supervisors, and senior management, who have the authority and responsibility, directly or indirectly, for planning, directing, and controlling the activities of the Group. Zhongtai Securities assumed the current period's remuneration of individual key management personnel assigned to the Company.

Item	January-June 2023	January-June 2022
Key management remuneration	4,547,728.01	5,108,146.35

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### XI. Commitments and contingencies

#### 1. Capital expenditure commitments

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

#### 2. Contingencies

The Group acted as the manager of five asset management plans, which were established between November 2017 and May 2018 and were all distributed by a joint-stock commercial bank. The asset management plans incurred losses and entered into liquidation in December 2018. From February 2021, the Group, in conjunction with the distributor, commenced negotiations with investors holding asset management plans at the commencement date of liquidation and as at June 30th, 2023, had reached an agreement with the vast majority of investors.

As at June 30th, 2023, the aggregate losses of other investors pending negotiation amounted to RMB3,247,500, of which one investor applied to the Jinan Arbitration Commission for arbitration and its losses amounted to RMB855,900. Other than that, the Group is not involved in other significant contingencies.

### XII. Financial risks

The Group's risk management objective is to maximise shareholder value by maintaining an appropriate balance of risk and reward and minimising the negative impact on the Group's operating results. The Group's risk management strategy is to identify and analyse the risks to which the Group is exposed, set appropriate risk tolerance levels, and measure and monitor risks reliably and promptly to ensure that risks are kept within tolerable limits.

Operational risks that the Group is exposed to mainly include credit risk, market risk, liquidity risk and capital management risk. The Group has designed integrated systems, internal control policies and procedures to identify, assess, monitor and manage financial risks. The Group regularly reviews its risk management policies and systems and makes modifications and changes to its products and services in response to market conditions. The Group is dedicated to establishing a controlled environment that consists of clear structures, routine procedures and specific responsibilities.

The risk management policies and structures have not changed since the end of the year.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### XIII. Fair value disclosures

The level to which the results of a fair value measurement belong is determined by the lowest level to which the inputs that are significant to the fair value measurement as a whole belong:

Level I: the unadjusted quotation of the same assets or liabilities that can be obtained in the active market.

Level II: the direct or indirect observable input value of related assets or liabilities other than the Level I input value.

Level III: the unobservable input value of related assets or liabilities.

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

The continuing assets and liabilities measured at fair value as at June 30th, 2023 are presented by the three levels described above as follows:

Item	Level I	Level II	Level III	Total
Financial assets				
Trading financial assets				
– Stock investment	4,966.50			4,966.50
– Private securities investment funds		160,108,385.21		160,108,385.21
– Public securities investment funds	250,867,454.03			250,867,454.03
– Trust scheme		41,491,506.86	6,003,550.37	47,495,057.23
– Asset management plan		244,175,898.15		244,175,898.15
– Bank financial products		3,693,938.52		3,693,938.52
– Income certificates				
– Exchange-traded option contract	23,992,977.50			23,992,977.50
– OTC options contract		130,961,565.57		130,961,565.57
– Forward contracts		54,701,440.70		54,701,440.70
Investments in other equity instruments			1,400,000.00	1,400,000.00
<b>Total</b>	<b>274,865,398.03</b>	<b>635,132,735.01</b>	<b>7,403,550.37</b>	<b>917,401,683.41</b>
Financial liabilities				
Trading financial liabilities				
– OTC options contract		-97,990,327.02		-97,990,327.02
– Exchange-traded option contract	-66,428,232.50			-66,428,232.50
– Forward contracts		-98,840,491.23		-98,840,491.23
<b>Total</b>	<b>-66,428,232.50</b>	<b>-196,830,818.25</b>		<b>-263,259,050.75</b>



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### XIII. Fair value disclosures (continued)

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

The continuing assets and liabilities measured at fair value as at December 31st, 2022 are presented by the three levels described above as follows:

