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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 2021

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 2021. This announcement, containing the full text of the 2021 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 statements for the year ended 31 December 2021. ShineWing Certified Public Accountants, the external auditor, has reviewed and agreed with the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2021.

A printed version of 2021 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) and the Company (www.ftol.com.cn) before or by the end of April 2022.

By order of the Board
Mr. Zhou Yong
Chairman

Nanjing, China
29 March 2022

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 non-executive directors; and Mr. Wang Yuetang, Mr. Huang Dechun and Mr. Lo Wah Wai as independent non-executive directors.

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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 fourth meeting of the fourth session of the Board and the second meeting of the fourth 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 2021 prepared by the Company in accordance with PRC Accounting Standard for Business Enterprises was audited by ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合伙)), 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 the investment risks.

Chairman's Statement

Time flies with a new chapter. In 2021, Holly Futures harvested hope through working silently and hard, enjoyed the joy by forging ahead and gained recognition through painstaking efforts. In 2021, we wrote a moving chapter with wisdom and perseverance.

2021 was an extraordinary year. During the year, we steadfastly took new steps in the development of the Company, with the A share IPO being formally accepted by the CSRC, the "14th Five-Year Plan" development strategy being compiled, and the three-year action of state-owned enterprise reform and inspection and rectification work being advanced in an orderly manner. During the year, we closely focused on the theme of high-quality development, practiced and worked hard to forge ahead, and achieved steady business growth, demonstrating the spirit of "fearlessness of hardships, being indomitable and bravely forging ahead" with actions. During the year, sporadic outbreaks of the pandemic occurred in many places, we effectively strengthened the leadership of the pandemic prevention and control, strictly insisted on the implementation of the pandemic prevention and control measures, and harvested joy and warmth. During the year, we shaped the corporate culture internally, gathered strength, insisted on a people-centered approach, carried out activities themed by "I do practical things for the masses" activities, vigorously carried out the new action of "sharing the joys and sorrows with people", vigorously promoted moving into Nanjing Financial City, and focused on improving staff income and welfare benefits, and tried our best to enhance the sense of gain and happiness of employees. During the year, through building our image and promoting our brand, we adhered to our original intention of serving the real economy: focusing on "ensuring supply and stabilizing prices" and building an innovative service ecology for commodity finance; expanding asset management business in multiple modes with active management and cooperation with institutional clients as the core; contributing to the common prosperity by gathering the power of new stars in private equity and developing a wealth management ecosystem; the business layout of "insurance + futures" covers various places nationwide, which has brought a successful conclusion to the fight against poverty and blew the horn of "rural revitalization" and "common prosperity". In 2021, the Company achieved a year-on-year increase of 5.03% in operating income, 20.94% in net profit, 41.42% in turnover from brokerage, 35.74% in average daily customer equity and 38.31% in closing customer equity. The Company was awarded more than 30 honors, including "Best Futures Company in China", "Pioneer Enterprise of Jiangsu Province" and "Excellent Member Award" of the Exchange.

The mission lies in responsibility and practical work makes glory. 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. Under the effective leadership of the Board of the Company, let us continue to work hard, forge ahead and strive to make progress to stand the test of the new era. Let us continue to adhere to our original intention and forge ahead. As the saying goes, "Success only favors those who seek challenging opportunities and overcome obstacles." In 2022, let's make concerted efforts and brave difficulties to keep advancing the high-quality development of the Company!

Zhou Yong
Chairman

Nanjing, the PRC
29 March 2022

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 the Company's Controlling Shareholder
Articles of Association	the Articles of Association of the Company currently in force
AUM	the amount of assets under management
Board	the board of directors of the 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 the 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 (with effect from 1 January 2022, the name has been changed to Corporate Governance Code and the structure has been re-arranged)
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 2021
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	the 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 the 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 the 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 the 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 the Hong Kong Stock Exchange

Introducing Broker(s)	a business partner of the Company who introduces clients to the 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 the 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), Zhengzhou Commodity Exchange (鄭州商品交易所), Shanghai International Energy Exchange (上海國際能源交易中心) and Guangzhou Futures Exchange (廣州期貨交易所)
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 2021 of the Company
Reporting Period	the year ended 31 December 2021
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 the Company
Supervisory Committee	supervisory committee of the 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. Huang Dechun

Mr. Lo Wah Wai

Special Committees of the Board

Audit Committee	Mr. Lo Wah Wai (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)
Mr. Chen Liang
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, inter-bank bond transactions

(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

Email address: 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

(10) JOINT COMPANY SECRETARIES

Mr. Huang Haiqing and Ms. Chan Yin Wah (appointed with effect from 21 February 2022 and the former joint Company secretary Ms. Leung Wing Han Sharon resigned on 21 February 2022)

(11) AUTHORIZED REPRESENTATIVES OF THE COMPANY

Ms. Zhou Jianqiu and Mr. Huang Haiqing

(12) STATUTORY AUDIT INSTITUTIONS OF THE COMPANY

ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合伙))

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 Pengcheng International.

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 Pengcheng International.

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 respectively. 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 Pengcheng International, 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 Pengcheng International, 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.

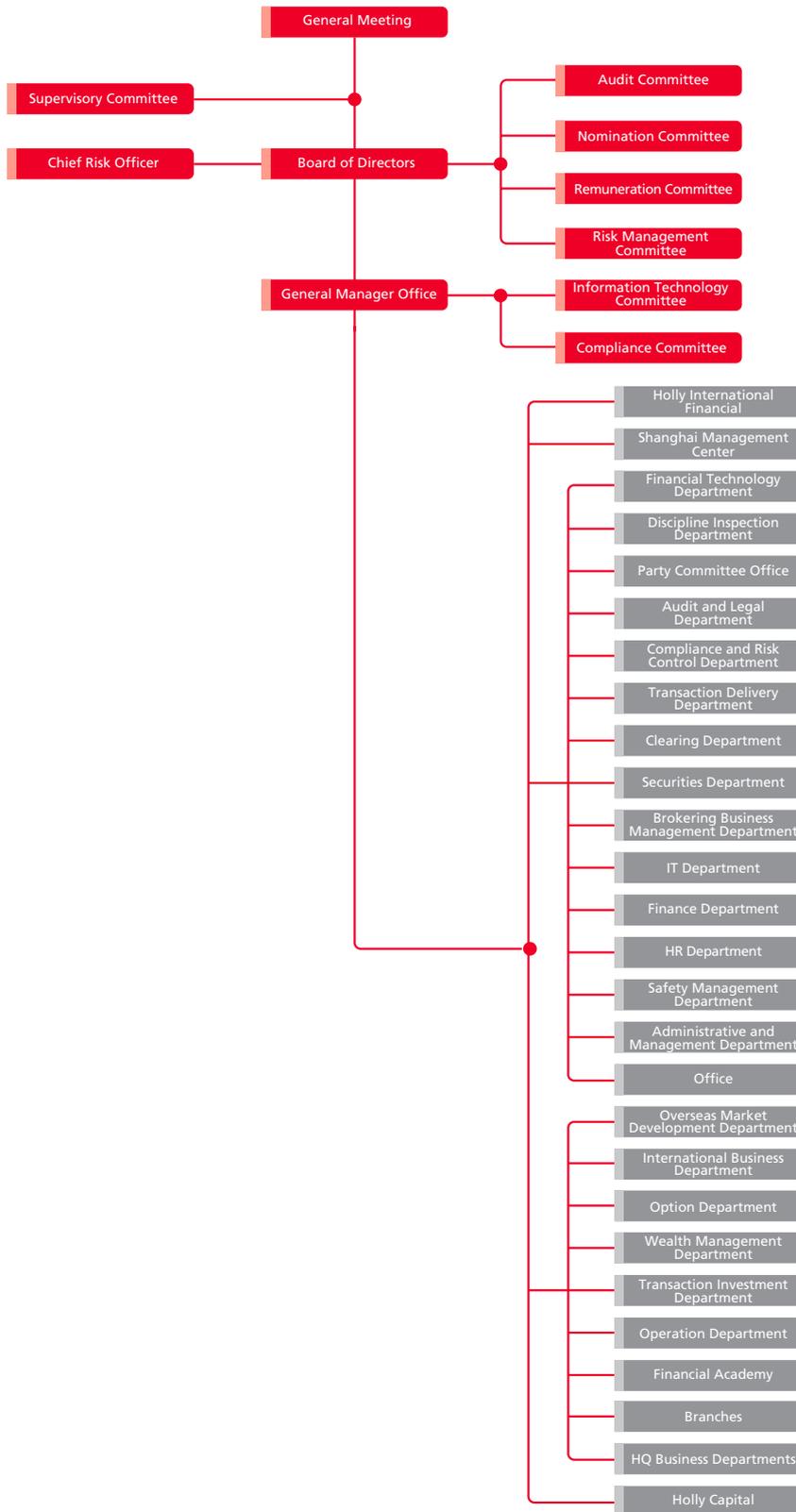
In 2012, the 21.75% equity interest in Jiangsu Holly as held by Holly Investment was transferred to SOHO Holdings, and SOHO Holdings held 43.09% equity interest in Jiangsu Holly after the transfer.

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% were held by Holly Corporation; 143,548,000 Shares or 21.11% were held by Holly Su Industrial; 68,000,000 Shares or 10.00% were held by High Hope International; 9,469,895 Shares or 1.39% were held by Hongrui Venture Capital; 9,276,631 Shares or 1.36% were held by Shanghai Mingda; and 8,812,800 Shares or 1.30% were held 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 the 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	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	RMB390 million	100%	On 23 August 2021, the Company increased its capital by RMB150 million and the registered capital was changed from RMB240 million to RMB390 million
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 Hi-Tech Zone, 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, Wucui 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	2 August 2019
28	Wuxi Branch	Room 1706, 1707, No. 531 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 City	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, Block A Guanghua Building, No. 965 Nanhai Road, Haimen Sub-district, Haimen City, Nantong City	30 October 2018
39	Zhenjiang Branch	17/F, No. 8 Guan 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.)

