
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



LUZHENG FUTURES Company Limited

魯証期貨股份有限公司

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

(Stock Code: 01461)

PROPOSAL ON THE WORK REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2019
PROPOSAL ON THE WORK REPORT OF THE SUPERVISORY COMMITTEE
FOR THE YEAR 2019
PROPOSAL ON THE ANNUAL REPORT FOR THE YEAR 2019
PROPOSAL ON THE PROFIT DISTRIBUTION PLAN FOR THE YEAR 2019
PROPOSAL ON THE APPOINTMENT OF ACCOUNTING FIRMS FOR THE YEAR 2020
PROPOSAL ON THE GENERAL MANDATE TO ISSUE
DOMESTIC SHARES AND H SHARES
PROPOSAL ON AMENDMENTS TO THE ARTICLES OF ASSOCIATION
PROPOSAL ON AMENDMENTS TO THE RULES OF PROCEDURE FOR GENERAL MEETING
AND
NOTICE OF ANNUAL GENERAL MEETING

A notice convening the AGM to be held at 9:30 a.m. on Thursday, 18 June 2020 at Conference Room 1616, 16/F, Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC is set out on pages 10 to 11 of this circular. A letter from the Board is set out on pages 4 to 9 of this circular.

Shareholders who intend to appoint a proxy to attend the AGM shall complete and return the accompanying form of proxy in accordance with the instructions printed thereon. The form of proxy should be returned in person or by post not less than 24 hours before the time appointed for the AGM (i.e., before 9:30 a.m. on Wednesday, 17 June 2020) or any adjournment thereof to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited (for holders of H Shares) and the Board's office of the Company (for holders of Domestic Shares). Completion and return of the form of proxy will not preclude any Shareholder from attending and voting at the AGM or any adjournment thereof in person if such Shareholder so wishes.

Shareholders are requested to complete and return the reply slip to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited (for holders of H Shares) or the Board's office of the Company (for holders of Domestic Shares) on or before Friday, 29 May 2020, if they wish to attend the AGM either in person or by proxy.

23 April 2020

CONTENTS

		<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
NOTICE OF ANNUAL GENERAL MEETING	10
APPENDIX I	WORK REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2019	I-1
APPENDIX II	WORK REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2019	II-1
APPENDIX III	COMPARISON TABLE OF THE AMENDMENTS TO THE ARTICLES OF ASSOCIATION	III-1
APPENDIX IV	COMPARISON TABLE OF THE AMENDMENTS TO THE RULES OF PROCEDURE FOR GENERAL MEETING	IV-1

DEFINITIONS

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

“AGM” or “2019 AGM”	the annual general meeting of the Company for the year 2019 to be convened at 9:30 a.m. on Thursday, 18 June 2020 at Conference Room 1616, 16/F, Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC
“Articles of Association”	the Articles of Association of LUZHENG FUTURES Company Limited as amended from time to time
“Board” or “Board of Directors”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, in this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”	LUZHENG FUTURES Company Limited (魯証期貨股份有限公司), a joint stock limited company incorporated in the PRC and its H Shares are listed on the Hong Kong Stock Exchange (stock code: 01461)
“Company Law”	the Company Law of the People’s Republic of China
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“connected transaction(s)”	has the meanings ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meanings ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) issued in the share capital of the Company, with a nominal value of RMB1.00 per share, which is/are subscribed for and paid up in RMB
“Group” or “we” or “us”	the Company and its subsidiaries (or, the Company and any of its subsidiaries or various subsidiaries, as the context requires)

DEFINITIONS

“H Share(s)”	overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and dealt with in HK\$
“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong
“holder(s) of Domestic Share(s)”	the holder(s) of the Domestic Share(s)
“holder(s) of H Share(s)”	the holder(s) of H Share(s)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Non-executive Director(s)”	independent non-executive Directors of the Company
“Laiwu Steel”	Laiwu Steel Group Ltd. (萊蕪鋼鐵集團有限公司), a limited company incorporated in the PRC on 6 May 1999. 80.52% of its equity interest is held by Shandong Steel, and it is a Controlling Shareholder of the Company
“Latest Practicable Date”	16 April 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
“Luzheng Trading”	Luzheng Trading Co., Ltd. (魯証經貿有限公司), a company incorporated in the PRC on 24 April 2013 with limited liability, which is a wholly-owned subsidiary of the Company
“RMB”	the lawful currency of the PRC
“Rules of Procedure for General Meeting”	the Rules of Procedure for General Meeting of LUZHENG FUTURES Company Limited as amended from time to time
“Shandong Steel”	Shandong Iron & Steel Group Co., Ltd. (山東鋼鐵集團有限公司), a company incorporated in the PRC on 17 March 2008 with limited liability. 70% of its equity interest is held by the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government, and it is a Controlling Shareholder of the Company

DEFINITIONS

“Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including domestic shares and H shares of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“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 incorporated in the PRC on 15 May 2001 with limited liability, with 45.91% of its shares directly held by Laiwu Steel. It is a subsidiary of Laiwu Steel and is a Controlling Shareholder of the Company
“%”	percentage

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

LETTER FROM THE BOARD



LUZHENG FUTURES Company Limited

魯証期貨股份有限公司

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

(Stock Code: 01461)

Executive Directors:

Zhong Jinlong (Chairman)
Liang Zhongwei

Non-executive Directors:

Liu Hongsong
Hu Kainan
Ming Gang
Liu Feng

Independent Non-executive Directors:

Gao Zhu
Wang Chuanshun
Li Dapeng
Zheng Jianping

Registered office &

Headquarters in the PRC:
15-16/F Securities Tower
No. 86 Jingqi Road
Shizhong District, Jinan
Shandong Province
the PRC

Principal Place of Business in Hong Kong:

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

23 April 2020

To the Shareholders

Dear Sir or Madam,

PROPOSAL ON THE WORK REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2019

PROPOSAL ON THE WORK REPORT OF THE SUPERVISORY COMMITTEE

FOR THE YEAR 2019

PROPOSAL ON THE ANNUAL REPORT FOR THE YEAR 2019

PROPOSAL ON THE PROFIT DISTRIBUTION PLAN FOR THE YEAR 2019

PROPOSAL ON THE APPOINTMENT OF ACCOUNTING FIRMS FOR THE YEAR 2020

PROPOSAL ON THE GENERAL MANDATE TO ISSUE

DOMESTIC SHARES AND H SHARES

PROPOSAL ON AMENDMENTS TO THE ARTICLES OF ASSOCIATION

PROPOSAL ON AMENDMENTS TO THE RULES OF PROCEDURE FOR GENERAL MEETING

AND

NOTICE OF ANNUAL GENERAL MEETING

INTRODUCTION

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

LETTER FROM THE BOARD

MATTERS TO BE RESOLVED AT THE AGM

Ordinary resolutions will be proposed at the AGM to approve: (1) Proposal on the work report of the Board of Directors for the year 2019; (2) Proposal on the work report of the Supervisory Committee for the year 2019; (3) Proposal on the annual report for the year 2019; (4) Proposal on the profit distribution plan for the year 2019; and (5) Proposal on the appointment of accounting firms for the year 2020.

Special resolutions will be proposed at the AGM to approve: (1) Proposal on the general mandate to issue Domestic Shares and H Shares; (2) Proposal on amendments to the Articles of Association; and (3) Proposal on amendments to the rules of procedure for general meeting.

ORDINARY RESOLUTIONS

1. Proposal on the Work Report of the Board of Directors for the year 2019

The work report of the Board of Directors for the year 2019 has been approved by the Board and is hereby proposed at the AGM for consideration and approval. The details of the work report of the Board of Directors are set out in the Appendix I to this circular.

2. Proposal on the Work Report of the Supervisory Committee for the year 2019

The work report of the Supervisory Committee for the year 2019 has been approved by the Supervisory Committee and is hereby proposed at the AGM for consideration and approval. The details of the work report of the Supervisory Committee are set out in the Appendix II to this circular.

3. Proposal on the Annual Report for the year 2019

The annual report for the year 2019 has been approved by the Board and the Supervisory Committee and is hereby proposed at the AGM for consideration and approval. The annual report has been published on the HKEXnews website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.luzhengqh.com>) on 22 April 2020.

