

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



## **Holly Futures**

*(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name 弘業期貨股份有限公司 and carrying on business in Hong Kong as Holly Futures) (the “Company”)*  
**(Stock Code: 3678)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

The board of directors (the “**Board**”) of the Company hereby announces the audited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020. This announcement, containing the full text of the 2020 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results. The audit committee of the Company, together with the management of the Company have reviewed the accounting principles and policies adopted by the Group and the consolidated financial statement for the year ended 31 December 2020. KPMG Huazhen LLP, the external auditor, has reviewed and agreed with the accounting principles and policies adopted by the Group and the consolidated financial statement for the year ended 31 December 2020.

A printed version of 2020 Annual Report of the Company will be dispatched to shareholders of the Company and will be available for viewing on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.ftol.com.cn](http://www.ftol.com.cn)) before or by the end of April 2021.

By order of the Board  
**Mr. Zhou Yong**  
*Chairman*

Nanjing, China  
26 March 2021

*As at the date of this announcement, the Board of the Company consists of Mr. Zhou Yong and Ms. Zhou Jianqiu as executive directors; Mr. Xue Binghai, Mr. Jiang Lin and Mr. Shan Bing as nonexecutive directors; and Mr. Wang Yuetang, Mr. Lam Kai Yeung and Mr. Huang Dechun as independent non-executive directors.*

# Contents

2	I Important
3	II Chairman's Statement
4	III Definitions
10	IV Company Profile
22	V Financial Summary
25	VI Management Discussion and Analysis
76	VII Report of the Board
86	VIII Other Material Matters
95	IX Changes in Share and Substantial Shareholders
98	X Directors, Supervisors, Senior Management and Staff
115	XI Corporate Governance Report
142	XII Report of Supervisory Committee
145	XIII Financial Report

# Important

The Board, the Supervisory Committee, Directors, Supervisors and the senior management of the Company warrant the truthfulness, accuracy and completeness of the annual report, in which there is no false representation, misleading statement or material omission and for which they will assume joint and several liabilities.

This report was considered and approved at the twenty-second meeting of the third session of the Board and the tenth meeting of the third session of the Supervisory Committee. All Directors and Supervisors were present at the respective meetings. No Directors, Supervisors or the senior management declared that they could not guarantee nor had any objection to the truthfulness, accuracy and completeness of this report.

The annual financial report for the year ended 31 December 2020 prepared by the Company in accordance with PRC Accounting Standard for Business Enterprises was audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)), and an auditor's report without reservation opinions was issued by them. All amounts set out in this report are expressed in Renminbi (RMB) unless otherwise indicated.

The Company's Chairman Mr. Zhou Yong, general manager Ms. Zhou Jianqiu and supervisor of finance Ms. Chen Rongping declare that they warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.

Forward-looking statements including future plan and development strategy involved in this report do not constitute the Company's substantive commitment to investors. Investors should be aware of investment risks.

# Chairman's Statement

The year of 2020 was an extraordinary year, during which “pandemic shock” and “anti-pandemic policies” dominated the performance of global macro-economy and financial market, eclipsing the influence of American Presidential Election and the Sino-US political game. The impact of the pandemic on the global economy was a once-in-a-century event, having dealt a heavy blow to the world economy, which can be evidenced by the macroeconomic indicators of each country. Macroeconomic policies were eased to an unprecedented degree to hedge against the impact of the pandemic. In particular, the global central banks, led by the Federal Reserve, have implemented unprecedented expansionary monetary policies, coupled with the huge fiscal stimulus of governments around the world represented by the US government, the macroeconomic indicators of each country have experienced a V-shaped rebound one after another. Under such extreme circumstances, the global financial market oscillated violently, and the market witnessed such history-making financial events as negative oil prices and several times of circuit breakers triggered on the American Stock Exchange in a short time.

In general, China's economy has made extraordinary achievements in this extremely extraordinary year, which won the approval of our people and worldwide attention, and will be remembered in history. These achievements were made in the midst of COVID-19 pandemic raging through the world, the world economy experiencing a severe recession and the external environment becoming more complicated and severe. China's anti-epidemic policy was unique, and it has done a “job” that no other government could copy. Amid raging global pandemic, China's economy outshone others owing to the performance of epidemic prevention and control that would be remembered in history. China took the lead in conducting a full work and production resumption, becoming the only country among major economies to achieve positive annual growth. All these achievements were never easy to be made. The Renminbi exchange rate has been soaring since May when China resumed production, which was a “vote of confidence” cast by the market on the economy.

In 2020, facing a sudden coronavirus epidemic and complicated international situation, the officers and employees of the Company, under the scientific decisions and strong leadership of the Party Committee and the Board and guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly implemented various decisions and plans. With the objective of achieving “dual victories” in the respect of epidemic prevention and control and operation and production, the Company put emphasis on the basic direction of high-quality growth and insisted on the general principle of seeking progress in stability and achieving stable quality to advance the implementation of key work in the whole year by turning crises into opportunities and seizing the momentum. The Company adhered to the innovation-driven strategy to expedite its development. The operating income and turnover from brokerage achieved by the Company increased by 141.98% and 88.43% year-on-year respectively; the average daily customer equity increased 47.40% year-on-year; the closing customer equity increased 61.22% year-on-year. The Company passed the re-evaluation of “National Civilized Unit” and were awarded more than 30 honors, such as the “China's Best Futures Companies”, “Top Ten Enterprises for Poverty Alleviation”, “Best Targeted Poverty Alleviation and Public Welfare Prize”, “JunDing Prize for China's Outstanding Poverty Alleviation Companies” and “JunDing Prize for Anti-Epidemic Pioneer Futures Companies”.

The year 2020 was undoubtedly the most difficult year during which the Company encountered more difficulties than expected and met greater challenges than anticipated, but we as the members of the Holly Futures family carried forward our spirit of being “not afraid of hardships, indomitable and courageous”, and thus better results were achieved by actively grasping the market opportunities, giving fully play to the Company's brand and platform advantages. During this extremely difficulty year, we won a victory in fighting against the COVID-19 pandemic and achieved the perfect closing of “13th Five-Year Plan”. In this definitely uneasy year, we have done our utmost to achieve “three major breakthroughs”, with the “unique advantages” of prioritizing Party building more prominent and the cadres “taking responsibility” more distinct, and the “ecological environment” for cadres' entrepreneurship becoming better. In this extremely extraordinary year, we achieved “four improvements” against the trend, with new improvements in major economic indicators, quality and efficiency of business development, ability to serve the real economy, and comprehensive influence in the industry. We have accumulated a good foundation in promoting high-quality development, effective practices in dealing with risks and challenges, and successful exploration experiences in innovation and reform. These advantages will definitely enable Holly Futures to have a broader space and occupy a better commanding height in its future development. As the saying goes, “Success only favors those who boldly forge ahead.” It is the right moment for us to brave the wind and waves, so let's make concerted efforts and brave difficulties to keep advancing the high-quality development of the Company!

**Zhou Yong**  
*Chairman*

Nanjing, the PRC  
26 March 2021



# Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

Artall Culture Group	Artall Culture Group Company Limited (愛濤文化集團有限公司, formerly known as Jiangsu Holly International Group Company Limited (江蘇弘業國際集團有限公司)), a limited liability company established under the laws of the PRC on 20 January 1999 and a wholly-owned subsidiary of our Controlling Shareholder
Articles of Association	the Articles of Association of Holly Futures Co., Ltd. currently in force
AUM	the amount of assets under management
Board	the board of directors of our Company
CFA or China Futures Association	China Futures Association (中國期貨業協會)
CFFE	China Financial Futures Exchange (中國金融期貨交易所)
Chairman	the chairman of the Company
Chief Risk Officer	the chief risk officer of the Company
client balances	cash and cash equivalents deposited by the brokerage clients with us for trading purpose, consisting of client margin deposits and settlement reserve funds
commission revenue	commission revenue of a futures company represents the sum of (i) commission and fee income generated from futures brokerage operations of a futures company and (ii) refund of relevant commission from futures exchanges
Company Law or PRC Company Law	Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented and otherwise modified from time to time
Company, our Company, we or Holly Futures	Holly Futures Co., Ltd. (弘業期貨股份有限公司), a joint stock limited company established in Jiangsu, the PRC under the laws of the PRC on 29 November 2012 and carrying on business in Hong Kong as “Holly Futures”, its H Shares of which are listed on Hong Kong Stock Exchange
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Controlling Shareholder	SOHO Holdings unless the context requires otherwise
Corporate Governance Code	the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules

CSRC	China Securities Regulatory Commission
DCE	Dalian Commodity Exchange (大連商品交易所)
Director(s)	director(s) of the Company
Domestic Share(s)	issued ordinary share(s) of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid up in RMB
end of Reporting Period	31 December 2020
FOF	a fund specially invests in other investment funds. It does not directly invest in stocks or bonds. With its investment limited to other funds only, it holds securitized assets such as stocks and bonds indirectly by holding other securities investment funds, becoming a new type of fund that combines fund product innovation with sales channel innovation
Group, our Group, us or we	our Company and its subsidiaries
High Hope Corporation	Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司) (formerly known as Jiangsu High Hope Corporation) (江蘇匯鴻股份有限公司), a limited liability company established in the PRC on 13 October 1992 which was subsequently converted to a joint stock limited company in 1994
High Hope International	Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團有限公司), a limited liability company established under the laws of the PRC on 18 December 1996 and one of the promoters of the Company, which was de-registered on 23 September 2015 as a result of the merger with High Hope Corporation by way of absorption
HK\$ or HKD or Hong Kong dollars	the lawful currency of Hong Kong
Holly Capital	Holly Capital Management Co., Ltd. (弘業資本管理有限公司), a limited liability company established under the laws of the PRC on 25 June 2013 and a wholly-owned subsidiary of our Company
Holly Corporation	Jiangsu Holly Corporation (江蘇弘業股份有限公司) (formerly known as Jiangsu Crafts Import & Export Trading Group Co., Ltd. (江蘇省工藝品進出口集團股份有限公司)), a limited liability company established under the laws of the PRC on 30 June 1994 and one of the promoters and a Shareholder of the Company

Holly Logistics	Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司) (formerly known as Jiangsu Pengcheng International Storage & Transportation Company Limited (江蘇鵬程國際儲運有限公司)), a limited liability company established under the laws of the PRC on 12 February 1996 and one of the promoters and a Shareholder of the Company
Holly International Asset Management	Holly International Asset Management Company Limited (弘業國際資產管理有限公司) (formerly known as Holly Su Asset Management Company Limited (弘蘇資產管理有限公司)), a company incorporated under the laws of Hong Kong with limited liability on 7 July 2016 and a wholly-owned subsidiary of our Company, which is licensed to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, and changed its name in December 2019
Holly International Financial	Holly International Financial Holdings Limited (弘業國際金融控股有限公司) (formerly known as Holly Su Futures (Hongkong) Co., Limited (弘蘇期貨(香港)有限公司)), a company incorporated under the laws of Hong Kong with limited liability on 20 October 2011 and a wholly-owned subsidiary of our Company which is licensed to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO, and changed its name in December 2019
Holly Su Industrial	Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司), a limited liability company established under the laws of the PRC on 23 February 2011 and one of the promoters and a Shareholder of the Company
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hongrui Venture Capital	Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司), a limited liability company established under the laws of the PRC on 29 September 2002 and one of the promoters and a Shareholder of the Company
H Share(s)	overseas listed foreign ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each listed on the Main Board of Hong Kong Stock Exchange
Introducing Broker(s)	a business partner of our Company who introduces clients to our Company for commission
Jiangsu AIC	Jiangsu Administration of Industry and Commerce (江蘇省工商行政管理局)

Jiangsu Holly	Jiangsu Holly Futures Brokerage Company Limited (江蘇弘業期貨經紀有限公司) (formerly known as Jiangsu Jinling Futures Brokerage Company Limited (江蘇金陵期貨經紀有限公司), Jiangsu Holly Futures Brokerage Company Limited (江蘇弘業期貨經紀有限公司) and Jiangsu Holly Futures Company Limited (江蘇弘業期貨有限公司)), a limited liability company established under the laws of the PRC on 31 July 1995 and the predecessor of the Company and, where the context refers to any time prior to its establishment, the business which its predecessors were engaged in
Jiangsu SASAC	State-owned Assets Supervision and Administration Commission of the Jiangsu People's Government (江蘇省人民政府國有資產監督管理委員會)
Jiangsu Securities Bureau	Jiangsu Securities Bureau of the China Securities Regulatory Commission (中國證券監督管理委員會江蘇監管局)
Listing Date	the date, being 30 December 2015, on which the H Shares were listed and from which dealings therein were permitted to take place on the Main Board of the Hong Kong Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
lot	the standardized quantity of futures as set out by the PRC Futures Exchange, and represents the minimum quantity of that futures that may be traded
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
MOF	Ministry of Finance of the PRC (中華人民共和國財政部)
MOFCOM	Ministry of Commerce of the PRC (中華人民共和國商務部)
Net Capital	equals net assets minus asset adjustment value plus liability adjustment value minus the deposits which the clients fail to fully replenish minus/plus other adjustment items recognised or approved by the CSRC
PRC Futures Exchanges	China Financial Futures Exchange (中國金融期貨交易所), Dalian Commodity Exchange (大連商品交易所), Shanghai Futures Exchange (上海期貨交易所) and Zhengzhou Commodity Exchange (鄭州商品交易所)
PRC or China	the People's Republic of China which, for the purpose of this report, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan



Prospectus	the prospectus in relation to H Shares of the Company dated 16 December 2015
PTA	pure terephthalic acid
Report	this annual report for 2020 of the Company
Reporting Period	the year ended 31 December 2020
RMB or Renminbi	the lawful currency of the PRC
Rules of Procedure for Meeting of the Board	the Rules of Procedure for Meeting of the Board of Holly Futures Co., Ltd. currently in force
R&D	research and development
SAT	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
settlement reserve funds	unrestricted and unutilised cash balances reserved for the settlement and clearing of the futures trading, which are deposited with the futures exchanges and commercial banks. Settlement reserve funds include client settlement reserve funds and our own settlement reserve funds
SFC	The Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Shanghai Mingda	Shanghai Mingda Industrial (Group) Company Limited (上海銘大實業(集團)有限公司), a limited liability company established under the laws of the PRC on 26 December 2002 and one of the promoters and a Shareholder of the Company
Share(s)	Domestic Share(s) and H Share(s)
Shareholder(s)	holder(s) of the Shares

SHFE	Shanghai Futures Exchange
SOHO Holdings	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) (formerly known as Jiangsu Silk Group Company Limited (江蘇省絲綢集團有限公司), a wholly state-owned limited liability company established under the laws of the PRC on 29 April 1994, which is the Controlling Shareholder and one of the promoters of the Company
State Council	State Council of the PRC (中華人民共和國國務院)
Supervisor(s)	supervisor(s) of our Company
Supervisory Committee	supervisory committee of our Company
ZCE	Zhengzhou Commodity Exchange (鄭州商品交易所)
QFII	Qualified Foreign Institutional Investor
RQFII	RMB Qualified Foreign Institutional Investor
IPO	initial public offering
GDR	global depository receipt, a financial instrument used in a non-open market to raise capital in US dollars or Euros
CTA	commodity trading advisory fund, also known as managed futures fund, refers to a fund organization in which professional fund managers use funds entrusted by clients to independently decide to invest in global futures markets and options markets for profit and charge corresponding management fees
Fixed income+	an investment strategy that consists of two types of investments, namely fixed income and floating income. Fixed income refers to the fixed income part, which is mainly invested in fixed income investment such as bonds, generally accounting for approximately 80% of the investment ratio. "+" means to increase income, which is mainly invested in funds, stocks, etc., generally not exceeding 20%
Stock arbitrage + offline new stock	stock securities lending arbitrage strategy, superimposed offline new stock subscription strategy

# Company Profile

## I. BASIC INFORMATION ABOUT THE COMPANY

### (1) NAME OF COMPANY

Chinese name: 弘業期貨股份有限公司 (a joint stock limited company established in Jiangsu, the PRC on 29 November 2012 under the PRC laws, and carrying on business in Hong Kong as “HOLLY FUTURES”)

Chinese abbreviation (in the PRC): 弘業期貨

English name: Holly Futures Co., Ltd.

### (2) BOARD

#### **Executive Directors**

Mr. Zhou Yong (Chairman)

Ms. Zhou Jianqiu

#### **Non-executive Directors**

Mr. Xue Binghai

Mr. Shan Bing

Mr. Jiang Lin

#### **Independent non-executive Directors**

Mr. Wang Yuetang

Mr. Lam Kai Yeung

Mr. Huang Dechun

**Special Committees of the Board**

Audit Committee	Mr. Lam Kai Yeung (Chairman) Mr. Xue Binghai Mr. Huang Dechun
Remuneration Committee	Mr. Huang Dechun (Chairman) Mr. Shan Bing Mr. Wang Yuetang
Nomination Committee	Mr. Zhou Yong (Chairman) Mr. Wang Yuetang Mr. Huang Dechun
Risk Management Committee	Mr. Wang Yuetang (Chairman) Mr. Xue Binghai Ms. Zhou Jianqiu Mr. Jiang Lin

**(3) SUPERVISORY COMMITTEE**

Ms. Yu Hong (Chairlady of the Supervisory Committee)  
Ms. Wang Jianying  
Ms. Yao Aili

**(4) LEGAL REPRESENTATIVE**

Ms. Zhou Jianqiu

## (5) REGISTERED CAPITAL

RMB907 million

## (6) QUALIFICATIONS FOR BUSINESSES IN CHINA

Commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management, sales of funds, trading participant for stock options

## (7) HEAD OFFICE IN CHINA

Registered address of the Company: No. 50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (postcode: 210001)

Office address of the Company: Holly Tower, No. 50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (postcode: 210001)

Website of the Company: [www.ftol.com.cn](http://www.ftol.com.cn)

Email address: [zqb@ftol.com.cn](mailto:zqb@ftol.com.cn)

## (8) PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## (9) SECRETARY TO THE BOARD

Secretary to the Board: Mr. Huang Haiqing

Address: 6/F, Holly Tower, No. 50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (postcode: 210001)

Tel: 025-52278980

Email: [huanghaiqing@ftol.com.cn](mailto:huanghaiqing@ftol.com.cn)

## (10) JOINT COMPANY SECRETARIES

Mr. Huang Haiqing and Ms. Leung Wing Han Sharon

## (11) AUTHORIZED REPRESENTATIVES OF THE COMPANY

Ms. Zhou Jianqiu and Mr. Huang Haiqing

## (12) STATUTORY AUDIT INSTITUTIONS OF THE COMPANY

KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥))

Public Interest Entity Auditor recognised in accordance with the Financial Reporting Council Ordinance



### (13) LEGAL ADVISERS

As to Hong Kong Law: Chung's Lawyers in association with DeHeng Law Offices

As to PRC Law: Allbright Law Offices Nanjing

### (14) PRINCIPAL BANKERS

Bank of China Limited  
China Construction Bank Corporation  
Agricultural Bank of China Limited  
Industrial and Commercial Bank of China Limited  
Bank of Communications Co., Ltd.  
Shanghai Pudong Development Bank Co., Ltd.  
China Minsheng Banking Corp., Ltd.  
Industrial Bank Co., Ltd.  
Evergrowing Bank Co., Ltd.  
China CITIC Bank Corporation Limited  
China Merchants Bank Co., Ltd.  
Bank of Jiangsu Co., Ltd.  
Bank of Nanjing Company Limited  
China Everbright Bank Co., Ltd.  
Ping An Bank Co., Ltd.  
Bank of Hangzhou Co., Ltd.  
Hua Xia Bank Company Limited  
China Guangfa Bank Co., Ltd.  
Wing Lung Bank Limited  
Bank of China (Hong Kong) Limited

### (15) H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

### (16) STOCK CODE

03678

## II. DEVELOPMENT HISTORY

The Company is formerly known as Jiangsu Jinling Futures Brokerage Company Limited (江蘇金陵期貨經紀有限公司) ("Jinling Futures"), which was established on 31 July 1995 upon the approval of the CSRC. Upon its establishment, its registered capital was RMB10.00 million and its equity interest was held as to 60% by Jiangsu Metallurgy Commodities Trading Market (江蘇省冶金物資交易市場) ("Metallurgy Commodities") and as to 40% by Jiangsu Nonferrous Metal Industrial Company Limited (江蘇省有色金屬工業公司) ("Jiangsu Nonferrous").

In 1999, 60% equity interest as held by Metallurgy Commodities and 30% equity interest as held by Jiangsu Nonferrous in Jinling Futures were transferred to Jiangsu Crafts Import & Export Trading Group Co., Ltd. (江蘇省工藝品進出口集團股份有限公司) ("Jiangsu Crafts", and now known as Jiangsu Holly Corporation (江蘇弘業股份有限公司)), and 10% equity interest as held by Jiangsu Nonferrous in Jinling Futures was transferred to Jiangsu Pengcheng International Storage & Transportation Company Limited (江蘇鵬程國際儲運有限公司) ("Pengcheng International", and now known as Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司)). Upon the transfer, the registered capital of the Company was RMB10.00 million, of which RMB9.00 million or 90% and RMB1.00 million or 10% were contributed by Jiangsu Crafts and Pengcheng International respectively.

In 1999, the Company changed its name to Jiangsu Holly Futures Brokerage Company Limited (江蘇弘業期貨經紀有限公司). Its registered capital increased to RMB30.00 million, and RMB19.20 million and RMB0.80 million of the capital increase were contributed by Jiangsu Crafts and Pengcheng International respectively. After the completion of the capital increase, 94% of its registered capital or RMB28.20 million and 6% or RMB1.80 million were contributed by Jiangsu Crafts and Pengcheng International respectively.

In 2001, Holly Corporation transferred 48% equity interests in Jiangsu Holly to Jiangsu Holly International Group Investment Management Company Limited (江蘇弘業國際集團投資管理有限公司) ("Holly Investment"). After the equity transfer, 48% of the registered capital of Jiangsu Holly or RMB14.40 million was contributed by Holly Investment; 46% or RMB13.80 million by Holly Corporation; and 6% or RMB1.80 million by Holly Logistics.

In 2006, retain profit of RMB8.00 million of Jiangsu Holly was converted into paid-up capital and the registered capital of Jiangsu Holly increased to RMB38.00 million. After the completion of the capital increase, 48% of the registered capital of Jiangsu Holly or RMB18.24 million was contributed by Holly Investment; 46% or RMB17.48 million by Holly Corporation; and 6% or RMB2.28 million by Holly Logistics.

In 2007, the registered capital of Jiangsu Holly increased to RMB50.00 million, and RMB3.195 million, RMB3.955 million, RMB2.45 million and RMB2.40 million of the capital increase were contributed by Holly Investment, Holly Corporation, Hongrui Venture Capital and Shanghai Mingda. After the completion of the capital increase, 42.87% of the registered capital of Jiangsu Holly or RMB21.435 million was contributed by Holly Investment; 42.87% or RMB21.435 million by Holly Corporation; 4.56% or RMB2.28 million by Holly Logistics, 4.90% or RMB2.45 million by Hongrui Venture Capital; and 4.80% or RMB2.40 million by Shanghai Mingda. In 2008, the registered capital of Jiangsu Holly increased to RMB108.00 million, of which RMB20.00 million was converted from audited capital reserve for 2007 of RMB4.92 million and retained profit of RMB15.08 million. Meanwhile, shareholders of Jiangsu Holly made cash contribution of RMB38.00 million to the capital. After the capital increase, the shareholding of each shareholder remained unchanged.

In 2009, the registered capital of Jiangsu Holly increased to RMB138 million. After the completion of the capital increase, 44.42% of the registered capital of Jiangsu Holly or RMB61.2996 million was contributed by Holly Investment; 44.42% or RMB61.2996 million by Holly Corporation; 3.57% or RMB4.9248 million by Holly Logistics, 3.83% or RMB5.292 million by Hongrui Venture Capital; and 3.76% or RMB5.184 million by Shanghai Mingda.

In 2011, the registered capital of Jiangsu Holly increased to RMB380 million. After the completion of the capital increase, 21.75% of the registered capital of Jiangsu Holly or RMB82.65 million was contributed by Holly Investment; 21.75% or RMB82.65 million by Holly Corporation; 21.34% or RMB81.0812 million by SOHO Holdings; 21.11% or RMB80.218 million by Holly Su Industrial; 10.00% or RMB38.00 million by High Hope International; 1.39% or RMB5.292 million by Hongrui Venture Capital; 1.36% or RMB5.184 million by Shanghai Mingda; and 1.30% or RMB4.9248 million by Holly Logistics. In 2011, Jiangsu Holly changed its name into Jiangsu Holly Futures Company Limited (江蘇弘業期貨有限公司), where its registered capital and shareholding structure remained unchanged.

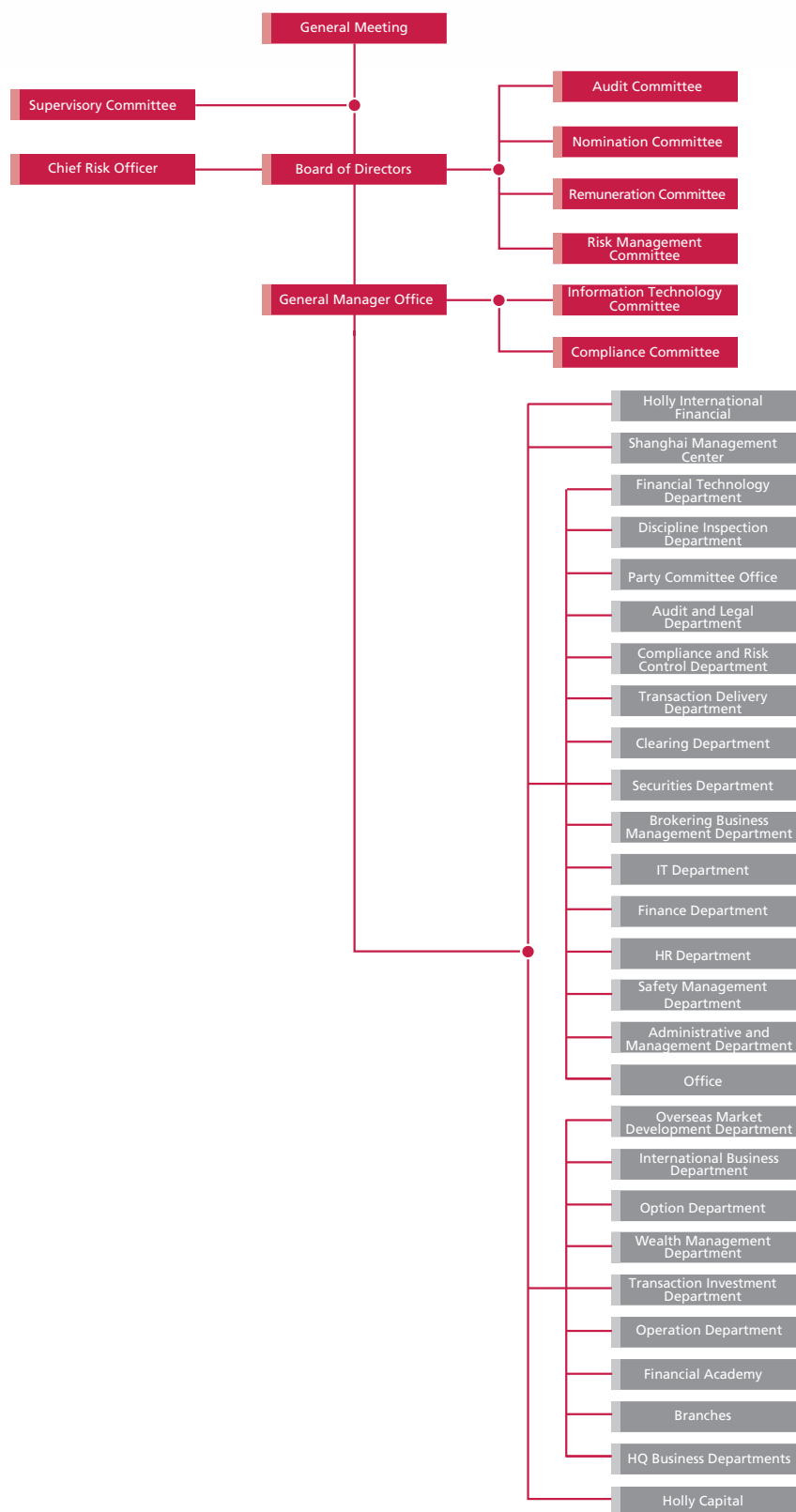
In 2012, the 21.75% equity interest in Jiangsu Holly as held by Holly Investment was transferred to SOHO Holdings and SOHO Holdings held 43.09% equity interest in Jiangsu Holly after the transfer.

On 29 November 2012, the whole of Jiangsu Holly was transformed into Holly Futures Co., Ltd. After the overall transformation, the total share capital of the new company amounted to 680,000,000 shares, of which 292,992,674 shares or 43.09% were held by SOHO Holdings; 147,900,000 shares or 21.75% by Holly Corporation; 143,548,000 Shares or 21.11% by Holly Su Industrial; 68,000,000 Shares or 10.00% by High Hope International; 9,469,895 Shares or 1.39% by Hongrui Venture Capital; 9,276,631 Shares or 1.36% by Shanghai Mingda; and 8,812,800 Shares or 1.30% by Holly Logistics.

In 2015, High Hope International was deregistered as a result of the merger with High Hope Corporation by way of absorption. The 68,000,000 shares of the Company as held by High Hope International were transferred to High Hope Corporation.

On 18 August 2015, the CSRC issued the Reply on Approving Holly Futures Co., Ltd.'s Offering of Overseas Listed Foreign Shares (Zheng Jian Xu Ke [2015] No. 1963) (《關於核准弘業期貨股份有限公司發行境外上市外資股的批覆》(證監許可[2015]1963號)) to approve the Company's offering of no more than 261,050,000 overseas listed foreign shares, all of which are ordinary shares of a nominal value of RMB1 each. On 30 December 2015, the shares issued by the Company overseas were listed on the Main Board of Hong Kong Stock Exchange (stock abbreviation: Holly Futures; and stock code: 03678). According to the Reply Concerning Transfer of State-owned Equities of Holly Futures Co., Ltd. (Guo Zi Chan Quan [2015] No. 411) (《關於弘業期貨股份有限公司國有股轉持有關問題的批覆》(國資產權[2015]411號)) by State-owned Assets Supervision and Administration Commission of the State Council, after the completion of such offering of the Company, the state-owned shareholders Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司), Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司), Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司) and Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司) transferred their respective 17,535,897 shares, 4,069,866 shares, 566,782 shares and 527,455 shares (22,700,000 shares in total) to National Council for Social Security Fund. Upon the listing, the total share capital of the Company amounted to 907,000,000 shares, which were held by Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) as to 275,456,777 shares or 30.37%, by Jiangsu Holly Corporation (江蘇弘業股份有限公司) as to 147,900,000 shares or 16.31%, by Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司) as to 143,548,000 shares or 15.83%, by Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司) as to 63,930,134 shares or 7.05%, by Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司) as to 8,903,113 shares or 0.98%, by Shanghai Mingda Industrial (Group) Company Limited (上海銘大實業(集團)有限公司) as to 9,276,631 shares or 1.02%, by Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司) as to 8,285,345 shares or 0.91%, by Jiangsu Holly Yongchang (Hong Kong) Co., Limited (江蘇弘業永昌(香港)有限公司) as to 8,300,000 H Shares or 0.92% and by public shareholders of H Shares as to 241,400,000 H Shares or 26.61%.

### III. ORGANIZATIONAL STRUCTURE





## IV. SUBSIDIARIES

Name	Registered and office address	Principal activities	Place of incorporation and principal place of operation	Date of incorporation	Registered capital	Shareholding ratio	Remarks
Holly Capital Management Co., Ltd.	Room 201, Block A, No. 1 Qianwan Road 1, Qianhai Shenzhen Hong Kong Cooperative District, Shenzhen, the PRC	Basis trading, cooperation hedging, warehouse receipts services, OTC derivatives business, market making business	PRC	25 June 2013	RMB240 million	100%	
Holly International Financial	Room 03-05, 20/F, Jubilee Centre, No. 42-46 Gloucester Road, Wanchai, Hong Kong	Provisions of futures trading and securities trading	Hong Kong	20 October 2011	HKD190 million	100%	Acquired by the Company on 30 September 2015
Holly International Asset Management	Room 03-05, 20/F, Jubilee Centre, No. 42-46 Gloucester Road, Wanchai, Hong Kong	Asset management, securities investment consulting	Hong Kong	7 July 2016	HKD20 million	100%	Established and wholly owned by Holly International Financial

## V. DISTRIBUTION OF FUTURES BRANCHES AND SUB-BRANCHES

As at the end of the Reporting Period, the Company had established 39 futures branches and 6 sub-branches in the PRC with the approval from the CSRC. The details are set out in the following table:

Serial No.	Branch/Sub-branch	Business Address	Date of Establishment
1	Beijing Branch	Unit B2, 901, 9th Floor, 118 Jianguo Road, Chaoyang District, Beijing City	2 February 2005
2	Changshu Branch	Room A617, A618, A620, No. 45 Haiyu North Road (Changshu World Trade Center), Changshu City, Jiangsu Province	23 July 2013
3	Changzhou Branch	Room 1003, Building 2, Tianning Times Square, 19 Zhulin West Road, Changzhou City	24 September 2002
4	Chengdu Branch	Unit 4, 19/F, Section 2, Block 1, No. 88 Shujin Road, Chengdu	25 January 2013
5	Changsha Branch	1405, Changfang Dongjun Building, 99 Renmin East Road, Furong District, Changsha City	11 December 2008
6	Chongqing Branch	Unit 5, 18/F, 1 Qingyun Road, Jiangbei District, Chongqing City	30 December 2011
7	Fuzhou Branch	Unit 1907-1908, 19th Floor of Lippo Tianma Plaza, 1 Wuyibei Road, Gulou District, Fuzhou City, Fujian Province	10 November 2008
8	Guangzhou Branch	Room 1201, No. 138 Tiyu East Road, Tianhe District, Guangzhou City	8 March 2011
9	Haikou Branch	Room 1809, Fortune Centre, No. 38 Datong Road, Longhua District, Haikou City, Hainan Province	25 March 2010
10	Hangzhou Branch	Unit 1007, Block 1, Shipping International Administration Mansion, Shangcheng District, Hangzhou City	20 February 2008
11	Hefei Branch	Room 707, Block 1, Wucai Commercial Plaza, No. 129 Wangjiang West Road, Shushan District, Hefei City	26 December 2007
12	Huai'an Branch	Room 1111, 1112, office building of Huaihai City One, Qinghe District, Huai'an City	8 May 2012
13	Jinan Branch	910, Tower C, Shimao International Plaza, Lixia District, Jinan City	7 August 2009
14	Jiangyin Branch	Unit A, 14/F, Hailan International Trade Building, No. 118 Chengjiang Middle Road, Jiangyin City	23 July 2013
15	Lianyungang Branch	Room 907 & 908, No. 26. Hailian East Road, Haizhou District, Lianyungang City, Jiangsu Province	16 September 2011
16	Nanning Branch	No. 2518, No. 2519, No. 2520, Building 1 Nanning Qingxiu Wanda Plaza West, No. 118 Dongge Road, Qingxiu District, Nanning City	19 September 2008

Serial No.	Branch/Sub-branch	Business Address	Date of Establishment
17	Nantong Branch	No. 6 Yaogang Road, Nantong City	6 September 2007
18	Ningbo Branch	Building 1, Wante Business Center, High-tech Zone, Ningbo City, Zhejiang Province	7 July 2011
19	Qingdao Branch	Room 2301, Building No. 1, No. 10 Xianggang Zhong Road, Shinan District, Qingdao City	26 November 2007
20	Shanghai Branch	Room 1210, 1211, No. 1589 Century Avenue, China (Shanghai) Pilot Free Trade Zone	15 August 2007
21	Shenzhen Branch	Unit 808A, Modern Commercial Building, intersection between Jintian Road and Fuhua Road, Futian Sub-district, Futian District, Shenzhen City	22 February 2013
22	Shenyang Branch	Room 707, Jiarun Building, No. 161 Nanjing North Street, Heping District, Shenyang City	11 October 2010
23	Suzhou Branch	Room 2160, Bojin Building, No. 1338 Sanxiang Road, Gusu District, Suzhou City	18 December 2001
24	Suqian Branch	Nos. 2401, 2402, 2403, 2404, 2418, Zhejiang Building Commercial Office, Suqian City, Jiangsu Province	5 May 2010
25	Taiyuan Branch	Unit A, 5/F, Block A, Building 1, No. 9 Fuxi Street, Xinghualing District, Taiyuan City	2 February 2012
26	Taizhou Branch	Room 205, Room 106, No.607, Gulou South Road, Hailing District, Taizhou City	3 July 2008
27	Zhangjiagang Free Trade Zone Branch	Room 2406A, Grain and Oil Market, Binjiang Building, Zhangjiagang Free Trade Zone	30 August 2019
28	Wuxi Branch	Room 531-1706, 1707, Zhongshan Road, Wuxi City	12 December 2003
29	Wuhu Branch	Room 1004, 1005, Weixing Times Financial Centre, Wuhu City, Anhui Province	28 June 2012
30	Xiamen Branch	Room 1304, No. 820 Xiahe Road, Siming District, Xiamen City, Fujian Province	18 November 2013
31	Xi'an Branch	Room G, 13/F, New Times Plaza, No. 55 Beida Street, Lianhu District, Xi'an City	10 April 2009
32	Xuzhou Branch	Room 1-3903, 3904, 3905, Podium Building A, Suning Plaza, 29 Huaihai East Road, Gulou District, Xuzhou City	4 January 2008
33	Yancheng Branch	Room 3A07, 3A08, 4/F, Huabangdong Mansion, No. 1 Renmin South Road, Yancheng City	16 June 2009

Serial No.	Branch/Sub-branch	Business Address	Date of Establishment
34	Yangzhou Branch	Room 803, Zijin Plaza, No. 10 Wenchang West Road, Yangzhou	25 October 2002
35	Yixing Branch	Room 201-A, 2/F, Yixing International Trade Building, No. 21 Jiao Yu West Road, Yicheng Street, Yixing City	23 August 2013
36	Zhangjiagang Branch	No. 178 Chengbei Road, Zhangjiagang City	6 September 2013
37	Liyang Branch	Room 2507, office building of Futian Center, No. 28 Yanshan Middle Road, Licheng Town, Liyang City	29 August 2017
38	Haimen Branch	Room 507, Building A Guanghua Building, No. 965 Nanhai Road, Haimen Sub-district, Haimen City, Nantong City	30 October 2018
39	Zhenjiang Branch	17/F, Workers Building, No. 8 Guang Cheng Road, Runzhou District, Zhenjiang City	31 October 2008
40	Beijing Sub-branch	Unit C1, 901, 9th Floor, 118 Jianguo Road, Chaoyang District, Beijing City	24 January 2017
41	Northeast Sub-branch	Room 2302, Dalian Futures Building, Block A, Dalian International Finance Center, No. 129 Exhibition Road, Sha He Kou District, Dalian City, Liaoning Province	26 November 2008
42	Jiangnan Sub-branch	No. 21 Jiao Yu West Road, Yicheng Street, Yixing City	6 December 2016
43	Shanghai Sub-branch	Unit 01, 20/F, Tower 1, No. 1788, 1800, Century Avenue, China (Shanghai) Pilot Free Trade Zone	15 October 2016
44	Shenzhen Sub-branch	Unit 808B, Modern Commercial Building, intersection between Jintian Road and Fuhua Road, Futian Sub-district, Futian District, Shenzhen City	13 July 2016
45	Zhengzhou Sub-branch	Room 1006, Futures Building, No. 30 Business Outer Ring Road, Zheng Dong New District, Zhengzhou City	1 July 2008

# Financial Summary

## 1. Major accounting data and financial indicators

(Unless otherwise specified, the accounting data and financial indicators contained in this annual report are prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF, financial data are presented in whole figure. Difference exists in the mantissa between the total of some tables and the direct addition of various values which is due to rounding of numbers.)

### Major accounting data and financial indices for the past five years

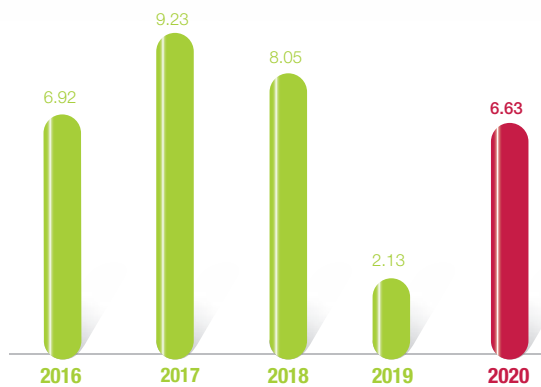
2020 as compared to 2019							
In RMB0'000	2020	2019	Change in amount	Change	2018	2017	2016
Operating income	156,138	64,524	91,614	141.98%	61,617	52,317	32,733
Total profit	9,270	4,158	5,112	122.94%	10,561	12,012	9,555
Net profit – attributable to shareholders of the Company	6,632	2,127	4,505	211.80%	8,051	9,233	6,919
Net cash generated from operating activities inflows/(outflows)	80,307	11,192	69,115	617.54%	(11,791)	19,237	(79,476)
<b>Earnings per share (RMB/share)</b>							
Basic earnings per share	0.0731	0.0234			0.0888	0.1018	0.0763
Diluted earnings per share	0.0731	0.0234			0.0888	0.1018	0.0763
<b>Profitability indicators</b>							
Weighted average return on net assets	4.07%	1.31%			4.91%	5.67%	4.36%

2020 as compared to 2019							
Scale indicators (RMB0'000)	As of 31 December 2020	As of 31 December 2019	Change in amount	Change	As of 31 December 2018	As of 31 December 2017	As of 31 December 2016
Total assets	634,916	451,077	183,839	40.76%	429,675	582,904	483,251
Total liabilities	470,249	291,180	179,069	61.50%	264,926	418,687	322,365
Customers' equity payable	428,784	265,955	162,829	61.22%	246,532	356,612	304,079
Equity attributable to shareholders of the Company	164,667	159,897	4,770	2.98%	164,749	164,217	160,887
<b>Total share capital ('000)</b>	<b>907,000</b>	<b>907,000</b>			<b>907,000</b>	<b>907,000</b>	<b>907,000</b>
<b>Net assets value per share attributable to shareholders of the Company (RMB per share)</b>	<b>1.82</b>	<b>1.76</b>			<b>1.82</b>	<b>1.81</b>	<b>1.77</b>
<b>Gearing ratio <sup>Note 1</sup></b>	<b>20%</b>	<b>14%</b>			<b>10%</b>	<b>27%</b>	<b>10%</b>

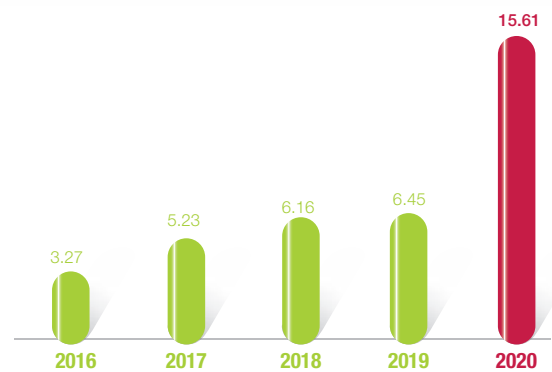
Note 1: Gearing ratio = (Total liabilities – Customers' equity payable)/(Total assets – Customers' equity payable)



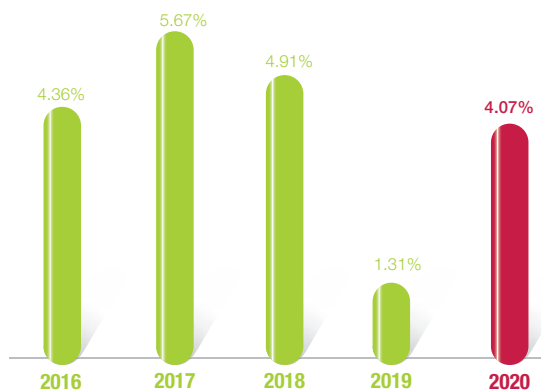
Net profit – attributable to  
shareholders of the Company  
(RMB '0 million)



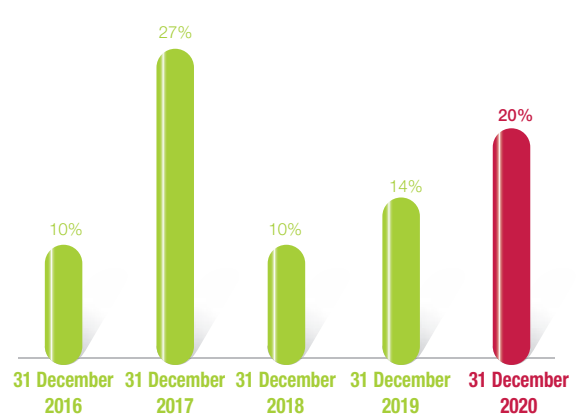
Operating income  
(RMB'00 million)



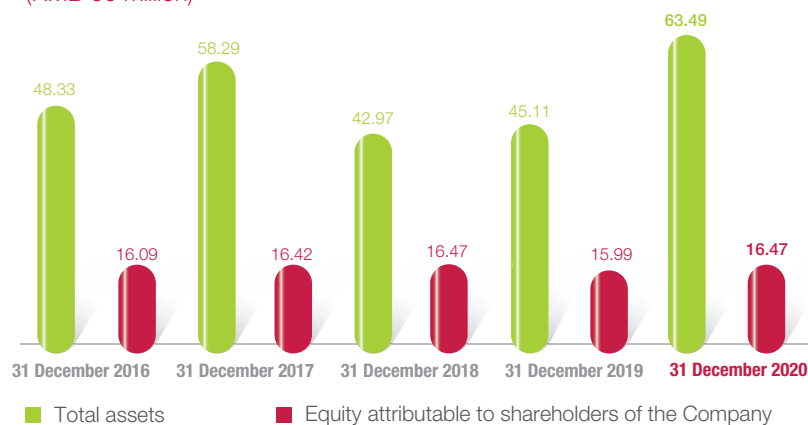
Weighted average return on net assets



Gearing ratio



Scale indicators  
(RMB'00 million)



## 2. Net capital and relevant risk control indicators of the Company

The Net capital of the Company as at 31 December 2020 amounted to RMB962 million, representing a decrease of RMB135 million as compared with RMB1.097 billion as at the 31 December 2019. During the Reporting Period, various risk control indicators of the Company including the net capital met regulatory requirements. (The following table sets out the net capital and the major risk control indicators prepared by the Company in accordance with PRC Accounting Standards and the regulatory requirements in the PRC)

	<b>As of 31 December 2020</b>	<b>As of 31 December 2019</b>	<b>Warning level</b>	<b>Supervision level</b>
Net capital (RMB million)	<b>962</b>	1,097	36	30
Net capital/total risk capital reserves (%)	<b>344%</b>	697%	120%	100%
Net capital/net assets (%)	<b>58%</b>	69%	24%	20%
Current assets/current liabilities (%)	<b>453%</b>	716%	120%	100%
Total liabilities/net assets (%)	<b>20%</b>	11%	120%	150%
Proprietary settlement reserve funds (RMB million)	<b>377</b>	529	—	10

# Management Discussion and Analysis

## I. Industry review

2020 was an extraordinary year in the history of the People's Republic of China. Facing the grave and complex domestic and international environment, especially the severe impact of the COVID-19 epidemic, local authorities and government departments, under the strong leadership of the Central Committee of the Communist Party of China with Comrade Xi Jinping at its core, prudently implemented the decisions and plans of the Party Central Committee and the State Council, and put protecting the people and human life above everything else, whereby new process in our response to COVID-19 and advancing economic and social development was achieved and China become the first country among the world's major economies to achieve growth, with economic aggregate entering a new level of one hundred trillion yuan. Local authorities and government departments acted on the general principle of pursuing progress while ensuring stability, insisted on carrying out COVID-19 prevention and control and pursuing economic and social development in a more coordinated way, intensified their efforts on macro policies to offset the impact of the epidemic, took solid steps to ensure stability on six key fronts, and fully carried out the task of maintaining security in six key areas, and thus major strategic success was achieved in controlling the epidemic, and the major goals and tasks for economic and social development were accomplished, which was better than expected. The "13th Five-Year Plan" has been perfectly closed, and securing a full victory in building a moderately prosperous society in all respects was in sight. In particular:

First, great achievements have been made in carrying out COVID-19 prevention and control and pursuing economic and social development in a coordinated way. Thanks to the joint efforts made by all Chinese people, China was able to take the lead in containing the COVID-19 epidemic and reopening its economy, becoming the world's only major country to achieve growth. In late March, local spread of the COVID-19 was basically interrupted, and in late April, enterprises above designated size were running on over 90% capacity. In the second quarter, GDP growth was 3.2%, turning from negative to positive. In the third and fourth quarters, GDP growth was 4.9% and 6.5%, respectively, with GDP for the year growing by 2.3%. China's GDP reached RMB101.6 trillion in 2020 with economic aggregate entering a new level of RMB100 trillion.

Second, a decisive victory in the battle against poverty has been achieved. All poor rural residents living below the current poverty line were lifted from poverty, as were all of China's 832 poor counties, thus eliminating absolute poverty historically. The income of rural residents in poverty-stricken areas was growing rapidly. In 2020, the nominal growth rate of per capita disposable income of rural residents in seven provinces or regions, namely Guangxi, Sichuan, Guizhou, Yunnan, Gansu, Ningxia and Xinjiang, where poverty-stricken population is larger, was 0.2 to 1.7 percentage points faster than the national rural areas.

Third, significant headway has been made in implementing macro regulation. Quarterly economic growth indicators returned to normal levels. In the fourth quarter, GDP grew by 6.5% year-on-year, registering 0.7 percentage points higher than the same period of last year; the value added of industrial enterprises above designated size increased by 7.1%, representing 1.1 percentage points higher than the same period of last year. The projected targets for employment and CPI for the year were accomplished. A total of 11.86 million urban jobs nationwide were added in 2020, exceeding the annual target. A national surveyed urban unemployment rate for

the year averaged 5.6%, lower than the projected target of around 6%. CPI increased by 2.5% in 2020, lower than the projected target of around 3.5%. CPI generally grew in step with economic growth. Chinese residents saw their per capita disposable income increased by 2.1% in 2020, which was in step with economic growth. Overall improvement was made in the balance of international payments. At the end of 2020, the balance of foreign exchange reserves was US\$3,216.5 billion, an increase of US\$108.6 billion over the end of last year. Energy consumption per unit of GDP has dropped, and in 2020, a drop of 0.1% in energy consumption per unit of GDP was achieved in 2020 as compared with the previous year. The major targets for macro regulation have been achieved in a better-than-expected manner.

Fourth, “ensuring stability on six key fronts” and “maintaining security in six key areas” have seen implementation and effectiveness. The employment of residents was guaranteed. In December, the surveyed urban unemployment rate for the main employed population aged 25-59 was 4.7%, which was resumed to the same level as last year. People’s basic living needs was adequately met, with a nominal increase of 8.7% in per capita net transfer income of national residents in 2020 as compared to last year, which demonstrated the intensified efforts made to guarantee basic living standard for people unable to work. Market entities thrived. From January to November, the profit achieved by industrial enterprises above designated size increased by 2.4%, remaining a double-digit growth rate for six consecutive months. The supply of food and energy increased, with total grain output of 1,339.0 billion metric tons and a year-on-year increase of around 2.8% in total primary energy output. Industrial and supply chains were basically stable, and the growth of each industry continued to expand. In 2020, the value added of 25 industries in 41 major categories of industries above designated size increased, an increase of 5 industries over the first three quarters. The operations of grass-roots units were better maintained.

Fifth, reform and opening up has created development miracles. The performance of enterprises under diverse forms of ownership has improved. In November, the profits of state-controlled industrial enterprises above designated size achieved double-digit growth year-on-year, achieving growth for six consecutive months. From January to November, the profits of foreign-invested industrial enterprises and enterprises funded by compatriots in Hong Kong, Macao and Taiwan above designated size increased by 4.3%, registering 1.7 percentage points faster than the first three quarters; the profits of private industrial enterprises increased by 1.8% as compared to a 0.5% decrease in the first three quarters, indicating that the performance of industrial enterprises under diverse forms of ownership has improved. The supply-side structural reform was further advanced, and the utilization rate of national industrial capacity reached 78% in the fourth quarter, up 1.3 percentage points from the third quarter, which was the highest point since 2013. Reforms to streamline administration and delegate powers, improve regulation, and upgrade services have been making major progress. From January to November, the average number of new businesses opened daily was 22,000, representing an average daily net increase of 12,000. In 2020, the value added of high-tech manufacturing grew by 7.1% over the previous year, representing 4.3 percentage points faster than that of all industrial enterprises above designate size; online retail sales of physical goods increased by 14.8%. The growth of foreign trade and foreign investment was better than expected, with the total import and export of goods hitting a record high in 2020, achieving a 1.9% increase over the previous year, despite a sharp contraction in global trade and cross-border investment. From January to November, the actual use of foreign investment increased by 6.3% year-on-year.

Sixth, great historic achievements have been made in building a moderately prosperous society in all respects. The major goals and tasks in the 13th Five-Year Plan have been fulfilled. Gross domestic product (GDP) has exceeded RMB100 trillion, with per capita GDP of over US\$10,000, economic structure has been continuously improving, and major projects were almost completed, thus China's economic and technological strength and composite national strength having reached a new high. Major breakthroughs were achieved in the three critical battles against poverty. China's success in poverty alleviation has been recognized by the international community. Its entire rural poor population, 55.75 million in number, was lifted out of poverty. The first poverty reduction survey showed that the "two assurances and three guarantees" have been achieved, with 13.85 million registered poor people having enough to eat and to wear and their access to compulsory education, basic medical services, and safe housing and drinking water being guaranteed. Remarkable effect was made in pollution prevention and control. In 2020, the average number of days with good air quality in 337 prefecture-level cities and above reached 87%, an increase of 5 percentage points over the previous year. Great achievements were made in preventing and defusing major risks. Financial risks were generally controllable, and local government debt balances were controlled within the limits approved by the National People's Congress. The living standards of our people rose significantly. Over 60 million urban jobs were added, and the world's largest social security system was established, with more than 1.3 billion people covered by guaranteed basic medical care and nearly 1 billion people covered by guaranteed basic pension. The five-sphere integrated plan were moved forward in a coordinated manner. China's economic, political, cultural, social and ecological development have been promoted on all fronts, and the confidence, pride, sense of unity and bonds of attachment and affection of all Party members and all ethnic groups have been significantly enhanced. "

After nearly 30 years of unremitting efforts, China's futures market has established a series of investor protection systems, such as unified account opening, investor appropriateness, futures deposit security depository monitoring, risk supervision index system of futures company, protection fund for futures investor, etc., establishing a "five in one" coordination work mechanism and investor rights protection system with unique Chinese characteristics. China's futures market has gradually evolved from disorder to maturity, and has gradually entered a stage of healthy and stable development, with increasing economic functions. At the same time, the international influence of China's futures market has significantly increased, gradually becoming the world's largest commodity futures trading market and the largest agricultural futures trading market. With the deepening of the structural reform of the supply side, the futures industry will be centered on serving the real economy. The development of the industry will pay more attention to quality improvement while expanding scale. It is currently at a critical stage of transformation and innovation.