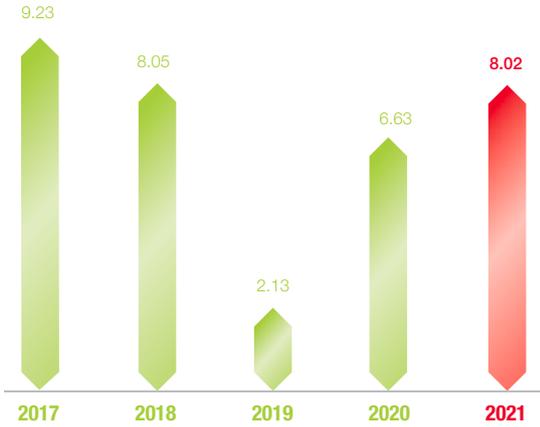
Major accounting data and financial indices for the past five years

In RMB'0,000	2021 as compared to 2020						
	2021	2020	Change in amount	Change	2019	2018	2017
Operating income	163,986	156,138	7,849	5.03%	64,524	61,617	52,317
Total profit	10,921	9,270	1,651	17.81%	4,158	10,561	12,012
Net profit – attributable to shareholders of the Company	8,021	6,632	1,389	20.94%	2,127	8,051	9,233
Net cash generated from operating activities inflows/(outflows)	123,561	80,307	43,254	53.86%	11,192	-11,791	19,237
Earnings per share (RMB/share)							
Basic earnings per share	0.0884	0.0731			0.0234	0.0888	0.1018
Diluted earnings per share	0.0884	0.0731			0.0234	0.0888	0.1018
Profitability indicators							
Weighted average return on net assets	4.84%	4.07%			1.31%	4.91%	5.67%

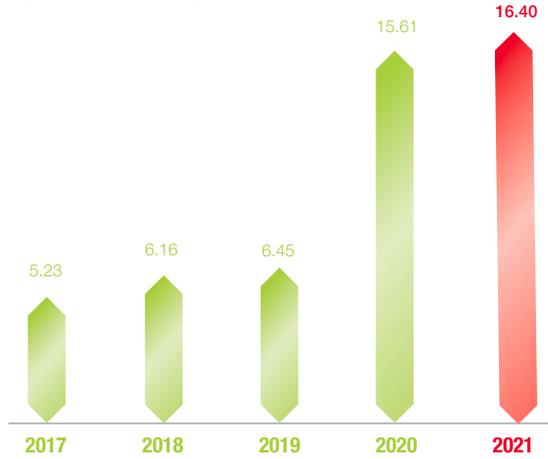
Scale indicators (RMB'0,000)	2021 as compared to 2020						
	As of 31 December 2021	As of 31 December 2020	Change in amount	Change	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Total assets	808,310	634,916	173,394	27.31%	451,077	429,675	582,904
Total liabilities	640,093	470,249	169,844	36.12%	291,180	264,926	418,687
Customers' equity payable	593,063	428,784	164,279	38.31%	265,955	246,532	356,612
Equity attributable to shareholders of the Company	168,217	164,667	3,550	2.16%	159,897	164,749	164,217
Total share capital ('000)	907,000	907,000			907,000	907,000	907,000
Net assets value per share attributable to shareholders of the Company (RMB per share)	1.85	1.82			1.76	1.82	1.81
Gearing ratio ^{Note 1}	22%	20%			14%	10%	27%

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

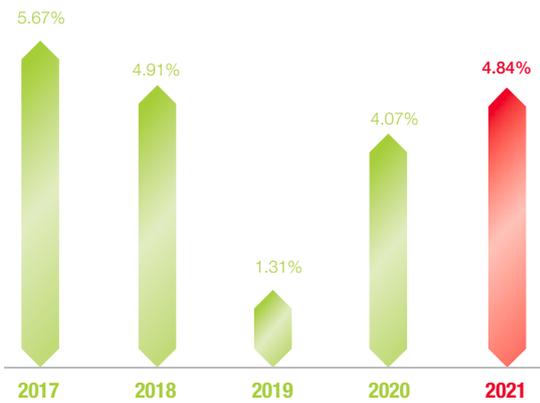
Net profit – attributable to shareholders of the Company
(RMB10 million)



Operating income
(RMB100 million)



Weighted average return on net assets



Gearing ratio



Scale indicators
(RMB100 million)



■ Total assets

■ Equity attributable to shareholders of the Company

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

The Net capital of the Company as at 31 December 2021 amounted to RMB709 million, representing a decrease of RMB270 million as compared with RMB979 million as at the 31 December 2020. 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)

	As of 31 December 2021	As of 31 December 2020 (After adjustment)	As of 31 December 2020	Warning level	Supervision level
Net capital (RMB million)	709	979	962	36	30
Net capital/total risk capital reserves (%)	209%	350%	344%	120%	100%
Net capital/net assets (%)	42%	59%	58%	24%	20%
Current assets/current liabilities (%)	526%	484%	453%	120%	100%
Total liabilities/net assets (%)	21%	20%	20%	120%	150%
Proprietary settlement reserve funds (RMB million)	386	377	377	–	10

Note: In accordance with the requirements of the Notice of the Jiangsu Bureau of the CSRC on the Launching of the Integrated Information System for the Supervision of Futures Firms (Su Zheng Jian Ji Gou Zi [2021] No. 14), the Company has adjusted the risk control indicators such as net capital as of 31 December 2020 to conform to the latest caliber of the regulatory authority, which does not indicate that there were errors in the indicators of previous years.

Management Discussion and Analysis

I. Market review

The world's development environment is facing the "unprecedented changes in a century". The international situation has been changing rapidly with a number of "black swans and grey rhinoceroses" events occurred in recent years, and trade protectionism and unilateralism have been growing. The global investment and trade landscape, the global science and technology innovation landscape, the global financial and monetary landscape and the global pluralistic governance system are all facing unprecedented changes. Under the influence of the pandemic, the world economy is full of risks and uncertainties, international trade and investment have shrunk significantly, international financial markets are volatile, international exchanges are restricted, and economic globalization has encountered major challenges. The prevalence of protectionism and unilateralism in some countries and the rise in geopolitical risks have brought a huge impact on global economic development and the business environment for enterprises. In 2021, faced with multiple tests of grave and complex international environment and sporadic outbreaks of the pandemic in the PRC, under the strong leadership of the Central Committee of the Communist Party of China with Comrade Xi Jinping as the core, all regions and departments strictly implemented various decisions and arrangements, adhered to the general working guideline of making progress while maintaining stability, coordinated the work of epidemic prevention and control and economic and social development in a scientific way, consolidated the work in stabilizing the six fronts, fully implemented the task of safeguarding the six areas, strengthened the macro policies for cross-cyclical adjustment, and increased the support to the real economy. As a result, the national economic recovery and development were sustained, the reform and opening up and innovation were further advanced, people's livelihood was strongly and effectively safeguarded, new strides were made in building a new development pattern and new achievements were secured in high-quality development.

The gross domestic product (GDP) was RMB114,367.0 billion in 2021, an increase of 8.1% over the previous year at constant prices with the average two-year growth of 5.1%. By quarter, the GDP for the first quarter went up by 18.3% year on year, up by 7.9% for the second quarter, 4.9% for the third quarter and 4.0% for the fourth quarter. By industries, the value added of the primary industry was RMB8,308.6 billion, up by 7.1% over the previous year, that of the secondary industry was RMB45,090.4 billion, up by 8.2% and that of the tertiary industry was RMB60,968.0 billion, up by 8.2%. In particular:

1. The grain output reached another high and production of animal husbandry grew steadily. The total output of grain in 2021 was 682.85 million tons, an increase of 13.36 million tons, or up by 2.0% over the previous year. Of this total, the output of summer grain was 145.96 million tons, up by 2.2%, and that of early rice was 28.02 million tons, up by 2.7%. The output of autumn grain reached 508.88 million tons, up by 1.9%. By species, the output of rice was 212.84 million tons, up by 0.5%; wheat, 136.95 million tons, up by 2.0%; corn, 272.55 million tons, up by 4.6%; soybean, 16.40 million tons, down by 16.4%. The total output of pork, beef, mutton and poultry in 2021 was 88.87 million tons, up by 16.3% over the previous year. Of this total, the output of pork was 52.96 million tons, up by 28.8%; beef, 6.98 million tons, up by 3.7%; mutton, 5.14 million tons, up by 4.4%; poultry, 23.80 million tons, up by 0.8%; milk, 36.83 million tons, up by 7.1%; and eggs, 34.09 million tons, down by 1.7%. At the end of 2021, pigs and breeding sows registered in stock were up by 10.5% and 4.0% respectively over that at the end of 2020.

2. Industrial production experienced sustained development and high-tech manufacturing and equipment manufacturing experienced fast growth. The total value added of industrial enterprises above the designated size increased by 9.6% over the previous year, an average two-year growth of 6.1%. In terms of sectors, the value added of mining was up by 5.3%, that of manufacturing up by 9.8% and that of production and supply of electricity, thermal power, gas and water up by 11.4%. The value added of the high-tech manufacturing and equipment manufacturing went up by 18.2% and 12.9% respectively, or 8.6 percentage point and 3.3 percentage point faster than that of the industrial enterprises above the designated size. By products, the production of new energy vehicles, industrial robots, integrated circuits, and micro computer equipment grew by 145.6%, 44.9%, 33.3%, and 22.3%, respectively. In terms of ownership, the value added of the state holding enterprises grew by 8.0%, that of the share-holding enterprises up by 9.8%, that of the enterprises funded by foreign investors and investors from Hong Kong, Macao and Taiwan up by 8.9% and that of private enterprises up by 10.2%. In 2021, the national industrial capacity utilization rate reached 77.5%, 3.0 percentage point higher than that of the previous year.
3. Service sector witnessed sustained recovery with modern service industries demonstrating sound momentum of growth. The tertiary industry experienced fast growth in 2021. By industries, the value added of the information transmission, software and information technology services, accommodation and catering services, and transportation, storage and postal services grew by 17.2%, 14.5%, and 12.1% over the previous year respectively, maintaining the restorative growth. In 2021, the Index of Services Production grew by 13.1% over that of the previous year with the average two-year growth of 6.0%.
4. Market sales expanded with sales of basic living goods and upgraded consumer goods growing fast. In 2021, the total retail sales of consumer goods reached RMB44,082.3 billion, up by 12.5% over the previous year with the average two-year growth of 3.9%. Analyzed by different areas, the retail sales in urban areas reached RMB38,155.8 billion, up by 12.5%; and the retail sales in rural areas stood at RMB5,926.5 billion, up by 12.1%. Grouped by consumption patterns, the retail sales of goods were RMB39,392.8 billion, up by 11.8%; and the income of catering was RMB4,689.5 billion, up by 18.6%. The basic living consumption sustained good momentum of growth, with the retail sales of beverages and grain, oil and food by enterprises above the designated size growing by 20.4% and 10.8% over the previous year. The demand for upgraded consumer goods continued to unleash, with the retail sales of gold, silver and jewelry and that of cultural and office supplies by enterprises above the designated size growing by 29.8% and 18.8% respectively. In 2021, the national online retail sales reached RMB13,088.4 billion, growing by 14.1% over the previous year. Specifically, the online retail sales of physical goods were RMB10,804.2 billion, up by 12.0%, accounting for 24.5% of the total retail sales of consumer goods.
5. Investment in fixed assets continued to increase and investment in manufacturing and high-tech industries maintained a good momentum of growth. In 2021, the investment in fixed assets (excluding rural households) reached RMB54,454.7 billion, up by 4.9% over the previous year with the average two-year growth of 3.9%. Specifically, the investment in infrastructure went up by 0.4%, manufacturing up by 13.5% and real estate development up by 4.4%. The floor space of commercial buildings sold reached 1,794.33 million square meters, up by 1.9%. The total sales of commercial buildings were RMB18,193.0 billion, up by 4.8%. By industries, the investment in the primary industry went up by 9.1%; that in the secondary industry up by 11.3%; and that in the tertiary industry up by 2.1%. The private investment

was RMB30,765.9 billion, up by 7.0%, accounting for 56.5% of the total investment. The investment in high-tech industries grew by 17.1%, 12.2 percentage point faster than the total investment, of which the investment in high-tech manufacturing and high-tech services grew by 22.2% and 7.9%, respectively. In terms of high-tech manufacturing, the investment in electronics and communication equipment manufacturing and in manufacturing of computers and office devices grew by 25.8% and 21.1%, respectively. In terms of high-tech services, the investment in e-commerce services and services for transformation of scientific and technological achievements grew by 60.3% and 16.0%, respectively. The investment in social sector went up by 10.7% over the previous year. Specifically, the investment in health sector and in education sector went up by 24.5% and 11.7% respectively.

