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

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

(Stock Code: 01461)

ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS
(1) FINANCIAL SERVICES FRAMEWORK AGREEMENT
WITH ZHONGTAI SECURITIES
(2) RISK MANAGEMENT SERVICES FRAMEWORK
AGREEMENT WITH SHANDONG STEEL

FINANCIAL SERVICES FRAMEWORK AGREEMENT WITH
ZHONGTAI SECURITIES

Reference is made to the announcement of the Company dated 26 April 2019 in relation to, inter alia, the Former Financial Services Framework Agreement entered into between the Company and Zhongtai Securities and its annual caps.

As disclosed in the announcement of the Company dated 26 April 2019, the Company and Zhongtai Securities entered into the Former Financial Services Framework Agreement and set the respective annual caps on related non-exempt continuing connected transactions for 2019, 2020 and 2021. As the corresponding annual caps under the Former Financial Services Framework Agreement will expire on 31 December 2021, and the Group will continue to conduct certain continuing connected transactions under the Former Financial Services Framework Agreement subsequent to 31 December 2021, the Company shall continue to comply with the requirements under Chapter 14A of the Listing Rules in relation to continuing connected transactions. Therefore, the Company entered into the Financial Services Framework Agreement with Zhongtai Securities on 10 May 2021 (after trading hours) and proposed the annual caps for 2022, 2023 and 2024 under the Financial Services Framework Agreement.

RISK MANAGEMENT SERVICES FRAMEWORK AGREEMENT WITH SHANDONG STEEL

Reference is made to the announcement of the Company dated 26 April 2019 in relation to, inter alia, the Former Risk Management Services Framework Agreement entered into between the Company and Shandong Steel and its annual caps.

As disclosed in the announcement of the Company dated 26 April 2019, the Company and Shandong Steel entered into the Former Risk Management Services Framework Agreement and set the respective annual caps on related non-exempt continuing connected transactions for 2020, 2021 and 2022. The corresponding annual caps under the Former Risk Management Services Framework Agreement will expire on 31 December 2022. As the Company intends to adjust the caps of the premium to be paid between the Group and Shandong Steel and/or its associates under the Former Risk Management Services Framework Agreement, and conduct swap transactions with Shandong Steel and/or its associates, the Company shall continue to comply with the requirements under Chapter 14A of the Listing Rules in relation to continuing connected transactions. Therefore, the Company entered into the Risk Management Services Framework Agreement with Shandong Steel on 10 May 2021 (after trading hours) and proposed the annual caps for 2021, 2022 and 2023 under the Risk Management Services Framework Agreement. The Former Risk Management Services Framework Agreement will be terminated immediately once the Risk Management Services Framework Agreement comes into effect.

I. FINANCIAL SERVICES FRAMEWORK AGREEMENT WITH ZHONGTAI SECURITIES

(1) Background

Reference is made to the announcement of the Company dated 26 April 2019 in relation to, inter alia, the non-exempt continuing connected transactions under the Former Financial Services Framework Agreement entered into between the Company and Zhongtai Securities and its annual caps. As disclosed in the announcement of the Company dated 26 April 2019, pursuant to the Former Financial Services Framework Agreement, Zhongtai Securities and/or its associates regularly provide various financial services to the Group in the ordinary and usual course of business of the Group. The aforesaid services mainly include the IB services provided by Zhongtai Securities and/or its associates to the Group, the asset management schemes purchased by the Group in which Zhongtai Securities and/or its associates act as the manager, the securities brokerage and other financial services received by the Group from Zhongtai Securities and/or its associates.

As the corresponding annual caps under the Former Financial Services Framework Agreement will expire on 31 December 2021, and the Group will continue to conduct certain continuing connected transactions under the Former Financial Services Framework Agreement subsequent to 31 December 2021, the Company shall continue to comply with the requirements under Chapter 14A of the Listing Rules in relation to continuing connected transactions. Therefore, the Company entered into the Financial Services Framework Agreement with Zhongtai Securities on 10 May 2021 (after trading hours) and proposed the annual caps for 2022, 2023 and 2024 under the Financial Services Framework Agreement. Pursuant to the agreement, Zhongtai Securities and/or its associates will regularly provide various financial services to the Group, mainly including the IB services, asset management schemes, securities brokerage and other financial services. The term of the Financial Services Framework Agreement is three years with effect from 1 January 2022 and will expire on 31 December 2024. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions over the next three years.

(2) Details of the agreement

Date: 10 May 2021

Parties: Zhongtai Securities

The Company

A. *Acceptance of IB services provided by Zhongtai Securities and/or its associates*

Principal terms

In the Company's ordinary and usual course of business, Zhongtai Securities and/or its associates provide IB services to the Company, and introduces potential clients to the Company for participation in the Company's futures brokerage businesses. In addition, Zhongtai Securities and/or its associates will also provide the following services to such clients introduced to the Company: (i) assisting such clients in opening accounts; (ii) the provision of latest market information about futures, option and other derivative markets as well as trading facilities to such clients; (iii) assisting such clients in risk control and management; and (iv) other related financial services. Zhongtai Securities and/or its associates will charge commissions on the Company for the provision of such IB services.

Reasons for and benefits of the transaction

The Company (as a futures company) could effectively share the relatively abundant customer resources of Zhongtai Securities and/or its associates through the acceptance of IB services provided by Zhongtai Securities (as a securities company). Besides, both Zhongtai Securities and the Company could effectively achieve synergies while enhancing the Company's customer service capabilities as well as increasing operating income. In addition, Zhongtai Securities and/or its associates have been providing IB services to the Company for consecutive years and have developed a deep understanding of the Company's business needs. As such, the continuous provision of such services by Zhongtai Securities and/or its associates to the Company will foster the development of the Company's futures brokerage business.