In 2020, the futures industry entered a new stage of development. On one hand, the supply of new products relatively accelerated, and on the other hand, great progress was made in total assets under management. China's futures market has been developing rapidly, and with trading volume hitting a new all-time high and significantly growing for two consecutive years; the ranking of China's four futures exchanges rose steadily in terms of trading volume in the global over-the-counter derivatives market; among the rankings of agricultural futures, metal futures and energy futures in terms of trading volume, top ten agricultural futures and top four metal products were China's; new types of futures and options were launched out at an accelerated pace and the system of derivatives was enhanced; the capital strength of futures companies were strengthened, and revenue generated from brokerage business significantly increased. The particulars are as follows:



- I. Trading volume in the futures market reached a record high. In 2020, China's futures market realized trading volume of 6.153 billion lots (which was calculated on one side, and the same below) and trading turnover of RMB437.53 trillion, representing a year-on-year increase of 55.29% and 50.56%, respectively. The China's futures market contributed 13.2% of trading volume to the global market, an increase of 1.7 percentage points as compared to 11.5% in 2019. From January to December, the trading volume on the DCE was 2.207 billion lots with a turnover of RMB109.20 trillion, representing a year-on-year increase of 62.83% and 58.43%, respectively, with its respective market share of 35.88% and 24.96%. The trading volume on the SHFE was 2.072 billion lots with a turnover of RMB140.02 trillion, representing a year-on-year increase of 46.76% and 44.42%, respectively, with its respective market share of 33.68% and 32.00%. The trading volume on the Shanghai International Energy Center was 56 million lots with a turnover of RMB12.79 trillion, representing a year-on-year increase of 58.29% and a year-on-year decrease of 17.92%, respectively, with its respective market share of 0.92% and 2.92%. The trading volume on the ZCE was 1.701 billion lots with a turnover of RMB60.09 trillion, representing a year-on-year increase of 55.74% and 51.97%, respectively, with its respective market share of 27.65% and 13.73%. The trading volume on the CFFE was 0.115 billion lots with a turnover of RMB115.44 trillion, representing a year-on-year increase of 73.59% and 65.80%, respectively, with its respective market share of 1.87% and 26.38%.
- II. Global rankings rose steadily with the trading volume of agricultural futures rounding out the top ten. In 2020, various futures companies in China achieved good performance. According to yearly trading statistics released by the Futures Industry Association (FIA), each of DCE, SHFE, ZCE and CFFE ranked 7th, 9th, 12th and 27th in terms of trading volume in the global futures and options market. The ranking of DCE, SHFE and CFFE rose by four positions, one position and one position, respectively and the ranking of ZCE remained unchanged. In 2020, among the global rankings of agricultural futures, metal futures and energy futures in terms of trading volume, agricultural futures were particularly impressive, with China's futures rounding out the top ten and taking 14 of the top 20 positions, including soybean meal futures, palm oil futures, corn futures, soybean oil futures, rapeseed meal futures, egg futures, sugar futures, cotton futures, rapeseed oil futures, natural rubber futures, apple futures, No. 1 soybean futures, pulp futures and soybean meal options. In terms of metal futures, China's futures round out the top four and took 11 of the top 20 positions, including steel rebar futures, silver futures, iron ore futures, nickel futures, hot rolled coil futures, zinc futures, copper futures, aluminum futures, gold futures, silicon manganese futures, and ferrosilicon futures. In terms of energy futures, China's fuel oil futures, bitumen futures, thermal coal futures, coke futures, liquefied petroleum gas (LPG) futures and crude oil futures ranked in the top 20.
- III. With product innovation accelerated, futures and options products systems have been enhanced. In 2020, the listing of new products was accelerated in China's futures market, with a total of 12 new varieties listed throughout the year, including 4 varieties of commodity futures and 8 varieties of commodity futures and options. By the end of 2020, the number of listed products in China's futures and derivatives market reached 90. In terms of commodity varieties, four varieties were listed on the SHFE, including low sulfur fuel oil futures, international copper futures, and aluminum options and zinc options; three varieties were listed on the ZCE, including short fiber futures and rapeseed meal options and thermal coal options; and five varieties were listed on the DCE, including LPG futures and LPG options, polypropylene options, polyvinyl chloride options, and linear low-density polyethylene options.

- IV. The capital strength of futures companies has been strengthened, with the revenue generated from brokerage business increasing by nearly 50%. As of the end of 2020, the total assets and net assets of China's futures companies amounted to RMB984.825 billion and RMB135.001 billion, respectively, indicating that their capital strength was strengthened. Main business activities of futures companies include brokerage business, investment consulting business, asset management business and risk management business through subsidiaries. In particular, as of the end of 2020, the revenue generated from brokerage business was RMB19.230 billion, representing a year-on-year increase of 49.13%; the revenue generated from investment consulting business was RMB126 million, representing a year-on-year decrease of 11.14%; the accumulated revenue generated from asset management business was RMB897 million, representing a year-on-year increase of 16.05%. As of the end of 2020, there were 1,262 asset management products with AUM of RMB218.120 billion, representing a year-on-year increase of 52.57% in assets under management. The accumulated revenue generated from risk management business through subsidiaries amounted to RMB208.350 billion, representing a year-on-year increase of 17%.

## II. Business review

In 2020, facing a sudden COVID-19 epidemic and complicated international situation, the officers and employees of the Company, under the scientific decisions made by the Board and strong leadership of the management, thoroughly implemented various decisions and plans. With the objective of achieving “dual victories” in the respect of epidemic prevention and control and operation and production, the Company put emphasis on the basic direction of high-quality growth and insisted on the general principle of seeking progress in stability and achieving stable quality, and made its best to achieve various operating tasks by turning crises into opportunities and seizing the momentum. In 2020, the operating income and turnover from brokerage achieved by the Company increased by 141.98% and 88.43% year-on-year respectively; the average daily customer equity increased 47.4% year-on-year; the closing customer equity increased 61.22% year-on-year. The Company passed the re-evaluation of “National Civilized Unit” and were awarded more than 30 honors, such as the “China’s Best Futures Companies”, “Top Ten Enterprises for Poverty Alleviation”, “Best Targeted Poverty Alleviation and Public Welfare Prize”, “JunDing Prize for China’s Outstanding Poverty Alleviation Companies” and “JunDing Prize for Anti-Epidemic Pioneer Futures Companies”.

During the year, the COVID-19 epidemic has impacted on the operation of various enterprises. Amidst a complicated economic situation and a fiercely competitive market environment, the Company intensified its existing businesses and actively took various measures to overcome the challenges. On the basis of its traditional futures brokerage business, the Company has been continuously transforming and upgrading its business by taking innovative business as its new profit growth point and international business as its growth engine, and has been exploring industriously in the real economy and leading by financial technology to promote its quality development. As of 31 December 2020, the Group’s total assets amounted to RMB6.349 billion, representing a 40.76% increase as compared with RMB4.511 billion in the same period of last year. Net assets attributable to the Company were RMB1.647 billion, representing a year-on-year increase of 2.98%. The Group’s total operating income amounted to RMB1.561 billion, representing a 141.98% increase as compared with RMB645 million in the same period of last year. Net profit attributable to the Company were RMB66 million, representing a 211.80% growth as compared with RMB21 million in the same period of last year.

Upon comprehensive assessment, the COVID-19 has not adversely affected the financial and operational aspects of the Company. In terms of credit risk, the impact of COVID-19 on some of the industries and customers objectively exists. However, the effective implementation of epidemic prevention and control measures in China has led to an overall mild impact of the COVID-19 on the domestic customers. The credit risk of the customers served by the Company is generally controllable, and it is expected that it will not adversely affect the Company in the future. In terms of market risk, repeatedly affected by the epidemic, productivity has weakened, weak global economy and strengthened geopolitical conflicts has led to changing policies and aggravating market volatility. Capital intermediaries business has maintained a neutral direction and market fluctuations have a relatively low degree of adverse impact on its direction. In terms of operational risk, during the epidemic, there was a situation where employees coexisted in on-site and work from home which brought certain challenges to the execution of business processes and the use of the system. The Company has established a corresponding management mechanism, and continued to optimize processes and improve work processes to ensure that no major operational risk events occur due to the epidemic, and operational risks are generally controllable. As the COVID-19 epidemic gradually improves and the market environment stabilizes, it is expected that the COVID-19 epidemic will not have material impact on the Company.

The Group is mainly engaged in futures brokerage, asset management, commodity trading and risk management, and financial asset investment (including securities, funds, wealth management products issued by banks and asset management plans). During the Reporting Period, there was no significant change in the nature of the Group's principal business.

## (1) The futures brokerage business

The Company's futures brokerage business includes the provision of brokerage services in respect to commodity and financial futures available at all futures exchanges in the PRC, and receiving handling fees from clients. As of 31 December 2020, the Company had 45 branches and sub-branches located in several municipalities, in Jiangsu Province, and in other economically developed cities in the PRC.

At the end of 2020, the Company's client balance (excluding stock options) amounted to RMB4,288 million, representing a growth of 61.22% as compared with the average client balance of RMB2,660 million in 2019. The Group's handling fees and interest income generated from the futures brokerage business amounted RMB279 million, representing a growth of 24.84% compared to RMB223 million for the same period in 2019. Turnover from brokerage (bilateral statistics, the same below) amounted to RMB6,162.898 billion. The Company's market share was 0.70%. Turnover from commodity futures brokerage amounted to RMB5,635.571 billion, representing a growth of 93.74% from RMB2,908.887 billion of 2019. Turnover from financial futures brokerage amounted to RMB527.327 billion, representing a growth of 45.78% from RMB361.726 billion of 2019. The Company's trading volume was 95.7498 million lots, representing a growth of 56.46% from RMB61.1966 million of 2019. In 2020, the Company's handling fee rate for futures transactions was 0.28 bps, representing a decrease of 34% compared to the 0.42 bps for the same period in 2019.

In 2021, the Company will continue to optimise its business network structure, integrate resources, improve key areas of service capacity, strengthen its marketing promotion, and expand customer coverage.

## (2) The asset management business

As of 31 December 2020, the Company's AUM amounted to RMB22.131 billion, representing an increase of 96% compared to RMB11.263 billion at the end of 2019, ranked in the top three place of the industry. The asset management business achieved a handling fee income of RMB13.42 million, representing an increase of RMB7.68 million as compared to the same period of 2019. There were 21 trading asset management accounts in aggregate. We have filed 14 new collective asset management schemes, 5 collective products and 9 individual product for directional products, which demonstrated our stable development.

The Company continued to enrich the types of asset management products, and new registered products include straight bonds, FOF, CTA series and Fixed income + treasury bond futures products, which helped asset management business to seek development opportunities in the transformation. First, through stabilizing the scale of bond investment, the Company focused on the investment and research of active management of FOF products, continuously deepened the cooperation with financial institutions, expanded the cooperation with agency sales channels, and enhanced customer stickiness. Second, the Company strengthened the cooperation with securities companies and famous three-party wealth management agencies to complement each other's advantages, and explored excellent private placement institutions with different strategies and styles to jointly launch a series of FOF products. Third, the Company gave full play to the advantages of the Company's platform, deepened exchanges with banks and financial institutions, and planned to issue Stock arbitrage + offline new products to bring stable returns for bank customers.

### (3) The commodity trading and risk management business

Risk management business of the Company orderly developed. Holly Capital achieved operating income amounted to RMB1.198 billion for the year, representing a 2.41 times increase over the same period of last year. Total assets amounted to over RMB331 million and net assets amounted to RMB252 million, 64.91% of which was contributed by the market making business. By introducing professional teams and building an organizational structure of “branch + business department”, the futures and spot business had a good development momentum. The business scope covers the four major sectors of non-ferrous, black, energy efficient and agricultural products, involving 11 varieties such as copper, plastics, cotton, rubber, etc. The Company strove to develop new trading models with the combination of futures and spot business to provide basis quote, futures to spot and physical settlement services. The futures market making business has achieved full coverage of 3 commodity exchanges, and the new application has obtained the market-making qualifications to trade manganese silicon, ferrosilicon and glass futures on ZCE, hot-rolled coil, paper pulp futures on Shanghai Futures Exchange, coking coal, coke futures on DCE, and 7 varieties, including copper, on International Energy Center. The total number of market-making varieties increased to 13.

Options business of the Company developed steadily. The Company has obtained the stock and options business qualification in Shenzhen. The notional principal amount of off-the-counter options transactions was RMB3,400 million, with business scope expanding to financial institution customers. The Company focused on the national strategy, responded to the call of the central government and the industry, and steadily promoted the “Insurance + Futures” project. In 2020, the “insurance + futures” project of the Company was awarded the Third Prize for Financial Innovation in Nanjing. During the year, the Company continued to carry out 5 poverty alleviation projects, including eggs of Hezhang County of Guizhou Province, the national key poverty county, natural rubber of Mengla County of Yunnan Province and corns of Tongshan District of Xuzhou City, and provide price insurance services a total of 75,000 tons of corns, 1,500 tons of natural rubber and 5,300 tons of eggs, involving nearly 3,000 poverty-stricken households, of which, the natural rubber project was carried out in that area for the second time, with a loss rate of 143%, ranking top in the industry.



#### (4) Financial assets investment

With an aim of optimising its capital operation, the Company invested in a variety of financial assets including securities, wealth management products issued by banks, trusts, funds and asset management plans so as to make effective capital allocation, facilitate the development of principal business and improve profitability while putting risks under control.

As of the end of December 2020, the Group achieved gains of RMB39.24 million from financial assets investment business, representing a 144.18% increase as compared to RMB16.07 million for the same period in 2019, which was mainly due to an increase in gains from disposal of financial assets held for trading.

### III. Financial statement analysis

#### (1) Financial statement analysis

##### 1. Profitability analysis

During the Reporting Period, the Company seized the opportunities of the industry innovation and development and gradually enhanced its comprehensive strength. The Group achieved total operating income of RMB1,561 million with a year-on-year increase of 141.98%. The net profit attributable to Shareholders of the Company amounted to RMB66 million with a year-on-year increase of 211.80%. The earnings per share amounted to RMB0.0731 and the weighted average return on net assets was 4.07% with a year-on-year increase of 2.76 percentage point.

##### 2. Asset structure and asset quality

As at the end of 2020, the total assets of the Group amounted to RMB6,349 million, representing a year-on-year increase of 40.76% as compared with RMB4,511 million of the end of 2019; the total liabilities amounted to RMB4,702 million, representing a year-on-year increase of 61.50% as compared with RMB2,912 million at the end of 2019; and the net assets attributable to the shares of the Company amounted to RMB1,647 million, representing a year-on-year increase of 2.98% as compared with RMB1,599 million at the end of 2019.

The asset structure remained stable while the quality and liquidity of assets were well maintained. At the end of 2020, the Group's total assets recorded a year-on-year rise, mainly due to the increase of customers' equity. As at the end of 2020, in the total assets of the Group, current assets of RMB6,231 million, accounting for 98.14%, non-current assets of RMB118 million, accounting for 1.86%. Total assets mainly include cash assets of RMB5,090 million (accounting for 80.16%), assets for financial investment of RMB1,040 million (accounting for 16.39%), receivables of RMB63 million (accounting for 0.99%), inventories of RMB49 million (accounting for 0.77%), and other assets of RMB107 million (accounting for 1.69%). There is an impairment of goodwill of the Company in 2020 which amounted to RMB13.69 million.



As at the end of 2020, the liabilities deducting accounts payable to customers' equity amounted to RMB415 million, representing an increase of 64.37% as compared with RMB252 million at the end of 2019. The increase was mainly attributable to the increase in funds raised from outstanding asset management plans payable and the increase in pledge payment payable. The gearing ratio of the Group was 20%, representing an increase of 6 percentage point as compared to 14% at the end of 2019 (Note: Gearing ratio = (Total liabilities – Accounts payable to customers' equity)/(Total assets – Accounts payable to customers' equity)). The operating leverage was 1.25 times, representing an increase of 7.76% as compared with 1.16 times at the end of 2019 (Note: Operating leverage = (Total assets – Accounts payable to customers' equity)/Equity attributable to the Shareholders of the Company).

### 3、Liquidity level management

The Company places great emphasis on liquidity management based on the principle of “comprehensive, prudent and predictability” while focusing on the organic combination of the security, liquidity and profitability of capital. The liquidity monitoring index of the Company in each month throughout 2020 complied with the regulatory requirements of the CSRC.

### 4、Cash flows

The net increase in cash and cash equivalents amounted to RMB482 million in 2020.

Net cash generated from operating activities of the Group amounted to RMB803 million in 2020, representing a year-on-year increase of RMB691 million as compared with RMB112 million for 2019; net cash used in investing activities amounted to RMB-310 million in 2020, representing a year-on-year decrease of RMB312 million as compared with RMB2 million used in 2019; net cash generated from financing activities amounted to RMB4 million in 2020, representing a year-on-year increase of RMB99 million as compared with RMB-95 million used in 2019; effect of change in foreign exchange rate amounted to RMB-15 million in 2020, representing a year-on-year decrease of RMB20 million as compared with RMB5 million for 2019; net increase in cash and cash equivalents amounted to RMB482 million in 2020, representing a year-on-year increase of RMB458 million as compared with RMB24 million for 2019.

## (2) Income statement items

In 2020, the Group's net profit amounted to RMB66.32 million, representing a year-on-year increase of RMB45.05 million or 211.80%. The key financial results are as follows:

In RMB0'000	2020 as compared to 2019			
	2020	2019	Change in amount	Change
Fee income	22,946	16,122	6,824	42.33%
Net interest income	7,264	9,117	(1,853)	(20.32%)
Investment gains	3,789	1,800	1,989	110.50%
Net fair value gains	2,020	3,511	(1,491)	(42.47%)
Foreign exchange gains or losses	(518)	182	(700)	(384.62%)
Income from other business activities	120,607	33,730	86,877	257.57%
Profit or loss from disposal of assets	(14)	(6)	(8)	(133.33%)
Other gains	44	68	(24)	(35.29%)
<b>Revenue</b>	<b>156,138</b>	64,524	91,614	141.98%
Futures risk reserve	916	689	227	32.95%
Other operating cost	117,144	33,050	84,094	254.44%
Taxes and surcharges	222	82	140	170.73%
Operating and management expenses	26,860	22,060	4,800	21.76%
Credit impairment loss	1,369	0	1,369	N/A
Asset impairment loss	0	4,332	(4,332)	(100%)
<b>Operating expenses</b>	<b>146,511</b>	60,213	86,298	143.32%
Non-operating income	232	241	(9)	(3.73%)
Non-operating expense	589	394	195	49.49%
<b>Total profit</b>	<b>9,270</b>	4,158	5,112	122.94%
Income tax expense	2,638	2,031	607	29.89%
<b>Net profit</b>	<b>6,632</b>	2,127	4,505	211.80%
<b>Basic and diluted earnings per share</b>	<b>0.0731</b>	0.0234		
<b>Other comprehensive income, net of tax</b>	<b>(955)</b>	277	(1,232)	(444.77%)
<b>Total comprehensive income</b>	<b>5,677</b>	2,404	3,273	136.15%

## 1. Fee income and interest income

In 2020, the Group achieved fee income and interest income of RMB302.10 million, representing a year-on-year increase of RMB49.71 million or 19.70%. For 2020 and 2019, the Group's proportion of fee income were 75.95% and 63.88%, respectively while the proportion of interest income were 24.05% and 36.12%, respectively. Breakdown is set out in the following table:

In RMB0'000	2020		2019		2020 as compared to 2019	
	Amount	Proportion	Amount	Proportion	Change in amount	Change
Fee income	22,946	75.95%	16,122	63.88%	6,824	42.33%
Interest income	7,264	24.05%	9,117	36.12%	(1,853)	(20.32%)
<b>Total</b>	<b>30,210</b>	<b>100%</b>	<b>25,239</b>	<b>100%</b>	<b>4,971</b>	<b>19.70%</b>

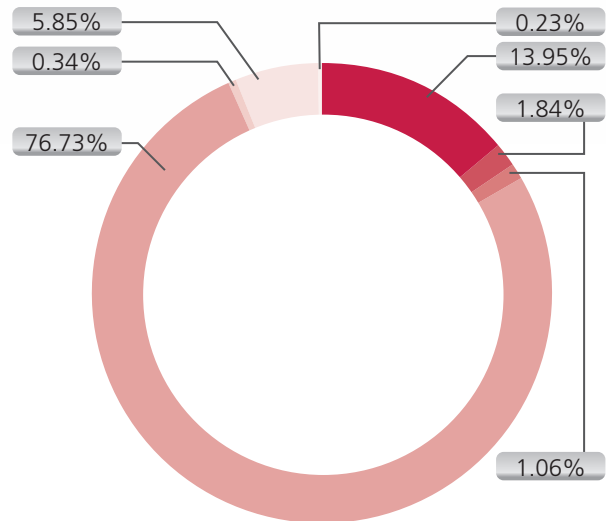
### (1) Fee income

The Group achieved fee income of RMB229.46 million, representing a year-on-year increase of RMB68.24 million or 42.33%. Breakdown is set out in the following table:

In RMB0'000	2020		2019		2020 as compared to 2019	
	Amount	Proportion	Amount	Proportion	Change in amount	Change
Commodity futures brokerage business	3,201	13.95%	6,218	38.57%	(3,017)	(48.52%)
Financial futures brokerage business	422	1.84%	338	2.10%	84	24.85%
Overseas futures business	244	1.06%	310	1.92%	(66)	(21.29%)
Refund and reduction of handling fees from futures exchanges	17,606	76.73%	8,633	53.55%	8,973	103.94%
Options brokerage business	78	0.34%	45	0.28%	33	73.33%
Asset management business	1,342	5.85%	574	3.56%	768	133.80%
Agency sales fund business	53	0.23%	4	0.02%	49	1,225%
<b>Total fee income</b>	<b>22,946</b>	<b>100%</b>	<b>16,122</b>	<b>100%</b>	<b>6,824</b>	<b>42.33%</b>

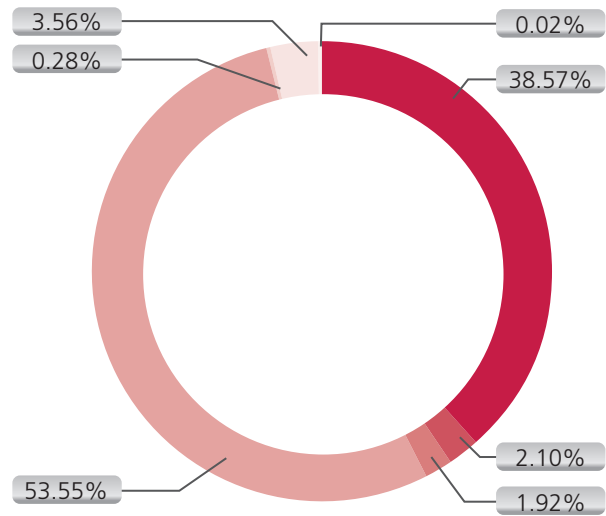
## 2020 Fee Income

- Commodity futures brokerage business
- Financial futures brokerage business
- Overseas futures business
- Refund and reduction of handling fees from futures exchanges
- Options brokerage business
- Asset management business
- Agency sales fund business



## 2019 Fee Income

- Commodity futures brokerage business
- Financial futures brokerage business
- Overseas futures business
- Refund and reduction of handling fees from futures exchanges
- Options brokerage business
- Asset management business
- Agency sales fund business



Total Fee Income Chart of the Group

- ① The income from futures business amounted to RMB214.73 million, representing a year-on-year increase of RMB59.74 million or 38.54%, which mainly comprised fee income from commodity futures, financial futures and overseas futures brokerage business, as well as refunds of handling fees from the exchanges. Fee income from commodity futures amounted to RMB32.01 million, representing a year-on-year decrease of RMB30.17 million; and fee income from financial futures amounted to RMB4.22 million, representing a year-on-year increase of RMB0.84 million; the income from overseas futures business amounted to RMB2.44 million, representing a year-on-year decrease of RMB0.66 million, which was mainly due to the decline in fee income commodity futures; refunds of handling fees from the exchanges amounted to RMB176.06 million, representing a year-on-year increase of RMB89.73 million, which was mainly attributable to the stock exchange increased its efforts in the refund of handling fees as compared with last year.
- ② The income from asset management business amounted to RMB13.42 million, representing a year-on-year increase of RMB7.68 million or 133.80%. Income from asset management business mainly consisted of management fees and performance-based commissions. Management fees are accrued based on the net value of asset management plans, while performance-based commissions are accrued based on the operational efficiency of asset management plans. As of 31 December 2020, the net value of asset management plans amounted to RMB22.131 billion, representing a year-on-year increase of 96.49% as compared to RMB11.263 billion on 31 December 2019. Number of asset management plans increased from 19 in 2019 to 21 in 2020.
- ③ Income from option brokerage business amounted to RMB0.78 million, representing a year-on-year increase of RMB0.33 million or 73.33%. Income from agency sales fund business amounted to RMB0.53 million, representing a year-on-year increase of 0.49 million or 1,225%. Such businesses are new business of the Group in recent years and currently accounted for a relatively small proportion of fee income.

*(2) Interest income*

Interest income of the Group amounted to RMB72.64 million, representing a year-on-year decrease of RMB18.53 million or 20.32%. Breakdown is set out in the following table:

In RMB0'000	2020	2019	2020 as compared to 2019	
			Change in amount	Change
Deposit of client's fund	5,850	6,212	(361)	(5.81%)
Deposit of own fund	1,477	2,846	(1,369)	(48.10%)
Resale agreements	49	59	(10)	(16.95%)
Interests expense	113	0	113	N/A
<b>Total</b>	<b>7,264</b>	<b>9,117</b>	<b>(1,853)</b>	<b>(20.32%)</b>

Interest income is mainly attributable to: ① the interest income derived from the demand and time deposits of the Company's own funds and client deposits placed in financial institutions; ② Interest income derived from reverse repurchase agreements. The interest income decreased mainly because: ① the interest income derived from the deposits in financial institutions decreased by RMB3.66 million or 5.81% as compared to 2019; ② the decline in the Company's self-own funds has resulted in a decrease of RMB13.69 million in interest income as compared to 2019, representing a decrease of 48.10%.

*2. Financial assets gains*

In 2020, the Group achieved net investment gains of RMB58.09 million, representing a year-on-year increase of RMB4.98 million or 9.38%, which was mainly attributable to the increase in proceeds from disposal of financial assets. Breakdown is set out in the following table:

In RMB0'000	2020	2019	2020 as compared to 2019	
			Change in amount	Change
Investment gains	3,789	1,800	1,989	110.50%
Gain or loss on fair value changes	2,020	3,511	(1,491)	(42.47%)
<b>Total</b>	<b>5,809</b>	<b>5,311</b>	<b>498</b>	<b>9.38%</b>



(1) *Investment gains*

Investment gains of the Group amounted to RMB37.89 million, representing a year-on-year increase of RMB19.89 million or 110.50%. Breakdown is set out in the following table:

In RMB0'000	2020	2019	Change in 2020 as compared to 2019	
			Change in amount	Change
Disposal of financial assets held for trading				
– Funds	5,551	571	4,980	872.15%
– Listed bonds	91	135	(44)	(32.59%)
– Trust schemes	25	103	(78)	(75.73%)
– Asset management plans	245	17	228	1,341.18%
– Trading securities	1,319	(47)	1,366	2,906.38%
Disposal of derivative financial instruments	(5,339)	(425)	(4,914)	(1,156.24%)
Dividend distribution				
– Financial assets held for trading	2,031	1,253	778	62.09%
Long-term equity investment under equity method	(134)	193	(327)	(169.43%)
<b>Total</b>	<b>3,789</b>	<b>1,800</b>	<b>1,989</b>	<b>111.50%</b>

In RMB0'000	2020	2019	2020 as compared to 2019	
			Change in amount	Change
Disposal of financial assets	7,231	779	6,452	828.24%
Futures and risk management business of subsidiaries	(5,339)	(425)	(4,914)	(1,156.24%)
Dividend distribution	2,031	1,253	778	62.09%
Gain on long-term equity investments accounted for using the equity method	(134)	193	(327)	169.43%
<b>Total</b>	<b>3,789</b>	<b>1,800</b>	<b>1,989</b>	<b>110.50%</b>

In 2020, the investment gains of the Group were mainly generated from the proceeds from disposal of financial assets and futures and risk management business of subsidiaries. The increase of investment gains was relatively higher as compared to 2019, of which proceeds from disposal of financial assets and futures and risk management business of subsidiaries both decreased. Financial assets investment business and futures and risk management business of subsidiaries increased RMB64.52 million and decreased RMB49.14 million respectively.

Financial assets investment business mainly comprised of proceeds from disposal of securities, funds, trust schemes, asset management plans and bonds. In 2020, the financial assets investment business increased year-on-year by RMB19.89 million or 111%, mainly due to the increase in gain generated from stock and funds trading due to the upturn in securities market during the year as compared to the same period of last year.

In 2020, dividends from financial assets held for trading of the Group amounted to RMB20.31 million, representing a year-on-year increase of RMB7.78 million, which was mainly contributed by the dividend income generated from the funds held by the Group since 2020.

(2) *Gain or loss on fair value changes*

In 2020, gain or loss on fair value changes of the Group amounted to RMB20.20 million, representing a year-on-year decrease of RMB14.91 million or 42.47%. Breakdown is set out in the following table:

In RMB0'000	2020	2019	2020 as compared to 2019	
			Change in amount	Change
Financial assets held for trading				
– Funds	2,390	1,599	791	49.47%
– Trading securities	(92)	175	(267)	(152.57%)
– Wealth management products	8	281	(273)	(97.15%)
– Asset management plans and trust schemes	450	1,376	(926)	(67.30%)
– Listed bonds	(607)	127	(734)	(577.95%)
Financial liabilities held for trading				
– Financial liabilities designated as at FVTPL	102	(114)	216	189.47%
Derivative financial assets	861	1,192	(331)	(27.77%)
Derivative financial liabilities	(1,092)	(1,125)	33	2.93%
<b>Total</b>	<b>2,020</b>	<b>3,511</b>	<b>(1,491)</b>	<b>(42.47%)</b>

### 3. Other net operating income

In 2020, the Group achieved other net operating income of RMB34.63 million, representing a year-on-year increase of RMB27.83 million or 409.26%, mainly due to the income increased in the operating scale of Holly Capital's variation basis trading business and subsidy income received from insurance + futures business.

In RMB0'000	2020	2019	2020 as compared to 2019	
			Change in amount	Change
Other operating income	120,607	33,730	86,877	257.57%
Other operating cost	117,144	33,050	84,094	254.44%
<b>Other net operating income</b>	<b>3,463</b>	680	2,783	409.26%

### 4. Other income

In 2020, the Group recorded other income of RMB-4.88 million, representing a year-on-year decrease of RMB7.32 million or 300%, which was mainly attributable to the decrease in foreign exchange gains and losses. Breakdown is set out in the following table:

In RMB0'000	2020	2019	2020 as compared to 2019	
			Change in amount	Change
Government grants	44	68	(24)	(35.29%)
Foreign exchange gains or losses	(518)	182	(700)	(384.62%)
Others	(14)	(6)	(8)	(133.33%)
<b>Other income</b>	<b>(488)</b>	244	(732)	(300%)

(1) *Government grants*

The government grants of the Group amounted to RMB0.44 million with a year-on-year decrease of RMB0.24 million or 35.29%. Government grants mainly comprised of:

- Zhengzhou Sub-branch obtained the industry development support fund of RMB60,000 issued by Zhengzhou Zhengdong New District Management Committee;
- Received an unemployment subsidy of RMB20,000;
- Received a total of RMB360,000 in income from job stabilization subsidies;

(2) *Foreign exchange gains and losses*

In 2020, foreign exchange gains and losses of the Group amounted to RMB-5.18 million, which was mainly attributable to the listing of the Company in end of 2015. As of 31 December 2020, the unutilized proceeds totally amounted to HKD82.75 million. In addition, exchange rates of Hong Kong dollar against Renminbi climbed from 0.89578 on 31 December 2019 to 0.84164 on 31 December 2020, losses of RMB5.18 million were incurred. In 2020, the Group did not use financial instruments to hedge our exposure to exchange rate fluctuations.

## 5. Operating and management expenses

The operating and management expenses of the Group amounted to RMB268.60 million in 2020, representing a year-on-year increase of RMB48.00 million or 21.76%. Breakdown is set out in the following table:

In RMB0'000	2020	2019	2020 as compared to 2019	
			Change in amount	Change
Staff benefits	15,449	13,426	2,023	15.07%
Office expenses	3,724	3,289	435	13.23%
Depreciation and amortisation				
– Right-of-use assets depreciation	2,152	1,896	256	13.50%
– Fixed assets depreciation and intangible assets amortisation	655	501	154	30.74%
Insurance fees	1,391	146	1,245	852.74%
Consultation fees	1,212	282	930	329.79%
Lease charges	411	818	(407)	(49.76%)
Repair fees	332	201	131	65.17%
Maintenance fees	265	253	12	4.74%
Finance costs				
– Lease liabilities	129	182	(53)	(29.12%)
– Others	120	140	(20)	(14.29%)
Commission	140	199	(59)	(29.65%)
Auditors' remuneration	167	145	22	15.17%
Investor Protection Fund	36	18	18	100%
Others	677	564	113	20.04%
<b>Total</b>	<b>26,860</b>	<b>22,060</b>	<b>4,800</b>	<b>21.76%</b>

*(1) Staff benefits*

Staff costs mainly comprised of salaries, bonuses and allowances, pension and other social welfare such as “5 insurances and 1 pension”. In 2020, the staff costs of the Group amounted to RMB154.49 million with a year-on-year increase of RMB20.23 million or 15.07%, which was mainly due to the adjustment in employee bonus, which was awarded based on the changes on the overall results of the Group, so the total staff costs in general rise as compared to 2019.

*(2) Office expenses*

Office expenses mainly comprised of office supplies fees, information fees, promotion and business development expenses, postal and communication expenses, business travel expenses and electronic equipment. In 2020, the office expenses of the Group amounted to RMB37.24 million with a year-on-year increase of RMB4.35 million or 13.23%.

*(3) Insurance fees*

Insurance fees mainly comprised of premiums paid for carrying out insurance + futures business, executive liability insurance, and vehicle insurance, among which insurance + futures business premiums account for a relatively large portion. In 2020, the insurance fees of the Group amounted to RMB13.91 million with a year-on-year increase of RMB12.45 million or 852.74%, mainly due to the Group’s vigorous development of insurance + futures business in 2020.

**6. Credit impairment loss**

The credit impairment loss of the Group amounted to RMB13.69 million in 2020, all of which were new additions this year. It was mainly attributable to the Group reviewed the 2020 actual operation of the asset group and considered that there was evidence of impairment of receivables, referring to the same industry impairment provision method, the credit impairment of RMB13.69 million for this year was recognized.

**(3) Asset items**

As of 31 December 2020, the total assets of the Group increased year on year by RMB1,838 million or 40.76% to RMB6.349 million, including cash assets amounting to RMB5,090 million with a year-on-year increase of 38.25%, financial investment assets amounting to RMB1,040 million with a year-on-year increase of 66.04%, and other assets amounting to RMB219 million with a year-on-year increase of 8.15%. The change in the total amount of principal assets of the Group is set out as follows:

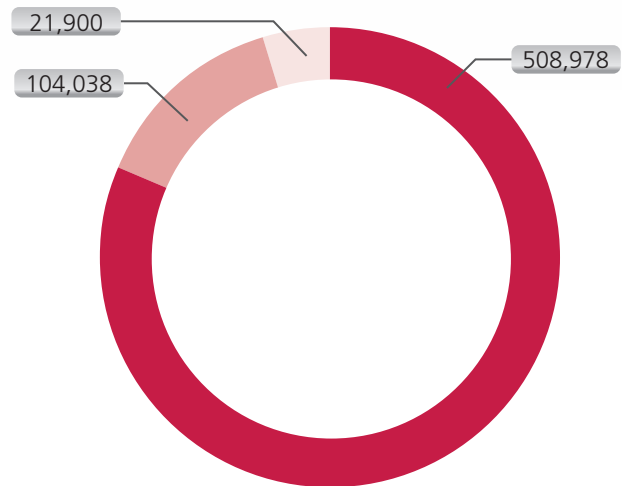
In RMB0'000	2020	2019	Change as at 31 December 2020 as compared to 31 December 2019	
			Change in amount	Change
Cash assets	508,978	368,169	140,809	38.25%
Financial investment assets	104,038	62,659	41,379	66.04%
Other assets	21,900	20,249	1,651	8.15%
<b>Total</b>	<b>634,916</b>	<b>451,077</b>	<b>183,839</b>	<b>40.76%</b>



The composition of the total assets of the Group:

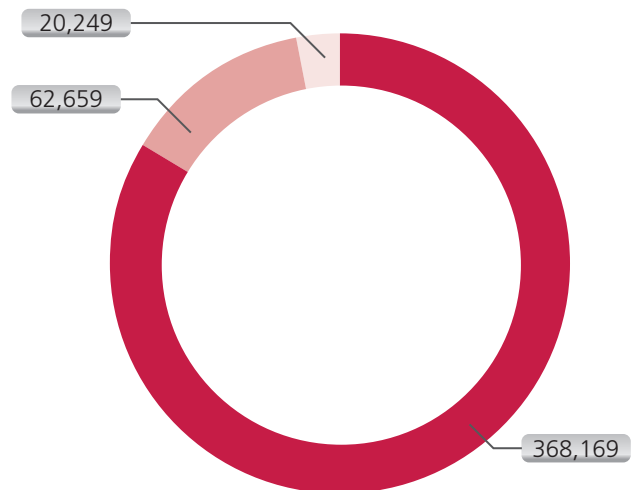
## Asset distribution as at 31 December 2020

- Cash assets
- Financial investment assets
- Other assets



## Asset distribution as at 31 December 2019

- Cash assets
- Financial investment assets
- Other assets



### 1. Cash assets

As of 31 December 2020, the cash assets of the Group amounted to RMB5,090 million, accounting for 80.16% of the total assets of the Group, with a year-on-year increase of RMB1,408 million or 38.25%. The composition of the cash assets of the Group is set out as follows:

In RMB0'000	As of 31 December 2020	As of 31 December 2019	Change as at 31 December 2020 as compared to 31 December 2019	
			Change in amount	Change
Monetary fund	289,430	239,042	50,387	21.08%
Currency deposits receivable	213,109	129,051	84,058	65.14%
Pledged deposits receivable	6,440	76	6,364	8,386.43%
<b>Total</b>	<b>508,978</b>	368,169	140,809	38.25%

The change in cash assets was mainly reflected in the monetary fund, currency deposits receivable and pledged deposits receivable, monetary fund amounted to RMB2.894 billion, accounting for 45.59% of the total assets of the Group, representing a decrease of RMB504 million or 21.08% as compared to 2019. Currency deposits receivable of RMB2.131 billion, accounting for 33.56% of the total assets of the Group, representing an increase of RMB841 million or 65.14% as compared to 2019. Pledge deposits receivable amounted to RMB64 million, accounting for 1.01% of the total assets of the Group, representing an increase of RMB64 million or 8,386.43% as compared to 2019.

## 2. Financial investment assets

As of 31 December 2020, the financial investment assets of the Group amounted to RMB1,040 million, accounting for 16.39% of the total assets of the Group, with a year-on-year increase of RMB414 million or 66.04%. The composition of the financial investment assets of the Group is set out as follows:

In RMB0'000	As of 31 December 2020	As of 31 December 2019	Change as at 31 December 2020 as compared to 31 December 2019	
			Change in amount	Change
Long-term equity investment	1,143	1,333	(190)	(14.25%)
Financial assets held under resale agreements	785	4,244	(3,458)	(81.49%)
Financial assets held for trading	101,488	57,082	44,406	77.79%
Derivative financial assets	622	–	622	N/A
<b>Total</b>	<b>104,038</b>	<b>62,659</b>	<b>41,379</b>	<b>66.04%</b>

## 3. Other assets

As of 31 December 2020, the other assets of the Group amounted to RMB219 million, accounting for 3.45% of the total assets of the Group, and representing a year-on-year increase of RMB17 million or 8.15%. The composition of other operating assets such as property and equipment of the Group is set out in the table below:

In RMB0'000	As of 31 December 2020	As of 31 December 2019	Change as at 31 December 2020 as compared to 31 December 2019	
			Change in amount	Change
Receivables	6,290	4,750	1,540	32.42%
Inventories	4,868	4,164	704	16.91%
Fixed intangible right-to-use assets	3,616	4,745	(1,129)	(23.79%)
Other current assets, non-current assets	7,126	6,590	536	8.14%
<b>Total</b>	<b>21,900</b>	<b>20,249</b>	<b>1,651</b>	<b>8.15%</b>

#### (4) Liabilities items

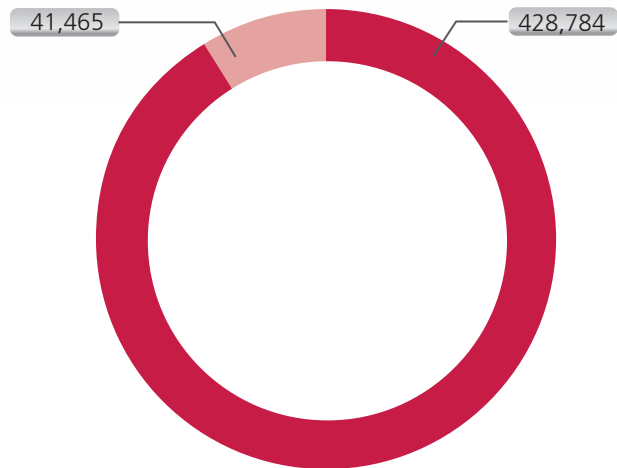
As of 31 December 2020, the total liabilities of the Group increased year-on-year by RMB1,791 million or 61.50% to RMB4,702 million, in which accounts payable to customers amounted to RMB4,288 million with a year-on-year increase of 61.22%, which was mainly attributable to the increase in the deposits contributed by clients and profit in customer transactions. The change in the total amount of principal liabilities of the Group is set out as follows:

In RMB0'000	As of 31 December 2020	As of 31 December 2019	Change as at 31 December 2020 as compared to 31 December 2019	
			Change in amount	Change
Accounts payable to customers	428,784	265,955	162,829	61.22%
Other operating liabilities	41,465	25,225	16,240	64.38%
<b>Total</b>	<b>470,249</b>	291,180	179,069	61.50%

The composition of the total liabilities of the Group:

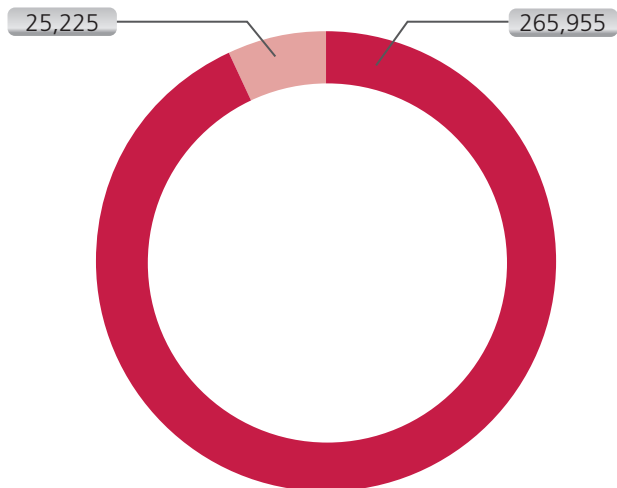
## Liability distribution as at 31 December 2020

- Accounts payable to customers
- Other operating liabilities



## Liability distribution as at 31 December 2019

- Accounts payable to customers
- Other operating liabilities



### 1. Accounts payable to customers

As of 31 December 2020, the accounts payable to customers of the Group amounted to RMB4,288 million, accounting for 91.18% of the total liabilities of the Group, with a year-on-year increase of RMB1,628 million or 61.22%, which was mainly attributable to the increase in the deposits contributed by customers and profit margin. Of which, currency deposits payable and pledged deposits payable amounted to RMB4,247 million and RMB41 million respectively. The composition of the accounts payable to customers of the Group is set out as follows:

In RMB0'000	As of 31 December 2020	As of 31 December 2019	Change as at 31 December 2020 as compared to 31 December 2019	
			Change in amount	Change
Natural person clients	259,929	181,650	78,279	43.09%
Corporate clients	168,855	84,305	84,550	100.29%
<b>Total</b>	<b>428,784</b>	<b>265,955</b>	<b>162,829</b>	<b>61.22%</b>

### 2. Other operating liabilities

As of 31 December 2020, the other operating liabilities of the Group amounted to RMB415 million, accounting for 8.82% of the total liabilities of the Group, with a year-on-year increase of RMB162 million or 64.38%. The composition of the other operating liabilities of the Group is set out as follows:

In RMB0'000	As of 31 December 2020	As of 31 December 2019	Change as at 31 December 2020 as compared to 31 December 2019	
			Change in amount	Change
Financial liabilities	4,341	6,000	(1,658)	(27.64%)
Other liabilities	37,124	19,226	17,898	93.09%
<b>Total</b>	<b>41,465</b>	<b>25,226</b>	<b>16,240</b>	<b>64.38%</b>

The change in the other operating liabilities was mainly reflected in the financial liabilities held for trading and other liabilities, representing a year-on-year increase of RMB162 million or 64.38%, which were mainly attributable to the increase in funds raised from outstanding asset management plans payable and the increase in pledge payment payable.



## (5) Equity

As of 31 December 2020, the total equity of the Group amounted to RMB1,647 billion, representing a year-on-year increase of RMB48 million or 2.98%. The composition of the equity of the Group as of the dates indicated is set out as follows:

In RMB0'000	As of 31 December	As of 31 December	Change as at 31 December 2020 as compared to 31 December 2019	
	2020	2019	Change of amount	Change
Share capital	90,700	90,700	—	—
Reserve	73,967	69,197	4,770	6.89%
<b>Total shareholders' equity</b>	<b>164,667</b>	<b>159,897</b>	<b>4,770</b>	<b>2.98%</b>

## IV. Changes in branches and subsidiaries and impact on results

### (1) Branches

#### 1. Establishment of and changes in operation branches

##### (1) Establishment and closing of futures branches

During the Reporting Period, the Company did not establish or close any of its branch.

##### (2) Relocation

The Company constantly adjusted and optimized its branch network. During the Reporting Period, 5 branches, namely the branches at Jinan, Taizhou, Yangzhou, Fuzhou and Changsha were relocated.

#### 2. Establishment of and changes in sub-branch offices

During the Reporting Period, there were no establishment or changes in sub-branch office.

## **(2) Subsidiaries**

Nil.

## **(3) Impact on results**

According to the overall development strategy, the Company constantly optimized the layout of branches, strove to build a network service system with risk prevention, effective management, sound functions, distinct image, moderate scale and reasonable layout, gave full play to the overall value of the business department, continuously optimized its functions, and finally realized the transformation of branches and the consistency of customer experience.

# **V. Major investment and financing**

## **(1) Equity financing**

During the Reporting Period, the Group did not have any significant equity financing.

## **(2) Debt financing**

During the Reporting Period, the Group did not have any significant debt financing.

## **(3) Equity investments**

During the Reporting Period, the Group did not have any equity investment.

# **VI. Disposal, acquisition, substitution and spin-off of material assets of the Company, and reorganization of subsidiaries, associates and joint ventures**

For the year ended 31 December 2020, the Company has no material acquisition or disposal of subsidiaries, associates and joint ventures.

## VII. Business innovation, its impact, and controlling risk

### • Business innovation and its impact

The Company has set business innovation as a key to strategic development. It continued to research and explore means of business innovation during the Reporting Period.

#### 1. *International business influence achieved new breakthrough*

Holly International Financial achieved operating income amounted to HK\$21.83 million for the year, representing a 5% increase over the same period of last year. Total profit amounted to over HK\$4.76 million, representing a 11% increase over the same period of last year. Under the increasing pressure from the COVID-19 overseas, Holly International Financial has overcome many difficulties and has made considerable progress in its business. It successfully obtained the RQFII qualification approved by the CSRC and commenced related business. Guangye fund, established in cooperation with a Singapore asset management company, started operation. The IPO business in Hong Kong stock market was successfully launched, and the first securities margin business was launched. The number of securities accounts opened, the amount of customers' funds and the volume of transactions doubled.

#### 2. *Risk management business shines*

Holly Capital achieved operating income amounted to RMB1,245 million for the year, representing a 2.57 times increase over the same period of last year. Total assets amounted to RMB331 million and net assets amounted to RMB252 million, 64.91% of which was contributed by the market making business. By introducing professional teams and building an organizational structure of "branch + business department", the futures and spot business had a good development momentum. The business scope covers the four major sectors of non-ferrous, black, energy efficient and agricultural products, involving 11 varieties such as copper, plastics, cotton, rubber, etc. The Company strove to develop new trading models with the combination of futures and spot business to provide basis quote, futures to spot and physical settlement services. The futures market making business has achieved full coverage of 3 commodity exchanges, and the new application has obtained the market-making qualifications to trade manganese silicon, ferrosilicon and glass futures on ZCE, hot-rolled coil, paper pulp futures on Shanghai Futures Exchange, coking coal, coke futures on DCE, and 7 varieties, including copper, on International Energy Center. The total number of market-making varieties increased to 13.

Options business of the Company developed steadily. The Company has obtained the stock and options business qualification in Shenzhen. The notional principal amount of off-the-counter options transactions was RMB3,400 million, with business scope expanding to financial institution customers. The Company focused on the national strategy, responded to the call of the central government and the industry, and steadily promoted the "Insurance + Futures" project. In 2020, the "insurance + futures" project of the Company was awarded the Third Prize for Financial Innovation in Nanjing. During the year, the Company continued to carry out 5 poverty alleviation projects, including eggs of Hezhang County of Guizhou Province, the national key poverty county, natural rubber of Mengla County of Yunnan Province and corns of Tongshan District of Xuzhou City, and provide price insurance services a total of 75,000 tons of corns, 1,500 tons of natural rubber and 5,300 tons of eggs, involving nearly 3,000 poverty-stricken households, of which, the natural rubber project was carried out in that area for the second time, with a loss rate of 143%, ranking top in the industry.

### 3. *Upgrading wealth management business through innovation*

In terms of fund sales, number of customers, and self-owned capital investment, the Company achieved a relatively significant increase in scale. First, the Company continued to expand the scale of public fund sales, and 288 new fund products were launched, recording a total of over 1,078 public funds. The Company also expanded the scale of agency sale of non-monetary funds, and achieved sales scale of public funds of approximately RMB500 million, still maintaining the largest fund agency scale in the industry and fund agency sales revenue increased by 4.62 times year-on-year. Second, the Company increased investment of its own funds. The Company used big data analysis to ensure the investment safety of its own funds, completed its investments in 40 products, and achieved the total profit rate of investment of 5.69%. Third, the Company achieved an increase in investment income from financial assets. The Company actively observed the market situation, set up stock, bond and fund investment working groups, and formulated their respective working methods. On the premise of fully evaluating the risks and benefits, the Company explored the potential investment opportunities and made a new breakthrough in external investment income.

- **Controlling risk in innovative business**

#### 1. *Enhancing prior system construction and staff training*

The Company focuses on risk prevention and control, and strives to improve its regulations system and risk control system. We make great effort on strengthening the management at source, which effectively enhances our level of modern enterprise management. Prior to the commencement of new business, the Company will formulate a self-contained complementary system and the relevant terms for contracts according to the standards of business operation. At the same time, it recruits suitable talents with reference to the nature of the business and enhances staff training.

#### 2. *Strengthening ongoing monitoring*

The Company strengthened ongoing monitoring to facilitate risk control. Monitoring of risk control was maintained on a real-time basis. The Company also established “Chinese walls” to control business risk.

#### 3. *Implementing post-inspections*

The Company maintains a combined system of self-inspection and accountability. A dedicated risk inspection team is responsible for rationalising and inspecting innovative business. The team formulates solutions for each identified issue and supervises rectification, thereby effectively minimises risk.

- **Business innovation prospects**

Based on the traditional futures brokerage business, the Company will focus on innovative business for new source of profit, seek driving force from international development, continuously transforms and upgrades, devote increasing efforts in the field of real economy, and promote the Company's high-quality development through financial technology. Under the “dual circulation” development pattern in which domestic economic cycle plays a leading role while international economic cycle remains its extension and supplement, the Company will continuously improve its business development structure, update the “four centres with two platforms” to “five centres with two platforms”. Focusing on the five “centres” (i.e., brokerage business, risk management, wealth management, assets management and international business), the Company will continue to develop the two “platforms” (i.e., online and offline), and constantly promote the transformation from platform service provider to comprehensive professional investment banking business provider of the Company with the thinking of investment bank.

**(I) To seek breakthrough for asset management business while maintaining stable**

We will constantly promote the “professional and platform-based” development of asset management business on the basis of legal compliance. We will further enrich and expand the organic and external growth of asset management platform, and strengthen the synergy among the our internal asset management businesses. Starting from the futures market positioning, we will constantly enrich the product categories, select the advantageous product from four lines, including fixed income, stock period hedge, futures CTA and FOF, and steady launch strategic products such as mixed FOF and fixed income+. We will pursue the in-depth cooperation with industrial customers in the form of productization, and provide value-preserving and value-added services for high net worth clients. We will strengthen cooperation with quality institutions, and make contribution to the development of our active management team. We will effectively enhance the independent management capabilities, and build a quantitative trading platform with its own characteristics.

**(II) To achieve the full coverage of risk management business**

We will apply for the dealer qualification for more new types of options in the stock exchanges. We will strengthen the research on on-site option categories, and conduct the cooperation with more financial institutions such as banks, brokers and fund companies. “Insurance + Futures” should have quantitative changes, but more importantly, it should have qualitative changes. We will try our best to serve the National Rural Revitalization Strategy. The regional competitive advantage of the futures and spot business will be formed, with the aim of serving the real economy, we will deepen the industry chain, scale up the spot trading, and improve our ability in risk control and increase profitability. The own characteristics of off-site derivatives business will be formed, we will continuously build the stable business model, and strive to become a well-known brand in the industry. The scale effect of market making business will be achieved, we will build the high-speed market maker system which meets the requirements for quoting in national futures and options market, and the comprehensive ranking ranks among the top ten in the stock exchanges. Based on the derivative pricing and market making trades, we will set up the proprietary trading team with high-risk management capacity and profitability.

