FROST & SULLIVAN

Market Engineering

Independent Market Study on Global and China Futures Market

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Presented to

南华期货
NANHUA FUTURES

December 2025

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Research Scope

Independent Market Study on Global and China Futures Market

Research Period	• Base year: 2024 • Historical: 2020 to 2024 • Forecasting: 2025E to 2029E
Service Market Scope	• Futures • Derivatives • Wealth Management
Geographical Scope	• Global • China

Assumptions and Methodology

Assumptions:

The market size and forecasts were modeled by Frost & Sullivan based on the following assumptions.

- The social, economic and political conditions in global markets discussed will remain stable during the forecast period;
- Government policies on global and China futures market will remain consistent during the forecast period;
- Futures market will be driven by the factors which are stated in this report.

Methodology:

In preparing the report, Frost & Sullivan has relied on the statistics and information obtained through primary and secondary research.

- Primary research includes interviewing industry participants, competitors, downstream customers and recognized third-party industry associations.
- Secondary research includes reviewing corporate annual reports, databases of relevant official authorities, as well as the exclusive database established by Frost & Sullivan over the past decades.

Company Code List

Company Name	Company Code
Yongan Futures (永安期货)	Company A
Galaxy Futures (银河期货)	Company B
Zheshang Futures (浙商期货)	Company C
Guotai Junan Futures (国泰君安期货)	Company D
CITIC Futures (中信期货)	Company E
Haitong Futures (海通期货)	Company F
Orient Futures (东证期货)	Company G
Huatai Futures (华泰期货)	Company H
Shenyin Wanguo Futures (申万期货)	Company I
China Securities Futures (中信建投期货)	Company J
Hongyuan Futures (宏源期货)	Company K
Everbright Futures (光大期货)	Company L
China Merchants Futures (招商期货)	Company M
Ruida Futures (瑞达期货)	Company N
Hongye Futures (弘业期货)	Company O
GF Futures (广发期货)	Company P
Founder CIFCO Futures (方正中期期货)	Company Q
CITIC Securities (中信证券)	Company II
COFCO Futures (中粮期货)	Company KK
中金公司	Company MM
招商证券	Company OO

Company Name	Company Code
Cinda Futures (信达期货)	Company R
East Money (东方财富)	Company S
E Fund (易方达基金)	Company T
China Asset （华夏基金)	Company U
GF Fund （广发基金)	Company V
Harvest Fund （嘉实基金)	Company W
Fullgoal Fund （富国基金)	Company X
China Southern Asset （南方基金)	Company Y
Bosera Asset （博时基金)	Company Z
China Merchants Fund （招商基金)	Company AA
Huatai-Pinebridge Fund （华泰柏瑞基金)	Company BB
HTFFund （汇添富基金)	Company CC
COFCO Futures (中粮期货)	Company DD
Industrial Futures (兴业期货)	Company EE
Shanghai Orient Futures (上海东证期货)	Company FF
East Money (东方财富)	Company GG
Cinda Securities (信达证券)	Company HH
Industrial Futures (兴业期货)	Company JJ
Cinda Securities (信达证券）	Company LL
Huatai Securities （华泰证券）	Company NN
中银国际期货	Company PP

Source: Frost & Sullivan

1. Analysis of China Futures Market

Overview of China Futures Market

- After over 30 years of development, China's futures industry, driven by policy and market demand, faces significant opportunities. In 2022, the "Futures and Derivatives Law" took effect, providing a legal foundation for high-quality market growth. In 2024, the CSRC and six other departments issued guidelines to enhance regulation, mitigate risks, and promote market development, with a focus on serving the real economy, ensuring the prudent expansion of financial futures, and advancing market opening.

- China's futures market, the world's largest for commodities, covers agriculture, energy, metals and others, with over 140 products serving 41 industrial sectors. Futures - spot price correlation exceeds 90%, making it a key pricing benchmark. Notably, China's financial futures market has been experiencing a remarkably rapid growth rate, with trading volumes and values at an accelerating pace, reflecting its increasing significance in the global financial derivatives landscape. Future products will align with national strategies like agricultural and manufacturing strength, and green development, expanding their service scope.

- The market participants in Chinese futures industry refers to financial institutions and service institutions engaged in futures contract trading and related businesses, mainly including futures exchanges, futures companies, clearing houses, etc. Its main businesses cover services such as futures trading, settlement, delivery, and risk management. The development of the futures industry is closely related to the commodity market, financial market, and the macro-economy. By providing functions such as price discovery, hedging, and risk management, it helps enterprises and investors manage risks and optimize resource allocation, playing an important role in stabilizing the operation of enterprises, invigorating the circulation of commodities, and ensuring supply and stabilizing prices.

- China currently operates six futures exchanges: the Shanghai Futures Exchange, Shanghai International Energy Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange, China Financial Futures Exchange, and Guangzhou Futures Exchange. These exchanges offer a diverse range of futures and options. By the end of 2024, the total number of listed futures and options products reached 146, comprising 125 commodity products (73 futures and 52 options), 20 financial products (8 futures and 12 options), and 1 index product. These products span critical sectors of the national economy, including agricultural products, metals, energy, chemicals, building materials, shipping, and finance, with option coverage exceeding 80% for mature commodity futures.

Source: Frost & Sullivan

Value Chain of China Futures Market

- The futures market is a complex and integrated ecosystem. The upstream technical support system provides the necessary technological foundation, the midstream core operating entities ensure the normal operation and regulation of the market, and the downstream diversified participants bring vitality and various demands to the market. All these elements interact and cooperate with each other, jointly promoting the development, innovation, and stability of the futures market, playing an important role in resource allocation, risk management, and price discovery in the modern financial system.

Upstream

Technical Support System

Infrastructure and Technical Support

With the widespread application of electronic information technology, the trading form of the futures trading market has gradually shifted to the electronic trading mode. Trading systems, trading software, and essential electronic devices such as servers and computers have become the core infrastructure of the futures market.

IT Service Provider

Provide technical support such as trading software, market data, and risk management tools for the futures market to ensure the efficient and stable operation of transactions.

Midstream

Core Operation Entity

Futures Exchange

National exchanges take the lead in variety innovation and rule formulation.

Futures Company

They handle brokerage, settlement & consulting. Business expands to OTC derivatives market. Revenue shifts from fees to comprehensive services.

Regulatory Authority

The CSRC and its dispatched offices supervise the futures market, set and enforce relevant laws, maintain order, and prevent risks.

Downstream

Diversified Participants

Industrial Client

Manufacturing, agriculture and other enterprises use hedging to mitigate business risks like price, interest rate and exchange rate risks.

Institutional Client

Banks, securities firms, fund companies and other institutions use the futures market for asset allocation, risk management, arbitrage, etc., to diversify strategies and boost returns.

Retail Clients

They conduct investment and speculative activities in the futures market to obtain profits from price fluctuations. At the same time, they also provide liquidity to the market.

Source: Frost & Sullivan

Trading Volume and Value of China Futures Market (1/9)

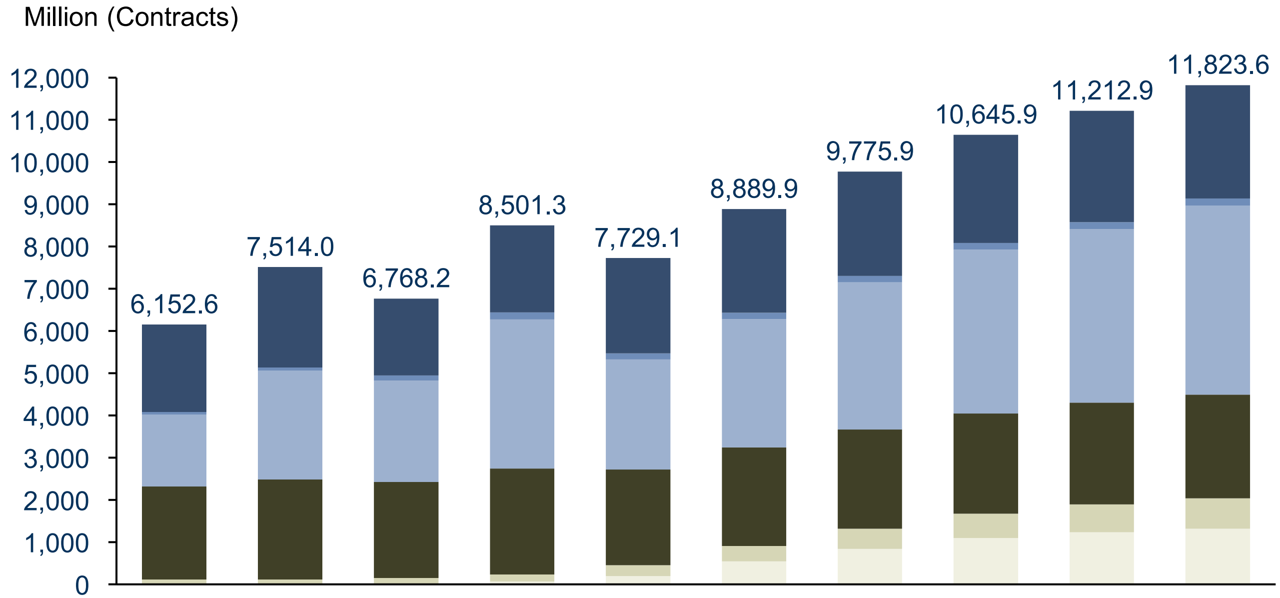
- From 2020 to 2024, the Chinese futures market experienced various trends. In 2020, the global pandemic triggered widespread economic uncertainties, driving a year-on-year increase of over 35% in trading volumes across major exchanges worldwide. Meanwhile, China's futures market saw trading activity surge by nearly 50%, significantly expanding its share of the global market. In 2021, sharp commodity price rises, especially in coal and ferrous metals, drove a 22.1% and 32.8% year-on-year growth in national futures market trading volume and transaction value respectively, with new listed varieties adding vitality. In 2022, due to commodity fundamentals, competition, and macro policy expectations, the national futures market trading volume and value decreased by 9.9% and 8.0% respectively. In 2023, the economy was gradually recovering and product replenishment boosted the market, with new energy metals being popular, and the national futures market trading volume and value increased by 25.6% and 6.3% respectively. In 2024, the global economic slowdown which IMF forecasts growth at 3.2%, down 0.1 percentage points from 2023 and the Fed's cumulative 100 basis points rate cuts amplified market uncertainties. resulting in lower risk appetite, reduced trading volume, and more cautious market behavior compared to 2023.

- The expansion of China's futures market is driven by several key factors. The launch of diverse futures products, including financial derivatives and emerging assets, has broadened market participation across industries. Corporations increasingly use futures to hedge against price volatility – such as agricultural firms managing input costs and metal producers securing output prices – bringing in substantial capital and strengthening risk management functions. Institutional investors like securities firms, asset managers, and hedge funds are using futures for hedging, arbitrage, and portfolio allocation, improving market liquidity and depth. Meanwhile, growing financial literacy and more accessible trading platforms have encouraged retail investor participation, further boosting liquidity. Together, product innovation, corporate hedging, institutional strategies, and retail engagement are creating a strong, synergistic force that supports the sustained development of China's futures market.

Source: Frost & Sullivan

Trading Volume and Value of China Futures Market (2/9)

Trading Volume of China Futures (by exchanges), China, 2020-2029E

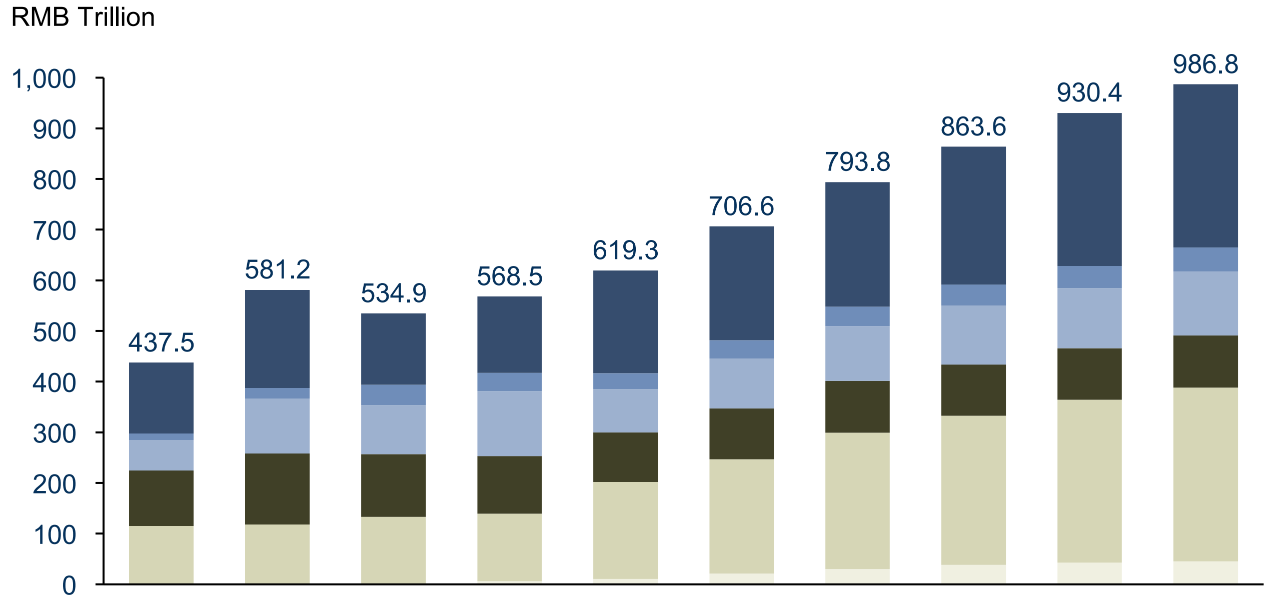


	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
SHFE	2,072.3	2,370.5	1,823.3	2,060.7	2,260.0	2,460.2	2,469.3	2,561.2	2,635.4	2,687.9	2.2%	3.5%
INE	56.3	75.2	120.2	166.3	141.1	150.7	156.6	161.2	164.1	166.6	25.8%	3.4%
ZCE	1,701.4	2,581.8	2,397.5	3,533.0	2,609.6	3,039.9	3,481.6	3,878.2	4,112.7	4,472.8	11.3%	11.4%
DCE	2,207.3	2,364.4	2,275.2	2,508.3	2,268.4	2,334.6	2,348.3	2,375.3	2,406.0	2,458.1	0.7%	1.6%
CFFEX	115.3	122.0	151.9	168.3	253.4	361.9	477.7	574.9	659.7	723.6	21.8%	23.3%
GFEX	0.0	0.0	0.2	64.7	196.7	542.7	842.4	1,095.1	1,235.1	1,314.6	NA	46.2%
Total	6,152.6	7,514.0	6,768.2	8,501.3	7,729.1	8,889.9	9,775.9	10,645.9	11,212.9	11,823.6	5.9%	8.9%

Source: CFA, Frost & Sullivan

Trading Volume and Value of China Futures Market (3/9)

Trading Value of China Futures (by exchanges), China, 2020-2029E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
SHFE	140.0	193.1	141.3	151.3	202.6	224.9	245.7	272.1	301.9	321.6	9.7%	9.7%
INE	12.8	21.5	40.0	35.9	31.4	35.7	38.7	41.7	43.7	47.3	25.2%	8.6%
ZCE	60.1	108.0	96.8	128.4	85.1	98.5	107.9	115.9	119.1	126.6	9.1%	8.3%
DCE	109.2	140.5	123.7	113.6	98.4	100.9	102.0	101.5	101.5	102.8	-2.6%	0.9%
CFFEX	115.4	118.2	133.0	133.2	190.9	225.3	269.0	294.0	321.2	342.9	13.4%	12.4%
GFEX	0.0	0.0	0.0	6.1	10.9	21.2	30.5	38.5	43.0	45.6	NA	33.2%
Total	437.5	581.2	534.9	568.5	619.3	706.6	793.8	863.6	930.4	986.8	9.1%	9.8%

Source: CFA, Frost & Sullivan

Trading Volume and Value of China Futures Market (4/9)

- The futures market in China is dominated by commodity futures, which accounted for 96.7% of total trading volume and 69.2% of total trading value in 2024. From 2020 to 2024, the trading volume of China's commodity futures market grew from 6.0 billion to 7.5 billion, with a CAGR of 5.5%. It is expected that the trading volume will further grow to 11.1 billion, with a CAGR of 8.2% from 2024 to 2029. From 2020 to 2024, the trading value of China's commodity futures market grew from RMB 322.1 trillion to RMB 428.3 trillion , with a CAGR of 7.4%. It is expected that the trading value will further grow to RMB 643.9 trillion , with a CAGR of 8.5% from 2024 to 2029.