4. Proposal on the Profit Distribution Plan for the year 2019

According to the audit results for the year 2019, the requirements of the relevant laws, regulations and the Articles of Association, it is proposed not to distribute profits for the year ended 31 December 2019 to Shareholders in order to promote the sustainable and healthy development of the Company's business.

LETTER FROM THE BOARD

5. Proposal on the Appointment of Accounting Firms for the year 2020

The Company intends to continue to engage PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP for auditing of the annual financial reports of the Company under International Financial Reporting Standards and Chinese Accounting Standards for Business Enterprises for the year 2020, respectively.

Currently, based on the quantity of time committed by all levels of staff of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP to audit work in 2019 and having taken into account the prevailing market rates and other factors, for the year 2020, the service fees for review of interim financial statements and audit of annual financial statements, the verification of the preliminary results announcement for H Shares and the continuing connected transaction reporting under the International Financial Reporting Standards shall be RMB1.36 million; the service fee for auditing of the annual financial statements prepared under Chinese Accounting Standards for Business Enterprises shall be RMB0.21 million. The aforesaid service fees shall be RMB1.57 million in total.

The aforesaid proposal has been approved by the Board, the audit committee and the Supervisory Committee and is hereby proposed at the AGM for consideration and approval.

SPECIAL RESOLUTIONS

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

The Board proposed to the 2019 AGM to grant an unconditional general mandate by way of a special resolution to the Board and to permit the Board's further delegation of the aforesaid mandate to the chairman of the Board and/or other authorized person of the Board to issue, allot and deal with, either separately or concurrently, Domestic Shares and H Shares of the Company not exceeding 20% of each of the number of Domestic Shares and/or the number of H Shares in issue at the date of this Proposal being considered and approved at the 2019 AGM. As at the Latest Practicable Date, the Company has 724,810,000 Domestic Shares and 277,090,000 H Shares in issue. Subject to the passing of the resolution granting the general mandate and on the assumption that no further Shares will be issued after the Latest Practicable Date and prior to the AGM, the Company will be allowed to issue a maximum of 144,962,000 Domestic Shares and 55,418,000 H Shares under the general mandate.

The specific details of authorisation (including but not limited to the following):

- (1) to formulate and implement detailed issuance plan, including but not limited to the class of new shares to be issued, pricing mechanism and/or issuance price (including price range and the final price), number of shares to be issued, allottees and use of proceeds, deciding the time of issuance, period of issuance and whether to place shares to existing Shareholders;
- (2) to consider and approve and execute, on behalf of the Company, agreements relating to share issuance, including but not limited to the underwriting agreement under the placing and agreements for engaging intermediaries;
- (3) to consider and approve and execute, on behalf of the Company, statutory documents relating to share issuance for submission to regulatory authorities, and to obtain approvals required by regulatory authorities and the place in which the Company is listed;

LETTER FROM THE BOARD

- (4) to amend, as required by regulatory authorities within or outside the PRC, agreements and statutory documents referred to in (2) and (3) above;
- (5) to decide to affix the seal of the Company on the agreements and statutory documents relating to the proposed issuance;
- (6) to engage the services of intermediaries for share issuance, and to approve and execute all acts, deeds, documents and other matters necessary, appropriate, desirable for or in connection with share issuance; and
- (7) to approve the matters related with the increase of the registered capital of the Company after new share issuance, and to make corresponding amendments to the Articles of Association of the Company relating to total share capital and shareholdings of the Company etc., and to carry out statutory registrations and filings within and outside the PRC.

Except that the Board may enter into or grant offers, agreements, or options during the Relevant Period in relation to the issuance of Domestic Shares and/or H Shares, which might require further promotion or implementation after the end of the Relevant Period, the exercise of the mandate referred to above shall not exceed the Relevant Period. “Relevant Period” means the period from the passing of this resolution as a special resolution at the 2019 AGM until whichever is the earliest of: (a) the conclusion of the 2020 annual general meeting of the Company; (b) the expiry of the 12-month period following the passing of this resolution as a special resolution at the 2019 AGM; (c) the date on which the authority given to the Board under this Proposal is revoked or varied by the Shareholders of the Company by way of a special resolution at a general meeting.

2. Proposal on amendments to the Articles of Association

Please refer to the announcement of the Company dated 26 March 2020 in relation to proposed amendments to the Articles of Association

On 26 October 2018, the sixth session of the Standing Committee of the National People’s Congress of the PRC adopted the “Decision on Amending the Company Law of the People’s Republic of China”, pursuant to which, Article 142 of the Company Law concerning the implementation of share repurchase by joint stock companies was amended to supplement and improve the circumstances in which share repurchase is permitted and to appropriately simplify the decision-making procedures for share repurchase. On 22 October 2019, the State Council of China issued the “Official Reply Regarding Adjusting the Application of Provisions to Matters Including the Notice Period for Convening General Meetings by Overseas Listed Companies (Guo Han [2019] No. 97), agreeing that the notice period, shareholders’ right to put forward a proposal, and procedures for convening a general meeting by domestic registered companies whose shares are listed overseas shall comply with the relevant provisions of the Company Law, and shall no longer comply with articles 20 to 22 of the “Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Stocks by Limited Stock Companies”.

In accordance with the above provisions and based on its corporate governance needs, the Company proposes to amend the relevant articles of the Company’s Articles of Association regarding share repurchase, procedures for convening general meetings, and selection and appointment of certain senior management. For details of the proposed amendments to the Articles of Association, please refer to Appendix III to this circular.

LETTER FROM THE BOARD

3. Proposal on amendments to the rules of procedure for general meeting

On 22 October 2019, the State Council of China issued the “Official Reply Regarding Adjusting the Application of Provisions to Matters Including the Notice Period for Convening General Meetings by Overseas Listed Companies (Guo Han [2019] No. 97), agreeing that the notice period, shareholders’ right to put forward a proposal, and procedures for convening a general meeting by domestic registered companies whose shares are listed overseas shall comply with the relevant provisions of the Company Law, and shall no longer comply with articles 20 to 22 of the “Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Stocks by Limited Stock Companies”.

In accordance with the above provisions and based on its corporate governance needs, the Company proposes to amend the relevant articles of the Rules of Procedure for General Meeting regarding procedures for convening general meetings. For details of the proposed amendments to the Rules of Procedure for General Meeting, please refer to Appendix IV to this circular.

ANNUAL GENERAL MEETING

A notice convening the AGM to be held at 9:30 a.m. on Thursday, 18 June 2020 at Conference Room 1616, 16/F, Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC is set out on pages 10 to 11 of this circular.

All the resolutions proposed at the AGM will be taken by poll. As at the Latest Practicable Date, no Shareholder, to the knowledge and belief of the Directors having made all reasonable enquiries, will be required to abstain from voting at the AGM on relevant resolutions.

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

For holders of H Shares, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no less than 24 hours (i.e., before 9:30 a.m. on Wednesday, 17 June 2020) before the time appointed for holding the AGM in order for such documents to be valid. For holders of Domestic Shares, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority, must be delivered to the Board’s office of the Company in the PRC at Room 1613, 16/F, Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC, not less than 24 hours before the time appointed for holding the AGM (i.e., before 9:30 a.m. on Wednesday, 17 June 2020) in order for such documents to be valid. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM, or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

Pursuant to the Articles of Association, for the purpose of determining the entitlements of the Shareholders to attend and vote at the AGM, the register of members of H Shares will be closed from Tuesday, 19 May 2020 to Thursday, 18 June 2020 (both days inclusive), during which period no transfer of H Shares will be registered. Shareholders whose names appear on the register of members of the Company on Thursday, 18 June 2020 are entitled to attend and vote at the AGM.

In order to be eligible to attend the AGM, all transfer documents shall be lodged to Computershare Hong Kong Investor Services Limited, the Company's H share registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by the holders of H Shares, not later than 4:30 p.m. Monday, 18 May 2020.

RECOMMENDATION

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

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

NOTICE OF ANNUAL GENERAL MEETING



LUZHENG FUTURES Company Limited

魯証期貨股份有限公司

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

(Stock Code: 01461)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that 2019 annual general meeting (the “AGM”) of LUZHENG FUTURES Company Limited (the “Company”) will be held at Conference Room 1616, 16/F Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the People's Republic of China (the “PRC”) at 9:30 a.m. on Thursday, 18 June 2020 for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the proposal on the work report of the board of directors (the “Board”) for the year 2019;
2. To consider and approve the proposal on the work report of the supervisory committee for the year 2019;
3. To consider and approve the proposal on the annual report for the year 2019;
4. To consider and approve the proposal on the profit distribution plan for the year 2019; and
5. To consider and approve the proposal on the appointment of the accounting firms for the year 2020.