**(III) To seize new opportunities for the development Wealth management business.**

As the establishment plan of Holly public fund companies is optimally adjusted, we will further enhance the communication with the CSRC to make sure that the establishment of the public fund companies will be approved as soon as possible. We will continue to expand the scale of agency sales of public funds, do a good job in fund display, recommendation, and analysis, and strive to build a premium “financial supermarket”. We will promote private placement agency sales business, build a high-quality bond trading business framework to achieve a stable, safe and efficient bond trading operation system. Meanwhile, on the premise of risk prevention and control, in-depth investment research and development will be carried out to increase investment.

**(IV) To expand the breadth and depth of international business.**

We will complete capital increase work of Holly International Financial. On the basis of compliance of operation, we will vigorously improve the interest and share of overseas customers, and expand the main business. We will strive to obtain more memberships in overseas stock exchanges, reduce the transaction cost and improve the level of customer service. Focusing on the development of Guangdong-Hong Kong-Macao Greater Bay Area, we will build the business team and vigorously develop the multi-license financial services in Greater Bay Area.

## VIII. Risk factors and uncertainties faced by the Company and its risk strategy

The risks entailed by the Company's business activities include those inherent to management and risks of internal control, professional conduct, markets, credit and investment. In 2020, the Company put into place measures to effectively deal with these risks and safeguard the efficiency of its business activities.

### (a) Risk management and internal control risk

The Company relies on consistent application of management and internal control systems by relevant personnel to manage risks. The said systems are used to identify, monitor and control a wide range of risks, including those pertaining to the market, operations, credit and compliance. Some risk management methods used are based on internally established control systems, observation and summary of past market behaviours, and standard industry practices. However, these systems may not predict future risk exposure or identify unexpected or unforeseen risks occurring in the process of business innovation and diversification development of the Company. Other risk management methods rely on the assessment and analysis of information associated with market and operating conditions, but their assessment and analysis may not be accurate. Taking factors such as changes in market conditions and regulatory policies into consideration, if the Company cannot make timely adjustments and improvements to its risk management and internal control policies and procedures in light of future futures market development and business expansion, its business, financial condition and operating performance may be materially and adversely affected.

The Company's risk management approach also relies on the control and supervision of the executive staff. As errors and mistakes may occur in actual operation, despite that the Company can identify potential risks, its assessment of the risks involved and the corresponding measures to deal with them may not be fully effective. Due to the Company's large number of branches, it cannot guarantee that every employee will comply fully with its risk management and internal control policies. The Company's risk management and internal control policies do not necessarily protect the Company from all risks, and in certain circumstance, this could potentially have a material adverse impact on the business, financial condition and operating results of the Company.



## (b) Professional conduct risk

Professional conduct risk refers to any legal sanctions, prosecutions, litigation claims, penalties, financial loss as well as damage to the reputation of the Company as a result of the failure to comply with the rules and regulations, the requirements of supervisory authorities or agencies, the self-discipline code of conduct, or any guidelines concerning the futures brokerage business of the Company. The major professional conduct risk concerns (i) the employees of the Company, and (ii) Introducing Brokers.

The professional conduct risk posed by employees includes managing customers' assets, opening accounts and trading on behalf of customers without their consent or authorization. The risk largely stems from the low integrity level of individual staff members who cannot resist the temptation of the market, resulting in those staff members managing customers' finance in violation of rules and regulations, or opening accounts on their own accord to trade. Currently, the Company is screening and shielding the trading terminals of the personnel's computers through technical measures to prevent staff members from accepting customers' instructions in the business premises to manage their assets on their behalf improperly and from opening accounts on their own accord to trade. Against the professional conduct risk posed by staff members, the Company has begun the strengthening of the internal system and established the mechanism of accountability. Through joint problem shooting by related departments, the risk of staff members opening accounts to trade will be eliminated at source and at the same time, through strengthening the training and education of staff members, their professional conduct awareness will become stronger, which will reduce the chance of occurrence of such risk.

In relation to Introducing Brokers, the Company's professional conduct risk comes from: (i) Introducing Brokers concealing their identity of Introducing Brokers and representing to related customers that they are the employees of the Company and do something in violation of the rules and regulations, and (ii) Introducing Brokers infringing customers' interests, accepting instructions from customers privately to manage their finance and engaging in futures trading without customers' consent in order to earn more commission from futures trading.

In respect of the introductory brokerage business, the Company has strictly monitored the account opening procedures, strengthened the management of futures brokerage contracts, and investors will be informed of their rights and interests through re-visits and their signed confirmation of the Company's bills. At the same time, the risk posed by the intermediary business will be avoided through the continuous strengthening of the management and risk education of the intermediaries and the strict enforcement of related rules and regulations and the intermediary management system.

### (c) Market risk

Market risk refers to the possibility of loss or decrease in income resulting from keen competition in the investment industry or change in the market such as changes in interest rates or economic cycle.

Firstly, owing to centralized dealings and continuous price fluctuations, it is possible for price fluctuations that build up over a long period to occur in the futures market in a very short period of time. Secondly, the margin system makes futures a highly leveraged financial derivative product. Thirdly, the futures market allows speculators to enter, thus increasing further uncertainty and risk in the market.

Since there are a large number of futures companies, the price war of handling charges has become fierce year after year for traditional brokerage business whose development prospect is not optimistic. Meanwhile, investors enter the futures market without adequate investment experience and skills nor good risk control capability but simply emphasize speculative trading may have to be forced to terminate trading as a result of their own factors being influenced by the economic environment. The combined effect of various factors has resulted in futures companies facing the material risk of customers incurring losses in trading.

To address this kind of risk, the risk control department of the Company, through close tracking of the market trend, has monitored market fluctuations, reasonably adjusted investors' margin standards, strengthened the monitoring of risk indicators such as the change to position holding and the level of margin, adopted actions to liquidate the customers' position through raising the amount of margin timely and regulated investors' trading behavior according to relevant rules and regulations. The Company has also exerted greater force on monitoring the daily trading, especially the unusual trading behavior of less favored commodities and contracts, discovered, reported and dealt with straddling buy and sell positions in time and strengthened the education of customers and to remind investors to take risk management well so as to prevent the inherent risks to them as a result of their failure to understand the related rules and weak risk prevention consciousness.

### (d) Credit risk

When futures brokerage companies engage in futures trading on behalf of their customers, they would incur losses if their customers are unable or refuse to fulfill their contractual obligations. There are two kinds of credit risk from customers. The first one is the inability of corporate customers to fulfill their contractual obligations due to change of legal persons, change in ownership, poor business performance and other force majeure events. The second kind of credit risk comes from the turbulence in the futures market, resulting in great price fluctuations and also in some customers not being able to fulfill their contractual obligations.

In order to control credit risk, the Company will control the account opening process strictly. The Company will assess the identity and creditworthiness of each new customer, and the adequacy of the funds that they will be using in the futures trading. The Company will also conduct necessary training and examinations to ensure that the customers understand the risks involved in futures trading adequately and will provide them with training on transaction skills so as to reduce the likelihood of a massive loss.

### (e) Investment risk

Investment risk refers to the risk of loss or decrease in the investment income of the Company resulting from the investment on developing the business of the Company. Specifically, it refers to the following risks:

1. Investment target risk: It refers to the uncertainties in the growth and development of the investment target, including but not limited to technical risk, operation risk and financial risk;
2. Investment analysis risk: It refers to the risk of loss resulting from incorrect or incomplete due diligence conducted in an investment project;
3. Investment decision-making risk: It refers to the risk of loss resulting from an imperfect decision-making process and bias before any decision-making;
4. Project management risk: It refers to the risk resulting from insufficient supervision or improper management after investment and failure to discover and exercise control of the problems in an investment project in a timely manner; and
5. Project exit risk: It refers to the risk resulting from exit from an investment project with losses or inability to exit from an investment project.

The Company will formulate comprehensive procedures for approval and supervision of investment projects through authorities such as the asset management business investment decision committee, general manager office, Board, general meetings, in order to minimize investment risk. The Company will take reasonable steps in carrying out investment and enter into comprehensive investment agreements to protect the legal rights of the Company.

## IX. Constructing the risk management system of the Company

The objective of risk management of the Company is to implement a comprehensive risk management system to ensure the business operation complies with the relevant rules and regulations, and limit the risk related to the business operation to a tolerable level, thereby maximizing the corporate value of the Company. The CSRC has rated the Company the “Class A of the A Category” for the past twelve consecutive years since 2009 when the rating of futures companies was first introduced.

## (1) Risk management principles

The Company values the importance of the risk management system, which is established to achieve the following business goal:

1. Preventing operation, compliance, market and credit risks;
2. Ensuring the safety and integrity of the assets of the Company' customers and the Company's own assets;
3. Ensuring the reliability, completeness and timeliness of the business records, financial records and other information of the Company; and
4. Enhancing the operation efficiency and the efficiency in future business development of the Company.

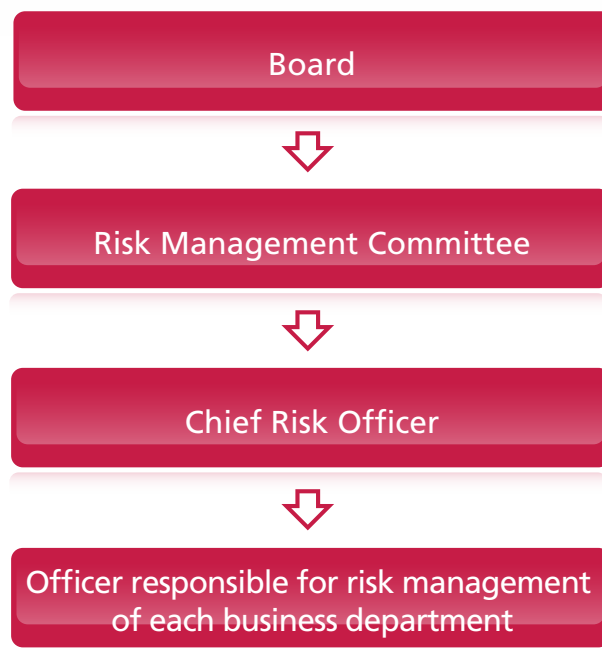
The risk management and internal control system of the Company has been designed based on the following principles:

1. **Comprehensiveness:** The Company has developed a comprehensive and unified risk management system which covers the entire process of the Company's business and the various processes of different departments and individual employees permeating through decision-making, execution, supervision and evaluation. Each department and individual employee must have a clearly defined role and responsibility in the risk management process.
2. **Sustainability:** The Company takes the initiative in actively setting risk management objectives and implementing risk management measures with proper supervision and evaluation on a sustainable basis.
3. **Independency:** The Compliance and Risk Control Department, Discipline Inspection Department as well as Justice Department operate independently from other departments in inspecting, assessing and monitoring various risks applicable to the Company on a regular basis.
4. **Effectiveness:** Risk management should be in proportion to the scale of the Company's business, scope of business as well as actual circumstances and unite with the efficacy of actual delivered results, so as to realize the risk management objectives of the Company.

The Company has established an internal structure and designed the business process for the purpose of segregating the powers of decision-making department, execution department and inspection and evaluation department and implemented check and balance among these departments.

## (2) Risk management system

The organization structure of risk management of the Company is illustrated below:



There are four management levels in risk management of the Company, namely, the Board, the risk management committee, the Chief Risk Officer and the officers responsible for risk management of each business department.

The Board is responsible for setting the strategic objectives of risk management, fulfilling the values of risk management, appointing and removing the Chief Risk Officer, evaluating and approving risk management policies, ensuring the implementation of risk management systems and providing feedback on the effectiveness of risk management systems.

The risk management committee of the Company is responsible for: (i) reviewing the risk management strategies of the Company, including the goals, risk tolerance and plans for managing and resolving material risks; (ii) analyzing and evaluating the risk profiles and the overall risk management of the Company; (iii) making suggestions and proposals in enhancing risk management of the Company; and (iv) supervising the implementation of the risk control system in the aspects of application of fund, marketing, operation and compliance. As at the end of the Reporting Period, the risk management committee of the Company has four members with an average of bachelor, master or higher degrees and one of them is a senior accountant. The risk management committee of the Company is led by Mr. Wang Yuetang, who is one of the independent non-executive Directors of the Company.

The Chief Risk Officer of the Company is responsible for ensuring the effective implementation of the internal policies of the Company and compliance with the business policy of the Company; evaluating and advising on the risks and compliance by the management of the Company in and as regards the major decisions making and main business activities of the Company; inspecting and investigating possible regulatory violations and risk concerns in the operation of the Company, reporting to the Board, the Shareholders and the regulatory authority independently on any non-compliance and enhancing the risk management of the Company through training, inspection and supervision. Mr. Qiu Xiangjun is the Chief Risk Officer of the Company and has approximately 14 years of experience in the financial industry.

Officers in each business department responsible for risk management shall be responsible for implementing the risk management policies.

## X. Industry competition, market position and core competitiveness

### • Industry competition

In 2020, the futures industry entered a new stage of development. On one hand, the supply of new products relatively accelerated, and on the other hand, great progress was made in total assets under management. China's futures market has been developing rapidly, and with trading volume hitting a new all-time high and significantly growing for two consecutive years; the ranking of China's four futures exchanges rose steadily in terms of trading volume in the global over-the-counter derivatives market; among the rankings of agricultural futures, metal futures and energy futures in terms of trading volume, top ten agricultural futures and top four metal products were China's; new types of futures and options were launched out at an accelerated pace and the system of derivatives was enhanced; the capital strength of futures companies were strengthened, and revenue generated from brokerage business significantly increased. The particulars are as follows:

- I. Trading volume in the futures market reached a record high. In 2020, China's futures market realized trading volume of 6.153 billion lots (which was calculated on one side, and the same below) and trading turnover of RMB437.53 trillion, representing a year-on-year increase of 55.29% and 50.56%, respectively. The China's futures market contributed 13.2% of trading volume to the global market, an increase of 1.7 percentage points as compared to 11.5% in 2019. From January to December, the trading volume on the DCE was 2.207 billion lots with a turnover of RMB109.20 trillion, representing a year-on-year increase of 62.83% and 58.43%, respectively, with its respective market share of 35.88% and 24.96%. The trading volume on the SHFE was 2.072 billion lots with a turnover of RMB140.02 trillion, representing a year-on-year increase of 46.76% and 44.42%, respectively, with its respective market share of 33.68% and 32.00%. The trading volume on the Shanghai International Energy Center was 56 million lots with a turnover of RMB12.79 trillion, representing a year-on-year increase of 58.29% and a year-on-year decrease of 17.92%, respectively, with its respective market share of 0.92% and 2.92%. The trading volume on the ZCE was 1.701 billion lots with a turnover of RMB60.09 trillion, representing a year-on-year increase of 55.74% and 51.97%, respectively, with its respective market share of 27.65% and 13.73%. The trading volume on the CFFE was 0.115 billion lots with a turnover of RMB115.44 trillion, representing a year-on-year increase of 73.59% and 65.80%, respectively, with its respective market share of 1.87% and 26.38%.



- II. Global rankings rose steadily with the trading volume of agricultural futures rounding out the top ten. In 2020, various four futures companies in China achieved good performance. According to yearly trading statistics released by the Futures Industry Association (FIA), each of DCE, SHFE, ZCE and CFFE ranked 7th, 9th, 12th and 27th in terms of trading volume in the global futures and options market. The ranking of DCE, SHFE and CFFE rose by four positions, one position and one position, respectively and the ranking of ZCE remained unchanged. Among the global rankings of agricultural futures, metal futures and energy futures in terms of trading volume, agricultural futures were particularly impressive, with China's futures rounding out the top ten and taking 14 of the top 20 positions, including soybean meal futures, palm oil futures, corn futures, soybean oil futures, rapeseed meal futures, egg futures, sugar futures, cotton futures, rapeseed oil futures, natural rubber futures, apple futures, No. 1 soybean futures, pulp futures and soybean meal options. In terms of metal futures, China's futures round out the top four and took 11 of the top 20 positions, including steel rebar futures, silver futures, iron ore futures, nickel futures, hot rolled coil futures, zinc futures, copper futures, aluminum futures, gold futures, silicon manganese futures, and ferrosilicon futures. In terms of energy futures, China's fuel oil futures, bitumen futures, thermal coal futures, coke futures, liquefied petroleum gas (LPG) futures and crude oil futures ranked in the top 20.
- III. With product innovation accelerated, futures and options products systems have been enhanced. In 2020, the listing of new products was accelerated in China's futures market, with a total of 12 new varieties listed throughout the year, including 4 varieties of commodity futures and 8 varieties of commodity futures and options. By the end of 2020, the number of listed products in China's futures and derivatives market reached 90. In terms of commodity varieties, 4 varieties were listed on the SHFE, including low sulfur fuel oil futures, international copper futures, and aluminum options and zinc options; 3 varieties were listed on the ZCE, including short fiber futures and rapeseed meal options and thermal coal options; and five varieties were listed on the DCE, including LPG futures and LPG options, polypropylene options, polyvinyl chloride options, and linear low-density polyethylene options.
- IV. The capital strength of futures companies has been strengthened, with the revenue generated from brokerage business increasing by nearly 50%. As of the end of 2020, the total assets and net assets of China's futures companies amounted to RMB984.825 billion and RMB135.001 billion, respectively, indicating that their capital strength was strengthened. Main business activities of futures companies include brokerage business, investment consulting business, asset management business and risk management business through subsidiaries. In particular, as of the end of 2020, the revenue generated from brokerage business was RMB19.230 billion, representing a year-on-year increase of 49.13%; the revenue generated from investment consulting business was RMB126 million, representing a year-on-year decrease of 11.14%; the accumulated revenue generated from asset management business was RMB897 million, representing a year-on-year increase of 16.05%. As of the end of 2020, there were 1,262 asset management products with AUM of RMB218.120 billion, representing a year-on-year increase of 52.57% in assets under management. The accumulated revenue generated from risk management business through subsidiaries amounted to RMB208.350 billion, representing a year-on-year increase of 17%.

- **Market position**

In 2020, the Company continued to maintain a development edge. Leveraging various advantages of its platforms, network distribution and qualification of comprehensive license and fully integrating with Internet services, the Company consolidated the scale of traditional business. In 2020, the turnover was RMB6,162.898 billion (bilateral statistics), representing an increase of 88.43%, as compared with the same period of last year and accounting for RMB3,270.612 billion. The trading volume was 95,749,796 lots, representing an increase of 56.46%, as compared with the same period of last year and accounting for 61,196,646 lots. The trading volume accounting for 0.70% of the market share. At the same time, the Company actively developed innovative business with significant growth in risk management and asset management business.

In 2020, the Company has been rated “Class A of the A Category” for the twelve consecutive year.

- **Core competitiveness**

1. *Superior geographical location*

The Company's headquarters is located in Nanjing, capital of Jiangsu Province, where it boasts an exceptionally solid presence. As of the end of the Reporting Period, the Company had a total of 45 branches (39 futures branches and 6 sub-branches), of which 20 were located in Jiangsu. Jiangsu Province is located in the eastern coastal areas of China and is developed in economy. In 2020, Jiangsu's Gross Domestic Product reached RMB10,271.898 billion. It is among the top provinces in China. Driven by China's stable economic growth, leveraging on its superior location, Jiangsu Province is an important manufacturing center in East China, which offers it a large number of economic and industry opportunities. In recent years, the People's Government of Jiangsu Province issued a series of new policies to stimulate its economic development, and especially that of the financial services industry. Under the vigorously implement of the “finance stabilisation” policy, increase of financial openness, promotion of financial supply-side structural reform, Jiangsu has been establishing and improving the local financial supervision systems and highlighting a number of major risks and hidden dangers to grasp the prevention and resolution of risk in the finance and other fields. At the provincial finance work conference on 1 September 2017, it was proposed that Jiangsu Province would thoroughly implement the spirit of the National Financial Work Conference by achieving the three tasks of serving the real economy, preventing and controlling financial risks and deepening financial reform, and making efforts to create a new situation in financial reform and development. Thus, Jiangsu is now geared to become a province with tremendous progress in financial business. The People's Government of Jiangsu Province issued the Opinions on Speeding up the Innovation of Financial Reform, promoting the development of a financial holding platform in Jiangsu Province, enhancing the overall investment capability of futures companies, banks, securities companies, insurance companies and trust companies, and further raising the securitisation rate of Jiangsu Province. Under continuing favourable policy conditions, the Company will gain more market opportunities.

Among futures companies in Jiangsu, the Company ranked first in terms of registered capital, net assets, net capital, customer balance and annual net profits, firmly occupying the leading position in the regional market. From its position as the province's largest futures company, the Company will leverage its deep understanding of the local market and its grasp of local customer demand to seize more development opportunities in the future.

## **2. *Widely distributed business network***

The Company has a total of 45 branches (39 futures branches and 6 sub-branches), of which 20 are located in Jiangsu Province. The rest are mainly located in economically developed and financially prosperous areas such as Beijing, Guangzhou, Shanghai and Shenzhen, giving coverage of financially developed areas and other major areas. In addition, Holly International Financial, a subsidiary of the Company, provides securities and futures brokerage services at the Hong Kong Stock Exchange, the Hong Kong Futures Exchange, and other major futures exchanges around the world.

The relatively wide distribution of the Company's futures branches has obvious advantages as it enables the Company to secure high-end customers from developed regions and benefit from the urbanisation and economic development of eastern coastal areas and central and western regions. The distribution and geographical coverage of futures branches will provide convenient financial services to customers and further enhance awareness of the Company brand and customer loyalty.

## **3. *Strong innovative ability enables the Company to grasp opportunities generated from the reform of China's futures industry***

With competition intensifying in China's futures industry, the Company has worked to identify and seize new opportunities created by the industry's reform. These actions have broadened the Company's futures business, its revenue channels and customer base. In July 2012, the CSRC issued its Pilot Measures on Asset Management Business of Futures Companies and granted qualifications for asset management business to futures companies. In December 2014, the China Futures Association issued the Rules for the Administration of Asset Management Business of Futures Companies (Trial), which allowed futures companies to provide asset management services to multiple clients. In August 2014, the China Futures Association issued the Guidelines on Pilot Work for Establishment of a Subsidiary by Futures Company to Commence the Business Mainly Focusing on Risk Management Services (Revised), enabling futures companies to engage in commodity trading and risk management businesses through risk management subsidiaries. In September 2014, the CSRC issued its Opinions on Further Promoting the Innovative Development of Futures Business Institutions to further expand the pilot scope of futures companies' establishment of risk management subsidiaries. The Company seized the opportunity to commence various businesses, including assets management, commodities trading and risk management.

#### 4. *Efficient, comprehensive and stable online trading platform*

As an online futures trading service provider, the Company provides clients with an efficient and stable platform for real-time trading. Through the Company's online platform, clients can trade futures in real time as the market opens, as well as accessing details and records of their accounts, charting systems, news highlights, past market data, and other services such as technical analysis. Clients can quickly execute trades using free PC software trading programs and smartphone apps.

The Company's ability to maintain a stable trading platform – supplemented by a backup system – is a key factor in gaining and fostering customer loyalty and attracting new customers. The Company further increase the investment in technology; strive to improve the service quality and customers' experience. There have been no major incidents affecting the activities of clients since the platform went into operation. To ensure the smooth execution of clients' trading activities, the Company established three independent data centres, one of which are located in Nanjing and two in Shanghai, which successfully listed on Shanghai Futures Exchange, China Financial Exchange, Zhengzhou Commercial Exchange and DCE Speedy Trading Center. The Company is upgrading and improving the main core business system as well as operating Hang Seng Traded Option System online. The Company also launched innovation columns such as video broadcast and video live through online cloud service platforms, issued information including financial calendar, prevailing hot events to investors regularly in order to form better communication and influence.

#### 5. *Strong customer service capabilities*

The Company provides multiple layers of service support to its clients. The Company's sales team has remained stable, the Company's account managers have close contact with their clients, and through customer service support, the Company can leverage customer relationships to support its domestic expansion and operations.

The Company provides its clients with guidance on using its online trading platform, including that pertaining to technical issues, questions encountered regarding the trading system, and their account status. The Company's research team also led in establishing a national post-doctoral workstation to provide clients with such value-added services such as price trend analysis of futures commodities. Clients can contact the Company's account manager to discuss market conditions and investment strategy.

A 400 hotline maintained by the Company gives clients access to additional comprehensive services including information consulting, quotation transactions and opening online accounts. These services can also be reached via a WeChat public account, Weibo public account and the Hongyuntong (弘運通) mobile app.

#### 6. *Experienced and stable senior management team*

Members of the Company's senior management team boast an average of years of experience in the futures industry. The Company was awarded the title of a state-owned enterprise in Jiangsu Province with an advanced team in building the "four good (四好)" leading group. The Company believes the strength and experience of its senior management team to be a vital key to realising its long-term growth strategies.

## 7. *Comprehensive business qualifications*

The Company and its subsidiaries have obtained comprehensive domestically and internationally recognised business qualifications which have enabled them to offer services across the whole futures spectrum, from spot to on-and off-exchange, to domestic and international, online to offline. Company qualifications issued by the CSRC or industry regulators include those for commodity futures brokerage, financial futures brokerage, futures investment advisory, asset management, fund sales and participants of stock options trading.

Holly International Financial, a subsidiary of the Company, holds the securities, futures licences in Hong Kong under which it (or by agent) can trade main foreign futures products around the world, including CME (Chicago Board of Trade), LME (London Metal Exchange), HKEX (Hong Kong Futures Exchange), Eurex (European Futures Exchange), SGX (Singapore Futures Exchange), TOCOM (Tokyo Commodity Exchange) and ICE (American Intercontinental Exchange). Additionally, it uses Shenzhen-Hong Kong Stock Connect and Shanghai-Hong Kong Stock Connect to carry out agency securities trading on the Hong Kong Stock Exchange, providing advice on securities trading and providing asset management.

Holly Capital, another Company subsidiary, is principally engaged in commodity trading and risk management, including variation basis trading, cooperative hedging, OTC derivatives business, market making business and warehouse receipt services. It is a trader on the Dalian Commodity Exchange, Zhengzhou Commodity Exchange and Shanghai Futures Exchange market makers for 13 futures varieties, and is a special trader on the National Cotton Exchange Market and the China Coal Trading Center, standard warehouse receipt trading platform dealer of Shanghai Futures Exchange.

## **XI. Prospects for the Company's future development**

2021 is the centenary of the Communist Party of China. The futures market will accelerate the transformation and upgrading, speed up the opening up and achieve the higher quality development. In this circumstance, the Company will adapt to the changes in international and domestic situations and the trend of the new wave of industrial reform, by fully leveraging on its own advantages, the Company will actively pursue the main direction, define the development orientation, improve the capacity of risk management, assets management and investment, accelerate the pace of information construction and internationalization construction, and assume the responsibility of serving the real economy under the new development pattern with "domestic circulation to dominant and domestic and international dual-circulation reinforcing each other".

In the new year, the Company will continue to adhere to the direction of establishing the modern enterprise system, with centering on the theme of "implementing new development concepts for the high-quality enterprise growth", deeply explore the new model of "Five in One" serving the real economy, strive to build a comprehensive derivatives featured service system which adopts to the needs of on-site and off-site, futures and spot and domestic and overseas.



## **(I) With new concepts as guidance for development, building a long-term mechanism for high-quality growth**

Our strategic planning management will be strengthened. The “14th Five-Year Plan” is the key five years for enterprise development. We have to comprehensively analyze our own strengths and weaknesses, study and judge the industry situation scientifically, specify the overall requirements, major objectives, methods and implementation guarantees of the “14th Five-Year Plan”, and the Company will broadly gather wisdom and strength from various departments and subsidiaries to ensure the company will make every effort to promote the company’s development during the “14th Five-Year Plan” period in a scientific, reasonable, efficient and continuous manner.

Atmosphere for attracting talents will be created. Talents are the core capital of the enterprise, an enterprise cannot develop without the team with rich professional knowledge, strong marketing capability and high risk awareness. Firstly, we will strengthen the talent consciousness, and establish the talent cultivation mechanism. We will set up the sound staff training platform and offer customized courses by category to middle management and young talents. We will mark talents from various aspects, and strengthen the recognition and attention to outstanding professionals. We will insist on the combination between internal cultivation and external introduction, train up the excellent staffs to be the backbone force for the Company’s development. Secondly, we will improve the recruitment model, and increase the efficiency of gathering talents. We will lay emphasis on attracting talents, and recruit a batch of leading personnel and excellent business backbone talents through the market-based remuneration and “one person with one policy”. We will pay attention to the recruitment of core talents in internationalization, FinTech and business transformation to expand the talent team with high level.

## **(II) With actively integrating into the new development pattern, building the core competence of business sectors**

Under the “dual circulation” development pattern in which domestic economic cycle plays a leading role while international economic cycle remains its extension and supplement, the Company will continuously improve its business development structure, update the “four centres with two platforms” to “five centres with two platforms”. Focusing on the five “centres” (i.e, brokerage business, risk management, wealth management, assets management and international business), the Company will continue to develop the two “platforms” (i.e, online and offline), and constantly promote the transformation from platform service provider to comprehensive professional investment banking business provider of the Company with the thinking of investment bank.

To realize the transformation and upgrading of brokerage business. Focusing on the “Five in One” development strategy, the Company will fully play the role of various business units and establish the sound business linkage mechanism between the headquarter and branches. Through the systematic and platform-based construction, the Company will optimize the customer service system, so as to provide the multi-layer and multi-class services for customers. Meanwhile, the Company will continuously optimize and update the online platform and improve the “professional, digitized and scenario-based” investor education platform, provide investors with value-added services and enhance customer stickiness.



We will constantly promote the “professional and platform-based” development of asset management business on the basis of legal compliance. We will further enrich and expand the organic and external growth of asset management platform, and strengthen the synergy among the our internal asset management business. Starting from the futures market positioning, we will constantly enrich the product categories, select the advantageous product from four lines, including fixed income, stock period hedge, futures arbitrage and FOF, and steady launch strategic products such as mixed FOF and fixed income+. We will pursue the in-depth cooperation with industrial customers in the form of productization, and provide value-preserving and value-added services for high net worth clients. We will strengthen cooperation with quality institutions, and make contribution to the development of our active management team. We will effectively enhance the independent management capabilities, and build a quantitative trading platform with its own characteristics.

The risk management business achieves full coverage. We will apply for the dealer qualification for more new types of options in the stock exchanges. We will strengthen the research on on-site option categories, and conduct the cooperation with more financial institutions such as banks, brokers and fund companies. “Insurance + Futures” should have quantitative changes, but more importantly, it should have qualitative changes. We will try our best to serve the National Rural Revitalization Strategy. The regional competitive advantage of the futures and spot business will be formed, with the aim of serving the real economy, we will deepen the industry chain, scale up the spot trading, and improve our ability in risk control and increase profitability. The own characteristics of off-site derivatives business will be formed, we will continuously build the stable business model, and strive to become a well-known brand in the industry. The scale effect of market making business will be achieved, we will build the high-speed market maker system which meets the requirements for quoting in national futures and options market, and the comprehensive ranking ranks among the top ten in the stock exchanges. Based on the derivative pricing and market making trades, we will set up the proprietary trading team with high-risk management capacity and profitability.

Wealth management business seizes new opportunities for development. We will continue to expand the scale of agency sales of public funds, do a good job in fund display, recommendation, and analysis, and strive to build a premium “financial supermarket”. We will promote private placement agency sales business, build a high-quality bond trading business framework to achieve a stable, safe and efficient bond trading operation system. Meanwhile, on the premise of risk prevention and control, in-depth investment research and development will be carried out to increase investment.

To expand the breadth and depth of international business. On the basis of compliance of operation, we will vigorously improve the interest and share of overseas customers, and expand the main business. We will strive to obtain more memberships in overseas stock exchanges, reduce the transaction cost and improve the level of customer service. Focusing on the development of Guangdong-Hong Kong-Macao Greater Bay Area, we will build the business team and vigorously develop the multi-license financial services in Greater Bay Area.

### (III) With continuously investing in Fintech, fully building the new strengths for development

Through the Fintech approach, we will further improve the capacity of back-end support, service and management, build the integrated, united and effective information management system, convenient and fast business process and sound and safe risk control platform.

To advance the digitization construction and build the “Holly technology”. We will integrate the “tradition + Internet + Fintech” and emphasize the individualization of technology. With the internet thinking, we will use Fintech to continuously explore, optimize and adjust the business scenario. We will establish the sound customer image labeling system, based on the customer trading types, we will define the special customers and stable customers, and provide differentiated services. We will integrate the “SOHO digitization”, build the bub integrating quotation, transaction, settlement, risk control and other functions, collect all kinds of business resource, data and information, productize the business, standardize the services and informationize the data, and improve the accurate service level for customers.

To enhance research and development strength, and create the ceaseless value and benefits. Through “enhancing independent research, actively seeking external assistance and building the research and development alliance”, we will build the star service echelon, and fully improve the ability and level of customer service of the Company. We will not only improve the research level of traditional and key products and advantageous types of futures products of the Company, but also enhance the research and development capabilities of innovative products or new trading instruments; we will increase the training of research and development personnel, and make the research institute become the talent training base.

To enhance the risk prevention and control, and strengthen compliance bottom line. We will improve the endogenous mechanism which can promote the moderate compatibility between the innovative development and risk prevention of the Company, improve the organizational system, institutional system and work system of risk management. We will put the system construction in more prominent position, carefully search for system gaps or process defects, and timely study and formulated measures for improvement. We will strengthen the system performance and maintain the institutional authority to ensure that all works will be implemented based on the system requirements. We will carefully sort out the risk points, strictly implement the prevention and control measures and intensify accountability for risk matters. The functional departments including finance, audit and risk control will conscientiously perform the regulatory duties.

Normalize safety management. For in-depth implementation of the higher-level arrangement, we will strictly carry out the special rectification action plan for production safety, and comprehensively carry out “looking back” inspections. We will further clarify the safety production management responsibility, intensify the rectification of hidden production hazards, and strengthen the safe production education. We will strictly implement all kinds of normal measures of prevention and control, and firmly grasp the works of staff management, information system security, safety guard and workplace disinfection, in order to provide security for winning the “double victory” and promoting the high-quality development of the Company in the forefront.

## XII. Business overview

### (a) Key financial ratios

	2020	2019
Net assets per Share attributable to shareholders of the Company (RMB/share)	1.82	1.76

The Group's net assets per Share attributable to shareholders of the Company for the year 2020 increased as compared with 2019.

#### Gearing ratio

	2020	2019
Gearing ratio (%) <sup>Note</sup>	20%	14%

Note: Gearing ratio = (Total liabilities – accounts payable to brokerage clients)/(Total assets – accounts payable to brokerage clients)

Gearing ratio of the Group increased during the year of 2020, which was mainly attributable to the increase in funds raised from outstanding asset management plans payable and the increase in pledge payment payable.

#### Weighted average return on net assets

	2020	2019
Weighted average return on net assets	4.07%	1.31%

Weighted average return on net assets of the Group sharply increased in 2020, which was mainly attributable to more profit growth in 2020.

## (b) Corporate social responsibility

### 1. *Relationship with employees*

The employees are the valuable wealth for the Company, the foundation of the survival and development for the Company. The Company treats employees with fairness and respect. The talents are the base of strong company, the foundation of development and the requirement of transition. The Company endeavours to be employee centered, and strives to create a people oriented and caring working environment, and is sparing no effort to build “enrichment platform”, “entrepreneurial platform” and “career platform” for employees. A total of 77 people were employed during the year, and the total number of employees was 659 as of 31 December 2020.

Adhering to the strategy of improving the enterprise by attracting and training talents, the Company keeps on increasing the benefits for staffs. First, we focused on improving the recruitment system. The Company has dispatched several middle-level backbone talents to subsidiaries to expand the cadre teams of subsidiaries. The Company adopted the internal open recruitment competition to select reserve personnel for the heads of branches, and appoint the outstanding competitors as the head of business department. The Company strengthened cadre training, and selected and appointed several middle-level backbone talents during the year. By promoting in-depth development of school-enterprise cooperation, the Company conducted strategic cooperation with Nanjing University School of Management & Engineering and Business School of Hohai University, to discuss the “integration of production and education” program. The Company successively participated in the more than 20 Recruitment Fairs in Tsinghua University and Beijing University which were initiated by Provincial Party Committee, and recruited more than 40 talents during the year. Second, we improved the talent training system. Through educational training, field study and talent exchange, the Company focused on enhancing comprehensive quality and improving capacity of talents in all positions. The Company actively advocated the concept of “supplying and studying what is missing”, paid attention to the comprehensiveness of training and organised more than 50 internal and external training sessions in total. The Company strengthened the training for excellent young cadres, and selected 6 excellent young talents to take part in the third phase of training classes for young and middle-aged cadres of the holding group, among which, one cadre was awarded as the “Outstanding Student Cadre”, and two cadre were awarded as the “Outstanding Students”. Third, the Company improved the performance appraisal system. Under the leadership of the holding group, the Company formulated the contracted plan for managers under tenure system. The Company developed the target assessment methods, revenue-enhancing and expenditure control measures, performance evaluation methods of the subsidiaries and monthly key work assessment methods of the business department, and optimized the evaluation and motivation measures. The quarterly performance review of functional departments was conducted continuously. Four, the Company constantly enhanced the staffs’ sense of gain and happiness. The Company increased the basic salary of business staffs and expanded the year-end bonus pool of general staffs, so as to share the enterprise development achievements with all staffs. The Company increased the premium amount of lifelong critical illness insurance for staffs, and built the multilevel staff security system. Under the unified arrangement of the holding group, the Company made full efforts to promote the construction of Nanjing Financial City and closely grasped the decoration plan design and related works. The Company held the “challenging poison with reading for the health of both body and mind” World Book Day, “Harmonious Holly with the fragrance of glutinous rice” competition of making zongzi in Dragon Boat Festival and “sightseeing xuanwu and enjoying the summer lotus” healthy walk around the lake and other pleasant activities. The “Youth Learning” series community activities were organized.

The Company adheres to the principle of giving priority to efficiency with due consideration to fairness, and establishes and perfects the performance assessment system.

The Company provides and establishes (including but not limited to) statutory benefits such as reserve fund, basic medical insurance, endowment insurance, maternity insurance, employment injury insurance and unemployment insurance for employees in accordance with laws, regulations and relevant policies of Hong Kong and China. Employees are also entitled to public holidays, marriage leave, bereavement leave and maternity leave.

Over the years, the Group has been able to get through the channels for self-improvement of employees through training courses and lectures to enhance professional competence.

## 2. *Environmental protection*

The Company aims to minimize the impact of our activities on the environment and will remind our staff to follow the same principle. The Company adheres to the approach of low carbon, emission reduction, energy saving and environmentally friendly in business management. It has adopted the following measures:

- improve the official vehicle-using arrangement and advocate taking public transportation;
- encourage staff to print on two sides of paper and remind staff to reduce waste production when printing and photocopying documents;
- encourage staff to turn off lights when leaving, so as to reduce unnecessary lightings;
- adopt an office automatic online management system to promote electronic office work and reduce paper consumption;
- encourage employees to bring their own cups to save the use of disposable cups and so on; and
- To carry out production safety investigation to implement rectification action plans, enlarge the involvements in aspects such as safety supervision, risk management and publicity and education and ensure the secure line of high-quality development.

By implementing appropriate measures, the Company has improved efficiency, saved energy and further improved the overall environmental awareness of the Company.

### 3. *Compliance with relevant laws and regulations*

The Group has adopted internal control to monitor the continuous compliance with relevant laws and regulations. During the Reporting Period, the Company did not violate any laws or regulations that resulted in material effect on the business of the Group.

### 4. *Relationships with customers and suppliers*

The Group maintains good relationships with existing and potential customers, so as to better understand the market trends and fulfil the diverse needs and requirement of individual and corporate customers more effectively. As a result, the Group is able to take up cooperation opportunities with customers and timely adjust its operating and development strategies. Given its business nature, the Company has no major suppliers.

## **XIII. Event subsequent to the Reporting Period**

### **(1) Subsequent investment and financing of the Company and subsidiaries**

In order to enhance the Company's image, strengthen corporate competitiveness, form agglomeration effect and share the regional development dividends of Jianye District. The Company purchased the first floor and 17-22 floors of commercial housing in Building A4 of Zijin Financial Center (Financial City Phase II). The first floor has an area of 245.99 square meters, and each of the 17-22 floors has an area of 1,901.43 square meters. There are 6 floors, the unit price is RMB24,000, and the total price is RMB279,709,700. Among them, the Company purchased floors 1, 17, 19, 20, 21 and 22 at a total price of RMB234,075,400. Holly Capital purchased the 18th floor at a total price of RMB45.6344 million. The house purchase adopts a joint payment method of free funds and loans, and the loan ratio is not higher than 50%. The interest rate on the loan is set at the rate approved by the bank and the term of the loan is not more than five years. In addition, about 203 parking spaces were purchased at a total price of no more than RMB41.00 million which paid with the Company's self-own funds.



# Report of the Board

The Board of the Company are pleased to present the audited combined financial statements (the “Financial Statements”) of the Company for the year ended 31 December 2020.

## I. The principal business lines of the Company

As set out in Section VI “II. Business review” of this Report.

## II. Business overview

As set out in Section V “Financial Summary” and Section VI “XII. Business overview” of this Report.

## III. Major risks and uncertainties faced by the Company

As set out in Section VI “VIII. Risk factors and uncertainties faced by the Company and its risk strategy”, “IX. Constructing the risk management system of the Company” and “X. Industry competition, market position and core competitiveness” of this report.

## IV. Event subsequent to the Reporting Period and prospects of the Company

As set out in “XI. Prospects of the Company” and “XIII. Event subsequent to the Reporting Period” of Section VI of this Report.

## V. Profit distribution and profit distribution plan

The audit institution confirmed through audit in accordance with the accounting standards of the PRC that, the Company generated net profit of RMB79,427,088.68 for 2020. According to relevant regulations such as the Company Law, Securities Law, Financial Rules for Financial Enterprises and Articles of Association, and Proposal on Distribution Plan of Accumulated Profits before Issue of H Shares of Holly Futures Co., Ltd. (《關於弘業期貨股份有限公司發行H股之前滾存利潤分配方案的議案》) (which stipulated that “the proceeds from the current issue of H Shares and accumulated undistributed profits before listing shall be shared by existing and new shareholders in proportion to their shareholding after H Shares are offered”) considered and passed at the 2015 first extraordinary general meeting, the Company plans to distribute its undistributed profits in 2020 according to the following order: 1. Withdraw 10% of such sum as statutory surplus reserve, amounting to RMB7,942,708.87; 2. Withdraw 10% as general risk reserve, amounting to RMB7,942,708.87; 3. After deducting the above two items, the net profit of the Company in 2020 was RMB63,541,670.94, and the adjusted undistributed profit at the beginning of 2020 was RMB22,773,444.81, hence the accumulated distributable profits for 2020 was RMB77,245,115.75 (excluding the distributed profit of RMB9,070,000 for last year).

In view of the long-term development and interests of investors, the Company is expected to make the following profit distribution plan: the Board proposed distribution of cash final dividend for the year ended 31 December 2020 of RMB0.05 per Share (tax inclusive) (“2020 Final Dividend”) to Shareholders whose names appeared on the register of members of the distribution of the 2020 Final Dividend and who are entitled to such distribution. Based on the total equity of the Company as of 31 December 2020, the aggregate amount to be distributed will be

RMB45,350,000. The proposed 2020 Final Dividend is subject to approval by Shareholders at the 2020 annual general meeting of the Company. The Company will make a separate announcement in respect of the record date of final dividend distribution and date of closure of register of members. Please refer to the circular of the 2020 annual general meeting to be published by the Company in due course for details and the actual arrangement regarding the distribution of dividend. The dividend payable to holders of Domestic Shares of the Company will be in RMB while those payable to holders of H Shares of the Company will be in Hong Kong Dollars. The exchange rate shall be calculated on the basis of the average benchmark exchange rate between RMB and Hong Kong Dollars as announced by the People's Bank of China for the five working days prior to the date of the 2020 annual general meeting of the Company.

## VI. Issue of Shares and use of proceeds

### 1. Use of proceeds

As approved by CSRC Zheng Jian Xu Ke [2015] No. 1963, the Company was listed on the Main Board of the Hong Kong Stock Exchange on 30 December 2015 and it issued 249,700,000 H Shares (comprising 227,000,000 H Shares offered by the Company and 22,700,000 H Shares offered by the selling Shareholders) under the global Offering. The numbers Offer Shares under the Hong Kong Public Offering was 24,970,000 H Shares, representing 10% of total number of Offer Shares offered under Global Offering. The numbers of Offer Shares under the International Placing was 224,730,000 H Shares, representing 90% of total number of Offer Shares offered under Global Offering, with an offer price of HKD2.43 per Share, raising total proceeds of approximately HKD607 million. The net proceeds of the Company amounted to approximately HK\$536 million (after deducting the Group's underwriting fees and all related expenses).

According to the use of proceeds from global offering as set out in the Prospectus, the Group intended to use the proceeds to: develop the Hong Kong and global futures business of the Group; develop the asset management business; develop the commodity trading and risk management business; develop and strengthen the existing futures brokerage business; purchase information technology equipment and software; and serve as general working capital of the Group.

After deducting all listing expenses, transferred payments of the social insurance and the part used in developing Hong Kong and global futures business, the total proceeds of the Company are remitted to the PRC and converted to RMB.

The Company held the 2018 annual general meeting on 6 June 2019 and passed to transfer the remaining fund of HK\$50 million which originally intended to be used for "developing and strengthening the existing futures brokerage business" to "developing the Hong Kong and global futures business". The change must be approved by the State Administration of Foreign Exchange and the National Development and Reform Commission and other relevant regulatory authorities before implementation. As of 31 December 2020, the Company has not obtained approval from the relevant regulatory authorities for the above application for changing the use of proceeds, mainly due to more stringent external investment review for financial enterprises and the increasingly stringent and tightened current foreign exchange control system.

## 2. Use of proceeds for committed items

As of 31 December 2020, the abovementioned proceeds, for the purposes as set out in the Prospectus, were used as follows:

Description	Consolidated usage of the proceeds raised (as of 31 December 2020)		
	Usable amount HKD0'000	Used amount HKD0'000	Balance HKD0'000
Development of the future business in Hong Kong and throughout world	17,157	16,500	657
Development of the asset management business	13,404	12,136	1,268
Development of the commodity trading and risk management business	10,723	9,784	939
Development and enhancement of the existing futures brokerage business*	5,361	52	5,309
Acquisition of IT equipment and software	2,681	2,580	101
General working capital	4,289	4,288	1
Total	53,615	45,340	8,275

\* Note: approval from regulatory department has been obtained, of which, HKD50 million will be transferred to "development of Hong Kong and global futures business".

In order to enhance the efficiency of the utilisation of the proceeds, as of 31 December 2020, the Company's remaining proceeds were deposited into large commercial banks as bank deposits. The Company intends to utilise the net proceeds in the amount and usages as prescribed in the Prospectus and as amended in the 2018 annual general meeting of the Company (subject to the regulatory approval) in due course in 2021.

## VII. Directors

Information on Directors of the Company, their biographies and the changes during the Reporting Period and as of the date of this Report is set out in Section X "Directors, Supervisors, Senior Management and Staff" of this Report.

## VIII. The service contracts of Directors and Supervisors

No Directors and Supervisors of the Company, or their related entities, entered into any service contract with the Company or its subsidiaries which shall be compensated (except for statutory compensation) upon termination within one year.

## **IX. Interests of Directors and Supervisors in material transactions, arrangements or contracts**

As of 31 December 2020, the Company or its subsidiaries did not enter into any material transactions, arrangements or contracts entitling direct or indirect substantial interests to the Directors or Supervisors of the Company (or the related entities of any Director or Supervisor) during the Reporting Period.

## **X. Interests of Directors in business that competes with the Company**

As of 31 December 2020, none of the Directors of the Company had any interest in businesses directly or indirectly competing with the Company.

## **XI. Directors' right to purchase shares or debentures**

As of 31 December 2020, the Company has not given Directors or their respective spouse or children under the age of 18 the rights to purchase the Shares or debentures of the Company to obtain benefit, nor did they exercise any such rights; nor have any arrangements been made by the Company or any of its subsidiaries to entitle such rights to the Directors or their respective spouse or children under the age of 18 in any other body corporate.

## **XII. Interests and short positions of Directors and chief executive in the Shares, underlying shares or debentures of the Company and any of its associated corporations**

As at 31 December 2020, based on the information obtained by the Company and the knowledge of the Directors, the Directors and chief executive of the Company have no (i) interests and short positions that shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) shall be entered in the register maintained pursuant to Section 352 of the SFO, or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code in the Shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO).

## **XIII. Purchase, sale and redemption of securities**

During the year ended 31 December 2020, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## XIV. Controlling shareholders' interests in contracts

Save as disclosed in this Report and the Prospectus, no contracts of significance to which the Company or its controlling companies or any of its subsidiaries was a party in which the controlling shareholder or its subsidiaries had a material interest subsisted at the end of the Reporting Period or at any time during the year.

## XV. Permitted indemnity provision

Pursuant to the Articles of Association of the Company, every Director shall be entitled to be indemnified out of the assets of the Company against all loss or liabilities (to the fullest extent permitted by the Companies Ordinance) which he may sustain during his service or incur in or in connection with the execution of the duties of his office. The Company has arranged for appropriate insurance cover for the Directors' and senior management' liabilities in respect of legal actions against them arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance when this report of the Board prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

## XVI. Share option scheme

The Company and its subsidiaries have no share option scheme.

## XVII. Compliance with non-competition undertaking

As disclosed in the Prospectus of the Company, the Company and SOHO Holdings entered into the non-competition undertaking in favor of the Company on 8 December 2015 (the "Non-competition Undertaking"), pursuant to which SOHO Holdings and its close associates (as defined in the Listing Rules) (other than subsidiaries of the Company) undertook that, save as disclosed in the Prospectus, neither SOHO Holdings nor any of its close associates (as defined in the Listing Rules) (other than subsidiaries of the Company) would, in any form, engaged in, assisted or supported any third party in the operation of, participate, or has any interest in, any business that, directly or indirectly, competes or will compete or may compete with the business carried on or contemplated to be carried on by the Company from time to time, namely futures-related financial services including futures brokerage, asset management and commodity trading and risk management business.

SOHO Holdings has confirmed to the Company that, during the Reporting Period, it has complied with all the undertakings and requirements under the Non-competition Undertaking. The independent non-executive Directors of the Company have conducted annual review over the compliance with and performance of all the undertakings and requirements under the Non-competition Undertaking by SOHO Holdings, during the Reporting Period, and confirmed that SOHO Holdings was in full compliance with the Non-competition Undertaking and there was no breach.



## XVIII. Other disclosures

### (1) Equity

Details of changes in equity of the Group for the year ended 31 December 2020 are set out in Note 29 to the financial statement of this annual report.

### (2) Pre-emptive rights arrangements

Pursuant to the PRC laws and the Articles of Association, the Company has no pre-emptive rights arrangements during the Reporting Period.

### (3) Sufficiency of public float

Based on the information obtained by the Company and to the knowledge of the Directors, during the Reporting Period, the public float of the H Shares of the Company was approximately 26.61%, which was in compliance with the relevant regulations of Rule 8.08 and Rule 13.32 of the Listing Rules.

### (4) Management contract

No contracts concerning the management and administration of the whole or any substantial part of the Company's business (other than the service contracts entered into with the Directors, Supervisors and the senior management) were entered into or existed during the Reporting Period.

### (5) Data on tax reduction and exemption of the shareholders of H Shares

#### *Individual investors*

In accordance with the Individual Income Tax Law of the People's Republic of China issued by the Fifth Session of the Standing Committee of the National People's Congress on 10 September 1980, revised on 31 August 2018 and came into effect on 1 January 2019 and the "Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China" revised by the State Council on 28 December 2018 and came into effect on 1 January 2019, the dividends paid by Chinese companies shall be subject to the withholding tax at a rate of 20.0%. Non-Chinese resident foreign individuals shall be imposed 20.0% of individual income tax on the dividends from Chinese companies, unless specific exemptions allowed by the tax authorities of the State Council or special deductions in accordance with applicable tax treaty.

According to the Notice on the Management of Individual Income Tax Impose after the Abolition of Guo Shui Fa [1993] No. 045 issued by the State Administration of Taxation (Guo Shui Han [2011] No. 348), for domestic non-foreign-invested enterprises publicly listed in Hong Kong, its overseas resident individual shareholders are entitled to the preferential tax treatments under the taxation agreement entered into between China and the countries in which they reside. Dividends paid by domestic non-foreign-invested enterprises listed in Hong Kong to its H share individual holders who are not Chinese residents shall be subjected to individual income tax at the rate of 10.0%, and without prior approval from the Chinese tax authorities. In the event that the tax rate of 10.0% is not applicable, (i) for a foreign citizen who receives dividend in the capacity of an H share individual holder, where an income tax treaty prescribing a rate of less than 10.0% was entered into between China and the country in which he resides, the non-foreign-invested enterprises listed in Hong Kong may, on behalf of such holder, apply for further preferential tax treatment; and upon approval from the competent tax authorities, the withholding tax paid in excess will be refunded; (ii) for a foreign citizen who receives dividend in the capacity of an H share individual

holder, where an income tax treaty prescribing a rate higher than 10.0% but less than 20.0% was entered into between China and the country in which he resides, the non-foreign-invested enterprises listed in Hong Kong shall withhold dividends pursuant to the agreement, without making an application; (iii) for a foreign citizen who receives dividend in the capacity of an H share individual holder, where the country he resides in has not entered into any tax treaty or otherwise with China, the non-foreign-invested enterprises listed in Hong Kong shall withhold dividends at the rate of 20.0%.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (Guo Shui Han [2006] No. 884) with respect to taxes on income signed on 21 August 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax shall not exceed 10.0% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds at least 25.0% equity interest in a PRC company, such tax shall not exceed 5.0% of the gross amount of dividends payable by the PRC company.

### *Enterprise*

According to the prevailing effective Enterprise Income Tax Law of the People's Republic of China and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China, the non-resident enterprises shall be subject to 10.0% enterprise income tax for the income originated from the PRC provided that the non-resident enterprises do not establish offices or premises in the PRC, or where there are offices and premises established, but there is no connection between the dividends and bonuses received and the offices or premises established by the non-resident enterprises. Such withholding tax may be reduced pursuant to an applicable double taxation treaty. According to the Notice Regarding Questions on Withholding Enterprise Income Tax When PRC Resident Enterprises Distribute Dividends to Overseas Non-resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation, which became effective on 6 November 2008, PRC resident enterprises should withhold enterprise income tax at a rate of 10.0% when they distribute dividends to Overseas non-resident enterprise shareholders of H Shares from the year of 2008. Such withholding tax may be reduced pursuant to an applicable double taxation treaty.

## **(6) Reserves and reserves of profits available for distribution**

Details of changes in reserve of the Group for the year ended 31 December 2020 are set out in Note 34 to the financial statement of this annual report.

## **(7) Charity donation**

During the Reporting Period, the Group made donations of approximately RMB1 million in total.

## **(8) Major customers and suppliers**

The Company provides services for various institutional and individual customers engaged in a number of industries. Clients of the Company include large, small and medium enterprises, high net worth clients and retail customers mainly located in China. As the Company expands to overseas market, it is expected to provide services for more overseas customers in the future.