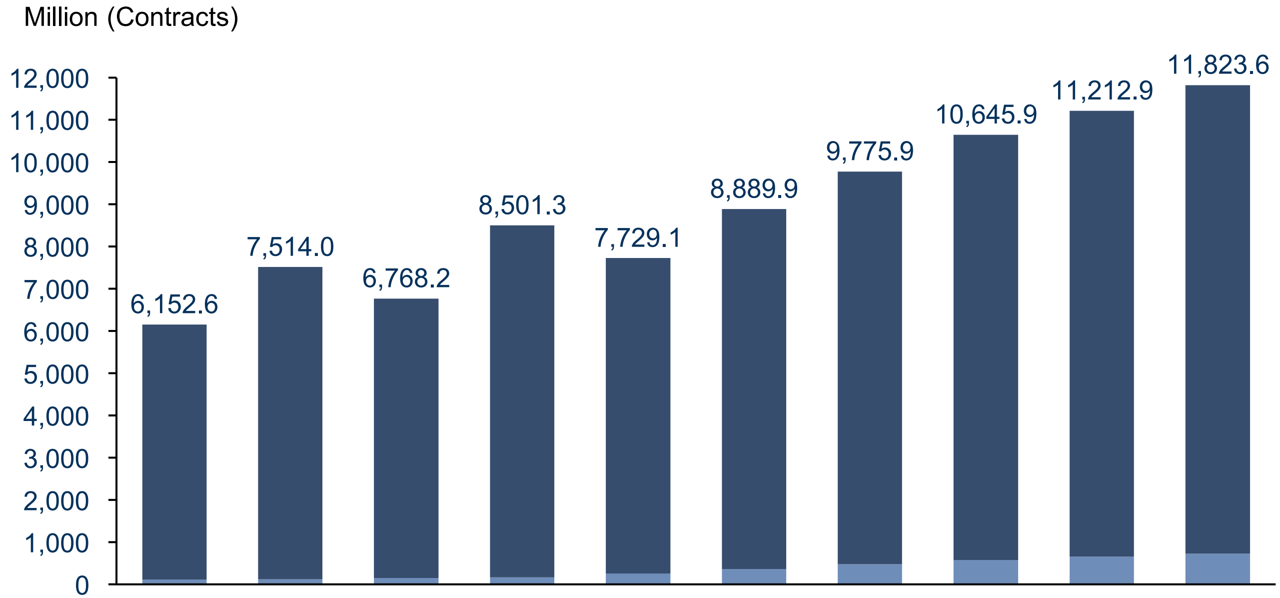
- Although it was launched later, the financial futures market has grown rapidly. From 2020 to 2024, the trading volume of China's financial futures market grew from 115.3 million to 253.4 million, with a CAGR of 21.8%. It is expected that the trading volume will further grow to 723.6 million, with a CAGR of 23.3% from 2024 to 2029. From 2020 to 2024, the trading value of China's financial futures market grew from RMB 115.4 trillion to RMB 190.9 trillion , with a CAGR of 13.4%. It is expected that the trading value will further grow to RMB 342.9 trillion , with a CAGR of 12.4% from 2024 to 2029.

- The growth of China's futures market in the coming years is mainly attributed to the following factors: First, the continuous economic growth of China will increase the demand for the futures market from enterprises and investors for risk management, investment, and hedging. Second, the continuous innovation of the futures market, including the introduction of new varieties and the optimization of trading mechanisms, will attract more participants to enter the market. In addition, as the internationalization process of China's futures market accelerates, more international investors will participate in the Chinese market, increasing trading volume. The application of financial technology will also improve trading efficiency and market transparency, reduce trading costs, and attract more investors. Finally, the supportive policies of the government and regulatory authorities will promote the healthy development of the futures market, including strengthening market supervision and promoting market innovation.

Source: Frost & Sullivan

Trading Volume and Value of China Futures Market (5/9)

Trading Volume of China Futures (by futures product types), China, 2020-2029E

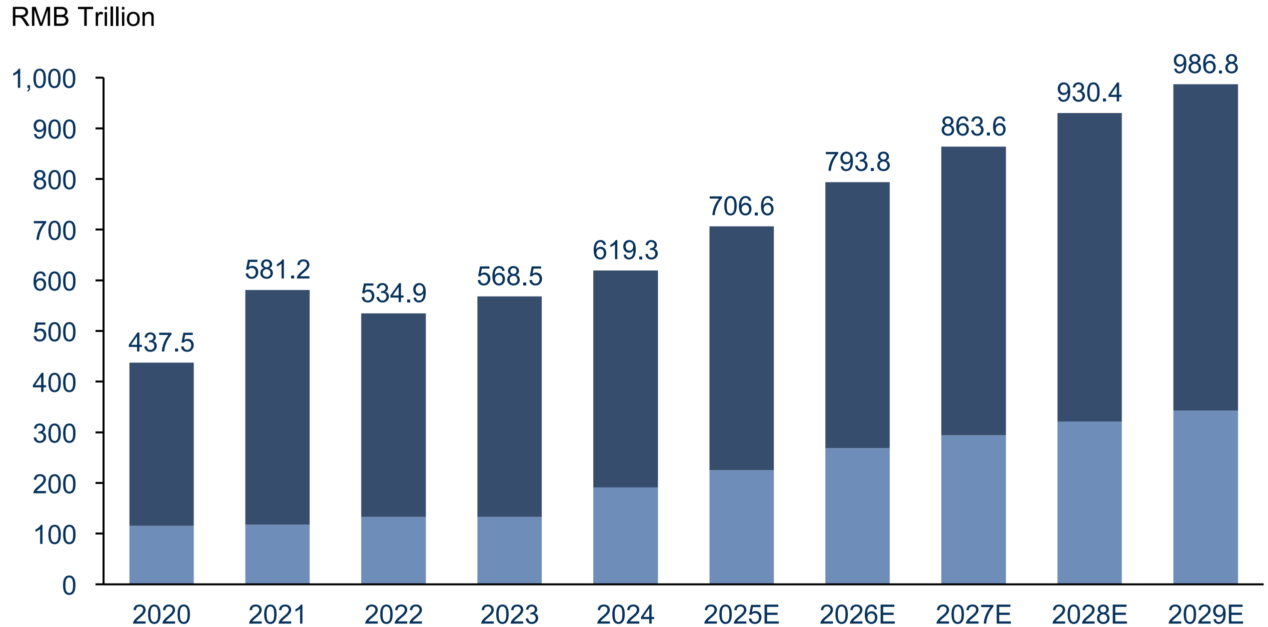


	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Commodity Futures	6,037.3	7,392.0	6,616.3	8,333.0	7,475.7	8,528.1	9,298.2	10,071.0	10,553.2	11,100.0	5.5%	8.2%
Financial Futures	115.3	122.0	151.9	168.3	253.4	361.9	477.7	574.9	659.7	723.6	21.8%	23.3%
Total	6,152.6	7,514.0	6,768.2	8,501.3	7,729.1	8,889.9	9,775.9	10,645.9	11,212.9	11,823.6	5.9%	8.9%

Source: CFA, Frost & Sullivan

Trading Volume and Value of China Futures Market (6/9)

Trading Value of China Futures (by futures product types), China, 2020-2029E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Commodity	322.1	463.0	401.9	435.3	428.3	481.3	524.8	569.6	609.2	643.9	7.4%	8.5%
Financial	115.4	118.2	133.0	133.2	190.9	225.3	269.0	294.0	321.2	342.9	13.4%	12.4%
Total	437.5	581.2	534.9	568.5	619.3	706.6	793.8	863.6	930.4	986.8	9.1%	9.8%

Source: CFA, Frost & Sullivan

Trading Volume and Value of China Futures Market (7/9)

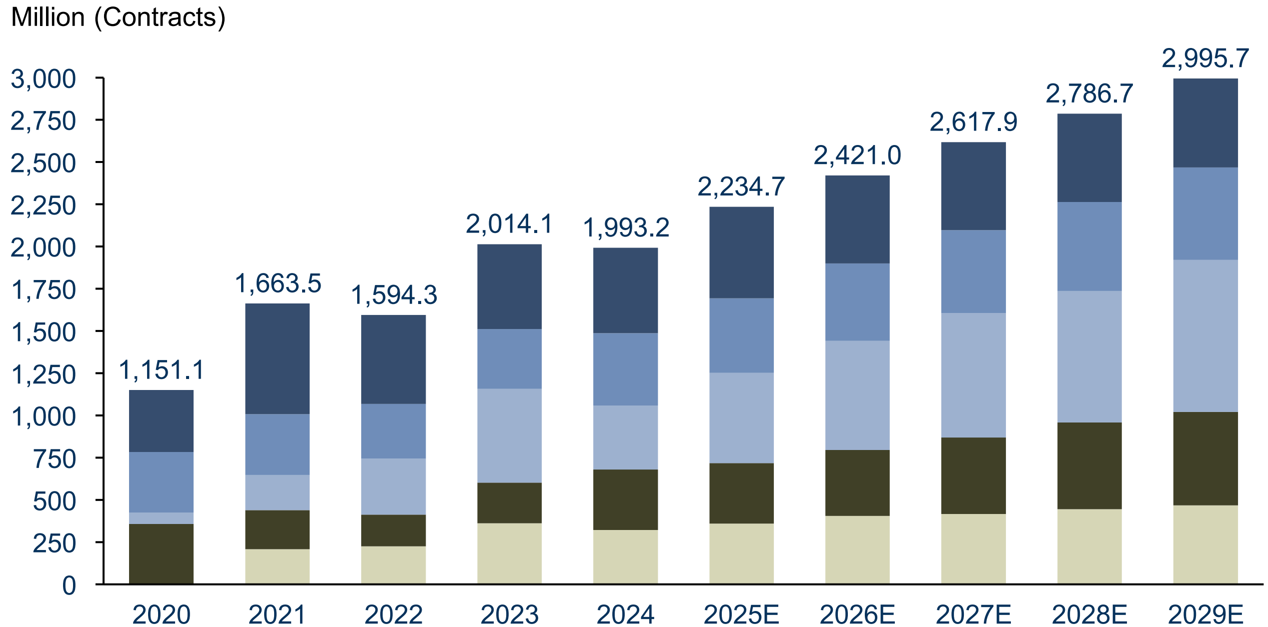
- Rebar: The demand for rebar has been driven by infrastructure development and construction projects, population growth and urbanization, government investments in construction, and resilience and strength requirements in construction. The market is expected to grow due to renewable energy infrastructure projects, smart cities and sustainable construction practices, increasing demand for high-strength rebar, global recovery from the COVID-19 pandemic, and expansion of transportation infrastructure .
- Soybean Meal: The growth in the soybean meal market has been driven by the increasing demand from the animal feed industry, driven by the growth in the livestock and poultry sectors. The market is expected to continue growing due to the increasing demand for protein-rich feed in the animal husbandry industry, driven by the growing population and rising income levels .
- Soda Ash: The demand for soda ash has been driven by its extensive use in glass manufacturing, detergents, chemicals, and metallurgy. The growth is also supported by the increasing demand from the water treatment industry. The market is expected to grow due to the strong demand from the construction and automotive industries, the growing use of flat glass in residential and commercial buildings, and advancements in glass technology .
- Silver: The demand for silver has been driven by industrial applications, particularly in the photovoltaic sector, and the automotive sector. The growth is also supported by the increasing demand for silver in jewelry and silverware. The market is expected to continue growing due to the increasing demand for silver in industrial applications, driven by the green economy and technological advancements. The demand for silver in jewelry and silverware is also expected to remain strong .
- Glass FG: The demand for glass has been driven by the construction and automotive industries, where flat glass is widely used. The growth is also supported by the increasing demand for glass in packaging and electronics. The market is expected to grow due to the increasing demand for glass in construction, transportation, and electronics. The growth is also supported by the adoption of new technologies and the increasing demand for energy-efficient buildings and solar panels .

- Stock index futures: From 2020 to 2024, the Chinese futures market has achieved growth driven by multiple factors. In terms of the economy, the economic recovery after the pandemic and the government's stimulus policies have increased investors' participation and market activity. Regarding market innovation, new trading mechanisms and products such as the CSI 1000 Stock Index futures have attracted more participants. During the process of internationalization, the integration of the financial market with the global market, the expansion of cross-border investment channels, and the internationalization of the RMB have attracted international investors. In terms of technological progress, the application of financial technology has improved trading efficiency and transparency, and the use of big data and artificial intelligence has facilitated risk management and investment decision-making. The supportive policies of the government and regulatory authorities have promoted the healthy development of the market. Looking ahead to 2025-2029, factors such as sustained economic growth, further stimulus measures, the development of new indices and trading platforms, the deeper internationalization of the financial market, more advanced technologies, and continuous regulatory support will continuously boost market activity, attract more investors, increase trading volumes, and contribute to the continuous development of the Chinese futures market.

Source: Frost & Sullivan

Trading Volume and Value of China Futures Market (8/9)

Trading Volume of Key Commodities, China, 2020-2029E

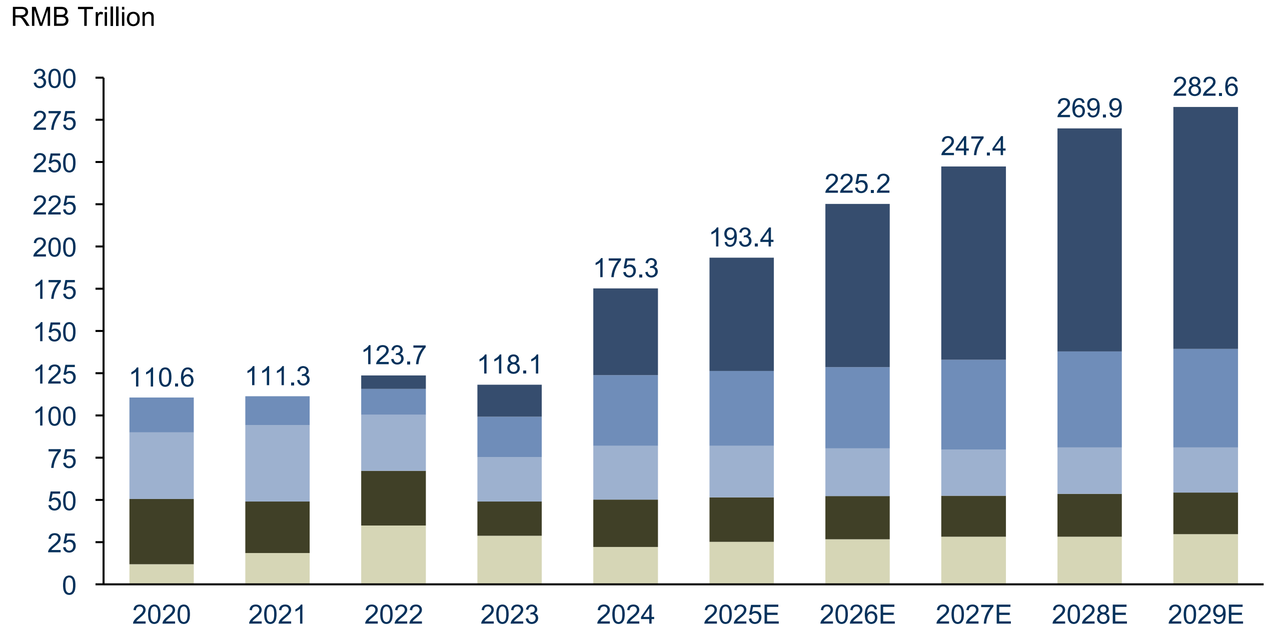


	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Rebar	366.0	656.0	525.2	502.0	507.1	541.3	520.9	520.0	523.7	527.1	8.5%	0.8%
Soybean Meal	359.5	360.4	325.1	354.5	426.4	441.2	459.4	492.3	525.8	548.3	4.4%	5.2%
Soda Ash	68.4	208.3	330.7	556.2	379.0	533.8	644.4	736.3	778.8	899.5	53.4%	18.9%
Silver	357.2	231.5	188.8	239.3	358.3	358.6	391.4	452.8	514.4	553.0	0.1%	9.1%
Glass FG	0.0	207.4	224.5	362.0	322.3	359.9	404.9	416.4	444.0	467.9	NA	7.7%
Total	366.0	656.0	525.2	502.0	507.1	541.3	520.9	520.0	523.7	527.1	8.5%	0.8%