SPECIAL RESOLUTIONS

1. To consider and approve the proposal on the general mandate to issue new domestic shares and H shares of the Company;
2. To consider and approve the proposal on amendments to the articles of association of the Company; and
3. To consider and approve the proposal on amendments to the rules of procedure for general meeting.

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

Jinan, the PRC, 23 April 2020

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by poll. As such, each of the resolutions set out in the notice of AGM will be voted by poll. After the closure of the AGM, results of the poll voting will be published on the Company's website at www.luzhengqh.com and the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.
2. Any shareholder of the Company (the "Shareholder") entitled to attend and vote at the AGM convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a Shareholder.
3. In order to be valid, the form of proxy together with the notarized power of attorney or other documents of authorization, if any, must be completed and returned to the Board's office of the Company (for holders of domestic shares) or the H share registrar of the Company, Computershare Hong Kong Investor Services Limited (for holders of H shares), not less than 24 hours before the time appointed for holding the AGM (i.e. before 9:30 a.m. on Wednesday, 17 June 2020) or any adjournment thereof. The address of Board's office of the Company is Room 1613, 16/F Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the AGM or any adjournment thereof should he/she so wish.
4. The H share register of members of the Company will be closed, for the purpose of determining the entitlement of holders of H shares to attend the AGM, from Tuesday, 19 May 2020 to Thursday, 18 June 2020, both days inclusive, during which period no transfer of H shares will be registered. Any Shareholder whose name appears on the H share registrar of members of the Company on Thursday, 18 June 2020 will be entitled to attend and vote at the AGM. In order to be eligible to attend the AGM, holders of H shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 18 May 2020.
5. In case of joint holders of any shares, the one whose name stands first in the register of members of the Company shall be entitled to attend and vote at the AGM in respect of such shares.
6. Shareholders intending to attend the AGM in person or by their proxies should return the reply slip for attending the AGM in person or by post to the Board's office of the Company at Room 1613, 16/F Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC (for holders of domestic shares) or the Company's H share registrar, Computershare Hong Kong Investors Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) on or before Friday, 29 May 2020.
7. Below is the principal place of business of the Company in the PRC:

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

Tel: +86-531-81678629

Fax: +86-531-81678628

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

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

Tel: +852-28628555

Fax: +852-28650990

As at the date of this notice, the Board of the Company comprises Mr. ZHONG Jinlong and Mr. LIANG Zhongwei as executive directors, Mr. LIU Hongsong, Mr. HU Kainan, Mr. MING Gang and Mr. LIU Feng as non-executive directors, and Mr. GAO Zhu, Mr. WANG Chuanshun, Mr. LI Dapeng and Mr. ZHENG Jianping as independent non-executive directors.

LUZHENG FUTURES COMPANY LIMITED
WORK REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2019

I. BUSINESS OVERVIEW IN 2019

2019 saw rapid development of China's futures market. During the year, the size of the futures market achieved rapid growth, with a cumulative trading volume of 3.962 billion lots, and a cumulative turnover of RMB290.61 trillion, representing an increase of 30.81% and 37.85% as compared with the previous year, respectively; products were innovated at a faster pace in the futures market. 15 futures varieties and option instruments were listed. A total of 75 futures varieties and option instruments were listed, which has initially formed a pattern of coordinated development of exchange and OTC commodity and finance, futures and options at home and abroad. Although the size of the futures market is growing rapidly, the prospect of the futures companies' brokerage business is becoming increasingly challenging. The industry is experiencing continued decline in futures brokerage business income in recent years. Confronted with sharp reduction in handling fee rates, refund of handling fee and bank interest, the transformation and development for futures companies are imminent.

In 2019, the Company changed its policies in a timely manner based on changes in the market environment according to the overall goals and objectives set at the beginning of the year. However, due to the combined effect of the downward adjustment of market interest rates and the changes in the fee cut policies of the futures exchanges, intensified financial and commodity market volatility resulting from Sino-US trade frictions, and the establishment of new overseas institutions in the international strategic layout, the revenue of traditional brokerage business and investment business declined significantly, operating costs increased, and the Group's operating performance in 2019 declined significantly. The Group achieved operating income of RMB321.867 million, which represented a decrease of 23.94% as compared with the previous year; net profit attributable to shareholders amounted to RMB29.75 million, which represented a decrease of 74.73% as compared with the previous year.

II. MAJOR WORK OF THE BOARD OF DIRECTORS IN 2019

(1) It convened and held the board meetings and shareholders' meetings in compliance with laws and regulations, regulatory rules or standards.

In 2019, the Board convened ten board meetings in accordance with the laws and regulations. At such meetings, 41 proposals were considered and approved, and important matters including the Company's increase in the registered capital of Luzheng Trading, entering into "Financial Service Framework Agreement" with Zhongtai Securities, and "Risk Management Service Framework" with Shandong Steel, and selection and appointment of senior management were considered; the Board held two general meetings as the convener, and 10 proposals were considered and approved at the meetings.

(2) It continued to improve the corporate governance system

In order to continuously optimize the corporate governance structure and make the selection and appointment of directors in a more scientific manner, it formulated the “Board Diversity Policy”, and amended the “Rules of Procedures of the Nomination Committee under the Board” and “Rules of Procedures of the Audit Committee under the Board” in 2019, in accordance with the relevant provisions of the “Listing Rules” and the needs of the Company for corporate governance. The “Anti-money Laundering Internal Control System” of the Company was amended in accordance with relevant laws and regulations, to further clarify the responsibilities of each of the Board of Directors, the Supervisory Committee and senior management in respect of anti-money laundering, standardize the Company’s anti-money laundering task, which laid a solid foundation for the prevention and control of money laundering risks.

(3) It completed the election of members for new session of the Board and the selection and appointment of senior management

In order to complete the election of members for the third session of the Board of Directors, the Company has formulated a detailed plan for this purpose, and communicated the same in detail to our shareholders and directors. On 10 December 2019, the Company held the first extraordinary general meeting in 2019, and elected non-staff representative directors of the new session of the Board of Directors, who, together with the staff representative directors, comprise the third session of the Board of Directors. At the first meeting of the third session of the Board and other meetings held on the same day, the chairman of the third session of Board of Directors, members and chairmen of each of the special board committees were elected, and senior management of the Company were elected and appointed. Therefore, the Company’s decision-makers and senior management were smoothly replaced.

(4) It improved the compliance risk control system and built a line of defense against money-laundering risks

The Board attaches great importance to compliance risk control and management, and believes that the ineffective compliance risk control and management will not only have adverse effect on the Company’s development, but even threatens the Company’s survival. Upon election, the new session of the Board further strengthened the compliance risk control management. Firstly, it optimized the compliance risk control management mechanism, enhanced the compliance risk control management capability, and stepped up the compliance risk control management efforts. The Company conducted an organized review of the compliance risk control system, perfected the organizational structure of compliance risk control management, established and perfected the internal control management system, and incorporated compliance risk control management into key parts of business; identified the main risk associated with each part of business to work out a risk list and strengthen routine management and inspection of compliance risk control on key areas and key businesses. Secondly, it organized anti-money laundering activities in an orderly manner. According to the requirements of the People’s Bank of China regarding anti-money laundering work, the Company carried out on-going identification and prudent assessment of the money laundering risks of various businesses, and improved the anti-money laundering system and process constantly based on the actual conditions of business; optimized the front-end interface and business processes of the anti-money laundering system, adjusted the threshold values of indicators, and strengthened monitoring on abnormal indicators; increased training on and knowledge dissemination about anti-money laundering, transmitted compliance concepts, and continuously improved the Company’s anti-money laundering level.

(5) It fulfilled its information disclosure obligations in a compliant way

In 2019, the Company fulfilled its information disclosure obligations in strict compliance with laws, regulations and regulatory requirements and in accordance with the “Listing Rules” and the Company’s “Information Disclosure Management Measures”, and disclosed the status of corporate governance and operation management to investors in a true, accurate, complete and timely manner, and effectively protected the legitimate rights and interests of shareholders. In 2019, the Company issued 39 information disclosures on the websites of Hong Kong Stock Exchange and the Company simultaneously. Such disclosure mainly include annual and interim results announcements, annual report, information related to shareholders’ meetings, election of members for the new session of the Board and the Supervisory Committee, and changes in senior management.