Pricing terms

- (i) The commission charged by Zhongtai Securities and/or its associates for the provision of IB services to the Company will be 60% of the handling fee income generated from such clients introduced by Zhongtai Securities and/or its associates (the “**Commission Split**”). Based on the enquires on futures commission splits made to other futures companies which conduct IB services with securities companies, the Company is of the opinion that the Commission Split of 60% falls within the reasonable market range and is in line with market practice;
- (ii) The handling fee income equals the handling fee received from such clients, with deduction of the trading and clearing fees paid to the futures exchanges in the PRC, including but not limited to, Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange, China Financial Futures Exchange and Shanghai International Energy Exchange; and
- (iii) The Commission Split of 60% has been determined based on arm’s-length negotiation between Zhongtai Securities and the Company with reference to the prevailing market commission rates for IB businesses and on normal commercial terms, and is in line with market practice.

Historical amounts

The commissions received by Zhongtai Securities and/or its associates for the provision of IB services to the Company for the two years ended 31 December 2019 and 2020 and the three months ended 31 March 2021 were RMB8,905 thousand, RMB10,247 thousand and RMB3,228 thousand (unaudited), respectively; the commission split for the IB services provided by Zhongtai Securities and/or its associates to the Company was 60%.

Annual caps

The maximum aggregate annual amounts in respect of the commissions received by Zhongtai Securities and/or its associates for the provision of IB services to the Company for the three years ending 31 December 2022, 2023 and 2024 shall not exceed the caps set out below:

Year	Proposed annual caps for the year ending 31 December (RMB’000)		
	2022	2023	2024
Commissions	26,000	31,250	37,500

Basis of caps

The above proposed annual caps are determined with reference to historical amounts on the basis that: (i) synergies between the Company and Zhongtai Securities and/or its associates will increase with optimization of their respective branches. At present, 143 of the 325 branches of Zhongtai Securities are eligible for providing IB services. In 2021, the regulatory authorities are expected to reduce restrictions on the application of Type C securities business department for IB qualification. The number of branches of Zhongtai Securities capable of providing IB services to the Company are expected to increase significantly, which will drive the growth of the size of IB business. Therefore, the commissions that Zhongtai Securities and/or its associates can receive will continue to increase; (ii) the clients introduced by Zhongtai Securities and/or its associates to the Company in the past through IB services mainly engaged in trading of financial futures such as the stock index futures, which has a greater exposure to the Chinese stock market because the principal business of Zhongtai Securities is securities dealing. In the second half of 2015, Chinese stock market experienced significant fluctuations. China Financial Futures Exchange exercised strict control over stock index futures transactions by significantly increasing margin deposits and handling fees for liquidation of positions and decreasing the daily quantity of new futures contracts, which dramatically reduced the size of IB business provided by Zhongtai Securities and/or its associates to the Group. China Financial Futures Exchange announced to partially loosen the control on the stock index futures transactions by reducing margin deposits and handling fees of the stock index futures transaction in February 2017, September 2017, December 2018 and April 2019, respectively, so as to further restore the function of stock index futures of hedging risks, which is expected to restore normal in all aspects at any time in the future; (iii) as at the end of 2020, there were 90 futures and options products listed in China. In particular, 12 new products were launched in 2020. A number of new financial and commodity futures and options are also being prepared. In the meantime, preparation has started for setting up Guangzhou Futures Exchange. The scope of futures brokerage services that the Company can provide will continue to expand. In 2020, the amount of funds in the futures market of Mainland China exceeded RMB855.95 billion, representing a year-on-year increase of 55.2%; (iv) before the stock index futures transactions were restricted in 2015 by China Financial Futures Exchange, the commission generated from the IB business provided to the Company by Zhongtai Securities and/or its associates in 2013, 2014 and 2015 were RMB23,000 thousand, RMB22,800 thousand and RMB28,000 thousand, respectively. For the purpose of projecting the commission generated from IB services, on the basis of the amount of RMB28,000 thousand in 2015, factoring into the launch of new varieties, the overall development of the futures market and the enhanced synergies, the commission generated from IB services provided by Zhongtai Securities and/or its associates to the Company is expected to increase by 55% or RMB43,400 thousand in 2022 from the commission income in 2015, and increase further by a conservative year-on-year rate of 20% to RMB52,080 thousand and RMB62,500 thousand in 2023 and 2024, respectively; and (v) the Commission Split is 60%. As such, the commissions to be received by Zhongtai Securities and/or its associates from the provision of IB services to the Company are expected to be approximately RMB26,000 thousand, RMB31,250 thousand and RMB37,500 thousand, respectively from 2022 to 2024.

B. Purchase of asset management schemes, in which Zhongtai Securities and/or its associates act as the manager

Principal terms

We purchase asset management schemes, in which Zhongtai Securities and/or its associates act as the manager in our ordinary and usual course of business. Zhongtai Securities and/or its associates, as the manager, will invest in a certain scope of financial products with such asset management schemes. In this regard, we will pay management fees, subscription fees and redemption fees (as the case may be, and collectively, the “**Asset Management Fees**”) to Zhongtai Securities and/or its associates.

Reasons for and benefits of the transaction

Investment in asset management schemes could enhance the Group’s investment return and, as compared with other investment products, the return on investment in asset management schemes is relatively more stable and thus in line with the Group’s risk control requirements on wealth management. In addition, the Group has invested in various asset management schemes managed by Zhongtai Securities and/or its associates for certain consecutive years and thus has developed a better understanding of their investment strategy and performance, which could effectively foster the business cooperation between both parties and improve return on assets of the Group.