6. Imports and exports of goods witnessed fast growth and trade structure continued to optimize. In 2021, the total value of imports and exports of goods was RMB39,100.9 billion, an increase of 21.4% over the previous year. Specifically, the total value of exports was RMB21,734.8 billion, up by 21.2%; the total value of imports was RMB17,366.1 billion, up by 21.5%. The trade balance was RMB4,368.7 billion in surplus. The imports and exports of general trade grew by 24.7%, accounting for 61.6% of the total value of the imports and exports, an increase of 1.6 percentage point over the previous year. The imports and exports by private enterprises grew by 26.7%, accounting for 48.6% of the total value of the imports and exports, 2 percentage point higher than that of the previous year.
7. Consumer price grew moderately and growth of producer prices for industrial products slowed down from high levels. In 2021, the Consumer Price Index (CPI) went up by 0.9% over the previous year. Specifically, the price went up by 1.0% in urban areas and 0.7% in rural areas. Grouped by commodity categories, prices for food, tobacco and alcohol went down by 0.3%; clothing up by 0.3%; housing up by 0.8%; articles and services for daily use up by 0.4%; transportation and communication up by 4.1%; education, culture and recreation up by 1.9%; medical services and health care up by 0.4%; and other articles and services down by 1.3%. In terms of food, tobacco and alcohol prices, prices for grain went up by 1.1%, fresh vegetables up by 5.6% and pork down by 30.3%. Core CPI excluding the prices of food and energy went up by 0.8%. The purchasing prices for industrial producers went up by 11.0% over the previous year.
8. Employment was generally stable and surveyed unemployment rate in urban areas declined. The newly increased employed people in urban areas totalled 12.69 million, 0.83 million higher than the previous year. The surveyed unemployment rate in urban areas in 2021 averaged 5.1%, 0.5 percentage point lower than the average of the previous year. Specifically, the surveyed unemployment rate of population with local household registration was 5.1% and that of population with non-local household registration was 4.9%. The surveyed unemployment rate of population aged from 16 to 24 was 14.3%, and that of population aged from 25 to 59 was 4.4%. The employees of enterprises worked 47.8 hours per week on average. In 2021, the number of rural migrant workers reached 292.51 million, 6.91 million more than that of the previous year, or up by 2.4%. Specifically, local migrant workers totalled 120.79 million, up by 4.1%; outside migrant workers totalled 171.72 million, up by 1.3%. The average monthly income of migrant workers was RMB4,432, up by 8.8% over the previous year.

9. Resident income grew generally at the same pace with the economic growth and urban-rural per capita income ratio narrowed. In 2021, the nationwide per capita disposable income of residents was RMB35,128, a nominal increase of 9.1% over that of the previous year, an average two-year nominal growth of 6.9%; the real growth after deducting price factors was 8.1%, an average two-year growth of 5.1%, which was generally at the same pace with the growth of the economy. In terms of permanent residence, the per capita disposable income of urban households was RMB47,412, a nominal growth of 8.2% compared with the previous year and a real growth of 7.1% after deducting price factors. That of rural households was RMB18,931, a nominal growth of 10.5% compared with the previous year and a real growth of 9.7% after deducting price factors. The per capita disposable income of urban households was 2.50 times that of the rural households, 0.06 less than the ratio of the previous year. The median of the nationwide per capita disposable income was RMB29,975, a nominal increase of 8.8% over that of the previous year. Taking the per capita disposable income of nationwide households by income quintile, that of the low-income group reached RMB8,333, the lower-middle-income group RMB18,446, the middle-income group RMB29,053, the upper-middle-income group RMB44,949, and the high-income group RMB85,836. In 2021, the nationwide per capita consumption expenditure was RMB24,100, a nominal increase of 13.6% over the previous year, or an average two-year nominal growth of 5.7%; the real growth was 12.6%, or an average two-year growth of 4.0% after deducting price factors.
10. Total population increased and urbanization rate continued to grow. By the end of 2021, the national population was 1,412.60 million (including the population of 31 provinces, autonomous regions and municipalities and servicemen, but excluding residents of Hong Kong, Macao and Taiwan and foreigners living in the 31 provinces, autonomous regions and municipalities), an increase of 0.48 million over that at the end of the previous year. In 2021, the number of births was 10.62 million with a birth rate of 7.52 per thousand; the number of deaths was 10.14 million with a death rate of 7.18 per thousand; the natural growth rate was 0.34 per thousand. In terms of gender, the male population was 723.11 million, and the female population was 689.49 million; the sex ratio of the total population was 104.88 (the female being 100). In terms of age structure, population at the working age from 16 to 59 was 882.22 million, accounting for 62.5% of the total population; population aged 60 and over was 267.36 million, accounting for 18.9% of the total population; population aged 65 and over was 200.56 million, accounting for 14.2% of the total population. In terms of urban-rural structure, the permanent residents in urban areas was 914.25 million, an increase of 12.05 million over the end of the previous year; and the permanent residents in rural areas was 498.35 million, with a decrease of 11.57 million. The share of urban population in the total population (urbanization rate) was 64.72%, 0.83 percentage point higher than that at the end of the previous year. The population who reside in areas other than their household registration (refers to population whose residence and household registration place are not in the same towns or streets and who have been away from their household registration place for over 6 months) reached 504.29 million, which was 11.53 million more than the previous year. Specifically, the floating population stood at 384.67 million, or 8.85 million more than the previous year.

II. Industry review

At present, China's futures market mainly consists of two categories of trading varieties: commodity futures and financial futures. Among them, commodity futures refer to futures contracts whose underlying material is physical commodities. Commodity futures have a long history and are the initial trading species in the futures market, with a rich variety of types, and have developed into numerous classifications including agricultural futures, metal futures and energy and chemical futures. Financial futures are futures contracts with financial and economic indicators as the underlying, mainly including currency futures, treasury bond futures, stock index futures and other categories. Financial futures have a very important role in financial market pricing and risk aversion, and have a profound impact on the economic and financial system.

After nearly 30 years of unremitting efforts, 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. Each of China's DCE, ZCE, SHFE and CFFE ranked top of the list in terms of trading volume in the global derivatives market, holding an important position in the global futures market.

In 2021, the futures industry entered a new stage of development with trading volume hitting a new all-time high and the total amount of capital on the market reaching RMB1 trillion; prices of commodity fluctuated significantly and continued to rise; exchanges and futures companies were expanding their capacities simultaneously to serve the real economy in another way. In particular:

- I. Futures trading volume hitting a new all-time high. In 2021, China's futures market realized trading volume of 7.514 billion lots (which was calculated on one side, and the same below) and trading turnover of RMB581.20 trillion, representing a year-on-year increase of 22.13% and 32.84%, respectively. By exchanges, in 2021, the trading volume on the SHFE was 2.371 billion lots with a turnover of RMB193.11 trillion, representing a year-on-year increase of 14.39% and 37.92%, respectively, with its respective market share of 31.55% and 33.23%. The trading volume of the INE was approximately 75 million lots with a turnover of approximately RMB21.47 trillion, representing a year-on-year increase of 33.55% and 67.93% respectively, and accounting for 1.00% and 3.69% of the national market respectively. The trading volume on the ZCE was 2.582 billion lots with a turnover of RMB108.00 trillion, representing a year-on-year increase of 51.75% and 79.73%, respectively, with its respective market share of 34.36% and 18.58%. The trading volume on the DCE was 2.364 billion lots with a turnover of RMB140.46 trillion, representing a year-on-year increase of 7.12% and 28.62%, respectively, with its respective market share of 31.47% and 24.17%. The trading volume on the CFFE was 0.122 billion lots with a turnover of RMB118.17 trillion, representing a year-on-year increase of 5.86% and 2.37%, respectively, with its respective market share of 1.62% and 20.33%. China's futures trading volume hit a new all-time high. In 2021, reflecting the strong demand from industrial customers and various hedging institutions to use the futures and options market to manage spot price risks under complex circumstances such as slowing global economic recovery, continued disruption of the new crown epidemic, unabated imported inflationary pressure and domestic supply and price stabilization policy regulation.