Source: CFA, Frost & Sullivan

Trading Volume and Value of China Futures Market (9/9)

Trading Value of China Futures (by key commodities), China, 2020-2029E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
CSI 1000 Stock Index	0.0	0.0	8.0	18.9	51.3	67.0	96.6	114.5	132.1	143.3	NA	22.8%
Gold	20.7	17.1	15.3	23.8	41.9	44.4	48.2	53.1	56.8	58.3	19.3%	6.8%
CSI 300 Stock Index	39.4	45.3	33.1	26.3	31.8	30.5	28.2	27.3	27.5	26.7	-5.2%	-3.5%
CSI 500 Stock Index	38.5	30.5	32.3	20.3	28.0	26.3	25.5	24.4	25.3	24.7	-7.6%	-2.5%
Crude Oil	12.0	18.5	34.9	28.8	22.2	25.1	26.7	28.1	28.3	29.6	16.7%	5.9%
Total	110.6	111.3	123.7	118.1	175.3	193.4	225.2	247.4	269.9	282.6	12.2%	10.0%

Source: CFA, Frost & Sullivan

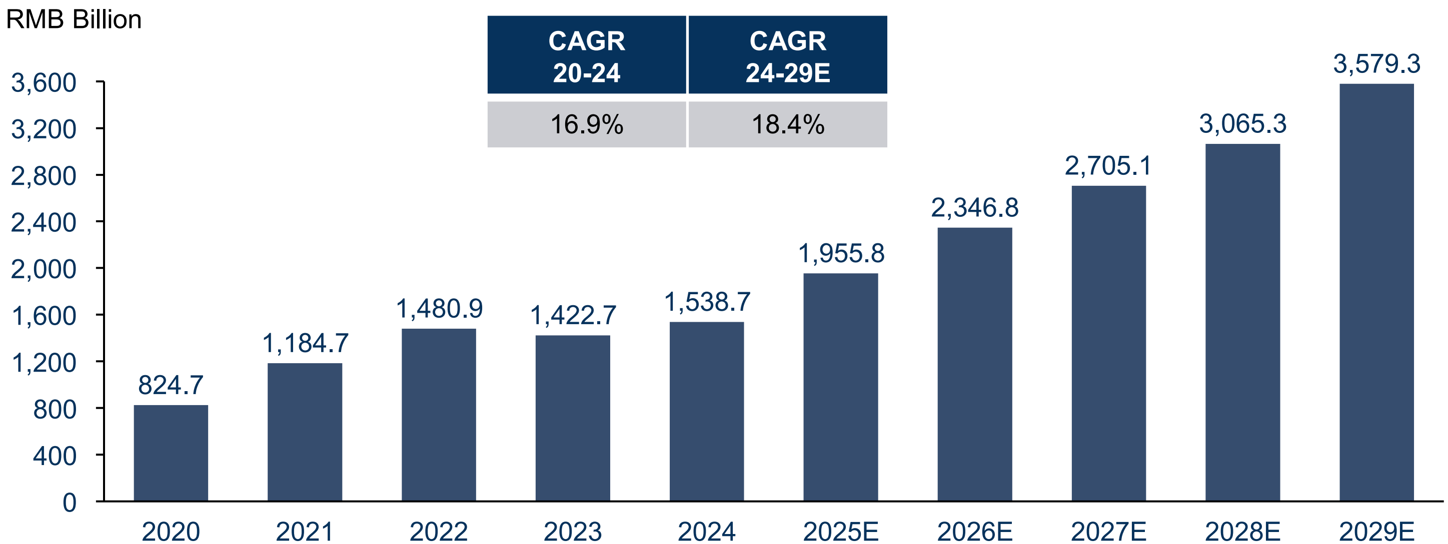
Total Client's Equity of Futures Market

- From 2020 to 2024, the total client's equity in China's futures market grew significantly from RMB 824.7 billion to RMB 1,538.7 billion, with a CAGR of 16.9%. This growth was driven by stable economic growth, which spurred investor participation. New trading mechanisms and products attracted more players by offering risk management and portfolio diversification tools. Regulatory support, like stronger supervision and innovation encouragement, promoted the market's healthy development.

- For 2024 to 2029, the total client's equity is projected to increase to RMB 3,579.3 billion, with an estimated CAGR of 18.4%. Heightened external uncertainties have fueled significant commodity price volatility, driving increased corporate demand for risk management solutions, as evidenced by rising penetration rates of hedging instruments across industries. Government steering and facilitation or market stability will further fuel market growth.

Total Client's Equity of Futures Market, China, 2020-2029E

CAGR 20-24	CAGR 24-29E
16.9%	18.4%

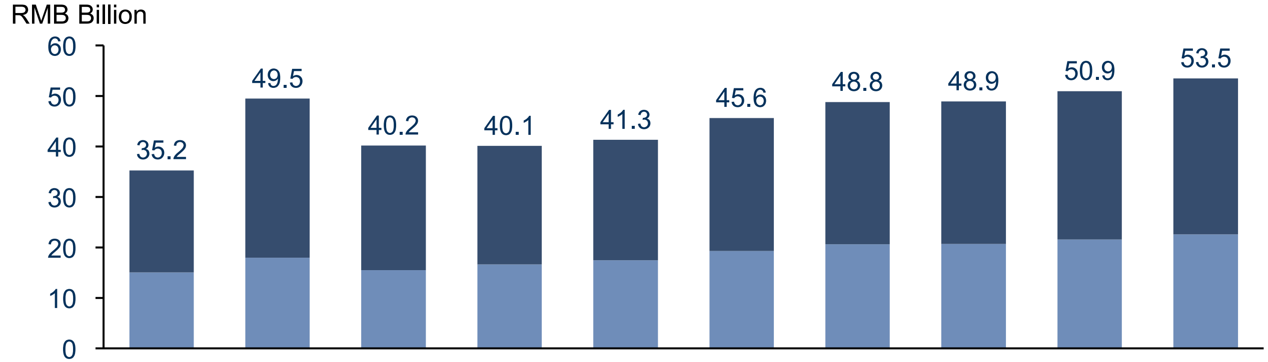


Source: CFA, Frost & Sullivan

Total Revenue of Future Market

- From 2020 to 2024, total revenue of China's futures market grew from RMB35.3 billion to RMB41.3 billion, with a CAGR of 4.0%. Stable economic growth, spurred by government policies, lifted trading. New trading mechanisms and products attracted more investors. Regulatory support, including supervision and innovation incentives, increased market confidence.
- Looking ahead to the period from 2024 to 2029, the total revenue of China's futures market is expected to rise from RMB41.3 billion to RMB53.5 billion, with an estimated CAGR of 5.3%. The continuous economic growth, coupled with the expansion of the technology sector and the increasing interest of investors in the stock market, will further drive the trading in the futures market. In terms of technology, advancements such as the development of more advanced artificial intelligence in trading will improve market efficiency and attract more participants. The diversification of China's futures market through expanded listings of globally aligned contracts has catalyzed heightened participation from international investors, driven by enhanced product accessibility and hedging efficiency. The phased relaxation of QFII quotas and streamlined cross-border collateralization rules will lower entry barriers for global institutional participants, directly stimulating trading liquidity.

Total Revenue of Futures Market (by business segments), China, 2020-2029E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Commission	20.2	31.5	24.7	23.5	23.8	26.3	28.2	28.2	29.4	30.9	4.2%	5.3%
Others	15.0	18.0	15.5	16.6	17.5	19.3	20.6	20.7	21.5	22.6	3.8%	5.3%
Total	35.2	49.5	40.2	40.1	41.3	45.6	48.8	48.9	50.9	53.5	4.0%	5.3%

** Total revenue refers to revenues of the parent companies of futures firms; Commission revenues include revenues from brokerage, investment advisory and asset management; Others include investment profit.*

Source: CFA, Frost & Sullivan

Regulations of Futures Industry in China

- The regulatory framework of China's futures market is primarily overseen by the China Securities Regulatory Commission (CSRC), which serves as the central regulatory authority responsible for formulating rules, supervising market activities, and enforcing compliance. The CSRC works in conjunction with futures exchanges (such as the Shanghai Futures Exchange, Zhengzhou Commodity Exchange, and Dalian Commodity Exchange) and the China Futures Association (CFA), a self-regulatory organization, to ensure market integrity and stability.
- In China's futures market, operating licenses are a fundamental requirement for market participants, ensuring that only qualified entities can engage in futures-related activities. The China Securities Regulatory Commission (CSRC) is the primary authority responsible for issuing and overseeing these licenses. The licensing process involves thorough scrutiny of applicants' financial health, operational capabilities, and compliance history. Additionally, licensed entities are subject to ongoing supervision, including regular audits and inspections, to ensure adherence to regulatory standards.
- China's futures market has been gradually opening up to international participants as part of its broader financial liberalization efforts. Qualified foreign institutional investors (QFIIs) and RMB qualified foreign institutional investors (RQFIIs) are permitted to trade specific domestic futures products, such as crude oil, iron ore, and treasury bond futures, within designated quotas.

Key Policies and Regulations of Futures Industry in China

Name	Issued Time	Issued Department	Key Information
Regulations on the Management of Derivatives Trading Business by Futures Risk Management Companies 《期货风险管理公司衍生品交易业务管理规则》	2025/02	CFA 中国期货业协会	• The policy establish a comprehensive framework for regulating the derivatives trading activities of futures risk management companies in China. The Regulations outline key requirements, including risk management protocols, capital adequacy standards, and internal control mechanisms, to ensure the safe and orderly conduct of derivatives trading.
Opinions on Strengthening Regulation and Preventing Risks to Promote High-Quality Development of Futures Market 《关于加强监管防范风险促进期货市场高质量发展的意见》	2024/10	CSRC 中国证监会	• The policy aims to enhance futures market supervision, effectively prevent risks, and promote the stable operation and high-quality development of the futures market. It serves to safeguard the security of the industrial chain and supply chain, economic and financial security, and social expectations, while better serving the high-quality development of the real economy.

Source: Government Documents, Frost & Sullivan

Regulations of Futures Industry in China

Key Policies and Regulations of Futures Industry in China

Name	Issued Time	Issued Department	Key Information
Asset Management Business Filing Management Rules for Futures Operating Institutions 《期货经营机构资产管理业务备案管理规则》	2024/01	CFA 中国期货业协会	• The regulation appropriately raises the conditions for continuous business operations, guiding futures companies to effectively fulfill their active management responsibilities and strengthening the whole-process supervision from market entry to exit.
Interim Provisions on Position Management in the Futures Marke 《期货市场持仓管理暂行规定》	2023/07	CSRC 中国证监会	• The regulation establishes a regulatory framework to manage and control position limits in China's futures market, aiming to prevent excessive speculation, mitigate systemic risks, and maintain market stability by setting clear rules on position limits for different types of market participants.
Order of the China Securities Regulatory Commission (No. 219) "Measures for the Administration of Futures Exchanges 中国证券监督管理委员会令（第219号）《期货交易所管理办法》	2023/03	CSRC 中国证监会	• The regulation provides a comprehensive regulatory framework for the operation and governance of futures exchanges in China. It outlines the establishment requirements, organizational structure, and operational rules for futures exchanges, emphasizing their roles in maintaining market order and managing risks.
Futures and Derivatives Law of the People's Republic of China 《中华人民共和国期货和衍生品法》	2022/04	CFA 中国期货业协会	• A comprehensive legislative framework governing the futures and derivatives markets in China. This law establishes the legal foundation for market operations, covering key areas such as market participant responsibilities, trading rules, risk management, and investor protection.

Source: Government Documents, Frost & Sullivan

Drivers of China Futures Market

Market Drivers	Description
Growth in Real Economy Demand	• With the transformation and upgrading of China's economic structure, enterprises' demand for risk management has significantly increased. The futures market provides enterprises with hedging tools to cope with price fluctuation risks in the fields of bulk commodities, agricultural products, and energy. Chinese enterprises' overseas expansion enhances global industrial integration and international competitiveness. This globalization also drives financial innovation in cross-border risk management and strengthens multilateral cooperation in green and digital transformation, bolstering both domestic and global economic resilience.
Continuous Product Diversification	• The China futures market continuously introduces new trading products to meet diverse needs. Derivatives such as options and stock index futures enrich investment strategies, and the application of financial technology enhances trading efficiency, risk management capabilities, and market transparency.
Policy Support and Regulatory Improvement	• The government attaches great importance to the futures market, and support laws and policies such as the Futures and Derivatives Law provide legal safeguards. Regulatory agencies have improved the regulatory framework, promoted market standardization and transparency, and enhanced investor confidence.
Accelerated Internationalization Process	• The China futures market is gradually opening up to the outside world. Some products have attracted overseas participants, and the influence on the pricing of international bulk commodities has been enhanced. This has attracted more international participants and deepened cooperation with international exchanges, promoting market connectivity.

Source: Frost & Sullivan

Development Trends of China Futures Market

Development Trends	Description
Enhancing the Ability to Serve the Real Economy	• In the future, China's futures market will provide various risk management tools (such as hedging) and innovative financial products. This will assist enterprises in the agricultural, energy, chemical, and other industrial chains in dealing with price fluctuation risks and enhancing operational stability. This trend is reflected not only in the diversification of futures products and the optimization of trading mechanisms but also in the deep integration with the real economy. It helps enterprises reduce costs, improve efficiency, and thus promotes high-quality economic development.
Accelerated Internationalization Process	• China's futures market will further open up to foreign investors and promote the internationalization of more futures products denominated in RMB (such as crude oil, iron ore, etc.). This trend will enhance China's futures market's say in the global pricing of bulk commodities, attract international capital participation, and increase market liquidity and influence.
Widespread Application of Financial Technology	• Technologies such as blockchain, artificial intelligence, and big data will be widely applied in the fields of trading, clearing, risk control, and regulation. This aims to enhance market operation efficiency, reduce trading costs, strengthen risk management and regulatory capabilities, and promote the extensive application of intelligent services such as algorithmic trading and advisory.
Promoting Green Finance and Sustainable Development	• The development trend includes the introduction of futures products related to the environment (such as carbon emission rights, green electricity, etc.) to facilitate the application of relevant principles in the futures market. This supports the national “dual carbon” goals, aids the development of the green economy, and meets the market’s demand for sustainable investment tools.

Source: Frost & Sullivan

Key Success Factors of China Futures Market

KSF	Description
Sound Legal Framework and Regulatory System	• The success of China future market requires the establishment of comprehensive laws and regulations coupled with efficient regulatory mechanisms to ensure the fair, transparent, and stable operation of the futures market. This system encompasses clear market rules, stringent oversight of trading activities, risk prevention and control measures, as well as cross-border regulatory cooperation.
Diverse Product System and Innovative Capabilities	• The China futures market continuously introduces a diverse range of trading and innovative derivative instruments to meet the risk management needs and investment strategies of various market participants. This capacity for innovation is not only reflected in product design but also includes the optimization of trading mechanisms, thereby enhancing market liquidity, attracting more participants, and strengthening the market's ability to serve the real economy.
Internationalization and Openness to the World	• The China futures market is progressively integrating into the global financial system by attracting foreign investors, enhancing cooperation with international exchanges. This process not only broadens the spectrum of market participants and boosts market liquidity and influence but also strengthens the Chinese futures market's voice in the global pricing of commodities. Concurrently, through cross-border regulatory collaboration and rule alignment, it mitigates the risks associated with internationalization and propels the market towards high-quality development.
Technical Support and Digital Transformation	• The China futures market is enhancing trading efficiency, reducing operational costs, and strengthening risk management capabilities by applying financial technologies such as blockchain, artificial intelligence, and big data, as well as upgrading trading systems. This transformation encompasses not only the proliferation of intelligent services like algorithmic trading but also the digitization of market regulation, thereby improving market transparency, stability, and participant experience.