Pricing terms

- (i) The Asset Management Fees charged by Zhongtai Securities and/or its associates as the manager of the asset management schemes are calculated by multiplying our investment amounts with the Asset Management Fees rate. According to the similar transactions entered into by the Company with independent third parties in the past, the asset management fee rate is approximately 1.5%;

- (ii) For collective asset management schemes, the Asset Management Fees rate as stipulated in the collective asset management contracts is applicable to all investors participating in such plans equally and evenly, including the Group and any other independent third party investor participants. Such Asset Management Fees rate is also comparable to the prevailing market rate for collective asset management schemes issued by any other independent third parties with similar size of investment; and

- (iii) For targeted asset management schemes, (a) the Asset Management Fees rate charged by Zhongtai Securities and/or its associates as the manager on the Group is comparable to, or no less favorable than, those charged by Zhongtai Securities and/or its associates on any other independent third parties for similar targeted asset management schemes; (b) such Asset Management Fees rate charged on the Group is also comparable to, or no less favorable than, the Asset Management Fees rate charged by any other independent third party managers on the Group for other similar targeted asset management schemes the Group participated in; and (c) the Asset Management Fees rate has been determined based on arm's length negotiation between Zhongtai Securities and/or its associates and the Group with reference to the prevailing market commission rates for similar targeted management schemes, on normal commercial terms, and is consistent with market practice.

Historical amounts

For the two years ended 31 December 2019 and 2020 and the three months ended 31 March 2021, the Group participated in seven asset management schemes, in which Zhongtai Securities and/or its associates acted as the manager. For the two years ended 31 December 2019 and 2020 and the three months ended 31 March 2021, the maximum daily amount invested by the Group in such asset management schemes were approximately RMB66,250 thousand, RMB89,983 thousand and RMB101,990 thousand (unaudited), respectively, and the asset management fees paid by the Group to Zhongtai Securities and/or its associates were approximately RMB139.4 thousand, RMB137 thousand and RMB50 thousand, respectively. The asset management fees rates for such seven asset management schemes were 1.0%, 0.3%, 0.2% and 0%, respectively.

Annual caps

The maximum daily amount to be invested by the Group for purchase of asset management schemes from Zhongtai Securities and/or its associates, and the maximum aggregate annual amount of Asset Management Fees to be paid for the three years ending 31 December 2022, 2023 and 2024 shall not exceed the caps set out below:

Year	Proposed annual caps for the year ending 31 December (RMB'000)		
	2022	2023	2024
The maximum daily amount invested by the Group for purchase of asset management schemes from Zhongtai Securities and/or its associates	234,000	242,000	250,000
Asset Management Fees (based on the Asset Management Fees rate of 1.5% and the subscription fee of RMB10,000)	3,510	3,630	3,750

Basis of caps

The above proposed annual caps are determined with reference to historical amounts on the basis that: (i) based on the audited net assets of the Company in 2020, as well as the requirements on warning percentage of net capital and net assets and risk capital reserves of a futures company 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》) promulgated by the CSRC, out of the total capital of the Company available for investment, after deducting RMB100,000 thousand for short-term working capital (e.g., unbudgeted expenditures that may affect the Company's net capital) and taking into account of the impact of the Company's annual net profit on its own capital available for investment, the projected capital of the Company available for financial investment from 2022 to 2024 would be approximately RMB760,000 thousand, RMB780,000 thousand and RMB800,000 thousand. According to the audited financial reports of the subsidiaries of the Company for 2020, the cash and held-for-trading financial assets of the subsidiaries of the Company amounted to RMB80,693 thousand. Taking into account of the impact of profit growth, the capital of the Company's subsidiaries available for financial investment in the next three years would be approximately RMB20,000 thousand, RMB25,000 thousand, and RMB30,000 thousand, respectively, and the total projected capital of the Group available for financial investment from 2022 to 2024 would be approximately RMB780,000 thousand, RMB805,000 thousand, and RMB830,000 thousand, respectively. According to the investment plan of the Group and in order to increase the capital utilization efficiency of the Group, the maximum daily amount expected to be invested by the Group in the asset management schemes, in which Zhongtai Securities and/or its associates act as the asset manager, will not exceed 30% of the Group's total capital available for financial investment from 2022 to 2024. As such, the maximum daily amount to be invested from 2022 to 2024 would be RMB234,000 thousand, RMB242,000 thousand and RMB250,000 thousand, respectively; and (ii) despite the different standards of asset management fees rates of various asset management products, for the purpose of estimating the annual caps of the asset management fees over the next three years, taking into account of the rises of the asset management fees rates in the market, the asset management fees rate is assumed at 1.5%. Thus, the expected asset management fees to be paid by the Group to Zhongtai Securities and/or its associates for the next three years would be RMB3,510 thousand, RMB3,630 thousand and RMB3,750 thousand, respectively.

Based on the Company's audited financial information for the year ended 31 December 2020, the total assets and the net assets of the Group attributable to shareholders as at 31 December 2020 were approximately RMB12.925647 billion and RMB2.239394 billion, respectively. The maximum daily amount (i.e. the proposed annual cap) to be invested by the Group during the three years ending 31 December 2024 for purchase of asset management schemes from Zhongtai Securities and/or its associates, represent approximately (i) 1.81%, 1.87% and 1.93% of the total assets of the Group as at 31 December 2020; and (ii) 10.45%, 10.81% and 11.16% of the Group's net assets attributable to shareholders as at 31 December 2020. These daily maximum investment amounts are insignificant as compared with the above amounts.

C. *Acceptance of securities brokerage and other financial services provided by Zhongtai Securities and/or its associates*

Principal terms

As part of treasury management activities, Zhongtai Securities and/or its associates provide securities brokerage services to the Group in our ordinary and usual course of business, including but not limited to trading in securities, trading in bonds and funds, application for shares in initial public offerings and reverse repo of treasury bonds, as well as other financial services, for which Zhongtai Securities and/or its associates charge commissions on us.

Reasons for and benefits of the transaction

Since the Group needs to increase its return on capital through securities investment in its wealth management activities, the Group needs to conduct securities investment and other financial businesses through companies who have the necessary qualifications for engaging in securities brokerage business. The Group has cooperated with Zhongtai Securities and/or its associates for securities brokerage and other financial services for several consecutive years. Zhongtai Securities and/or its associates have developed a good understanding of the Group's needs. The Group deems it a key factor in selecting a provider of securities brokerage and other financial services.