During the Reporting Period, income and other gains generated by the largest customer of the Company was RMB3,188,924.23 (futures handling fee net income tax price inclusive), accounting for 4.0%, while income and other gains generated by the five largest customers was RMB5,818,879.15 (futures handling fee net income tax price inclusive), accounting for 7.3%.

To the knowledge of the Directors, no Directors or any of their close associates or any shareholders holding more than 5% of the issued share capital of the Company have any beneficial interests in any of the top five customers of the Company during the Reporting Period.

Given its business nature, the Company has no major suppliers.

## **(9) Property and equipment**

Details of changes in property, plants and equipment of the Group for the year ended 31 December 2020 are set out in Note 13 to the financial statement of this annual report.

## **(10) Social responsibilities**

At the beginning of 2020, the COVID-19 epidemic outbreak suddenly. The Party committee of the Company resolutely assumed the political responsibilities, by taking priority of the health of staffs, closely grasped the epidemic prevention and control works, to ensure that there was no case and no infection in the Company. The Leading Group for Epidemic Prevention and Control and Epidemic Prevention and Control Office formed by the members of the leading groups with the secretary of the party committee acting as the headman were established in the first time. The plan was carefully formulated in the first time and the notices of Prevention and Control Work Plan and Resumption Plan were printed successively for more than ten copies, the plan on AB work shift in key positions was formulated, so as to ensure the “three safety guarantees” for staffs, customers and business. The resumption for work and production was advanced in the first time. Under the circumstance that the market fluctuated drastically, customer development and service mode were challenged, all staffs of the Company worked hard together to overcome the difficulties and effectively guaranteed the orderly operation of all works. The donation for front line of the battle against the epidemic was made in the first time, the Company donated RMB1 million to Wuhan Charity Federation, motivated all staffs of the Company to donate almost RMB100,000 to Red Cross Society of China Jiangsu Branch and organized 31 staffs to participate in the voluntary blood donation. The anti-epidemic measures were strictly implemented in the first time, including the persevere in morning and afternoon examination, the implementation of “daily report” and “zero report” system by all staffs, and the performance of “tracking” management on staffs on a business trip. Under the normal situation of epidemic prevention and control, the Company still not relaxed the prevention and control work, consistently completed the daily staff health reporting, epidemic risk level prompting, temperature measurement, health code checking and visitor register, and earnestly guided the epidemic prevention and control of overseas institutions. In the industry competition, the Company was awarded the “Junding Award for Chinese Anti-epidemic Pioneer Futures Companies”.

Meanwhile, the Company actively practiced the social responsibilities as a state-owned enterprise, focused on the national strategy, responded to the call of the central government and the industry, carried out a series of targeted poverty alleviation works, and pushed forward steadily the “Insurance + Futures” project. The Company launched 5 projects in total including egg project carried out in Hezhang County, Guizhou Province, a national poverty-stricken county, the natural rubber project carried out subsequently in Mengla County, Yunnan Province, and the corn project carried out in Tongshan District, Xuzhou City, provided price risk service for a total of 65,000 ton corns, 1,500 ton natural rubbers and 5,300 ton eggs, covering nearly 3,000 poverty-stricken householders, among which the loss ratio of the natural rubber project reached 143%, the compensation amount exceeded RMB1.71 million, ranking the front rank in the industry; the compensation amount of the egg project exceeded

RMB1.06 million. The Company also fully implemented the action of “connecting enterprises with villages to pursue the common prosperity”, according to the guidelines of “with party construction leading and village-enterprise connecting to highlight industrial development and create mutual benefit”, the Company completed the relevant works of “connecting enterprises with villages to pursue the common prosperity”, and arranged specially-assigned person to communicate with Shaozhuang Village, Beichenji Town, Guannan County, the secretary of the party committee personally led the on-site investigation and research, and understood the needs of village enterprises after several on-site visits, the Company entered into the cooperation agreement with Shaozhuang Village, the “Insurance + Futures” project was officially launched in the beginning of December. During the year, the Company was awarded with the honorary titles including “Junding Award for Chinese Outstanding Poverty Alleviation Futures Companies”, “Top 10 Poverty Alleviation Enterprises” and “Best Targeted Poverty Alleviation and Charity Award”, and the matters relating to targeted poverty alleviation and serving the real economy were publicized in four reports published on xuexi.cn.

#### (11) Change of auditors

In 2019, KPMG has resigned as the Hong Kong auditor of the Company and KPMG Huazhen LLP was appointed as the only auditor of the Company.

Save as disclosed above, during the past 3 years including the Reporting Period, there has been no other change of auditors of the Company.

#### (12) Change in accounting standards and amendments to the Articles of Association

During the Reporting Period, the Company did not make any changes to its Articles of Association and accounting standards.

By order of the Board  
**Mr. Zhou Yong**  
Chairman

Nanjing, the PRC  
26 March 2021

# Other Material Matters

## I. Punishment and public censure against the Company during the Reporting Period

During the Reporting Period, the Company did not have any punishment and public censure.

## II. Material litigations and arbitrations

### (I) Material litigations and arbitrations occurring during the Reporting Period

1. On 29 April 2020, the Company received information from the People's Court of Qixia District, Nanjing, relating to a lawsuit initiated by the plaintiff suing an employee of the Company and the Company's tort liability dispute. The plaintiff alleged that the employee recommended a trading platform to the plaintiff through a third party for transactions, resulting in the plaintiff's investment losses and handling fees totaling RMB5.689 million after the transaction. The plaintiff later learned that the platform was not registered in China. The plaintiff believed that the employee had committed fraud together with the Company, which constituted infringement. Judgement was requested for the employee to compensate for investment losses of RMB4,002,240, and handling fee of RMB1,686,713.6, totaling RMB5,688,953.6; the Company shall bear joint and several liability for compensation; the two defendants shall bear litigation costs. After preliminary verification, the plaintiff is not a domestic futures customer of the Company, nor is it an overseas futures customer of the Company's overseas subsidiary Holly International Financial Holdings Limited, and neither the Company nor its overseas subsidiaries have received funds from the plaintiff. Currently, the case is in the process of initial trial.
2. Holly Capital Shanghai Hongsu Economic and Trade Branch ("Holly Capital Shanghai Branch") and a company had a dispute over the purchase of purified terephthalic acid (PTA). Since that company did not provide part of the goods after receiving the payment, Holly Capital Shanghai Branch filed a lawsuit to the People's Court of Qinhuai District, Nanjing City, and the court put the case on file on 23 December 2020. The claims of the case are as follows: 1. Order the defendant to repay RMB10,713,048.00; 2. Order the defendant to pay the liquidated damages to the plaintiff of an amount equal to RMB10,713,048.00 multiplied by 1.5 times of the quoted interest rate of the loan market from 11 June 2020; 3. Order the defendant to bear all the litigation costs, costs of preservation and other legal costs of the case. This case has been transferred to Jiangyin Municipal People's court for jurisdiction in accordance with the spirit of the notice issued by Jiangsu Provincial Higher People's court to intermediate people's courts throughout the province on 31 August 2020. Now the case is in the first instance.

### (II) Material legal litigation concluded in the Reporting Period

In July 2016, the Company found that an employee, ("Mr. A"), was suspected of forging the seal of the Company for signing contracts. As required by the contract, the commissioned funds are transferred directly into the private bank account of such employee, and the Company had reported the case to the public security organ.



On 1 August 2017, a company ("Company I") filed three lawsuits to the Qinhua Court of Nanjing, three lawsuits were dismissed by the court of first and second instances, respectively. On 2 December 2019, Company I filed three lawsuits to the People's Court of Hexi District, Tianjin (the "Tianjin Hexi Court") again for requesting the Company and Tianjin Branch for repayment of relevant payments and loss of revenue, totalling RMB38.64 million, and the Company and Tianjin Branch shall bear the cost of litigation. On 30 June 2020 the Company received a first instance civil ruling from the Tianjin Hexi Court in respect of the three lawsuits: the plaintiff violated the principle of "non bis in idem" and ruled to dismiss the lawsuit of Company I, the plaintiff.

On 2 January 2020, the Company received the third party's administrative review notice sent by the China Securities Regulatory Commission. Company I was dissatisfied with the Su Zheng Jian Xin Fu Zi [2019] No.263 submitted by Jiangsu Securities Regulatory Bureau on 22 July 2019 in relation to administrative review application and other related information. The Company participated in the administrative review as third-party. On 12 February 2020, the China Securities Regulatory Commission issued the Administrative Review Decision (2020) No. 24: the respondent Jiangsu Securities Regulatory Bureau has performed its supervisory duties and decided to reject the administrative review application of Company I, the applicant.

### (III) Outstanding material legal litigations during the Reporting Period

1. The Company found that an employee (the same person as the aforesaid Mr. A) and his wife entered into the personal borrowing contracts with 3 clients under which they took the Company as the guarantor without informing the Company. Among them, cases of two customers ("Customer Y" and "Customer Z") were concluded. The case of the third customer was dismissed by the People's Court of Jing Hai District of Tianjin City (the "Jing Hai Court") in December 2016. On 25 May 2018, the customer filed two civil lawsuits against Mr. A and his wife as well as the Company and Tianjin Gandaji E-Commerce Co., Ltd. ("Gandaji") with the Jing Hai Court.

The claim of the first lawsuit includes requesting Mr. A and his wife to jointly repay the loan of RMB3.712 million to the plaintiff and pay interest at the monthly rate of 2% based on the amount of RMB3.712 million from 27 October 2016 to the date of the actual payment of the loan and that the Company and Gandaji shall be jointly and severally liable, with interest incurred as at 26 May 2018 amounted to RMB1,410,560 and the total amount of the lawsuit of RMB5,122,560; litigation costs to be borne by the defendants. The claim of the second lawsuit includes requesting Mr. A and his wife to jointly repay the loan of RMB1.12 million to the plaintiff and pay interest at the monthly rate of 2% based on the amount of RMB1 million from 27 October 2016 to the date of the actual payment of the loan and that the Company and Gandaji shall be jointly and severally liable, with interest incurred as at 26 May 2018 amounted to RMB380,000 and the total amount of the lawsuit of RMB1.5 million; litigation costs to be borne by the defendants. The two cases are currently in the first instance trial. On 15 December 2020, Holly Futures received the first-instance civil judgment from the Jinghai Court, stating that the defendants Mr. A and his wife shall jointly repay the plaintiff's loan principal and interest of RMB4.46 million within five days from the effective date of this judgment and the interest from 27 October 2016 to the date of actual repayment of the loan (based on RMB4.34 million and calculated at a monthly interest rate of 2%); Holly Futures assumes 50% of the debts which Mr. A and his wife cannot repay. On 28 December 2020, Holly Futures referred two complaints to Jinghai Court.



2. On 3 November 2017, the Beijing Futures Branch of the Company in Beijing received the summon and related materials for two cases of Customer L and Customer M suing the Beijing Futures Branch of the Company on dispute of the wealth management entrusted contract from the People's Court of Dongcheng District, Beijing. The two customers opened their futures accounts with the Company in October 2005 and April 2007, respectively. The two petitions alleged that a former employee of the Company promoted the wealth management products to them, and the Beijing Futures Branch carried out the futures trading without their authorization and transferred the wealth management entrusted funds in the clients' account to the account of Beijing Futures Branch for non-compliance transaction, resulting in a total loss of clients' funds. They requested the court to make an order that the Beijing Futures Branch returns the plaintiffs the deposits for wealth management of RMB1.5 million and RMB8,352,495 together with interest, respectively, and the Company shall bear the cost of litigation. After preliminary verification, the Company and the Beijing Futures Branch have never signed the wealth management entrusted contract with the two customers, and the Company strictly complied with regulatory requirements in relation to the futures industry that neither the Company nor its branched have set up any futures account.

The dissent of jurisdiction for the case was discussed on 21 November and 14 December 2017, respectively. On 15 January 2018, the Company received a civil ruling on dissent of jurisdiction and the case was transferred to the jurisdiction of the Second Intermediate People's Court of Beijing ("Beijing Second Intermediate People's Court"). On 6 November 2018, the Company received a first instance ruling from Beijing Second Intermediate People's Court which ruled that all the appeal of the two customers were dismissed and the appeal fees (already paid) and appraisal costs for such case were born by two plaintiffs. On 26 December 2019, the Company received a second instance civil ruling from the Beijing Municipal High-Level People's Court, withdrawing the first instance ruling. Two cases were sent to Beijing Second Intermediate People's Court for retrial. The two cases are currently being referred back to first instance trial.

Cases as aforesaid in (I) were also material litigations during the Reporting Period.

#### **(IV) New material legal litigations after the Reporting Period**

Nil.

### III. Material contracts and fulfillment

During the Reporting Period, the Company had not engaged in any material trust, sub-contract and lease arrangements of over RMB10 million and no such matters were carried forward to the Reporting Period from the previous period.

## IV. Connected parties and connected transactions

### Connected Transactions

#### (1) *Connected Transactions*

During the Reporting Period, the Group conducted its connected transactions in strict compliance with the Hong Kong Listing Rules and the Administrative Measures on Connected Transactions. The connected transactions of the Group were mainly entered into with the controlling shareholder, SOHO Holdings, and the substantial shareholder, Holly Corporation, of the Company. See Note 38 to the financial statements of this annual report for information about other related party transactions and continuing connected transactions. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of its connected transactions or continuing connected transactions.

#### (II) *Connected persons*

The Company has entered into certain transactions in the ordinary and usual course of business with the following connected persons:

##### *SOHO Holdings*

SOHO Holdings, a state-owned enterprise owned as to wholly-owned by Jiangsu SASAC, was established as a limited liability company under the laws of the PRC in April 1994 and is one of the promoters of the Company. As at the date of this Report, SOHO Holdings holds approximately 47.59% of equity interest in the Company, and hence is a Controlling Shareholder of the Company.

SOHO Holdings is an investment holding company principally engaged in (i) financial and industrial investment, authorized operation and management of state-owned assets; (ii) domestic and international trading; (iii) property leasing; and (iv) production, R&D and sales of silk, textiles and garments.

### *Holly Corporation*

Holly Corporation, one of the Company's promoters, is a joint stock limited company established under the laws of the PRC on 30 June 1994 and was listed on the Shanghai Stock Exchange in September 1997 (stock code: 600128). As at the date of this Report, Holly Corporation directly holds approximately 16.31% of the equity interest of the Company and hence is a Substantial Shareholder of the Company.

Holly Corporation is principally engaged in (i) undertaking overseas engineering projects compatible with its strength, size and performance, and overseas dispatch of labor to implement such overseas projects; (ii) wholesale and mining of coal, wholesale of dangerous chemicals (specific projects to be operated pursuant to the requirements of relevant license); (iii) wholesale and retail of pre-packaged foods and dairy products (including infant formula milk powder) as well as class II and III medical devices (excluding implant products, in vitro reagents and plastic contact lenses); and (iv) industrial investment, domestic trade, self-operated and commissioned import and export business for various commodities and technologies, real estate leasing, online sales of commodities, construction of online shopping platforms, sales of cosmetics; sales of primary agricultural products, bulk food (including refrigerated and frozen food), and sales of prepackaged food (including refrigerated and frozen food); domestic and foreign engineering construction projects bidding agency; international and domestic bidding agency; sales and maintenance of fire trucks, rescue and firefighting equipment and facilities, and security equipment.

### *(III) Continuing connected transactions*

#### *1. SOHO Financial Services Framework Agreement between the Group and SOHO Holdings*

As the Original SOHO Financial Services Framework Agreement expired on 31 December 2017 and the Group continued to provide similar transactions contemplated under the Original SOHO Financial Services Framework Agreement with SOHO Holdings, the Company entered into the New SOHO Financial Services Framework Agreement with SOHO Holdings on 29 September 2017 (after trading hours of the Hong Kong Stock Exchange). Pursuant to the agreement, the Group provided a variety of financial services to SOHO Holdings and its subsidiaries, including futures brokerage services, asset management services and commodity trading and risk management services. The annual cap for 2020 amounted to RMB6 million, with an actual amount of RMB0.0359 million in 2020.

#### *2. Holly Property Lease and Management Services Agreement between the Group and Holly Corporation*

As the Original Holly Property Lease Agreement expired on 31 December 2017 and the Group continued to lease the Property from Holly Corporation under the Existing Holly Property Lease Agreement after 31 December 2017, the Company entered into the New Holly Property Lease Agreement with Holly Corporation on 29 September 2017 (after trading hours of the Hong Kong Stock Exchange). The annual cap for 2020 amounted to RMB8 million, with an actual amount of RMB5.6752 million in 2020.

The following table set out the annual caps for continuing connected transactions of the Group in 2020 and the actual transaction amounts for connected transactions of the Group in 2020. For the twelve months ended 31 December 2020, the continuing connected transactions of the Group were aggregated as follows:

	2020	
	Actual Amount (RMB'000)	Annual Cap (RMB'000)
<b>1 SOHO Financial Services Framework Agreement</b>		
Income generated from the provision of services from the Group to SOHO Holdings and its subsidiaries	36.0	6,000
<b>2 Holly Property Lease and Management Services Agreement</b>		
Expenses incurred by leasing properties by the Group from Holly Corporation	5,657.2	8,000

The Directors, including the independent non-executive Directors of the Company, have reviewed the abovementioned continuing connected transactions and confirmed that, the transactions were entered into according to the following conditions:

- (1) such transactions were entered into in the ordinary course of business of the Group;
- (2) such transactions were conducted on normal or better commercial terms; and
- (3) such transactions were conducted in accordance with the terms of relevant agreements, and such terms were fair and reasonable and in the interest of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the abovementioned continuing connected transactions and confirmed to the Board that:

- (1) nothing has come to its attention that may cause it to believe that these transactions have not been approved by the Board;
- (2) for the transactions involved the provision of goods or services by the Group, nothing has come to its attention that may cause it to believe that these transactions were not, in all material respects, in accordance with the pricing policy of the Group;

- (3) nothing has come to its attention that may cause it to believe that these transactions were not entered into, in all material respects, in accordance with the relevant agreements governing these transactions; and
- (4) nothing has come to its attention that may cause it to believe that these transactions have exceeded their respective annual caps for such transactions. The Company had complied with the disclosure requirements under Chapter 14A of the Listing Rules throughout the Reporting Period.

## V. Acquisition, merger and separation during the Reporting Period

Nil.

## VI. Attained qualifications for single business

Nil.

## VII. Major off-balance sheet items

There are no major off-balance sheet items such as guarantee and mortgage that may affect the financial conditions and operating results of the Company and its subsidiaries during the Reporting Period.

## VIII. Engagement of accounting firm

Details of the engagement of accounting firms by the Company and change of accounting firms in the past are as follow:

To maintain consistency and completeness of the audit work of the Company, as approved by the 2019 annual general meeting of the Company on 6 June 2020, the Company appointed KPMG Huazhen LLP as its external audit firm to provide related audit and review services based on the China Accounting Standards for Business Enterprises with a term ending at the date of the conclusion of the 2020 annual general meeting of the Company.

Remunerations for accounting firm: Pursuant to the related authorization of the Board, the external auditing fees of the Company for 2020 was RMB167 million, including the fees for annual audit of H Share and annual statutory audit in the country in the amount of RMB167 million. In 2020, the Company paid RMB167 million for the audit services and nil for non-audit service for 2020.

## IX. Other important particulars and subsequent events

### (1) Change of Directors, Supervisors and senior management of the Company and its subsidiaries

#### 1. *The Company*

As set out in Section X “Directors, Supervisors, Senior Management and Staff”.

#### 2. *Holly International Financial*

Nil.

#### 3. *Holly International Asset Management*

Nil.

#### 4. *Holly Capital*

On 1 June 2020, Mr. Ma Dongdong was appointed to serve as deputy general manager.

On 1 June 2020, Mr. Zhang Junjian was appointed to serve as deputy general manager.

### (2) Annual profit distribution plan of the Company

The profit distribution plan for 2020 is set out in Section VII “V. Profit distribution and profit distribution plan” of this Report.



### (3) Profit distribution of subsidiaries

During the Reporting Period, the subsidiaries of the Company did not have any profit distribution.

### (4) Major investment and financing

- *Major investment and financing of the Company*

Major investment and financing of the Company is set out in Section VI – “Management Discussion and Analysis” of this Report.

- *Major investment and financing of subsidiaries*

Major investment and financing of the subsidiaries is set out in Section VI “Management Discussion and Analysis” of this Report.

### (5) Major legal proceedings and arbitration

Details of major legal proceedings and arbitration are set out in Section VIII – “II. Material Litigations and Arbitrations” of this Report.

### (6) Merger or disposal of subsidiaries

During the Reporting Period, the Group did not have any merger or disposal of subsidiaries.

### (7) Other events to cause material impact on financial positions, business performance and cash flow

During the Reporting Period, the Group did not have any other events to cause material impact on financial positions, business performance and cash flow.

### (8) Changes to the Articles of Association and Rules of Procedure for Meeting of the Board after the Reporting Period

After the Reporting Period and up to the date of this report, the Articles of Association and Rules of Procedure for Meeting of the Board of the Company did not have any changes.

# Changes in Share and Substantial Shareholders

## I. Shareholding structure

The shareholding structure of the Company as of 31 December 2020 is as follows:

Name of shareholders	Class of shares	Number of shares	Approximate percentage of total number of issued Shares of the Company (%) <sup>①</sup>
Jiangsu SOHO Holdings Group Co., Ltd.	Domestic Shares	275,456,777	30.37%
Jiangsu Holly Corporation	Domestic Shares	147,900,000	16.31%
Jiangsu Holly Su Industrial Co., Ltd.	Domestic Shares	143,548,000	15.83%
Jiangsu High Hope International Group Corporation	Domestic Shares	63,930,134	7.05%
Shanghai Mingda Industrial (Group) Company Limited	Domestic Shares	9,276,631	1.02%
Jiangsu Hongrui Venture Capital Co., Ltd.	Domestic Shares	8,903,113	0.98%
Jiangsu Holly International Logistics Corporation	Domestic Shares	8,285,345	0.91%
Jiangsu Holly Yongchang (Hong Kong) Co., Limited	H Shares	8,300,000	0.92%
Public shareholders	H Shares	241,400,000	26.61%
<b>Total</b>		<b>907,000,000</b>	<b>100%</b>

Note: ① The calculation is based on the total issued 907,000,000 Shares of the Company as at 31 December 2020.

## II. Changes in Shares

The total number of shares of the Company is 907,000,000 Shares without any changes in the Reporting Period.

### III. Interests and short positions of substantial shareholders in Shares and underlying shares of the Company

As at 31 December 2020, to the knowledge of the Directors, Supervisors and the chief executives of the Company, the interests or short positions of substantial shareholders (except the Directors, Supervisors and chief executives of the Company) in Share or underlying shares of the Company which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which are required to be entered into the register of the Company pursuant to section 336 of the SFO are as follows:

Name of shareholders	Class of Shares	Capacity	Number of shares held	Approximate percentage to total issued Shares <sup>(1)</sup>	Approximate percentage to relevant Share class <sup>(2)</sup>
Jiangsu SOHO Holdings Group Co., Ltd. <sup>(3)</sup>	Domestic Shares	Beneficial owner and interest in controlled corporation	431,642,122 (long position)	47.59%	65.67%
Jiangsu Holly Corporation	Domestic Shares	Beneficial owner	147,900,000 (long position)	16.31%	22.50%
Jiangsu Holly Su Industrial Co., Ltd.	Domestic Shares	Beneficial owner	143,548,000 (long position)	15.83%	21.84%
Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)) <sup>(4)</sup>	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)) <sup>(4)</sup>	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) <sup>(4)</sup>	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Huang Jieping <sup>(4)</sup>	Domestic Shares	Interest in controlled corporation	143,548,000	15.83%	21.84%
Jiangsu High Hope International Group Corporation	Domestic Shares	Beneficial owner	63,930,134	7.05%	9.73%
Xu Xiping	H Shares	Beneficial owner	15,234,000 (long position)	1.68%	6.10%

Note:

- (1) The calculation is based on the total number of 907,000,000 Shares in issue of the Company as at 31 December 2020.
- (2) The calculation is based on the 657,300,000 Domestic Shares in issue and 249,700,000 H Shares in issue of the Company as at 31 December 2020.
- (3) On 31 December 2020, Jiangsu SOHO Holdings Group Co., Ltd. (i) directly held 275,456,777 Domestic Shares; (ii) was the beneficial owner of 24.02% equity interest in Jiangsu Holly Corporation (directly holding 147,900,000 Domestic Shares of the Company); and (iii) was the beneficial owner of the entire equity interests of Artall Culture Group Company Limited (deemed to be interested in the 8,285,345 Domestic Shares directly held by Jiangsu Holly International Logistics Corporation). As disclosed in the 2020 interim report of Jiangsu Holly Corporation, according to relevant Chinese laws, SOHO Holdings is deemed to be the controlling shareholder of Jiangsu Holly Corporation. Accordingly, SOHO Holdings is deemed to be interested in the 147,900,000 Domestic Shares of the Company directly held by Jiangsu Holly Corporation and 8,285,345 Domestic Shares of the Company directly held by Artall Culture Group Company Limited, and hence directly and indirectly interested in 431,642,122 Domestic Shares Under the SFO.
- (4) According to the current information available to the Company, on 31 December 2020, (i) Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)) held 99% equity interests in Jiangsu Holly Su Industrial Co., Ltd.; (ii) Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)) held 99.71% equity interests in Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)); (iii) Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) held 79.5% equity interests in Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)); (iv) Ms. Huang Jieping was the beneficial owner of 100% equity interests in Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司). Accordingly, under the SFO, each of Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)), Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)), Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) and Ms. Huang Jieping is deemed to be interested in the 143,548,000 Domestic Shares directly held by Holly Su Industrial.

Save as disclosed above, the Directors, Supervisors and chief executives of the Company are not aware that, as at 31 December 2020, any other person (other than the Directors, Supervisors or chief executives of the Company) had an interest or short position in the Shares or underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are required to be entered into the register of the Company pursuant to Section 336 of the SFO.

As at the end of the Reporting Period, SOHO Holdings, the Controlling Shareholder of the Company, held approximately 47.59% of the total issued Shares of the Company. SOHO Holdings was established in April 1994 with a registered capital of RMB2,000 million. It is a state-owned enterprise wholly-owned by the State-owned Assets Supervision and Administration Commission of Jiangsu. SOHO Holdings is an investment holding company and its business scope includes finance, industrial investment, operation and management of state-owned assets as authorised, domestic and international trade, property lease, and manufacturing, R&D and sales of silk, textile and clothing.

# Directors, Supervisors, Senior Management and Staff

## I. Basic Information about current and resigned Directors, Supervisors and senior management during the Reporting Period

### (1) Directors

Name	Age	Gender	Position(s)	Date of appointment	Time of joining the Company	Remunerations received during the Reporting Period (RMB'0,000)	Relationship with other Directors, Supervisors or members of senior management	Remarks
Zhou Yong	54	Male	Chairman and Executive Director	15 January 2001	May 1998		N/A	
Zhou Jianqiu	51	Female	Executive Director and general manager	9 June 2015	March 1999	39.29	N/A	
Xue Binghai	50	Male	Non-executive Director	30 June 2012	June 2012		N/A	
Jiang Lin	55	Male	Non-executive Director	15 November 2019	November 2019		N/A	
Shan Bing	53	Male	Non-executive Director	26 May 2017	May 2017		N/A	
Wang Yuetang	58	Male	Independent non-executive Director	15 November 2018	November 2018	12.07	N/A	
Lam Kai Yeung	51	Male	Independent non-executive Director	9 June 2015	June 2015	13.08	N/A	
Huang Dechun	55	Male	Independent non-executive Director	15 November 2019	November 2019	12.07	N/A	

### (2) Supervisors

Name	Age	Gender	Position(s)	Date of appointment	Time of joining the Company	Remunerations received during the Reporting Period (RMB'0,000)	Relationship with other Directors, Supervisors or members of senior management	Remarks
Yu Hong	45	Female	Chairlady of the Supervisory Committee	13 June 2019	July 2016	38.25	N/A	
Wang Jianying	54	Female	Supervisor	25 December 2014	December 2014		N/A	
Yao Aili	36	Female	Supervisor	13 June 2019	June 2010	24.86	N/A	

## (3) Senior management

Name	Age	Gender	Position(s)	Date of appointment	Relationship with other Directors, Supervisors or members of senior management	Remarks
Zhou Jianqiu	51	Female	Executive Director and general manager	General manager since May 2015	N/A	
Zhao Dong	51	Male	Deputy general manager	Deputy general manager since March 2014	N/A	
Chu Kairong	46	Male	Deputy general manager	Deputy general manager since June 2016	N/A	
Huang Haiqing	38	Male	Deputy general manager	Deputy general manager since October 2020		Appointed in October 2020
			Board secretary and joint company secretary	Board secretary and joint company secretary since December 2020		Appointed in December 2020
Wu Jiufeng	39	Male	Deputy general manager	Deputy general manager since October 2020		Appointed in October 2020
Chen Rongping	52	Female	Supervisor of finance	Supervisor of finance since June 2019	N/A	
Qiu Xiangjun	40	Male	Chief Risk Officer	Chief Risk Officer since August 2017	N/A	
Jia Guorong	50	Male	Deputy general manager	Deputy general manager from August 2017 to October 2020		Retired on October 2020
			Board secretary and joint company secretary	Board secretary and joint company secretary from June 2017 to December 2020	N/A	
Zheng Peiguang	55	Male	Deputy general manager	Deputy general manager from May 2002 to December 2020	N/A	Retired on December 2020



## II. Appointment of Directors, Supervisors and senior management in companies of Shareholders at other companies during the Reporting Period

### (1) Directors

Name	Position(s) at the Company	Employment in other companies	Position(s) at other companies
Zhou Yong	Chairman and executive director	SOHO Holding Zking Property & Casualty Insurance Co., Ltd.	Director and CEO Director
Zhou Jianqiu	Executive Director and general manager	Holly Capital	Director
Xue Binghai	Non-executive Director	Holly International Financial SOHO Holding Jiangsu SOHO Investment Group Company Limited Jiangsu Jin Su Zheng Investment Development Co., Ltd. (江蘇金蘇證投資發展有限公司) Jiangsu Zhonghe Venture Investment Co., Ltd. (江蘇眾合創業投資有限公司) Jiangsu Zijin Rural Commercial Bank Co., Ltd. (江蘇紫金農村商業銀行股份有限公司)	Director Assistant to CEO Director, general manager Chairman Chairman, general manager Director
Jiang Lin	Non-executive Director	Holly Corporation	General manager, director
Shan Bing	Non-executive Director	Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司) Jiahe Fund Management Co., Ltd. (嘉合基金管理有限公司)	Non-executive director Chairman of the board of supervisors
Wang Yuetang	Independent non-executive Director	Jiangsu Guoxin Group Co., Ltd. (江蘇省國信集團有限公司) Shanghai Pudong Development Bank (上海浦東發展銀行) Nanjing Emporium (Group) Co. Ltd (南京中央商場(集團)股份有限公司)	External director External director Independent director
Lam Kai Yeung	Independent non-executive Director	Silverman Holdings Limited Highlight China IoT International Limited	Independent non-executive director Executive director and CEO and company secretary
Huang Dechun	Independent non-executive Director	Kong Shum Union Property Management (Holding) Limited Kin Shing Holdings Limited Yongan Futures Co., Ltd. Jiangsu Dexuantang Pharmaceutical (Group) Co., Ltd. (江蘇德軒堂醫藥(集團)有限公司) Suzhou Sushi Test Group Co., Ltd. (蘇州蘇試試驗集團股份有限公司) Leysen Jewelry Co., Ltd. (萊紳通靈珠寶股份有限公司)	Independent non-executive director Independent non-executive director Independent non-executive Director Independent director Independent director Independent director

**(2) Supervisors**

Name	Position(s) at the Company	Employment in other companies	Position(s) at other companies
Yu Hong	Chairlady of the Supervisory Committee	Holly Capital	Supervisor
Wang Jianying	Supervisor	Dongjiang Environmental Co., Ltd. (東江環保股份有限公司)	Vice President and Chief Financial Officer
		Zhongrong Xinjia Investment Guaranty Co., Ltd. (中融信佳投資擔保有限公司)	Chairman
Yao Aili	Supervisor	–	–

**(3) Senior management**

Name	Position(s) of the Company	Employment in other companies	Position(s) at other companies
Zhou Jianqiu	Executive Director and general manager	Please refer to the above subsection "Appointment of Directors, Supervisors and senior management in companies of Shareholders and other companies during the Reporting Period-Directors"	
Zhao Dong	Deputy general manager	–	–
Chu Kairong	Deputy general manager	–	–
Huang Haiqing	Deputy general manager Board secretary and joint company secretary	–	–
Wu Jiufeng	Deputy general manager	–	–
Chen Rongping	Supervisor of finance	Hong Rui New Era	Director
Qiu Xiangjun	Chief Risk Officer	Holly Capital	Director
Zheng Peiguang	Deputy general manager	Holly Capital	Chairman
		Hong Rui Growth	Director
Jia Guorong	Deputy general manager	Holly International Financial	Director

### III. Biographies of Directors, Supervisors and senior management

Particulars in relation to the positions held by Directors, Supervisors and Senior Management at other companies are set out in “II. Appointment of Directors, Supervisors and senior management in companies of Shareholders and other companies during the Reporting Period” of this section.

#### (1) Directors

##### *Executive Directors*

**Mr. Zhou Yong** (周勇), with Chinese nationality, without permanent residency abroad, was born in December 1966, aged 54, and holds a doctor's degree.

Mr. Zhou is a senior economist (正高級經濟師) and a senior international commerce economist (高級國際商務師) as credentialed by the Human Resources Department of Jiangsu Province (江蘇省人事廳) (now known as the Department of Human Resources and Social Security of Jiangsu Province (江蘇省人力資源和社會保障廳)). He is also a research fellow as credentialed by the Department of Human Resources and Social Security of Jiangsu Province.

Mr. Zhou Yang has been appointed as the Chairman and a Director of the Company since January 2001 (he was designated as an executive Director in July 2015) and is primarily responsible for the overall management and supervision of the Company, making strategic plans and organising Board meetings. Mr. Zhou Yong was the general manager of Jiangsu Holly International Group Investment Management Co., Ltd. (江蘇弘業國際集團投資管理有限公司) (“Holly Investment”) from February 1999 to June 2006. He had also been engaged with Jiangsu Holly International Group Company Limited from June 2006 to July 2010 as its vice president. Mr. Zhou Yong served as the vice president of SOHO Holdings from July 2010 to May 2013 and has been the director and president of SOHO Holdings since May 2013.

**Ms. Zhou Jianqiu** (周劍秋), with Chinese nationality, without permanent residency abroad, was born in August 1969, aged 51, and holds a master's degree.

From July 1990 to May 1995, Ms. Zhou Jianqiu served as a staff member at Nanjing Higher Finance College. From May 1995 to March 1999, Ms. Zhou worked in the Security Business Department of Jiangsu SDIC and served as financial executive. From March 1999 to June 2011, she worked in Jiangsu Holly Futures Brokerage Company Limited, where she served as the person in charge of the finance department, chief financial officer, chief executive officer, and deputy general manager. From July 2011 to November 2012, she worked in Jiangsu Holly Futures Company Limited and served as executive deputy general manager. From December 2012 to April 2015, Ms. Zhou worked as executive deputy general manager of Holly Futures Co., Ltd. From May 2015 until now, she has been working in Holly Futures Co., Ltd., serving as the general manager and the legal representative, and elected as an executive director in June 2015.

Now, Ms. Zhou is currently a director of Holly International Financial and a director of Holly Su Futures.

#### *Non-executive Directors*

**Mr. Xue Binghai** (薛炳海), with Chinese nationality, without permanent residency abroad, was born in September 1970, aged 50, holds a master's degree and is a senior accountant.

Mr. Xue served as a staff, the assistant to the general manager and the deputy general manager of the asset and finance department of Jiangsu SOHO International Group Co., Ltd. (江蘇蘇豪國際集團股份有限公司) from July 1995 to June 2007. He worked as the deputy general manager of the asset and finance department of Jiangsu SOHO Holding Group Co., Ltd. (the former Jiangsu Silk Group Co., Ltd.) from June 2007 to December 2007. He served as the general manager of the asset and finance department of Jiangsu SOHO Holding Group Co., Ltd. Since January 2008. He worked as the general manager of both Jiangsu SOHO Venture Capital Investment Co., Ltd. (江蘇蘇豪創業投資有限公司) and Jiangsu SOHO Investment Management Co., Ltd. (江蘇蘇豪投資管理有限公司) from February 2008 to March 2013. He served as the chief financial officer of Jiangsu SOHO International Group Co., Ltd. from June 2008 to March 2013. He has served as the assistant to the president of Jiangsu SOHO Holding Group Co., Ltd. and the director and general manager of Jiangsu SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司) since March 2013.

**Mr. Jiang Lin** (姜琳), with Chinese nationality, without permanent residency abroad, was born in August 1965, aged 55, and holds a bachelor's degree.

Mr. Jiang Lin served as director of the research office of the Nanjing Food Packaging Machinery Research Institute from July 1988 to April 1998. He successively served as office worker, deputy director of the office and deputy manager of securities department of Jiangsu Holly Corporation from April 1998 to March 2002. He served as manager of human resources department and manager of securities department of Jiangsu Holly Corporation from March 2002 to February 2010. He served as manager of human resources department of Jiangsu Holly Corporation from February 2010 to February 2011. He served as Secretary of the Board of Jiangsu Holly Corporation from September 1999 to April 2014. He served as deputy general manager of Jiangsu Holly Corporation from January 2008 to July 2019. He has been an executive deputy general manager of Jiangsu Holly Corporation from August 2019 to May 2020, presiding over the Company's management team. He has also been a director of Jiangsu Holly Corporation since September 2019. He has been the general manager of Jiangsu Holly Corporation since May 2020.

**Mr. Shan Bing** (單兵), with Chinese nationality, without permanent residency abroad, was born in December 1967, aged 53, and holds a master's degree.

Mr. Shan Bing was the board secretary head, officer of Securities Office and head of Audit Department of Nantong Machine Tool (Group) Co., Ltd. (南通機床股份有限公司(集團)) from July 1990 to April 2000. He had been head of Research, Shanghai Asset Management Headquarters and a fund manager and the head of the research department of Shanghai research department of Guosen Securities Co., Ltd. (國信證券有限責任公司) from April 2000 to April 2002. He served as the chief researcher of the asset management division and the head of portfolio investment department of Xing'an Securities Co., Ltd. (興安證券有限責任公司) from May 2002 to January 2006. From April 2006 to June 2007, he was the vice-president and investment director of Shanghai Yuanji Investment Co., Ltd. (上海源吉投資有限公司) and the investment director of Shanghai Junding Investment Co., Ltd. (上海駿鼎投資有限公司). He had been the deputy general manager and research director of Jiangsu Winfast Investment Holding Group Co., Ltd. (江蘇瑞華投資控股集團有限公司) from June 2007 to March 2013. He was a partner, deputy general manager and the investment director of Shanghai Vstone Capital Co., Ltd. (上海凱石益正資產管理有限公司) from March 2013 to February 2017. He has been a non-executive director of Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司) since February 2017. He has been an executive director and the general manager of Shanghai Beiyuan Investment Management Co., Ltd. (上海貝元投資管理有限公司) from February 2017 to August 2018. He has been working in Holly Futures Co., Ltd. as a non-executive director since May 2017. He has been a chairman of the board of supervisors of Jiahe Fund Management Co., Ltd. (嘉合基金管理有限公司) since September 2018.

*Independent non-executive Directors*

**Mr. Wang Yuetang** (王躍堂), with Chinese nationality, was born in June 1963, aged 58. He holds a doctor's degree in management (accounting) from Shanghai University of Finance and Economics.

Mr. Wang Yuetang worked as a teacher in the Department of Mathematics of Yangzhou Normal University from July 1985 to August 1990. From September 1990 to January 1993, he studied for a master's degree at Nanjing University of Science and Technology. From February 1993 to August 1997, Mr. Wang was a teacher in the Department of Accounting of Yangzhou University. From September 1997 to June 2000, he studied a doctorate degree at Shanghai University of Finance and Economics. From July 2000 to November 2000, Mr. Wang worked as a researcher of Hong Kong Lingnan University. Since December 2000, he has been working as a teacher in the Accounting Department at Nanjing University. He was a visiting scholar at Cornell University in the United States from January 2009 to June 2009.

**Mr. Lam Kai Yeung** (林繼陽), with Chinese nationality and permanent residency in Hong Kong, was born in July 1969, aged 51, and holds a master's degree. Mr. Lam Kai Yeung is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants and also a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

**Mr. Huang Dechun** (黃德春), with Chinese nationality, without permanent residency abroad, was born in February 1966, aged 55, and has a doctoral degree and a postgraduate degree.

Mr. Huang Dechun taught at Jiangsu Vocational College of Finance and Economics from September 1989 to December 2000. He served as deputy director of Economic and Trade Commission of Suqian, Jiangsu (temporary post) from July 2002 to July 2004. He has served as a professor in Department of Finance at Hohai University since January 2004. He obtained a postdoctoral fellow in theoretical economics from Nanjing University from September 2004 to July 2006. He was a visiting professor in University of Northern Iowa (UNI) from August 2006 to February 2007.



## (2) Supervisors

**Ms. Yu Hong** (虞虹), with Chinese nationality, without permanent residency abroad, was born in August 1975, aged 45, and holds a master's degree and a postgraduate's degree.

Ms. Yu Hong worked in the Party Committee and General Division of the Office of Science and Technology for National Defense of Jiangsu Province as a section member from July 1997 to June 1999. From June 1999 to December 2000, she worked in the Human Resource Department and General Department of Jiangsu National Defense Asset Management Co., Ltd as a section member. From December 2000 to May 2006, Ms. Yu worked in Jiangsu National Defense Industry Asset Management Co., Ltd., and served as deputy section chief and section chief. From May 2006 to August 2010, Ms. Yu Worked in Jiangsu Silk Group Co., Ltd., as the chief of the Office Secretary and assistant to the general manager of the Human Resources Department. From August 2010 to May 2015, she worked in Jiangsu Soho International Group Co., Ltd., and served as the deputy general manager of Human Resources Department, general manager of the Human Resources Department, director of the General Manager Office and director of the Party Office. From May 2015 to July 2016, Ms. Yu worked in Jiangsu Soho Holdings Group Co., Ltd. as the deputy general manager of the Legal Department (presided over the work). Since July 2016, she has been working in Holly Futures Co., Ltd., and used to serve as the secretary of the board of directors, and currently serves as deputy secretary of the party committee, secretary of the Disciplinary Committee, chairman of the board of supervisors, and concurrently a supervisor of Holly Capital Management Co., Ltd.

**Ms. Wang Jianying** (王健英), with Chinese nationality, without permanent residency abroad, was born in October 1966, aged 54, holds a postgraduate's degree and is a senior accountant.

Ms. Wang Jianying served as a clerk, senior staff member and section chief of Jiangsu Provincial Foreign Trade and Economic Cooperation Department (江蘇省外經貿廳) from August 1986 to December 2000. She worked as the deputy general manager and general manager of the financial department of Jiangsu Skyrin International Group Co., Ltd. (江蘇開元國際集團有限公司) from January 2001 to July 2007. She has served as the chief accountant, the general manager of the enterprise management department and the operation department of Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團有限公司) from August 2007 to February 2019. She has been the vice president and chief financial officer of Dongjiang Environmental Company Limited since March 2019.

**Ms. Yao Aili** (姚愛麗), with Chinese nationality, without permanent residency abroad, was born in October 1984, aged 36, and has a postgraduate degree and a master degree.

Ms. Yao Aili served as the member of the Administrative and Human Resource Department and office supervisor of Jiangsu Holly Futures Brokerage Company Limited from June 2010 to June 2011. She served as the office supervisor of Jiangsu Holly Futures Company Limited from July 2011 to November 2012. Since December 2012, she has worked in Holly Futures Co., Ltd. and has successively served as office supervisor, assistant to office manager, deputy office manager (presided over work), office director and party office director (department general manager level).

### (3) Senior management

**Ms. Zhou Jianqiu** (周劍秋), for details of Ms. Zhou Jianqiu, please see the sub-section headed “Directors — Executive Directors” above.

**Mr. Zhao Dong** (趙東), with Chinese nationality but without permanent residency abroad, was born in December 1969, aged 51, and holds a bachelor’s degree.

Mr. Zhao Dong was appointed as the deputy general manager in March 2014 and is primarily responsible for a part of the business department. Prior to joining the Group, Mr. Zhao Dong was an employee of the Yixing Economic Cooperation Committee from March 1989 to January 1997. He was an employee of the Marketing Department of the Yixing Office of Changzhou Jianzheng Futures Company from February 1997 to August 1999. Mr. Zhao Dong had been the manager of marketing department of Wuxi Lida Futures Brokerage Co., Ltd. (無錫利大期貨經紀有限公司) from September 1999 to April 2000 and the manager of marketing division of Yixing Huazheng Futures Brokerage Co., Ltd. (宜興華證期貨經紀有限公司) from May 2000 to September 2003, respectively. From October 2003 to March 2014, he worked in Huazheng Futures Brokerage Co., Ltd., where he served successively as market manager, head of Shanghai sales department, deputy general manager, and general manager. From August 2011 to March 2014, he worked in Huazheng Futures Co., Ltd. and served as the general manager.

**Mr. Chu Kairong** (儲開榮), with Chinese nationality, without permanent residency abroad, was born in July 1974, aged 46, and holds a bachelor's degree.

Mr. Chu Kairong was appointed as deputy general manager of the Company in June 2016, primarily responsible for managing the business department of the head office and some of the non-local operation departments. Mr. Chu Kairong joined the Company since September 2004, successively held the positions of deputy manager, manager, assistant of general manager and deputy general manager.

**Mr. Huang Haiqing** (黃海清), with Chinese nationality, without permanent residency abroad, was born in March 1983, aged 38, and holds a bachelor's degree.

Mr. Huang Haiqing was appointed as the Company's deputy general manager in October 2020 and mainly in charge of several Integrated Departments, Operating Department, Business Department and the Youth League Committee. Mr. Huang Haiqing was an employee of Jiangsu Holly International Group Garment Trading Co., Ltd. from June 2009 to October 2009. From November 2009 to December 2014, he was an employee of the market headquarters of Holly Futures Co., Ltd. From January 2015 to June 2015, he served as the head of the Internet Business Department of Holly Futures Co., Ltd. He served as the general manager of the Internet Business Department of Holly Futures Co., Ltd. from July 2015 to June 2020. He served as the general manager of the Internet Business Department of Holly Futures Co., Ltd. from June 2020 to July 2020 (contribution as the assistant to the general manager). From July 2020 to November 2020, he served as the head of the financial industry headquarters of Holly Futures Co., Ltd.. (contribution as the assistant to the general manager) Since October 2020, he has been serving as the deputy general manager of Holly Futures Co., Ltd.

**Mr. Wu Jiufeng** (吳久鋒), with Chinese nationality, without permanent residency abroad, was born in February 1982, aged 39, and holds a bachelor's degree.

Mr. Wu Jiufeng was appointed as the Company's deputy general manager in October 2020 and mainly in charge of the Company's asset management center, several business departments of the headquarters, operating departments and subsidiaries. From October 2007 to March 2008, Mr. Wu Jiufeng served as an employee of the Financial Futures Division I of Jiangsu Holly International Group Services Trading Co., Ltd. From April 2008 to August 2008, he served as the customer manager of the Financial Futures Division I of Jiangsu Holly Futures Company Limited. From September 2008 to September 2009, he served as the senior customer manager of the Financial Futures Division I of Jiangsu Holly Futures Company Limited. From October 2009 to July 2010, he served as the manager assistant of the Financial Futures Headquarters of Jiangsu Holly Futures Company Limited. From August 2010 to February 2012, he served as the deputy manager of the Financial Futures Headquarters of Jiangsu Holly Futures Company Limited. From February 2012 to July 2015, he served as the deputy general manager of the Financial Futures Headquarters of Holly Futures Co., Ltd. From July 2015 to November 2020, he served as the general manager of the Financial Futures Headquarters of Holly Futures Co., Ltd. From June 2016 to October 2020, he was the general manager assistant of Holly Futures Co., Ltd. Since October 2020, he has been serving as the deputy general manager of Holly Futures Co., Ltd.

**Ms. Chen Rongping** (陳蓉平), with Chinese nationality, without permanent residency abroad, was born in March 1969, aged 52, and is a university graduate.

Ms. Chen Rongping served as assistant to the manager of finance department of Jiangsu Holly Corporation from August 1990 to April 2009. She served as manager of asset and finance department of Jiangsu Holly International Group Company Limited from April 2009 to June 2013. She successively served as section level disciplinary inspector and manager of inspection room of Jiangsu SOHO Holdings Group Co., Ltd. from June 2013 to June 2015. She served as supervisor of finance department and general manager of asset and finance department of Jiangsu SOHO Investment Group Co., Ltd. from June 2015 to January 2019. She served as member of the Party committee and supervisor of finance department of Jiangsu SOHO International Group Co., Ltd. from January 2019 to May 2019. She has been served as a member of the Party committee and supervisor of finance of Holly Futures Co., Ltd. since June 2019. Currently, she is a director of Jiangsu Hong Rui New Era Venture Investment Co., Ltd.

**Mr. Qiu Xiangjun** (邱相駿), with Chinese nationality, without permanent residency abroad, was born in May 1980, aged 40, and holds a master's degree.

Mr. Qiu Xiangjun was appointed as the Chief Risk Officer of the Company in August 2017, primarily responsible for compliance and risk management of the Company. Since January 2008, Mr. Qiu Xiangjun has worked for the Company as assistant to the manager and deputy manager of the audit department, deputy manager and manager of the compliance and audit department, manager of the audit and legal department, person-in-charge of the trading settlement department, assistant to general manager of the Company and Chief Risk Officer of the Company. Currently, he is a director of Holly Capital.

**Mr. Zheng Peiguang** (鄭培光), with Chinese nationality, without permanent residency abroad, was born in October 1965, aged 55, and holds an associate degree.

Mr. Zheng Peiguang was appointed as the deputy general manager in May 2002 and is primarily responsible for the option department, the brokerage business management department, some non-local operation departments, as well as several business departments of the head office. Mr. Zheng Peiguang has been engaged with Jiangsu Holly, the predecessor company of the Company (that is, Company) since September 1999, working at various posts, including but not limited to deputy manager of the marketing development department, deputy manager and manager of our business headquarters, and the deputy general manager. He also held the positions of director and chairman of Holly Capital, the wholly-owned subsidiary of the Company, respectively since August 2016 and September 2016. Currently, he is also a director of the Jiangsu Hong Rui Growth Venture Investment Co., Ltd..

Mr. Zheng Peiguang retired in December 2020.

**Mr. Jia Guorong** (賈國榮), with Chinese nationality, without permanent residency abroad, was born in November 1970, aged 50, and holds a master's degree.

Mr. Jia Guorong was appointed as the vice general manager of the Company in August 2017, and as the secretary of the Board of the Company and joint company secretary in June 2017. He is mainly responsible for several integrated departments in the Company's headquarters and the labor union. Mr. Jia Guorong has been engaged with Jiangsu Holly, the predecessor company of the Company (that is, the Company) since February 1999, working at various times as the deputy manager and manager of the settlement department, risk director, deputy general manager and Chief Risk Officer of the Company. He has also been a director of Holly International Financial since July 2017.

Mr. Jia Guorong retired in October 2020.

## IV. Changes of Directors, Supervisors and senior management during the Reporting Period

### (1) Changes of Directors

Nil.

### (2) Changes of Supervisors

Nil.

### (3) Changes of senior management

On 9 October 2020, Mr. Jia Guorong resigned from the position of deputy general manager of the Company due to personal work reasons; on 4 December 2020, he resigned from the position of Board secretary of the Company and other positions.

On 14 October 2020, Mr. Huang Haiqing and Mr. Wu Jiufeng were appointed as deputy general managers of the Company.

On 4 December 2020, Mr. Huang Haiqing was appointed as Board secretary and joint company secretary of the Company.

On 10 December 2020, Mr. Zheng Peiguang resigned from the position of deputy general manager of the Company due to personal work reasons.

## V. Remuneration Management of Directors, Supervisors and senior management

### (1) Remuneration system and decision-making procedures of Directors, Supervisors and senior management

The remunerations and evaluations of the Directors shall be proposed by the Remuneration Committee of the Board and considered and approved by the general meeting; the remunerations of Supervisors shall be considered and determined by the general meeting; and the remunerations and evaluations of the senior management shall be proposed by the Remuneration Committee of the Board and determined by the Board.

### (2) Basis of remunerations of Directors, Supervisors and senior management

The remunerations of internal Directors and Supervisors shall be determined according to the general meeting resolutions on the remunerations of Directors and Supervisors and factors such as the operating results of the Company, job responsibilities, performance and market environment. The remunerations of independent non-executive Directors shall be proposed by the Remuneration Committee of the Board according to the industry and market conditions, and be implemented upon approval by the general meeting. The remunerations, rewards and punishments of the senior management of the Company shall be determined according to Board resolutions and taking into account the evaluation, incentive and restriction mechanism of the Company.

### (3) Non-cash remuneration

The Company has not yet set up any equity incentive scheme, hence there is no non-cash remuneration.

### (4) Payment of remuneration to Directors, Supervisors and senior management

In 2020, the total remunerations of Directors, Supervisors and senior management of the Company amounted to RMB4,866.57 thousands. For details of payment of remuneration to Directors, Supervisors, please see "I. Basic Information about Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period" in this section.

For the year ended 31 December 2020, the remuneration of the Directors and Supervisors fell within the following bands:

Bands (RMB)	Number of Directors, Supervisors
0-500,000	6
500,001-1,000,000	0



For the year ended 31 December 2020, the remuneration of senior management of the Company fell within the following bands:

Bands (RMB)	Number of senior management
0-500,000	7
500,001-1,000,000	2
Above 1,000,000	0

## VI. Employees and remuneration

### (1) Headcount and composition

As at the end of the Reporting Period, the Company has a total of 582 full-time and part-time employees while its subsidiaries have a total of 77 full-time and part-time employees, the composition of which is as follows:

Workforce statistics of Holly Futures Co., Ltd. and its subsidiaries			
Headcount (staff member)		659	
Type of employment		Full-time and part-time	
Category	Sub-category	Number	Percentage
Academic background	Ph.D.	4	0.61%
	Master	114	17.30%
	Undergraduate	439	66.62%
	Diploma and below	102	15.48%
Position	Futures brokerage	373	56.60%
	Asset management	29	4.40%
	Commodity trading and risk management	57	8.65%
	Stock option business	2	0.30%
	Overseas business	27	4.10%
	Research	26	3.95%
	Audit and legal department and risk management	11	1.67%
	IT	25	3.79%
	Accounting and Finance	45	6.83%
	Administration	64	9.71%
Age	35 and below	420	63.73%
	36 to 40	137	20.79%
	41 to 50	48	7.28%
	51 and above	54	8.19%

## (2) Remuneration of employees

The remuneration of the Company's employees is composed of basic salaries, allowances, performance bonuses and welfare. Basic salaries are a relatively fixed part of the remuneration and are the basic income of employees. As a supplement to basic salaries, allowances include those for special posts and professionals. Performance bonuses are distributed according to the results of performance evaluation in favor of the front-line employees with outstanding performance. For the year ended 31 December 2020, the total remuneration of employees, including remuneration of Directors, amounted to approximately RMB154 million. Details of which are set out in Note 24 to the financial statement of this Report.