- II. Prices of commodity fluctuated significant and continued to rise. In terms of the performance of the nine major sectors of the market, the four major sectors of chemicals, steel and building materials, soft commodities and non-ferrous metals recorded a significant increase in turnover, the trading volume and turnover of steel, PTA, methanol, soybean meal, fuel oil, rapeseed meal, silver, soybean oil, palm oil, glass, soda ash and other varieties ranked top, the growth of trading volume and turnover of stainless steel, red dates, pulp, staple fiber, soda ash, ferrosilicon and other varieties ranked top of the list, helping to maintain the growth of the overall market turnover scale. The trading scale of the financial futures sector also increased slightly in a stable manner, with the outstanding performance of the SSE 50 stock index futures and 2-year treasury futures, indicating that financial institutions and investors are actively using hedging instruments to manage stock and bond spot market risks. From January to May 2021, demand took the lead in recovery, commodity prices continued to rise, especially steel and non-ferrous industrial commodities, due to the structural imbalance between supply and demand. Then, with a marginal slowdown in the global economic recovery and macro policy regulation, the market pulled back in mid-May 2021. From June to October 2021, the structural imbalance between supply and demand continued, highlighting the contradiction between supply and demand of carbon emission-related commodities represented by power coal, coking coal and coke, downstream coal chemical commodities represented by methanol, urea, ethylene glycol and soda ash, and high energy-consuming varieties such as aluminum and alloys, leading to the significant rise in prices. After entering the fourth quarter, the domestic supply and price stabilization policy gradually took effect, and commodity prices retraced their trend after mid-October. Meanwhile, in 2021, commodity and stock index options also traded actively, with soybean meal, methanol, corn, PTA, natural rubber and iron ore options ranking top in terms of trading volume. In 2021, the trading volume of China's commodity options market accounted for 98% of the options market, 79% of turnover and 96% of positions, with the commodity options market becoming a new driving force to keep the growth of the whole market in 2021.
- III. Exchange and futures company expanded their capacities simultaneously to further serve the real economy. Since 2013, the Futures Law has been in a long preparation phase, and after eight years of polishing, the Futures Law finally ushered in a substantial breakthrough in 2021. In April 2021, the Futures Law was first considered at the 28th meeting of the Standing Committee of the 13th National People's Congress (NPC); on 23 October 2021, the NPC Standing Committee published the second draft for public consultation and renamed the Futures Law as the Futures and Derivatives Law. In December 2021, Fang Xinghai, Vice Chairman of the CSRC, said that a breakthrough had been made in the formulation of the basic law of the futures industry, and the Futures and Derivatives Law has passed the first and second readings and is expected to be published after the third reading in 2022. In January 2021, the CSRC approved the establishment of the Guangzhou Futures Exchange (hereinafter referred to as "GFE"), and after just three months of preparation, the GFE was officially listed on 19 April, which also means that the GFE has become the fifth domestic futures exchange following the Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange and China Financial Futures Exchange. The future product layout of GFE mainly involves 4 major sectors and a total of 16 varieties. Among them, green development products such as carbon emission futures are the core strategic sectors, while secondary energy – electricity futures, and metal varieties such as industrial silicon, polysilicon, lithium,

rare earths, platinum and palladium related to new energy will also be promoted for listing around green sustainable development. After 12 years passed, the number of futures companies has come to 150. Shandong Gangxin Futures Co., Ltd. officially opened on 24 July 2021. Since the first launch of hog futures in January 2021, peanut futures, palm oil options and crude oil options have been launched one after another. In terms of significance, the four varieties have different characteristics, for example, hog futures are the first live delivery variety in China, palm oil options are the first internationalized options, and crude oil options are the first options varieties open to the public in China. So far, the total number of on-farm futures option varieties in China has reached 94, covering a number of fields such as agricultural products, non-ferrous metals, steel, energy, chemicals and finance.

- IV. The total amount of capital on the market reaching RMB1 trillion. In the first half of 2021, against the backdrop of highly volatile commodity prices, enterprises' production and operation risks have intensified and they are in urgent need of risk management tools such as derivatives, while the natural risk management properties of derivatives have become an important channel for medium and long-term funds such as public funds, enterprise annuities and insurance funds to increase their value. In July 2021, the size of China's futures market has reached RMB1.09 trillion, doubling the size at the beginning of 2020, and more and more institutional investors and medium- and long-term funds have started to flexibly use financial derivatives such as stock index futures to hedge risks and obtain returns to achieve sustainable development.

III. Business review

In 2021, facing the continuous spread of 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. Taking the three-year action of state-owned enterprise reform, with the goal of "improving efficiency, increasing vitality and enhancing value", the Company fully implemented the management's decisions and work requirements, insisted on the stability and sought progress while maintaining stability, strengthened the implementation of the annual key work and various objectives and tasks, made every efforts to prevent epidemics and floods and ensure safety, and realizes a good start of healthy development of the Company. In 2021, the operating income and brokerage turnover achieved by the Company increased by 5.03% and 41.42% year-on-year respectively; the average daily customer equity increased 35.74% year-on-year; the closing customer equity increased 38.31% year-on-year. The Company was awarded more than 30 honors, including "Best Futures Company in China", "Pioneer Enterprise of Jiangsu Province" and "Excellent Member Award" of the Exchange.

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 2021, the Group's total assets amounted to RMB8.083 billion, representing a 27.31% increase as compared with RMB6.349 billion in the same period of the preceding year. Net assets attributable to the Company were RMB1.682 billion, representing a year-on-year increase of 2.16%. The Group's total operating income amounted to RMB1.640 billion, representing a 5.03% increase as compared with RMB1.561 billion in the same period of the preceding year. Net profit attributable to the Company were RMB80 million, representing a 20.94% growth as compared with RMB66 million in the same period of the preceding 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 epidemic 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 epidemic 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 COVID-19 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 as a whole.

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 2021, 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 2021, the Company's client balance (excluding stock options) amounted to RMB5.931 billion, representing a growth of 38.31% as compared with the average client balance of RMB4.288 billion in 2020. The Group's handling fees and interest income generated from the futures brokerage business amounted to RMB349 million, representing a growth of 25.09% compared to RMB279 million for the same period in 2020. Turnover from brokerage (bilateral statistics, the same below) amounted to RMB8,715.393 billion, representing a growth of 41.42% from RMB6,162.898 billion in 2020. The Company's market share was 0.75%. Turnover from commodity futures brokerage amounted to RMB8,224.463 billion, representing a growth of 45.94% from RMB5,635.571 billion of 2020. Turnover from financial futures brokerage amounted to RMB490.930 billion, representing a decrease of 6.90% from RMB527.327 billion of 2020. The Company's trading volume was 114.8799 million lots, representing a growth of 19.98% from 95.7498 million lots in 2020. In 2021, the commission rate of the Company's domestic comprehensive futures and options brokerage business was 0.000031%, representing a decrease of 11.43% from 0.000035% for the same period in 2020.

In 2022, 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 2021, the Company's AUM amounted to RMB23.593 billion, representing an increase of 6.61% compared to RMB22.131 billion at the end of 2020, ranked among the top three in the industry. The asset management business achieved a handling fee income of RMB11.22 million, representing a decrease of 16.39% compared to RMB13.24 million for the same period in 2020. There were 38 trading asset management accounts in aggregate. We have filed 21 new asset management schemes, 14 collective products and 7 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 RMB1.306 billion for the year, representing an increase of 4.95% over the same period of last year. Total assets amounted to over RMB438 million and net assets amounted to RMB412 million, 41.57% 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 continues to grow steadily, and has achieved full coverage of 3 commodity exchanges, and the new application has obtained 2 market-making qualifications to trade polypropylene and soybean oil on DCE. 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 RMB6.011 billion, 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 2021, the Company further expanded the project scale and coverage and carried out 17 “insurance + futures” projects in 24 counties of 9 provinces, providing price risk management services for agricultural products worth about RMB400 million, such as live pigs, feed, rubber and eggs, with a compensation amount of nearly RMB9 million, benefiting 7 former national poverty-stricken counties. It has consolidated the results of poverty alleviation and served the revitalization of the countryside. In response to the significant price fluctuations in the hog industry, the Company has carried out 11 pilot projects nationwide, all of which have incurred compensation and have strongly realized the “price stabilization and supply assurance” of the hog industry chain. In 2021, the “Insurance + Futures” project of the Company won the Nanjing Financial Innovation Award for the fourth consecutive year.

(4) Financial assets investment

With an aim of optimising its capital operation, the Company invested in a variety of financial assets including securities, 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 2021, the Group achieved gains of RMB25.43 million from financial assets investment business, representing a 35.19% decrease as compared to RMB39.24 million for the same period in 2020, which was mainly due to a decrease in gains from disposal of financial assets held for trading caused by the impact of securities market conditions.

IV. Financial statement analysis

(1) Financial statement analysis

1. Profitability analysis

During the Reporting Period, the Company consolidated its main business of brokerage, while further developing its innovative business and enhancing its comprehensive strength, resulting in faster growth in overall operating results. The Group achieved total operating income of RMB1.640 billion with a year-on-year increase of 5.03%. The net profit attributable to Shareholders of the Company amounted to RMB80 million with a year-on-year increase of 20.94%. The earnings per share amounted to RMB0.0884 and the weighted average return on net assets was 4.84% with a year-on-year increase of 0.77 percentage point.

2. Asset structure and asset quality

As at the end of 2021, the total assets of the Group amounted to RMB8,083 million, representing a year-on-year increase of 27.31% as compared with RMB6,349 million of the end of 2020; the total liabilities amounted to RMB6,401 million, representing a year-on-year increase of 36.12% as compared with RMB4,702 million at the end of 2020; and the net assets attributable to the shares of the Company amounted to RMB1,682 million, representing a year-on-year increase of 2.16% as compared with RMB1,647 million at the end of 2020.

The asset structure remained stable while the quality and liquidity of assets were well maintained. At the end of 2021, the Group's total assets recorded a year-on-year rise, mainly due to the increase of customers' equity. As at the end of 2021, in the total assets of the Group, current assets of RMB7,731 million, accounting for 95.64%, non-current assets of RMB352 million, accounting for 4.36%. Total assets mainly include cash assets of RMB6,838 million (accounting for 84.60%), assets for financial investment of RMB855 million (accounting for 10.57%), receivables of RMB45 million (accounting for 0.56%), and other assets of RMB345 million (accounting for 4.27%). There is an impairment of goodwill of the Company in 2021 which amounted to RMB0.27 million.

As at the end of 2021, the liabilities deducting accounts payable to customers' equity amounted to RMB470 million, representing an increase of 13.42% as compared with RMB415 million at the end of 2020. The increase was mainly attributable to the increase in financial assets held for trading arising from the consolidation of structured entities. The gearing ratio of the Group was 22%, representing an increase of 2 percentage point as compared to 20% at the end of 2020 (Note: Gearing ratio = (Total liabilities – Accounts payable to customers' equity)/(Total assets – Accounts payable to customers' equity)). The operating leverage was 1.28 times, representing an increase of 2.22% as compared with 1.25 times at the end of 2020 (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 2021 complied with the regulatory requirements of the CSRC.

4. *Cash flows*

The net increase in cash and cash equivalents amounted to RMB1,251 million in 2021.

Net cash generated from operating activities of the Group amounted to RMB1,236 million in 2021, representing a year-on-year increase of RMB433 million as compared with RMB803 million for 2020; net cash used in investing activities amounted to RMB-25 million in 2021, representing a year-on-year increase of RMB286 million as compared with RMB-310 million used in 2020; net cash generated from financing activities amounted to RMB45 million in 2021, representing a year-on-year increase of RMB41 million as compared with RMB4 million used in 2020; effect of change in foreign exchange rate amounted to RMB-4 million in 2021, representing a year-on-year increase of RMB11 million as compared with RMB-15 million for 2020; net increase in cash and cash equivalents amounted to RMB1,251 million in 2021, representing a year-on-year increase of RMB770 million as compared with RMB482 million for 2020.