Pricing terms

- (i) The commissions fee rate charged by Zhongtai Securities and/or its associates for provision of securities brokerage and other financial services will be determined based on arm's length negotiation between Zhongtai Securities and/or its associates and us with reference to the prevailing market commission fee rate for similar business, and is consistent with the market practice. The average commission rate of the stock brokerage business is 0.03% (each transaction conducted will be charged a minimum commission fee of RMB5, and when the commission fee exceeds RMB5 through calculation by transaction amount times the 0.03% of commission rate, the transaction will be charged at the commission fee rate of 0.03%). Different commission fee rates are applied to the bond brokerage business provided to us by Zhongtai Securities and/or its associates, ranging from 0.001% to 0.03%, depending on different types of bonds (such as reverse repo of bonds with the term of one day or over 28 days). Such commission fee rates are also applied to independent third parties; and
- (ii) The commissions fee rate charged by Zhongtai Securities and/or its associates for its provision of securities brokerage and other financial services to us is comparable to, or no less favorable than, the average commission fee rates on the market, and the corresponding commission fee rates are also within the range specified by respective stock exchanges in China, namely Shanghai Stock Exchange and Shenzhen Stock Exchange.

Historical amounts

In relation to the securities brokerage and other financial services provided by Zhongtai Securities and/or its associates, the historical amounts of commissions for the two years ended 31 December 2019 and 2020 and the three months ended 31 March 2021 were approximately RMB183.6 thousand, RMB24 thousand and RMB11 thousand, respectively (unaudited).

Annual caps

The maximum aggregate annual amounts of commissions in respect of the securities brokerage and other financial services provided by Zhongtai Securities and/or its associates for the three years ending 31 December 2022, 2023 and 2024 shall not exceed the caps set out below:

Year	Proposed annual caps for the year ending 31 December (RMB'000)		
	2022	2023	2024
Commissions	1,260	1,300	1,340

Basis of caps

The above proposed annual caps are determined with reference to historical amounts on the basis that: (i) as the Group's revenue increases, the Group's aggregate amount available for financial investment is expected to increase accordingly. The Group will choose to invest its capital in the stock market or bond market based on the market conditions at its own discretion; (ii) the securities brokerage business provided by Zhongtai Securities and/or its associates has relatively greater exposure to the Chinese stock market. The Chinese stock market was bullish in the first half of 2015, and experienced dramatic fluctuation in the second half of 2015.

From 2016 to 2020, the overall Chinese stock market was stable. As such, the commissions paid by us to Zhongtai Securities and/or its associates in respect of securities brokerage businesses decreased significantly as compared with 2015. However, if the stock market picks up in the future, the amount expected to be invested by the Group in the stock market will continue to increase, Zhongtai Securities and/or its associates will provide more securities brokerage and other financial services to the Group, and the commissions payable by the Group to Zhongtai Securities and/or its associates are expected to increase significantly; (iii) When the stock market was bullish in 2015, the Group's maximum investment in the stock market was approximately RMB80,000 thousand. Should the Group make investment in the same amount in the stock market as mentioned above in the next three years, assuming transaction occurs once a month and a total of 12 transactions each year at a commission fee rate of 0.03%, the commission payable by the Company to Zhongtai Securities and/or its associates for each of 2022, 2023 and 2024 would be approximately RMB288 thousand; and (iv) based on the audited net assets of the Company in 2020, as well as the requirements for warning percentage of net capital and net assets and risk capital reserves of a futures company 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》) promulgated by the CSRC, out of the Company's total capital available for investment, taking into account of the incremental brokerage business in the future and deducting RMB100,000 thousand for short-term working capital (e.g., unbudgeted expenditures that may affect the Company's net capital), and also taking into account of the effect of the Company's annual net profit on its own capital available for investment, the projected capital of the Company available for financial investment from 2022 to 2024, would be approximately RMB760,000 thousand, RMB780,000 thousand and RMB800,000 thousand. According to the audited financial reports of the subsidiaries of the Company for 2020, the cash and held-for-trading financial assets of the subsidiaries of the Company amounted to RMB80,693 thousand. Taking into account of the impact of profit growth, the capital of the Company's subsidiaries available for financial investment in the next three years would be approximately RMB20,000 thousand, RMB25,000 thousand, and RMB30,000 thousand, respectively, and the total projected capital of the Group available for financial investment from 2022 to 2024 would be approximately RMB780,000 thousand, RMB805,000 thousand and RMB830,000 thousand. Assuming all the capital is applied for conducting reverse repo of bonds at a rate of 0.001%, and the Group will conduct reverse repo of bonds during approximately half of the trading days each year (125 days), the projected commission payable by the Group to Zhongtai Securities and/or its associates in respect of the reverse repo of bonds services to be provided by Zhongtai Securities to the Group from 2022 to 2024, would be approximately RMB975 thousand, RMB1,010 thousand and RMB1,038 thousand, respectively. As regards the securities brokerage services to be provided by Zhongtai Securities and/or its associates to the Group, the projected commission payable by the Group to Zhongtai Securities and/or its associates over the next three years would be RMB1,260 thousand, RMB1,300 thousand and RMB1,330 thousand, respectively.

II. RISK MANAGEMENT SERVICES FRAMEWORK AGREEMENT WITH SHANDONG STEEL

(1) Background

Reference is made to the announcement of the Company dated 26 April 2019 in relation to, inter alia, the non-exempt continuing connected transactions under the Former Risk Management Services Framework Agreement entered into between the Company and Shandong Steel and its annual caps. As disclosed in the announcement of the Company dated 26 April 2019, the Group will provide risk management service to Shandong Steel and/or its associates in accordance with the Former Risk Management Services Framework Agreement.

As the corresponding annual caps under the Former Risk Management Services Framework Agreement will expire on 31 December 2022 and the Group will continue to conduct certain continuing connected transactions under the Former Risk Management Services Framework Agreement subsequent to 31 December 2021, and the Company intends to adjust the caps on the premium to be paid between the Group and Shandong Steel and/or its associates in the OTC options transactions under the Former Risk Management Services Framework Agreement, and conduct swap transactions with Shandong Steel and/or its associates, the Company shall continue to comply with the requirements under Chapter 14A of the Listing Rules in relation to continuing connected transactions. Therefore, the Company entered into the Risk Management Services Framework Agreement with Shandong Steel on 10 May 2021 (after trading hours) and proposed the annual caps for 2021, 2022 and 2023 under the Risk Management Services Framework Agreement. The term of the Risk Management Services Framework Agreement is three years, valid from being approved at the AGM and will expire on 31 December 2023. The Former Risk Management Services Framework Agreement will be terminated immediately once the Risk Management Services Framework Agreement comes into effect. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions.