(6) It actively organized innovative poverty alleviation to fulfill its social responsibilities

After years of exploration and practice, using derivatives market to develop a new type of agricultural insurance – “insurance + futures” for de-concentration of risks has become an effective means for the Company to provide professional poverty alleviation leveraging on its risk management expertise. In 2019, the Company launched nine “insurance + futures” projects in respect of six futures varieties (Corn, cotton, sugar, soybean, rubber, apple) in 18 counties and districts out of five provinces, namely Shandong, Yunnan, Heilongjiang, Gansu and Jilin. A total of 185,500 tonnes of physical commodities were underwritten, approximately 100,000 farmers in 37 cooperatives were served, nearly 800,000 acres of land were covered, subsidized premiums of more than RMB15 million were granted, and total claim amount of more than RMB130 million were paid. The “insurance + futures” pilot project in respect of cotton variety were implemented in six counties including Pingyin County and Shouguang City in Shandong Province. The policy covered all such counties, accounting for approximately 15% of total cotton output of Shandong Province. This is the only “insurance + futures” pilot project in respect of cotton variety that covers a wide area in the country, and also an “insurance + futures” project conducted by a single futures company that covers the largest number of counties.

The “Huachuan Mode” of the Company in implementing “insurance + futures” played a great role in Huachuan County’s success in alleviating poverty. The project won the “Best Poverty Alleviation Project Award for Innovative Financial Products” awarded by certain departments such as the State Council’s Poverty Alleviation Office and CSRC, and the “2019 Excellent Financial Products for Shifting to the New Economic Growth Driver from the old Driver in Shandong Province” by the People’s Bank of China, Jinan Branch, Local Financial Supervision and Administration of Shandong Province, and CSRC, Shandong Office, and was selected as the “Qianhai Excellent Financial Innovation Case in 2019” at Shenzhen Qianhai Achievement Conference.

III. DIRECTORS' PERFORMANCE OF DUTIES IN 2019

In 2019, in accordance with the requirements and responsibilities conferred by the Company Law of the PRC, the Listing Rules and the Articles of Association, all directors diligently fulfilled their duties, carefully reviewed each resolution of the Board, and provided relevant and feasible comments and suggestions in connection with the Company's strategic development and governance structure improvement, and effectively safeguarded the rights and interests of shareholders, and promoted the development of the Company. The independent non-executive Directors faithfully performed their duties and safeguarded the overall interests of the Company, and was particularly concerned with the legitimate rights and interests of small and medium Shareholders, ensuring the Board's independence and scientificness in decision-making. The special committees of the Board fully leveraged their professional expertise and provided professional justifications for the decision-making of the Board. The directors' attendance at board meetings in 2019 is as follows.

The attendance of directors at the board meetings in 2019

Name of Directors	Meetings required to attend	Attendance in person	Attendance by proxy	Number of resolutions required to vote	Actual number of resolutions voted
ZHONG Jinlong ²	2	2	0	8	8
LIU Hongsong ²	2	2	0	8	8
HU Kainan ²	2	2	0	8	8
MING Gang ²	2	2	0	8	8
LIU Feng ^{1,2}	10	7	3	41	41
GAO Zhu ^{1,2}	10	10	0	41	41
WANG Chuanshun ^{1,2}	10	10	0	41	41
LI Dapeng ^{1,2}	10	8	2	41	41
ZHENG Jianping ^{2,3}	0	0	0	0	0
LIANG Zhongwei ^{1,2}	10	10	0	41	41
CHEN Fang ¹	8	8	0	29	29
YIN Ge ¹	8	7	1	29	29
LI Chuanyong ¹	8	7	1	33	33
YU Xuehui ¹	8	8	0	33	33

- Notes:*
- The second session of the Board held 8 meetings in 2019, and passed 33 proposals by vote, including 4 connected transactions with Zhongtai Securities. The Board comprised the following members: Chen Fang, Yin Ge, Li Chuanyong, Liu Feng, Gao Zhu, Yu Xuehui, Wang Chuanshun, Li Dapeng and Liang Zhongwei;
 - The third session of the Board held 2 meetings in 2019 and passed 8 proposals by vote. The Board comprised the following members: Zhong Jinlong, Liu Hongsong, Hu Kainan, Ming Gang, Liu Feng, Gao Zhu, Wang Chuanshun, Li Dapeng, Zheng Jianping and Liang Zhongwei;
 - Zheng Jianping is a member of the third session of the Board of Directors. His appointment took effect on 26 December 2019 when his qualification for serving as a senior executive was approved by the China Futures Association. During his tenure in 2019, the Company did not convene any Board meeting.

IV. MAJOR WORK FOR 2020

2020 is the year for China to secure a decisive victory in building a moderately prosperous society in all respects, the last year for China to win its battle against poverty, and a crucial year to further reform its capital market in all aspects. In 2020, the Company must conscientiously implement the decisions and arrangements made by superior party committee. It will devote more efforts on market development for concerted growth of commodity and finance, exchange and OTC business at home and abroad so as to curb the continued downward trend and improve its profitability; transform business in a more powerful manner, and continue to focus on serving industrial customers so as to meet various needs of real economy for risk management; increase parent-subsidary business coordination, optimize parent-subsidary business coordination mechanisms, and improve professional service capabilities; consolidate the internal control system by establishing an effective and efficient compliance risk control management system; intensify basic management by implementing basic management enhancement projects, strengthen cultural construction; eliminate the adverse factors such as the spillover of the risk events of the Company's asset management products that has a significant impact on the Company's asset management business and classification and assessment, and promote the sustainable and healthy development of the Company, which laid a solid foundation for the Company to become a leader in the industry.

(1) Concentrate efforts and resources on one purpose, consolidate fundamentals, and accelerate development

Brokerage Business, which is the pillar business and basic business of futures companies. In 2020, the Company will take effective measures to reverse the decline of brokerage business and enhance the profitability and competitiveness of brokerage business. It will integrate various resources, optimize organizational structure, and work out feasible and effective policies and measures to stimulate the initiative and creativity of various business entities; aggressively promote the transformation of brokerage business based on various needs of industrial customers for risk management; have a group thinking to push parent-subsidary business coordination; actively develop internet financial services. As for the **Asset Management Business**, it will actively and steadily push forward the risk management of asset management products; put more efforts on building up the internal control mechanism of the asset management business, with a focus on improving the compliance risk control level; add talents to the team when and as it is appropriate to build active management capabilities. As for the **Risk Management Business**, it will improve internal control mechanism, and make sure compliance is effectively incorporated and risk control measures are in place; strengthen collaboration between the research forces and other business entities. As for the **Investment Consulting Business**, services will be provided primarily to industrial customers; internal promotion and external recruitment shall be taken according to the market-oriented mechanism to build up the team so as to become a leaders in the industry within three years. As for **International Business**, overall planning will be made, to further clarify the positioning of overseas subsidiaries, encourage subsidiaries to operate business in a compliant manner; perfect the compliance management, risk management and internal control system of overseas subsidiaries, and improve their risk control capabilities.

(2) Concentrate on developing a useful and efficient compliance risk control system

In 2020, we will speed up implementation and continuously optimize the organizational construction, team-building, institutional construction, marketing methods and system construction, in accordance with regulatory regulations and self-discipline rules, with reference to advanced experience of our peers, and based on the Company's actual conditions, and under the principles of full coverage, effectiveness, and efficiency. Firstly, we will optimize the compliance risk control management structure, and set up multi-level full-time and part-time compliance risk control specialists. Secondly, we will intensify our institutional construction. We will conduct a comprehensive review of our system and procedures, define the roles and functions of entities, and improve our service quality and efficiency. Thirdly, we will intensify compliance risk management on key business areas. In accordance with the principle of "regulation-oriented and problem-oriented", we will carry out compliance inspection on more aspects in greater detail. Fourthly, we will build a compliance risk control management system to improve the quality and efficiency of compliance risk control management. Fifthly, we will strengthen the preliminary research and preliminary judgment of risks through proper stress testing and correct risk identification, assessment and follow-up analysis, improve our emergency response capabilities, and handle emergencies and report them promptly. Sixthly, we will further improve our self-inspection and self-correction capabilities, allow no-go zones, no unturned ground, and show no tolerance, impose tight constraints, maintain a tough stance and a long-term deterrence in compliance management and risk control. Seventhly, we will closely follow up and implement the regulatory guidance and requirements on anti-money laundering, continue to improve the Company's internal control system for anti-money laundering, and fully fulfill our anti-money laundering obligations.