The Company provided employees with statutory welfare such as social insurance and housing provident fund according to relevant national provisions. Moreover, it offered employees enterprise annuity, supplementary medical insurance and other benefits to enhance their welfare.

## (3) Retirement benefits

The Group has provided a pension plan for full-time employees in Mainland China as required by the government. Namely, the Group pays endowment insurance premiums to the social insurance institution designated by the government on a monthly basis, which account for a certain percentage of the total salaries of the staff. After the retirement of the employees, the government is obliged to pay the pensions to them. According to the aforesaid Defined Contribution Plan (DCP), the Group shall not be liable for the post-retirement benefits beyond the above contributions. Contributions to the Plan will be included in the cost at the time of occurrence.

## (4) Training schemes

The Company made various training plans for employees at all levels in order to constantly improve the professional ability and quality of its executives.

The Company provided operation and management personnel with training programs centered on enhancing their understanding of the development of the securities and futures industry, management theories and skills, strategic thinking ability, operation management ability, etc.; and offered training programs focused on improving business knowledge, product development and marketing skills and service abilities to employees of various business lines and departments. Moreover, it encouraged employees to study by themselves, take professional qualification exams, etc. in order to educate themselves and update their professional knowledge. Especially, it rewarded employees who have obtained qualifications for futures investment analysis, fund practitioner and futures practitioner in Hong Kong.

## (5) The five highest paid individuals

Of the five individuals with the highest emoluments, none of them is a director whose emoluments is disclosed in Note 12(2) to the financial statement of this Report. The aggregate of the emoluments are as follows:

(Unit: RMB'000)

	2020	2019
Salaries, allowances and benefits	1,192.21	1,009.43
Discretionary bonuses	3,639.91	4,841.86
Pension scheme contributions	13.26	188.18
<b>Total</b>	<b>4,845.38</b>	<b>6,039.47</b>

The number of these individuals whose remuneration fell within the following bands is set out below:

	2020 Number of Individuals	2019 Number of individuals
HKD0 to HKD1,000,000	3	0
HKD1,000,001 to HKD1,500,000	1	4
HKD1,500,001 to HKD2,000,000	1	1
HKD2,000,001 to HKD2,500,000	0	0
<b>Total</b>	<b>5</b>	<b>5</b>

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Group or as compensation for loss of office during the Reporting Period.

# Corporate Governance Report

## I. Overview of corporate governance

Listed in Hong Kong and registered in Mainland China, the Company operated in strict compliance with laws, regulations and normative documents at the listing place and in Mainland China, and kept committed to maintaining and improving its good social image. According to the Company Law, Securities Law and other laws, regulations and regulatory provisions, the Company has formed a corporate governance structure under which the general meeting, the Board, Supervisory Committee, and the management have their powers separated for checks and balances and perform their respective duties, so as to ensure regulated operation of the Company. The convening and voting procedures for general meetings and meetings of the Board and Supervisory Committee are legal and valid; the information disclosed by the Company is true, accurate and complete and is disclosed in time; management of investor relations is efficient and practical; and corporate governance is based on scientific, rigorous and normative procedures. The Company has adopted code provisions in the Corporate Governance Code. During the Reporting Period, the Company strictly complied with all code provisions of the Corporate Governance Code and met requirements for most recommended best practices specified in the Corporate Governance Code.

## II. Shareholders and general meetings

### (1) Rights of general meetings

The general meeting is the supreme authority of the Company and exercises its power according to laws, Articles of Association and Rules of Procedure for General Meetings. The Company convened general meetings in strict accordance with relevant provisions and ensured all shareholders could enjoy equal status and fully exercise their rights as Shareholders. In 2020, the Company convened a total of 1 general meeting, answered in detail the questions of Shareholders, and carefully listened to the opinions and suggestions of the Shareholders on the Company's development.

### (2) General meetings

In the Reporting Period, the Company convened 1 general meeting in total, information and resolutions of which are set out as follows:

On 9 June 2020, the Company convened the 2019 annual general meeting, at which considered and approved the following resolutions: the resolution on considering and approving the 2019 annual report, including (i) the H Shares annual report of the Company for the year ended 31 December 2019, and (ii) the annual report of the Company for the year ended 31 December 2019 prepared in accordance with the relevant regulations and requirements of the China Securities Regulatory Commission; the resolution on considering and approving the report of the board of directors of the Company for the year ended 31 December 2019; the resolution on considering and approving the report of the board of supervisors of the Company for the year ended 31 December 2019; the resolution on considering and approving the final financial report of the Company for the year ended 31 December 2019; the resolution on considering and approving the profit distribution plan of the Company for the year ended 31 December 2019; the resolution on considering and approving the re-appointment of KPMG Huazhen LLP as the auditor for the Company's annual financial report under the PRC Accounting Standards for 2020 to hold office until the conclusion of the next annual general meeting of the Company, and authorising the general manager's office of the Company to fix their remuneration at its meetings; and the resolution on authorising the Board to fix the remuneration package of the Directors and Supervisors of the Company for the year ended 31 December 2019.

### III. Performance of duties of Board

#### (1) Respective duties of the Board and the management

Powers and duties of the Board and the management have been specified in the Articles of Association to ensure adequate check and balance for sound corporate governance and internal control. The Board is responsible for: convening the general meeting and presenting the work report at the meeting; implementing the resolutions of the general meeting; resolving on the Company's business plans and investment plans; formulating the proposed annual financial budgets and final accounts of the Company; formulating the Company's profit distribution proposal and loss recovery proposal; formulating proposals for the increase or reduction of the Company's registered capital and for the issuance of the Company's debentures or other securities and listing proposals; drawing up plans for any substantial acquisition, purchase of the Company's shares or the merger, division, dissolution and transformation of the Company; deciding upon external investment, purchase and sale of assets, assets mortgage, entrustment of financing, connected transaction and other matters within the scope set forth by the general meeting; deciding on the setup of Company's internal management bodies and branches; appointing or removing the general manager, Chief Risk Officer and the Board secretary; appointing or removing the deputy general manager, chief financial officer and other senior management personnel of the Company according to the nomination by the Chairman or the general manager and determining their remunerations and disciplinary matters; drafting the basic management system of the Company; formulating the proposals for any amendment to the Articles of Association; managing the disclosure of the Company's information; proposing the appointment or replacement of an accounting firm that performs audits for the Company at the general meeting; listening to the work report of the Chief Risk Officer and the general manager of the Company and examining on their work; approving the setting up of branches that is subject to the approval of the Board in accordance with the requirements of the regulatory authorities; checking and approving the Company's any major transactions, very substantial disposals, very substantial acquisitions and reverse takeovers under the Listing Rules and submitting it to shareholders' approval; checking and approving any transactions that shall be disclosed except the Company's any major transactions, very substantial disposals, very substantial acquisitions or reverse takeovers under the Listing Rules; approving the connected transactions that are not required to be approved by the general meeting or announced under the Listing Rules; checking the connected transactions that shall be approved by the general meeting under the Listing Rules; developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board; reviewing and monitoring the training and continuous professional development of directors and senior management; developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.



The management shall perform the following major duties: communicating the key instructions, decisions and work plans of supervisory bodies including the regulatory authorities (the CSRC, Jiangsu Securities Bureau, China Futures Association and Jiangsu Futures Association); implementing the decisions, resolutions and work plans of the Board of the Company; preparing draft of the strategic planning of the Company and making recommendation to the Board on strategic planning; preparing annual operational plan of the Company and submitting it to the Board for approval, and formulating the work plan for its implementation; preparing the annual investment plan of the Company and reviewing the annual investment plans of the subsidiaries, and submitting the plans to the Board for approval; formulating implementation plans in accordance with the investment plans approved by the Board. The management shall also formulate annual final account, financial budget plan and plan for recovering losses and submit them for the Board's approval; formulate proposals for the restructuring, bankruptcy, merger and reorganization, assets adjustment, property transfer, pledge, disposal, write-off and auction of assets of the Company, which will be submitted to the Board for approval and the controlling group. The management will study and review the proposals of the restructuring, bankruptcy, merger and reorganization, assets adjustment, property transfer, pledge, disposal, write-off and auction of assets of the subsidiaries to the extent as authorized, and shall submit the plans to the Board for approval and to the supervisory bodies according to the relevant regulations. The management shall be responsible for the preparation of plans in relation to external borrowings, financing and guarantees, which will be submitted to the Board for approval. It is also responsible for reviewing and approving the borrowings, financing and guarantees plans of the subsidiaries and approving those matters not stipulated in the plans. The management team will formulate the organizational structure adjustment and setup of the management functions and staff of the Company and the basic management system for approval of the Board, and explore and formulate detailed operational and management rules. With reference to the respective management authority of the Company, subsidiaries and branches, the management will serve as the management headquarter of the Company and supervise the subsidiaries and branches of the Company in accordance with laws.

## (2) Composition of the Board

The Board kept improving its Rules of Procedure for Meeting of the Board, gave full play to the strengths of its special committees and further improved its efficiency and quality of decision-making. Independent non-executive Directors fulfilled their duties honestly and focused on protecting the interests of the Company as a whole, especially the interests of minority Shareholders, which ensured the independent and scientific decision-making of the Board.

At present, the Board comprised of eight Directors, of which two are executive Directors (Mr. Zhou Yong (Chairman) and Ms. Zhou Jianqiu), three are non-executive Directors (Mr. Xue Binghai, Mr. Jiang Lin and Mr. Shan Bing) and three are independent non-executive Directors (Mr. Wang Yuetang, Mr. Lam Kai Yeung and Mr. Huang Dechun). Currently, the number of independent non-executive Directors meets the relevant requirements under the Listing Rules and the Articles of Association.

Directors shall be elected at general meetings. A Director shall serve a term of three years, and may seek re-election upon expiry of the said term. The Company confirmed that it had received annual confirmations issued by each independent non-executive Director in respect of their independence according to Rule 3.13 of the Listing Rules for the year ended 31 December 2020. The Company further confirmed the independent non-executive Directors' respective independence from the Company.

The biographical details of each Director are set out in Section X Subsection III "Biography of Directors, Supervisors and Senior Management".

### **(3) Insurance arrangements for Directors**

To further facilitate Directors, Supervisors and senior management to fully and diligently fulfil their duties, the Company purchased liability insurance for Directors, Supervisors and senior management to control potential legal and regulatory risks in their performance of duties.

### **(4) Board meeting**

During the Reporting Period, the Board convened a total of 9 meetings as follows:

On 3 February 2020, the Company held the 13th meeting of the third session of the Board, at which considered and approved the following resolution: the resolution on actively responding to calls for donations to areas materially impacted by the epidemic.

On 20 March 2020, the Company held the first extraordinary board meeting of 2020, at which considered and approved the following resolution: the resolution on considering the provision for impairment of goodwill.

On 30 March 2020, the Company held the 14th meeting of the third session of the Board, at which considered and approved the following resolutions: the resolution on the announcement of annual results for the year ended 31 December 2019 and 2019 Annual Report (Draft) of the Company; the resolution on 2019 Directors' Report of Holly Futures Co., Ltd.; the resolution on 2019 final financial report of Holly Futures Co., Ltd.; the resolution on 2019 profit distribution plan of the Company; the resolution on net capital and other risk regulatory indicators report of the Company for 2019; the resolution on remuneration of directors, supervisors and senior management of Holly Futures Co., Ltd. for 2019; the resolution on the Company's Draft A-Share IPO Reporting Accountant's Report under the PRC Accounting Standards for the year ended 31 December 2017, 2018 and 2019; the resolution on the report on the use of funds previous raised by Holly Futures Co., Ltd.; the resolution on considering and confirming connected transactions of the Company during the reporting period (i.e. from 1 January 2017 to 31 December 2019); the resolution on the authorization to the general manager's office meeting to consider the use of Company's own funds for investment; the resolution on the 2019 Internal Review Reporting and the 2020 Internal Review Plan of Holly Futures Co., Ltd.; the resolution on the formulation of the Equity Investment Management Measures of Holly Futures Co., Ltd.; the resolution on the formulation of the Funds Investment Management Measures of Holly Futures Co., Ltd.; the resolution on the formulation of the Bonds Investment Management Measures of Holly Futures Co., Ltd.; and the resolution on convening the 2019 annual general meeting of the Company.

On 19 April 2020, the Company held the 15th meeting of the third session of the Board, at which considered and approved the following resolutions: the resolution on renewal appointment of certified public accountants of Holly Futures Co., Ltd. for 2020 and its Remuneration.

On 18 June 2020, the Company held the 16th meeting of the third session of the Board, at which considered and approved the following resolutions: the resolution on the review of 2019 ESG report of Holly Futures Co., Ltd., the resolution on the establishment of the financial industry headquarters by the combination of financial industry department and the Internet business department; the resolution on the establishment of the Audit Legal Department, the resolution on the application for borrowing from Jiangsu SOHO Holdings Group Co., Ltd. made by Holly Capital Management Co., Ltd.

On 31 July 2020, the Company held the 17th meeting of the third session of the Board, at which considered and approved the following resolutions: the resolution on withdrawing the Company's Initial Public Offering of A share and listing application document.

On 27 August 2020, the Company held the 18th meeting of the third session of the Board, at which considered and approved the following resolutions: the resolution on considering and approving the announcement of unaudited interim results (draft) and the interim report (draft) of the Company for the six months ended 30 June 2020; the resolution on considering and paying the interim dividend for the six month ended 30 June 2020; the resolution on net capital and other risk regulatory indicators report of the Company for the first half of 2020; the resolution on the acquisition of office buildings in Zijin Financial Center; the resolution on the establishment of Wealth Management Department and Institution Management Department; the resolution on determining the annual salary distribution coefficient of the deputy directors of the Company's leadership team in 2019 (including deputy secretary of the Party Committee, secretary of the Disciplinary Committee, and chief financial officer); the resolution on the Internal Review Reporting of the first half of 2020 and the Internal Review Plan of the second half of the year of Holly Futures Co., Ltd.;

On 29 September 2020, the Company held the 19th meeting of the third session of the Board, at which considered and approved the following resolutions: the resolution on the removal of Comrade Jia Guorong; the resolution on the nomination of two comrades Huang Haiqing and Wu Jiufeng as deputy general managers of Holly Futures.

On 4 December 2020, the Company held the 20th meeting of the third session of the Board, at which considered and approved the following resolutions: the resolution on the replacement of the Company's board secretary and joint company secretaries, authorized representatives of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and authorized persons under the electronic submission system of the Stock Exchange; the resolution on re-launching the Company's initial public offering of A Shares and listing related matters and taking the opportunity to submit A Share listing applications; the resolution on the acquisition of office buildings in Zijin Financial Center; the resolution on the appointment and removal of Mr. Zheng Peiguang; the resolution on convening the first extraordinary general meeting in 2021.

## (5) Objections from Independent Non-executive Directors to Relevant Issues of the Company

Nil.

## (6) Attendances of Directors at Board meetings and general meetings

### 1. Attendances and voting of Directors at Board meetings

During the Reporting Period, the attendances and voting of Directors at Board meetings are as follows:

Name	Number of Board meeting to be attended	Number of Board meeting attended in person	Number of Board meeting attended by proxy	Number of absences	*Number of proposals to be voted on	Number of proposals voted on	Remarks
Zhou Yong	9	8	0	1	36	35	
Zhou Jianqiu	9	9	0	0	37	37	
Xue Binghai	9	9	0	0	36	36	
Jiang Lin	9	9	0	0	36	36	
Shan Bing	9	9	0	0	37	37	
Wang Yuetang	9	9	0	0	37	37	
Lam Kai Yeung	9	9	0	0	37	37	
Huang Dechun	9	9	0	0	37	37	

\* Number of proposals to be voted on may be less than the actual number of proposals voted on as some of the directors abstained from voting because of the connected transactions.

## 2. *Attendances of Directors at general meetings*

During the Reporting Period, the attendances of Directors at general meetings are as follows:

Name	Number of general meeting to be attended	Number of general meeting attended in person	Number of absences	Remarks
Zhou Yong	1	1	0	
Zhou Jianqiu	1	1	0	
Xue Binghai	1	1	0	
Jiang Lin	1	1	0	
Shan Bing	1	1	0	
Wang Yuetang	1	0	1	
Lam Kai Yeung	1	1	0	
Huang Dechun	1	1	0	

## (7) **Training for Directors**

All Directors have provided training attendance records. The Company has arranged or provided the relevant trainings in accordance with the requirements of Code Provision A.6.5 of the Corporate Governance Code.

This year, due to COVID-19 epidemic, lawyers were unable to attend the training in person and turned to learning training materials online. For the year ended 31 December 2020, all Directors participated in the training on the responsibilities of listed companies on the main board of the Hong Kong Stock Exchange conducted by Chung's Lawyers in association with DeHeng Law Offices in December 2020, and learned about recent law enforcement cases, updates to listing rules and other materials.

## IV. Special committees of the Board and duty performance

The Company has established under the Board four special committees, namely the audit committee, nomination committee, remuneration committee and risk management committee of the Board.

As of the end of the Reporting Period and as at the date of this Report, the composition of such committees is as follows:

Name of Committee	Members (as of the end of the Reporting Period)	Members (as at the date of this Report)
<b>Audit Committee</b>	Lam Kai Yeung (chairman) Xue Binghai Huang Dechun	Lam Kai Yeung (chairman) Xue Binghai Huang Dechun
<b>Remuneration Committee</b>	Huang Dechun (chairman) Wang Yuetang Shan Bing	Huang Dechun (chairman) Wang Yuetang Shan Bing
<b>Nomination Committee</b>	Zhou Yong (chairman) Wang Yuetang Huang Dechun	Zhou Yong (chairman) Wang Yuetang Huang Dechun
<b>Risk Management Committee</b>	Wang Yuetang (chairman) Zhou Jianqiu Xue Binghai Jiang Lin	Wang Yuetang (chairman) Zhou Jianqiu Xue Binghai Jiang Lin



## (1) Audit Committee

Pursuant to the Board resolution passed on 19 May 2015, the Company has established the Audit Committee (the “Audit Committee”) in accordance with Rules 3.21 and 3.22 of the Listing Rules, with written terms of reference. The written terms of reference of the Audit Committee were adopted in compliance with code provision C.3.3 and C.3.7 of the Corporate Governance Code and are available on the websites of the Company and the Hong Kong Stock Exchange.

The main duties of the Audit Committee are: proposing to the Board the appointment and replacement of external audit firms, supervising the implementation of the internal audit system, liaising between the internal audit department and external auditors, reviewing financial information and related disclosures, and other duties conferred by the Board. As at 31 December 2020, the Audit Committee comprises three members, including two independent non-executive Directors, namely Mr. Lam Kai Yeung (chairman) and Mr. Huang Dechun, as well as an non-executive Director Mr. Xue Binghai.

The Audit Committee held three meetings during the Reporting Period. For the year ended 31 December 2020, the Board has no disagreement with the Audit Committee on the selection, appointment, designation or removal of the external auditor.

## (2) Remuneration Committee

Pursuant to the Board resolution passed on 19 May 2015, the Company has established the Remuneration Committee (the “Remuneration Committee”) in accordance with Rules 3.25 and 3.26 of the Listing Rules, and adopted the written terms of reference. The written terms of reference of the Remuneration Committee were adopted in compliance with code provision B.1.2 of the Corporate Governance Code and are available on the websites of the Company and the Hong Kong Stock Exchange.

The main duties of the Remuneration Committee are: establishing, reviewing and making recommendations to the Board on the policy and structure concerning remuneration of the Directors and senior management, determining the terms of the specific remuneration package of each Director and member of senior management, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board, and other duties conferred by the Board. The remuneration of executive Directors is determined based on their skills, knowledge, individual performance and contribution, duties and responsibilities, with reference to the performance of the Company and the prevailing market conditions. The remuneration policy of independent non-executive Directors aims to providing sufficient compensation to the independent non-executive Directors for their efforts and time for participating the Company’s affairs, including attending the meetings of Board committees. The remuneration of independent non-executive Directors is based on their skills, experience, knowledge, responsibility and market conditions. As of 31 December 2020, the Remuneration Committee comprises three members, including two independent non-executive Directors, namely Mr. Huang Dechun (chairman), and Mr. Wang Yuetang as well as one non-executive Director, Mr. Shan Bing.

Details of the Directors' remuneration are set out in Note 9 of the consolidated financial statements of this Annual Report. The Remuneration Committee held three meetings during the Reporting Period.

The Remuneration Committee has adopted the model where it reviewed the proposals made by the management on the remuneration of executive Directors and senior management, and made recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

### (3) Nomination Committee

The Company has established the Nomination Committee (the "Nomination Committee") on 19 May 2015 with written terms of reference in accordance with code provision A.5.2. of the Corporate Governance Code. The written terms of reference are available on the websites of the Company and the Hong Kong Stock Exchange.

The main duties of the Nomination Committee are: reviewing the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes, identifying, selecting or making recommendations to the Board on the selection of individuals to be nominated for directorships, assessing the independence of the independent non-executive Directors, making recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of the Directors, and other duties conferred by the Board. As of 31 December 2020, the Nomination Committee comprises three members, including one executive Director Mr. Zhou Yong (chairman) and two independent non-executive Directors, namely Mr. Huang Dechun and Mr. Wang Yuetang.

The Nomination Committee held three meetings during the Reporting Period.

In identifying suitable candidates to become Board members, the Nomination Committee will take into account the skills, experience, education background, professional knowledge, integrity and time commitment of the candidates, as well as the Company's needs and other requirements under laws and regulations in relation to the position. All candidates must fulfil the criteria set under Rules 3.08 and 3.09 of the Listing Rules. Candidates to be appointed as independent non-executive Directors must also fulfil the independence requirements under Rule 3.13 of the Listing Rules. The Nomination Committee will recommend the qualified candidates to the Board for approval, and be proposed for consideration and approval by the general meeting.

According to articles 101 and 102 of Articles of Association, Director of the Company shall meet the following conditions:

- (1) have engaged in futures, securities and other financial business, or in legal, accounting operations for more than 3 years, or in economic management field for more than 5 years;
- (2) have the educational background of graduate of junior college or above.

Director shall be elected at general meetings. A Director shall serve a term of three years, and may seek re-election upon expiry of the said term.

For written notice of intention to nominate a candidate for the Director and the candidate's acceptance to be nominated as Director, the notice of nomination from the Nomination Committee and acceptance of the nomination from the candidate to the Company shall be no less than seven (7) days. Such seven (7)-day period shall commence no earlier than the second day after the issue of the notice of the meeting at which such election shall be conducted and no later than seven (7) days prior to the shareholders' general meeting.

The chairman and vice chairman shall be elected and removed by more than one-half of all the Directors. The term of office of the chairman and vice-chairman, who shall be entitled to re-election and re-appointment, shall be three (3) years. Subject to the relevant laws and administrative regulations, a Director may be removed from office prior to the expiration of his term of office by means of an ordinary resolution at a shareholders' general meeting. (However, any claims which may be lodged according to any contracts shall remain unaffected thereby).

According to the terms of reference of Nomination Committee, the Nomination Committee studies the selection criteria, procedures and methods of proposed directors and senior management of the Company and makes recommendations to the Board. The Nomination Committee also searches for qualified candidates to be nominated as directors and senior management and conduct preliminary review on candidates of directors and senior management and make recommendations to the Board. In 2020, the Company proposed Huang Haiqing and Wu Jiufeng to serve as deputy general managers of Holly Futures Co., Ltd., whom have been nominated by the Nomination Committee in accordance with the above standard procedures and methods, also Nominating Committee meeting was held for consideration and approval, as well as has been proposed to the Board for consideration and approval.

#### **(4) Risk Management Committee**

Pursuant to the Board resolution passed on 19 May 2015, the Company has established the Risk Management Committee (the "Risk Management Committee") with written terms of reference.

The main duties of the Risk Management Committee are: regularly identifying current and potential risks in the business operations of the Company, reviewing and assessing the risk management strategies and making recommendations, establishing precautionary risk management and internal control systems and providing mitigating solutions, and other duties as conferred by the Board.

As of 31 December 2020, the Risk Management Committee comprises four Directors, including an executive Director Ms. Zhou Jianqiu, two non-executive Directors Mr. Xue Binghai and Mr. Jiang Lin and one independent non-executive Director Mr. Wang Yuetang (chairman).

The Risk Management Committee held two meetings during the Reporting Period.

## (5) Meetings of the special committees

On 27 March 2020, the Remuneration Committee considered and approved the resolution on 2019 Remuneration for Directors, Supervisors and Senior Management, and on that day, relevant members and chairman of the committee all participated in the meeting.

On 26 August 2020, the Remuneration Committee considered and approved the resolution on the determining the annual salary distribution plan of deputy position of the Company's leadership team (including deputy secretary of the Party committee, secretary of the discipline committee and supervisor of finance) in 2019, and on that day, relevant members and chairman of the committee all participated in the meeting.

On 30 November 2020, the Nomination Committee considered and approved the resolution on formulating the 2020 annual salary budget of Holly Futures Co., Ltd., and on that day, relevant members and chairman of the committee all participated in the meeting.

On 18 September 2020, the Nomination Committee considered and approved the resolution on the dismissal of Jia Guorong; the resolution on the nomination of Huang Haiqing and Wu Jiufeng as deputy general managers of Holly Future Co., Ltd., and on that day, relevant members and chairman of the committee all participated in the meeting.

On 20 November 2020, the Nomination Committee considered and approved the resolution on change of secretary of the Board of the Company, joint company secretaries, authorized representative to The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), authorized person under the E-submission System of the Stock Exchange, and on that day, relevant members and chairman of the committee all participated in the meeting.

On 3 December 2020, the Nomination Committee considered and approved the resolution on the appointment and dismissal of Mr. Zheng Peiguang, and on that day, relevant members and chairman of the committee all participated in the meeting.

On 27 March 2020, the Audit Committee considered and approved the resolution on the announcement of annual results for the year ended 31 December 2019 and 2019 Annual Report (Draft) of the Company; the resolution on 2019 final financial report of Holly Futures Co., Ltd.; the resolution on the Company's Draft A-share IPO Reporting Accountant's Report under the PRC Accounting Standards as of 31 December 2017, 2018 and 2019; the resolution on the report on the use of funds previous raised by Holly Futures Co., Ltd.; and on that day, relevant members and chairman of the committee all participated in the meeting.

On 19 April 2020, the Audit Committee considered and approved the resolution on re-appointment of accounting firm of the Company and its remuneration for 2020, and on that day, relevant members and chairman of the committee all participated in the meeting.

On 26 August 2020, the Audit Committee considered and approved the resolution on considering and approving the announcement of unaudited interim results (draft) and the interim report (draft) of the Company for the six months ended 30 June 2020; the Internal Review Reporting of the first half of 2020 and the Internal Review Plan for the second half of 2020 of Holly Futures Co., Ltd., and on that day, relevant members and chairman of the committee all participated in the meeting.

On 30 March 2020, the Risk Management Committee considered and approved the resolution on net capital and other risk regulatory indicators report of the Company for 2019, and on that day, relevant members and chairman of the committee all participated in the meeting.

On 27 August 2020, the Risk Management Committee considered and approved the resolution on net capital and other risk regulatory indicators report of the Company for the first half of 2020, and on that day, relevant members and chairman of the committee all participated in the meeting.

## V. Chairman and general manager

The positions of the Chairman and general manager of the Company are taken by different persons, so as to guarantee the independence of their duties and balance of authorization. Mr. Zhou Yong served as the Chairman of the Board and Ms. Zhou Jianqiu served as the general manager. Their duties and authorities are clearly divided and specified in the Articles of Association. The Chairman Mr. Zhou Yong leads the Board in determining the Company's development strategy to guarantee the effective operation and duties fulfilment of the Board, and fully discusses the issues within the scope of the Board's duties, so as to ensure that the Directors can acquire true, accurate and complete information for making decisions in time, the Company can comply with well-established corporate governance procedures and the decisions of the Board are in the best interest of the Company and its Shareholders as a whole. Ms. Zhou Jianqiu, the general manager, acts as the legal representative and manages the business operations of the Company, organizes execution of the Board's resolutions, and reports relevant work to the Board.

## VI. Non-executive Directors and independent non-executive Directors

As of the end of the Reporting Period, the Company had three non-executive Directors and three independent non-executive Directors. During the Reporting Period, the Company has been in compliance with the requirement of the Listing Rules in relation to appointment of at least three independent non-executive directors, including one who has appropriate professional qualifications or majors in accounting or related financial management. The Company has signed a letter of appointment with each non-executive Director, specifying a term of three years. Their positions are specified in Section X "I. Basic Information about Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period" of this Report.

## VII. Supervisory Committee and duty performance

### (1) Duties of the Supervisory Committee

The Supervisory Committee shall be accountable to the general meetings. Its main duties and authorities are: to monitor the financial activities of the Company; to supervise the performance of duties of Directors, general manager and other members of senior management of the Company; to propose the removal of Directors and senior management who have acted in breach of the laws, administrative regulations, the Articles of Association or the resolutions passed at the general meeting; to request the Directors, general manager and other members of senior management to conduct rectification for their actions that caused damage to the interests of the Company; to review financial information including the financial reports, business reports and profit distribution proposals to be submitted by the Board to the general meeting, and to engage, in the name of the Company, certified public accountants and practicing auditors to assist in the review of such information should any doubts arise; to propose extraordinary general meetings be convened, and to convene and preside over a general meeting in the event that the Board fails to perform the duties of convening and presiding over a general meeting; to negotiate with Directors and senior management and file lawsuit against Directors and senior management on behalf of the Board to make proposals at the general meeting; and to propose extraordinary meetings of the Board be convened.

### (2) Meetings of the Supervisory Committee and attendance of Supervisors

The Supervisory Committee performs its relevant duties according to relevant laws and regulations and the Articles of Association. The Supervisory Committee convened four meetings during the Reporting Period, which are summarized as follows:

On 20 March 2020, the Company convened the first extraordinary meeting of the supervisory committee of 2020, in which the following resolution is considered and approved: the resolution on considering the provision for impairment of goodwill.

On 30 March 2020, the Company convened the 7th meeting of the third session of the Supervisory Committee, at which considered and approved the following resolutions: the resolution on the 2019 Annual Working Report of the Supervisory Committee of Holly Futures Co., Ltd.; the resolution on the announcement of annual results for the year ended 31 December 2019 and 2019 annual report (Draft) of the Company; the resolution on 2019 profit distribution plan of the Company; the resolution on 2019 final financial report of Holly Futures Co., Ltd.; the resolution on the report on the use of funds previous raised by the Company; and the resolution on the Company's Draft A-share IPO reporting accountant's report under the PRC accounting standards as of 31 December 2017, 2018 and 2019.

On 31 July 2020, the Company convened the 8th meeting of the third session of the Supervisory Committee, at which considered and approved the following resolution: the resolution on withdrawal of the initial public offering of A Share of the Company and application documents for listing.



On 27 August 2020, the Company convened the 9th meeting of the third session of the Supervisory Committee, at which considered and approved the following resolutions: the resolution on considering and approving the announcement of unaudited interim results (draft) and the interim report (draft) of the Company for the six months ended 30 June 2020 prepared under the Hong Kong Accounting Standards; and the resolution on considering and paying the interim dividend for the six month ended 30 June 2020.

Name	Number of meeting to be attended	Number of meeting attended	Remarks
Yu Hong	4	4	
Wang Jianying	4	4	
Yao Aili	4	4	

## VIII. Other related matters

### (1) Shareholders' right

The Company convened and held general meetings according to the Articles of Association and Rules of Procedure for General Meetings to guarantee the equal status and full exercise of rights for all Shareholders, especially the small and medium Shareholders. All of the Company's Directors, Supervisors and senior management attended the general meetings and answered the Shareholders' questions in accordance with Articles of Association.

### (2) Compliance with Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules concerning the securities transactions by Directors and Supervisors. The Company has made specific inquiries to all the Directors and Supervisors for the compliance with Model Code. All Directors and Supervisors confirmed that they completely observed the Model Code during the Reporting Period.

The Company has adopted the Model Code for supervising the unpublished price-sensitive information of the Company or its securities that is likely possessed by its employees. During the Reporting Period, the Company did not find any employee's violation of the Model Code.

The Board will check the Company's corporate governance and its implementation from time to time to meet the requirements of the Listing Rules and protect the interest of the Shareholders.

### **(3) Responsibilities of Directors concerning financial statements**

The declarations of the responsibilities of Directors concerning financial statements set out hereinafter and the responsibilities of Certified Public Accountants in the Independent Auditor's Report of this Report shall be read jointly but understood independently.

All the Directors of the Company confirmed their responsibility of preparing the financial statements that can truly reflect the Company's operating results for each financial year. During the Reporting Period, to the knowledge of the Directors, no event or circumstance that may cause material adverse impact on the Company's continuous operations needs to be reported.

### **(4) Appointment and remuneration of auditors**

In 2020, the Company appointed KPMG Huazhen LLP as its external audit firm for 2020 to provide related audit and review services based on the China Accounting Standards for Business Enterprises. The expenses related to the audit service are set out in Section VIII "VIII. Engagement of accounting firm" of this Report.

### **(5) Review of the Audit Committee**

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the consolidated financial statement of the Company for the year ended 31 December 2020.

### **(6) Company Secretaries**

Mr. Huang Haiqing, the Board secretary and one of the joint company secretaries, is responsible for making proposals to the Board on corporate governance and ensuring the policies and procedures of the Board, applicable laws, rules and regulations are observed. In order to maintain sound corporate governance and comply with the Listing Rules and applicable Hong Kong laws, the Company appointed Ms. Leung Wing Han Sharon, vice president of SWCS Corporate Services Group (Hong Kong) Limited, as the other joint company secretary of the Company to assist Mr. Huang Haiqing in fulfilling his duties as the Board secretary and a joint company secretary of the Company. The Company's main contact person is Mr. Huang Haiqing, the Board secretary and the joint company secretary of the Company. For the year ended 31 December 2020, Mr. Huang Haiqing and Ms. Leung Wing Han Sharon accepted no less than 15 hours of professional trainings in accordance with Rule 3.29 of the Listing Rules.

## (7) Communications with Shareholders

The general meeting shall be the supreme authority of the Company. All Shareholders exercise their power through the general meeting. The Company formulated corresponding systems to ensure the compliance of the convening and holding of the general meetings. The Company explicitly specified Shareholders' rights in the Articles of Association, to ensure the Shareholders' right to know, especially the minority Shareholders. The Company treated all Shareholders impartially.

Where the Company convenes a general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the Shareholders in the Shareholders' register of the issues to be considered at the meeting, and the date and venue of the meeting. Any Shareholder who intends to attend the general meeting shall deliver to the Company a written reply stating his or her intention to attend 20 days prior to the general meeting.

Where the Company convenes a general meeting, the Board, the Supervisory Committee and Shareholder(s) severally or jointly holding 3% or more Shares are entitled to submit written new proposals to the Company. Matters mentioned in proposals which are within the scope of the powers of the general meeting shall be included in the meeting agenda.

Shareholder(s) severally or jointly holding more than 3% Shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting to other Shareholders within two days after receipt of a proposal, and announce the contents of provisional proposals.

The Company shall calculate the number of Shares with voting rights represented by the Shareholders planning to attend the general meeting in accordance with the written replies received 20 days before the meeting is convened. Where the number of voting Shares represented by Shareholders intending to attend the meeting amounts to more than one half of the Company's total voting Shares, the Company may convene the general meeting; if not, the Company shall, within five days, notify Shareholders again of the issues to be considered, date and venue of the meeting in the form of public announcements. The Company may then convene the general meeting after such announcements.

Any Shareholder entitled to attend and vote at a general meeting shall be entitled to appoint one or more persons (who need not be the Shareholder(s)) as his proxies to attend and vote on his behalf. The said proxy may exercise the following rights as granted by the said Shareholder:

1. to exercise the said Shareholder's right to speak at the general meeting;
2. to severally or jointly request to vote by ballot; and
3. to exercise the right to vote by a show of hand or ballot; where there are more than one proxy, the said proxies shall only vote by ballot, unless otherwise prescribed by applicable securities listing rules or other securities laws and regulations.

The power of attorney shall be in writing under the hand of the principal or his proxy duly authorised in writing or, if the principal is a legal person, it shall be under seal or under the hand of a Director or a proxy duly authorised.

The procedures for convening an extraordinary general meeting or a class meeting upon requisition of the Shareholders shall be as follows:

1. two or more than two Shareholders who separately or jointly hold 10.0% or more of the Shares carrying voting rights may request the Board to convene an extraordinary general meeting or class meeting by signing a written requirement or several copies with the same format and to illustrate the subject of the meetings. The Board shall convene an extraordinary general meeting or class meeting as soon as practicable upon receipt of the aforesaid written requirement. The aforesaid number of shareholding is calculated as at the date of the submission of the written requirement by the Shareholders; and
2. if the Board fails to issue the notice to convene the meeting within 30 days after it received the aforesaid request, the Shareholders proposing the request may convene the meeting at its own discretion within four months after the Board has received the request. The meeting shall be convened in a manner which is as similar as possible to that of general meeting convened by the Board.

If the Shareholders call and convene a meeting by themselves as a result of the Board's failure to convene a meeting in accordance with the aforesaid requirement, the expenses reasonably incurred therefrom shall be borne by the Company and be deducted from the amounts due to the directors of the Company who neglect his duties.

At the same time, Shareholders may, in accordance with the Articles of Association, nominate candidates to participate in the election of directors of the Company at the general meeting (including the annual general meeting and the extraordinary general meeting) held at the time of the election of the directors of the Company, and shall be handled in accordance with the following procedures:

- (1) Shareholder(s) severally or jointly holding more than 3% Shares of the Company may submit proposals on nomination of director candidate(s) to the convener 10 days before a general meeting is convened.

Pursuant to article 66 of Articles of Association, where the Company convenes a general meeting, the Board, the Supervisory Committee and Shareholder(s) severally or jointly holding 3% or more Shares are entitled to submit written new proposals to the Company. Matters mentioned in proposals which are within the scope of the powers of the general meeting shall be included in the meeting agenda. Shareholder(s) severally or jointly holding more than 3% Shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting to other Shareholders within two days after receipt of a proposal, and announce the contents of provisional proposals.

- (2) General meeting is convened to considerate proposals on nomination of director candidate(s), and to elect director(s). Pursuant to article 61 of Articles of Association, the shareholders' general meeting shall exercise the following functions and powers:

- (1) to decide the Company's operational guidelines and investment schemes;
- (2) to elect and remove directors not being staff representatives and to determine matters relating to the directors' remunerations;
- (3) to elect and remove Shareholders' representative Supervisors and to determine matters relating to the supervisors' remunerations;
- .....
- (13) to consider proposals put forward by any shareholder representing 3% or more of the Company's shares with voting rights;
- .....
- (19) to consider any other matters to be resolved by shareholders' general meeting as required by the laws, administrative regulations, departmental rules and the Articles of Association.

- (3) Directors shall be elected at general meetings, and a Director shall serve a term of three years.

Pursuant to article 102 of Articles of Association, Director shall be elected at general meetings. A director shall serve a term of three years, and may seek re-election upon expiry of the said term.

For written notice of intention to nominate a candidate for the director and the candidate's acceptance to be nominated as director, the notice of nomination and acceptance of the nomination to the Company shall be no less than seven (7) days. Such seven (7)-day period shall commence no earlier than the second day after the issue of the notice of the meeting at which such election shall be conducted and no later than seven (7) days prior to the shareholders' general meeting.

The chairman shall preside over and act as chairman of the general meeting. If the chairman cannot attend the general meeting, a Director shall be elected by the Board to preside over and act as chairman of the meeting. If no chairman is elected by the Board, the Shareholders attending the meeting shall elect the chairman. If for any reason the Shareholders cannot elect a person to act as chairman, the Shareholder (including agent thereof) holding the most Shares among the attending Shareholders shall act as chairman of the meeting. Where the general meeting is convened by the Supervisory Committee itself, the chairman of the Supervisory Committee shall preside over and act as chairman of the meeting. If the chairman of the Supervisory Committee cannot or does not fulfill the duty thereof, more than half of the Supervisors may jointly elect a Supervisor to preside over and act as chairman of the meeting. Where the general meeting is convened by the Shareholders themselves, the convener shall elect a representative to preside over the meeting. Where a general meeting is held and the chairman of the meeting violates the rules of procedure for meeting which makes the general meeting unable to continue, a person may be elected at the general meeting to act as chairman, subject to the approval of more than half of the attending Shareholders having the voting rights.

There are persons specially designated for contacting with Shareholders. The Company attaches great importance to opinions and suggestions of shareholders and tries to meet their reasonable requests in time.

The Company set "Investor Relations" column on its website [www.ftol.com](http://www.ftol.com) for publishing such information as announcements and financial data of the Company. Shareholders can also directly call the Company to inquire about relevant informant, and the Company will deal with such inquiry in a timely and proper manner. For contact details, please refer to Section IV "I. Basic Information about the Company" of this Report.

The Company welcomed all Shareholders attending general meetings and facilitated their attendance in a permitted range. The Company's Directors, Supervisors and senior management will attend general meetings and the Board shall answer questions at the meeting. The management of the Company shall ensure that the external auditors can attend the annual general meeting and answer relevant questions put forward by Shareholders.



## (8) Investor relation activities

The Company has always given priority to continuous enhancement of Shareholder value, paid high attention to investor relations management, gradually established clear two-way communication channels with investors and kept improving the corporate governance structure. During the Reporting Period, the Company communicated with investors through ways like, making phone calls, sending emails and receiving visitors, and treated all investors equally to ensure that all Shareholders can fully exercise their rights. During the Reporting Period, the Company disclosed information in a truthful, accurate, complete and timely manner in strict accordance with laws, regulations and regulatory provisions, to ensure that investors are informed of the Company's material matters in time and thereby protecting their interests to the greatest extent.

## (9) Board diversity policy

The Company has adopted the board diversity policy according to Code Provision A.5.6 of the Corporate Governance Code.

The Company's board diversity policy can be summed up as follows: the Company understands and believes that board diversity is beneficial to the Company, and views it as an important element in maintaining its competitive edge. In designing the Board's composition, the Company takes into account multiple aspects of board diversity, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of service, etc. All Board appointments will be based on meritocracy, and candidates will be considered with due regard of the capacity, skill and experience required for the overall operation of the Board, so as to ensure the proper balance of the members of the Board.

The Nomination Committee under the Board of the Company will review and assess the composition of the Board, and provide suggestions to the Board on the appointment of new Directors. The Nomination Committee under the Board of the Company will discuss annually all the measurable objectives for implementing the board diversity, and provide relevant suggestions on the objectives to the Board.

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

1. at least one-third of the members of the Board are independent non-executive Directors;
2. all Directors have college degree or above, many of whom have master's and doctoral degrees;
3. at least one members of the Board have obtained accounting or other professional qualifications; and
4. at least one member is female.

As at the date of this Annual Report, the Board comprises eight Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Nomination Committee is satisfied with the current composition of the Board of Directors and considers it is compliant with the board diversity policy of the Company.

## (10) Articles of Association

During the Reporting Period, the Company did not make amendments to the Articles of Association.

## (11) Internal control

### 1. *Building of internal control system*

Since its establishment, the Company has always focused on the building of internal rules and regulations and management system. The continuous formation, effective implementation and improvement of various internal systems have laid a solid foundation for the regulated development of the Company.

The Company has always attached great importance to compliance and risk management and has set up a sound internal control system in strict accordance with the requirements of the regulatory authorities and the relevant laws and regulations, including the Rules for Administration of Futures Trading and the Measures for Administration of the Supervision of Futures Companies. By reinforcing the daily check and supervision of chief risk officer and compliance department, the Company has improved the implementation of the internal control system so as to ensure the compliant and steady development of the Company and has supported the building of internal control as central to its business development.

As of the end of the Reporting Period, the Company has built an internal control system suitable for its business nature, scale and complexity, guaranteed the legitimacy and compliance of operation management, the safety of assets and authenticity and integrity of financial reporting and relevant information, and improved operating efficiency and performance.

During the Reporting Period, the Company has built an internal control system for material information, procedures for handling and publishing price-sensitive information and internal control measures.

The Company has, according to the regulatory requirements, established and improved systems concerning Chinese Wall and insider registration management, which prevented the misuse and spread of sensitive information. Meanwhile, the Company has disclosed information in a truthful, accurate, complete and timely manner according to laws, regulations, the Listing Rules, the Articles of Association and administrative measures for the disclosure of information, so that all shareholders have equal and timely access to relevant information of the Company.

Based on the principles of comprehensiveness, sustainability, independency and effectiveness, the organization structure of risk management and internal control developed by the Company has included four management levels, namely, the Board, the Risk Management Committee, the Chief Risk Officer and the officers responsible for risk management of each business department. For details of construction of the risk management system, please refer to Section VI “IX. Constructing the Risk Management System of the Company” of this Report.

The Board is responsible for maintaining a stable and effective risk management and internal control system for the Group, identifying and managing the major risks which may affect the performance of the Group as appropriate, and reviewing and updating the system on a regular basis.

Meanwhile, the Company has established the discipline inspection department internally to conduct independent supervision on the sufficiency and efficiency of the internal control and risk management system of the Company. It formulates the annual internal review plan every year based on the major risks identified in the latest risk review by measuring the effectiveness of internal review of the Company in all aspects including financial revenue and expenditure, process of implementation of the management system and business, performance assessment management as well as special audit, and the discipline inspection department is responsible for the concrete implementation of the internal review plan. The internal review plan may be modified according to the results of the continuous review process and any proposed changes regarding the internal review plan will be reported according to the requirements of relevant systems of the Company.

The Company handles and releases inside information in strict compliance with the relevant regulations of the Listing Rules. Firstly, the management of the Company conducts special discussions on the relevant information, at the same time, relevant departments would evaluate the point-in-time and the information to be disclosed and conduct timely communications and discussions on the disclosure with the lawyers of the Company. Lastly, the Company would send the relevant inside information to all Directors for review and confirmation during the process of preparing the same. By adopting these procedures, sensitive information about share prices can be protected effectively while the information required to be disclosed can be released in a timely, accurate fashion.

As of the date of this Report, the Risk Management Committee under the Board has conducted a review on the 2020 working report of the Chief Risk Officer, and reviewed the legal compliance and risk management of the Company’s operation and management of the same are sufficient and effective. The Board was of the view that the said systems were designed to manage, instead of eliminating, the risk of failing to meet the business goals, and therefore can only offer a reasonable, but not absolute, guarantee on the absence of significant false statements or significant loss.

## 2. Report of other matters

### (1) Building of compliance system

During the Reporting Period, the Company strictly adhered to the relevant laws, regulations and standards and earnestly organized and implemented various regulatory and disciplinary requirements under the continuous regulation and proper direction of the regulatory authorities. It has implemented various compliance work thoroughly and continued to optimize the compliance management system with an emphasis on enhancing the level of compliance risk control of the Company.

A sound organization structure of compliance management has been developed. The Company has constructed a multi-level compliance management and organization system consisting of the Board, Risk Management Committee under the Board, Chief Risk Officer, compliance and risk control department, legal department and various subsidiaries. Audit work was implemented under the direction of the Chief Risk Officer. The Company has timely allocated compliance management personnel when establishing new departments and subsidiaries. Compliance management work was conducted under the direction of compliance and risk control department and the work process was reported to it. Duties of each level were clear with open communication.

To achieve compliance management objectives, the Company has formulated comprehensive, standard and practicable system, regulations and procedures for compliance management including the Administrative Measures for Compliance, to build a more scientific compliance management system. Compliance management covers all businesses, departments and staff members of the Company throughout various segments such as decision-making, execution, supervision and provision of feedback. In the process of carrying out business, standardizing implementation system and achieving the effective identification, evaluation and management of compliance risks has provided effective support and supervision to the compliance business operations of the Company, which allowed the business operations of the Company to be complied with laws, regulations and standards and fostered and formed a corporate culture based on the culture of compliance.

### (2) Continues to optimize compliance management system of the Company

The Company attaches great importance to supervision and inspection of establishment and implementation of internal control. Through continuous supervision and inspection of internal audit, the Company conducted regular evaluation of internal control to achieve the supervision and evaluation of the continuous and effective operation of internal control and continuously improve the defects of internal control.

**(I) Continuously strengthening the role of internal audit supervision**

1. Establishing a sound and efficient internal audit system. The Company established an internal audit department, equipped with internal auditors, and formulated a set of sound system of rules and regulations on internal auditing. The Company set up an audit committee to employ reasonable and stable personnel who meet the needs of audit tasks, such as the professionals in auditing, legal, economic, managerial and financial aspects to work independently and exercise their internal supervisory power. Under the leadership of the audit committee of the Company, the internal audit department conducts independent work and exercises the internal supervisory power in accordance with the laws and regulations of the PRC and local governments, other oversea regions and countries, and the rules and regulations of the Company. The audit committee directs the internal audit department to complete the specific audit work through the senior management in charge of the internal audit department and reports directly to the management at governance level. After The internal audit work plan is reviewed in accordance with the requirements of relevant systems of the company, it will carry out internal audit work and strengthen audit supervision.

The Company's internal audit department facilitates the Company to strengthen its internal control through standardized audit and supervision, instruct the units of Company to strengthen their financial management and internal control work, summarize the experience in corporate management with the Company, put forward the opinions and suggestions for improving operation and management in order to achieve the management optimization and improve the Company's economic benefits. The internal audit work is made by the reporting system which is mainly based on the "Internal Audit Report" and other written documents, and submits the audit work to the Board in accordance with the system requirements.

2. Continuously strengthening the supervision and inspection of internal audit. The internal audit department of the Company is responsible for the specific implementation of the internal audit of the Company and formed the internal audit work mechanism that meets the construction of its own internal control system. It actively conducted regular audits and special audits, and strictly conducted the audit work in accordance with the Company's internal audit management methods and procedures. The scope of audit covered the Company's business, branches, internal control of positions and risk management process. It timely put forward the audit opinions and suggestions on the issues and defects found during the audit, and ensure the effective implementation of the audit results by establishing rectification of current accounts and conducting follow-up audits.

In 2020, the internal audit department of the Company continued to deepen the construction of the internal audit management system and fully performed and implemented its audit supervision function. It adhered to the supervision and evaluation of risk management and the enhancement of internal control as its main tasks, strengthened the effort, frequency and depth of audit in actual audit work, depth, expanded the coverage and fineness of internal audit, innovated audit ideas, improved audit methods and intensified the implementation efforts in the follow-up rectification and continued to enhance the quality and effectiveness of audit work, which provided a safeguard for healthy and sound operation of the Company.

**(II) Continuously improving the internal control evaluation system**

1. Continuously strengthening the evaluation of internal control. The Company established a more effective internal control evaluation system in accordance with the relevant rules and regulations, and determined the evaluation method and operation flow of internal control. In the meantime, the Company continued to carry out internal control self-evaluation and implemented rectification on it. The Company formulated the evaluation criteria for internal control defects and carried out the internal control evaluation annually within the Company. The scope of evaluation covered the Company's headquarters, its branches and business segments of the Company with its business scope and key business management activities. In 2020, according to the requirements of the basic rules, evaluation guidelines and other relevant laws and regulations, the Company conducted a self-evaluation on the effectiveness of the Company's internal control design and operation as of 31 December 2020. It engaged KPMG Huazhen LLP to review the Company's internal control related to the financial statements and rectify the existing issues, so that the effectiveness of internal control was further enhanced.
2. Further improving the internal control evaluation mechanism and broadening the evaluation coverage. In 2020, the Company continuously improved internal control evaluation mechanism, improved evaluation method, enhanced technical means and fully leveraged on internationally advanced methods to carry out evaluation. The Company also continued to improve its internal control management and continuously raised its management standard on various risks.



# Report of Supervisory Committee

In 2020, the Supervisory Committee comprehensively fulfilled its supervision duties over members of the Board, managers and other senior management of the Company as authorized at the general meetings in accordance with the Company Law and the Articles of Association.

## I. Performance of Supervisory Committee

The third session of the Supervisory Committee convened a total of four meetings for 2020, specifically:

Date	Session	Attendance	Agenda	Results
20 March 2020	The 1st meeting of the interim Supervisory Committee	Yu Hong, Wang Jianying, Yao Aili	1. the resolution on considering the provision for impairment of goodwill;	Approved
30 March 2020	The 7th meeting of third session of the Supervisory Committee	Yu Hong, Wang Jianying, Yao Aili	1. The resolution on the 2019 annual working report of the supervisory committee of Holly Futures Co., Ltd. 2. the resolution on the announcement of annual results for the year ended 31 December 2019 and 2019 annual report (draft) of the Company 3. the resolution on 2019 profit distribution plan of the Company 4. the resolution on 2019 final financial report of Holly Futures Co., Ltd. 5. the resolution on the report on the use of funds previous raised by the Company; the resolution on the Company's draft a-share IPO reporting accountant's report under the PRC Accounting Standards for the years ended 31 December 2017, 2018 and 2019	Approved
31 July 2020	the 8th meeting of third session of the Supervisory Committee	Yu Hong, Wang Jianying, Yao Aili	1. the resolution on withdrawal of the initial public offering of A Share of the Company and application documents for listing	Approved
27 August 2019	the 9th meeting of third session of the Supervisory Committee	Yu Hong, Wang Jianying, Yao Aili	1. the resolution on considering and approving the announcement of unaudited interim results (draft) and the interim report (draft) of the Company for the six months ended 30 June 2020 prepared under the Hong Kong Accounting Standards 2. the resolution on considering and paying the interim dividend for the six month ended 30 June 2020	Approved

## II. Independent opinion of Supervisory Committee on legality of Company's operation

In the opinion of the Supervisory Committee:

1. in 2020, with solicitude and support from all its Shareholders and the diligent work of all the staff, the Company operated in compliance with the Company Law and the Articles of Association, and its procedures for making decisions on operation are lawful and up to standard, thus making satisfactory results.
2. the Board was able to operate in accordance with the Company Law, the Regulations for the Administration of Futures Trading (《期貨交易管理條例》), the Listing Rules and other relevant laws and regulations and the Articles of Association and the Company had in place lawful decision-making procedures, where the Directors, managers and other senior management were able to perform their duties in accordance with laws and regulations and the Articles of Association and exercise their powers in a proper and diligent manner without any act in violation of laws, regulations or the Articles of Association or contrary to the interest of the Company or the Shareholders.

## III. Independent opinion of Supervisory Committee on Company's financial position

In 2020, the Company prudently and conscientiously observed the accounting principles based on their importance. During the Reporting Period, the Company's financial structure was reasonable and assets were in good condition, and the annual financial report was able to give a true and accurate reflection of the Company's financial position and operating results. Audit reports with standard unqualified opinion were issued by KPMG Huazhen LLP.