(2) Details of the agreement

Date: 10 May 2021

Parties: Shandong Steel

The Company

A. Conducting OTC options transactions with Shandong Steel and/or its associates

Principal terms

In our ordinary and usual course of business, we provide OTC derivatives transactions to Shandong Steel and/or its associates as part of risk management services. For example, we provide personalized and comprehensive risk management service in respect of the price risks confronted by Shandong Steel and/or its associates when they engage in physical commodity trading and deal in futures, options, swaps, forwards and other derivative financial instruments or their portfolios on the non-public markets, whereby Shandong Steel and/or its associates buy or sell OTC options. Upon inception of the transaction of options, the buyer pays premium to the seller. As the largest brokerage in Shandong Province, Zhongtai Securities conducts OTC derivatives transaction involving OTC options in respect of stock index, ETF, stock and bulk commodity, with its clients. Zhongtai Securities will conduct OTC options transaction with us for the purpose of hedging risks associated with transaction of its OTC derivatives. Zhongtai Securities and/or its associates will purchase or sell OTC options from or to us. Upon inception of the transaction of options, the buyer pays premium to the seller.

Reasons for and benefits of the transaction

As the largest steel production and trading enterprise in Shandong Province of the PRC, Shandong Steel has a large volume of production capacity and assets. In order to guard against the risk of fluctuations in the prices of raw materials and other commodities, Shandong Steel has potential personalized risk management needs for certain raw materials required in production and processing. From 2013 up to now, the OTC option business of the Company gradually matured with great improvement in its trading capacity and risk management service capability. We intend to provide OTC options in respect of rebars, iron ore, coke and rubber (all being underlying assets of futures) to Shandong Steel and/or its associates so as to meet the risk management needs of Shandong Steel and/or its associates, to promote the development of the Company's OTC options business and increase the operating revenue of the Company. Zhongtai Securities has an advantage in equity OTC options, and the Company has an advantage in commodity OTC options. Entering into OTC derivatives transactions between Zhongtai Securities and the Company can leverage on their respective advantages in different fields, make up their respective disadvantages so as to satisfy the needs of their clients for OTC derivatives transaction. Therefore, the Company plans to strengthen cooperation with Shandong Steel and/or its associates in 2021 to expand the volume of OTC options traded between both parties.

Pricing terms

- (i) Taking into account of market volatility and liquidity, the premium ratio for each trade of an OTC derivative with Shandong Steel and/or its associates generally ranges from 0.1% to 8% of the value of the underlying asset, and the premium ratio for trading structured financial product ranges from approximately 0.1% to 10% of the value of the assets;
- (ii) Though the premium charged by us in respect of OTC derivatives business varies depending on the types of different futures products, the premium for the identical futures products is applicable to all our clients, including Shandong Steel and/or its associates and other independent third-party clients; and

- (iii) The premiums we charge/pay for the provision of risk management services are based on the reasonable pricing determined in accordance with market practice under fair conditions using internationally recognized pricing models and risk control systems, with reference to quotation provided by third party Wind Info to market players and the basic parameters such as the volatility provided by it, and are in line with the interests of the Company and the Shareholders as a whole.

Historical amounts

During the two years ended 31 December 2019 and 2020 and the three months ended 31 March 2021, the premiums paid by Shandong Steel and/or its associates to the Group in relation with OTC options business were RMB0, RMB5,256 thousand and RMB0, respectively. The premiums paid by the Group to Shandong Steel were RMB0, RMB1,014 thousand and RMB0, respectively.

Annual caps

The maximum aggregate annual amount of premium for provision of risk management services by the Group to Shandong Steel and/or its associates for the three years ending 31 December 2021, 2022 and 2023 shall not exceed the caps set out below:

Year	Proposed annual caps for the year ending 31 December		
	<i>(RMB'000)</i>		
	2021	2022	2023
Premium to be paid by Shandong Steel and/or its associates to the Group	40,000	40,000	40,000
Premium to be paid by the Group to Shandong Steel and/or its associates	40,000	40,000	40,000

Basis of caps

- (i) From 2015 to 2020, the risk management subsidiaries of the Company recorded an average annual growth rate of more than 25% in OTC options business. According to the “Report on the Pilot Business of Risk Management Companies” published by China Futures Association, the financial OTC options business of the risk management subsidiaries of futures companies increased by 83% in 2020 as compared with the previous year, and the financial derivatives business of risk management subsidiaries saw tremendous growth. Given the increased awareness of operating entities about their own risk management, it is expected that the business needs of Shandong Steel and/or its associates in the subsequent periods will increase along with the market, so the business size of both parties will also increase accordingly.

- (ii) Based on the “Announcement of Key Operating Data for the Third Quarter of 2020” released by Shandong Iron And Steel Company Ltd (stock code: SH.600022) on the website of Shanghai Stock Exchange, as at 30 September 2020, the output of its main products, namely rolled steels, reinforcing bars, coils, and etc., was approximately 11,400 thousand tones, and its operating revenue amounted to RMB45,812 million. According to the aforementioned announcement (the above data exclude Laiwu Steel and other associates of Shandong Steel), from a conservative perspective, based on the above data, assuming that Shandong Steel and its associates (excluding Zhongtai Securities and/or its associates) will apply 10% of their revenue to OTC options for hedging purpose during the years ending 31 December 2021, 2022 and 2023, their trading volume of OTC options would be at least RMB4,600 million. Based on the Company’s share of 10% in commodity OTC options market, the annual trading volume of OTC options between Shandong Steel and the Company would be RMB460 million. Taking into account of the market fluctuations and liquidity, each OTC derivative transaction with Shandong Steel lasting for a period ranging from one month to six months, and the premium ratio of approximately 0.5% to 8% of the value of the underlying asset, the estimated annual premium income and expenditure calculated at a premium rate of 2% would be approximately RMB10,000 thousand.