Source: Frost & Sullivan

2. Competitive Landscape of China Futures Market

Overview

- Based on the background of the controlling shareholder, futures companies in China can be categorized into two types: financial institution-affiliated futures companies, and non-financial institution-related futures companies.

- Financial institution-affiliated futures companies are closely linked to or within the same financial group such as securities firms and banks. They can share customer resources, funding channels, and financial license advantages, offering clients comprehensive financial services. non-financial institution-related futures companies included independent futures company and futures companies controlled by large-scale entity enterprises. They have its own strengths, including independent decision-making and vitality, and it possesses a deeper understanding of the industry and sector.

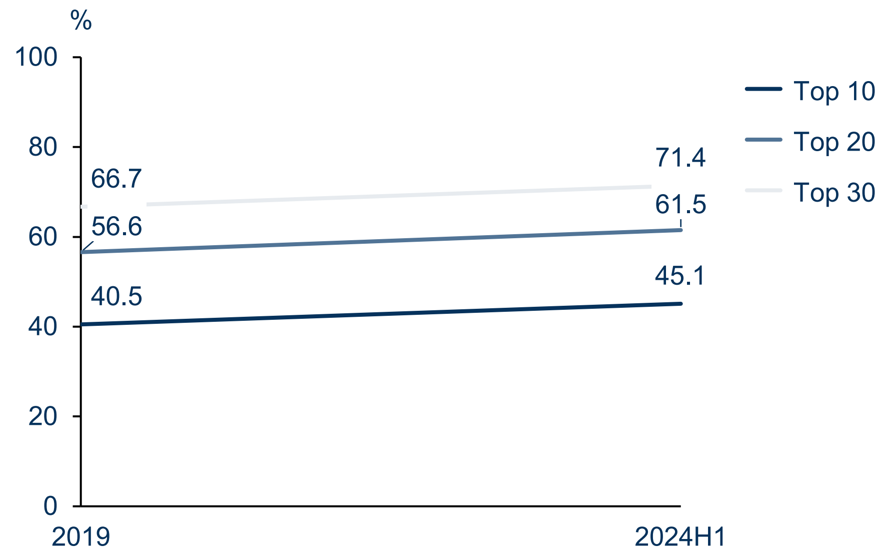
- Overall, Nanhua Futures is one of the major futures companies in China in terms of business scale. Its key competitive strengths lie in its continuous innovation in products and services, high operational efficiency, and proactive strategy for expanding into overseas markets.

Source: Frost & Sullivan

The Concentration of Clients' Equity in Futures Companies in China

- In recent years, futures companies have consistently focused on their core business areas. The brokerage business has experienced rapid growth, with the scale of client equity expanding significantly. Specifically, client equity increased from RMB 0.5 trillion at the end of 2019 to RMB 1.4 trillion by the end of June 2024.
- At the same time, client equity concentration within the futures industry has further intensified. As of the end of June 2024, the top 10, 20, and 30 futures companies accounted for 45.1%, 61.5%, and 71.4% of the total client equity across the industry, respectively. This marks a notable increase from the end of 2019, when these figures were 40.5%, 56.6%, and 66.7%, respectively.

Concentration Rate of Clients' Equity in Futures Companies, China, 2019 & 2024H1



Source: China Futures Market Monitoring Center, Frost & Sullivan

Ranking of Futures Companies in China (1/6)

Ranking of Futures Companies (by total revenue), China, 2024

Rank	Company Name	Revenue* (RMB Billion)	Market Share	Types
1	Company A	21.7	8.1%	Financial institution-affiliated
2	Company B	14.6	5.4%	Financial institution-affiliated
3	Company D	12.4	4.6%	Financial institution-affiliated
4	Company C	10.3	3.9%	Financial institution-affiliated
5	Company E	9.3	3.4%	Financial institution-affiliated
6	Company G	8.8	3.3%	Financial institution-affiliated
7	Company H	5.9	2.2%	Financial institution-affiliated
8	**Nanhua Futures (南华期货)**	**5.7**	**2.1%**	**Non-Financial institution-affiliated**
9	Company I	4.7	1.8%	Financial institution-affiliated
10	Company J	3.5	1.3%	Financial institution-affiliated

- In terms of total revenue in 2024, the leading futures companies in China were mainly financial institution-affiliated futures companies. In terms of total revenue in 2024, Nanhua Futures ranked 8th among all futures companies and ranked the 1st among all non-financial institution-related futures companies, with a total revenue of RMB 5.7 billion.

- *The revenue includes all revenues from entities in Mainland China and overseas entities; Company A: Established in 1992, headquartered in Hangzhou, listed on Shanghai Stock Exchange. Company B: Established in 2006, headquartered in Beijing, a subsidiary of a listed company, not publicly listed. Company C: Established in 1995, headquartered in Hangzhou, not publicly listed. Company D: Established in 2000, headquartered in Shanghai, not publicly listed. Company E: Established in 1993, headquartered in Shanghai, not publicly listed. Company G: Established in 1995, headquartered in Shanghai, not publicly listed. Company H: Established in 1994, headquartered in Guangzhou, not publicly listed. Company I: Established in 2007, headquartered in Shanghai, not publicly listed. Company J: Established in 1993, headquartered in Chongqing, not publicly listed.*

Source: Company Data, Frost & Sullivan

Ranking of Futures Companies in China (2/6)

Ranking of Futures Companies (by brokerage commission revenue), China, 2024

Rank	Company Name	Revenue* (RMB Billion)	Types
1	Company M	7.0	Financial institution-affiliated
2	Company P	6.5	Financial institution-affiliated
3	Company E	5.6	Financial institution-affiliated
4	Company D	4.9	Financial institution-affiliated
5	Company G	4.7	Financial institution-affiliated
6	Company J	2.7	Financial institution-affiliated
7	Company H	1.7	Financial institution-affiliated
8	Company Q	1.4	Financial institution-affiliated
9	Company L	1.4	Financial institution-affiliated
10	Company A	1.1	Financial institution-affiliated
…..			
16	**Nanhua Futures (南华期货)**	**0.5**	**Non-Financial institution-affiliated**

- In terms of brokerage commission revenue in 2024, Nanhua ranked 16th among all futures companies with a total revenue of RMB 0.5 billion.

** The brokerage commission revenue includes brokerage commissions and net interest income generated from client equity.*

Source: Frost & Sullivan

Ranking of Futures Companies in China (3/6)

Ranking of Chinese Futures Companies (by ROE), China, 2024

Rank	Company Name	ROE (%)	Types
1	Company N	13.8	Non-Financial institution-affiliated
2	**Nanhua Futures (南华期货)**	**11.7**	**Non-Financial institution-affiliated**
3	Company J	11.3	Financial institution-affiliated
4	Company R	8.9	Financial institution-affiliated
5	Company PP	8.0	Financial institution-affiliated

- In terms of ROE in 2024, Nanhua ranked 2nd among all futures companies with a ROE of 11.7%.

Company N: Established in 1995, headquartered in Nanjing, listed on Shenzhen Stock Exchange.
Company J: Established in 1993, headquartered in Chongqing, a subsidiary of listed company , not publicly listed.
Company R: Established in 1995, headquartered in Hangzhou, a subsidiary of listed company , not publicly listed.
Company PP: Established in 2008, headquartered in Shanghai, a subsidiary of listed company , not publicly listed.

Source: Frost & Sullivan

Ranking of Futures Companies in China (4/6)

Ranking of Listed Securities Companies and Futures Companies (by ROE), China, 2024

Rank	Company Name	ROE (%)	Types
1	Company N	13.8	Non-Financial institution-affiliated
2	Company GG	12.6	Financial institution-affiliated
3	**Nanhua Futures (南华期货)**	**11.7**	**Non-Financial institution-affiliated**
4	Company NN	8.3	Financial institution-affiliated
5	Company OO	8.2	Financial institution-affiliated

- In terms of ROE in 2024, Nanhua ranked 3rd among all listed securities and futures companies and ranked the 2nd among all non-financial institution-related futures companies, with a ROE of 11.7%.

The scope is limited to securities and futures companies listed on the A-share market in China.
Company N: Established in 1995, headquartered in Nanjing, listed on Hong Kong Stock Exchange and Shenzhen Stock Exchange.
Company GG: Established in 2005, headquartered in Shanghai, listed on the Shenzhen Stock Exchange.
Company NN: Established in 1991, headquartered in Nanjing, listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange.
Company OO: Established in 1991, headquartered in Shenzhen, listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange.

Source: Company Data, Frost & Sullivan

Ranking of Futures Companies in China (5/6)

Ranking of Listed Securities Companies and Futures Companies (by ROE), China, 2023

Rank	Company Name	ROE (%)	Types
1	Company GG	12.0	Financial institution-affiliated
2	**Nanhua Futures (南华期货)**	**11.4**	**Non-Financial institution-affiliated**
3	Company N	9.4	Non-Financial institution-affiliated
4	Company LL	9.3	Financial institution-affiliated
5	Company II	7.6	Financial institution-affiliated

- In terms of ROE in 2023, Nanhua ranked 2nd among all Listed Securities Companies and Futures Companies and ranked the 1st among all non-financial institution-related futures companies, with a ROE of 11.4%.

*The scope is limited to securities and futures companies listed on the A-share market in China.

Source: Company Data, Frost & Sullivan

Ranking of Futures Companies in China (6/6)

Ranking of Listed Securities Companies and Futures Companies (by ROE), China, 2022

Rank	Company Name	ROE (%)	Types
1	Company GG	15.6	Financial institution-affiliated
2	Company N	12.0	Non-Financial institution-affiliated
3	Company LL	9.4	Financial institution-affiliated
4	Company II	9.2	Financial institution-affiliated
5	Company J	8.7	Financial institution-affiliated
6	Company MM	8.3	Financial institution-affiliated
7	**Nanhua Futures (南华期货)**	**7.7**	**Non-Financial institution-affiliated**

- In terms of ROE in 2022, Nanhua ranked 7th among all Listed Securities Companies and Futures Companies and ranked the 2nd among all non-financial institution-related futures companies, with a ROE of 7.7%.

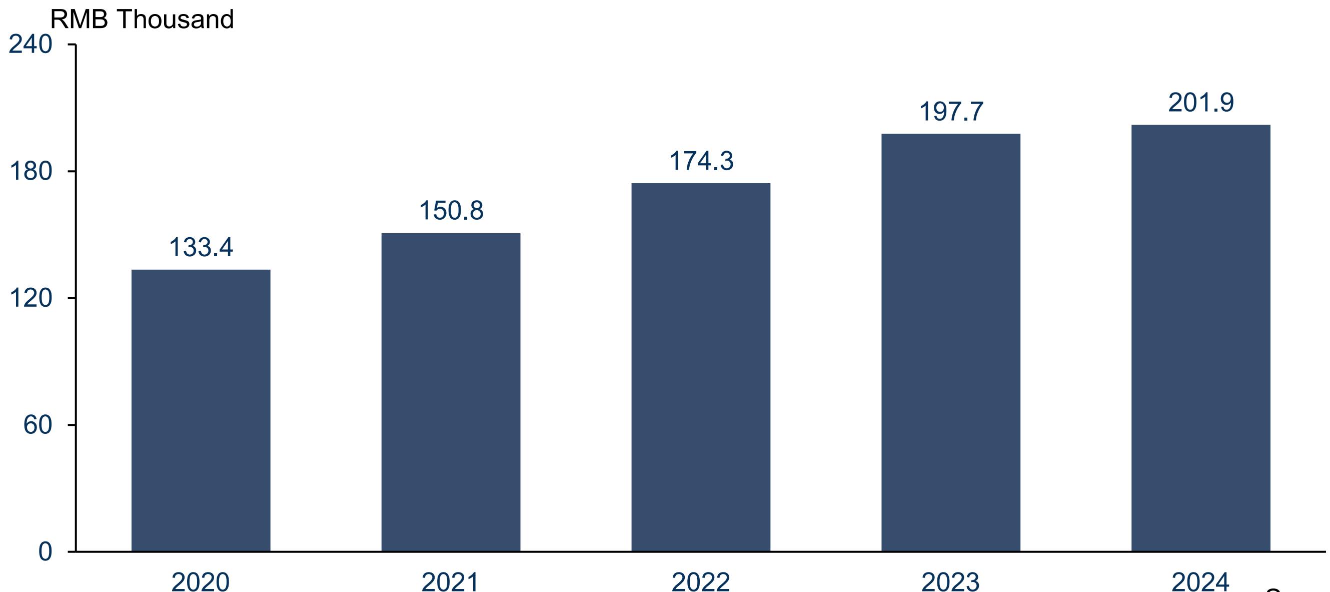
*The scope is limited to securities and futures companies listed on the A-share market in China.

Source: Company Data, Frost & Sullivan

Overview of the Key Cost

- Labor cost is the key cost in China futures industry. The futures market is an important part of China financial sector. Here, the income levels of employees in the financial industry are used as a proxy to reflect the income situation of employees in futures industry. From 2020 to 2024, the annual average salary of employees in the financial industry increased from RMB133.4 thousand to RMB201.9 thousand.

Annual Average Salary of Financial Industry Employees, China, 2020-2024



Source: NBS, Frost & Sullivan

Entry Barriers of China Futures Market

Entry Barriers	Description
Regulatory Barriers	• The China futures market is subject to strict regulation by the China Securities Regulatory Commission (CSRC). New entrants must meet complex compliance requirements, including capital adequacy, risk management capabilities, and information technology systems. Futures companies are required to obtain relevant business licenses, and the licensing process is intricate and time-consuming, creating a high barrier for new entrants.
Capital Barriers	• Futures companies are required to maintain high levels of registered capital and net capital to manage market risks and client margin requirements. Building the necessary technological systems, risk control frameworks, and talent teams for the futures market demands significant financial investment, particularly for the high-cost technical infrastructure needed for derivatives businesses.
Technological Barriers	• The futures market places extremely high demands on the stability, speed, and security of trading systems, requiring new entrants to invest substantial resources in developing or acquiring advanced trading systems. The high-leverage nature of the futures market necessitates robust risk management and settlement capabilities, which rely on long-term technological accumulation and system optimization. Leading futures companies have already widely adopted technologies such as artificial intelligence, big data, and blockchain, potentially leaving new entrants at a technological disadvantage.
Market and Brand Barriers	• Established futures companies have built long-term partnerships with numerous enterprises, financial institutions, and individual investors, making it difficult for new entrants to gain client trust in the short term. Leading futures firms hold significant brand influence and market reputation, requiring new entrants to invest substantial resources in brand development.