## IV. Independent opinion of Supervisory Committee on actual application of funds raised by the Company

During the Reporting Period, the Supervisory Committee supervised the actual application of funds raised. The Supervisory Committee was of opinion that the Company strictly complied with the use disclosed in the Prospectus in the management of funds raised. The use of funds raised conformed to the Company's project plan and approval decision procedure without any appropriation of funds raised in breach of stipulation.

## V. Review of Supervisory Committee on self-assessment report of internal control

The Supervisory Committee has conducted a review on the Company, and considered that the Company has established an appropriate internal control system in all material aspects and the internal control management system has operated effectively, thus ensuring its consistent implementation and normal production and operation.

## VI. Implementation of resolutions adopted at General Meetings

The members of the Supervisory Committee had no objection to the contents of resolutions submitted to the general meetings. The Supervisory Committee supervised the implementation of resolutions adopted at the general meetings, and considered that the Board was able to implement the relevant resolutions earnestly.

On behalf of the Supervisory Committee

**Yu Hong**

*Chairlady*

Nanjing, China, 26 March 2021

# Financial Report

To all shareholders of Holly Futures Co., Ltd.,

## I. OPINION

We have audited the accompanying financial statements of Holly Futures Co., Ltd. ("Holly Futures"), which comprise the consolidated and company balance sheets as at 31 December 2020, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of Holly Futures as at 31 December 2020, and the consolidated and company financial performance and cash flows of Holly Futures for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

## II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Holly Futures in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2020 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Assessing the fair value of financial instruments</b>	
<i>Please refer to the accounting policies set out in Note "III.19 Fair value measurement" and Note "III.32 Significant accounting estimates and judgments" to the financial statements and Note "VIII. Fair value disclosure" to the financial statements.</i>	
<b>Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>As at 31 December 2020, out of the financial instruments of Holly Futures, financial assets and financial liabilities measured at fair value amounted to RMB1,021 million and RMB8 million respectively. Financial assets amounting to RMB594 million, RMB258 million and RMB170 million and financial liabilities amounting to RMB2 million, RMB0 million and RMB6 million were classified under the fair value hierarchy as level 1, 2 and 3 financial instruments respectively.</p> <p>The valuation of financial instruments of Holly Futures is based on a combination of market data and valuation models which often require a considerable number of inputs. Most of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant judgment. In addition, the fair values of certain level 2 financial instruments are determined using valuation methods which also involves significant judgment.</p> <p>We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgment exercised by management in determining the inputs used in the valuation methods.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> <li>• understanding and assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office/back office reconciliations and model approval;</li> <li>• assessing the fair value of all financial instruments of Holly Futures traded in active markets by comparing the fair value applied by Holly Futures with publicly available market data;</li> <li>• reading investment agreements entered into during the Reporting Period, on a sample basis, to understand the relevant investment terms and obtaining the information related to the valuation of financial instruments in accordance with the terms of the agreements to evaluate the accuracy of the information used in the valuation;</li> <li>• engaging our valuation specialists to evaluate the valuation methods used by Holly Futures to value certain level 2 and level 3 financial instruments and to perform, on sample basis, independent valuations for level 2 and 3 financial instruments and compare these valuations with Holly Futures' valuations. This included comparing Holly Futures' valuation methods with our knowledge of current market practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations;</li> <li>• assessing whether the disclosures in the consolidated financial statements appropriately reflected Holly Futures' exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.</li> </ul>

**Consolidation of structured entities**

Please refer to the accounting policies set out in Note "III.5 Preparation of consolidated financial statements" and Note "III.32 Significant accounting estimates and judgments" to the financial statements and Note "VI.1 Interests in subsidiaries" and Note "VI.3 Interests in structured entities not included in the scope of consolidated financial statements" to the financial statements.

Key Audit Matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Holly Futures may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing or purchasing an asset management plan, a trust product or a wealth management product.</p> <p>In determining whether a structured entity is required to be consolidated by Holly Futures, management is required to consider the power Holly Futures is able to exercise over the activities of the entity, the exposure to variable returns and ability to influence its own returns from the entity.</p> <p>The factors which management needs to consider when determining whether a structured entity should be consolidated or not are not purely quantitative and need to be considered collectively.</p> <p>As at 31 December 2020, the carrying amount of Holly Futures' interests in structured entities sponsored by third party institutions was RMB848 million whilst the amounts of assets held by structured entities sponsored by Holly Futures which Holly Futures did and did not consolidate were RMB18 million and RMB22,358 million, respectively.</p> <p>We identified the consolidation of structured entities of Holly Futures as a key audit matter because it involves significant management judgment in determining whether a structured entity is required to be consolidated by Holly Futures or not and because the impact of consolidating a structured entity on the consolidated balance sheet could be significant. reviewing the risk and reward structure of the structured entities to assess management's judgment as to the exposure, or rights, to variable returns from Holly Futures' involvement in such entities;</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> <li>• understanding and assessing the design and operation of key internal controls over consolidation of structured entities;</li> <li>• performing the following procedures for all new structured entities: <ul style="list-style-type: none"> <li>– inspecting the related contracts, internal documents and information disclosed to the investors to understand the purpose of the establishment of the structured entities and the involvement Holly Futures has with the structured entities and to assess management's judgment over whether Holly Futures has the ability to exercise power over the structured entities;</li> <li>– evaluating the risk and reward structure of the structured entity to assess management's judgment as to exposure, or rights, to variable returns from Holly Futures's involvement in such an entity</li> <li>– reviewing management's analyses of the structured entities including qualitative analyses and calculations of the magnitude and variability associated with Holly Futures' economic interests in the structured entities to assess management's judgment over Holly Futures' ability to influence its own returns from the structured entities;</li> <li>– assessing management's judgment over whether the structured entities should be consolidated or not;</li> </ul> </li> <li>• making enquiries of management if there have been any changes to related contracts and internal documents for structured entities established in previous years and obtaining and reviewing these contracts and internal documents on a sample basis to determine if the existing accounting treatment of those structured entities brought forward is still relevant;</li> <li>• assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.</li> </ul>



## IV. OTHER INFORMATION

Holly Futures' management is responsible for the other information. The other information comprises all the information included in 2020 annual report of Holly Futures, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Holly Futures' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Holly Futures or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Holly Futures' financial reporting process.

## VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Holly Futures' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Holly Futures to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Holly Futures to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

## VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Huazhen LLP

Certified Public Accountants registered in the People's Republic of China

Jin Naiwen (the engaging partner)

Beijing, China

Dong Shuai

Date: 26 March 2021

# Consolidated and the Parent Company's Balance Sheet

(Unless otherwise specified, the unit of amount is RMB)

		The Group		The Company	
	Note V	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Assets					
Cash at bank and on hand	1	2,894,295,423.20	2,390,421,452.05	2,833,195,961.37	2,222,153,781.17
Including: Futures margin deposits		2,660,162,679.92	2,067,022,335.18	2,644,187,524.11	2,038,500,025.29
Currency deposits receivable	2	2,131,088,863.50	1,290,509,588.11	2,080,281,631.24	1,266,420,569.64
Pledged deposits receivable	3	64,396,384.00	758,816.00	64,396,384.00	758,816.00
Settlement deposits receivable	4	20,000,000.00	20,000,000.00	20,000,000.00	20,000,000.00
Financial assets held under resale agreements	5	7,853,000.00	42,437,000.00	7,853,000.00	42,437,000.00
Financial assets held for trading	6	1,014,876,858.36	570,821,611.06	877,206,629.58	466,974,936.85
Derivative financial assets	7	6,219,924.42	–	–	–
Account receivables	8	6,841,752.75	–	–	–
Other receivables	9	36,060,100.00	27,499,731.77	11,855,879.63	14,818,724.06
Inventories	10	48,676,714.04	41,641,461.18	–	–
Long-term equity investments	11	11,431,418.75	13,330,524.27	407,673,498.56	409,572,604.08
Investment in futures membership	12	1,820,820.00	1,847,890.00	1,400,000.00	1,400,000.00
Fixed assets	13	15,406,337.98	11,652,203.02	14,930,892.15	11,181,990.62
Right-of-use assets	14	18,898,649.52	34,862,308.70	15,586,598.97	29,582,875.42
Intangible assets		1,857,065.39	938,761.10	1,352,081.39	401,293.10
Goodwill	15	–	–	–	–
Deferred tax assets	16	8,228,720.18	361,630.17	5,037,888.73	71,820.59
Other assets	17	61,209,766.78	63,688,920.01	51,250,553.33	55,436,844.35
Total assets		6,349,161,798.87	4,510,771,897.44	6,392,020,998.95	4,541,211,255.88

		The Group		The Company	
Note V		31 December 2020	31 December 2019	31 December 2020	31 December 2019
<b>Liabilities and shareholders' equity</b>					
<b>Liabilities</b>					
Currency deposits payable	18	4,247,090,138.08	2,658,789,015.68	4,347,104,746.35	2,776,153,306.08
Pledged deposits payable	19	40,750,944.00	758,816.00	64,396,384.00	758,816.00
Futures risk reserve	20	140,221,598.23	131,057,775.04	140,221,598.23	131,057,775.04
Futures investors protection funds payable	21	369,776.02	189,263.99	369,776.02	189,263.99
Short-term borrowings		2,052,060.00	—	—	—
Financial assets sold under repurchase agreements	22	35,819,204.28	—	34,197,000.00	—
Financial liabilities held for trading		—	59,998,245.76	—	—
Derivative financial liabilities	7	7,594,514.81	—	—	—
Trade payables	23	7,373,441.99	2,519,520.00	—	—
Contract liabilities		1,859,630.01	—	—	—
Employee benefits payable	24	26,279,433.60	2,395,411.42	25,612,318.28	2,373,996.94
Taxes payable	25	28,658,451.44	4,175,010.99	21,588,141.97	4,174,901.64
Other payables	26	140,609,535.53	16,397,460.16	84,740,615.66	13,468,010.24
Lease liabilities	27	19,347,767.49	35,523,366.89	15,994,832.46	30,237,049.82
Provisions	28	4,467,575.89	—	4,467,575.89	—
<b>Total liabilities</b>		<b>4,702,494,071.37</b>	<b>2,911,803,885.93</b>	<b>4,738,692,988.86</b>	<b>2,958,413,119.75</b>
<b>Shareholders' equity</b>					
Share capital	29	907,000,000.00	907,000,000.00	907,000,000.00	907,000,000.00
Capital reserve	30	533,124,529.52	533,124,529.52	526,722,489.33	526,722,489.33
Other comprehensive income	31	(3,692,964.07)	5,859,775.20	(371,801.28)	(544,586.56)
Surplus reserve	32	58,426,314.46	50,483,605.59	58,426,314.46	50,483,605.59
General risk reserve	33	84,305,891.83	76,363,182.96	84,305,891.83	76,363,182.96
Retained earnings	34	67,503,955.76	26,136,918.24	77,245,115.75	22,773,444.81
<b>Total shareholders' equity</b>		<b>1,646,667,727.50</b>	<b>1,598,968,011.51</b>	<b>1,653,328,010.09</b>	<b>1,582,798,136.13</b>
<b>Total liabilities and shareholders' equity</b>		<b>6,349,161,798.87</b>	<b>4,510,771,897.44</b>	<b>6,392,020,998.95</b>	<b>4,541,211,255.88</b>

The notes to financial statements on pages 13 to 104 form part of these financial statements.

# Consolidated and the Parent Company's Income Statement

(Unless otherwise specified, the unit of amount is RMB)

		The Group		The Company	
	Note V	2020	2019	2020	2019
<b>Operating income</b>					
Fee income	35	229,458,231.66	161,218,695.42	196,471,452.72	144,032,171.01
Net interest income	36	72,644,679.32	91,168,437.33	71,512,685.65	89,822,694.94
Investment gains	37	37,893,784.42	17,995,454.03	78,319,576.16	13,308,806.67
Gains on change in fair value	38	20,197,295.96	35,106,451.88	9,889,309.94	22,328,200.97
Exchange (losses)/gains	39	(5,183,313.77)	1,824,744.63	(4,659,568.32)	1,878,931.20
Income from other business activities	40	1,206,069,904.43	337,303,363.55	7,354,521.54	2,910,754.73
Loss on disposal of assets		(142,060.27)	(59,312.40)	(142,060.27)	(59,312.40)
Other gains		441,073.63	683,726.75	436,480.63	683,726.75
<b>Total operating income</b>		<b>1,561,379,595.38</b>	645,241,561.19	<b>359,182,398.05</b>	274,905,973.87
<b>Operating expenses</b>					
Appropriation for futures risk reserve		(9,163,823.19)	(6,892,353.95)	(9,163,823.19)	(6,892,353.95)
Cost of other business activities	40	(1,171,435,651.77)	(330,502,995.72)	–	(500,000.00)
Taxes and surcharges		(2,220,613.95)	(807,036.79)	(1,244,837.09)	(575,545.33)
General and administrative expenses	41	(268,599,105.55)	(220,602,156.63)	(237,836,228.57)	(193,426,858.13)
Credit impairment loss	42	(13,685,328.79)	–	(594,525.68)	–
Asset impairment loss		–	(43,322,000.00)	–	(43,322,000.00)
<b>Total operating expenses</b>		<b>(1,465,104,523.25)</b>	(602,126,543.09)	<b>(248,839,414.53)</b>	(244,716,757.41)



	Note V	The Group		The Company	
		2020	2019	2020	2019
<b>Profit from operations</b>		<b>96,275,072.13</b>	43,115,018.10	<b>110,342,983.52</b>	30,189,216.46
Add: Non-operating income	43	<b>2,321,684.15</b>	2,407,087.47	<b>1,471,037.99</b>	2,159,458.88
Less: Non-operating expenses	43	<b>(5,893,309.71)</b>	(3,937,617.31)	<b>(5,627,448.65)</b>	(3,937,617.31)
<b>Total profit</b>		<b>92,703,446.57</b>	41,584,488.26	<b>106,186,572.86</b>	28,411,058.03
Less: Income tax expense	44	<b>(26,380,991.31)</b>	(20,318,093.15)	<b>(26,759,484.18)</b>	(17,624,681.63)
Net profit		<b>66,322,455.26</b>	21,266,395.11	<b>79,427,088.68</b>	10,786,376.40
<b>Other comprehensive income, net of tax</b>	31	<b>(9,552,739.27)</b>	2,769,401.68	<b>172,785.28</b>	(693,119.97)
Other comprehensive income that will be reclassified to profit or loss					
1. Other comprehensive income that may be reclassified to profit or loss under the equity method		<b>172,785.28</b>	(693,119.97)	<b>172,785.28</b>	(693,119.97)
2. Translation differences arising from translation of foreign currency financial statements		<b>(9,725,524.55)</b>	3,462,521.65	<b>-</b>	-
<b>Total comprehensive income</b>		<b>56,769,715.99</b>	24,035,796.79	<b>79,599,873.96</b>	10,093,256.43
<b>Earnings per share</b>					
Basic/diluted earnings per share (RMB/share)	45	<b>0.0731</b>	0.0234		

The notes to financial statements on pages 13 to 104 form part of these financial statements.

# Consolidated and the Parent Company's Statement of Cash Flows

(Unless otherwise specified, the unit of amount is RMB)

Note V	The Group		The Company	
	2020	2019	2020	2019
Cash flows from operating activities:				
Cash received from sale of goods and rendering of services	1,359,060,774.08	382,847,067.64	-	-
Cash received from interest, fees and commissions	297,674,881.89	257,160,918.54	270,902,260.97	239,266,453.54
Net increase in currency deposits payable and pledged deposits payable	1,628,293,250.40	194,224,703.40	1,634,589,008.27	193,378,810.28
Net decrease in term deposits with original maturity over three months	-	121,671,373.76	-	100,000,000.00
Cash received from other operating activities	127,703,833.14	109,732,953.89	73,909,124.04	37,511,766.84
Subtotal of cash inflows from operating activities	3,412,732,739.51	1,065,637,017.23	1,979,400,393.28	570,157,030.66
Cash paid for goods and services	(1,321,289,127.85)	(421,988,930.93)	-	-
Cash paid for interest and commissions	(1,708,894.45)	(4,919,974.29)	(1,708,894.45)	(2,085,795.18)
Net increase in currency deposits receivable and pledged deposits receivable	(906,890,908.24)	(178,309,680.05)	(877,498,629.60)	(184,273,753.14)
Net decrease in financial assets relating to risk management business disposed of	(49,200,774.63)	(3,664,883.83)	-	-
Net increase in restricted cash at bank and on hand	(17,977,026.20)	(6,717,664.11)	(17,707,777.13)	(6,714,211.26)
Cash paid to and for employees	(130,607,423.51)	(140,523,255.69)	(113,125,532.85)	(125,693,094.21)
Cash paid for general and administrative expenses	(69,602,983.51)	(54,607,360.85)	(64,156,351.54)	(40,195,472.98)
Payments of various taxes	(22,134,135.51)	(10,339,437.66)	(15,607,315.63)	(9,417,892.83)
Cash paid for other operating activities	(90,254,811.46)	(132,648,586.49)	(1,956,036.73)	(82,071,188.40)
Subtotal of cash outflows from operating activities	(2,609,666,085.36)	(953,719,773.90)	(1,091,760,537.93)	(450,451,408.00)
Net cash flow used in operating activities	46(1) 803,066,654.15	111,917,243.33	887,639,855.35	119,705,622.66

	Note V	The Group		The Company	
		2020	2019	2020	2019
Cash flows from investing activities:					
Cash received from disposal of investments		4,835,317,474.51	4,269,281,729.62	4,675,682,983.00	3,026,026,429.98
Cash received from investment income		20,110,106.61	12,524,972.62	18,824,903.01	7,127,389.21
Cash received from disposal of associates		-	3,000,000.00	-	3,000,000.00
Cash received from dividend distribution from associates		-	926,000.00	-	926,000.00
Net cash received from disposal of fixed assets		33,019.79	108,599.79	33,019.79	108,599.79
Subtotal of cash inflows from investing activities		4,855,460,600.91	4,285,841,302.03	4,694,540,905.80	3,037,188,418.98
Cash paid for acquisition of financial assets		(5,154,403,983.21)	(4,278,718,827.14)	(4,980,118,292.83)	(3,089,989,189.97)
Cash paid for acquisition of fixed assets and intangible assets		(11,457,875.49)	(5,163,914.54)	(11,186,398.43)	(5,084,414.45)
Subtotal of cash outflows from investing activities		(5,165,861,858.70)	(4,283,882,741.68)	(4,991,304,691.26)	(3,095,073,604.42)
Net cash flows (used in)/from investing activities		(310,401,257.79)	1,958,560.35	(296,763,785.46)	(57,885,185.44)
Cash flows from financing activities:					
Cash received from borrowings		52,052,060.00	50,000,000.00	-	-
Net cash received from selling repurchase business		34,693,720.60	-	33,071,516.32	-
Subtotal of cash inflows from financing activities		86,745,780.60	50,000,000.00	33,071,516.32	-
Cash paid for dividend distribution or interest expenses		(9,842,361.12)	(73,559,999.99)	(9,070,000.00)	(72,560,000.00)
Cash paid for repayment of borrowings		(50,000,000.00)	(50,000,000.00)	-	-
Cash paid for repayment of principal and interest of lease liabilities		(22,957,714.84)	(20,132,618.48)	(21,123,879.20)	(19,978,939.28)
Cash paid for listing		-	(1,513,484.93)	-	(1,513,484.93)
Subtotal of cash outflows from financing activities		(82,800,075.96)	(145,206,103.40)	(30,193,879.20)	(94,052,424.21)
Net cash flow from/(used in) financing activities		3,945,704.64	(95,206,103.40)	2,877,637.12	(94,052,424.21)
Effect of change in foreign exchange rate on cash and cash equivalents		(14,946,050.58)	5,256,456.88	(4,659,568.32)	1,878,931.20
Net increase in cash and cash equivalents	46(2)	481,665,050.42	23,926,157.16	589,094,138.69	(30,353,055.79)
Add: Beginning balance of cash and cash equivalents		2,373,190,813.90	2,349,264,656.74	2,204,931,512.87	2,235,284,568.66
Ending balance of cash and cash equivalents	46(3)	2,854,855,864.32	2,373,190,813.90	2,794,025,651.56	2,204,931,512.87

The notes to financial statements on pages 13 to 104 form part of these financial statements.

# Consolidated Statement of Changes in Shareholders' Equity

(Unless otherwise specified, the unit of amount is RMB)

Note V	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2020	907,000,000.00	533,124,529.52	5,859,775.20	50,483,605.59	76,363,182.96	26,136,918.24	1,598,968,011.51
Amount of change for the year							
1. Total comprehensive income 31	-	-	(9,552,739.27)	-	-	66,322,455.26	56,769,715.99
2. Profit distribution 34							
- Appropriation for surplus reserve	-	-	-	7,942,708.87	-	(7,942,708.87)	-
- Appropriation for general risk reserve	-	-	-	-	7,942,708.87	(7,942,708.87)	-
- Distribution to shareholders	-	-	-	-	-	(9,070,000.00)	(9,070,000.00)
Subtotal of items 1 and 2 above	-	-	(9,552,739.27)	7,942,708.87	7,942,708.87	41,367,037.52	47,699,715.99
Balance at 31 December 2020	907,000,000.00	533,124,529.52	(3,692,964.07)	58,426,314.46	84,305,891.83	67,503,955.76	1,646,667,727.50

Note V	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Total shareholders' equity
Balance at 31 December 2019	907,000,000.00	533,124,529.52	3,090,373.52	49,404,967.95	75,284,545.32	79,587,798.41	1,647,492,214.72
Amount of change for the year							
1. Total comprehensive income 31	-	-	2,769,401.68	-	-	21,266,395.11	24,035,796.79
2. Profit distribution 34							
- Appropriation for surplus reserve	-	-	-	1,078,637.64	-	(1,078,637.64)	-
- Appropriation for general risk reserve	-	-	-	-	1,078,637.64	(1,078,637.64)	-
- Distribution to shareholders	-	-	-	-	-	(72,560,000.00)	(72,560,000.00)
Subtotal of items 1 and 2 above	-	-	2,769,401.68	1,078,637.64	1,078,637.64	(53,450,880.17)	(48,524,203.21)
Balance at 31 December 2019	907,000,000.00	533,124,529.52	5,859,775.20	50,483,605.59	76,363,182.96	26,136,918.24	1,598,968,011.51

The notes to financial statements on pages 13 to 104 form part of these financial statements.

# The Parent Company's Statement of Changes in Shareholders' Equity

(Unless otherwise specified, the unit of amount is RMB)

Note V	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2020	907,000,000.00	526,722,489.33	(544,586.56)	50,483,605.59	76,363,182.96	22,773,444.81	1,582,798,136.13
Amount of change for the year							
1. Total comprehensive income	-	-	172,785.28	-	-	79,427,088.68	79,599,873.96
2. Profit distribution 34							
- Appropriation for surplus reserve	-	-	-	7,942,708.87	-	(7,942,708.87)	-
- Appropriation for general risk reserve	-	-	-	-	7,942,708.87	(7,942,708.87)	-
- Distribution to shareholders	-	-	-	-	-	(9,070,000.00)	(9,070,000.00)
Subtotal of items 1 and 2 above	-	-	172,785.28	7,942,708.87	7,942,708.87	54,471,670.94	70,529,873.96
Balance at 31 December 2020	907,000,000.00	526,722,489.33	(371,801.28)	58,426,314.46	84,305,891.83	77,245,115.75	1,653,328,010.09

Note V	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Total shareholders' equity
Balance at 31 December 2019	907,000,000.00	526,722,489.33	148,533.41	49,404,967.95	75,284,545.32	86,704,343.69	1,645,264,879.70
Amount of change for the year							
1. Total comprehensive income	-	-	(693,119.97)	-	-	10,786,376.40	10,093,256.43
2. Profit distribution 34							
- Appropriation for surplus reserve	-	-	-	1,078,637.64	-	(1,078,637.64)	-
- Appropriation for general risk reserve	-	-	-	-	1,078,637.64	(1,078,637.64)	-
- Distribution to shareholders	-	-	-	-	-	(72,560,000.00)	(72,560,000.00)
Subtotal of items 1 and 2 above	-	-	(693,119.97)	1,078,637.64	1,078,637.64	(63,930,898.88)	(62,466,743.57)
Balance at 31 December 2019	907,000,000.00	526,722,489.33	(544,586.56)	50,483,605.59	76,363,182.96	22,773,444.81	1,582,798,136.13

The notes to financial statements on pages 13 to 104 form part of these financial statements.

# Notes to the financial statements

For the year ended 31 December 2019

## I. General information of the company

Holly Futures Co., Ltd. (the “Company”) is a joint stock company with limited liability with registered address at No. 50, Zhonghua Road, Nanjing, the PRC. The Company has a registered capital of RMB907 million and legal representative of Zhou Jianqiu. The Company’s unified social credit code is 91320000100022362N, and its futures business permit number is 30870000.

The Company is headquartered in Nanjing. As at 31 December 2020, it had a total of 6 sub-branches and 39 branches in the PRC. The scope of business of the Company is commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management, fund sales (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws).

In June 2013, the Company established a wholly-owned subsidiary Holly Capital Management Co., Ltd. (弘業資本管理有限公司) (“Holly Capital”), with the registered office at Room B815, Wuhan University Shenzhen Chan Xue Yan Building, No. 6, Yuexin Second Road, Nanshan District, Shenzhen, being the office address of Shenzhen Qianhai Business Secretary Co., Ltd. (深圳市前海商務秘書有限公司). It was principally engaged in the commodity and futures related risk management business.

In September 2015, the Company acquired 100% equity interest in Holly Su Futures (Hongkong) Co., Limited, which became a wholly-owned subsidiary of the Company. It was principally engaged in futures brokerage business in Hong Kong and overseas. In December 2019, Holly Su Futures was renamed as Holly International Financial Holdings Limited (弘業國際金融控股有限公司) (“Holly International Financial”), its registered addresses changed to Room 2003-05, 20/F, Jubilee Centre, No. 46 Gloucester Road, Wanchai, Hong Kong.

In May 2016, Holly Capital established a wholly-owned subsidiary Holly Capital (Hongkong) Co., Limited (“Holly Capital (Hongkong)”). Holly Capital (Hongkong) operated business in Hong Kong and scope of business of commodity trading and risk management business. On 31 May 2019, Holly Capital (Hongkong) was deregistered.

In July 2016, Holly Su Futures established a wholly-owned subsidiary Holly Su Asset Management Company Limited (“Holly Su Asset”). Holly Su Asset operated business in Hong Kong and scope of business of asset management related business. In December 2019, Holly Su Asset was renamed as Holly International Asset Management Company Limited (弘業國際資產管理有限公司) (“Holly International Asset”), its registered addresses changed to Room 2003-06, 20/F, Jubilee Centre, No. 46 Gloucester Road, Wanchai, Hong Kong.

In October 2018, Holly International Asset established a wholly-owned subsidiary Holly International Fund Series SPC (“Holly International Fund”). Holly International Fund operated business in Hong Kong and scope of business of fund investment related business.



## I. General information of the company (continued)

In March 2019, Holly International Asset established a wholly-owned subsidiary Holly International Fixed Income Fund (“Holly International Fixed Fund”). Holly International Fixed Fund operated business in Hong Kong and scope of business of fund investment related business.

The Company and its domestic and overseas subsidiaries (see Note VI.1) are hereinafter collectively referred to as the “Group”.

## II. Basis for preparation of financial statements

The Group prepares the financial statements on a going concern basis.

## III. Significant accounting policies and accounting estimates

### 1. Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2020, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for 2020.

### 2. Accounting period

The accounting period of the Group is from 1 January to 31 December.

### 3. Operating cycle

The Company is a financial enterprise and does not have a clearly identifiable business cycle.

### 4. Functional currency

The Company’s functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. Some of the Company’s subsidiaries have functional currencies that are different from the Company’s functional currency. In the preparation of these financial statements, their financial statements in foreign currency have been translated based on the accounting policy set out in Note III.7.

### III. Significant accounting policies and accounting estimates (continued)

#### 5. Preparation of consolidated financial statements

##### (1) General principles

The scope of consolidated financial statements is based on control and comprises the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power over an investee, only substantive rights relating to the investee (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

##### (2) Consolidation of Structured entity

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The financial position, operating results and cash flow of the structured entity are included in the consolidated financial statements from the date when the control over which starts to the date when the control which ends.

When the Company acts as an asset manager in a structured entity, the Company will assess whether the Company is an agent or a principal obligor for the structured entity. If the asset manager is solely an agent, it mainly acts on behalf of other parties (other investors of the structured entity) and therefore does not control the structured entity. However, if the asset manager is determined to act mainly on its own behalf, it is the principal obligor and therefore controls the structured entity.

When the accounting period or accounting policies adopted by the structured entity within the scope of the consolidation are inconsistent with the Company, the financial statements of the structured entity would be adjusted in accordance with the Company's accounting period or accounting policies at consolidation. All intra-group transactions and balances, including profit or loss of unrealized intra-group transactions at consolidation have been offset. For unrealized losses incurred in intra-group transactions, the losses shall be fully recognized if there is evidence that the losses are related to asset impairment loss.

### III. Significant accounting policies and accounting estimates (continued)

#### 6. Basis for determination of cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

#### 7. Foreign currency transactions and translation of foreign currency financial statements

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the construction of qualifying assets. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the spot exchange rate at the transaction date.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to Renminbi at the spot exchange rates at the transaction dates. The resulting translation differences arising from translation of foreign currency financial statements are recognised in other comprehensive income. In the disposal of foreign operations, the relevant translation differences arising from translation of foreign currency financial statements are transferred from other comprehensive income to profit or loss for the period.

### III. Significant accounting policies and accounting estimates (continued)

#### 8. Branch capital management and transaction clearing principles

The capital of branches of the Company is allocated by the headquarters, and the transactions with branch customers are settled at the headquarters. The branches shall carry out transaction order handling and confirmation of settlement order with customers as required.

#### 9. Customer futures deposits

##### (1) Classification of customer futures deposits

The Company's customer futures deposits include currency deposits and pledged deposits. Currency deposits are the future deposits in the form of currency received by the Company for execution of transactions on behalf of customers. Pledged deposits are the negotiable securities received by the Company for execution of transactions on behalf of customers, which are used to offset the futures deposits.

##### (2) Customer futures deposits management

The Company's customer futures deposits are managed in a way that they are deposited in and transferred to designated accounts, operate independently, and are strictly separated from the self-owned funds of the Company.

The Company establishes separate records for customer futures deposits and conducts daily settlement without liabilities. It settles the gains or losses on customers' futures transactions according to the daily mark-to-market system, and calculates transaction fees based on the fee rate agreed with customers and daily trading volume (or trading value) of customers.

### III. Significant accounting policies and accounting estimates (continued)

#### 9. Customer futures deposits (continued)

##### (3) Accounting for customer futures deposits

###### (a) *Customer currency deposits*

When the Company accepts customer orders, receives and deposits currency deposits into designated bank accounts, the Company recognises them as cash at bank and on hand and currency deposits payable. When the Company accepts customer orders and carries out futures transactions, the Company recognises currency deposits receivable determined by futures exchanges and reduces cash at bank and on hand accordingly. In clearing with customers, if customers' futures contracts on that day are profitable, the Company increases currency deposits receivable and currency deposits payable after deducting the commissions to be charged to customers based on the amount of profit stated in the settlement documents issued by futures settlement institutions. If customers' futures contracts on that day are making loss, the Company reduces currency deposits receivable and currency deposits payable after adding the commissions to be charged to customers based on the amount of loss stated in the settlement documents issued by futures settlement institutions.

###### (b) *Pledged deposits of customers*

When the Company submits negotiable securities on behalf of customers to futures exchanges as deposits, it recognises pledged deposits receivable and pledged deposits payable based on the amount of deposits confirmed by futures exchanges. When the Company carries out transactions on behalf of customers through futures exchanges, the accounting treatment is the same as that for customer currency deposits. In case of changes in the value of negotiable securities, futures exchanges will adjust the confirmed deposits amount, and the Company will increase or reduce pledged deposits receivable and pledged deposits payable accordingly. When futures exchanges return negotiable securities to customers, the Company reduces pledged deposits receivable and pledged deposits payable based on the deposits amount confirmed by the futures exchanges.

#### 10. Collateral management

The Company accepts standard warehouse receipts registered with exchanges as collaterals. The Company timely completes pledge procedures for collaterals provided by customers in accordance with the requirements of futures exchanges. If a customer incurs loss and fails to meet margin call in a timely manner, the Company will compulsorily liquidate its position as agreed and dispose of the collateral in accordance with the law. The proceeds from collateral disposal will be utilised to compensate for the loss, and any remaining amount will be returned to customers. For accounting treatment of collaterals, please refer to Note III.9(3)(b).

#### 11. Accounting for physical settlement

Upon expiry of futures contracts, the Company carries out physical settlement in accordance with the rules and procedures set by each futures exchange and conducts accounting based on the incurred amount of purchase settlement and sale settlement.

### III. Significant accounting policies and accounting estimates (continued)

#### 12. Inventories

Inventories include spot commodities and are initially measured at cost. Cost of inventories comprises costs of purchase and other expenditure incurred in bringing the inventories to their present location and condition. The actual cost of issued inventories is measured using the first-in first-out method.

At the balance sheet date, inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale and relevant taxes. The net realisable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices. Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for obsolete inventories, and is recognised in profit or loss.

The Group maintains a periodic inventory system.

#### 13. Long-term equity investments

##### (1) Investment cost of long-term equity investments

###### (a) *Long-term equity investments acquired through a business combination*

The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity at the combination date in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost of the long-term equity investment and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings.

###### (b) *Long-term equity investments acquired other than through a business combination*

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash. For long-term equity investments acquired through issue of equity securities, the Group treats the fair value of the equity securities issued as their initial investment cost.



### III. Significant accounting policies and accounting estimates (continued)

#### 13. Long-term equity investments (continued)

##### (2) Subsequent measurement and recognition in profit loss of long-term equity investment

###### (a) *Investments in subsidiaries*

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

For the impairment test and provisioning of the investments in subsidiaries, please refer to Note III.18.

In the Group's consolidated financial statements, long-term equity investments in subsidiaries are accounted for in accordance with the policies described in Note III.5.

###### (b) *Investments in associates*

An associate is an enterprise over which the Group can exert significant influence (see Note III.13(3)).

Long-term equity investments in associates are accounted for using the equity method for subsequent measurement, unless the investments meet the conditions for holding for sale.

The accounting treatments under the equity method adopted by the Group are as follows:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.
- After the acquisition of the investment in associate, the Group recognises its share of the investee's net profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the long-term equity investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. The Group recognises its share of other changes in owners' equity of an associate other than net gains or losses, other comprehensive income or profit distribution ("other changes in owners' equity") in shareholders' equity, and adjusts the carrying amount of the long-term equity investment accordingly.

### III. Significant accounting policies and accounting estimates (continued)

#### 13. Long-term equity investments (continued)

##### (2) Subsequent measurement and recognition in profit loss of long-term equity investment (continued)

###### (b) *Investments in associates (continued)*

- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates under the equity method. Unrealised losses resulting from transactions between the Group and its associates are recognised in full if there is evidence that the losses are the relevant asset impairment losses.
- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

For the impairment test and provisioning of the investments in associates, please refer to Note III.18.

##### (3) Criteria for determining the existence of significant influence over an investee

Significant influence refers to the Group's power to participate in making decisions on the financial and operating policies of the investee, but not the power to control, or jointly control, the formulation of such policies with other parties.

#### 14. Fixed assets

##### (1) Conditions for recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in supply of services or for administrative purposes with useful lives over one accounting year.

The initial cost of a purchased fixed asset comprises the purchase price, related taxes, and any attributable expenditure for bringing the asset to working condition for its intended use.

Where the parts of an item of fixed assets have different useful lives or provide economic benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

### III. Significant accounting policies and accounting estimates (continued)

#### 14. Fixed assets (continued)

##### (1) Conditions for recognition of fixed assets (continued)

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

##### (2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its useful life, unless the fixed asset meets the conditions for holding for sale.

The useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

	Useful life	Residual value ratio	Depreciation rate
Motor vehicles	10 years	5%	9.5%
Office equipment	4-5 years	0% – 5%	19% – 25%
Electronic equipment	3-5 years	0% – 5%	19% – 33%

Useful lives, estimated residual values and depreciation methods are reviewed for fixed assets by the Group at least at each year-end.

##### (3) For the impairment test and provisioning, please refer to Note III.18.

##### (4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- when the fixed asset is held for disposal; or
- when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

### III. Significant accounting policies and accounting estimates (continued)

#### 15. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.18). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset meets the conditions for holding for sale.

The respective amortisation periods for intangible assets are as follows:

	Amortisation period
Software	2-4 years
Customer relationship	3.5 years

The Group reviews the useful lives and amortization method of intangible assets with finite useful lives at least at the end of each year.

The Group regards intangible assets without foreseeable term of future economic benefits as intangible assets with an indefinite useful life, and does not amortize such intangible assets. As of the date of balance sheet, the Group has no intangible assets with indefinite useful life.

#### 16. Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment provision (see Note III.18). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

#### 17. Financial instruments

The financial instruments of the Group include cash at bank and on hand, currency deposits receivable, financial assets held under resale agreements, financial assets held for trading, derivative financial assets, receivables, other receivables, currency deposits payable, futures investors protection funds payable, short-term borrowings, financial assets sold under repurchase agreements, financial liabilities held for trading, derivative financial liabilities, trade payable, employee benefits payable, other payables and share capital, etc.

### III. Significant accounting policies and accounting estimates (continued)

#### 17. Financial instruments (continued)

##### (1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial asset (unless it is a trade receivable without a significant financing component) and financial liability is measured at fair value on initial recognition. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable without a significant financing component is initially measured at the transaction price determined according to the accounting policies in Note III.24.

##### (2) Classification and subsequent measurement of financial assets

###### (a) *Classification of financial assets of the Group*

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), and at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group classifies financial assets not designated as at FVTPL that meet both of the following conditions into financial assets at amortised cost:

- The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

The Group classifies financial assets not designated as FVTPL that meet the following conditions as financial assets at FVOCI:

- The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows and to sell the financial assets;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

### III. Significant accounting policies and accounting estimates (continued)

#### 17. Financial instruments (continued)

##### (2) Classification and subsequent measurement of financial assets (continued)

###### (a) *Classification of financial assets of the Group (continued)*

For investments in equity instruments not held for trading, the Group may irrevocably designate them as financial assets at FVOCI at initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer's perspective.

Except for the above-mentioned financial assets measured at amortised cost and at FVOCI, the Group classifies all other financial assets into financial assets at FVTPL. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should be measured at amortised cost or FVOCI as financial assets at FVTPL.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the sources of cash flows for financial assets managed by the Group is contractual cash flows, the sale of financial assets or both. The Group determines the business model for managing financial assets based on objective facts and specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely for payment of the principal and the interest based on the amount of principal outstanding. Of which, the principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. In addition, the Group assesses the contractual terms that may result in a change in the time distribution or amount of contractual cash flows generated by the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

###### (b) *Subsequent measurement of financial assets of the Group*

###### – Financial assets at FVTPL

Subsequent to initial recognition, such financial assets are measured at fair value, and the resulting gains or losses (including interest and dividend income) are included in profit or loss, unless the financial asset is a component of hedges.

###### – Financial assets measured at amortised cost

Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortised cost and are not a component of any hedges are recognised in profit or loss at the time of derecognition or amortisation using the effective interest method or recognition of impairment.



### III. Significant accounting policies and accounting estimates (continued)

#### 17. Financial instruments (continued)

##### (2) Classification and subsequent measurement of financial assets (continued)

###### (b) *Subsequent measurement of financial assets of the Group (continued)*

- Debt investments at FVOCI

Subsequent to initial recognition, such financial assets are measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss, and other gains or losses are included in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously recognised in other comprehensive income are transferred to profit or loss.

- Investments in equity instruments at FVOCI

Subsequent to initial recognition, such financial assets are measured at fair value. Dividend income is recognised in profit or loss, and other gains or losses are recognised in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred to retained earnings.

##### (3) Classification and subsequent measurement of financial liabilities

The Group classifies financial liabilities into financial liabilities at FVTPL and financial liabilities measured at amortised cost.

- Financial liabilities at FVTPL

Such financial liabilities include financial liabilities held for trading (including derivatives which fall under financial liabilities) and financial liabilities designated as at FVTPL.

Subsequent to initial recognition, financial liabilities at FVTPL are subsequently measured at fair value and gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial liabilities measured at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

### III. Significant accounting policies and accounting estimates (continued)

#### 17. Financial instruments (continued)

##### (4) Offsetting

Financial assets and financial liabilities are presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset, and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognised amounts;
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

##### (5) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) when its contractual obligation (or part of it) is extinguished.

### III. Significant accounting policies and accounting estimates (continued)

#### 17. Financial instruments (continued)

##### (6) Impairment

Based on the expected credit loss, the Group conducts impairment accounting for the following items and recognises loss allowance:

- Financial assets measured at amortised cost;
- Debt investments at FVOCI.

The expected credit loss model is not applicable to other financial assets measured at fair value held by the Group, including debt investments or investments in equity instruments at FVTPL, investments in equity instruments designated as at FVOCI and derivative financial assets.

##### *Measurement of expected credit losses*

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating expected credit losses is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime expected credit losses are the expected credit losses of a financial instrument that result from all possible default events over the expected life.

12-month expected credit losses are the portion of expected credit losses of a financial instrument that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the financial instrument is less than 12 months).

Trade receivable and currency deposits receivable are always measured at an amount equal to lifetime expected credit loss. Expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

### III. Significant accounting policies and accounting estimates (continued)

#### 17. Financial instruments (continued)

##### (6) Impairment (continued)

###### *Measurement of expected credit losses (continued)*

For other receivables, the Group measures loss allowance at an amount equal to 12-month expected credit loss for the following financial instruments, and at an amount equal to lifetime expected credit loss for all other financial instruments:

- If the financial instrument is determined to have low credit risk at the balance sheet date; or
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

###### *Financial instruments that have low credit risk*

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

###### *Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor;
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

### III. Significant accounting policies and accounting estimates (continued)

#### 17. Financial instruments (continued)

##### (6) Impairment (continued)

###### *Significant increases in credit risk (continued)*

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The credit period of trade receivable of the Group is generally 45 days. The Group assumes that the credit risk on a financial instrument has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the counterparty is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is over 90 days past due.

###### *Credit-impaired financial assets*

At each balance sheet date, the Group assesses whether financial assets measured at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments; ;
- for economic or contractual reasons relating to the borrower’s financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties.

###### *Presentation of provision for expected credit losses*

Expected credit losses are remeasured at each balance sheet date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the expected credit loss amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortised cost, provision is offset against their carrying amounts in the balance sheet. The Group recognises provision for debt investments at FVOCI in other comprehensive income and does not deduct the carrying amount of the financial assets.

### III. Significant accounting policies and accounting estimates (continued)

#### 17. Financial instruments (continued)

##### (6) Impairment (continued)

###### *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition of the relevant financial asset. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of a financial asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### 18. Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- right-of-use assets
- intangible assets
- goodwill
- long-term equity investments, etc.



### III. Significant accounting policies and accounting estimates (continued)

#### 18. Impairment of assets other than inventories and financial assets (continued)

The Group conducts impairment tests on assets with signs of impairment and estimates the recoverable amount of the assets. In addition, the Group estimates the recoverable amounts of goodwill at least annually at each year-end, irrespective of whether there is any indication of impairment. The carrying amount of goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note III.19) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash-generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

If the estimation results of the recoverable amount indicate that the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is written down to the recoverable amount, and an impairment loss is recognised in profit or loss. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups, are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

#### 19. Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

### III. Significant accounting policies and accounting estimates (continued)

#### 20. Employee benefits

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

The Group recognises employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

##### (2) Post-employment benefits – defined contribution plans

The defined contribution plans participated by the Group include:

- Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government.
- Pursuant to the relevant provisions of the Trial Measures for Enterprise Annuity, the Group's employees participate in the enterprise annuity plans considered and approved at the employee representative meeting and filed with the labour security administrative departments. The contribution amount of enterprise annuity is calculated according to the annuity plan.

Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or include in the cost of assets where appropriate.

##### (3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### III. Significant accounting policies and accounting estimates (continued)

#### 21. Futures risk reserve

##### (1) Methods and uses of provision

In accordance with the requirements of the Notice of the Tentative Provisions for the Financial Management of Commodities Futures Trading (Cai Shang [1997] No. 44), the Company appropriates the futures risk reserve based on 5% of the fee income net of relevant expenses payable to futures exchanges. Futures risk reserve is specially used to make up for the loss caused by wrong single transactions of the Company, etc. The appropriation for futures risk reserve ceases when it reaches 10 times the registered capital of the Company.

In case of the following, risk loss is recognised and futures risk reserve is reduced: (1) loss on liquidation of wrong single contracts; (2) unaccountable risk loss due to the Company's own reasons; (3) unrecoverable risk loss due to customers' reasons.

##### (2) Accounting

The Company sets aside 5% of net agency fee income after deducting futures exchange fees payable as futures risk reserve, which is included in profit or loss and the "futures risk reserve" item at the same time. If futures risk reserve is utilised for intended uses, the balance of futures risk reserve is reduced to the extent of zero, and any excess is included in profit or loss.

#### 22. Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

### III. Significant accounting policies and accounting estimates (continued)

#### 22. Income tax (continued)

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax assets and current tax liabilities;
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

### III. Significant accounting policies and accounting estimates (continued)

#### 23. Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. If there is a continuous range of required expenditure and the probability of various results within the range is the same, the best estimate shall be determined according to the middle value within the range. In other cases, the best estimates are treated as follows:

- If the contingency involves a single item, it shall be determined according to the most likely amount;
- If the contingency involves multiple projects, it shall be determined according to various possible results and relevant probability calculation.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

#### 24. Revenue

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation.

### III. Significant accounting policies and accounting estimates (continued)

#### 24. Revenue (continued)

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Group expects to refund to the customer is recognised as refund liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the customer can control the asset created or enhanced during the Group's performance;
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.



### III. Significant accounting policies and accounting estimates (continued)

#### 24. Revenue (continued)

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;
- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- the customer has accepted the goods or services.

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on factors other than the passage of time. The Group recognises loss allowances for expected credit loss on contract assets. Receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

The following is the details of the accounting policies regarding revenue from the Group's principal activities:

##### (1) Fee income

Fee income from futures and options brokerage is recognised on the date of agency transaction. According to futures and options agency contracts, the Group recognises the fee income based on the fee charged to customers and the net amount after deducting the collected fee paid to the exchange.

Refund and reduction of handling fees from futures exchanges are recognised when the Group receives the same from futures exchanges.

The handling fee for asset management business is recognised when the Group has the right to receive income in accordance with the asset management agreement.

The Group recognises income from risk management business in accordance with the risk management business contracts.

##### (2) Interest income

Interest income is calculated and determined according to the time of money lending and the effective interest rate.

### III. Significant accounting policies and accounting estimates (continued)

#### 24. Revenue (continued)

##### (3) Investment income

Gains or losses on disposal of financial instruments and dividends received are recognised as investment income on the date of transaction.

##### (4) Gains or losses on fair value changes

Gains and losses arising from changes in the fair values of financial instruments are recognised on the balance sheet date at the difference between the fair value and the carrying amount.

##### (5) Income from other business activities

Income from other business activities is mainly from sales of goods and rendering of advisory services. The Group recognises income from sales of goods when the Group has transferred the right to spot goods to the customer after receiving goods payment according to the contract and the customer has obtained control over the goods. The Group recognises income from advisory services according to the performance progress of advisory services.

#### 25. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group. Special government grants including investment grants that shall be treated as capital reserve as required by the relevant national documents, are capital investments rather than government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to revenue are grants other than those related to assets. A government grant related to assets is recognised as deferred income and amortised over the useful life of the related asset in a reasonable and systematic manner as other income or non-operating income. A government grant related to revenue that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised, otherwise, the grant is included in other income or non-operating income directly.

### III. Significant accounting policies and accounting estimates (continued)

#### 26. Commission fees

The Group enters into intermediary agreements with brokers, and the commissions paid to brokers are expensed as general and administrative expenses.

#### 27. General risk reserve

The Company appropriates 10% of its net profit for the current period to the general risk reserve in accordance with the Rules on the Accounting by Financial Enterprises and the Implementation Guidance of Rules on the Accounting by Financial Enterprises.

#### 28. Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether the contract is a lease or contains a lease. If one party under the contract transfers one or more of the right to use of the identified asset within a period of time in exchange for consideration, the contract shall be considered as a lease or containing lease.

To assess whether a contract conveys the one or more of rights to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:

- Whether an asset is typically identified by being explicitly specified in a contract. An identified asset may be specified by the contract or implicitly specified when the asset is available to the customer to use, and the asset is physically distinguishable. A capacity or other portion of an asset that is not physically distinct is not an identified asset, unless it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from use of the asset. If the supplier has the substantive right to substitute the asset throughout the period of use, the asset is not an identified asset;
- Whether the lessee is entitled to the right to obtain substantially all of the economic benefits from use of the identified asset during the period of use;
- Whether the lessee has the right to direct the use of the identified asset during the period of use.

### III. Significant accounting policies and accounting estimates (continued)

#### 28. Lease (continued)

Where the contract contains multiple lease components, the lessee and the lessor shall separate the lease components and account for each individual lease component separately. Where the contract includes both the lease and the non-lease component, the lessee and the lessor shall separate the lease and non-lease components. For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### The Group as a lessee

On the commencement date of lease period, the Group recognises right-of-use assets and lease liabilities on leases. The right-of-use assets are initially measured at cost, including the initial measurement amount of lease liability, the lease payment amount paid on or before the commencement date of lease period, net of the relevant amount of lease incentives enjoyed, initial direct costs incurred and the estimate cost of dismantling and removing leased assets, restoring the leased assets or restoring the leased assets to the agreed conditions of the lease term.

The Group depreciates the right-of-use assets using the straight-line method. If it is reasonably certain that the lease will transfer ownership of the underlying asset to the lessee by the end of the lease term, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses are recognised in accordance with the accounting policy described in Note III.18.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group calculates interest expenses in each period during the lease term based on a constant periodic rate of interest, and recognizes the interest expenses in profit or loss or part of the cost of other related assets. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss or part of the cost of another related asset as incurred.

### III. Significant accounting policies and accounting estimates (continued)

#### 28. Lease (continued)

##### The Group as a lessee (continued)

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments, if either:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of an option to purchase the underlying asset, to extend or terminate the lease, or the exercise of the option to extend or terminate the lease is different from the previous assessment.

When the lease liability is re-measured, the Group recognises the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases (leases that have a lease term of 12 months or less) and leases of low-value assets, and recognized the lease payments associated with these leases in profit or loss or part of the cost of another related assets on a straight-line basis over the lease term.

#### 29. Dividend distribution

Profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

#### 30. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

### III. Significant accounting policies and accounting estimates (continued)

#### 31. Segment reporting

Reportable segments are identified based on the structure of the Group's internal organisation, management requirements and internal reporting system. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Reportable segments are identified based on operating segment taking into consideration of the materiality principle.

In preparing segment reports, the Group measures the revenue from inter-segment transactions based on the actual transaction price. The accounting policies adopted for the preparation of segment reports are consistent with those adopted for the preparation of the Group's financial statements.

#### 32. Significant accounting estimates and judgments

The preparation of the financial statements requires management of the Group to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

##### (1) Significant accounting estimates

Except for accounting estimates relating to depreciation and amortisation of assets such as fixed assets and intangible assets (see Notes III.14 and 15) and provision for impairment of various types of assets (see Notes V. 5, 8, 9, 10, 11, 13, 14 and 15), other significant accounting estimates are as follows:

- (i) Note V.16 – Deferred tax assets; and
- (ii) Note VIII – Fair value disclosure;

##### (2) Significant accounting judgments

The Group made the following important judgments in the application of accounting policies:

Note VI – Significant judgments and assumptions on the disclosure of control, joint control or significant influence over other entities.



### III. Significant accounting policies and accounting estimates (continued)

#### 33. Changes in significant accounting policies

##### (2) Significant accounting judgments (continued)

In 2020, the Group implemented the following amendments to the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance in recent years:

Interpretation of Accounting Standards for Business

- Enterprises No. 13 (Cai Kuai [2019] No. 21) ("Interpretation No. 13")
- Accounting Treatment of Rent Concessions Related to the COVID-19 (Cai Kuai [2020] No. 10)

##### (1) Interpretation No. 13

Interpretation No. 13 revised the three elements of business composition and refined the judgment conditions of business. When the acquirer of a business combination not under common control determines whether the acquired business activity or asset combination constitutes a business, the option of "concentration test" is introduced. In addition, Interpretation No. 13 further clarifies the definition of related party.

In addition, Interpretation No. 13 further clarifies that the related parties of an enterprise also include joint ventures or associates of other member entities (including parent company and subsidiaries) of the enterprise group to which the enterprise belongs, and other joint ventures or associates of investors who exercise joint control over the enterprise.

Interpretation No. 13 has been implemented since 1 January 2020. The Group adopts the prospective application method to account for the abovementioned accounting policy changes. The adoption of this interpretation does not have a material impact on the Group's disclosures on financial position, operating results and related parties.

##### (2) Cai Kuai [2020] No. 10

Cai Kuai [2020] No. 10 provides a simplified method for rental concessions directly caused by COVID-19 when certain conditions are met (see Note III. 25). If enterprises choose to adopt the simplified approach, it is not required to assess whether there is a lease change or reassess the lease classification.

Cai Kuai [2020] No. 10 has been implemented since 24 June 2020, the relevant rent concessions that occurred between 1 January 2020 and the effective date of the regulations can be adjusted in accordance with such regulations, and the adoption of the above regulations does not have a significant impact on the financial position and operating results of the Group.

## IV. Taxation

Main types of taxes and corresponding tax rates

The main types of taxes and corresponding tax rates applicable to the Company and its subsidiaries are as follows:

Type of tax	Tax base	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue according to taxation laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable	6%, 9%*, 10%*, 13%*, 16%*
City maintenance and construction tax	Based on VAT effectively paid	7%
Educational surcharges	Based on VAT effectively paid	3%
Local education surcharges	Based on VAT effectively paid	2%

\* On 20 March 2019, the Ministry of Finance, the State Taxation Administration and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement [2019] No. 39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs), which provides that the tax rates applicable to the VAT taxable behaviours for which the tax rates were originally 16% and 10% shall be adjusted to 13% and 9% respectively with effect from 1 April 2019.

The statutory income tax rate applicable to the Company is 25%, and it paid tax at the statutory tax rate during the year (2019: 25%).

The statutory income tax rate applicable to Holly International Financial Holdings (弘業國際金控) and Holly International Assets (弘業國際資產), being overseas subsidiaries of the Company, is 16.5%, and they paid tax at the statutory tax rate during the year (2019: 16.5%).