(3) Intensify basic management and strengthen construction of corporate culture

Firstly, we will improve our human resource management, increase our organizational efficiency, and eliminate unreasonable jobs and redundancy, and person-job mismatch. Secondly, we will enhance the service skills of our staff, continue to improve their professional standards, and conduct in-depth investigation and research, and improve our scientific decision-making capabilities. Thirdly, we will further optimize the decision-making and authorization system in accordance with the requirements of the "Company Law", "Listing Rules" and our "Articles of Association", to define the roles and functions of different entities, so that all decisions are made in a scientific and compliant manner, all functions work smoothly, and all power and authority are checked and balanced effectively. Fourthly, we will aggressively push process optimization, and further streamline business improve work efficiency subject to compliance with laws and regulations. Fifthly, we insist on recruitment based on the ability, and will replace those who are incompetent or show no sense of responsibility in a timely manner by competing and otherwise. Sixthly, we will effectively strengthen team building, promote successful experience, and strive to create a wolf-like marketing team full of competitive sense. Seventhly, we will devote more efforts on developing our corporate culture. We will establish the business values of "compliance and risk control first, customer interests first, talent value first, innovation and development first" and put them in our action; cultivate the value orientation of entrepreneurship; form the professionalism of being courageous to express professional opinions despite superiority or authority.

(4) Enhance the level of information disclosure and improve investor relation management system

The Company will strictly abide by the regulatory requirements for information disclosure in and outside China, uphold the principles of truthfulness, accuracy, completeness and timeliness in publishing periodic reports and various ad hoc announcements, to protect investors' right to information; constantly improve information disclosure systems and processes, actively explore and carry out voluntary information disclosure; constantly optimize the information disclosure process, and manage insider information insiders in strict accordance with regulatory requirements, and strengthen the confidentiality of insider information. The Company will actively receive research investigations conducted by investors and analysts, systematically build an effective investor communication platform.

(5) Actively fulfill social responsibilities

2020 is the last year for China to secure a decisive victory in building a moderately prosperous society in all respects. Winning the battle against poverty is the top priority in building a moderately prosperous society in all respects. On top of the achievement made in 2019, the Company will do a better job in finance, industry, public welfare and consumer poverty alleviation. In particular, it will leverage on "insurance + futures" in precision poverty alleviation, design appropriate products and keep risks under control, and further expand the coverage of professional assistance projects such as "insurance + futures" in poverty-stricken areas, so as to contribute to winning the tough battle against poverty and building a moderately prosperous society in all respects.

In 2019, the Supervisory Committee independently exercised its supervision functions and performed its duties, kept themselves informed of and supervised the Company's operating activities, financial status, execution of major decisions, general meetings and board resolutions, and also supervised the compliance of the Company in operation and the performance of duties by the Directors and senior management in strict compliance with the requirements of the Company Law of the PRC, the Listing Rules, the Articles of Association, the Rules of Procedure of the Supervisory Committee of the Company, and other relevant laws and regulations. The work report of the Supervisory Committee in 2019 is as follows.

I. ROUTINE WORK OF THE SUPERVISORY COMMITTEE IN 2019

Details of the meetings held by the Supervisory Committee of the Company during this Reporting Period are as follows:

(I) The eighth meeting of the second session of the Supervisory Committee was held on 27 March 2019. The following six proposals were approved by voting at the meeting:

1. The "Proposal on the Work Report of the General Manager of LUZHENG FUTURES Company Limited for the Year 2018" (《關於魯証期貨股份有限公司2018年度總經理工作報告的議案》);
2. The "Proposal on the Work Report of the Supervisory Committee of LUZHENG FUTURES Company Limited for the Year 2018" (《關於魯証期貨股份有限公司2018年度監事會工作報告的議案》);
3. The "Proposal on the Annual Results Announcement of LUZHENG FUTURES Company Limited for the Year 2018" (《關於魯証期貨股份有限公司2018年度業績公告的議案》);
4. The "Proposal on the Annual Report (International Financial Reporting Standards) of LUZHENG FUTURES Company Limited for the Year 2018" (《關於魯証期貨股份有限公司2018年度報告(國際財務報告準則)的議案》);
5. The "Proposal on the Annual Report (Chinese Accounting Standards for Business Enterprises) of LUZHENG FUTURES Company Limited for the Year 2018" (《關於魯証期貨股份有限公司2018年度報告(中國企業會計準則)的議案》);
6. The "Proposal on Profit Distribution Plan of LUZHENG FUTURES Company Limited for the Year 2018" (《關於魯証期貨股份有限公司2018年度利潤分配的議案》).

(II) The ninth meeting of the second session of the Supervisory Committee was held on 28 August 2019. The following three proposals were approved by voting at the meeting:

1. The "Proposal on the Interim Results Announcement of LUZHENG FUTURES Company Limited for the Year 2019" (《關於魯証期貨股份有限公司截至2019年中期業績公告的議案》);
2. The "Proposal on the Interim Report of LUZHENG FUTURES Company Limited for the Year 2019" (《關於魯証期貨股份有限公司2019中期報告的議案》); and
3. The "Proposal on Interim Profit Distribution Plan of LUZHENG FUTURES Company Limited for the Year 2019" (《關於魯証期貨股份有限公司2019年中期利潤分配的議案》).

- (III) The tenth meeting of the second session of the Supervisory Committee was held on 24 October 2019. The following proposal was approved by voting through telecommunication:**

Proposal on Election of Non-staff Representative Supervisors of the Third Session of the Supervisory Committee to be considered at the general meeting.

- (IV) The first meeting of the third session of the Supervisory Committee was held on 10 December 2019. The following proposal was approved by voting at the meeting:**

Proposal on Election of the Chairman of the Third Session of the Supervisory Committee.

II. MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2019

(1) Completion of re-election of the Supervisory Committee

During the Reporting Period, the Company held the First Extraordinary General Meeting of 2019 on 10 December 2019, and elected 4 non-staff representative supervisors of the new session of the Supervisory Committee, who, together with the three staff representative supervisors newly elected at the 14th meeting of the second session of the Staff Representative Meeting, comprise the third session of the Supervisory Committee. On the same day, the first meeting of the third session of the Supervisory Committee was held and Chairman of the new session of the Supervisory Committee was elected. Thus, the re-election of the Company's Supervisory Committee was completed.

(2) Supervision and inspection of daily business activities

During the Reporting Period, the Supervisory Committee strengthened the daily supervision and inspection of the Company's operating activities. Firstly, it carried out supervision and inspection on 7 branches in Nanjing, Shenzhen, Yantai, Linyi, Beijing, Zhengzhou, and Zibo through on-site inspection, data review, and discussion; secondly, it conducted special internal inspection on how the Company's own funds were invested and how the risk management subsidiary companies operated; thirdly, it conducted special supervision and inspection of the Company's integrity management. For problems revealed through supervision and inspections, corresponding opinions and suggestions were given.

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

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

(4) Supervision and inspection of the duty-performance by directors and senior management

During the Reporting Period, members of the Supervisory Committee implemented supervision and inspection functions by attending general meetings of the Company's shareholders, and meetings of the Board and management. By attending general meetings and Board meetings, it supervised and inspected the legal compliance of relevant working procedures and voting on important issues, and supervised the performance of duties by the directors of the Company; by attending management meetings, it kept abreast of the Company's business and management activities and decision-making on major issues in a timely manner, and monitored the performance of duties by the Company's senior management.

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

During the Reporting Period, the Supervisory Committee was reshuffled through re-election, strengthened the supervisors' ability to perform their duties, and ensured that all tasks were done in a satisfactory manner. Arrangements were made for the members of the Supervisory Committee to learn the latest regulatory policies and regulations continuously, and understand the relevant laws and regulations relating to listing and regulatory rules so as to ensure that the functions of the Supervisory Committee were brought into play.

III. REVIEW OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS IN 2019

During the Reporting Period, the Supervisory Committee supervised and inspected such aspects of the Company as finance, legal operation, major decision and significant operating activities, and the Supervisory Committee attended the general meeting, on-site meetings of the Board and the working meetings of the management as required. Based on the foregoing, the Supervisory Committee issued the following opinions.