Source: Frost & Sullivan

Competitive Edges of The Company

Competitive Edges	Description
Leading Market Position	• Nanhua Futures is one of the earliest-established futures companies in China's futures market, having witnessed and participated in the development of the market from its inception to its current scale, accumulating profound industry expertise. In 2019, it became the first futures company to be listed on the A-share main board, setting a benchmark for the industry and providing itself with a broader capital platform and enhanced brand influence.
Excellent Technological Innovation Capabilities	• Nanhua Futures has consistently placed independent development at the strategic core, continuously advancing the construction of fintech and digital finance, refining its data infrastructure, and iteratively upgrading its key proprietary systems, thereby laying a solid theoretical and practical foundation for comprehensive digital transformation. Since establishing its technical team in 2011, the company has focused on technological innovation in fintech, independently developing critical products such as the Data Connectivity Platform.
Experienced Management Team	• The executive team is characterized by extensive management experience, strong business capabilities, and a youthful composition, serving as a crucial pillar for the company's rapid and stable growth. Members possess an average of over 20 years of experience in various fields such as futures brokerage, risk management, asset management, and investment consulting. They are well-versed in market regulations and business processes, enabling them to effectively lead teams in executing operations and responding to market changes and challenges.
Efficient Customer Acquisition Capabilities	• By leveraging diversification in service types, geographic distribution, and asset categories, Nanhua Futures is well-equipped to capture and effectively serve the diverse needs of Chinese enterprises in both domestic and overseas derivatives markets. By the end of 2024, the company had served and established partnerships with over 5,500 core enterprises and more than 2,900 financial institutions globally. Furthermore, building on its industry-leading fintech capabilities, Nanhua Futures has developed robust internet marketing capabilities, significantly expanding its customer acquisition reach

Source: Frost & Sullivan

3. Analysis of Interest Rate Environment

Overview of the Global Interest Rate Environment

- In early 2020, the Federal Reserve swiftly cut the federal funds rate and launched quantitative easing to stabilize market liquidity. As the economy recovered and inflation surged – with U.S. year-onyear CPI beginning to rise in 2021 and peaking in June 2022 – the Fed initiated a rate-hiking cycle in March 2022, implementing 11 consecutive increases. By 2023, the federal funds rate had risen to 5.25%-5.5%. Concurrently, the 10-year U.S. Treasury yield climbed from a 2020 low of 0.5% to a 2023 peak of 5.0%. In 2024, with U.S. inflation retreating to approximately 3.3%, the Fed paused rate hikes before initiating its first rate cut in September 2024, followed by two additional cuts in November and December.
- Looking ahead, markets anticipate further cuts below 4% in 2025, but the Fed maintains a cautious tone, wary of potential inflationary risks from policy shifts, which could constrain the pace and magnitude of easing.

Source: Asset Management Association of China, Frost & Sullivan

Drivers of Global Interest Rate Environment

Market Drivers	Description
Inflation and Policy Objectives	• From 2021 to 2023, supply chain disruptions, and fiscal stimulus exacerbated inflation, compelling the Federal Reserve to implement rate hikes. After inflation cooled in 2024, the policy focus shifted to balancing economic soft landing. The Federal Reserve is likely to maintain "wait-and-see" policy adjustments over a longer horizon, employing data-driven gradual rate cuts and balance sheet reduction to strike a dynamic balance between curbing inflationary resurgence and avoiding an economic recession. Meanwhile, it must remain vigilant against risks such as weakening labor market resilience.
Debt and Fiscal Pressures	• The U.S. government debt-to-GDP ratio exceeded 120%, with high interest rates intensifying debt servicing pressures. The 2024 rate cuts were partially driven by the need to alleviate fiscal burdens. While the debt scale may gain temporary respite as interest rates decline, the U.S. still needs to reduce long-term debt risks through structural fiscal reforms to avoid falling into a "low interest rate stimulus – high-debt dependency" vicious cycle.
Global Economic Interconnectedness	• Dollar appreciation from 2022 to 2023 attracted capital repatriation, but 2024 rate-cut expectations triggered capital flows to emerging markets. As the global de-dollarization trend progresses, emerging economies are likely to accelerate foreign exchange reserve diversification and local currency settlement pilots to buffer against cross-border capital flow shocks from Fed policy fluctuations. Concurrently, the international community's demand for strengthened monetary policy coordination and the establishment of a new global financial safety net may further increase.

Source: Frost & Sullivan

Overview of the Domestic Interest Rate Environment

- In early 2020, China maintained a prudent yet flexible monetary policy, with the 1-year Loan Prime Rate (LPR) set at an initial benchmark level. To stabilize the economy, the People's Bank of China (PBOC) acted to stabilize the economy by injecting liquidity through measures such as reserve requirement ratio (RRR) cuts and Medium-Term Lending Facility (MLF) operations, guiding the 1-year LPR lower over subsequent years through multiple adjustments. In 2023, amid a fragile economic recovery, the central bank continued its proactive stance with additional RRR reductions and further guided the 1-year LPR downward.

- By 2024, facing persistent growth headwinds, the PBOC shifted toward accommodative policies. Under a scenario of more aggressive easing, the central bank might implement significant cuts to the MLF rate, which would transmit to the lending rate system, potentially driving the 1-year LPR lower through phased reductions. Concurrently, deposit rates would likely continue their downward trend, encouraging capital deployment into the real economy. The yield on 10-year government bonds could also decline notably, reflecting market expectations of sustained monetary easing.

- China's policy rates remained at historically low levels, with markets anticipating continued targeted rate adjustments in the coming year to support economic recovery. A key challenge will be balancing the pressures on banks' net interest margins, as the deepening of interest rate liberalization is likely to drive deposit rate declines at a faster pace than loan rate adjustments. This dynamic underscores the need for a nuanced approach to monetary policy, ensuring sustained liquidity support for the real economy while maintaining financial sector stability amid ongoing market-oriented reforms.

Source: Asset Management Association of China, Frost & Sullivan

Drivers of Domestic Interest Rate Environment

Market Drivers	Description
Steady Growth and Risk Mitigation	• China's monetary policy has prioritized targeted support for the real economy through tools like RRR and LPR adjustments, balancing short-term stimulus with long term deleveraging in sectors like real estate while reviving household consumption.
External Constraints and Rate Asymmetry	• A global tightening pause allowed limited monetary easing, but inverted China-foreign yield spreads posed currency stability risks, prompting a mix of rate cuts and capital flow management to balance domestic growth and financial stability.
Structural Challenges and Policy Transmission	• Demographic shifts and slowing productivity have pressured natural interest rates, while credit allocation inefficiencies and bank risk aversion limited rate cut effectiveness, necessitating prudent adjustments and complementary supply-side reforms.

Source: Frost & Sullivan

4. Analysis of China Risk Management Market

Overview of the China Risk Management Market

- From 2020 to 2024, the cumulative new notional principal of risk management companies' OTC derivatives business surged from RMB 845.7 billion to RMB 2,991.1 billion, achieving a compound annual growth rate of 37.1%. Meanwhile, basis trading volumes grew moderately from RMB 444.9 billion to RMB 524.9 billion, driven by regulatory reforms, rising demand for bespoke hedging tools, and cross-border product innovation.

- With the evolution of the market, risk management companies will further optimize their business structures based on their own strengths and market demands. Innovative segments such as market-making business, warehouse receipt and OTC derivatives are expected to continue expanding, while traditional operations will also undergo continuous model innovation to enhance service quality and efficiency.

- Looking ahead, the risk management market will become more closely integrated with the real economy, delivering more precise and efficient risk management services to enterprises across industries. By facilitating industrial upgrading, stabilizing industrial and supply chains, and improving resource allocation capabilities, the sector is poised to play an increasingly vital role in supporting high-quality economic development in China.

- As of March 31, 2025, a total of 92 futures companies had registered with the Association to establish 95 risk management companies, of which 94 risk management companies had filed for pilot businesses. In the competitive landscape of risk management businesses, 91 companies were registered for basis trading business, with 77 actually operating in this field, making it the most common business with high participation and full competition; 72 companies were registered for over-the-counter derivatives business, with 64 conducting such business; and 51 companies were registered for market making business, with 39 engaged in it. Overall, basis trading business remains the mainstream with extensive competition, OTC derivatives business is efficiently conducted, market-making business has low participation, and a differentiated competition landscape is emerging.

- The continuous expansion of the risk management market scale is primarily driven by the synergistic effects of three core factors.
- First, with the increasing complexity of global industrial chains and the rise of emerging industries, the product categories covered by the market are accelerating their expansion from traditional commodities to new energy materials financial derivatives, and other fields. These diversified risk hedging underlying assets attract participation from a broader range of industries, directly expanding the market's basic trading volume.
- Second, the innovative iteration of product types has significantly enhanced market depth. In addition to standardized futures and options, new product forms such as over-the-counter (OTC) derivatives and cross-border risk management tools are continuously emerging, satisfying the differentiated needs of diverse client groups.
- Third, against the backdrop of escalating global economic uncertainties, enterprises' awareness of managing risks such as price volatility, exchange rate risks, and supply chain disruptions has significantly increased. The hedging penetration rate among real economy enterprises has continued to rise, while the demand for asset-liability risk management among financial institutions has expanded simultaneously, forming a stable market increment.

Source: Asset Management Association of China, Frost & Sullivan

5. Analysis of China Asset Management Market

Overview of the China Asset Management Market

- As of the end of 2024, the asset management market presents a competition pattern dominated by public funds and private funds. Public funds, with a total scale of RMB 32.8 trillion, cover retail and institutional clients through standardized products, ranking first in scale. Private funds, with a total scale of RMB 19.9 trillion, focus on high-net-worth individuals and institutional clients.

- All market participants engage in diversified competition around client groups, product types, and service scenarios. Public and private funds serve as the core scale drivers, while licensed institutions form differentiated layouts based on their resource endowments. This synergy collectively propels the market toward professionalization, refinement, and diversification, with each segment carving out distinct competitive edges to meet varied market demands.

- The total AUM of China's public offered asset management industry shows an upward trend from 2020 to 2024, from RMB19.9 trillion by the end of 2020 to RMB32.8 trillion by the end of 2024. Nanhua Fund Management is the first public offering fund management company in China that is wholly owned and controlled by a futures company. As the end of 2024, the total management scale of public offering funds under Nanhua Fund was RMB14.8 billion.

- Amid this growth, the industry is witnessing a rising demand for rights-embedded products and specialized asset management solutions, derivatives-linked strategies, and customized risk-return profiles. Nanhua Fund, leveraging its unique positioning under a futures conglomerate, is poised to capitalize on this trend by integrating commodity futures expertise with innovative asset management tools, catering to high-net-worth individuals and institutional clients seeking alpha generation in volatile markets. This shift underscores the broader evolution toward professionalized asset management, marked by technology-driven portfolio optimization, ESG integration, and cross-asset allocation capabilities.

- The primary drivers of growth in the asset management market include the recovery of global and domestic economies combined with policy support, which strengthens market liquidity and investor confidence, driving the accelerated entry of long-term capital such as pension funds and laying a solid foundation for the market's long-term growth. Meanwhile, there has been a significant transformation in investor behavior and demand structures: with the deepening of financial education, individual investors have shifted from short-term speculation to long-term asset allocation, fueling the continuous expansion of public funds. Concurrently, the diversified needs of high-net-worth individuals and institutional clients for risk-return balance have spurred the rapid growth of private funds.

Source: Asset Management Association of China, Frost & Sullivan

Overview of the Public Offered Asset Management Market (2/2)

Rankings of Public Offered Equity Asset Management Companies, China, 2024Q3

Rank	Company Name	AUM (RMB Billion)
1	E Fund (易方达基金)	1,230.7
2	China Asset (华夏基金)	1,055.7
3	GF Fund (广发基金)	788.7
4	Harvest Fund (嘉实基金)	659.8
5	Fullgoal Fund (富国基金)	610.5
6	China Southern Asset (南方基金)	594.5
7	Bosera Asset (博时基金)	567.7
8	China Merchants Fund (招商基金)	550.4
9	Huatai-Pinebridge Fund (华泰柏瑞基金)	487.8
10	HTFFund (汇添富基金)	479.6

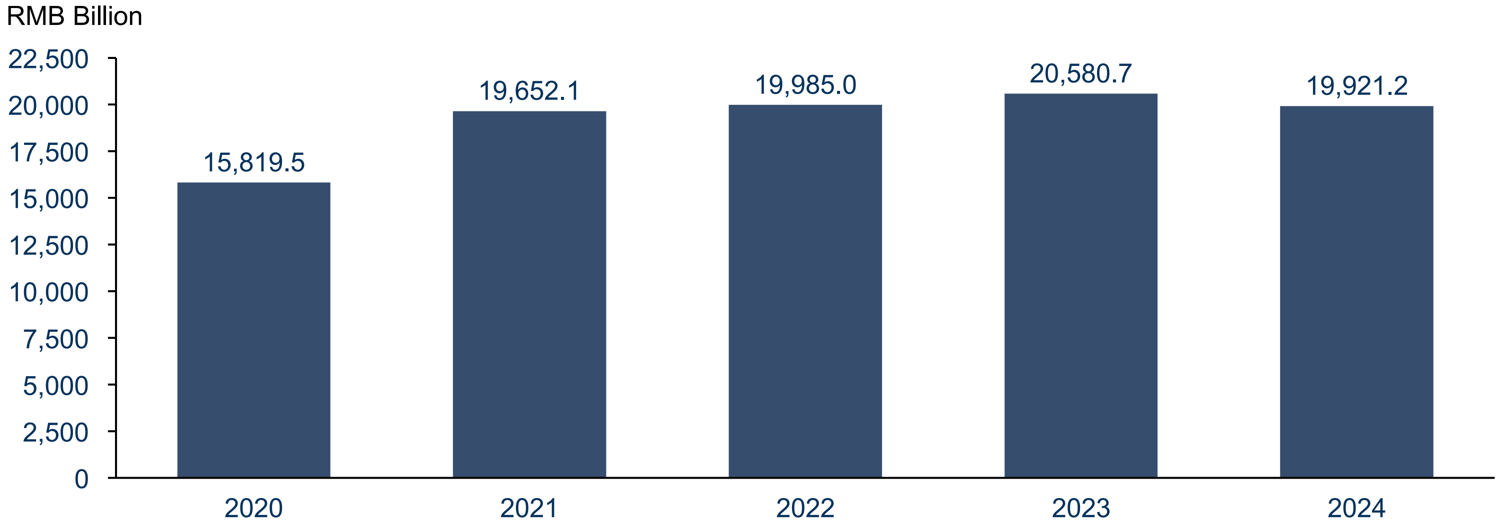
- Nanhua Fund is China's first public offered fund fully controlled by a futures company. As of Q3 2024, it managed total assets of RMB 15.6 billion, leading among the two futures-backed public funds in the sector.
- As one of China's earliest futures-backed public funds, Nanhua Fund leverages its parent company's derivatives expertise to adopt a dual-track strategy of "derivatives + spot." Positioned as a "boutique asset manager," it focuses on quantitative investments, fixed-income products, and regional thematic offerings to differentiate itself from top-tier competitors. For example, it launched China's first Hangzhou Bay Area-themed ETF to tap into the economic dividends of Zhejiang Province.
- Additionally, Nanhua Fund integrates Nanhua Futures' resources in derivatives, physical market risk management, and offshore services to build a comprehensive domestic and international service ecosystem, reinforcing its "futures-backed" competitive edge.

Source: Asset Management Association of China, Frost & Sullivan

Overview of the Private Asset Management Market(1/2)

- The total Assets Under Management (AUM) of China's private asset management industry shows a downward trend from 2020 to 2024, from RMB 15,819.5 billion by the end of 2020 to RMB 19,921.2 billion by the third quarter of 2024.
- The Chinese government has implemented stricter regulations on the financial sector, including private asset management, to mitigate risks and ensure market stability. These regulations may have limited the growth of AUM by imposing higher compliance costs and restricting certain types of investments.
- Increased market volatility, driven by global economic uncertainties and domestic market fluctuations, has likely led to a more cautious approach from investors, resulting in lower AUM.

Total AUM of the Private Asset Management Industry, China, 2020-2024Q3



Source: Asset Management Association of China, Frost & Sullivan

Overview of the Private Asset Management Market (2/2)

Rankings of Futures Subsidiaries of Private Equity Asset Management Companies, China, 2024Q3

Rank	Company Name	AUM (RMB Billion)
1	CITIC Futures (中信期货)	122.1
2	Everbright Futures (光大期货)	32.6
3	CSC Futures (中信建投期货)	30.3
4	Haitong Futures (海通期货)	25.4
5	Hongye Futures (弘业期货)	24.3
6	GTJA Futures (国泰君安期货)	11.4
7	COFCO Futures (中粮期货)	8.8
8	Galaxy Futures (银河期货)	8.2
9	Industrial Futures (兴业期货)	7.3
10	Shanghai Orient Futures (上海东证期货)	6.7

- CITIC Futures Co., Ltd. takes the lead with an AUM of RMB 122.1 billion in the third quarter of 2024. As a wholly - owned subsidiary of CITIC Securities, it benefits from strong shareholder support. With a registered capital of RMB 7.6 billion, it has a comprehensive range of business licenses, covering commodity and financial futures brokerage, futures trading consulting, asset management, and more.
- Everbright Futures Co., Ltd. ranks second, with an AUM of RMB 32.6 billion. It is a wholly - owned subsidiary of Everbright Securities, with a registered capital of RMB 1.5 billion. It has a wide network of branches across the country, such as in Shanghai, Beijing, and Dalian. It actively participates in serving the real economy, for example, through the "Insurance + Futures" model to support rural revitalization in many regions like Hunan and Shaanxi.