## V. Notes to items in the financial statements

### 1. Cash at bank and on hand

		The Group	
		31 December 2020	31 December 2019
Bank deposits		<b>2,865,678,274.33</b>	2,311,887,667.19
Including: Futures deposits	(1)	<b>2,660,162,679.92</b>	2,067,022,335.18
Self-owned funds	(2)	<b>205,515,594.41</b>	244,865,332.01
Other cash at bank and on hand		<b>13,872,280.30</b>	68,020,810.82
Interest receivable on cash at bank and on hand		<b>14,744,868.57</b>	10,512,974.04
Total		<b>2,894,295,423.20</b>	2,390,421,452.05
Including: Total overseas deposits		<b>47,283,118.77</b>	148,061,206.19

#### (1) Breakdown of futures margin deposits:

		The Group	
		31 December 2020	31 December 2019
China CITIC Bank		<b>1,175,941,243.75</b>	1,576,577,745.76
China Minsheng Bank		<b>598,246,980.25</b>	298,442,738.03
Industrial Bank Co., Ltd.		<b>264,330,493.23</b>	78,547,593.68
SPD Bank		<b>234,823,286.55</b>	14,574,590.90
Bank of Communications		<b>234,384,743.43</b>	9,151,124.15
China Guangfa Bank		<b>47,069,114.68</b>	541,764.75
Bank of China		<b>31,944,736.25</b>	18,531,324.75
Agricultural Bank of China		<b>22,120,070.68</b>	15,787,241.82
China Construction Bank		<b>19,734,353.28</b>	9,289,399.38
China Merchants Bank		<b>14,566,900.53</b>	8,840,051.02
Industrial and Commercial Bank of China		<b>11,282,972.50</b>	25,262,950.42
Ping An Bank		<b>3,439,058.67</b>	943,483.69
China Everbright Bank		<b>2,278,726.12</b>	10,532,326.83
Total		<b>2,660,162,679.92</b>	2,067,022,335.18

## V. Notes to items in the financial statements (continued)

### 1. Cash at bank and on hand (continued)

- (2) As at 31 December 2020, the Group's self-owned funds included restricted cash of RMB24,694,690.31 (31 December 2019: RMB6,717,664.11), of which RMB6,700,000 (31 December 2019: RMB6,700,000) represented bank deposits in an account frozen pursuant to a court ruling. For details, please refer to Note V.28 Provisions; RMB17,725,441.24 (31 December 2019: RMB17,664.11) represented funds deposited in designated accounts for management plans at the stage of fund raising, and RMB269,249.07 (31 December 2019: Nil) represented guarantees paid for Hongye Capital's OTC options business.

### 2. Currency deposits receivable

- (1) Analysis by exchange is as follows:

#### The Group

	31 December 2020		
	Settlement reserve funds	Margin	Total
Domestic futures exchanges			
– Shanghai Futures Exchange	48,115,457.79	467,223,955.10	515,339,412.89
– Dalian Commodity Exchange	160,785,886.83	447,740,766.99	608,526,653.82
– Zhengzhou Commodity Exchange	69,168,864.20	317,510,310.55	386,679,174.75
– China Financial Futures Exchange	2,000,000.00	335,670,752.88	337,670,752.88
– China Securities Depository and Clearing Corporation Limited	86,930,315.98	2,864,859.80	89,795,175.78
– Shanghai International Energy Exchange	102,449,072.62	39,821,388.50	142,270,461.12
Subtotal	469,449,597.42	1,610,832,033.82	2,080,281,631.24
Overseas futures brokerage firms			53,481,297.11
Subtotal			2,133,762,928.35
Less: Impairment provision			(2,674,064.85)
Total			2,131,088,863.50

## V. Notes to items in the financial statements (continued)

### 2. Currency deposits receivable (continued)

#### (1) Analysis by exchange is as follows: (continued)

	31 December 2019		
	Settlement reserve funds	Margin	Total
Domestic futures exchanges			
– Shanghai Futures Exchange	33,871,781.22	372,215,248.95	406,087,030.17
– Dalian Commodity Exchange	87,447,275.02	277,198,831.50	364,646,106.52
– Zhengzhou Commodity Exchange	69,074,003.29	136,524,539.33	205,598,542.62
– China Financial Futures Exchange	2,000,000.00	145,897,464.00	147,897,464.00
– China Securities Depository and Clearing Corporation Limited	90,196,363.92	2,605,778.88	92,802,142.80
– Shanghai International Energy Exchange	45,682,260.03	3,707,023.50	49,389,283.53
Subtotal	328,271,683.48	938,148,886.16	1,266,420,569.64
Overseas futures brokerage firms			24,089,018.47
Subtotal			1,290,509,588.11
Less: Impairment provision			–
Total			1,290,509,588.11

### 3. Pledged deposits receivable

	The Group and the Company	
	31 December 2020	31 December 2019
Shanghai Futures Exchange	40,750,944.00	758,816.00
Zhengzhou Commodity Exchange	23,645,440.00	–
Total	64,396,384.00	758,816.00

## V. Notes to items in the financial statements (continued)

### 3. Pledged deposits receivable (continued)

#### 31 December 2020

Type of collateral	Market value at time of pledge	Rate of discount	Amount of deposit at time of pledge	Market value at the end of the year	Rate of discount	Ending balance
Shanghai Futures Exchange						
Standard warehouse receipts Lead	42,252,000.00	80%	33,801,600.00	44,115,000.00	80%	35,292,000.00
Standard warehouse receipts Silver	3,210,480.00	80%	2,568,384.00	5,018,400.00	80%	4,014,720.00
Standard warehouse receipts Tin	1,444,224.00	80%	1,155,379.20	1,805,280.00	80%	1,444,224.00
Zhengzhou Commodity Exchange						
Standard warehouse receipts Cotton	16,213,120.00	80%	12,970,496.00	29,556,800.00	80%	23,645,440.00
Total	63,119,824.00		50,495,859.20	80,495,480.00		64,396,384.00

#### 31 December 2019

Type of collateral	Market value at time of pledge	Rate of discount	Amount of deposit at time of pledge	Market value at the end of the year	Rate of discount	Ending balance
Shanghai Futures Exchange						
Standard warehouse receipts Nickel	656,280.00	80%	525,024.00	667,680.00	80%	534,144.00
Standard warehouse receipts Tin	275,260.00	80%	220,208.00	280,840.00	80%	224,672.00
Total	931,540.00		745,232.00	948,520.00		758,816.00

### 4. Settlement deposits receivable

	The Group and the Company	
	31 December 2020	31 December 2019
China Financial Futures Exchange – Settlement deposits	20,000,000.00	20,000,000.00



## V. Notes to items in the financial statements (continued)

### 5. Financial assets held under resale agreements

	The Group and the Company	
	31 December 2020	31 December 2019
Treasury bond repo	<b>7,853,000.00</b>	42,437,000.00

As at 31 December 2020, all financial assets held under resale agreements held by the Group and the Company are treasury bond repo, the Group and the Company did not consider it is necessary to make provision for impairment of financial assets held under resale agreements (31 December 2019: Nil).

### 6. Financial assets held for trading

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial assets at FVTPL				
Debt instruments				
– Trading securities	<b>81,686,110.56</b>	56,621,789.52	<b>81,686,110.56</b>	12,572,631.23
– Trust schemes	<b>122,180,718.27</b>	39,477,369.86	<b>122,180,718.27</b>	39,477,369.86
Equity instruments				
– Funds	<b>657,936,247.67</b>	398,605,161.50	<b>580,956,617.01</b>	342,073,846.80
– Asset management plans	<b>92,157,781.01</b>	34,383,617.28	<b>78,391,188.40</b>	41,615,617.28
– Trading securities	<b>52,469,548.85</b>	33,362,635.65	<b>13,991,995.34</b>	31,235,471.68
– Wealth management products	<b>8,446,452.00</b>	8,371,037.25	–	–
Total	<b>1,014,876,858.36</b>	570,821,611.06	<b>877,206,629.58</b>	466,974,936.85

## V. Notes to items in the financial statements (continued)

### 7. Derivative financial assets and financial liabilities

#### The Group

	31 December 2020			31 December 2019		
	Nominal amount	Fair value		Nominal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Commodity derivative financial instruments						
– Futures contracts	2,871,361,685.00	15,878,000.00	(16,605,795.00)	4,223,500,500.00	13,488,940.00	(13,270,225.00)
– Options contracts	424,085,189.06	6,219,924.42	(7,594,514.81)	–	–	–
Total	3,295,446,874.06	22,097,924.42	(24,200,309.81)	4,223,500,500.00	13,488,940.00	(13,270,225.00)
Less: Settlement amount		(15,878,000.00)	16,605,795.00		(13,488,940.00)	13,270,225.00
Net amount		6,219,924.42	(7,594,514.81)		–	–

### 8. Trade receivables

#### (1) The analysis of trade receivables by type of customers is as follows:

#### The Group

Type of customer	31 December 2020	31 December 2019
Spot trading customers	7,201,845.00	–
Less: Impairment provision	(360,092.25)	–
Total	6,841,752.75	–

#### (2) The analysis on trade receivables by aging is as follows (excluding provision for impairment):

#### The Group

Age	31 December 2020	31 December 2019
Within 1 year (inclusive)	7,201,845.00	–

The aging starts from the date of recognition of trade receivables.

## V. Notes to items in the financial statements (continued)

### 8. Trade receivables (continued)

- (3) Trade receivables grouped by the debtors with top five closing balances are as follows (excluding provision for impairment):

#### The Group

Name of Company	31 December 2020	31 December 2019
Shanghai Xingtiansheng Electric Fuel Co., Ltd.* (上海興天勝電力燃料有限公司)	4,171,500.00	—
Zhejiang Jinxingquan Supply Chain Management Co., Ltd.* (浙江晉興泉供應鏈管理有限公司)	3,030,345.00	—
Total	7,201,845.00	—

The total top five closing balance of trade receivables of the Group amounted to RMB7,201,845.00, accounted for 100% of the total closing balance of trade receivables.

### 9. Other receivables

- (1) Analysed by type as follows:

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
PTA spot transaction receivables	10,713,048.00	—	—	—
Dividends and redemptions receivable from funds and asset management plans	10,462,798.73	—	4,799,462.47	—
Securities settlement account receivable	8,631,466.93	2,450,000.00	—	—
Over-the-counter options deposits receivable	5,566,455.58	851,693.01	—	—
Deposits	4,572,516.77	4,801,388.70	3,579,861.57	3,757,349.94
Risk loss receivable	1,632,735.58	1,590,320.62	1,632,735.58	1,590,320.62
Insurance premium advance	—	7,636,784.40	—	3,672,104.40
Others	4,953,271.30	10,169,545.04	2,438,345.69	5,798,949.10
Subtotal	46,532,292.89	27,499,731.77	12,450,405.31	14,818,724.06
Less: Impairment provision	(10,472,192.89)	—	(594,525.68)	—
Total	36,060,100.00	27,499,731.77	11,855,879.63	14,818,724.06

## V. Notes to items in the financial statements (continued)

### 9. Other receivables (continued)

#### (2) Classified disclosure by method of impairment provision:

##### The Group

	31 December 2020				31 December 2019			
	Carrying amount		Provision for impairment		Carrying amount		Provision for impairment	
	Amount	Ratio	Amount	Provision ratio	Amount	Ratio	Amount	Provision ratio
Provision for impairment on individual item								
– Other receivables	10,713,048.00	23%	(9,106,090.80)	85%	–	0%	–	0%
Provision for impairment by group								
– Other receivables	35,819,244.89	77%	(1,366,102.09)	4%	27,499,731.77	100%	–	0%
Total	46,532,292.89		(10,472,192.89)		27,499,731.77		–	

Reasons for impairment provision on individual item for the year:

From February 2020, Holly Capital entered into various spot purchase contracts in respect of purified terephthalic acid (“PTA”) with Hanbang (Jiangyin) Petrochemical Co., Ltd. (漢邦(江陰)石化有限公司) (“Hanbang Petrochemical”), with a total of 8,076 tons of PTA spot purchased. Holly Capital has paid a total of RMB26,041,980.00 in advance for the purchases. Subsequently, due to Hanbang Petrochemical's own operational problems, some of PTA spot in the above contracts could not be delivered. After subsequent recovery by Hongye Capital, an advance payment of RMB10,713,048.00 has yet to be recovered. Holly Capital has filed a lawsuit with the People's Court of Qinhuai District, Nanjing City in December 2020 on the abovementioned creditor's rights. The court accepted the case on 23 December 2020. As at 31 December 2020, the above case was still under trial. Based on the prudential consideration, the Company has made a provision for bad debts of RMB9,106,090.80 for the refundable payment of the abovementioned PTA spot transactions.

## V. Notes to items in the financial statements (continued)

### 9. Other receivables (continued)

#### (3) Movements in impairment provision

##### The Group

	2020				2019			
	First stage ECL over the next 12 months	Second stage Lifetime ECL not credit- impaired	Third stage Lifetime ECL credit-impaired	Total	First stage ECL over the next 12 months	Second stage Lifetime ECL not credit- impaired	Third stage Lifetime ECL credit-impaired	Total
Opening balance	-	-	-	-	-	-	-	-
Provision for the year	1,366,102.09	-	9,106,090.80	10,472,192.89	-	-	-	-
Closing balance	1,366,102.09	-	9,106,090.80	10,472,192.89	-	-	-	-

### 10. Inventories

##### The Group

	31 December 2020	31 December 2019
Spot goods for trading	48,676,714.04	41,641,461.18

As at 31 December 2020, the Group did not consider it is necessary to make provision for impairment of inventories (31 December 2019: Nil).

### 11. Long-term equity investments

#### (1) The breakdown of long-term equity investments is as follows:

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Investments in associates	11,431,418.75	13,330,524.27	11,431,418.75	13,330,524.27
Investments in subsidiaries	-	-	396,242,079.81	396,242,079.81
Total	11,431,418.75	13,330,524.27	407,673,498.56	409,572,604.08

## V. Notes to items in the financial statements (continued)

### 11. Long-term equity investments (continued)

#### (2) Investment in subsidiaries

	Holly Capital Management Co., Ltd.	Holly International Financial Holdings Limited	Total
Balance at 1 January 2019	240,000,000.00	156,242,079.81	396,242,079.81
Increase for the year	—	—	—
Balance at 31 December 2019	240,000,000.00	156,242,079.81	396,242,079.81
Increase for the year	—	—	—
Balance at 31 December 2020	240,000,000.00	156,242,079.81	396,242,079.81

Please refer to Note VI.1 for details of each subsidiary.

#### (3) Investment in associates

##### The Group and the Company

Investees – associates	Changes in 2020					Ending balance
	Beginning balance	Decrease in investment	Investment income recognised under the equity method	Other comprehensive income recognised under the equity method	Declaration and payment of cash dividend or profit	
Jiangsu Hong Rui New Era Venture Investment Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	6,908,206.91	—	(1,701,152.21)	172,795.01	—	5,379,849.71
Jiangsu Hong Rui Growth Venture Investment Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	6,422,317.36	—	358,261.41	(9.73)	(729,000.00)	6,051,569.04
Total	13,330,524.27	—	(1,342,890.80)	172,785.28	(729,000.00)	11,431,418.75



## V. Notes to items in the financial statements (continued)

### 11. Long-term equity investments (continued)

#### (3) Investment in associates (continued)

##### The Group and the Company (continued)

Investees – associates	Changes in 2019					Ending balance
	Beginning balance	New investment	Investment income recognised under the equity method	Other comprehensive income recognised under the equity method	Declaration and payment of cash dividend or profit	
Jiangsu Hong Rui New Era Venture Investment Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	6,607,320.87	–	803,532.86	(502,646.82)	–	6,908,206.91
Jiangsu Hong Rui Growth Venture Investment Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	6,607,698.94	–	931,091.57	(190,473.15)	(926,000.00)	6,422,317.36
Jiangsu Holly Zijin Investment Management Co., Ltd. (江蘇弘業紫金投資管理有限公司)	2,808,886.46	(3,000,000.00)	191,113.54	–	–	–
<b>Total</b>	<b>16,023,906.27</b>	<b>(3,000,000.00)</b>	<b>1,925,737.97</b>	<b>(693,119.97)</b>	<b>(926,000.00)</b>	<b>13,330,524.27</b>

Please refer to Note VI.2 for details of each associate.

### 12. Investment in futures membership

#### The Group

	<b>31 December 2020</b>	31 December 2019
Shanghai Commodity Exchange	<b>500,000.00</b>	500,000.00
Dalian Commodity Exchange	<b>500,000.00</b>	500,000.00
Zhengzhou Commodity Exchange	<b>400,000.00</b>	400,000.00
Hong Kong Futures Exchange	<b>420,820.00</b>	447,890.00
<b>Total</b>	<b>1,820,820.00</b>	1,847,890.00

## V. Notes to items in the financial statements (continued)

### 13. Fixed assets

#### The Group

	Motor vehicles	Office equipment	Electronic equipment	Total
Cost				
Balance at 1 January 2019	5,404,710.19	2,927,185.74	38,420,202.19	46,752,098.12
Increase for the year	225,061.95	328,957.86	4,198,785.11	4,752,804.92
Decrease for the year	(1,340,645.00)	(13,000.00)	(971,250.00)	(2,324,895.00)
Translation differences arising from translation of foreign currency financial statements	–	1,519.04	29,825.73	31,344.77
Balance at 31 December 2019	4,289,127.14	3,244,662.64	41,677,563.03	49,211,352.81
Increase for the year	333,796.46	322,416.57	9,175,930.10	9,832,143.13
Decrease for the year	(92,482.00)	(218,796.96)	(4,951,252.38)	(5,262,531.34)
Translation differences arising from translation of foreign currency financial statements	–	(84,691.99)	(5,048.50)	(89,740.49)
Balance at 31 December 2020	4,530,441.60	3,263,590.26	45,897,192.25	53,691,224.11
Less: Accumulated depreciation				
Balance at 1 January 2019	(4,356,049.72)	(2,565,861.28)	(27,940,962.05)	(34,862,873.05)
Depreciation in the year	(406,039.02)	(83,345.45)	(4,341,801.72)	(4,831,186.19)
Depreciation write-off	1,240,232.81	12,350.00	904,400.00	2,156,982.81
Translation differences arising from translation of foreign currency financial statements	–	(938.23)	(21,135.13)	(22,073.36)
Balance at 31 December 2019	(3,521,855.93)	(2,637,794.96)	(31,399,498.90)	(37,559,149.79)
Depreciation in the year	(247,328.00)	(286,630.57)	(5,343,294.31)	(5,877,252.88)
Depreciation write-off	87,857.90	214,714.18	4,784,879.19	5,087,451.27
Translation differences arising from translation of foreign currency financial statements	–	61,244.36	2,820.91	64,065.27
Balance at 31 December 2020	(3,681,326.03)	(2,648,466.99)	(31,955,093.11)	(38,284,886.13)
Carrying amount				
31 December 2020	849,115.57	615,123.27	13,942,099.14	15,406,337.98
31 December 2019	767,271.21	606,867.68	10,278,064.13	11,652,203.02

As at 31 December 2020, the Group did not consider it necessary to make provision for impairment of fixed assets (31 December 2019: Nil).

## V. Notes to items in the financial statements (continued)

### 14. Right-of-use assets

#### The Group

	Property leasing
Cost	
Balance at 1 January 2019	31,773,076.88
Increase for the period	22,052,678.73
Balance at 31 December 2019	53,825,755.61
Increase for the period	9,373,753.32
Decrease for the period	(7,310,980.25)
Foreign currency translation difference	(327,919.21)
Balance at 31 December 2020	55,560,609.47
Less: Accumulated amortization	
Balance at 1 January 2019	—
Increase for the period	(18,963,446.91)
Balance at 31 December 2019	(18,963,446.91)
Increase for the period	(21,521,773.34)
Decrease for the period	3,814,424.48
Foreign currency translation difference	8,835.82
Balance at 31 December 2020	(36,661,959.95)
Carrying amount	
31 December 2020	18,898,649.52
31 December 2019	34,862,308.70

As at 31 December 2020, the Group did not consider it necessary to make provision for impairment of the right-of-use assets (31 December 2019: Nil).

## V. Notes to items in the financial statements (continued)

### 15. Goodwill

#### (1) Changes in goodwill

	The Group
Cost	
Balance at 1 January 2019	53,167,251.21
Increase for the year	—
Balance at 31 December 2019	53,167,251.21
Increase for the year	—
Balance at 31 December 2020	—
Less: Provision for impairment	
Balance at 1 January 2019	(9,845,251.21)
Increase for the year	(43,322,000.00)
Balance at 31 December 2019	(53,167,251.21)
Increase for the year	—
Balance at 31 December 2020	—
Carrying amount	
31 December 2020	—
31 December 2019	—

The Group acquired the futures brokerage business together with the relevant assets and liabilities of Huazheng Futures Co., Ltd. at a consideration of RMB60,000,000.00 in 2013. The excess of combination cost over the fair value of such group of identifiable assets and liabilities in the amount of RMB53,167,251.21 was recognised as goodwill.

#### (2) Provision for impairment of goodwill

On 31 December 2019, the present value of future cash flows of the asset group was estimated by the Group according to the nearest five-year financial budget approved by the management and using the pre-tax discount rate of 16.7%. All cash flows in the years after the annual financial budget have remained stable. Upon the impairment test, the recoverable amounts of certain asset groups are lower than their carrying values, and the group first deducted the carrying amount of goodwill in the asset group. In 2019, the decrease in growth of business of the asset group was relatively significant, the difference between the actual income and profit during the year and the expected amount was relatively large, and the management, based on the future five-year profit forecast, determined that the profitability of the asset group was relatively weak, the operating cash flow continued to decrease, which was not enough to support the goodwill, and therefore impairment of goodwill was fully provided for based on the principles of prudence.

## V. Notes to items in the financial statements (continued)

### 16. Deferred tax assets

#### (1) Deferred tax assets and deferred tax liabilities

	The Group			
	2020		2019	
	Deductible (taxable) temporary difference	Deferred tax assets (liabilities)	Deductible (taxable) temporary difference	Deferred tax assets (liabilities)
Deferred tax assets				
Employee benefits payable	25,156,871.24	6,289,217.81	2,000,000.00	500,000.00
Credit impairment loss	10,347,043.88	2,586,760.97	—	—
Accrued expenses	4,525,520.73	1,131,380.18	2,804,970.16	701,242.54
Provisions	4,467,575.89	1,116,893.97	—	—
Change in fair value of derivative financial instruments	2,102,385.39	525,596.35	—	—
Change in fair value of financial assets/liabilities held for trading	908,422.21	227,105.55	1,579,871.69	394,967.92
Leases	408,233.50	102,058.38	654,174.40	163,543.60
Deferred tax assets not offset	47,916,052.84	11,979,013.21	7,039,016.25	1,759,754.06
Deferred tax liabilities				
Change in fair value of derivative financial instruments	—	—	(218,715.00)	(54,678.75)
Change in fair value of financial assets/liabilities held for trading	(15,001,172.12)	(3,750,293.03)	(5,373,780.54)	(1,343,445.14)
Deferred tax liabilities not offset	(15,001,172.12)	(3,750,293.03)	(5,592,495.54)	(1,398,123.89)
Net amount after offsetting	32,914,880.72	8,228,720.18	1,446,520.71	361,630.17

## V. Notes to items in the financial statements (continued)

### 16. Deferred tax assets (continued)

#### (2) Changes in deferred tax assets

##### The Group

	2020			
	Beginning balance	Change for the year included in profit or loss	Change for the year included in equity	Ending balance
Employee benefits payable	500,000.00	5,789,217.81	—	6,289,217.81
Credit impairment loss	—	2,586,760.97	—	2,586,760.97
Accrued expenses	701,242.54	430,137.64	—	1,131,380.18
Provisions	—	1,116,893.97	—	1,116,893.97
Change in fair value of derivative financial instruments	(54,678.75)	580,275.10	—	525,596.35
Change in fair value of financial assets/liabilities held for trading	(948,477.22)	(2,574,710.26)	—	(3,523,187.48)
Leases	163,543.60	(61,485.22)	—	102,058.38
Total	361,630.17	7,867,090.01	—	8,228,720.18

	2019			
	Beginning balance	Change for the year included in profit or loss	Change for the year included in equity	Ending balance
Employee benefits payable	2,069,347.78	(1,569,347.78)	—	500,000.00
Accrued expenses	742,472.92	(41,230.38)	—	701,242.54
Change in fair value of derivative financial instruments	112,442.98	(167,121.73)	—	(54,678.75)
Change in fair value of financial assets/liabilities held for trading	6,628,576.77	(7,577,053.99)	—	(948,477.22)
Leases	—	163,543.60	—	163,543.60
Total	9,552,840.45	(9,191,210.28)	—	361,630.17



## V. Notes to items in the financial statements (continued)

### 16. Deferred tax assets (continued)

#### (3) Breakdown of unrecognised deferred tax assets

##### The Group

Item	31 December 2020	31 December 2019
Provision for impairment of goodwill	<b>53,167,251.21</b>	53,167,251.21
Deductible tax loss	<b>3,341,277.77</b>	4,983,673.59
Total	<b>56,508,528.98</b>	58,150,924.80

As at 31 December 2020, the Group had not recognised temporary difference relating to provision for impairment of goodwill of RMB53,167,251.21 (31 December 2019: RMB53,167,251.21). According to the relevant requirements of the Corporate Income Tax Law of the People's Republic of China, the expenditure incurred in externally purchased goodwill shall be deductible at the time of whole transfer or liquidation of the acquired assets and liabilities. As the Group has prepared financial statements on a going concern basis and there is no plan of transfer or liquidation of the acquired assets and liabilities, the deferred tax assets arising from the goodwill impairment is not recognised.

In accordance with the accounting policies set out in Note III.22, as it is not probable that Holly International Financial Holdings will generate sufficient future taxable profits against which such losses can be utilised, the Group had not recognised deferred tax assets for accumulated deductible loss of RMB3,341,277.77 (31 December 2019: RMB4,983,673.59). According to the current tax law, these deductible losses can be carried forward indefinitely to deduct tax since the year of occurrence.

### 17. Other assets

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Prepayments	<b>44,093,175.32</b>	43,351,000.00	<b>43,351,000.00</b>	43,351,000.00
Prepaid expenses	<b>8,174,721.86</b>	4,228,961.85	<b>7,899,553.33</b>	4,228,961.85
Provisional VAT on purchase	<b>7,368,166.08</b>	2,898,562.83	—	—
Overseas futures exchange deposit	<b>1,409,269.43</b>	1,748,708.43	—	—
Deductible taxes	<b>164,434.09</b>	2,605,532.85	—	519,832.98
Prepaid corporate income tax	—	1,084,884.37	—	—
Others	—	7,771,269.68	—	7,337,049.52
Total	<b>61,209,766.78</b>	63,688,920.01	<b>51,250,553.33</b>	55,436,844.35

## V. Notes to items in the financial statements (continued)

### 18. Currency deposits payable

#### (1) By type of customer

##### The Group

	31 December 2020		31 December 2019	
	Number	Amount	Number	Amount
Natural persons	82,930	2,599,294,685.74	79,887	1,816,504,339.43
Legal persons	2,891	1,647,795,452.34	2,690	842,284,676.25
Total	85,821	4,247,090,138.08	82,577	2,658,789,015.68

#### (2) By exchange

##### The Group

	31 December 2020		31 December 2019	
	Number	Amount	Number	Amount
Domestic futures exchanges				
– Shanghai Futures Exchange	2,110	443,111,322.60	2,039	369,866,300.96
– Dalian Commodity Exchange	2,694	387,852,642.14	3,512	277,198,831.50
– China Financial Futures Exchange	287	333,299,674.48	241	145,897,464.00
– Zhengzhou Commodity Exchange	3,265	277,827,552.05	2,321	121,575,391.03
– Shanghai International Energy Exchange	73	31,005,172.50	27	3,707,023.50
– China Securities Depository and Clearing Corporation Limited	20	2,824,859.00	35	2,605,778.88
Subtotal	8,449	1,475,921,222.77	8,175	920,850,789.87
Overseas futures brokerage firms	2,060	62,112,764.04	1,966	24,089,018.47
Total	10,509	1,538,033,986.81	10,141	944,939,808.34

Note: Client margin deposits by exchange do not include client margin deposit payable deposited with banks and settlement reserve funds deposited with exchanges.

## V. Notes to items in the financial statements (continued)

### 19. Pledged deposits payable

#### (1) By type of customer

##### The Group

	31 December 2020		31 December 2019	
	Number	Amount	Number	Amount
Legal persons	3	40,750,944.00	1	758,816.00

#### (2) By exchange

##### The Group

	31 December 2020		31 December 2019	
	Number	Amount	Number	Amount
Shanghai Futures Exchange	3	40,750,944.00	1	758,816.00

### 20. Futures risk reserve

#### The Group and the Company

	31 December 2020	31 December 2019
Beginning balance	131,057,775.04	124,165,421.09
Increase for the year	9,163,823.19	6,892,353.95
Ending balance	140,221,598.23	131,057,775.04

## V. Notes to items in the financial statements (continued)

### 21. Futures investors protection funds payable

#### The Group and the Company

	31 December 2020	31 December 2019
Beginning balance	189,263.99	180,169.63
Increase for the year	376,747.40	189,310.53
Payment in the year	(196,235.37)	(180,216.17)
Ending balance	369,776.02	189,263.99

In accordance with the Decision on Revising the Interim Management Measures for Futures Investors Protection Funds (CSRC Order No. 129) issued by the CSRC on 8 November 2016, the payment rate of the Company was changed from six in ten million to six in 100 million with effect from 8 December 2016.

### 22. Financial assets sold under repurchase agreements

#### (1) By business category

##### The Group

Item	31 December 2020	31 December 2019
Bond repurchase	34,197,000.00	—
Trade spot sell repurchase	1,622,204.28	—
Total	35,819,204.28	—

#### (2) Collateral information

##### The Group

	31 December 2020	31 December 2019
Bond	54,333,333.42	—
Trade spot	1,838,027.90	—
Total	56,171,361.32	—

## V. Notes to items in the financial statements (continued)

### 23. Trade payables

#### The Group

	31 December 2020	31 December 2019
Purchase of spot goods payable	7,373,441.99	2,519,520.00

As at 31 December 2020, the Group had no significant trade payables aged over one year (31 December 2019: Nil).

### 24. Employee benefits payable

#### The Group

	Note	31 December 2020	31 December 2019
Short-term employee benefits	(1)	26,279,433.60	2,395,411.42
Post-employment benefits – defined contribution plans	(2)	–	–
Termination benefits	(3)	–	–
Total		26,279,433.60	2,395,411.42

#### (1) Short-term benefits

#### The Group

	Balance at 1 January 2020	Amount incurred in the year	Amount paid in the year	Balance at 31 December 2020
Salaries, bonuses, allowances and subsidies	2,000,000.00	125,377,385.35	(101,594,559.43)	25,782,825.92
Staff welfare	–	2,603,051.30	(2,603,051.30)	–
Social insurance contribution	–	–	–	–
Medical insurance contribution	–	7,187,638.51	(7,187,638.51)	–
Work-related injury insurance contribution	–	17,757.96	(17,757.96)	–
Maternity insurance contribution	–	544,002.93	(544,002.93)	–
Housing fund contribution	–	7,657,077.06	(7,657,077.06)	–
Labour union fee, staff and workers' education fee	395,411.42	2,206,841.61	(2,105,645.35)	496,607.68
Total	2,395,411.42	145,593,754.72	(121,709,732.54)	26,279,433.60

## V. Notes to items in the financial statements (continued)

### 24. Employee benefits payable (continued)

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

##### The Group (continued)

	Balance at 1 January 2019	Amount incurred in the year	Amount paid in the year	Balance at 31 December 2019
Salaries, bonuses, allowances and subsidies	8,277,391.10	94,686,183.61	(100,963,574.71)	2,000,000.00
Staff welfare	–	2,057,779.50	(2,057,779.50)	–
Social insurance contribution				
Medical insurance contribution	–	8,235,883.89	(8,235,883.89)	–
Work-related injury insurance contribution	–	113,086.00	(113,086.00)	–
Maternity insurance contribution	–	600,080.40	(600,080.40)	–
Housing fund contribution	–	7,068,963.07	(7,068,963.07)	–
Labour union fee, staff and workers' education fee	380,161.16	2,196,513.52	(2,181,263.26)	395,411.42
<b>Total</b>	<b>8,657,552.26</b>	<b>114,958,489.99</b>	<b>(121,220,630.83)</b>	<b>2,395,411.42</b>

#### (2) Post-employment benefits – defined contribution plans

##### The Group

	Balance at 1 January 2020	Amount incurred in the year	Amount paid in the year	Balance at 31 December 2020
Basic pension insurance contribution	–	<b>1,712,137.60</b>	<b>(1,712,137.60)</b>	–
Unemployment insurance contribution	–	<b>39,599.43</b>	<b>(39,599.43)</b>	–
Enterprise annuity contribution	–	<b>7,060,559.04</b>	<b>(7,060,559.04)</b>	–
<b>Total</b>	<b>–</b>	<b>8,812,296.07</b>	<b>(8,812,296.07)</b>	<b>–</b>

	Balance at 1 January 2019	Amount incurred in the year	Amount paid in the year	Balance at 31 December 2019
Basic pension insurance contribution	–	12,743,945.37	(12,743,945.37)	–
Unemployment insurance contribution	–	386,751.05	(386,751.05)	–
Enterprise annuity contribution	–	6,121,359.78	(6,121,359.78)	–
<b>Total</b>	<b>–</b>	<b>19,252,056.20</b>	<b>(19,252,056.20)</b>	<b>–</b>



## V. Notes to items in the financial statements (continued)

### 24. Employee benefits payable (continued)

#### (3) Termination benefits

##### The Group

	Balance at 1 January 2020	Amount incurred in the year	Amount paid in the year	Balance at 31 December 2020
Compensation for termination of employment	–	85,394.90	(85,394.90)	–

	Balance at 1 January 2019	Amount incurred in the year	Amount paid in the year	Balance at 31 December 2019
Compensation for termination of employment	–	50,568.66	(50,568.66)	–

### 25. Taxes payable

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Corporate income tax	20,942,367.18	4,109,221.50	20,517,001.87	4,109,221.50
Value-added tax (VAT)	7,465,193.64	2,589.29	820,249.48	2,479.94
Taxes and surcharges	231,960.64	51,768.23	231,960.64	51,768.23
Withheld individual income tax	18,929.98	11,431.97	18,929.98	11,431.97
Total	28,658,451.44	4,175,010.99	21,588,141.97	4,174,901.64

## V. Notes to items in the financial statements (continued)

### 26. Other payables

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Pending settlement of asset management plan payments	68,226,995.45	–	68,226,995.45	–
Pledge payment of standard warehouse receipts	37,271,225.53	–	–	–
Margin payable	13,900,529.62	719,844.30	–	–
Advance dividend distribution amount of associates	3,791,000.00	4,520,000.00	3,791,000.00	4,520,000.00
Commission payable	1,565,749.01	1,530,322.29	1,565,749.01	1,530,322.29
Audit fees payable	1,500,000.00	1,431,662.40	1,500,000.00	1,431,662.40
IPO service fees payable	–	1,643,708.10	–	1,643,708.10
Others	14,354,036.12	6,551,923.07	9,656,871.20	4,342,317.45
Total	140,609,535.53	16,397,460.16	84,740,615.66	13,468,010.24

### 27. Lease liabilities

#### The Group

	31 December 2020	31 December 2019
Within 1 year (inclusive)	11,717,703.90	20,396,778.79
1-2 years (inclusive)	6,495,388.72	11,566,321.83
2-5 years (inclusive)	1,134,674.87	3,560,266.27
Total	19,347,767.49	35,523,366.89

	2020	2019
Short-term lease expenses for which simplified method is selected	4,110,197.69	8,176,172.03

In 2020, the Group's interest on lease liabilities amounted to RMB1,294,669.48 (2019: RMB1,815,860.87).

The Group rents houses and buildings as its office space, the lease of the office space usually ranging from 2 to 3 years. House leases and computer equipment with lease period within one year are recognised as short-term lease, right-to-use asset and lease liability are not recognised.

## V. Notes to items in the financial statements (continued)

### 28. Provision

#### The Group and the Company

	31 December 2020	31 December 2019
Pending litigation	4,467,575.89	—

As at the end of the year, details of the nature of significant pending litigation, the expected amount of compensation and the provision for litigation are as follows:

On 17 July 2016, a former employee of the Company and his wife entered into personal borrowing contracts with one customer under which they took the Company as the guarantor without informing the Company. The Company discovered such personal borrowings related to the former employee on 18 July 2016 and reported it to the public security organ on 21 July 2016.

On 19 August 2016, the customer filed a lawsuit before Jing Hai Court against the former employee, his wife, the Company and a legal person under his control as defendants. The claims are: (1) the former employee shall repay the principal of the borrowings of RMB3,712,000 and pay interest at the monthly rate of 2% from 18 July 2016 to the date of the actual settlement; (2) the litigation costs shall be borne by the defendants. The court ruled against the customer on 1 December 2016.

On 4 June 2018, such customer filed a lawsuit before Jing Hai Court against the former employee, his wife, the Company and a legal person under his control as defendants. The claims are: (1) such former employee and his wife shall jointly repay the loan of RMB4,832,000 and pay interest at the monthly rate of 2% based on the amount of RMB4,712,000 from 27 October 2016 to the date of the actual payment of the loan to the plaintiff, and the Company and a legal person under the control of such former employee shall be jointly and severally liable, with interest incurred as at 26 May 2018 amounting to RMB1,790,560 and the total amount of the lawsuit of RMB6,622,560; (2) the litigation costs shall be borne by the defendants.

On 15 January 2019, the customer applied for property preservation, and the court ruled that the bank deposits of the Company in the amount of RMB6,700,000 be frozen. On 15 December 2020, the Company received the first instance civil judgment delivered by Jing Hai Court, which ruled that the former employee, the defendant and his wife jointly repay the principal of borrowings of RMB4,460,000 and the interests amounted to RMB4,475,200 incurred from 27 October 2016 to the actual repayment date of the borrowings, totalling RMB8,935,200 to the plaintiff within five days upon the effective date of the judgment; and the Company shall hold a 50% compensation liability for the above unsettled loans. On 28 December 2020, the Company has sent appeals concerning the two lawsuits to Jing Hai Court.

As of 31 December 2020, based on the results of the first instance judgment, the Company has made a provision for estimated liabilities of RMB4,467,575.89 for the 50% compensation liability for the above unsettled loans in accordance with the principle of prudence.

## V. Notes to items in the financial statements (continued)

### 29. Share capital

The share capital structure of the Company is as follows:

	31 December 2020		31 December 2019	
	Amount	Percentage	Amount	Percentage
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	275,456,777.00	30.37%	275,456,777.00	30.37%
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	147,900,000.00	16.31%	147,900,000.00	16.31%
Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司)	143,548,000.00	15.83%	143,548,000.00	15.83%
Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司)	63,930,134.00	7.05%	63,930,134.00	7.05%
Shanghai Mingda Industrial (Group) Company Limited (上海銘大實業(集團)有限公司)	9,276,631.00	1.02%	9,276,631.00	1.02%
Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司)	8,903,113.00	0.98%	8,903,113.00	0.98%
Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司)	8,285,345.00	0.91%	8,285,345.00	0.91%
Tradable H Shares	249,700,000.00	27.53%	249,700,000.00	27.53%
Total	907,000,000.00	100.00%	907,000,000.00	100.00%

During the Reporting Period, there were no changes in the share capital of the Company.

### 30. Capital reserve

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Share premium	533,124,529.52	533,124,529.52	526,722,489.33	526,722,489.33

## V. Notes to items in the financial statements (continued)

### 31. Other comprehensive income

#### The Group

Item	2020					
	Beginning balance	Amount incurred in the year before income tax	Less: Amount transferred to profit or loss for the period that was previously included in other comprehensive income	Less: Income tax expense	Net amount after tax	Ending balance
Other comprehensive income that will be reclassified to profit or loss						
Including: Other comprehensive income that may be reclassified to profit or loss under the equity method	(544,586.56)	172,785.28	-	-	172,785.28	(371,801.28)
Translation differences arising from translation of foreign currency financial statements	6,404,361.76	(9,725,524.55)	-	-	(9,725,524.55)	(3,321,162.79)
Total	5,859,775.20	(9,552,739.27)	-	-	(9,552,739.27)	(3,692,964.07)

Item	2019					
	Beginning balance	Amount incurred in the year before income tax	Less: Amount transferred to profit or loss for the period that was previously included in other comprehensive income	Less: Income tax expense	Net amount after tax	Ending balance
Other comprehensive income that will be reclassified to profit or loss						
Including: Other comprehensive income that may be reclassified to profit or loss under the equity method	148,533.41	(693,119.97)	-	-	(693,119.97)	(544,586.56)
Translation differences arising from translation of foreign currency financial statements	2,941,840.11	3,462,521.65	-	-	3,462,521.65	6,404,361.76
Total	3,090,373.52	2,769,401.68	-	-	2,769,401.68	5,859,775.20

## V. Notes to items in the financial statements (continued)

### 32. Surplus reserve

#### The Group and the Company

	Statutory surplus reserve
Balance at 1 January 2019	49,404,967.95
Profit distribution	1,078,637.64
Balance at 31 December 2019	50,483,605.59
Profit distribution	7,942,708.87
Balance at 31 December 2020	58,426,314.46

In accordance with the relevant requirements of the Company Law of the People's Republic of China and its articles of association, the Company shall set aside 10% of its profit after tax set out in its financial statements prepared in accordance with the PRC GAAP for statutory surplus reserve.

### 33. General risk reserve

#### The Group and the Company

	一般風險準備
Balance at 1 January 2019	75,284,545.32
Profit distribution	1,078,637.64
Balance at 31 December 2019	76,363,182.96
Profit distribution	7,942,708.87
<b>Balance at 31 December 2020</b>	<b>84,305,891.83</b>

In accordance with the requirements of the Rules on the Accounting by Financial Enterprises and the Implementation Guidance for the Rules on the Accounting by Financial Enterprises (see Note III.27), the Company shall set aside 10% of its profit after tax set out in its financial statements prepared in accordance with the PRC GAAP for general risk reserve.



## V. Notes to items in the financial statements (continued)

### 34. Retained earnings

Item	Note	The Group		The Company	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Retained earnings at the beginning of the year		<b>26,136,918.24</b>	79,587,798.41	<b>22,773,444.81</b>	86,704,343.69
Add: Net profit for the year		<b>66,322,455.26</b>	21,266,395.11	<b>79,427,088.68</b>	10,786,376.40
Less: Appropriation for statutory surplus reserve		<b>(7,942,708.87)</b>	(1,078,637.64)	<b>(7,942,708.87)</b>	(1,078,637.64)
Appropriation for general risk reserve		<b>(7,942,708.87)</b>	(1,078,637.64)	<b>(7,942,708.87)</b>	(1,078,637.64)
Dividends payable on ordinary shares	(1)	<b>(9,070,000.00)</b>	(72,560,000.00)	<b>(9,070,000.00)</b>	(72,560,000.00)
Retained earnings at the end of the year	(2)	<b>67,503,955.76</b>	26,136,918.24	<b>77,245,115.75</b>	22,773,444.81

#### (1) Distribution of dividends on ordinary shares

In accordance with an approval obtained at the general meeting held on 9 June 2020, the Company distributed cash dividends of RMB0.01 per share to its ordinary shareholders, totalling RMB9,070,000.00, on 22 July 2020.

In accordance with an approval obtained at the general meeting held on 9 June 2020, the Company distributed cash dividends of RMB0.08 per share to its ordinary shareholders, totalling RMB72,560,000.00, on 25 July 2019.

As at 31 December 2020, the Group's retained earnings attributable to the Company included surplus reserve set aside for subsidiaries of the Company of RMB3,452,158.95 (31 December 2019: RMB3,452,158.95).

### 35. Fee income

#### (1) By type

	The Group		The Company	
	2020	2019	2020	2019
Agency settlement fee income	<b>39,994,727.86</b>	69,148,670.33	<b>6,913,027.93</b>	51,560,150.57
Refund and reduction of handling fees from futures exchanges	<b>176,047,985.70</b>	86,328,535.10	<b>176,047,985.70</b>	86,328,535.10
Subtotal of income from futures and options brokerage business	<b>216,042,713.56</b>	155,477,205.43	<b>182,961,013.63</b>	137,888,685.67
Income from asset management business	<b>13,415,518.10</b>	5,741,489.99	<b>13,510,439.09</b>	6,143,485.34
Total	<b>229,458,231.66</b>	161,218,695.42	<b>196,471,452.72</b>	144,032,171.01

## V. Notes to items in the financial statements (continued)

### 35. Fee income (continued)

#### (2) By region

Futures and options brokerage and asset management business	The Group				The Company			
	2020		2019		2020		2019	
	Number of headquarters and branches	Fee income	Number of headquarters and branches	Fee income	Number of headquarters and branches	Fee income	Number of headquarters and branches	Fee income
Jiangsu Province	22	174,384,644.69	22	126,007,527.59	21	143,839,700.54	21	111,917,353.25
Fujian Province	2	10,228,973.73	2	3,458,922.07	2	10,228,973.73	2	3,458,922.07
Shanghai	2	7,551,840.14	2	2,549,138.14	2	7,551,840.14	2	2,549,138.14
Zhejiang Province	2	6,959,628.21	2	4,040,428.68	2	6,959,628.21	2	4,040,428.68
Henan Province	1	5,417,131.25	1	4,365,468.03	1	5,417,131.25	1	4,365,468.03
Guangdong Province	3	2,772,203.59	3	2,663,612.21	3	2,772,203.59	3	2,663,612.21
Beijing	2	2,754,255.85	2	1,774,944.06	2	2,754,255.85	2	1,774,944.06
Hong Kong, China	1	2,441,834.79	1	3,096,350.07	-	-	-	-
Shandong Province	2	2,422,804.46	2	1,855,303.87	2	2,422,804.46	2	1,855,303.87
Shaanxi Province	1	2,390,309.22	1	1,885,804.93	1	2,390,309.22	1	1,885,804.93
Anhui Province	2	2,261,947.07	2	2,664,431.99	2	2,261,947.07	2	2,664,431.99
Liaoning Province	2	1,961,438.74	2	1,593,675.70	2	1,961,438.74	2	1,593,675.70
Guangxi Province	1	1,866,009.54	1	1,602,024.32	1	1,866,009.54	1	1,602,024.32
Hunan Province	1	1,851,347.59	1	1,198,953.23	1	1,851,347.59	1	1,198,953.23
Chongqing	1	1,249,918.52	1	676,472.89	1	1,249,918.52	1	676,472.89
Sichuan Province	1	1,165,762.23	1	484,226.82	1	1,165,762.23	1	484,226.82
Shanxi Province	1	976,117.84	1	618,394.42	1	976,117.84	1	618,394.42
Hainan	1	802,064.20	1	683,016.40	1	802,064.20	1	683,016.40
Total	48	229,458,231.66	48	161,218,695.42	46	196,471,452.72	46	144,032,171.01

## V. Notes to items in the financial statements (continued)

### 36. Net interest income

	The Group		The Company	
	2020	2019	2020	2019
Interest income				
– Customer fund deposit	<b>58,512,840.45</b>	62,121,603.33	<b>58,366,475.00</b>	61,485,738.46
– Self-owned fund deposit	<b>14,771,813.54</b>	28,459,102.84	<b>13,786,185.32</b>	27,858,824.29
– Financial assets held under resale agreements	<b>485,509.01</b>	587,731.16	<b>485,509.01</b>	478,132.19
Subtotal of interest income	<b>73,770,163.00</b>	91,168,437.33	<b>72,638,169.33</b>	89,822,694.94
Interest expense				
– Financial assets sold under repurchase agreements	<b>(1,125,483.68)</b>	–	<b>(1,125,483.68)</b>	–
Net interest income	<b>72,644,679.32</b>	91,168,437.33	<b>71,512,685.65</b>	89,822,694.94

### 37. Investment gains

	The Group		The Company	
	2020	2019	2020	2019
Disposal of financial assets held for trading				
– Funds	<b>55,509,252.15</b>	5,708,491.26	<b>49,060,450.45</b>	5,708,491.26
– Trading securities	<b>13,195,150.19</b>	(470,899.55)	<b>8,720,018.01</b>	(3,972,450.94)
– Asset management plans	<b>2,449,476.43</b>	168,126.32	<b>2,379,071.97</b>	135,494.93
– Listed bonds	<b>915,943.48</b>	1,351,514.11	<b>915,943.48</b>	1,351,514.11
– Trust schemes	<b>247,589.05</b>	1,032,630.13	<b>247,589.05</b>	1,032,630.13
Disposal of derivative financial instruments	<b>(53,389,309.84)</b>	(4,245,118.83)	–	–
Dividend distribution				
– Financial assets held for trading	<b>20,308,573.76</b>	12,524,972.62	<b>18,339,394.00</b>	7,127,389.21
Gain on long-term equity investments accounted for using the equity method	<b>(1,342,890.80)</b>	1,925,737.97	<b>(1,342,890.80)</b>	1,925,737.97
Total	<b>37,893,784.42</b>	17,995,454.03	<b>78,319,576.16</b>	13,308,806.67

## V. Notes to items in the financial statements (continued)

### 38. Gains on change in fair value

	The Group		The Company	
	2020	2019	2020	2019
Financial assets held for trading				
– Funds	<b>23,903,547.02</b>	15,993,520.46	<b>9,889,716.14</b>	11,814,850.53
– Asset management plans and trust schemes	<b>4,498,326.32</b>	1,747,431.89	<b>4,171,719.53</b>	1,712,423.49
– Wealth management products	<b>75,414.75</b>	2,805,428.70	–	–
– Trading securities	<b>(915,358.88)</b>	13,760,907.80	<b>1,074,265.78</b>	8,356,519.57
– Listed bonds	<b>(6,067,803.86)</b>	1,265,819.73	<b>(5,246,391.51)</b>	444,407.38
Financial liabilities held for trading				
– Financial liabilities designated as at FVTPL	<b>1,024,271.00</b>	(1,135,143.61)	–	–
Derivative financial assets	<b>8,608,984.42</b>	11,923,790.00	–	–
Derivative financial liabilities	<b>(10,930,084.81)</b>	(11,255,303.09)	–	–
Total	<b>20,197,295.96</b>	35,106,451.88	<b>9,889,309.94</b>	22,328,200.97

### 39. Exchange (losses)/gains

	The Group	
	2020	2019
Exchange (losses)/gains	<b>(5,183,313.77)</b>	1,824,744.63

The Group's exchange gains were mainly generated by the proceeds in HK\$ raised through the global public offering of H shares.