- (iii) As at 31 December 2020, the annual cumulative nominal principal of OTC options traded by Zhongtai Securities with its clients exceeded RMB100 billion. Having communicated and confirmed with Zhongtai Securities about the OTC options business in 2020, the expected annual cumulative size of OTC options to be traded with the Company would be RMB1 billion in nominal principal, based on the demand of Zhongtai Securities for OTC options business in respect of financial products. Calculated at a premium rate of 3% (this ratio is the prevailing fee rate for structured financial products), the estimated annual premium income and expenditure would be RMB30,000 thousand.
- (iv) Based on the above, as at 31 December 2021, 2022, and 2023, we estimate that the revised annual caps on the amount of premium income and expenditure would be approximately RMB40,000 thousand, RMB40,000 thousand and RMB40,000 thousand, respectively.

B. Conducting Swaps transactions with Shandong Steel and/or its associates

Principal terms

In our ordinary and usual course of business, we provide risk management services to Shandong Steel and/or its associates. For example, we provide personalized and comprehensive risk management service in respect of the price risks confronted by Shandong Steel and/or its associates when they engage in spot commodities trading and deal in futures, options, swaps, forwards and other derivative financial instruments or their portfolios on the public or non-public markets. As a result, Shandong Steel and/or its associates conduct swap transactions with us. In a swap transaction, the counterparties of the swap are the buyers and sellers. Shandong Steel and/or its associates (as the seller) pay the fixed/variable income of a specific asset to the Group (as the buyer), and in return, the Group (as the buyer) pays the corresponding fixed/variable income to Shandong Steel and/or its associates (as the seller). By common types, swap businesses are classified as variable income for variable income and variable income for fixed income. Variable income swaps are mainly structured products such as stock index enhancement. Variable and fixed income swaps mainly involve swaps in respect of underlyings such as spot and futures contracts on stocks and bulk commodities.

Reasons for and benefits of the transaction

In order to manage their price risks more accurately, Shandong Steel/or its associates need to conduct spot index swaps like rebar, iron ore and others through the Company. Such business can help operating entities to address risks associated with price spread of spot commodities. At present, mainstream products in the equity OTC derivatives market, such as stock index enhancement, bulk reduction in shareholding, and inter-agency securities lending, are all traded through swaps. As at 31 December 2020, Zhongtai Securities has a large holdings of swaps, and need to transfer the risk of its holdings. In the meantime, by leveraging the strong customer base of Zhongtai Securities, the Group can expand the trading volume of the Group's equity swaps through securities transactions and increase business income, and diversify channels to transfer the Company's swap transaction risks.

Pricing terms

In a swap transaction, neither party pays any fees, except for exchange of rights to income, which usually represents an exchange between fixed income and variable income. Fixed income is mainly determined with reference to the benchmark interest rate in the market as well as the Company's cost of capital; variable income is determined with reference to the change in the value of the underlying assets within a given period of time.

Nominal principal refers to the amount of contract specified by both parties in the agreement, that is, the amount of funds to be transacted. In a swap transaction, the nominal principal is the value of the underlying asset based on which income swap of both parties are transacted. The size of the nominal principal is usually determined according to the needs of the counterparty to hedge the underlying assets held by it. When the Group conducts swap transactions with its counterparties, it will select the underlying asset such as stocks, stock indexes, commodity futures, bulk commodity spot, and spot indexes, etc., which can be used for hedging purpose in the stock and futures markets with reference to the market fluctuation and the Company's past experience of transacting the same type with independent third parties.

Historical amounts

For swap transactions, during the two years ended 31 December 2019 and 2020 and the three months ended 31 March 2021, there were no swap transactions between the Company and Shandong Steel and/or its associates.

Annual caps

The maximum aggregate annual amount of accumulated nominal principal for swap transactions between the Group and Shandong Steel and/or its associates for the three years ending 31 December 2021, 2022 and 2023 shall not exceed the caps set out below:

Year	Proposed annual caps for the year ending 31 December (RMB million)		
	2021	2022	2023
Nominal principal of swaps traded with Shandong Steel and/or its associates	2,110	2,460	2,660

Basis of caps

According to the “Report on the Pilot Business of Risk Management Companies” published by China Futures Association, the financial OTC swap business of the risk management subsidiaries of futures companies in 2020 increased by 885% as compared with the previous year, and the financial derivatives business of risk management subsidiaries saw huge growth. Given the increased awareness of operating entities about their own risk management, it is expected that the business needs of Shandong Steel and/or its associates in the subsequent periods will increase along with the market, so the volume of trading with the Group will also increase accordingly.

As at 31 December 2019 and 31 December 2020, the nominal principal of the swap business carried out by the Group were RMB2,352 million and RMB5,472 million, respectively, representing a year-on-year growth rate of 133%. With the further development of the market, the Group's swap business is expected to maintain a relatively high growth rate. Should the Group's swap business maintain year-on-year growth rates of 100%, 50%, and 30% in 2021, 2022, and 2023, respectively, the nominal principal amount of the Group's swap business will reach RMB11,000 million, RMB16,500 million and RMB21,500 million, respectively.

During the years ending 31 December 2021, 2022 and 2023, the Group is expected to trade 15%, 12%, and 10% of the nominal principal for the year, respectively, with Zhongtai Securities in swaps of equity index, ETF, equity index futures and other varieties. The nominal principal will amount to RMB1,650 million, RMB2,000 million and RMB2,200 million, respectively.