Source: Asset Management Association of China, Frost & Sullivan

6. Analysis of Derivatives Markets in Selected Overseas Regions

Ranking of Overseas Chinese Futures Companies

Ranking of Chinese Futures Companies (by overseas revenue), China, 2024

Rank	Company Name	Revenue (RMB Million)	Types
1	**Nanhua Futures (南华期货)**	**654.2**	**Non-financial institution-related**
2	Company E	647.5	Financial institution-affiliated
3	Company H	470.3	Financial institution-affiliated
4	Company A	430.1	Financial institution-affiliated
5	Company D	124.1	Financial institution-affiliated

- An increasing number of Chinese companies are actively adopting a "going global" strategy, for example, in the first half of 2024, A-listed companies achieved overseas business revenue of around RMB 3.8 trillion, representing a year-on-year increase of 12.8%. Under this context, there is also increasing demand for Chinese companies to participate in the global derivative markets, including futures and options markets, in which overseas futures subsidiaries of Chinese companies with a strong global presence could be a strong support.
- In terms of overseas revenue by Chinese futures companies in 2024, Nanhua ranked the 1st among all futures companies, with a total revenue of RMB 654.2 million.

Note: "Chinese Futures Companies" refers to "overseas futures subsidiaries of Chinese companies".

Source: Frost & Sullivan

Analysis of North America Derivatives Market (1/4)

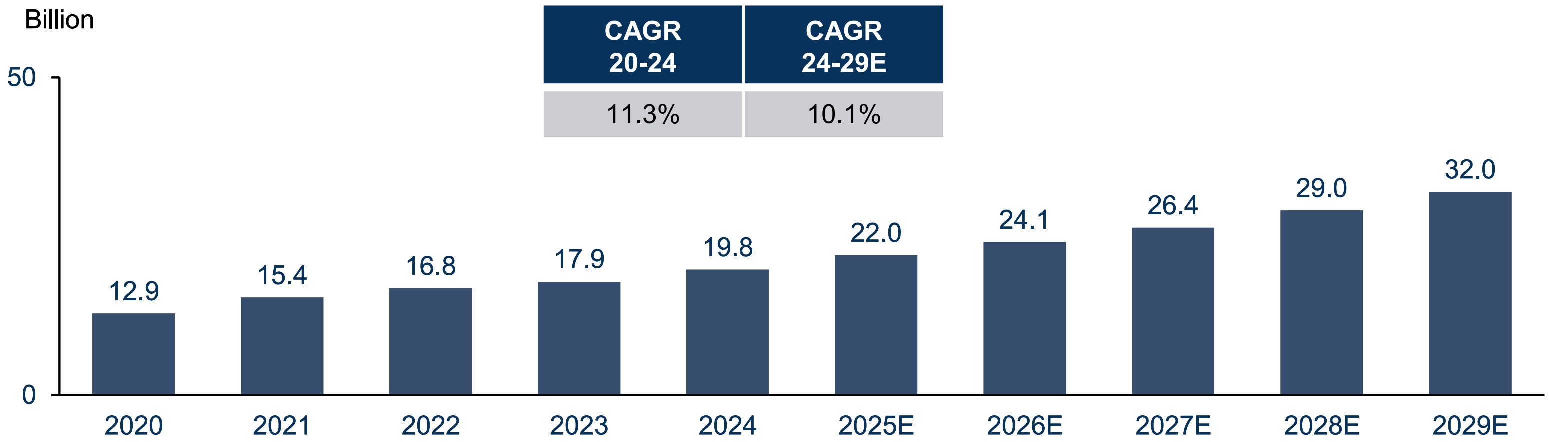
- The major futures exchanges in North America primarily include the Chicago Mercantile Exchange (CME Group) and Intercontinental Exchange (ICE). CME Group, the world's largest derivatives exchange, offers a wide range of futures and options products, such as S&P 500 index futures, gold futures, and crude oil futures. ICE specializes in energy, agricultural commodities, and financial derivatives trading, with its Brent crude oil futures and natural gas futures holding significant global prominence.

- Trading volumes in North America's futures markets have shown sustained growth in recent years. From 2020 to 2024, contract volumes increased from 12.9 billion to 19.8 billion, representing a CAGR of 11.3%. Projections for 2024 to 2029 anticipate further expansion to 32.0 billion contracts, maintaining a CAGR of 10.1%. This growth has been primarily driven by heightened market volatility and increased participation from both institutional and retail investors.

- Looking ahead, North America's futures market is poised for continued growth. Technological advancements in high-frequency trading and automation, institutional hedging demand for interest rates and commodities, and retail investor diversification via commission-free platforms will drive this growth.

Total Volume of Futures and Options, North America, 2020-2029E

CAGR 20-24	CAGR 24-29E
11.3%	10.1%



Source: FIA, Frost & Sullivan

Analysis of North America Derivatives Market (2/4)

- The Chicago Mercantile Exchange Group (CME Group) as one of major derivatives marketplace in North America and a top futures and options marketplace worldwide, was founded in 1898 and is based in Chicago. Its trading members include CME, CBOT, COMEX, and NYMEX, forming a large trading network across financial and commodity markets. CME Group offers six categories of financial derivatives, such as interest rate, stock index, foreign exchange, agricultural, energy, and precious metal futures. In trading innovation, CME Group's Globex electronic trading platform supports 24/7 global trading and processes millions of high-frequency trades daily, boosting trading efficiency and market activity. CME Group provides global companies with a powerful risk-management tool through its broad product range. For example, energy companies use crude oil futures to hedge price-fluctuation risks. CME Group holds a key position in the global financial market. Its gold and crude oil prices are global benchmarks, and its federal funds interest rate futures are a major indicator of Federal Reserve policy. CME Group has a strict clearing mechanism and is supervised by the CFTC, ensuring transaction security and market order.

- Given global macro-economic fluctuations and dramatic price changes in agricultural and energy markets, CME Group leads in agricultural and energy futures and options trading. Investors urgently need CME Group's tools for risk hedging. CME Group's advanced trading system, CME Globex, has attracted global investors, increasing the number of contracts from 4.8 billion in 2020 to 6.6 billion in 2024, with an 8.3% annual growth rate.

- With loose global monetary policies and increased market liquidity, prices of assets like energy, agricultural products, and precious metals on CME Group have risen sharply, driving the contract total value from USD 1,468.6 trillion to USD 2,511.5 trillion at a higher annual growth rate.

- As climate change concern grows, CME Group's upcoming climate derivatives are expected to attract new investors for environmental risk management. Amid the digital-asset boom, CME Group plans to expand related futures and options products to explore new growth, with the total futures and options contracts volume expected to reach 10.5 billion by 2029 and the total value to increase to USD 5,003.3 trillion.

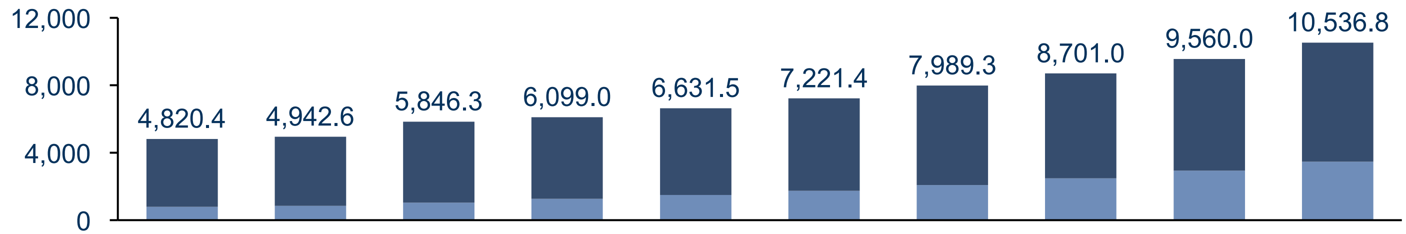
- In trading types, futures contracts outnumber and exceed options in total value. Futures are widely used in traditional commodities like agriculture and energy, with a familiar trading mechanism for large-scale asset allocation and risk management. Options, being more complex, require greater investor expertise and risk tolerance.

Source: Frost & Sullivan

Analysis of North America Derivatives Market (3/4)

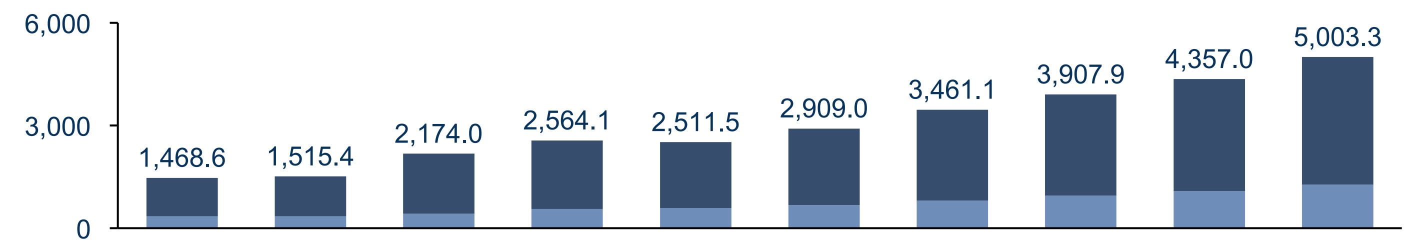
Total Volume and Nominal Value of Futures and Options, CME, 2020-2029E

Million



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Futures	4,021.7	4,099.5	4,812.7	4,829.8	5,146.7	5,484.4	5,907.8	6,220.8	6,627.4	7,060.1	6.4%	6.5%
Options	798.7	843.0	1,033.6	1,269.2	1,484.8	1,736.9	2,081.6	2,480.2	2,932.6	3,476.7	16.8%	18.5%
Total	**4,820.4**	**4,942.6**	**5,846.3**	**6,099.0**	**6,631.5**	**7,221.4**	**7,989.3**	**8,701.0**	**9,560.0**	**10,536.8**	**8.3%**	**9.7%**

USD Trillion



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Futures	1,119.7	1,174.1	1,756.8	2,005.7	1,923.5	2,234.0	2,657.6	2,957.7	3,270.5	3,736.3	14.5%	14.2%
Options	348.9	341.3	417.2	558.5	588.0	675.0	803.6	950.2	1,086.5	1,267.0	13.9%	16.6%
Total	**1,468.6**	**1,515.4**	**2,174.0**	**2,564.1**	**2,511.5**	**2,909.0**	**3,461.1**	**3,907.9**	**4,357.0**	**5,003.3**	**14.4%**	**14.8%**

Source: CME, Frost & Sullivan

Analysis of Europe Derivatives Market (1/5)

- The Europe futures market is dominated by several major exchanges, including Eurex, the London Metal Exchange (LME), and Euronext. Eurex, one of Europe's largest derivatives exchanges, offers a broad range of financial derivatives trading services, such as German DAX index futures and Euro Stoxx 50 index futures. The LME specializes in metal futures and serves as the global hub for metal futures trading. Euronext, Europe's largest stock market, also provides diverse financial derivative trading services. These exchanges ensure high liquidity and trading efficiency through advanced electronic trading systems and extensive networks of market participants.

- From 2020 to 2024, trading volumes in the Europe futures market remained largely stable with minor fluctuations, reflecting a CAGR of -0.05%. Market fluctuations during this period were primarily due to global economic uncertainties, geopolitical risks, and evolving regulatory policies.

- From 2024 to 2029, the Europe futures market is projected to achieve a CAGR of 2.5%, with contract volumes rising from 5.6 billion in 2024 to 6.3 billion by 2029. This growth is expected to be driven by regulatory tech compliance (e.g., MiFID II), increased engagement with euro-denominated derivatives from emerging market participants, and hedging demands arising from EU energy transition and post-Brexit financial realignments.

Total Volume of Futures and Options, Europe, 2020-2029E

CAGR 20-24	CAGR 24-29E
-0.05%	2.5%

Source: FIA, Frost & Sullivan

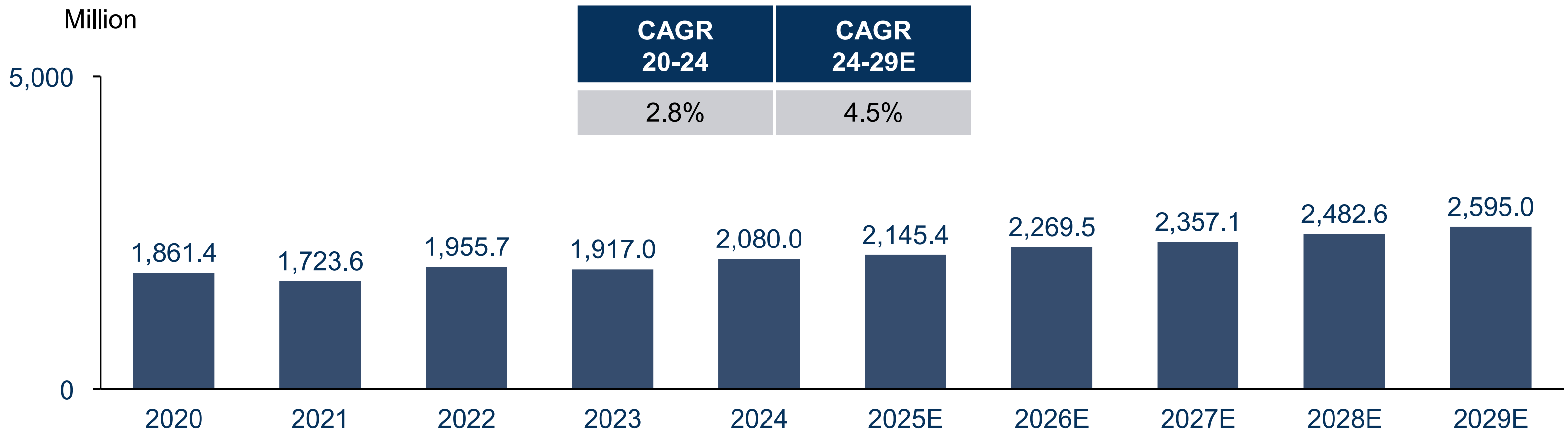
Analysis of Europe Derivatives Market (2/5)

- Eurex, a leading European derivatives exchange, was established in 1998 through the merger of Switzerland's SOFFEX and Germany's DTB, and is now part of the Deutsche Börse Group. It ranks among the world's largest venues for derivatives trading, particularly dominant in interest rate products that shape global fixed-income markets.

- Because of increased volatility in global financial markets and growing hedging needs of institutional investors, the volume of futures and options contracts traded on the Eurex variably increased from 1,861.4 million in 2020 to 2,080.0 million in 2024, with a CAGR of 2.8%. Driven by the trend toward global asset allocation diversification and the continuous launch of innovative products by the exchange, it is expected that the total volume of futures and options contracts will reach 2,595.0 million in 2029.

Total Volume of Futures and Options, Eurex, 2020-2029E

CAGR 20-24	CAGR 24-29E
2.8%	4.5%



Source: FIA, Frost & Sullivan

Analysis of Europe Derivatives Market (3/5)

- The London Metal Exchange (LME) as one of major derivatives exchange in Europe, was founded in 1877 and acquired by HKEX in 2012, which is the world's largest and most historic non-ferrous metal trading market, with dominant influence on global non-ferrous metal pricing. The LME's core trading items cover industrial metals like copper, aluminum, lead, zinc, nickel, tin, and London Gold. The daily Official Settlement Prices are the benchmark for global metal trading, with about 70% of global copper transactions using the LME prices.