- (i) The Supervisory Committee believed that: during the Reporting Period, the overall operating activities of the Company were in compliance with related laws, regulations and related requirements of regulatory policies; the Board practically implemented all resolutions and key decision-making procedures conformed to the requirements of the Company Law of the PRC and the Articles of Association; the Directors and senior management tried their best in performing their duties pursuant to national laws, regulations and requirements of the Articles of Association and strictly executed all resolutions of the general meetings and the Board, and did not breach any laws and regulations and the Articles of Association nor harm the interest of the Company when discharging their duties in the Company.
- (ii) The Supervisory Committee believed that: during the Reporting Period, the financial system of the Company was sound, and the financial operation was legal. The financial statements prepared by the Company gave a true, objective and accurate picture of the financial conditions of the Company. PricewaterhouseCoopers LLP issued an unqualified audit report, which gave a true and fair picture of the financial performance and operating results of the Company in 2019.

- (iii) The Supervisory Committee believed that: during the Reporting Period, it found that the spillover of the risk events of the Company's asset management products has a significant impact on the Company's asset management business and classification and assessment. In addition, it found that there was a lag in the building of the system of certain businesses of the Company.
- (iv) The Supervisory Committee believed that: during the Reporting Period, the transactions between the Company and its Controlling Shareholder Zhongtai Securities and its connected persons, were entered into in line with the general market transaction principles. The price was fair and the information disclosure was complete, and relevant procedures were implemented to ensure that the transactions were fair and reasonable, and no incident was found to use connected transactions to harm the interests of the Company and other minority shareholders.
- (v) The Supervisory Committee believed that: during the Reporting Period, no illegal external guarantees, debt restructurings, non-monetary transactions, asset replacements, major acquisitions or disposal of assets were found. There was no incidents that harmed the interests of the Shareholders of the Company or resulted in the loss of assets of the Company.
- (vi) The Supervisory Committee believed that: during the Reporting Period, the Company had implemented the relevant regulations and strictly controlled the scope of insiders when dealing with periodic report preparation, profit distribution, and external investment. There were no such incidents as disclosure of secrets, insider transactions, or illegal trading of the Company's Shares by Directors, Supervisors, senior management and other insiders.

IV. WORK PLAN OF THE SUPERVISORY COMMITTEE IN 2020

(1) Enhancing the ability to perform its duties and insisting on serving the overall goals

The Supervisory Committee will work towards the Company's development strategic goals determined by the general meeting and the Board of Directors. By taking the opportunity when the new session of Supervisory Committee takes office, it will continue to exercise strict supervision of key areas and important procedures, and play a role of stable supervision and continuous supervision so as to forge ahead with conviction and become a ballast stone in the Company's future development. Firstly, it will faithfully perform its duties in accordance with the laws and regulations, further promote the Company's legal operation and protect the interests of the Company and all shareholders as a whole; secondly, it will take effective measures such as attending board meetings and holding regular meetings of the Supervisory Committee so as to carefully investigate and research issues of concern to shareholders and employees, make recommendation and rationalization suggestions to the Board of Directors; thirdly, it will give full play to the Supervisory Committee's supervision, service and guarantee functions, promote the scientific, democratic and legal decision-making process of the Company, and promote the healthy development of the Company.

(2) Strengthen daily supervision and safeguard the interests of the Company

It will continue to strengthen supervision of major matters such as the Company's compliant operation, financial management, construction and implementation of internal control system, connected transactions, external investment and guarantees, and the comprehensive and effective anti-money laundering in accordance with laws and regulations to ensure the true, accurate and complete information is disclosed in a timely manner. It seriously supervised the performance of duties by directors and senior management of the Company, and provided suggestions in a timely manner once problems were found to protect the Company's interests from being infringed.

(3) Prevent risks in a practical manner and expand function extension

While strengthening the supervision of the Company's operations and management, in 2020, it will focus on the supervision and inspection of wholly-owned subsidiaries. In particular, it is necessary to instruct Supervisory Committee of the subsidiaries to carry out targeted supervision and inspection based on the Company's business characteristics, and urge the subsidiaries to improve the system and development of compliance risk control system, optimize their operating accountability systems, and effectively implement their business objectives. Priority will be given on the operation and management of overseas subsidiaries by supervising and inspecting the effectiveness of their corporate governance system, and the legal compliance of business operation, and urging prompt rectification of any important issues found.

(4) Improve the supervision system and enhance the effectiveness of supervision

On one hand, it will continue to promote the organic combination of supervision by the Supervisory Committee with party discipline supervision, administrative supervision, financial supervision, audit supervision, legal supervision, etc., to produce effective coordination of the Company's supervision and management resources, to make full use of the Company's compliance inspection and risk control system and actively participate in daily operating inspection, to carry out coordinated work for sharing of information resources, so as to further improve the construction of supervision and management system. On the other hand, the external monitoring role of third-party organizations such as accounting firms should be brought into play, and communication with external service entities such as accounting firms and law firms should be strengthened to result in effective supervision of the Supervisory Committee.

By Order of the Supervisory Committee

Chairman

Li Xuekui

26 March 2020

LUZHENG FUTURES COMPANY LIMITED
COMPARISON TABLE OF THE AMENDMENTS
TO THE ARTICLES OF ASSOCIATION

Chapter of Articles of Association	Original Article	Amended Article
Chapter 4: Reduction of Capital and Repurchase of Shares	<p>Article 30 The Company may, in accordance with the procedures set out in the Articles of Association and subject to the approval of the relevant competent authorities of the PRC, repurchase its issued shares under the following circumstances:</p> <p>(1) cancelling its shares for the purpose of reducing its registered capital;</p> <p>(2) merging with another company which holds the shares of the Company;</p> <p>(3) granting shares as incentive to the staff of the Company;</p> <p>(4) acquiring the shares of shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or demerger of the Company and request the Company to acquire their shares; and</p> <p>(5) other circumstances permitted by laws and administrative regulations.</p> <p>Other than the above-mentioned circumstances, the Company shall not engage in any activities for the purchase or sale of its shares.</p>	<p>Article 30 The Company may, in accordance with the procedures set out in the Articles of Association and subject to the approval of the relevant competent authorities of the PRC, repurchase its issued shares under the following circumstances:</p> <p>(1) cancelling its shares for the purpose of reducing its registered capital;</p> <p>(2) merging with another company which holds the shares of the Company;</p> <p>(3) granting shares as incentive to the staff of the Company <u>using shares for employee stock ownership plan;</u></p> <p>(4) acquiring the shares of shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or demerger of the Company and request the Company to acquire their shares;</p> <p><u>(5) using shares for conversion of corporate bonds issued by the listed company which are convertible into shares;</u></p> <p><u>(6) other circumstances as necessary for the listed company to safeguard the value of the Company and its shareholders' rights and interests; and</u></p> <p>(5)(7) other circumstances permitted by laws and administrative regulations.</p> <p>Other than the above-mentioned circumstances, the Company shall not engage in any activities for the purchase or sale of its shares.</p>

Chapter of Articles of Association	Original Article	Amended Article
Chapter 4: Reduction of Capital and Repurchase of Shares	<p>Article 31 The Company may, upon the approval of the relevant competent authorities of the PRC, repurchase its shares in one of the following ways:</p> <p>(1) making a pro rata general offer of repurchase to all its shareholders;</p> <p>(2) repurchasing shares through public trading on a stock exchange;</p> <p>(3) repurchasing by an off-market agreement; or</p> <p>(4) other ways as approved by the relevant regulatory authorities.</p>	<p>Article 31 <u>Due to the reasons specified in subparagraphs (1), (2) or (4) of paragraph 1 of Article 30 of the Articles of Association,</u> the Company may, upon the approval of the relevant competent authorities of the PRC, repurchase its shares in one of the following ways:</p> <p>(1) making a pro rata general offer of repurchase to all its shareholders;</p> <p>(2) repurchasing shares through public trading on a stock exchange;</p> <p>(3) repurchasing by an off-market agreement; or</p> <p>(4) other ways as approved by the relevant regulatory authorities.</p> <p><u>Due to the reasons specified in subparagraphs (3), (5) or (6) of paragraph 1 of Article 30 of the Articles of Association, the Company may, upon the approval of the relevant supervisory authorities of the PRC, should adopt public centralized trading for those purposes.</u></p>