Item	Level I	Level II	Level III	Total
Financial assets				
Trading financial assets				
– Stock investment	5,202.00			5,202.00
– Private securities investment funds		69,619,198.05		69,619,198.05
– Public securities investment funds	335,165,691.57			335,165,691.57
– Trust scheme		45,461,031.18	6,003,550.37	51,464,581.55
– Asset management plan		265,893,556.15		265,893,556.15
– Bank financial products		3,636,262.89		3,636,262.89
– Income certificates			5,007,890.41	5,007,890.41
– Exchange-traded option contract	15,212,402.50			15,212,402.50
– OTC options contract		163,243,901.37		163,243,901.37
– Forward contracts		24,033,955.20		24,033,955.20
Investments in other equity instruments			1,400,000.00	1,400,000.00
<b>Total</b>	<b>350,383,296.07</b>	<b>571,887,904.84</b>	<b>12,411,440.78</b>	<b>934,682,641.69</b>
Financial liabilities				
Trading financial liabilities				
– OTC options contract		-61,787,710.58		-61,787,710.58
– Exchange-traded option contract	-28,181,120.00			-28,181,120.00
– Forward contracts		-94,667,975.00		-94,667,975.00
<b>Total</b>	<b>-28,181,120.00</b>	<b>-156,455,685.58</b>		<b>-184,636,805.58</b>

There were no significant transfers between level I and level II of the fair value hierarchy of the Group's financial instruments measured at fair value in January-June 2023 (FY2022: same).

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

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### XIII. Fair value disclosures (continued)

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

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

Item	Trading financial assets	Trading financial liabilities	Investments in other equity instruments
December 31st, 2022	11,011,440.78		1,400,000.00
Purchase	14,800,000.00		
Disposal	-19,800,000.00		
Total loss included in profit or loss for the current period	-7,890.41		
June 30th, 2023	6,003,550.37		1,400,000.00
Movement in unrealized losses on assets still held at June 30th, 2023 included in profit or loss for January-June 2023	-7,890.41		

Item	Trading financial assets	Trading financial liabilities	Investments in other equity instruments
December 31st, 2021	217,884,951.72		1,400,000.00
Purchase	190,390,000.00		
Disposal	-390,390,000.00		
Total loss included in profit or loss for the current period	-6,873,510.94		
December 31st, 2022	11,011,440.78		1,400,000.00
Movement in unrealized losses on assets still held at December 31st, 2022 included in profit or loss for FY2022	-6,873,510.94		

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### XIII. Fair value disclosures (continued)

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

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

Financial instruments	Fair value as at June 30th, 2023	Significant unobservable parameters	Relationship between unobservable parameters and fair value
Trading financial assets – Trust scheme	6,003,550.37	Expected future cash flows; expected payback date; discount rate commensurate with an expected level of risk	The more the future cash flows, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value
– Income certificates		Expected future cash flows; expected payback date; discount rate commensurate with an expected level of risk	The more the future cash flows, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value

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

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

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### (1) Interests in structured entities initiated and established by third-party institutions

As at June 30th, 2023, the Group's interest in structured entities not included in the scope of consolidation was mainly trading financial assets, mainly comprising trust schemes, asset management plans, bank wealth management, public offering of securities investment funds, and private securities investment funds. The relevant book values and maximum exposures are as follows:

Item	June 30th, 2023	December 31st, 2022
Trading financial assets	706,340,733.14	725,779,290.21

In January-June 2023, the Group received the following income from these structured entities held not included in the scope of consolidation:

Item	January-June 2023	FY2022
Investment income	-6,527,294.93	12,543,874.10
Gains and losses on changes in fair value	19,058,215.72	-48,180,008.89
Total	12,530,920.79	-35,636,134.79

As at June 30th, 2023, the Group has not provided and does not intend to provide any financial support to these structural entities not included in the scope of consolidation (December 31st, 2022: same).