- From 2020 to 2022, the pandemic caused a decline in the LME's metal futures and options contracts due to reduced demand. After 2022, with economic recovery and the LME's efforts in optimizing services and introducing new-energy metal futures and options (such as for lithium and cobalt), the trading volume grew. The volume of futures and options contracts rose from 154.9 million in 2020 to 178.5 million in 2024, with a 3.6% CAGR. The total value also increased.

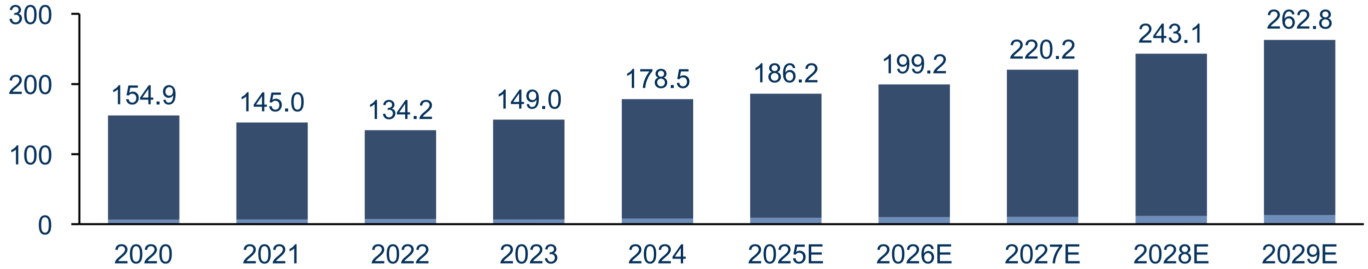
- With the growth of the global new energy industry, demand for rare metals is up. The LME is improving its rare metal futures and options product system, attracting new energy industry chain enterprises and investors. It is also promoting digital transformation to enhance efficiency, security, and market share. The total futures and options contracts volume is expected to reach 262.8 million in 2029, with a total value of USD 21.2 trillion.

Source: Frost & Sullivan

Analysis of Europe Derivatives Market (4/5)

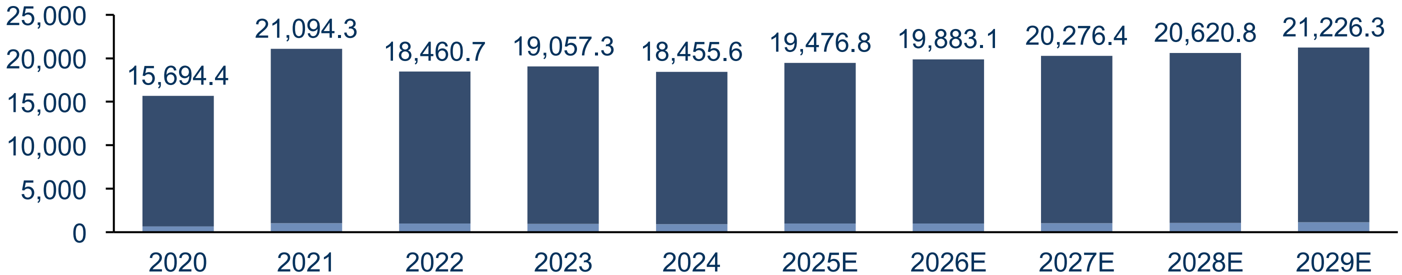
Total Volume and Nominal Value of Futures and Options, LME, 2020-2029E

Million



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Futures	148.8	138.2	126.8	142.3	170.2	177.2	189.4	209.7	231.3	249.9	3.4%	8.0%
Options	6.1	6.9	7.3	6.7	8.3	9.0	9.7	10.5	11.8	12.9	8.1%	9.2%
Total	**154.9**	**145.0**	**134.2**	**149.0**	**178.5**	**186.2**	**199.2**	**220.2**	**243.1**	**262.8**	**3.6%**	**8.0%**

USD Billion



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Futures	15,018.8	20,062.0	17,485.7	18,090.8	17,553.5	18,485.1	18,875.7	19,249.0	19,558.4	20,096.4	4.0%	2.7%
Options	675.6	1,032.4	975.0	966.5	902.1	991.7	1,007.4	1,027.4	1,062.5	1,129.9	7.5%	4.6%
Total	**15,694.4**	**21,094.3**	**18,460.7**	**19,057.3**	**18,455.6**	**19,476.8**	**19,883.1**	**20,276.4**	**20,620.8**	**21,226.3**	**4.1%**	**2.8%**

Source: LME, Frost & Sullivan

Analysis of Asia Derivatives Market (1/4)

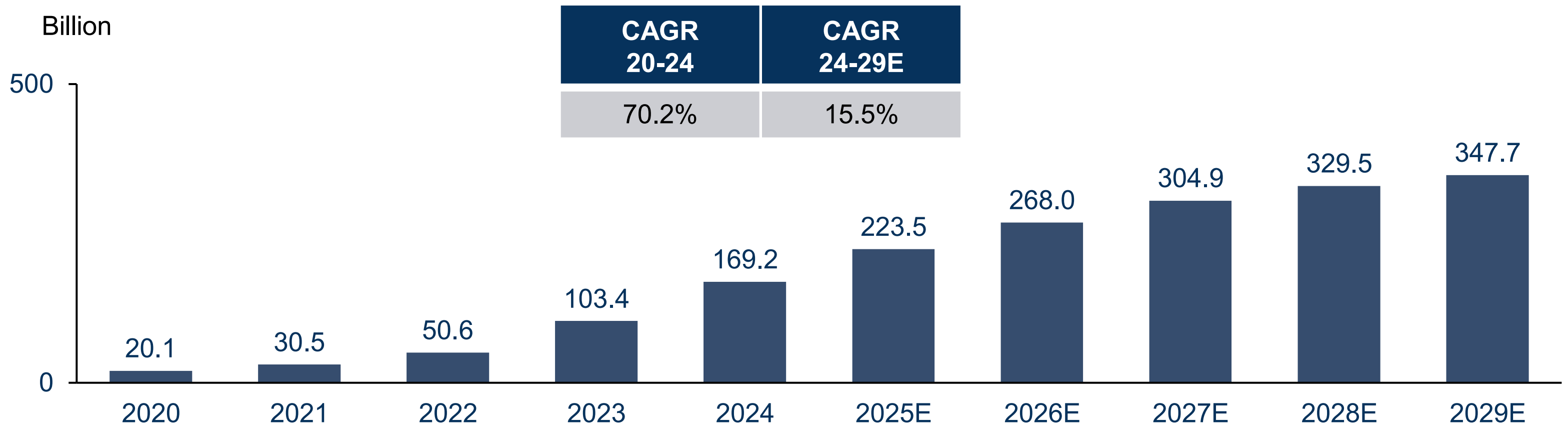
- The Asia futures market is dominated by several major exchanges. In addition to the exchanges in China, it also includes the Hong Kong Futures Exchange (HKFE), the Singapore Exchange (SGX), and the Tokyo Commodity Exchange (TOCOM), etc. HKFE, Hong Kong's premier derivatives exchange, offers a wide array of financial futures products, notably including Hang Seng Index futures and stock index derivatives tied to Hong Kong and international markets. SGX, one of Asia's leading derivatives exchanges, provides a diverse range of financial and commodity futures, such as FTSE Singapore Straits Times Index futures and FTSE China A50 Index futures. TOCOM, Japan's primary commodity futures exchange, offers a variety of metal and energy futures products.

- Asia's futures markets have demonstrated robust growth in trading volumes in recent years. From 2020 to 2024, contract volumes surged from 20.1 billion to 169.2 billion, reflecting a CAGR of 70.2%. This remarkable expansion has been fueled by rising demand for risk management tools, maturation of financial derivatives markets, and increased participation from emerging market players.

- From 2024 to 2029, Asia's futures market is projected to achieve a CAGR of 15.5%, with contract volumes rising from 169.2 billion in 2024 to 347.7 billion by 2029. This growth is expected to be driven by domestic policy reforms, such as market liberalization in China and India, fintech-enabled retail engagement across Southeast Asia, and hedging needs stemming from RCEP trade integration and industrialization in emerging regional economies. Moving forward, the Asian futures market will continue to provide investors with diversified risk management tools and investment opportunities, reinforcing its role as a critical hub in the global derivatives landscape.

Total Volume of Futures and Options, Asia, 2020-2029E

CAGR 20-24	CAGR 24-29E
70.2%	15.5%



Source: FIA, Frost & Sullivan

Analysis of Asia Derivatives Market (2/4)

- The Hong Kong Futures Exchange (HKFE) as one of major derivatives exchange in Asia, being a key part of Hong Kong Exchanges and Clearing Limited (HKEX), is one of the long-standing derivative trading platforms in the Asia-Pacific region, which was established in 1976. It attracts many international investors with Hong Kong's status as a global financial center and offers a wide range of trading products, including stock index, commodity, interest rate, and foreign exchange futures, such as the Hang Seng Index Futures and gold futures. The Securities and Futures Commission (SFC) of Hong Kong enforces strict, high-level regulations to ensure fair, transparent trading, reduce market manipulation risks, and boost investor confidence. The HKFE uses an advanced electronic trading system and real-time clearing mechanism, supporting trading across Asian, European, and American hours, enhancing efficiency, security, and global trading.

- From 2020 to 2024, the emergence and recession of pandemic led to market fluctuations, driving up the risk-aversion demand of institutions. Concurrently, HKFE continuously rolled out mechanism optimization and product innovation initiatives, such as holiday trading services and the introduction of various option contracts. These measures attracted more investors to engage in futures and options market trading. As a result, the total volume of futures and options contracts traded on HKFE increased from 282.2 million in 2020 to 383.7 million in 2024, registering a compound annual growth rate of 8.0% over this period. However, given the slowdown in global economic growth, the price fluctuations of major trading varieties like the Hang Seng Index and the RMB exchange rate moved downward, reducing the value of contract underlying assets. Even with the rise in trading volume, the nominal value of contracts was negatively impacted. Over the same period, the nominal value of futures and options contracts decreased from USD13.2 trillion to USD11.6 trillion, with a compound annual growth rate of -3.2%.

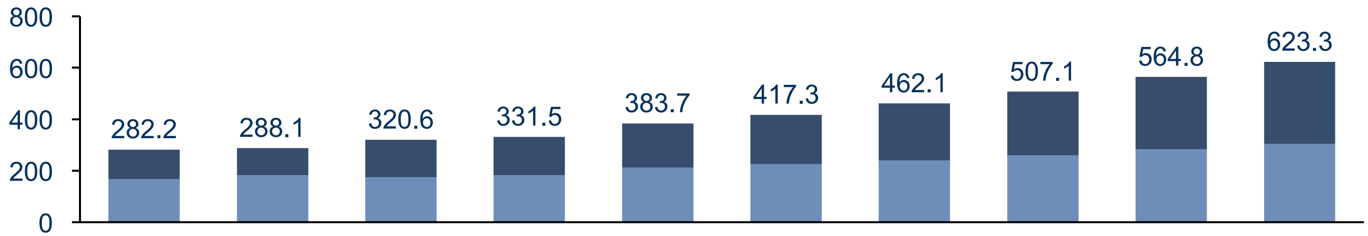
- With the deepening of cross-border connectivity, growth of climate-finance products, digital trading upgrade, expansion of emerging-market demand, popularization of digital tools and sustained growth in risk-management needs, the total futures and options contracts volume is projected to reach 623.3 million by 2029, with a nominal value of USD 13.0 trillion. In contract volume, futures are expected to reach parity with options in 2028. In nominal value, futures exceed options. This is because futures are mainly linked to large-scale commodities and financial indices with big trading units and high price bases, while options are more flexible and price-sensitive for individual investors' risk management.

Source: Frost & Sullivan

Analysis of Asia Derivatives Market (3/4)

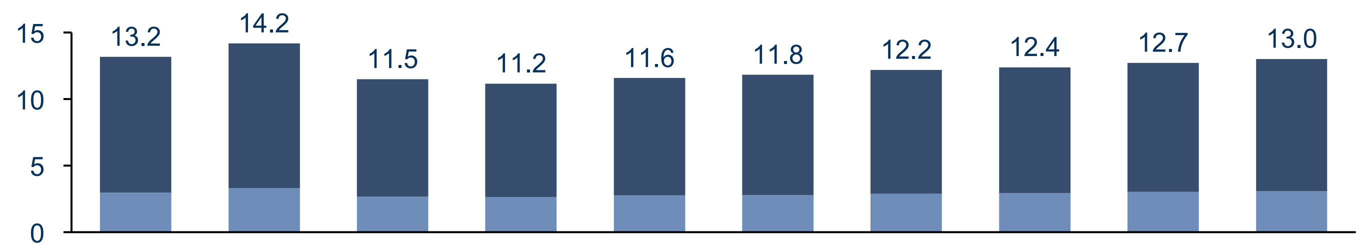
Total Volume and Nominal Value of Futures and Options, HKEX, 2020-2029E

Million



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Futures	115.1	106.0	145.4	149.0	171.2	191.1	222.7	248.0	281.8	319.2	10.4%	13.3%
Options	167.1	182.1	175.1	182.4	212.5	226.2	239.4	259.0	283.0	304.0	6.2%	7.4%
Total	**282.2**	**288.1**	**320.6**	**331.5**	**383.7**	**417.3**	**462.1**	**507.1**	**564.8**	**623.3**	**8.0%**	**10.2%**

USD Trillion



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Futures	10.2	10.9	8.8	8.5	8.8	9.0	9.3	9.4	9.7	9.9	-3.6%	2.4%
Options	3.0	3.3	2.7	2.6	2.8	2.8	2.9	2.9	3.0	3.1	-1.7%	2.1%
Total	**13.2**	**14.2**	**11.5**	**11.2**	**11.6**	**11.8**	**12.2**	**12.4**	**12.7**	**13.0**	**-3.2%**	**2.4%**

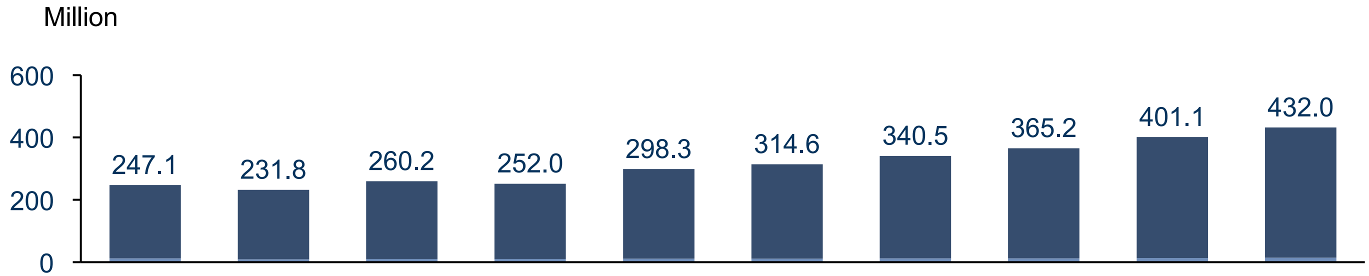
Source: FIA, Frost & Sullivan

Analysis of Asia Derivatives Market (4/4)

- The Singapore Exchange (SGX) is another major derivatives exchange in Asia. SGX was established in 1999 through a merger, which is the first comprehensive joint-stock exchange in the Asia-Pacific region integrating securities, derivatives, and commodity trading, and went public in 2000. SGX's product system is highly diversified, covering stocks, bonds, commodity futures, and derivatives. It has a dominant position in Asian stock index futures, offering related products across multiple markets to meet global investors' risk-management and investment needs. SGX uses an efficient electronic trading system supporting 24-hour global trading, with strong security and order processing capabilities. It also has strict capital adequacy requirements, comprehensive real-time monitoring, and a sound risk early-warning mechanism to maintain market stability.

- In 2024, the number of futures and options contracts on SGX was 298.3 million, up from 247.1 million in 2020, with a 5.2% CAGR. The Singapore economy and global factors affected the contract numbers in different years. Looking ahead, the total futures and options contracts volume projected to reach 432.0 million in 2029.