(2) Income statement items

In 2021, the Group's net profit amounted to RMB80.21 million, representing a year-on-year increase of RMB13.89 million or 20.94%. The key financial results are as follows:

In RMB'0,000	2021 as compared to 2020			
	2021	2020	Change in amount	Change
Fee income	28,583	22,946	5,637	24.57%
Net interest income	8,412	7,264	1,147	15.79%
Investment gains	2,498	3,789	-1,292	-34.09%
Gains from changes in fair value	-1,801	2,020	-3,821	-189.16%
Foreign exchange gains or losses	-146	-518	373	71.87%
Income from other business activities	126,132	120,607	5,525	4.58%
Profit or loss from disposal of assets	-16	-14	-2	-15.27%
Other gains	325	44	281	637.91%
Revenue	163,986	156,138	7,849	5.03%
Futures risk reserve	1,099	916	183	19.97%
Other operating cost	124,870	117,144	7,726	6.60%
Taxes and surcharges	297	222	75	33.81%
Operating and management expenses	26,702	26,860	-157	-0.59%
Credit impairment loss	27	1,369	-1,342	-98.06%
Operating expenses	152,995	146,510	6,485	4.43%
Non-operating income	177	232	-56	-23.97%
Non-operating expense	247	589	-343	-58.14%
Total profit	10,921	9,270	1,651	17.81%
Income tax expense	2,900	2,638	262	9.93%
Net profit	8,021	6,632	1,389	20.94%
Basic and diluted earnings per share	0.0884	0.0731		
Other comprehensive income, net of tax	-406	-955	549	57.46%
Total comprehensive income	7,615	5,677	1,938	34.13%

1. Fee income and interest income

In 2021, the Group achieved net fee and commission income and net interest income of RMB369.95 million, representing a year-on-year increase of RMB67.84 million or 22.46%.

For 2021 and 2020, the Group's proportion of net fee and commission income were 77.26% and 75.95%, respectively, while the proportion of net interest income were 22.74% and 24.05%, respectively. Breakdown is set out in the following table:

In RMB'0,000	2021		2020		2021 as compared to 2020	
	Amount	Proportion	Amount	Proportion	Change in amount	Change
Net fee and commission income	28,583	77.26%	22,946	75.95%	5,637	24.57%
Net interest income	8,412	22.74%	7,264	24.05%	1,147	15.79%
Total	36,995	100.00%	30,210	100.00%	6,784	22.46%

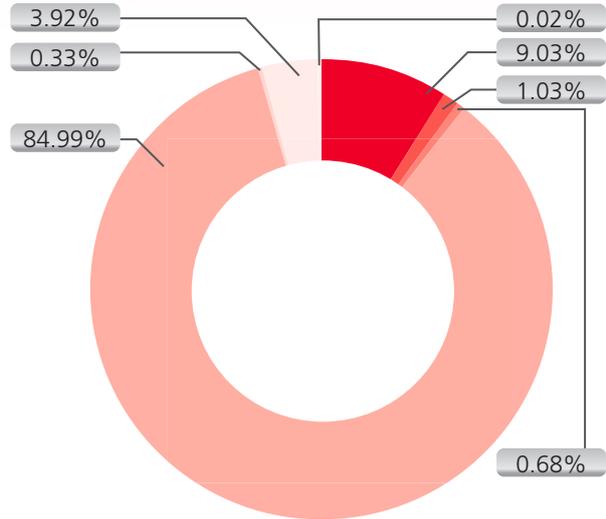
(1) Net fee and commission income

The Group achieved net fee and commission income of RMB285.83 million, representing a year-on-year increase of RMB56.37 million or 24.57%. Breakdown is set out in the following table:

In RMB'0,000	2021		2020		2021 as compared to 2020	
	Amount	Proportion	Amount	Proportion	Change in amount	Change
Commodity futures brokerage business	2,581	9.03%	3,201	13.95%	-620	-19.37%
Financial futures brokerage business	294	1.03%	422	1.84%	-128	-30.32%
Overseas futures business	194	0.68%	244	1.06%	-50	-20.47%
Refund and reduction of handling fees from futures exchanges	24,294	84.99%	17,606	76.73%	6,688	37.98%
Options brokerage business	93	0.33%	78	0.34%	15	19.62%
Asset management business	1,122	3.92%	1342	5.85%	-220	-16.42%
Agency sales fund business	6	0.02%	53	0.23%	-47	-89.48%
Total fee income	28,583	100%	22,946	100%	5,637	24.57%

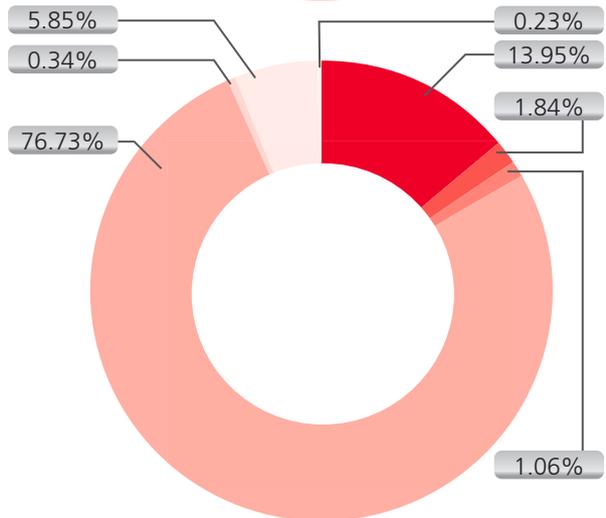
2021 Fee Income

- 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



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



Total Fee Income Chart of the Group

- ① The income from futures business amounted to RMB273.63 million, representing a year-on-year increase of RMB58.90 million or 27.43%, 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 RMB25.81 million, representing a year-on-year decrease of RMB6.20 million; and fee income from financial futures amounted to RMB2.94 million, representing a year-on-year decrease of RMB1.28 million; the income from overseas futures business amounted to RMB1.94 million, representing a year-on-year decrease of RMB0.50 million, which was mainly due to the decline in fee income commodity futures; refunds of handling fees from the exchanges amounted to RMB242.94 million, representing a year-on-year increase of RMB66.88 million, which was mainly attributable to the stock exchange increased its efforts in the refund of handling fees as compared with the previous year.
- ② The income from asset management business amounted to RMB11.22 million, representing a year-on-year decrease of RMB2.20 million or 16.42%. 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 2021, the net value of asset management plans amounted to RMB23.593 billion, representing a year-on-year increase of 6.61% as compared to RMB22.131 billion on 31 December 2020. Number of asset management plans increased from 21 in 2020 to 38 in 2021.
- ③ Income from option brokerage business amounted to RMB0.93 million, representing a year-on-year increase of RMB0.15 million or 19.62%. Income from agency sales fund business amounted to RMB0.06 million, representing a year-on-year decrease of RMB0.47 million or 89.48%. Such businesses are new business of the Group in recent years and currently accounted for a relatively small proportion of fee income.

(2) Net interest income

Net interest income of the Group amounted to RMB84.12 million, representing a year-on-year increase of RMB11.47 million or 15.79%. Breakdown is set out in the following table:

In RMB'0,000	2021	2020	2021 as compared to 2020	
			Change in amount	Change
Deposit of client's fund	7,454	5,851	1,602	27.39%
Deposit of own fund	1,026	1,477	-451	-30.54%
Resale agreements	19	49	-30	-61.57%
Interests expense	87	113	-26	-23.08%
Total	8,412	7,264	1,147	15.79%

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 increased mainly because: the client deposits held by the Company has increased and the interest income derived from the deposits in financial institutions increased by RMB16.02 million or 27.39% as compared to 2020.

2. Financial assets gains

In 2021, the Group achieved financial assets gains of RMB6.97 million, representing a year-on-year decrease of RMB51.12 million or 88.00%, which was mainly attributable to the decrease in the fair value of financial assets affected by the conditions of securities markets. Breakdown is set out in the following table:

In RMB'0,000	2021	2020	2021 as compared to 2020	
			Change in amount	Change
Investment gains	2,498	3,789	-1,291	-34.09%
Gain or loss on fair value changes	-1,801	2,020	-3,821	-189.16%
Total	697	5,809	-5,112	-88.00%

(1) Investment gains

Investment gains of the Group amounted to RMB24.98 million, representing a year-on-year decrease of RMB12.92 million or 34.09%. Breakdown is set out in the following table:

In RMB'0,000	2021	2020	Change in 2021 as compared to 2020	
			Change in amount	Change
Grains on financial instrument during holding period				
– Financial instrument held for trading	3,106	2,031	1,075	52.92%
Gains from disposal of financial instruments				
– Financial instrument held for trading	2,894	7,232	-4,338	-59.98%
– Financial derivatives	-3,456	-5,339	1,882	35.26%
Long term equity investment gains calculated with equity method	-45	-134	89	66.36%
Total	2,498	3,789	-1,292	-34.09%

In RMB'0,000	2021	2020	2021 as compared to 2020	
			Change in amount	Change
Disposal of financial assets held for trading	2,894	7,232	-4,338	-59.98%
Futures and risk management business of subsidiaries	-3,456	-5,339	1,882	35.26%
Dividend distribution	3,106	2,031	1,075	52.92%
Gain on long-term equity investments accounted for using the equity method	-45	-134	89	66.36%
Total	2,498	3,789	-1,292	-34.09%

In 2021, 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 decrease of investment gains was relatively higher as compared to 2020, of which proceeds from disposal of financial assets held for trading and futures and risk management business of subsidiaries both decreased. Proceeds from disposal of financial assets held for trading and futures and risk management business of subsidiaries decreased RMB43.38 million and increased RMB18.82 million as compared to 2020, respectively.

Financial assets investment business mainly comprised of proceeds from disposal of securities, funds, trust schemes, asset management plans and bonds. In 2021, the proceeds from disposal of financial assets held for trading of financial assets investment business decreased year-on-year by RMB43.38 million or 59.98%, mainly due to the decrease in gain generated from stock and funds trading due to the downturn in securities market during the year.

In 2021, dividends from financial assets held for trading of the Group amounted to RMB31.06 million, representing a year-on-year increase of RMB10.75 million, which was mainly contributed by the dividend income generated from the funds held by the Group since 2021.