#### (2) Interests in structured entities initiated and established

As at June 30th, 2023, the structured entities associated with the Company, but not included in the scope of the Company's consolidated financial statements, are asset management plans sponsored by the Company, and the nature and purpose of such structured entities are primarily to manage investors' assets and earn management fees. The Company's interest in such structured entities that are not included in the scope of the consolidated financial statements is primarily to earn management fee income and performance-based commission through the management of these structured entities. The net assets of such structured entities as of June 30th, 2023 were RMB41.2530 million.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

### XV. Subsequent events

As of the date of this report, the Group has no significant post-balance sheet events.

### XVI. Capital management

The Group's capital management objectives are as follows:

- (i) Ensuring that the Group and its subsidiaries continue as a going concern so that they can provide returns and benefits to shareholders and stakeholders
- (ii) Maintaining stable growth of the Group and its subsidiaries
- (iii) Ensuring adequate capital to support the development of the Company's business
- (iv) Meeting regulatory capital requirements

In accordance with the Measures for the Administration of Risk Supervision Indicators of Futures Companies (CSCR order No. 131 dated April 18th, 2017; amended in 2022), as amended according to the Decision of the China Securities Regulatory Commission on Amending and Repealing Some Securities and Futures Regulations dated August 12th, 2022, the Company's main risk supervision indicator standards are as follows:

- (i) The net capital shall not be less than RMB30 million;
- (ii) The ratio of net capital to the company's risk-based capital provision shall not be less than 100%;
- (iii) The ratio of net capital to net assets shall not be less than 20%;
- (iv) The ratio of current assets to current liabilities shall not be less than 100%;
- (v) The ratio of liabilities to net assets shall not exceed 150%;
- (vi) The required minimum settlement reserve should be higher than RMB16 million.

Net capital is obtained by adjusting net assets less corresponding asset risks; assets and current assets refer to the futures company's assets, excluding customer margin; liabilities and current liabilities refer to the futures company's external liabilities, excluding customer equity.

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

### XVII. Other significant matters

#### Significant litigation

In May 2022, the subsidiary Zhongtai Huirong Capital carried out an agreed repurchase business of electrolytic aluminium with an upstream international trading company and entered into a purchase contract of electrolytic aluminium, paying a total of RMB50,330,100 for the goods, with the spot stored in a warehouse management company in Foshan City (hereinafter referred to as "Warehouse"), while entering into a forward sales contract for electrolytic aluminium with a downstream international trading company (hereinafter referred to as "Downstream"), and collected RMB7,526,100 deposit. At the end of May 2022, there was a run on the Warehouse and the spot of electrolytic aluminium involved in the above contract was seized by the public security authorities as the Warehouse was suspected of committing a crime. Due to Downstream defaults, Zhongtai Huirong Capital forfeited RMB7,526,100 deposit that Downstream paid in accordance with the agreement. In June 2022, Zhongtai Huirong Capital filed lawsuits with Foshan City Nanhai District People's Court and the Jinan City Shizhong District People's Court respectively, and both Courts ruled to dismiss the lawsuits on the grounds that the cases were suspected of criminal offences. After Zhongtai Huirong Capital appealed, Foshan Intermediate People's Court ruled to dismiss the appeal on April 24th, 2023, and Jinan Intermediate People's Court ruled to dismiss the appeal on January 17th, 2023. In January-June 2023, the contract fraud case was brought to the court for a list of items for judgment and 12,504.5717 tons of aluminum ingots was added. Zhongtai Huirong Capital, as a victim in this criminal case, the protection of the Company's rights can be resolved in the criminal case through the recovery of stolen goods and restitution, and the case has been transferred to the court for trial, which has yet to begin. Based on prudent consideration, in FY 2022, Zhongtai Huirong Capital made an impairment provision of RMB15,099,000 for the above electrolytic aluminium contract repurchase business, and at the same time, forfeited RMB7,526,100 Downstream performance deposit in accordance with the agreement, with an aggregate impact on the FY 2022 net profit of RMB -5,679,700; In January-June 2023, there is no other substantial progress in this litigation, but the increase in the number of aluminum ingots in the new property list is a positive clue for the Company in terms of recovery of goods or request for compensation, and no provision for impairment has been made.