## V. Notes to items in the financial statements (continued)

### 40. Income from and cost of other business activities

#### (1) Income from other business activities

	The Group		The Company	
	2020	2019	2020	2019
Spot goods sales revenue	<b>1,198,714,914.97</b>	332,697,237.55	–	–
Advisory fee income	<b>7,354,989.46</b>	4,606,126.00	<b>7,354,521.54</b>	2,910,754.73
Total	<b>1,206,069,904.43</b>	337,303,363.55	<b>7,354,521.54</b>	2,910,754.73

#### (2) Cost of other business activities

	The Group	
	2020	2019
Cost of sales of spot goods	<b>(1,171,435,651.77)</b>	(330,002,995.72)
Others	–	(500,000.00)
Total	<b>(1,171,435,651.77)</b>	(330,502,995.72)

## V. Notes to items in the financial statements (continued)

### 41. General and administrative expenses

	The Group		The Company	
	2020	2019	2020	2019
Employee benefits	154,491,445.69	134,261,114.85	136,363,854.19	119,424,487.19
Office expenses	37,239,373.37	32,891,370.32	32,251,007.82	27,274,590.23
Depreciation and amortisation				
– Depreciation of right-of-use assets	21,521,773.34	18,963,446.91	19,873,474.00	18,817,252.81
– Depreciation of fixed assets and amortisation of intangible assets	6,552,196.95	5,010,935.62	6,311,628.55	4,768,499.81
Insurance premium	13,911,174.21	1,459,110.40	13,788,021.58	–
Advisory fee	12,120,482.43	2,820,592.44	10,546,131.63	1,471,174.40
Lease payment	4,110,197.69	8,176,172.03	3,767,434.56	6,917,209.05
Repair cost	3,324,455.16	2,013,300.23	3,261,935.96	1,826,333.61
Maintenance fee	2,651,594.24	2,532,819.98	2,402,266.26	2,374,827.78
Finance costs				
– Lease liabilities	1,294,669.48	1,815,860.87	1,166,144.99	1,815,860.87
– Others	1,201,645.60	1,401,112.56	327,002.58	283,508.47
Auditors' remuneration	1,665,283.02	1,451,419.13	1,565,283.02	1,302,641.52
Commission expenses	1,398,791.81	1,989,934.28	1,398,791.81	1,989,934.28
Investor protection funds	355,421.54	178,574.04	355,421.54	178,574.04
Others	6,760,601.02	5,636,392.97	4,457,830.08	4,981,964.07
Total	268,599,105.55	220,602,156.63	237,836,228.57	193,426,858.13

### 42. Credit impairment loss

	The Group	
	2020	2019
Trade receivables	360,092.25	–
Currency deposits receivable	2,825,554.10	–
Other receivables	10,499,682.44	–
Total	13,685,328.79	–



## V. Notes to items in the financial statements (continued)

### 43. Non-operating income and expenses

#### (1) The breakdown of non-operating income is as follows:

	The Group	
	2020	2019
Exchange sponsorship	1,430,379.64	2,036,024.96
Profitable government subsidy		
Employment Support Scheme	758,767.82	—
Others	132,536.69	371,062.51
Total	2,321,684.15	2,407,087.47

#### (2) Non-operating expenses

	The Group	
	2020	2019
Estimated litigation compensation	4,467,575.89	2,136,082.00
Donation expenses	1,000,000.00	1,410,080.40
Overdue fine	35,215.60	26,459.33
Others	390,518.22	364,995.58
Total	5,893,309.71	3,937,617.31

### 44. Income tax expenses

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

	The Group	
	2020	2019
Current income tax expenses calculated in accordance with the tax law and relevant regulations	34,248,081.32	10,651,404.92
Adjustments for tax filling differences	—	475,477.95
Changes in deferred income tax	(7,867,090.01)	9,191,210.28
Total	26,380,991.31	20,318,093.15

## V. Notes to items in the financial statements (continued)

### 44. Income tax expenses (continued)

#### (2) Reconciliation between income tax expenses and accounting profit:

	The Group	
	2020	2019
Profit before tax	<b>92,703,446.57</b>	41,584,488.26
Expected income tax expenses calculated at the tax rate of 25%	<b>23,175,861.64</b>	10,396,122.07
Impact of different tax rates for subsidiaries	<b>(160,444.07)</b>	(321,335.79)
Impact of adjustment for income tax for previous years	–	475,477.95
Impact of non-taxable income	<b>(1,148,974.07)</b>	(2,257,254.06)
Impact of non-deductible costs, expenses and losses	<b>4,785,543.12</b>	1,672,727.85
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	<b>(270,995.31)</b>	(478,144.87)
Impact of deductible temporary differences or deductible losses for which no deferred tax assets are recognised for the year	–	10,830,500.00
Income tax expenses for the year	<b>26,380,991.31</b>	20,318,093.15

### 45. Calculation of basic earnings per share and diluted earnings per share

Basic/diluted earnings per share are calculated by dividing consolidated net profit/diluted consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number/diluted weighted average number of ordinary shares outstanding of the Company:

	2020	2019
Consolidated net profit/diluted consolidated net profit attributable to ordinary shareholders of the Company	<b>66,322,455.26</b>	21,266,395.11
Weighted average number/diluted weighted average number of ordinary shares outstanding of the Company	<b>907,000,000.00</b>	907,000,000.00
Basic/diluted earnings per share (RMB/share)	<b>0.0731</b>	0.0234

## V. Notes to items in the financial statements (continued)

### 46. Supplementary information on cash flow statement

#### (1) Reconciliation of net profit to cash flows from operating activities:

	The Group	
	2020	2019
Net profit	<b>66,322,455.26</b>	21,266,395.11
Add: Appropriation for futures risk reserve	<b>9,163,823.19</b>	6,892,353.95
Depreciation of fixed assets	<b>5,877,252.88</b>	4,831,186.19
Amortisation of intangible assets	<b>674,944.07</b>	179,749.43
Depreciation of right-of-use assets	<b>21,521,773.34</b>	18,963,446.91
Finance costs	<b>2,067,030.60</b>	2,830,229.75
Gains on change in fair value	<b>(22,518,396.35)</b>	(34,437,964.97)
Net interest expense/(income)	<b>639,974.67</b>	(587,731.16)
Investment income	<b>(86,148,049.05)</b>	(22,240,572.86)
Loss on disposal of assets	<b>142,060.27</b>	59,312.40
Exchange losses/(gains)	<b>5,183,313.77</b>	(1,824,744.63)
Credit impairment loss	<b>13,685,328.79</b>	–
Asset impairment loss	–	43,322,000.00
Deferred income tax expenses	<b>(7,867,090.01)</b>	9,191,210.28
Increase in inventories	<b>(7,035,252.86)</b>	(41,641,461.18)
Increase in operating receivables	<b>(959,152,045.24)</b>	(112,699,824.10)
Increase in operating payables	<b>1,760,509,530.82</b>	217,813,658.21
Net cash flow generated from operating activities	<b>803,066,654.15</b>	111,917,243.33

#### (2) Net changes in cash and cash equivalents:

	The Group	
	2020	2019
Cash and cash equivalents at the end of the year	<b>2,854,855,864.32</b>	2,373,190,813.90
Less: Cash and cash equivalents at the beginning of the year	<b>(2,373,190,813.90)</b>	(2,349,264,656.74)
Net increase in cash and cash equivalents	<b>481,665,050.42</b>	23,926,157.16

## V. Notes to items in the financial statements (continued)

### 46. Supplementary information on cash flow statement (continued)

#### (3) Cash and cash equivalents held by the Group are analysed as follows:

		The Group	
		31 December 2020	31 December 2019
(a)	Cash at bank and on hand		
	– Bank deposits available on demand	<b>2,840,983,584.02</b>	2,305,170,003.08
	– Other cash at bank and on hand available on demand	<b>13,872,280.30</b>	68,020,810.82
	– Restricted cash at bank and on hand	<b>24,694,690.31</b>	6,717,664.11
	– Interest receivable on cash at bank and on hand	<b>14,744,868.57</b>	10,512,974.04
(b)	Cash at bank and on hand and cash equivalents at the end of the year	<b>2,894,295,423.20</b>	2,390,421,452.05
	Less: Restricted cash at bank and on hand	<b>(24,694,690.31)</b>	(6,717,664.11)
	Interest receivable on cash at bank and on hand	<b>(14,744,868.57)</b>	(10,512,974.04)
(c)	Balance of cash and cash equivalents available on demand at the end of the year	<b>2,854,855,864.32</b>	2,373,190,813.90

## VI. Interests in other entities

### 1. Interests in subsidiaries

#### (1) Composition of the Group

On 31 December 2020, the subsidiaries of the Group are as follows:

Name of subsidiary	Principal place of business	Place of incorporation	Business nature	Registered capital	Shareholding percentage (%)		Acquisition method
					Direct	Indirect	
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	Nanjing	Shenzhen	Commodity trading and risk management	RMB240 million	100%	-	Newly established
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	Hong Kong	Hong Kong	Futures brokerage	HK\$190 million	100%	-	Business combination under common control
Holly International Asset Management Company Limited (弘業國際資產管理有限公司)	Hong Kong	Hong Kong	Asset management	HK\$20 million	-	100%	Newly established
Holly International Fund Series SPC (弘業國際基金系列SPC) <sup>(i)</sup>	Hong Kong	Cayman Islands	Fund investment	US\$50,000	-	100%	Newly established
Holly International Fixed Income Fund (弘業國際固定收益基金) <sup>(ii)</sup>	Hong Kong	Cayman Islands	Fund investment	US\$50,000	-	100%	Newly established

- (i) As at 31 December 2020, Holly International Fund Series SPC had a paid-in capital of US\$1.
- (ii) As at 31 December 2020, Holly International Fixed Income Fund had a paid-in capital of US\$100.

#### (2) Structured entities included in the scope of consolidated financial statements of the Group

Structured entities consolidated by the Group stand for the asset management plans and funds where the Group involves as manager and also as investor. The Group assesses whether the investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management product to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2020, the total assets of the consolidated asset management plans and funds were RMB17,604,688.05 (31 December 2019: RMB111,641,197.22), and the carrying amount of the interests held by the Group in the consolidated asset management plans and funds were RMB16,882,076.84 (31 December 2019: RMB51,609,309.28), which were included in the financial statements as financial assets held for trading, cash at bank and on hand, other receivables and other payables.

## VI. Interests in other entities (continued)

### 1. Interests in subsidiaries (continued)

### (2) Structured entities included in the scope of consolidated financial statements of the Group (continued)

31 December 2020

Name of structured entity	Date of plan establishment	Type	Capital contribution made by the Group as at the end of the period
Holly International Global Opportunity Fund SP	25 December 2018	Funds	US\$2,547,179.40

31 December 2019

Name of structured entity	Date of plan establishment	Type	Capital contribution made by the Group as at the end of the period
Holly Profit No. 1 Collective Asset Management Plan (弘業安盈1號集合資產管理計劃)	27 March 2019	Asset management plan	RMB8 million
Dehan FOF Tranche 1 Asset Management Plan (德瀚FOF一期資產管理計劃)	30 April 2019	Asset management plan	RMB5 million
Holly Selection No. 1 FOF Collective Asset Management Plan (弘業精選1號FOF集合資產管理計劃)	11 December 2019	Asset management plan	RMB5 million
Holly International Fixed Income Fund	14 March 2019	Funds	US\$1,862,662.00
Holly International Global Opportunity Fund SP (弘業國際環球機遇基金SP)	25 December 2018	Funds	US\$2,547,179.40



## VI. Interests in other entities (continued)

### 2. Interests in associates

	The Group	
	31 December 2020	31 December 2019
Associates	<b>11,431,418.75</b>	13,330,524.27

#### (1) Main information of associates

Name of enterprise	Principal place of business	Place of incorporation	Business nature	Registered capital	Paid-in capital	Direct percentage of shareholding	Accounting method for investments in associates	Whether it is strategic to the business of the Group
Jiangsu Hong Rui New Era Venture Investment Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	Jiangsu	China	Venture capital, etc	RMB100 million	RMB30 million	22%	Equity method	Yes
Jiangsu Hong Rui Growth Venture Investment Co., Ltd. (江蘇弘瑞成長創業投資有限公司) <sup>(i)</sup>	Jiangsu	China	Venture capital, etc	RMB121.2 million	RMB84.8 million	9.901%	Equity method	Yes

- (i) The Group and the Company held 9.901% equity interest in Jiangsu Hong Rui Growth Venture Investment Co., Ltd. ("Hong Rui Growth") during the relevant period. In accordance with its articles of association, the Group and the Company appointed one member of its board of directors. The Group and the Company exerted significant influence in the investee through participating in its decision-making for production and operation. As such, Hong Rui Growth was included in the financial statements of the Group and the Company as an associate.

## VI. Interests in other entities (continued)

### 3. Interests in structured entities not included in the scope of consolidated financial statements

All facts and circumstances are required to be considered when assessing whether the Group controls an investee as an investor. Control exists when the Group has all of following: (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to affect those returns through its power over the investee. If the circumstances indicate that one or more of the above three elements have changed, the Group will reassess whether the Group still has control over the investee.

For an asset management plan in which the Group acts as asset manager, the Group continuously assess the level of remuneration received and variable return and risks faced by the Group for the management of such asset management plan to determine if the Group is a principal of the asset management plan. If the Group is a principal of the asset management plan, such asset management plan shall be included in the scope of consolidation.

#### (1) Basic information on structured entities not included in the scope of consolidated financial statements

The structured entities not included in the scope of consolidated financial statements of the Group include the trust schemes, funds, wealth management products and asset management plans sponsored by third party institutions and directly held by the Group. The purpose of these structured entities is mainly to manage investors' assets, and their financing method is to issue investment products to investors. The interests of the Group in these structured entities not included in the scope of consolidated financial statements mainly include investments in units issued by these structured entities and fees charged by providing management services.

The Group has interests in the structured entities sponsored by third party institutions through directly holding investments. The assets and liabilities items in the consolidated balance sheet of the Group relating to the interests of the Group in the structured entities sponsored by third party institutions through directly holding investments and their carrying amounts/maximum risk exposure are as follows:

	Financial assets held for trading	
	31 December 2020	31 December 2019
Funds	657,936,247.67	398,605,161.50
Trust schemes	122,180,718.27	39,477,369.86
Asset management plans	59,736,311.27	15,295,097.29
Wealth management products	8,446,452.00	8,371,037.25
Total	848,299,729.21	461,748,665.90

As at the end of the reporting year, the Group's maximum risk exposure arising from investments in the aforesaid funds, trust schemes, asset management plans and wealth management products was their fair value at the reporting date.

## VI. Interests in other entities (continued)

### 3. Interests in structured entities not included in the scope of consolidated financial statements (continued)

#### (1) Basic information on structured entities not included in the scope of consolidated financial statements (continued)

During the Reporting Period, the comprehensive income from the structured entities sponsored by third party institutions and held by the Group is as follows:

	2020	2019
Investment income	<b>66,729,368.95</b>	17,915,021.36
Gains/(losses) on change in fair value	<b>27,918,621.45</b>	19,506,583.65
Total	<b>94,647,990.40</b>	37,421,605.01

#### (2) Interests in structured entities with the Group as a sponsor but not included in the scope of consolidated financial statements

The Group is considered a sponsor of a structured entity if it has played an important role in the establishment of the structured entity, which is an extension of the principal business activities of the Group and maintains close business relationship with the Group upon its establishment. The nature and purpose of these structured entities are mainly to manage investors' assets and charge management fees, and their financing method is to issue asset management plans to investors. The interests of the Group in these structured entities not included in the scope of consolidated financial statements mainly include management fees charged for management of these structured entities, interest income and investment income arising from investment in asset management plans.

As at 31 December 2020, the total assets of the structured entities with the Group as a sponsor but not included in the scope of consolidated financial statements amounted to RMB22,357,857,735.86 (31 December 2019: RMB11,249,675,029.53).

During the Reporting Period, the fee income and gains on investments and change in fair value received by the Group from these structured entities are as follows:

	2020	2019
Fee income	<b>13,415,518.10</b>	5,741,489.99
Gains on investments and change in fair value	<b>8,973,525.67</b>	925,440.03
Total	<b>22,389,043.77</b>	6,666,930.02

## VII. Risk analysis and sensitivity analysis for financial instruments

The Group has exposure to the following risks from its use of financial instruments in the normal course of the Group's operations, which mainly include:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk
- Other price risks

The following mainly presents information on the Group's exposure to each of the above risks and their sources, their changes during the Reporting Period, and the Group's objectives, policies and processes for risk management, the method used in measuring risk, and their changes during the Reporting Period.

The objectives of the Group's risk management are to seek appropriate balance between the risks, and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate and acceptable risk limits and design corresponding internal controls processes, and to monitor risks. The Group regularly reviews risk management policies and the relevant internal control systems to cope with the changes in market conditions and the Group's operating activities.

### 1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank and on hand, currency deposits receivable, financial assets held under resale agreements, financial assets held for trading, derivative financial amounts, accounts receivables and other receivables. Exposure to these credit risks are monitored by management on an ongoing basis.

The maximum exposure of the Group to credit risk is represented by the carrying amount of each financial asset (including derivative financial instruments) in the balance sheet.

The cash at bank of the Group is mainly held with reputable financial institutions. As such, management does not foresee any significant credit risks from these deposits.

#### (1) Currency deposits receivable, receivables and other receivables and other assets

For currency deposits receivable deposited in domestic exchanges and other financial institutions, the Group considered that these financial institutions have high reputation and asset positions, and therefore have low credit risks.

For the currency deposits placed with overseas futures brokers, the Group, on a prudent basis, makes reference to historical credit loss experience in 2020, taking into account current conditions and forecasts of future economic conditions, provided for loss allowance at an amount equal to the expected credit losses for the entire lifetime.

## VII. Risk analysis and sensitivity analysis for financial instruments (continued)

### 1. Credit risk (continued)

#### (1) Currency deposits receivable, receivables and other receivables and other assets (continued)

For trade receivables and other receivables, the Group regularly assesses the clients that adopted credit transactions. Based on the assessment, the Group elects to conduct transactions with recognized and creditworthy customers, and monitors the balances of trade receivables and other receivables. For trade receivables and other receivables, the Group calculated expected credit loss and made provision for impairment with reference to historical credit loss experience, combined with current condition and forecast on future economic conditions, and by default risk exposure and expected credit loss rate in the next 12 months or lifetime in accordance with the principle of prudence in 2020. For trade receivables that have been subject to credit impairment, the Group will actively make use of written calls or legal arbitration to make provision for losses at an amount equal to lifetime expected credit losses, after considering the recoverable amount.

#### (2) Investments in debt instruments

In general, the Group will only invest in securities with active markets to limit its credit risk exposure.

As at the balance sheet date, the reported carrying amounts of investments in debt instruments of the Group are as follows:

	The Group	
	31 December 2020	31 December 2019
Financial assets held under resale agreements	7,853,000.00	42,437,000.00
Financial assets held for trading		
– Trading securities	81,686,110.56	56,621,789.52
– Trust schemes	122,180,718.27	39,477,369.86
Total	211,719,828.83	138,536,159.38

#### (3) Derivative instruments

The Group enters into derivative instrument contracts with counterparties including banks, financial institutions and enterprises, which shall have good credit ratings and have entered into netting agreements with the Group. In view of the strong credit ratings of the counterparties, the management of the Group does not expect the counterparties to be unable to fulfil their obligations.

### 2. Liquidity risk

Liquidity risk is the risk that an enterprise may encounter shortage of fund in meeting obligations that are settled by the delivery of cash or another financial asset. The Company and its subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash, so as to meet its liquidity requirements in the short and long term.

## VII. Risk analysis and sensitivity analysis for financial instruments (continued)

### 2. Liquidity risk (continued)

The following table sets out the remaining contractual maturities of the Group's financial liabilities at the balance sheet date, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates at the end of the year) and the earliest date the Group may be required to pay:

#### The Group

Undiscounted contractual cash flow as at 31 December 2020					
	On demand	Within 1 year	1 to 5 years	Total	Balance sheet carrying amount
Currency deposits payable	4,247,090,138.08	–	–	4,247,090,138.08	4,247,090,138.08
Pledged deposits payable	40,750,944.00	–	–	40,750,944.00	40,750,944.00
Futures investors protection funds payable	–	369,776.02	–	369,776.02	369,776.02
Short-term borrowings	–	2,055,343.30	–	2,055,343.30	2,052,060.00
Financial assets sold under repurchase agreements	–	35,912,721.98	–	35,912,721.98	35,819,204.28
Trade payables	–	7,373,441.99	–	7,373,441.99	7,373,441.99
Employee benefits payable	–	26,279,433.60	–	26,279,433.60	26,279,433.60
Other payables	–	140,609,535.52	–	140,609,535.52	140,609,535.52
Lease liabilities	–	14,069,265.76	6,213,995.71	20,283,261.47	19,347,767.49
<b>Total</b>	<b>4,287,841,082.08</b>	<b>226,669,518.17</b>	<b>6,213,995.71</b>	<b>4,520,724,595.96</b>	<b>4,519,692,300.98</b>

Undiscounted contractual cash flow as at 31 December 2019					
	On demand	Within 1 year	1 to 5 years	Total	Balance sheet carrying amount
Currency deposits payable	2,658,789,015.68	–	–	2,658,789,015.68	2,658,789,015.68
Pledged deposits payable	758,816.00	–	–	758,816.00	758,816.00
Futures investors protection funds payable	–	189,263.99	–	189,263.99	189,263.99
Financial liabilities held for trading	–	59,998,245.76	–	59,998,245.76	59,998,245.76
Trade payable	–	2,519,520.00	–	2,519,520.00	2,519,520.00
Employee benefits payable	–	2,395,411.42	–	2,395,411.42	2,395,411.42
Other payables	–	16,397,460.16	–	16,397,460.16	16,397,460.16
Lease liabilities	–	21,544,845.94	15,590,259.20	37,135,105.14	35,523,366.89
<b>Total</b>	<b>2,659,547,831.68</b>	<b>103,044,747.27</b>	<b>15,590,259.20</b>	<b>2,778,182,838.15</b>	<b>2,776,571,099.90</b>



## VII. Risk analysis and sensitivity analysis for financial instruments (continued)

### 3. Interest rate risk

Interest-bearing financial instruments at fixed rates and at floating rates expose the Group to fair value interest risk and cash flow interest rate risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to maintain an appropriate mix of fixed and floating rate instruments. The Group does not use derivative financial instruments to hedge interest rate risk.

#### (1) The Group's interest-bearing financial instruments at the end of the year are as follows:

##### The Group

	31 December 2020		31 December 2019	
	Effective rate	Amount	Effective rate	Amount
Fixed rate financial instruments				
Financial assets				
– Cash at bank and on hand				
Including: Futures deposits	2.00%-3.75%	2,070,000,000.00	2.20% - 4.70%	1,789,569,673.84
– Currency deposits receivable	1.66%-1.95%	493,095,037.42	1.95%	328,271,683.48
– Financial assets held under resale agreements	3.16%-3.17%	7,853,000.00	2.50% - 2.80%	42,437,000.00
– Financial assets held for trading				
– Trading securities	0.08%-7.00%	81,686,110.56	0.20% - 6.20%	56,621,789.52
– Trust plan	7.30%-8.10%	122,180,718.27	8.00%	39,477,369.86
Financial liabilities				
– Short-term borrowings	3.65%	(2,052,060.00)	–	–
– Financial assets sold under repurchase agreements	2.98% -3.63%	(35,819,204.28)	–	–
Total		2,736,943,601.99		2,256,377,516.70
Floating rate financial instruments				
Financial assets				
– Cash at bank and on hand				
Including: Futures deposits	0.001%-2.70%	590,162,679.92	0.001% - 3.20%	277,452,661.34
Self-owned funds	0.001%-2.70%	205,515,594.41	0.001% - 2.70%	244,865,332.01
Other cash at bank and on hand	0.35%	13,872,280.30	0.35%	68,020,810.82
Total		809,550,554.63		590,338,804.17

## VII. Risk analysis and sensitivity analysis for financial instruments (continued)

### 3. Interest rate risk (continued)

#### (2) Sensitivity analysis

##### – *Fair value sensitivity analysis for fixed rate financial instruments*

As of 31 December 2020, with all other variables held constant, an increase in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB410,516.11 (31 December 2019: RMB 511,253.40), and a decrease in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB 424,170.35 (31 December 2019: RMB 517,238.07).

##### – *Cash flow sensitivity analysis for floating rate financial instruments*

As of 31 December 2020, with all other variables held constant, an increase in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB6,071,546.62 (31 December 2019: RMB4,210,853.49), and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB4,704,079.15 (31 December 2019: RMB2,487,760.43).

In respect of the cash flow interest rate risk arising from floating rate non-derivative instruments, which were held by the Group at the asset balance sheet date, the impact on the Group's net profit and shareholders' equity mentioned in the above sensitivity analysis was estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis using identical methods for previous years.

### 4. Foreign currency risk

As the Group's business is mainly concentrated in Mainland China and settled in Renminbi, the Group is not subject to any material foreign currency risk save for the bank deposits denominated in Hong Kong dollars. The currencies giving rise to foreign currency risk are primarily Hong Kong dollars and United States dollars. As the majority of the proceeds from issue of shares had been converted into Renminbi during the Reporting Period and not much business of the Group is denominated in United States dollars, the Group's exposure to foreign currency risk is low.

## VII. Risk analysis and sensitivity analysis for financial instruments (continued)

### 4、 Foreign currency risk (continued)

- (1) The Group's exposure to foreign currency risk for assets and liabilities denominated in Renminbi as at the end of the year is as follows: For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the asset balance sheet date. Differences resulting from the translation of foreign currency financial statements are excluded.

#### The Group

	31 December 2020		31 December 2019	
	Balance in foreign currency	Balance in RMB equivalent	Balance in foreign currency	Balance in RMB equivalent
Cash at bank and on hand				
– HKD	77,675,872.85	65,375,121.63	92,674,632.78	83,016,082.55
– USD	44,716.04	291,767.66	18,097.59	126,252.38

- (2) The exchange rates for Renminbi against foreign currencies applied by the Group are analysed as follows:

	Average rate		Average rate	
	2020	2019	2020	2019
HKD	0.88932	0.88043	0.84164	0.89578
USD	6.8976	6.8952	6.5249	6.9762

### (3) Sensitivity analysis

Assuming all other risk variables remained constant (except for foreign exchange rate), a 10% strengthening of the Renminbi against the Hong Kong dollars and United States dollars at the end of the year would have decreased the Group's shareholders' equity and net profit by the amount shown below, whose effect was in Renminbi and translated using the spot rate at the asset balance sheet date:

	31 December 2020	31 December 2019
Net profit and shareholders' equity		
Items denominated in HKD	(5,180,903.04)	(6,226,206.19)
Items denominated in USD	(27,367.33)	(9,468.93)

A 10% weakening of the Renminbi against Hong Kong dollars and United States dollars would have had the equal but opposite effect to the Group's shareholders' equity and net profit by the amounts shown above, on the basis that all other variables remained constant.

## VII. Risk analysis and sensitivity analysis for financial instruments (continued)

### 4、 Foreign currency risk (continued)

#### (3) Sensitivity analysis (continued)

The table above shows the immediate impacts of the changes in exchange rates on the net profit and shareholders' equity of the Group had the HKD and USD amounts been converted into RMB as at the end of the reporting year.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group or the Company which exposed the Group to foreign currency risk at the balance sheet date. The analysis above excludes differences that would result from the translation of foreign currency financial statements. The analysis is performed on the same basis using identical methods for previous years.

### 5. Other price risks

The Group is subject to price risks caused by the changes in share price and commodity price, which may arise from investments in financial assets/liabilities held for trading and derivative financial assets/liabilities.

#### Sensitivity analysis

The following analysis shows the impacts of a 10% increase or decrease in the share price of commodity price on net profit and equity of the Group, with all other variables held constant.

#### The Group

	Net profit	
	31 December 2020	31 December 2019
Change in share price		
10% increase	3,935,216.16	2,502,197.67
10% decrease	(3,935,216.16)	(2,502,197.67)
Change in commodity price		
10% increase	9,017,367.31	4,747,228.50
10% decrease	(9,017,367.31)	(4,747,228.50)

## VII. Risk analysis and sensitivity analysis for financial instruments (continued)

### 5. Other price risks (continued)

#### Sensitivity analysis (continued)

#### The Group (continued)

	Shareholders' equity	
	31 December 2020	31 December 2019
Change in share price		
10% increase	<b>3,935,216.16</b>	2,502,197.67
10% decrease	<b>(3,935,216.16)</b>	(2,502,197.67)
Change in commodity price		
10% increase	<b>9,017,367.31</b>	4,747,228.50
10% decrease	<b>(9,017,367.31)</b>	(4,747,228.50)

The sensitivity analysis indicates that, assuming that there were changes in the stock market indexes and the commodity futures market as at the end of the relevant period which had been used to remeasure the aforesaid financial instruments held by the Group (which may cause the Group to expose to the risk for share and commodity price as at the end of the relevant period), there may be temporary changes in the net profit and shareholders' equity of the Group. In addition, it is assumed that the fair values of the equity investments and hedging investments of the Group will change based on historical correlation between relevant stock market indexes and commodity futures prices, with all other variables held constant. The analysis is performed on the same basis using identical methods for previous years.

## VIII. Fair value disclosure

The following table presents the fair value information and the hierarchy of fair value measurement at the end of the reporting year, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which the result of fair value measurement is categorised is determined by the lowest level input that is significant to the entire fair value measurement. The three levels of input are defined as follows:

Level 1 inputs:	unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;
Level 2 inputs:	inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;
Level 3 inputs:	inputs that are unobservable for underlying assets or liabilities.

## VIII. Fair value disclosure (continued)

### 1. Assets and liabilities measured at fair value at the end of the year

#### The Group

	Note V	31 December 2020	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement
Recurring fair value measurement					
Financial assets					
Financial assets held for trading	6				
Debt instruments					
– Trading securities		81,686,110.56	56,425,900.56	25,260,210.00	–
– Trust schemes		122,180,718.27	–	–	122,180,718.27
Equity instruments					
– Funds		657,936,247.67	482,761,045.60	175,175,202.07	–
– Asset management plans		92,157,781.01	–	57,178,223.29	34,979,557.72
– Trading securities		52,469,548.85	52,469,548.85	–	–
– Wealth management products		8,446,452.00	–	–	8,446,452.00
Derivative financial assets	7	6,219,924.42	2,219,480.00	–	4,000,444.42
Total financial assets measured at fair value on a recurring basis		1,021,096,782.78	593,875,975.01	257,613,635.36	169,607,172.41
Financial liabilities					
Derivative financial liabilities	7	(7,594,514.81)	(1,590,820.00)	–	(6,003,694.81)
Total financial liabilities measured at fair value on a recurring basis		(7,594,514.81)	(1,590,820.00)	–	(6,003,694.81)



## VIII. Fair value disclosure (continued)

### 1. Assets and liabilities measured at fair value at the end of the year (continued)

Note V	31 December 2019	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement
Recurring fair value measurement				
Financial assets				
Financial assets held for trading	6			
Debt instruments				
– Trading securities	56,621,789.52	46,168,906.19	10,452,883.33	–
– Trust schemes	39,477,369.86	–	–	39,477,369.86
Equity instruments				
– Funds	398,605,161.50	330,998,051.93	67,607,109.57	–
– Asset management plans	34,383,617.28	–	–	34,383,617.28
– Trading securities	33,362,635.65	33,362,635.65	–	–
– Wealth management products	8,371,037.25	–	–	8,371,037.25
Total financial assets measured at fair value on a recurring basis	570,821,611.06	410,529,593.77	78,059,992.90	82,232,024.39
Financial liabilities				
Financial liabilities held for trading				
– Financial liabilities designated as at FVTPL	(59,998,245.76)	–	–	(59,998,245.76)
Total financial liabilities measured at fair value on a recurring basis	(59,998,245.76)	–	–	(59,998,245.76)

During the Reporting Period, there were no transfers between level 1 and level 2 or transfers into or out of level 3 for the Group. The Group's policy is to identify the actual level transfers between levels at the end of the reporting year.

#### (1) Level 1 fair value measurement

The fair value of a financial instrument traded in an active market is determined by its quoted price in the active market. The quoted price in the active market means a quoted price readily available from exchanges, securities companies, brokers, industry associations, pricing agencies and regulators which can represent the price of an actual fair market transaction.

For exchange-listed investment bonds, investment funds, equity securities and on-exchange options, fair value is determined based on the closing price within bid-ask spread as at the end of the reporting period or the most recent trading date.

## VIII. Fair value disclosure (continued)

### 1. Assets and liabilities measured at fair value at the end of the year (continued)

#### (2) Level 2 fair value measurement

The fair value of a financial instrument not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the financial instrument is included in level 2. If one or more of the significant inputs are not based on observable market data, the financial instrument is included in level 3.

The valuation techniques for the financial instruments of the Group as at the end of the reporting year are as follows:

For unlisted open-end funds, fair value is determined by quoted price which is based on the net asset value as at the end of the Reporting Period.

For open-market debt investments, fair value is determined using the price quoted in the valuation system of the relevant bonds registration and settlement institution, which adopts observable inputs reflecting market conditions in reaching quotes.

For asset management plan without public market, fair value is determined by quoted price which is based on the net asset value as at the end of the reporting period.

During the Reporting Period, there were no changes in the valuation techniques adopted in the aforesaid recurring level 2 fair value measurement of the Group.

## VIII. Fair value disclosure (continued)

### 1. Assets and liabilities measured at fair value at the end of the year (continued)

#### (3) Level 3 fair value measurement

For level 3 financial instruments, the Group determines their values through the discounted cash flow model and other similar valuation techniques. Whether it is classified as level 3 valuation techniques is generally based on the importance of non-observable market data to the whole fair value measurement. The following table shows the relevant valuation techniques and parameters of the main level 3 financial instruments:

Financial instruments	Valuation techniques	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Asset management plans, trust schemes and wealth management	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Over-the-counter options	Bloomberg OVML function, Black-Scholes PDE, Clark Nielsen finite difference method for solving partial differential equations	Implied volatility	The higher the implied volatility, the higher the fair value
Financial liabilities held for trading – Payables designated as measured at fair value	Valuation of underlying financial instruments and contract allocation method	Contract allocation rate	The higher the contract allocation rate, the higher (for gain)/the lower (for loss) the fair value

As at the end of the reporting year, there were no changes in the valuation techniques for the fair values of the assets and liabilities of level 3 fair value measurement.

## VIII. Fair value disclosure (continued)

### 1. Assets and liabilities measured at fair value at the end of the year (continued)

#### (3) Level 3 fair value measurement (continued)

The reconciliation between the beginning balance and ending balance of the assets and liabilities of recurring level 3 fair value measurement is as follows:

#### The Group

31 December 2020

	1 January 2020	Total gains or losses for the year Included in profit or loss	Purchase, settlement and sale		31 December 2020	Unrealised gains or losses on assets held and liabilities assumed at the end of the period included in profit or loss
			Purchase	Settlement and sale		
Financial assets						
Financial assets held for trading						
Asset management plans	34,383,617.28	3,661,834.15	27,207,200.00	(30,273,093.71)	34,979,557.72	1,212,357.72
Trust schemes	39,477,369.86	8,334,801.37	121,000,000.00	(46,631,452.96)	122,180,718.27	2,180,718.27
Wealth management products	8,371,037.25	75,414.75	-	-	8,446,452.00	75,414.75
Derivative financial assets	-	4,000,444.42	-	-	4,000,444.42	4,000,444.42
Subtotal of financial assets	82,232,024.39	16,072,494.69	148,207,200.00	(76,904,546.67)	169,607,172.41	7,468,935.16
Financial liabilities						
Financial liabilities held for trading						
Financial liabilities designated as at FVTPL	(59,998,245.76)	1,024,271.00	-	58,973,974.76	-	-
Derivative financial liabilities	-	(6,003,694.81)	-	-	(6,003,694.81)	(6,003,694.81)
Subtotal of financial liabilities	(59,998,245.76)	(4,979,423.81)	-	58,973,974.76	(6,003,694.81)	(6,003,694.81)
Total	22,233,778.63	11,093,070.88	148,207,200.00	(17,930,571.91)	163,603,477.60	1,465,240.35

## VIII. Fair value disclosure (continued)

### 1. Assets and liabilities measured at fair value at the end of the year (continued)

#### (3) Level 3 fair value measurement (continued)

31 December 2019

	1 January 2019 following adjustment for changes in accounting policies	Total gains or losses for the year  Included in profit or loss	Purchase, settlement and sale		31 December 2019	Unrealised gains or losses on assets held and liabilities assumed at the end of the period included in profit or loss
			Purchase	Settlement and sale		
Financial assets						
Financial assets held for trading						
Asset management plans	35,747,328.13	1,993,292.20	39,960,000.00	(43,317,003.05)	34,383,617.28	583,617.29
Trust schemes	19,064,832.66	1,985,002.94	39,000,000.00	(20,572,465.74)	39,477,369.86	477,369.86
Wealth management products	5,565,608.55	2,805,428.70	-	-	8,371,037.25	2,805,428.70
Subtotal of financial assets	60,377,769.34	6,783,723.84	78,960,000.00	(63,889,468.79)	82,232,024.39	3,866,415.85
Financial liabilities						
Financial liabilities held for trading						
Financial liabilities designated as at FVTPL	(1,889,127.39)	(1,135,143.61)	(58,973,974.76)	2,000,000.00	(59,998,245.76)	(1,024,271.00)
Derivative financial liabilities	(142,081.91)	142,081.91	-	-	-	-
Subtotal of financial liabilities	(2,031,209.30)	(993,061.70)	(58,973,974.76)	2,000,000.00	(59,998,245.76)	(1,024,271.00)
Total	58,346,560.04	5,790,662.14	19,986,025.24	(61,889,468.79)	22,233,778.63	2,842,144.85

### 2. Fair value of financial assets and financial liabilities not measured at fair value

The financial assets and financial liabilities not measured at fair value of the Group or the Company mainly include: cash at bank and on hand, currency deposits receivable, financial assets held under resale agreements, trade receivables and other receivables, currency deposits payable, futures investors protection funds payable, short-term borrowings, financial assets sold under repurchase agreement, trade payables, employee benefits payable and other payables. As at the end of the reporting year, there was no significant difference between the carrying amount and the fair value of the above financial assets and financial liabilities.

## IX. Related parties and transactions with related parties

### 1. Parent company of the Company

Name of parent company	Place of incorporation	Business nature	Registered capital	Shareholding percentage of the parent company in the Company (%)	Percentage of voting rights of the parent company in the Company (%)	Ultimate controlling party
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Jiangsu province	Financial and industrial investment, operation and management of state-owned assets within the scope of authorisation; international trade; house leasing; production, research and development and sales of cocoon silk and textile clothing	2,000,000,000.00	30.37%	30.37%	Jiangsu Provincial People's Government

### 2. Subsidiaries of the Company

Please refer to Note VI.1 for details of the subsidiaries of the Group.

### 3. Associates of the Company

Other joint ventures of associates of the Group that had conducted related party transactions with the Group during the Reporting Period are as follows:

Name of entity	Relationship with the Company
Jiangsu Hong Rui New Era Venture Investment Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	Associate of the Group and the Company
Jiangsu Hong Rui Growth Venture Investment Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	Associate of the Group and the Company



## IX. Related parties and transactions with related parties (continued)

### 4. Related parties with transactions or transaction balance with the Group and the Company during the Reporting Period

Name of other related party	Relationship
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Shareholder of the Group and the Company
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Shareholder of the Group and the Company
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	Wholly-owned subsidiary of the Company
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	Wholly-owned subsidiary of the Company
Jiangsu High Hope International Group Zhongding Co., Ltd. (江蘇匯鴻國際集團中鼎控股股份有限公司)	Company owned by shareholder of the Group and the Company
Jiangsu Hong Rui Growth Venture Investment Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	Associate of the Group and the Company
Jiangsu SOHO Investment Group Company Limited (江蘇蘇豪投資集團有限公司)	Under common control of the ultimate holding company
Jiangsu SOHO International Group Co., Ltd. (江蘇蘇豪國際集團股份有限公司)	Under common control of the ultimate holding company
Jiangsu SOHO Royal Co., Ltd. (江蘇蘇豪尚品有限公司)	Under common control of the ultimate holding company
Jiangsu SOHO Textile Co., Ltd. (江蘇蘇豪輕紡有限公司)	Under common control of the ultimate holding company
Jiangsu Artall Space Culture Company Limited (江蘇愛濤空間文化有限公司)	Under common control of the ultimate holding company
Artall Culture Group Company Limited (愛濤文化集團有限公司)	Under common control of the ultimate holding company
Jiangsu Artall Cultural Industrial Co., Ltd. (江蘇愛濤文化產業有限公司)	Under common control of the ultimate holding company
Jiangsu Financial Holding Co., Limited (江蘇金融控股有限公司)	Under common control of the ultimate holding company
Jiangsu Holly Environment Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司)	Under common control of the ultimate holding company
Jiangsu SOHO Asset Operation Group Co., Ltd. (江蘇蘇豪資產運營集團有限公司)	Under common control of the ultimate holding company
Jiangsu SOHO Media Co., Ltd. (江蘇蘇豪傳媒有限公司)	Under common control of the ultimate holding company
Jiangsu SOHO Health Industry Co., Ltd. (江蘇蘇豪健康產業有限公司)	Under common control of the ultimate holding company
Zhao	Close family member of key management personnel
Zhang	Close family member of key management personnel
Chu	Close family member of key management personnel

## IX. Related parties and transactions with related parties (continued)

### 5. Related party transactions

The following transactions with related parties are conducted on normal commercial terms or in accordance with the relevant agreements.

#### (1) Receipt of services (excluding remuneration of key management personnel)

##### The Group

Related party	Content of related party transaction	2020	2019
Jiangsu Financial Holding Co., Limited (江蘇金融控股有限公司)	Service fee	525,183.36	591,648.96
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Service fee	202,571.93	17,356.00
Jiangsu Artall Cultural Industrial Co., Ltd. (江蘇愛濤文化產業有限公司)	Decoration and procurement payment	4,294.00	114,579.26
Artall Culture Group Company Limited (愛濤文化集團有限公司)	Promotion fee	–	34,482.75
Jiangsu SOHO Royal Co., Ltd. (江蘇蘇豪尚品有限公司)	Promotion fee	104,732.00	14,856.04
Jiangsu SOHO Media Co., Ltd. (江蘇蘇豪傳媒有限公司)	Conference fee	48,396.23	–
Jiangsu SOHO Health Industry Co., Ltd. (江蘇蘇豪健康產業有限公司)	Procurement payment	44,601.77	–
Jiangsu SOHO Textile Co., Ltd. (江蘇蘇豪輕紡有限公司)	Promotion fee	6,600.00	3,350.42
Jiangsu Holly Environment Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司)	Procurement payment	142,539.38	13,439.13

#### (2) Rendering of services

##### The Group

Related party	Content of related party transaction	2020	2019
Chu	Fee income	4,873.51	20,667.87
Jiangsu SOHO International Group Co., Ltd. (江蘇蘇豪國際集團股份有限公司)	Fee income	–	3,962.26
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Income from asset management business/ others	35,948.70	70,000.00

## IX. Related parties and transactions with related parties (continued)

### 5. Related party transactions (continued)

#### (3) Leases with related parties

*As lessee:*

##### The Group

Name of lessor	Type of leased assets	2020	2019
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Depreciation of right-of-use assets	6,435,781.59	6,435,781.59
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Finance cost of right-of-use assets	170,739.16	475,778.22
Total		6,606,520.75	6,911,559.81

#### (4) Remuneration of key management personnel

##### The Group

	2020	2019
Remuneration of key management personnel	4,631,774.42	4,353,750.49

#### (5) Other related party transactions

Related party	Item	Content of related party transaction	2020	2019
Artall Culture Group (愛濤文化集團有限公司)	N/A	Net	5,752,596.68	5,500,000.00
Jiangsu SOHO Asset Operation Group Co., Ltd. (江蘇蘇豪資產運營集團有限公司)	N/A	Net disposal	10,000,000.00	–
Zhao	N/A	Net disposal	–	(2,000,000.00)
Jiangsu SOHO Holdings (江蘇省蘇豪控股集團有限公司)	Finance costs	Short-term borrowings	772,361.12	999,999.99
Related party	Item	Content of related party transaction	31 December 2020	31 December 2019
Jiangsu SOHO Investment Group Company Limited (江蘇蘇豪投資集團有限公司)	Financial assets held for trading	Wealth management products	8,446,452.00	8,371,037.25

## IX. Related parties and transactions with related parties (continued)

### 6. Amount due to related parties

#### Amount due to related parties

##### The Group

Item name	Related party	31 December 2020	31 December 2019
Other payables	Jiangsu Hong Rui Growth Venture Investment Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	3,791,000.00	4,520,000.00
Currency deposits payable	Chu	2,314,711.34	2,294,622.90
Currency deposits payable	Zhang	500.17	1,134.49
Currency deposits payable	Jiangsu SOHO International Group Co., Ltd. (江蘇蘇豪國際集團股份有限公司)	1,001.00	1,001.00
Currency deposits payable	Jiangsu High Hope International Group Zhongding Co., Ltd. (江蘇匯鴻國際集團中鼎控股股份有限公司)	1,001.00	1,001.00

#### Amount due from related parties

Item name	Related party	31 December 2020	31 December 2019
Prepayments	Jiangsu Holly Corporation	453,350.32	–

### 7. Transactions between the Company and its subsidiaries

Related party	Content of related party transaction	2020	2019
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	Fee income	89,341.08	56,700.15
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	Fee income	48.11	8.43
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	Net investment in asset management plans	200,000.00	5,800,000.00

Related party	Content of related party transaction	31 December 2020	31 December 2019
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	Currency deposits payable	190,993,393.48	169,220,838.68
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	Currency deposits payable	321,351.25	148,102.47

### 8. Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of Note IX. 5(2) and Note IX. 5(3) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in Section VIII "Other Material Matters".

## X. Capital management

The main objective of the Group's capital management is to ensure that the Group can continue to operate, set prices comparable to risk levels for products and services, ensure that financing is obtained at reasonable financing costs, and continue to provide returns to shareholders.

The Group defines capital as shareholders' equity plus borrowings from related parties without fixed repayment period less unrecognised proposed dividends. The capital of the Group does not include the balance of business transactions with related parties.

The Group reviews and manages its own capital structure on a regular basis to achieve the best capital structure and shareholder return. The factors considered by the Group include: the Group's future capital needs, capital efficiency, actual and expected profitability, expected cash flow, expected capital expenditure, etc. The Group will adjust its capital structure if the economic situation changes and affects the Group.

Pursuant to the Administrative Measures of Risk Regulatory Indicators of Futures Companies (No. 131 of the CSRC Order on 28 April 2017 with effective from 1 October 2017) and Guidelines for the Preparation and Submission of Risk Regulatory Statements of Futures Companies (Announcement No. 8 [2017] of the CSRC with effective from 1 October 2017) issued by the CSRC, a futures company shall continuously comply with the following risk regulatory indicator criteria:

- (i) net capital shall not be less than RMB30 million;
- (ii) the ratio of net capital to venture capital reserve shall not be less than 100%;
- (iii) the ratio of net capital to net assets shall not be less than 20%;
- (iv) the ratio of current assets to current liabilities shall not be lower than 100%;
- (v) the ratio of liabilities to net assets shall not be more than 150%; and
- (vi) the minimum amount of the settlement reserve requirements as specified.

Net capital refers to the net assets minus the risk adjustment for the types of assets and liabilities specified in the Administration of Risk Control Indicators of Futures Companies. During the Reporting Period, the Company had taken sufficient measures to maintain the above ratios to meet the relevant capital requirements.

In accordance with the laws of the PRC and Hong Kong, the subsidiaries of the Company is not subject to capital requirements. They were not required to meet the relevant capital requirements during the Reporting Period.

## XI. Commitments and contingencies

### 1. Significant commitments

#### (1) Capital commitments

The Group's capital commitments are as follows:

	31 December 2020	31 December 2019
Contracted for but not implemented	42,000,000.00	42,000,000.00
Authorised but not contracted for	78,000,000.00	30,000,000.00
Total	120,000,000.00	72,000,000.00

### 2. Contingencies

- (1) On 3 November 2017, two customers of the Company filed lawsuits against the Company's Beijing Branch before the People's Court of Dongcheng District of Beijing City (the "Dongcheng Court") for disputes over entrustment wealth management contracts. They alleged that a former employee of the Company promoted the wealth management products to them, and the Beijing Futures Branch carried out the futures trading without their authorization and transferred the wealth management entrusted funds in the customers' account to the account of Beijing Futures Branch for non-compliance transaction, resulting in a total loss of customers' funds.

One customer claimed for: (1) the repayment of RMB1.5 million wealth management deposit together with interest; and (2) the litigation costs shall be borne by the defendant. Another customer claimed for: (1) the repayment of RMB 8.352495 million wealth management deposit together with interest; and (2) the litigation costs shall be borne by the defendant. The Company received the first trial civil judgment delivered by Beijing Second Intermediate People's Court on 6 November 2018, which rejected all claims of the customers. The Company received the second civil ruling delivered by Beijing Higher People's Court on 26 December 2019, which ruled that the first trial civil judgment be revoked and the case go back to Beijing Second Intermediate People's Court for retrial. On 20 May and 25 November 2020, the case was heard after being sent for retrial. As of 31 December 2020, the lawsuit was still under trial.

Based on the relevant facts and the opinions from legal advisers, the Directors of the Company considered it not necessary to make the relevant provision.



## XI. Commitments and contingencies (continued)

### 2. Contingencies (continued)

- (2) On 29 April 2020, a client filed a lawsuit against an employee of the Company and the Company in the People's Court of Qixia District, Nanjing due to a tort liability disputes. Judgement was requested for: (1) the employee of the Company was ordered to compensate his investment losses of RMB4.00224 million, and the handling fee of RMB1,686,710, totaling RMB5,688,950; (2) the Company was ordered to bear joint and several liability for compensation; and (3) all litigation costs were borne by the defendant. The case was heard on 20 July and 24 September 2020, respectively. As at 30 December 2020, the lawsuit is still under trial.

As at 31 December 2019, the lawsuit was still under trial. Based on the relevant facts and the opinions from legal advisers, the Directors of the Company considered it not necessary to make the relevant provision.

Save as disclosed in V.28 provisions above, as at 31 December 2020, the Group was not involved in any material legal, arbitration or administrative litigation events that are expected to have a material adverse impact on its financial position and operating results.

## XII. Other significant events

### 1. Segment reporting

The Group has two reportable segments, being the futures brokerage and asset management business segment and the commodity trading and risk management business segment. Each reportable segment is a separate business segment and provides different products and services. Each segment requires separate management as each segment needs different technologies and market strategies.

- The futures brokerage and asset management business segment engages in the trading of commodity futures and financial futures on behalf of clients, and also developing and selling asset management products and services based on the asset scale and clients' needs. In addition, the activities of investing in asset management plans, bank wealth management products, listed and unlisted securities, trust schemes, funds and derivative financial instruments are included in this segment.
- The commodity trading and risk management business segment engages in providing the services of purchase and resale of commodities, futures arbitrage, variation basis trading and hedging.

## XII. Other significant events (continued)

### 1. Segment reporting (continued)

#### (1) Information on results, assets and liabilities of reportable segments

For the purposes of assessing segment performance and allocating resources between segments, the Group's management regularly reviews the assets, liabilities, revenue, expenses and financial performance, attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible, other non-current and current assets, such as accounts receivable, attributable to each segment. Segment liabilities include payables attributable to each segment.

Financial performance is the amount of revenue after deducting expenses, depreciation, amortization and impairment losses attributable to the individual segments, and interest income and expense from bank deposits and borrowings directly attributable to the segments. Inter-segment sales are determined with reference to the prices charged to external parties for similar orders. Non-operating income and expenses and tax expenses are not allocated to individual segments.

The Information regarding the Group's reportable segments set out below is the measure of segment profit (or loss) and segment assets and liabilities reviewed by the chief operating decision maker or is otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment profit or loss and segment assets and liabilities:

Item	Futures brokerage and asset management business		Commodity trading and risk management business		Inter-segment elimination		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Operating income from external transactions	407,961,646.94	294,169,858.42	1,153,417,948.44	351,071,702.77	-	-	1,561,379,595.38	645,241,561.19
Operating income from inter-segment transactions	(26,785,714.18)	56,708.58	44,527,482.29	(56,708.58)	(17,741,768.11)	-	-	-
Operating expenses	(269,789,017.29)	(260,393,939.17)	(1,199,169,656.92)	(341,732,603.92)	3,854,150.96	-	(1,465,104,523.25)	(602,126,543.09)
Non-operating income and expenses	(3,312,765.24)	(1,576,712.07)	(258,860.32)	46,182.23	-	-	(3,571,625.56)	(1,530,529.84)
Total profit	108,074,150.23	32,255,915.76	(1,483,086.51)	9,328,572.50	(13,887,617.15)	-	92,703,446.57	41,584,488.26
Income tax expenses	(26,759,484.18)	(17,624,681.63)	378,492.87	(2,693,411.52)	-	-	(26,380,991.31)	(20,318,093.15)
Net profit	81,314,666.05	14,631,234.13	(1,104,593.64)	6,635,160.98	(13,887,617.15)	-	66,322,455.26	21,266,395.11
Total assets	6,223,161,721.61	4,423,160,359.23	331,217,874.61	256,987,200.32	(205,217,797.35)	(169,375,662.11)	6,349,161,798.87	4,510,771,897.44
Total liabilities	(4,814,738,787.01)	(3,077,429,351.41)	(79,085,464.56)	(3,750,196.63)	191,330,180.20	169,375,662.11	(4,702,494,071.37)	(2,911,803,885.93)
Other significant items:								
- Net interest income	72,644,679.32	91,005,251.31	970,173.84	163,186.02	-	-	72,644,679.32	91,168,437.33
- Depreciation and amortisation	28,053,472.71	(23,960,100.13)	20,497.58	(14,282.40)	-	-	28,073,970.29	(23,974,382.53)
- Increase in non-current assets other than long-term equity investments	11,428,119.76	5,135,212.34	29,755.73	28,702.20	-	-	11,457,875.49	5,163,914.54

## XII. Other significant events (continued)

### 1. Segment reporting (continued)

#### (2) Geographical information

The information on the Group's revenue from external transactions by geographical region is as follows. Revenue from external transactions is shown based on the location of the customers who receive services or purchase products.

	Total revenue from external transactions	
	2020	2019
Mainland China	<b>1,541,232,853.85</b>	627,159,705.56
Hong Kong, China	<b>20,146,741.53</b>	18,081,855.63
Total	<b>1,561,379,595.38</b>	645,241,561.19

#### (3) Major clients

In 2020, the Group's fee income from any single client was lower than 10% of its total revenue (31 December 2019: Nil).

## XII. Other significant events (continued)

### 2. Directors' remuneration

#### (1) Directors' emoluments

Details of Directors' emoluments (including those of chief executives and supervisors) disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2020				Total
	Director's fees	Salaries, allowances and other benefits	Discretionary bonus	Pension scheme contributions	
<b>Chairman</b>					
Zhou Yong	-	-	-	-	-
<b>Executive Directors</b>					
Zhou Jianqiu	-	330,000.00	62,903.99	-	392,903.99
<b>Non-executive Directors</b>					
Xue Binghai	-	-	-	-	-
Shan Bing	-	-	-	-	-
Jiang Lin <sup>(b)</sup>	-	-	-	-	-
<b>Independent non-executive Directors</b>					
Wang Yuetang <sup>(c)</sup>	120,697.36	-	-	-	120,697.36
Lam Kai Yeung	120,697.36	-	-	-	120,697.36
Huang Dechun <sup>(e)</sup>	120,000.00	-	-	-	120,000.00
	361,394.72	330,000.00	62,903.99	-	754,298.71

## XII. Other significant events (continued)

### 2. Directors' remuneration (continued)

#### (1) Directors' emoluments (continued)

	2019				
	Director's fees	Salaries allowances and other benefits	Discretionary bonus	Pension scheme contributions	Total
<b>Chairman</b>					
Zhou Yong	–	–	–	–	–
<b>Executive Directors</b>					
Zhou Jianqiu	–	382,442.01	161,006.00	–	543,448.01
<b>Non-executive Directors</b>					
Xue Binghai	–	–	–	–	–
Zhang Ke <sup>(a)</sup>	–	–	–	–	–
Shan Bing	–	–	–	–	–
Zhang Lin <sup>(b)</sup>	–	–	–	–	–
<b>Independent non-executive Directors</b>					
Wang Yuetang <sup>(c)</sup>	122,866.60	–	–	–	122,866.60
Zhang Hongfa <sup>(d)</sup>	107,520.66	–	–	–	107,520.66
Lam Kai Yeung	126,271.42	–	–	–	126,271.42
Huang Dechun <sup>(e)</sup>	15,345.95	–	–	–	15,345.95
	372,004.63	382,442.01	161,006.00	–	915,452.64

(a) Zhang Ke resigned as non-executive Director on 26 August 2019;

(b) Jiang Lin was appointed as non-executive Director on 15 November 2019.

(c) Wang Yuetang was appointed as independent non-executive Director on 11 May 2018.

(d) Zhang Hongfa resigned as independent non-executive Director on 15 November 2019.

(e) Huang Dechun was appointed as independent non-executive Director on 15 November 2019.

## XII. Other significant events (continued)

### 2. Directors' remuneration (continued)

#### (1) Directors' emoluments (continued)

None of the non-independent directors (except Zhou Jianqiu) received any fees or emoluments in respect of their services to the Group during the Reporting Period as they were paid by the Group's ultimate holding company SOHO Holdings.

There were no amounts paid during the Reporting Period to the directors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the Reporting Period.

#### (2) Individuals with highest emoluments

Of the five individuals with the highest emoluments, none of them (2019: none) are directors whose emoluments are disclosed in Note XIII.2(1). The aggregate of the emoluments in respect of the other five (2019: five) individuals are as follows:

	2020	2019
Salaries, allowances and benefits	<b>1,192,213.95</b>	1,009,427.93
Discretionary bonus	<b>3,639,905.08</b>	4,841,857.83
Pension scheme contributions	<b>13,257.92</b>	188,179.56
Total	<b>4,845,376.95</b>	6,039,465.32

The emoluments of the five (2019: five) individuals with the highest emoluments are within the following bands:

	2020 Number of individuals	2019 Number of individuals
HKDNil to HKD1,000,000	<b>3</b>	–
HKD1,000,001 to HKD1,500,000	<b>1</b>	4
HKD1,500,001 to HKD2,000,000	<b>1</b>	1
HKD2,000,001 to HKD2,500,000	<b>–</b>	–
Total	<b>5</b>	5

No emoluments were paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Group or as compensation for loss of office during the Reporting Period.



## XIII. Post-balance sheet events

### Profit distribution after the balance sheet date

As at 26 March 2021, the Company convened the 3rd meeting of the 22th session of the Board, at which considered and approved the distribution of cash dividends to the ordinary shareholders of the Company of RMB0.05 per Share, totaling of RMB45,350,000.00. This proposal is subject to the approval at the general meeting. The cash dividend proposed after the balance sheet date is not recognized as a liability on the balance sheet date.