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

In 2021, gain or loss on fair value changes of the Group amounted to RMB-18.01 million, representing a year-on-year decrease of RMB38.21 million or 189.16%. Breakdown is set out in the following table:

In RMB'0,000	2021	2020	2021 as compared to 2020	
			Change in amount	Change
Financial assets held for trading	-1,263	2,149	-3,412	-158.75%
Financial liabilities held for trading	-422	102	-525	-512.44%
Derivative financial assets	1,713	861	852	99.01%
Derivative financial liabilities	-1,829	-1,092	-737	-67.48%
Total	-1,801	2,020	-3,821	-189.16%

3. *Other net operating income*

In 2021, the Group achieved other net operating income of RMB12.62 million, representing a year-on-year decrease of RMB22.01 million or 63.56%, mainly due to the decrease in the net income of the operating scale of Holly Capital's variation basis trading business and subsidy income received from "insurance + futures" business.

In RMB'0,000	2021	2020	2021 as compared to 2020	
			Change in amount	Change
Other operating income	126,132	120,607	5,525	4.58%
Other operating cost	124,870	117,144	7,726	6.60%
Other net operating income	1,262	3,463	-2,201	-63.56%

4. *Other income*

In 2021, the Group recorded other income of RMB1.63 million, representing a year-on-year increase of RMB6.52 million or 133.43%, which was mainly attributable to the increase in government grants and the decrease in foreign exchange gains and losses. Breakdown is set out in the following table:

In RMB'0,000	2021	2020	2021 as compared to 2020	
			Change in amount	Change
Government grants (including individual income tax refund)	325	44	281	637.91%
Foreign exchange gains or losses	-146	-518	373	71.87%
Profit or loss from disposal of assets	-16	-14	-2	-15.27%
Other income	163	-488	652	133.43%

(1) *Government grants*

The government grants of the Group (including individual income tax refund) amounted to RMB3.25 million with a year-on-year increase of RMB2.81 million or 637.91%. Government grants mainly comprised of:

- Holly Capital, a subsidiary of the Company, received tax refunds of RMB2.62 million;
- Received the financial innovation award of RMB380,000;
- Received the futures market construction reward of RMB100,000;
- Received job stabilization subsidies and work for training subsidies totalling RMB150,000.

(2) *Foreign exchange gains and losses*

In 2021, foreign exchange gains and losses of the Group amounted to RMB-1.46 million, which was mainly attributable to the listing of the Company in end of 2015. As of 31 December 2021, the unutilized proceeds totally amounted to HKD69.05 million. Exchange rates of Hong Kong dollar against Renminbi fell from 0.84164 on 31 December 2020 to 0.81760 on 31 December 2021. In 2021, 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 RMB267.02 million in 2021, representing a year-on-year decrease of RMB1.57 million or 0.59%. Breakdown is set out in the following table:

In RMB'0,000	2021	2020	2021 as compared to 2020	
			Change in amount	Change
Staff benefits	16,704	15,449	1,255	8.12%
Office expenses	3,771	3,724	47	1.27%
Depreciation and amortisation	2,081	2,807	-726	-25.86%
Lease charges	1,076	411	665	161.83%
Finance costs	836	250	587	235.02%
Consultation fees	372	1,212	-840	-69.34%
Maintenance fees	287	265	22	8.40%
Utility costs	167	105	62	58.41%
Auditors' remuneration	144	167	-23	-13.54%
Insurance fees	124	1,391	-1,268	-91.12%
R&D costs	85	–	85	–
Repair fees	64	332	-269	-80.88%
Investor Protection Fund	49	36	14	38.80%
Commission expense	43	140	-97	-69.58%
Others	899	571	329	57.57%
Total	26,702	26,860	-157	-0.59%

(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 2021, the staff costs of the Group amounted to RMB167.04 million with a year-on-year increase of RMB12.55 million or 8.12%, which was mainly due to the reduction of the Company’s social insurance expenses by the government in 2020 under the impact of the epidemic.

(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 2021, the office expenses of the Group amounted to RMB37.71 million with a year-on-year increase of RMB0.47 million or 1.27%.

(3) Finance costs

Finance costs mainly included interest on loans and bank charges, among which interest on mortgage loans for the purchase of office premises in Financial City accounted for a relatively large portion. Finance costs of the Group for the year 2021 amounted to RMB8.36 million, representing a year-on-year increase of RMB5.87 million or 235.02%, mainly due to the interest payment related to mortgage loans applied by the Group for the purchase of office premises in Financial City in 2021.

(3) Asset items

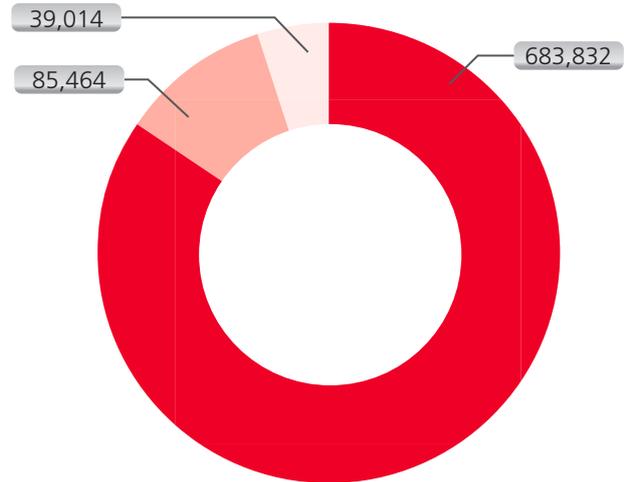
As of 31 December 2021, the total assets of the Group increased year on year by RMB1,734 million or 27.31% to RMB8,083 million, including cash assets amounting to RMB6,838 million with a year-on-year increase of 34.35%, financial investment assets amounting to RMB855 million with a year-on-year decrease of 17.85%, and other assets amounting to RMB390 million with a year-on-year increase of 78.15%. The change in the total amount of principal assets of the Group is set out as follows:

In RMB'0,000	2021	2020	Change as at 31 December 2021 as compared to 31 December 2020	
			Change in amount	Change
Cash assets	683,832	508,978	174,854	34.35%
Financial investment assets	85,464	104,038	-18,574	-17.85%
Other assets	39,014	21,900	17,114	78.15%
Total	808,310	634,916	173,394	27.31%

The composition of the total assets of the Group:

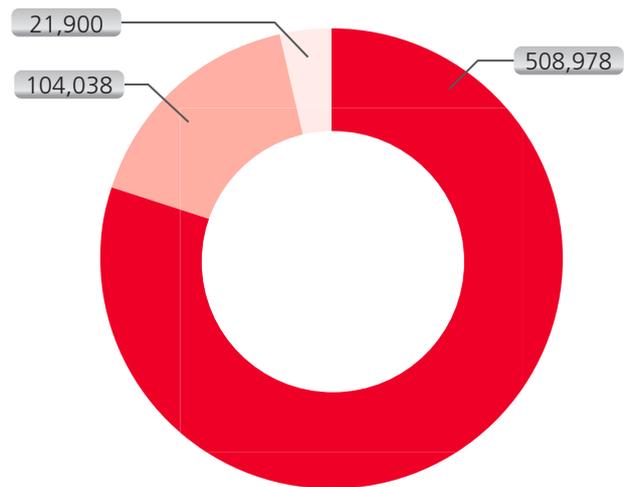
Asset distribution as at 31 December 2021

- Cash assets
- Financial investment assets
- Other assets



Asset distribution as at 31 December 2020

- Cash assets
- Financial investment assets
- Other assets



1. Cash assets

As of 31 December 2021, the cash assets of the Group amounted to RMB6,838 million, accounting for 84.60% of the total assets of the Group, with a year-on-year increase of RMB1,749 million or 34.35%. The composition of the cash assets of the Group is set out as follows:

In RMB'0,000	As of 31 December 2021	As of 31 December 2020	Change as at 31 December 2021 as compared to 31 December 2020	
			Change in amount	Change
Monetary fund	414,364	289,430	124,935	43.17%
Currency deposits receivable	202,586	213,109	-10,523	-4.94%
Pledged deposits receivable	66,882	6,440	60,442	938.59%
Total	683,832	508,978	174,854	34.35%

The change in cash assets was mainly reflected in the monetary fund, currency deposits receivable and pledged deposits receivable. Monetary fund amounted to RMB4.144 billion, accounting for 51.26% of the total assets of the Group, representing an increase of RMB1,249 million or 43.17% as compared to 2020. Currency deposits receivable of RMB2,026 million, accounting for 25.06% of the total assets of the Group, representing a decrease of RMB105 million or 4.94% as compared to 2020. Pledge deposits receivable amounted to RMB669 million, accounting for 8.27% of the total assets of the Group, representing an increase of RMB604 million or 938.59% as compared to 2020.

2. Financial investment assets

As of 31 December 2021, the financial investment assets of the Group amounted to RMB855 million, accounting for 10.57% of the total assets of the Group, with a year-on-year decrease of RMB186 million or 17.85%. The composition of the financial investment assets of the Group is set out as follows:

In RMB'0,000	As of 31 December 2021	As of 31 December 2020	Change as at 31 December 2021 as compared to 31 December 2020	
			Change in amount	Change
Long-term equity investment	704	1,143	-440	-38.45%
Financial assets held for trading	84,042	101,488	-17,446	-17.19%
Financial assets held under resale agreements	672	785	-113	-14.44%
Derivative financial assets	47	622	-575	-92.51%
Total	85,464	104,038	-18,574	-17.85%

3. Other assets

As of 31 December 2021, the other assets of the Group amounted to RMB390 million, accounting for 4.83% of the total assets of the Group, and representing a year-on-year increase of RMB171 million or 78.15%. The composition of other operating assets such as property and equipment of the Group is set out in the table below:

In RMB'0,000	As of 31 December 2021	As of 31 December 2020	Change as at 31 December 2021 as compared to 31 December 2020	
			Change in amount	Change
Receivables	4,495	6,290	-1,795	-28.54%
Inventories	1	4,868	-4,867	-99.98%
Fixed intangible right-to-use assets	4,058	3,616	442	12.22%
Deferred tax assets	739	823	-83	-10.14%
Futures membership investment	181	182	-1	-0.66%
Other assets	29,540	6,121	23,419	382.60%
Total	39,014	21,900	17,114	78.15%

(4) Liabilities items

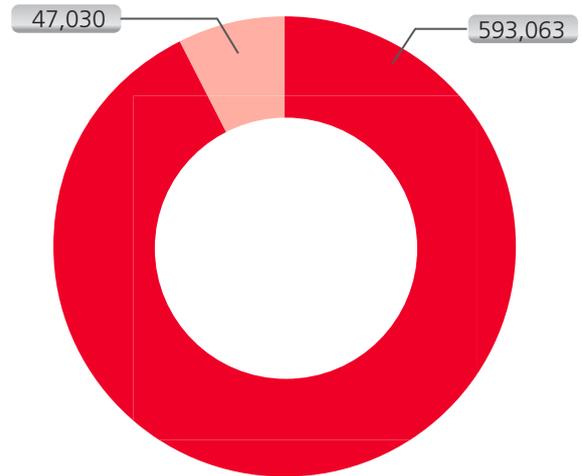
As of 31 December 2021, the total liabilities of the Group increased year-on-year by RMB1,698 million or 36.12% to RMB6,401 million, in which accounts payable to customers amounted to RMB5,931 million with a year-on-year increase of 38.31%, which was mainly attributable to the increase in the deposits contributed by clients. The change in the total amount of principal liabilities of the Group is set out as follows:

In RMB'0,000	As of 31 December 2021	As of 31 December 2020	Change as at 31 December 2021 as compared to 31 December 2020	
			Change in amount	Change
Accounts payable to customers	593,063	428,784	164,279	38.31%
Other operating liabilities	47,030	41,465	5,565	13.42%
Total	640,093	470,249	169,844	36.12%

The composition of the total liabilities of the Group:

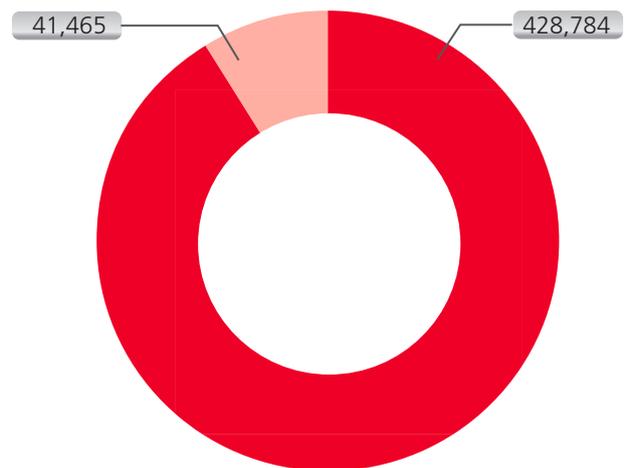
Liability distribution as at 31 December 2021

- Accounts payable to customers
- Other operating liabilities



Liability distribution as at 31 December 2020

- Accounts payable to customers
- Other operating liabilities



1. *Accounts payable to customers*

As of 31 December 2021, the accounts payable to customers of the Group amounted to RMB5,931 million, accounting for 92.65% of the total liabilities of the Group, with a year-on-year increase of RMB1,643 million or 38.31%, which was mainly attributable to the increase in the deposits contributed by customers. Of which, currency deposits payable and pledged deposits payable amounted to RMB5,262 million and RMB669 million respectively. The composition of the accounts payable to customers of the Group is set out as follows:

In RMB'0,000	As of 31 December 2021	As of 31 December 2020	Change as at 31 December 2021 as compared to 31 December 2020	
			Change in amount	Change
Corporate clients	268,611	168,855	99,757	59.08%
Natural person clients	324,452	259,929	64,522	24.82%
Total	593,063	428,784	164,279	38.31%

2. *Other operating liabilities*

As of 31 December 2021, the other operating liabilities of the Group amounted to RMB470 million, accounting for 7.35% of the total liabilities of the Group, with a year-on-year increase of RMB56 million or 13.42%. The composition of the other operating liabilities of the Group is set out as follows:

In RMB'0,000	As of 31 December 2021	As of 31 December 2020	Change as at 31 December 2021 as compared to 31 December 2020	
			Change in amount	Change
Financial liabilities	12,061	4,341	7,720	177.82%
Other liabilities	34,969	37,124	-2,155	-5.80%
Total	47,030	41,465	5,565	13.42%

(5) Equity

As of 31 December 2021, the total equity of the Group amounted to RMB1,682 million, representing a year-on-year increase of RMB36 million or 2.16%. The composition of the equity of the Group as of the dates indicated is set out as follows:

In RMB'0,000	As of 31 December 2021	As of 31 December 2020	Change as at 31 December 2021 as compared to 31 December 2020	
			Change of amount	Change
Share capital	90,700	90,700	–	0.00%
Reserve	77,517	73,967	3,550	4.80%
Total shareholders' equity	168,217	164,667	3,550	2.16%

V. 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, 4 branches, namely the branches in Xuzhou, Beijing and Wuxi and the sub-branch in Beijing 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

In August 2021, the Company increased its capital to Holly Capital by RMB150 million, and the registered capital of Holly Capital was increased from RMB240 million to RMB390 million.

(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 control, 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.

VI. Major investment and financing

(1) Equity financing

During the Reporting Period, the Company has submitted application materials in respect of the A Share Offering, including the A Share prospectus, to the CSRC, and has received a notice on 29 June 2021 that the CSRC has accepted the application on 28 June 2021. For details, please refer to the circular dated 23 April 2021, the poll results announcement dated 14 May 2021 of the Company. On 26 January 2022, the Company received the Notice of Suspension of Review of the Administrative Approval Application from the CSRC (No. 211614) (《中國證監會行政許可申請中止審查通知》(211614號)), in which the CSRC suspended the review of the A share offering due to the investigation of ShineWing Certified Public Accountants by the CSRC, the reporting accountants of the Company in relation to the A share offering. On 29 January 2022, the Company submitted an application to the CSRC for resumption of the review. On 18 February 2022, the Company received the “Notice of the Application of CSRC’s Administrative Permission in relation to Resumption of Review” (No. 211614) (《中國證監會行政許可申請恢復審查通知書》(211614號)) from the CSRC, notifying the Company that the CSRC has resumed the review of the A share offering. On 17 March 2022, the Company’s application for the issuance of A Share was reviewed and passed at the 31st working meeting in 2022 of the 18th Issuance Review Committee of the CSRC.

(2) Debt financing

In February 2021, the Company and Holly Capital purchased office buildings in Building A4 of Zijin Financial Center (Financial City Phase II), which was funded by the mortgage loans from Nanjing Branch of China Merchants Bank Co., Ltd with all the equity interest of the purchased property pledged. The total loan amount is RMB139,854,800 at the interest rate of 4.5% per annum and with the term of the loan of five years.

(3) Equity investments

In August 2021, the Company increased its capital to Holly Capital by RMB150 million, and the registered capital of Holly Capital was increased from RMB240 million to RMB390 million.

VII. 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 2021, the Company had no material acquisition or disposal of subsidiaries, associates and joint ventures.

VIII. 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. *Upgrading the international business function structure*

Holly International Financial successfully obtained the QFII and RQFII qualifications approved by the CSRC, with various preparation work related to QFII business completed. The Holly International Fund has maintained a stable posture in the face of increased market volatility, in which the Guangye Fund has steadily increased, with a cumulative return of approximately 23% since its inception in October 2020. As Holly International Financial successively obtained the dealer's authorities, such as opening cross-border subscription of new shares offline, domestic convertible bonds and bond qualified investors, it has diversified its products and cooperation methods. It also officially opened the options business in the Hong Kong Stock Exchange and the Chicago Mercantile Exchange.

2. *Risk management business shines*

Holly Capital closely focused on the three main businesses of futures and spot business, market making business and off-the-counter option business, and deepened the business layout, achieving operating income of RMB1.3 billion, representing a year-on-year increase of 4.95%, with a total profit of RMB9.45 million. Among them, the futures and spot business team achieved stable performance and further improved the risk control, with profit contribution rate reaching 41%, covering 11 varieties of non-ferrous, black, energy and chemical and agricultural products; the number of market making varieties increased to 13, covering three commodity exchanges. The market making business volume increased by 16% year-on-year, and the turnover amount increased by 51% year-on-year. The off-the-counter option business has a complete variety structure and a well-established team, which contributed to the continuously increasing operational efficiency and profitability. As a result, it achieved new notional principal amount of over RMB6 billion, representing a year-on-year increase of 60%. Stock options business was officially launched on the Shenzhen Stock Exchange.

3. *Steadily improving wealth management business*

Guided by the concept of building a “financial supermarket”, the Company newly added 419 agency fund products, increasing the total number of agency fund products to 1,533, with scale of fund sales of RMB180 million, ranking among the top in the industry. The Company screened quality private equity fund managers and increased its own capital investment, with an annualized return of 6.67% on investment management plans and private equity management plans and a total return of 8.88% on redeemed products.

• **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 client needs, the Company innovates services and products, optimizes the “five in one” service model, reaches out to the market and clients, and strengthens the building of application scenarios to effectively meet clients’ personalized, differentiated and customized financial service needs, provide clients with strong, fast and warm services, and creates an innovative customer service “Holly Model”. With innovative business as the new profit source, the Company continuously transforms and upgrades, works hard to serve the real economy, on the basis of good traditional brokerage business, actively plans innovative business, with focus on risk management, wealth management, asset management, international business and other businesses led by financial technology, continues to expand online and offline platforms, and continues to promote the Company’s high-quality development using investment banking thinking.

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

We will constantly enrich the types of asset management products, and steadily launch derivatives, Fixed income+ and FOF products. We will capitalize on low-risk, stable-yield product, to expand business cooperation with commercial banks, wealth management subsidiaries, securities companies, large third-party agencies and high-quality private equity institutions. We will also enhance the brand effect of Holly Asset Management by expanding the sales channels of the Company's pool of products. With quantitative hedging, low-risk arbitrage, multi-strategy FOF and IPOs as the entry point for cooperation, the Company increases marketing to large institutions such as commercial banks' financial subsidiaries and state-owned enterprises, striving to obtain more sufficient and stable sources of entrusted funds. We will strengthen our product cooperation with companies within the Group, focusing on investment research and trading of BSE, stock arbitrage and high credit rating bonds. Focusing on CTA and active management, the Company insists on training and recruiting talents to enhance its independent management capability and build an asset management team with its own characteristics.

(II) *Continuously refining risk management business*

Holly Capital continues to accelerate the development of three main businesses and strives to become one of "specialized, refined, featured and innovative" enterprises. Holly Capital continues to deepen the industrial chain, and increase capital investment in the smoothly running varieties of futures and spot business. It actively applies for the qualification of market maker in commodities and financial options to increase the profit contribution of market making business. It optimizes trading strategies, improves profitability, and strives to reach a new level of nominal principal in over-the-counter options business transactions.

(III) *To seize new opportunities for the development of the wealth management business*

The Company continuously promotes the establishment of public fund companies, improve the wealth product system with a customer-centric focus and strives to become an expert in broad asset allocation. The Company promotes the construction of gold product lines and builds a wealth financial supermarket to provide customers with higher quality products.

(IV) *Explore the width and depth of international business*

Strengthen team building and cultivate an elite marketing team with its own characteristics. Expand and strengthen the main business. Find high-quality fund partners, vigorously allocate and market fund products, and form a linkage with domestic capital management business. Jointly develop IPO underwriting sponsorship business and bond underwriting business with Hong Kong licensed companies.