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 1. Long-term equity investments

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

Item	June 30th, 2023			December 31st, 2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	801,635,280.00	11,057,772.00	790,577,508.00	801,635,280.00	11,057,772.00	790,577,508.00
Total	801,635,280.00	11,057,772.00	790,577,508.00	801,635,280.00	11,057,772.00	790,577,508.00

##### (2) Investment in subsidiaries

Investee	December 31st, 2022	Increase in current period	Decrease in current period	June 30th, 2023	
				Current period impairment provision accrued	Provision for impairment June 30th, 2023
Zhongtai Huirong Capital Investment Co., Ltd.	750,000,000.00			750,000,000.00	
Luzheng Information Technology Co., Ltd.	34,000,000.00			34,000,000.00	
LUZHENG INTERNATIONAL HOLDING LIMITED	17,635,280.00			17,635,280.00	11,057,772.00
Total	801,635,280.00			801,635,280.00	11,057,772.00

## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 2. Handling fees and commission income

##### (1) Listed by category

Item	January-June 2023	January-June 2022
Net income from return and reduction of handling fees of the exchange	<b>147,966,660.44</b>	148,388,568.51
Net income from transaction fees	<b>32,797,233.93</b>	40,989,328.53
Net income from exercise fees	<b>3,719,380.34</b>	3,456,429.38
Investment consulting service fee income	<b>155,189.08</b>	37,735.85
Net income from settlement fees	<b>8,919.89</b>	7,546.96
Asset management business income	<b>271,869.63</b>	
<b>Total</b>	<b>184,919,253.31</b>	192,879,609.23

##### (2) Listed by region

Region	January-June 2023		January-June 2022	
	Number of segments	Handling fee income	Number of segments	Handling fee income
Shandong Province	<b>12</b>	<b>158,219,429.82</b>	12	153,339,560.04
Shanghai	<b>3</b>	<b>7,338,449.91</b>	2	14,852,548.20
Zhejiang Province	<b>4</b>	<b>5,419,820.83</b>	4	6,818,341.12
Guangdong Province	<b>2</b>	<b>4,052,589.50</b>	2	2,424,468.25
Liaoning Province	<b>2</b>	<b>2,238,373.81</b>	2	3,081,807.09
Beijing	<b>2</b>	<b>1,933,909.58</b>	2	1,712,428.44
Henan Province	<b>2</b>	<b>1,746,333.08</b>	1	980,390.57
Tianjin	<b>1</b>	<b>1,337,378.66</b>	1	753,116.54
Jiangsu Province	<b>2</b>	<b>865,894.11</b>	2	6,472,828.89
Hunan Province	<b>1</b>	<b>762,854.84</b>	1	615,927.20
Hubei Province	<b>1</b>	<b>587,830.22</b>	1	1,774,200.87
Fujian Province	<b>1</b>	<b>416,388.95</b>	1	53,992.02
<b>Total</b>	<b>33</b>	<b>184,919,253.31</b>	31	192,879,609.23



## Notes to the Financial Statement

(All amounts in RMB unless otherwise stated)

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

#### 3. Investment income

##### (1) Breakdown

Item	January-June 2023	January-June 2022
Investment income/loss from disposal of financial instruments held for trading	<b>-13,393,099.62</b>	6,097,714.90
Investment income obtained during the holding period of financial instruments held for trading	<b>6,864,066.80</b>	476,060.78
Dividend income from subsidiaries		
Total	<b>-6,529,032.82</b>	6,573,775.68

ZHONGTAI FUTURES Company Limited  
August 24th, 2023