Chapter of Articles of Association	Original Article	Amended Article
<p>Chapter 4: Reduction of Capital and Repurchase of Shares</p>	<p>Article 33 The repurchase of shares by the Company due to reasons in subparagraphs (1) to (3) of paragraph 1 of Article 30 shall be subject to approval at a shareholders’ general meeting. Shares of the Company acquired by the Company under paragraph 1 of Article 30 shall be cancelled within ten days from the date of acquisition for circumstances under subparagraph (1); for circumstances under subparagraphs (2) and (4), the shares shall be transferred or cancelled within six months.</p> <p>Shares of the Company acquired by the Company under the provisions of sub-paragraph (3) of paragraph 1 of Article 30 shall not exceed 5% of the total number of the Company’s shares in issue. The payment for share acquisition shall be made out of the Company’s after-tax profit, and the shares acquired shall be transferred to the staff within one year.</p> <p>If the Company cancels the shares as a result of acquisition of those shares, it shall apply to the original company registration authorities for registration of the changed registered capital. The aggregate par value of the cancelled shares shall be deducted from the Company’s registered capital.</p>	<p>Article 33 The repurchase of shares by the Company due to reasons in subparagraphs (1) to and (2)(3) of paragraph 1 of Article 30 shall be subject to approval at a shareholders’ general meeting. <u>The repurchase of the Company’s shares for the reasons specified in subparagraphs (3), (5) and (6) of paragraph 1 of Article 30 of the Articles of Association shall be approved by a board meeting attended by more than two-thirds of the directors.</u> Shares of the Company acquired by the Company under paragraph 1 of Article 30 shall be cancelled within ten days from the date of acquisition for circumstances under subparagraph (1); for circumstances under subparagraphs (2) and (4), the shares shall be transferred or cancelled within six months. <u>For circumstances under subparagraphs (3), (5) and (6), the total number of shares of the Company held by the Company shall not exceed 10% of the total issued shares of the Company and shall be assigned or cancelled within three years.</u></p> <p>Shares of the Company acquired by the Company under the provisions of sub-paragraph (3) of paragraph 1 of Article 30 shall not exceed 5% of the total number of the Company’s shares in issue. The payment for share acquisition shall be made out of the Company’s after-tax profit, and the shares acquired shall be transferred to the staff within one year.</p> <p>If the Company cancels the shares as a result of acquisition of those shares, it shall apply to the original company registration authorities for registration of the change in the registered capital. The aggregate par value of the cancelled shares shall be deducted from the Company’s registered capital.</p>

Chapter of Articles of Association	Original Article	Amended Article
Chapter 6: Share Certificates and Register of Shareholders	Article 46 No registration of changes as a result of share transfers may be entered in the register of shareholders within thirty days prior to the date of a shareholders' general meeting or within five days before the record date set by the Company for the purpose of distribution of dividends. This Article shall not be applicable to the registration of changes in the register of shareholders during the issuance of new shares by the Company in accordance with Article 23 of the Articles of Association.	Article 46 No registration of changes as a result of share transfers may be entered in the register of shareholders within thirty days prior to the date of a shareholders' general meeting or within five days before the record date set by the Company for the purpose of distribution of dividends. <u>Requirements of PRC laws and regulations and the securities supervision rules of the place where the Company's shares are listed regarding the closure of book before holding a general meeting of shareholders or the date with reference to which the Company decides to distribute dividends, shall be applied.</u> This Article shall not be applicable to the registration of changes in the register of shareholders during the issuance of new shares by the Company in accordance with Article 23 of the Articles of Association.
Chapter 8: Shareholders' General Meetings	Article 61 The shareholders' general meeting shall exercise the following functions and powers: (1) to decide the Company's operational guidelines and investment schemes; (2) to elect and remove directors not being staff representatives and to determine matters relating to the directors' remunerations; (3) to elect and remove supervisors not being staff representatives and to determine matters relating to the supervisors' remunerations; (4) to consider and approve the reports of Board of Directors;	Article 61 The shareholders' general meeting shall exercise the following functions and powers: (1) to decide the Company's operational guidelines and investment schemes; (2) to elect and remove directors not being staff representatives and to determine matters relating to the directors' remunerations; (2) to elect and remove supervisors not being staff representatives and to determine matters relating to the supervisors' remunerations; (4) to consider and approve the reports of Board of Directors;

Chapter of Articles of Association	Original Article	Amended Article
	<p>(5) to consider and approve the reports of the Supervisory Committee;</p> <p>(6) to consider and approve the Company's annual financial budgets and final accounts;</p> <p>(7) to consider and approve the Company's profit distribution plan and plan for making up losses;</p> <p>(8) to resolve on an increase or a reduction in the Company's registered capital;</p> <p>(9) to resolve on matters such as merger, demerger, dissolution, liquidation or change in the form of business of the Company;</p> <p>(10) to resolve on the issue of debentures by the Company;</p> <p>(11) to resolve on the appointment, dismissal or non-reappointment of the accounting firms;</p> <p>(12) to consider and approve the purchases or sales of any material assets of the Company within a year in excess of 30% of the Company's audited total assets in the latest period;</p> <p>(13) to amend the Articles of Association;</p> <p>(14) to consider proposals put forward by any shareholder representing 3% or more of the Company's shares with voting rights;</p>	<p>(5) to consider and approve the reports of the Supervisory Committee;</p> <p>(6) to consider and approve the Company's annual financial budgets and final accounts;</p> <p>(7) to consider and approve the Company's profit distribution plan and plan for making up losses;</p> <p>(8) to resolve on an increase or a reduction in the Company's registered capital;</p> <p>(9) to resolve on matters such as merger, demerger, dissolution, liquidation or change in the form of business of the Company;</p> <p>(10) to resolve on the issue of debentures by the Company;</p> <p>(11) to resolve on the appointment, dismissal or non-reappointment of the accounting firms;</p> <p>(12) to consider and approve the purchases or sales of any material assets of the Company within a year in excess of 30% of the Company's audited total assets in the latest period;</p> <p>(13) to amend the Articles of Association;</p> <p>(14) to consider proposals put forward by any shareholder representing 3% or more of the Company's shares with voting rights;</p>

Chapter of Articles of Association	Original Article	Amended Article
	<p>(15) to consider and approve share incentive plans;</p> <p>(16) to resolve on any other matters to be resolved thereby as required by the laws, administrative regulations, listing rules of the place where the Company's shares are listed and the Articles of Association.</p> <p>Subject to the laws, regulations and mandatory provisions of the listing rules of the listing place, a shareholders' general meeting may authorize or entrust Board of Directors to handle the matters authorized or entrusted by it.</p>	<p>(15) to consider and approve share incentive plans;</p> <p><u>(16) to resolve on the acquisition of the Company's shares due to the reasons specified in subparagraphs (1) and (2) of paragraph 1 of Article 30 of the Articles of Association;</u></p> <p>(16)(17) to resolve on any other matters to be resolved thereby as required by the laws, administrative regulations, listing rules of the place where the Company's shares are listed and the Articles of Association.</p> <p>Subject to the laws, regulations and mandatory provisions of the listing rules of the listing place, a shareholders' general meeting may authorize or entrust Board of Directors to handle the matters authorized or entrusted by it.</p>

Chapter of Articles of Association	Original Article	Amended Article
Chapter 8: Shareholders’ General Meetings	<p>Article 65 The convener shall notify all the shareholders in writing forty-five days prior to the convening of a shareholders’ general meeting. Shareholders who intend to attend the meeting shall serve a written reply slip to the Company twenty days prior to the date of the meeting.</p> <p>The date of convening the shareholders’ general meeting shall not be included in the calculation of the commencement period.</p> <p>For the notice delivered under this Article, the date of delivery shall be the date on which the relevant notice is delivered by the Company or its share registrar to the postal authorities for posting.</p>	<p>Article 65 The convener shall notify all the shareholders in writing forty-five days prior to the convening of a shareholders’ general meeting. Shareholders who intend to attend the meeting shall serve a written reply slip to the Company twenty days prior to the date of the meeting. <u>The Company shall issue a written notice of not less than 20 business days before holding an annual general meeting; shall issue a notice of not less than 10 business days or 15 days (whichever is longer) to shareholders before holding an extraordinary general meeting.</u></p> <p>The date of convening the shareholders’ general meeting shall not be included in the calculation of the commencement period notice period.</p> <p>For the notice delivered under this Article, the date of delivery shall be the date on which the relevant notice is delivered by the Company or its share registrar to the postal authorities for posting.</p>