Based on the "Announcement of Key Operating Data for the Third Quarter of 2020" released by Shandong Iron And Steel Company Ltd (stock code: SH600022) on the website of Shanghai Stock Exchange, as at 30 September 2020, the output of its main products, namely rolled steels, reinforcing bars, coils, etc., was approximately 11,400 thousand tones, and its operating revenue amounted to RMB45,812 million. According to the aforementioned announcement (the above data exclude Laiwu Steel and other associates of Shandong Steel), from a conservative perspective, based on the above data, assuming that Shandong Steel and its associates (excluding Zhongtai Securities and/or its associates) will apply 1% of their revenue to trading swaps during the years ending 31 December 2021, 2022 and 2023, the nominal principal would be approximately RMB460 million.

Based on the above, during the years ending 31 December 2021, 2022 and 2023 we expect the cumulative annual caps of the nominal principal for swap transactions with Shandong Steel and/or its associates to be approximately RMB2,110 million, RMB2,460 million and RMB2,660 million.

Internal Control Procedures and Corporate Governance Measures

The Company would strive to exercise adequate monitoring over the transaction amounts and respective annual caps of (1) the Financial Services Framework Agreement with Zhongtai Securities, and (2) the Risk Management Services Framework Agreement with Shandong Steel to ensure that necessary measures and appropriate actions can be timely taken in order to comply with the requirements of the Listing Rules. The Company has adopted the following internal management procedures to ensure that the continuing connected transactions under the Framework Agreements are fair and reasonable and on normal commercial terms:

- The Group has formulated a series of measures and policies on, among others, contract policies, project management policies and administration rules of Connected Transactions in order to ensure that the Company's continuing connected transactions are conducted under such Framework Agreements and the respective pricing policies. The fairness and reasonableness of the transactions contemplated under the agreements of continuing connected transactions, in particular the pricing terms thereof, would be examined and approved by the audit committee of the Board, the Board and various internal departments of the Company (including but not limited to the finance department and audit department of the Company) to ensure that the terms of Framework Agreements are in compliance with relevant regulations and guidelines (if applicable) and market practices and would not deviate from the terms of the Framework Agreements disclosed in this announcement.
- When determining the actual prices of services provided by Zhongtai Securities and/or its associates, the counterparties mentioned above will provide the Company with a proposed price for consideration first. As mentioned above, in order to ensure that the pricing terms under the agreements of continuing connected transactions are fair and reasonable, the proposed price will be evaluated and approved by the finance department, audit department and other relevant business departments of the Company. In addition, the transactions under the Framework Agreements shall be conducted on a non-exclusive basis. Payments shall be calculated on the basis of the aforementioned pricing policies. Nevertheless, the Group usually seeks quotations or makes enquiries on relevant prices from not less than two other independent third party suppliers of similar products or services, and refers to such prices and other terms offered by independent third parties to us for similar products or services, to make sure whether the prices and terms offered by Zhongtai Securities and/or its associates to the Group are fair, reasonable and are no less favorable than those offered by independent third parties;

- When determining the actual prices of services provided by the Group to Shandong Steel and/or its associates, the Group will provide Shandong Steel and/or its associates with a proposed price for consideration first. As mentioned above, in order to ensure that the pricing terms under the agreements of continuing connected transactions are fair and reasonable, the proposed price will be first evaluated and approved by the finance department, audit department and other relevant business departments of the Company. In addition, the transactions under the Framework Agreements shall be conducted on a non-exclusive basis. Payments shall be calculated on the basis of the aforementioned pricing policies. Nevertheless, the Group usually makes enquiries on relevant prices to not less than two other independent third party suppliers of similar products or services, and makes reference to the market rates and the pricing and terms we offered to independent third parties for similar products and certain other terms, to make sure whether the prices and terms offered by the Group to Shandong Steel and/or its associates are fair, reasonable and are no less favorable than those offered to independent third parties; and
- The audit committee of the Board, the office of the Board and various internal departments of the Company also regularly monitor the fulfillment of the Framework Agreements and the progress of transactions thereunder. In addition, the management of the Company also regularly reviews the pricing policies. The Independent Non-executive Directors of the Company conduct annual review for the implementation and execution of continuing connected transactions (including related pricing mechanisms); the auditors of the Company would conduct assessment and review of the internal control measures of the Company and conduct annual review of the continuing connected transactions under the Framework Agreements pursuant to the requirements of the Listing Rules, in order to confirm that, among others, the transactions are entered into in accordance to the pricing policies and relevant agreements governing such transactions.

After taking into consideration of the aforementioned pricing policies, the basis of, the reasons for and the benefits of determining proposed annual caps and internal control procedures, the Directors (including Independent Non-executive Directors) are in the opinion that the terms of the transactions contemplated under the Framework Agreements and the proposed annual caps thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Company, are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In the meantime, the Company considers that it has adequate mechanisms, internal control procedures and external monitoring measures to ensure that the continuing connected transactions are in strict compliance with relevant regulations and guidelines and the terms of the Financial Services Framework Agreement and the Risk Management Services Framework Agreement.

III. LISTING RULES IMPLICATIONS

(1) Financial Services Framework Agreement

As at the date of this announcement, as Zhongtai Securities holds approximately 63.10% equity interest in the Company, Zhongtai Securities constitutes a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions under the Financial Services Framework Agreement between the Company and Zhongtai Securities constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the Financial Services Framework Agreement between the Company and Zhongtai Securities exceeds 5% pursuant to the Listing Rules, the continuing connected transactions under the Financial Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) Risk Management Services Framework Agreement

As at the date of this announcement, as Shandong Steel holds 80.52% equity interest in Laiwu Steel who in turn holds 41.32% equity interest in Zhongtai Securities (a Controlling Shareholder of the Company) and is a controlling company of Zhongtai Securities, Shandong Steel therefore is a connected person of the Company under Chapter 14A of the Listing Rules, the transactions under the Risk Management Services Framework Agreement between the Company and Shandong Steel constitutes a continuing connected transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the Risk Management Services Framework Agreement between the Company and Shandong Steel exceeds 5% pursuant to the Listing Rules, the continuing connected transactions under the Risk Management Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

IV. THE OPINIONS OF THE BOARD

As Mr. Zhong Jinlong and Mr. Hu Kainan are holding office at Zhongtai Securities and/or its associates, it is deemed that they are connected to the Financial Services Framework Agreement, the Risk Management Services Framework Agreement and transactions thereunder. Therefore, they have abstained from voting on the resolutions of the Board for the approval of the Framework Agreements and their proposed annual caps. Save as disclosed above, none of other Directors have any material interests in the Framework Agreements and none of other Directors are required to abstain from voting on the resolutions of the Board for the consideration and approval of the Framework Agreements and their proposed annual caps.