Total Volume of Futures and Options, SGX, 2020-2029E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (20-24)	CAGR (24-29E)
Futures	234.7	222.5	250.0	241.9	286.9	303.0	328.3	352.4	387.5	417.8	5.2%	7.8%
Options	12.5	9.3	10.2	10.0	11.4	11.5	12.2	12.8	13.6	14.2	-2.2%	4.4%
Total	**247.1**	**231.8**	**260.2**	**252.0**	**298.3**	**314.6**	**340.5**	**365.2**	**401.1**	**432.0**	**4.8%**	**7.7%**

Source: SGX, Frost & Sullivan

Entry Barriers of Overseas Futures Market

Entry Barriers	Description
Regulatory Barriers	• Policy regulatory barriers in global futures markets represent the primary restrictive factor. Countries establish strict access mechanisms through measures such as license management, cross-border transaction restrictions, and compliance reviews, creating significant difficulties for foreign capital entry. Additionally, emerging markets commonly impose foreign exchange controls and foreign ownership restrictions - for example, China used to impose long-term restrictions on foreign direct participation in crude oil futures trading and has only gradually opened up specific products in recent years. Furthermore, emerging businesses such as high-frequency trading and algorithmic strategies must comply with the EU's MiFID II framework's high transparency requirements, incurring substantial compliance costs; new entrants must invest significant resources to build compliance systems.
Capital Barriers	• Capital investment constitutes a core threshold for futures market operations. Establishing infrastructure such as trading systems and risk control platforms requires substantial financial outlays - for instance, a single investment by high-frequency trading firms to build low-latency data centers can reach hundreds of millions of yuan. Exchanges' margin requirements and liquidity demands further inflate costs, as new institutions must reserve sufficient capital to handle extreme market conditions. Moreover, the ongoing operational costs for futures companies are high, including fixed expenses such as costly Bloomberg terminals, clearing fees, and compliance audits, creating long-term financial pressures.
Technological Barriers	• Technological barriers manifest in three key areas: algorithmic models, data infrastructure, and risk control systems. Leading institutions rely on proprietary algorithms, requiring teams with top talent in both financial engineering and computer science, with R&D cycles spanning 3-5 years. Real-time processing of order flow data from dozens of global exchanges demands distributed computing architectures with latency controlled at the microsecond level, a technical standard that new enterprises struggle to achieve in the short term. Risk control systems must possess AI-powered real-time monitoring capabilities, featuring extremely high technological complexity that forms an insurmountable moat.
Customer Recognition Barriers	• Customer recognition barriers are embodied in three critical elements: track record, brand equity, and customized service capabilities. Large asset management institutions typically require suppliers to have a stable performance history of over five years, leaving new enterprises unable to pass due diligence due to lack of historical data. Established exchanges like CME (Chicago Mercantile Exchange) monopolize trading in core products through century-old credit endorsements, requiring new platforms to prove long-term security to gain trust. Additionally, top clients demand value-added services such as personalized clearing and hedging solutions, which can only be met by relying on deep industry expertise and resource networks.

Source: Frost & Sullivan

Drivers of Overseas Futures Market

Market Drivers	Description
Policy Regulations and Market Liberalization	• The liberalization of global futures markets and regulatory coordination are key drivers. Major economies like the U.S. and EU have revised derivatives regulations (e.g., the European Market Infrastructure Regulation) to reduce cross-border trade barriers. Chinese enterprises leverage these policies to expand overseas operations. For instance, Nanhua Futures established branches in Singapore and participated in the LME contract design to promote iron ore and copper trading. Additionally, China's "Belt and Road" initiatives have facilitated mutual recognition agreements with Southeast Asian and Middle Eastern exchanges, enhancing market accessibility. Moreover, in the domain of futures-related trade, the easing of tensions in areas such as regulatory cooperation and market access between China and the US has created more stable market conditions. This enables Chinese enterprises to more effectively leverage the liberalization of the global futures market.
Global Expansion of Chinese Enterprises	• Chinese enterprises' global operations directly stimulate overseas futures demand. New energy firms like CATL hedge raw material price volatility through the LME nickel futures, while cross-border e-commerce giant SHEIN uses the CME forex futures to manage currency risks. State-owned enterprises like COFCO have increased their share in the CBOT soybean trading to 12%, reshaping global agricultural pricing dynamics. These activities inject liquidity into overseas markets, driving diversification of contract types.
Strategic Expansion of Chinese Financial Institutions	• Chinese financial giants are expanding overseas futures trading capabilities to support corporate clients. They establish subsidiaries in global hubs and acquire stakes in foreign exchanges. Additionally, the CSRC encourages domestic futures brokers to obtain overseas licenses, enabling firms like Nanhua Futures to offer cross-border hedging solutions.
Technological Innovation and Digitalization	• AI and big data are revolutionizing trading efficiency. The CME's smart contracts reduced commodity settlement cycles, while ICE's big data analytics increased trading accuracy in energy futures. Chinese firms also contribute to market liquidity through cross-border arbitrage models (e.g., time-zone spread strategies). Quantum computing is emerging in cross-border position monitoring, as seen in CME-SHFE's AI risk-control platform.

Source: Frost & Sullivan

Development Trends of Overseas Futures Market (1/2)

Development Trends	Description
Globalization expansion	• In recent years, the overseas futures market has shown an expansion trend driven by the global layout. For instance, the North American market continues to take the lead, relying on its mature financial infrastructure and the ability to iterate products. Leading exchanges have achieved efficient cross-time zone docking through electronic trading systems, and the trading activity of interest rate and energy derivatives has significantly increased. The Southeast Asian market, on the other hand, has benefited from regional economic integration and the penetration of digital technologies. The trading scale of agricultural products and metal futures has expanded rapidly. Internet platforms and cross-border capital flows have further stimulated the hedging demands of retail investors and enterprises.
Accelerated International Strategic Expansion	• Global Network Building via Overseas Subsidiaries and Clearing Qualifications. Leading Chinese futures firms such as Nanhua Futures are deepening their global presence by establishing overseas subsidiaries. This strategy not only drives the "going global" initiative for Chinese futures companies but also facilitates the "bringing in" of international investors, establishing dual-service capabilities. Furthermore, the "three-step" internationalization strategy for securities firms, including securing qualifications, capital expansion, and talent acquisition, has strengthened market penetration in emerging regions such as Southeast Asia.
Product Innovation and Cross-Border Services	• Globalization of China-Led Futures Products. China's futures market is enhancing its global pricing influence through innovative product offerings. For instance, the Containerized Freight Index Futures, launched by the Shanghai International Energy Exchange, is the world's first shipping index futures product. With RMB-denominated pricing and cash settlement mechanisms, it has attracted significant international participation. Concurrently, the expansion of QFII/RQFII-eligible products has drawn foreign capital into China's market, fostering cross-border arbitrage and strategic innovation.

Source: Frost & Sullivan

Development Trends of Overseas Futures Market (2/2)

Development Trends	Description
Policy Liberalization and Foreign Capital Inflows	• Two-Way Opening Deepens Market Integration. China’s six major futures exchanges further expanded QFII/RQFII trading access, introducing new products such as industrial silicon and lithium carbonate to attract global industrial capital. This liberalization aligns domestic market rules with international standards through optimized margin management and dynamic risk control frameworks while encouraging foreign investors to engage in onshore hedging activities, thereby enhancing price discovery efficiency.
Technology-Driven Globalization	• Digitalization and Risk Management Capabilities. Chinese futures firms are leveraging AI and large-scale modeling technologies to bolster global competitiveness. To meet overseas investor demands, companies like Nanhua Futures are strengthening compliance frameworks and technical services, including customized settlement data solutions, multilingual trading systems, and global supply chain analysis reports for key sectors (e.g., new energy, shipping indices). These advancements address international clients’ needs for sophisticated risk management tools.

Source: Frost & Sullivan

Appendix (1/4)

- According to the announcements released by A - share listed companies in 2024, 1503 non - financial A - share listed companies have used hedging instruments, especially OTC derivatives and basis trading. This is an increase of 192 compared to 2023, with a growth rate of 14.7%. The hedging participation rate has also increased to 28.6%, up by 3.3 percentage points from 2023.
- In 2024, listed companies achieved overseas business revenue of 3.83 trillion yuan, representing a increase of 12.84%.
- By end of 2024, Qualified Foreign Institutional Investors (QFII and RQFII) are authorized to trade in 46 domestic futures and options contracts. 24 domestic contracts, covering 15 futures and 9 options, are designated for direct trading by overseas investors. This has significantly increased the involvement of foreign clients, laying the groundwork for global resource allocation. By the end of 2024, the number of active foreign clients grew by 17% year-on-year, and their positions in the market surged by 28% year-on-year.
- Since 2017, the notional principal of China‘s OTC derivatives transactions has grown from RMB333.1 billion to RMB3,181.7 billion in 2024, with an average CAGR of 45%. Despite this growth, the market size remains smaller than that of the United States, which totalled US$186.5 trillion as of December 31, 2024. In 2024, 1,503 A-share listed companies which are non-financial institutions participated in hedging activities, a 14.7% increase from 2023, raising the hedging participation rate to 28.6% .
- According to the F&S Report, we are also one of the few Chinese futures companies capable of fulfilling the delivery of spot commodities in the overseas market, enabling deeper involvement in the commodity and trade delivery process and offering comprehensive risk management services to Chinese enterprises expanding abroad.
- According to the F&S Report, we rank first among Chinese futures companies in terms of both our overseas branch network coverage and the number of overseas clearing seats. As of the Latest Practicable Date, we hold memberships on [14] international exchanges and maintain [11] clearing seats, including those at CME Group, LME, SGX, and ICE-US.
- According to the F&S Report, we ranked fourth in physical spot deliveries of TF- and RT-grade rubber on SGX in 2024. In addition, HGNG International, Nanhua Singapore, and Nanhua Financial all hold offshore brokerage qualifications for key Chinese exchanges such as the Dalian Commodity Exchange, Zhengzhou Commodity Exchange, and Shanghai International Energy Exchange, allowing overseas investors to trade China’s internationalized futures products through our global platforms.
- By the end of 2024, the number of our overseas clients had grown by 17%, while these clients’ futures positions had increased by 28% on a year-on-year basis, according to the F&S Report.
- According to the F&S Report, outbound capital from Chinese enterprises grew by 11% in 2023 compared to 2022, while the number of enterprises operating abroad increased by 23%. We believe these trends will continue to create substantial opportunities for us to expand our client base in overseas markets.

Source: Asset Management Association of China, Frost & Sullivan

Appendix (2/4)

- Nanhua launched the first commodity index in the PRC – Nanhua Commodity Index.
- Nanhua were among the first general clearing members of China Financial Futures Exchange.
- HGNH International Futures Co., Limited became one of the first exchange participants of the Hong Kong Futures Exchange Limited.
- Nanhua were one of the first batch companies to obtain the qualification to conduct investment consulting business.
- Nanhua were one of the first batch companies to participate in stock option trading at the Shanghai Stock Exchange.
- Nanhua Fund Management Limited and became the first futures company in China to conduct public fund services.
- Nanhua became the first batch members of Shanghai International Energy Exchange.
- Nanhua were listed on the Shanghai Stock Exchange in August 2019, marking us as the first ever futures company listed on the Shanghai Stock Exchange.
- From the origins as a PRC futures brokerage service provider, Nanhua have grown into a comprehensive, global financial services platform offering PRC futures brokerage, PRC risk management, PRC wealth management, and overseas financial services, covering the entire value chain of futures and derivatives. Nanhua's innovation is the primary driver of our development, Nanhua have achieved numerous industry firsts throughout our nearly 30-year of history:
    - in 2001, Nanhua established the first dedicated futures research institute in China's futures industry
    - in 2006, Nanhua became one of the first futures companies in China to establish a branch in Hong Kong
    - in 2007, Nanhua became one of the initial full clearing members of the China Financial Futures Exchange
    - in 2016, Nanhua became the first futures company in China's futures industry to establish a subsidiary carrying out public fund management business; and in 2019, Nanhua became the first futures company in China to be listed on the A-share market (stock code: 603093.SH)
- The PRC government actively promotes the roles of the futures and derivatives markets in serving the real economy by optimizing commodity futures for agriculture, manufacturing, and green development, enhancing financial futures to stabilize capital markets, and advancing international market expansion.

Source: Asset Management Association of China, Frost & Sullivan

Appendix (3/4)

- Since 2006, as China's global influence has grown, the PRC government has introduced policies to support Chinese enterprises in "going global," creating favorable conditions for overseas expansion.
- Additionally, the increasing openness of China's futures market has attracted overseas clients, whose needs we are able to meet through our cross-border servicing network.
- Nanhua were among the first companies established in China's futures industry, contributing to its evolution from early stages to a mature market.
- Nanhua are the Chinese futures and derivatives service provider with the most profound understanding of international futures and derivatives business, and also the international futures and derivatives services provider with the closest affinity to Chinese clients.
- Nanhua are one of a few PRC based futures companies qualified to conduct physical delivery of commodity spot contracts abroad.
- Nanhua ranked first among all futures companies in terms of overseas revenue in 2023.
- China's futures industry is transitioning from traditional brokerage to full-service derivative trading and risk management, including hedging, OTC options, and basis trading services. Since 2017, the notional principal of China's OTC derivatives transactions has grown from RMB333.1 billion to RMB3,181.7 billion in 2024, with an average CAGR of 45%. Despite this growth, the market size remains smaller than that of the United States, which totalled US$186.5 trillion as of December 31, 2024. In 2024, 1,503 A-share listed companies which are non-financial institutions participated in hedging activities, a 14.7% increase from 2023, raising the hedging participation rate to 28.6%.
- In the first half of 2024, listed Chinese companies generated RMB[3.8] trillion in overseas revenue, a 12.8% increase from the first half of 2023, according to the China Association for Public Companies. As Chinese enterprises expand globally, they face market risks like commodity price volatility and exchange rate fluctuations, increasing the need for futures and derivatives services to manage these risks.
- According to data published by the China Futures Association, the futures industry in China experienced modest growth during the Track Record Period, with total industry revenue of RMB40.2 billion, RMB40.1 billion, and RMB41.3 billion in 2022, 2023 and 2023, respectively, and industry-wide net profits of RMB11.0 billion, RMB9.9 billion, and RMB94.8 billion over the same period, respectively.
- Nanhua ROE ranked 17th, 3rd and [•] among [78] non-bank financial institutions listed in the PRC in 2022, 2023 and 2024, further demonstrating our strong financial performance relative to peers.
- In 2023, Nanhua ranked first among Chinese futures companies in terms of overseas revenue, highlighting our ability to leverage global opportunities to drive growth.

Source: Asset Management Association of China, Frost & Sullivan

Appendix (4/4)

- Outbound capital from Chinese enterprises grew by 11% in 2023 compared to 2022, while the number of enterprises operating abroad increased by 23%. these trends will continue to create substantial opportunities for us to expand our client base in overseas markets.
- Nanhua are one of only seven primary dealers in the PRC futures industry authorized to trade single- stock OTC derivatives.
- Nanhua’s asset management business in 2012, were among the first futures companies in China that were also licensed to provide asset management business.
- The CSI Hangzhou Bay Area Index was one of the earliest bay area economic-themed indices in China.
- Nanhua were one of the first futures companies in China to establish a presence in Hong Kong with the establishment of HGNH International.
- Nanhua established the Futures Research Institute, which was the first futures research institute in the industry, in 2001 to assist our clients in identifying and evaluating investment and hedging opportunities.
- Mr. Luo has over [29] years of experience in futures business and is one of the first generation of industry leaders advocating for futures business in the PRC.
- Nanhua were one of the first batch companies in China to obtain the qualification to conduct asset management business.
- This sizeable scale of Chinese funded assets abroad present significant opportunities for risk management services., particularly as these entities face increasingly complex market risks such as exchange rate fluctuations, interest rate changes, commodity price volatility, and geopolitical uncertainties.
- We are a leading PRC-based global financial services provider specializing in futures and derivatives.

Source: Asset Management Association of China, Frost & Sullivan

Thank You


Partner with you on the Road to Growth
Your Strategic Growth Partner