Chapter of Articles of Association	Original Article	Amended Article
<p>Chapter 8: Shareholders' General Meetings</p>	<p>Article 67 The Company shall, based on the written replies received twenty days before the date of convening the shareholders' general meeting, calculate the number of shares with voting right represented by the shareholders who intend to attend the meeting. If the number of shares with voting rights represented by the shareholders who intend to attend the meeting reaches one half or more of the Company's total shares with voting rights, the Company may convene the shareholders' general meeting. Otherwise, the Company shall within five days notify the shareholders again by way of an announcement of the matters to be considered at, and the date and place for, the meeting. After giving notice by announcement, the Company may convene the meeting.</p> <p>An extraordinary general meeting shall not make decisions on matters not stated in the notice of meeting.</p>	<p>Article 67 The Company shall, based on the written replies received twenty days before the date of convening the shareholders' general meeting, calculate the number of shares with voting right represented by the shareholders who intend to attend the meeting. If the number of shares with voting rights represented by the shareholders who intend to attend the meeting reaches one half or more of the Company's total shares with voting rights, the Company may convene the shareholders' general meeting. Otherwise, the Company shall within five days notify the shareholders again by way of an announcement of the matters to be considered at, and the date and place for, the meeting. After giving notice by announcement, the Company may convene the meeting.</p> <p><u>A</u>n extraordinary general meeting shall not make decisions on matters not stated in the notice of meeting.</p>

Chapter of Articles of Association	Original Article	Amended Article
<p>Chapter 8: Shareholders' General Meetings</p>	<p>Article 69 The notice of a shareholders' general meeting shall be sent to the shareholders (whether or not entitled to vote at the shareholders' general meeting) by hand or prepaid mail to the address of the recipients as shown in the register of shareholders, or, subject to compliance with the applicable laws, regulations and listing rules, be published on the Company's website or the website designated by the stock exchange of the place on which the Company's shares are listed. For holders of domestic shares, the notice of a shareholders' general meeting may be given by way of an announcement.</p> <p>The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the competent securities authorities of the State Council within the interval between forty-five days and fifty days before the date of convening the meeting; after the publication of the announcement, all holders of domestic shares shall be taken to have received notice of the relevant shareholders' meeting.</p>	<p>Article 69 The notice of a shareholders' general meeting shall be sent to the shareholders (whether or not entitled to vote at the shareholders' general meeting) by hand or prepaid mail to the address of the recipients as shown in the register of shareholders, or, subject to compliance with the applicable laws, regulations and listing rules, be published on the Company's website or the website designated by the stock exchange of the place on which the Company's shares are listed. For holders of domestic shares, the notice of a shareholders' general meeting may be given by way of an announcement.</p> <p>The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the competent securities authorities of the State Council within the interval between forty-five days and fifty days <u>of 20 business days before holding an annual general meeting and 10 business days or 15 days (whichever is longer)</u> before holding an extraordinary general meeting; after the publication of the announcement, all holders of domestic shares shall be taken to have received notice of the relevant shareholders' meeting.</p>

Chapter of Articles of Association	Original Article	Amended Article
Chapter 12: General Manager and Deputy General Manager of the Company	<p>Article 130 The Company shall have one general manager and several deputy general managers to be appointed or dismissed by Board of Directors. The deputy general managers shall assist the general manager in his work and be accountable to the general manager.</p> <p>The total number of people from abroad appointed as management officers (general manager, deputy general managers and chief risk officer) shall not exceed 30% of the Company’s total number of management officers.</p> <p>There shall not be a close relative relationship between the chairman, general manager and chief risk officer. The offices of the chairman and the general manager may not be held concurrently by one person.</p>	<p>Article 130 The Company shall have one general manager and several deputy general managers <u>who shall be nominated by the Chairman, and be appointed or dismissed by the Board of Directors. The Company shall have several deputy general managers who shall be nominated by the general manager</u> and to be appointed or dismissed by the Board of Directors. <u>The general manager shall be accountable to the Board of Directors.</u> The deputy general managers assist the general manager in his work and be accountable to the general manager.</p> <p>The total number of people from abroad appointed as management officers (general manager, deputy general managers and chief risk officer) shall not exceed 30% of the Company’s total number of management officers.</p> <p>There shall not be a close relative relationship between the chairman, general manager and chief risk officer. The offices of the chairman and the general manager may not be held concurrently by one person.</p>

Chapter of Articles of Association	Original Article	Amended Article
<p>Chapter 13: Chief Risk Officer</p>	<p>Article 136 The appointment or dismissal of the chief risk officer shall be proposed by the chairman or one-third or more of the directors, together with the consent of all the independent non-executive directors and the approval of two-thirds or more of the directors of Board of Directors.</p> <p>In the appointment of the chief risk officer, the Board of Directors shall consider whether the chief risk officer is familiar with the futures laws and regulations, whether he is a person of integrity who abides by the law, whether he has the competence and whether he satisfies the requirements for the position in compliance with rules, as the major criterion.</p> <p>Each term of office of the chief risk officer shall be three years, renewable upon re-appointment. Before the expiry of the term of office, he may not be removed from office by the Board of Directors without any justified reason.</p>	<p>Article 136 The appointment or dismissal of the chief risk officer shall be nominated by the chairman or one-third or more of the directors, together with the consent of all the independent non-executive directors and the approval of two-thirds or more of the directors of Board of Directors.</p> <p>In the appointment of the chief risk officer, the Board of Directors shall consider whether the chief risk officer is familiar with the futures laws and regulations, whether he is a person of integrity who abides by the law, whether he has the competence and whether he satisfies the requirements for the position in compliance with rules, as the major criterion.</p> <p>Each term of office of the chief risk officer shall be three years, renewable upon re-appointment. Before the expiry of the term of office, he may not be removed from office by the Board of Directors without any justified reason.</p>

LUZHENG FUTURES COMPANY LIMITED
COMPARISON TABLE OF THE AMENDMENTS TO
THE RULES OF PROCEDURE FOR GENERAL MEETING

Original Article	Amended Article
<p>Article 23 Where the Company convenes a general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders as shown on the shareholders' register of the matters to be considered at the meeting, and the date and venue of the meeting, unless otherwise specified in the relevant provisions of the listing rules of the place where the Company's securities are listed. Any shareholder intending to attend the general meeting shall deliver to the Company a written reply showing his/her intention to attend the meeting 20 days before convening the shareholders' general meeting. The date of convening the shareholders' general meeting shall not be included in the calculation of the commencement period.</p> <p>The Company shall, based on the written replies received twenty days before the date of convening the shareholders' general meeting, calculate the number of shares with voting right represented by the shareholders who intend to attend the meeting. If the number of shares with voting rights represented by the shareholders who intend to attend the meeting reaches one half or more of the Company's total shares with voting rights, the Company may convene the shareholders' general meeting. Otherwise, the Company shall within five days notify the shareholders again by way of an announcement of the matters to be considered at, and the date and place for, the meeting. After giving notice by announcement, the Company may convene the meeting.</p>	<p>Article 23 Where the Company convenes a <u>an annual</u> general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders as shown on the shareholders' register of the matters to be considered at the meeting, and the date and venue of the meeting, unless otherwise specified in the relevant provisions of the listing rules of the place where the Company's securities are listed. Any shareholder intending to attend the general meeting shall deliver to the Company a written reply showing his/her intention to attend the meeting <u>not less than 20 business days prior to the date of the meeting; a notice of not less than 10 business days or 15 days (whichever is longer) shall be given to shareholders before convening an extraordinary general meeting.</u> The date of convening the shareholders' general meeting shall not be included in the calculation of the commencement period <u>notice period.</u></p> <p>The Company shall, based on the written replies received twenty days before the date of convening the shareholders' general meeting, calculate the number of shares with voting right represented by the shareholders who intend to attend the meeting. If the number of shares with voting rights represented by the shareholders who intend to attend the meeting reaches one half or more of the Company's total shares with voting rights, the Company may convene the shareholders' general meeting. Otherwise, the Company shall within five days notify the shareholders again by way of an announcement of the matters to be considered at, and the date and place for, the meeting. After giving notice by announcement, the Company may convene the meeting.</p>