Having considered the pricing policies, the basis of determining the proposed annual caps, the reasons for and benefits of the continuing connected transactions and the Company's internal control procedures, the Directors, including Independent Non-executive Directors, are of the view that the terms of the transactions contemplated under the Financial Services Framework Agreement and the Risk Management Services Framework Agreement and the proposed annual caps thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

V. INFORMATION ABOUT THE TRANSACTION PARTIES

(1) Information about the Company

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

(2) Information about Zhongtai Securities

Zhongtai Securities was incorporated in the PRC in May 2001 and holds approximately 63.10% equity interest in the issued share capital of the Company. It is principally engaged in securities brokerage, securities investment consultancy, financing advice related to securities trading and securities investment activities, securities underwriting and sponsoring, securities dealer, margin financing, securities investment fund underwriting, financial products underwriting, futures IB and other businesses. The A shares of Zhongtai Securities are listed on the Shanghai Stock Exchange (stock code: 600918).

(3) Information about Shandong Steel

Shandong Steel was incorporated in the PRC in March 2008, and is principally engaged in investment with its own funds and investment management, smelting, processing and sales businesses of ferrous metal, its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the People's Government of Shandong Province.

VI. AGM

The Company intends to propose relevant resolutions at the forthcoming AGM for Independent Shareholders' approval of the Financial Services Framework Agreement, the Risk Management Services Framework Agreement and their respective proposed annual caps. Zhongtai Securities will abstain from voting in respect of the resolutions on the Financial Services Framework Agreement, the Risk Management Services Framework Agreement and their respective proposed annual caps at the AGM. Zhongtai Securities is required to abstain from voting in respect of 632,176,078 held by it. The resolutions to be proposed will be passed by way of ordinary resolutions and resolved through voting by poll in accordance with the Listing Rules. Save as disclosed herein, no other Shareholders, to the knowledge and belief of the Directors having made all reasonable enquiries, will be required to abstain from voting at the AGM in respect of relevant resolutions as at the date of this announcement.

The Independent Board Committee (comprised of all Independent Non-executive Directors, namely Mr. Gao Zhu, Mr. Wang Chuanshun, Mr. Li Dapeng and Mr. Zheng Jianping) has been established to provide advice to the Independent Shareholders on the Financial Services Framework Agreement and the Risk Management Services Framework Agreement and their respective proposed annual caps.

The Company has appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in respect of the above matters. The Independent Board Committee will provide its recommendation in the AGM circular upon having received the opinions of Gram Capital.

A circular containing, inter alia, (1) details of the Financial Services Framework Agreement and its proposed annual caps; (2) details of the Risk Management Services Framework Agreement and its proposed annual caps; (3) the Independent Board Committee's recommendation to the Independent Shareholders; (4) Gram Capital's advice to the Independent Board Committee and Independent Shareholders in respect of the Financial Services Framework Agreement and the Risk Management Services Framework Agreement and their respective proposed annual caps; and (5) together with the notice of convening the AGM, will be dispatched to the Shareholders no later than 15 working days after the date of this announcement.

VII. DEFINITIONS

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

“AGM”	the annual general meeting of the Company for the year 2020 to be convened at 9:30 a.m. on Thursday, 17 June 2021 at Conference Room 1616, 16/F, Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC
“associates(s)”	has the meanings ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, in this announcement, 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 Limited (stock code: 01461)
“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
“Framework Agreements”	collectively, the Financial Services Framework Agreement and the Risk Management Services Framework Agreement

“Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and Zhongtai Securities on 10 May 2021
“Former Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and Zhongtai Securities on 26 April 2019
“Former Risk Management Services Framework Agreement”	The risk management services framework agreement entered into between the Company and Shandong Steel on 26 April 2019
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to engage in Type 6 (advising on corporate finance) regulated activity, and appointed as the independent financial adviser of the Company to provide advice to the Independent Board Committee and Independent Shareholders on the Financial Services Framework Agreement and the Risk Management Services Framework Agreement and their respective annual caps
“Group” or “we” or “us”	the Company and its subsidiaries (the Company and any of its subsidiary or various subsidiaries as the context requires)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprised of all Independent Non-executive Directors, namely Mr. Gao Zhu, Mr. Wang Chuanshun, Mr. Li Dapeng and Mr. Zheng, to provide advice to the Independent Shareholders in respect of the Financial Services Framework Agreement and the Risk Management Services Framework Agreement and their respective proposed annual caps
“Independent Non-executive Director(s)”	independent non-executive Directors of the Company

“Independent Shareholder(s)”	Shareholders who are not required to abstain from voting on the Financial Services Framework Agreement and the Risk Management Services Framework Agreement and their respective proposed annual caps
“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 Laiwu Steel is the holding company of Zhongtai Securities which is a Controlling Shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Risk Management Services Framework Agreement”	The risk management services framework agreement entered into between the Company and Shandong Steel on 10 May 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Steel”	Shandong Iron & Steel Group Co., Ltd. (山東鋼鐵集團有限公司), a limited company incorporated in the PRC on 17 March 2008. 70% of its equity interest is directly held by the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government, and it is a Controlling Shareholder of the Company
“Share(s)”	the ordinary share(s) 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)

“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 shares of which are listed on the Shanghai Stock Exchange (stock code: 600918)), 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

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

Jinan, the PRC
10 May 2021

As at the date of this announcement, the Board consists of Mr. ZHONG Jinlong and Mr. LIANG Zhongwei as executive Directors, 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.