IX. 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 2021, 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 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. 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.

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 accepts orders from customers to 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 and implement the investor suitability management. 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 investor education and training programmes to ensure that the customers understand the risks involved in futures trading adequately and will continue to enhance customers' ability to resist risks.

(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.

(f) Environmental, social and governance risks

The Board of the Company is fully responsible for the Company's environmental, social and governance strategies and reporting, and is responsible for assessing and defining the Company's environmental, social and governance-related risks and ensuring that the Company has established appropriate and effective environmental, social and governance risk management and internal control systems. The management of the Company provides confirmation to the Board on the effectiveness of such systems.

During the Reporting Period, new risk that emerged in relation to environmental, social and governance was mainly the climate change risk, and the Company's 2021 Environmental, Social and Governance Report (the "ESG Report") provides details of the management process and response and mitigation efforts for the risk.

Table 1 Newly emerging ESG risk during the Reporting Period

Type of risk	Description	Response or mitigation measures
Climate change	<ul style="list-style-type: none"> Extreme weather and climate change may affect the normal operation of the Company's branches Policies such as carbon neutrality and green finance have resulted in demand for climate-friendly products or services; failure to meet such expectations may lead to market risks 	<ul style="list-style-type: none"> Green office to reduce greenhouse gas emissions Dynamic identification of climate-related laws and regulations Use of climate-resilient infrastructure and disaster recovery and backup system Development of green and low-carbon related services

X. 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 thirteen 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 ethical, market, credit and investment risks;
2. Ensuring the safety and integrity of the assets of the Company's 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.

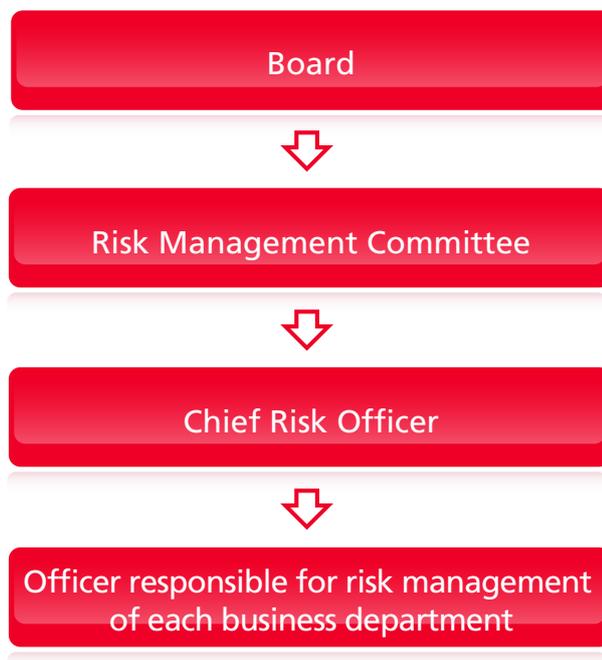
The risk management and internal control system of the Company has been designed based on the following principles:

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 15 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.

XI. Industry competition, market position and core competitiveness

• Industry competition

At present, China's futures market mainly consists of two categories of trading varieties: commodity futures and financial futures. Among them, commodity futures refer to futures contracts whose underlying material is physical commodities. Commodity futures have a long history and are the initial trading species in the futures market, with a rich variety of types, and have developed into numerous classifications including agricultural futures, metal futures and energy and chemical futures. Financial futures are futures contracts with financial and economic indicators as the underlying, mainly including currency futures, treasury bond futures, stock index futures and other categories. Financial futures have a very important role in financial market pricing and risk aversion, and have a profound impact on the economic and financial system.

After nearly 30 years of unremitting efforts, 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. Each of China's DCE, ZCE, SHFE and CFFE ranked top of the list in terms of trading volume in the global derivatives market, holding an important position in the global futures market.

In 2021, the futures industry entered a new stage of development with trading volume hitting a new all-time high and the total amount of capital in the market reaching RMB1 trillion; prices of commodity fluctuated significant and continued to rise; exchanges and futures companies were expanding their capacities simultaneously to serve the real economy in another way. In particular:

- I. Futures trading volume hitting a new all-time high. In 2021, China's futures market realized trading volume of 7.514 billion lots (which was calculated on one side, and the same below) and trading turnover of RMB581.20 trillion, representing a year-on-year increase of 22.13% and 32.84%, respectively. By exchanges, in 2021, the trading volume on the SHFE was 2.371 billion lots with a turnover of RMB193.11 trillion, representing a year-on-year increase of 14.39% and 37.92%, respectively, with its respective market share of 31.55% and 33.23%. The trading volume of the INE was approximately 75 million lots with a turnover of approximately RMB21.47 trillion, representing a year-on-year increase of 33.55% and 67.93% respectively, and accounting for 1.00% and 3.69% of the national market respectively. The trading volume on the ZCE was 2.582 billion lots with a turnover of RMB108.00 trillion, representing a year-on-year increase of 51.75% and 79.73%, respectively, with its respective market share of 34.36% and 18.58%. The trading volume on the DCE was 2.364 billion lots with a turnover of RMB140.46 trillion, representing a year-on-year increase of 7.12% and 28.62%, respectively, with its respective market share of 31.47% and 24.17%. The trading volume on the CFFE was 0.122 billion lots with a turnover of RMB118.17 trillion, representing a year-on-year increase of 5.86% and 2.37%, respectively, with its respective market share of 1.62% and 20.33%. China's futures trading volume hit a new all-time high. In 2021, reflecting the strong demand from industrial customers and various hedging institutions to use the futures and options market to manage spot price risks under complex circumstances such as slowing global economic recovery, continued disruption of the new crown epidemic, unabated imported inflationary pressure and domestic supply and price stabilization policy regulation.
- II. Prices of commodity fluctuated significant and continued to rise. In terms of the performance of the nine major sectors of the market, the four major sectors of chemicals, steel and building materials, soft commodities and non-ferrous metals recorded a significant increase in turnover, the trading volume and turnover of steel, PTA, methanol, soybean meal, fuel oil, rapeseed meal, silver, soybean oil, palm oil, glass, soda ash and other varieties ranked top, the growth of trading volume and turnover of stainless steel, red dates, pulp, staple fiber, soda ash, ferrosilicon and other varieties ranked top the list, helping to maintain the growth of the overall market turnover scale. The trading scale of the financial futures sector also increased slightly in a stable manner, with the outstanding performance of the SSE 50 stock index futures and 2-year treasury futures, indicating that financial institutions and investors are actively using hedging instruments to manage stock and bond spot market risks. From January to May 2021, demand took the lead in recovery, commodity prices continued to rise, especially steel and non-ferrous industrial commodities, due to the structural imbalance between supply and demand. Then, with a marginal slowdown in the global economic recovery and macro policy regulation, the market pulled back in mid-May. From June to October, the structural imbalance between supply and demand continued, highlighting the contradiction between supply and demand of carbon emission-related commodities represented by power coal, coking coal and coke, downstream coal chemical commodities represented by methanol, urea, ethylene glycol and soda ash, and high energy-consuming varieties such as aluminum and alloys, leading to the significant rise in prices. After entering the fourth quarter, the domestic supply and price stabilization policy gradually took effect, and commodity prices retraced their trend after mid-October. Meanwhile, in 2021, commodity and stock index options also traded actively, with soybean meal, methanol, corn, PTA, natural rubber and iron ore options ranking top in terms of trading volume. In 2021, the trading volume of China's commodity options market accounted for 98% of the options market, 79% of turnover and 96% of positions, with the commodity options market becoming a new driving force to keep the growth of the whole market in 2021.

- III. Exchange and futures company expanded their capacities simultaneously to further serve the real economy. Since 2013, the Futures Law has been in a long preparation phase, and after eight years of polishing, the Futures Law finally ushered in a substantial breakthrough in 2021. In April 2021, the Futures Law was first considered at the 28th meeting of the Standing Committee of the 13th National People's Congress (NPC); on 23 October, the NPC Standing Committee published the second draft for public consultation and renamed the Futures Law as the Futures and Derivatives Law. In December, Fang Xinghai, Vice Chairman of the CSRC, said that a breakthrough had been made in the formulation of the basic law of the futures industry, and the Futures and Derivatives Law has passed the first and second readings and is expected to be published after the third reading in 2022. In January 2021, the CSRC approved the establishment of the Guangzhou Futures Exchange (hereinafter referred to as "GFE"), and after just three months of preparation, the GFE was officially listed on 19 April, which also means that the GFE has become the fifth domestic futures exchange following the Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange and China Financial Futures Exchange. The future product layout of GFE mainly involves 4 major sectors and a total of 16 varieties. Among them, green development products such as carbon emission futures are the core strategic sectors, while secondary energy – electricity futures, and metal varieties such as industrial silicon, polysilicon, lithium, rare earths, platinum and palladium related to new energy will also be promoted for listing around green sustainable development. After 12 years passed, the number of futures companies has come to 150, and, Shandong Gangxin Futures Co., Ltd. officially opened on 24 July 2021. Since the first launch of hog futures in January 2021, peanut futures, palm oil options and crude oil options have been launched one after another. In terms of significance, the four varieties have different characteristics, for example, hog futures are the first live delivery variety in China, palm oil options are the first internationalized options, and crude oil options are the first options varieties open to the public in China. So far, the total number of on-farm futures option varieties in China has reached 94, covering a number of fields such as agricultural products, non-ferrous metals, steel, energy, chemicals and finance.
- IV. The total amount of capital on the market reaching RMB1 trillion. In the first half of 2021, against the backdrop of highly volatile commodity prices, enterprises' production and operation risks have intensified and they are in urgent need of risk management tools such as derivatives, while the natural risk management properties of derivatives have become an important channel for medium and long-term funds such as public funds, enterprise annuities and insurance funds to increase their value. In July 2021, the size of China's futures market has reached RMB1.09 trillion, doubling the size at the beginning of 2020, and more and more institutional investors and medium- and long-term funds have started to flexibly use financial derivatives such as stock index futures to hedge risks and obtain returns to achieve sustainable development. As of the beginning of December, the total capital of China's futures market has exceeded RMB1.2 trillion.

- **Market position**

In 2021, 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 2021, the turnover was RMB8,715.393 billion (bilateral statistics), representing an increase of 41.42%, as compared with the same period of last year and accounting for RMB6,162.898 billion. The trading volume was 114,879,914 lots, representing an increase of 19.98%, as compared with the same period of last year and accounting for 95,749,796 lots. The trading volume accounting for 0.75% 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 2021, the Company has been rated the “Class A of the A Category” regulatory category by CSRC for the thirteen 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 (including 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 2021, Jiangsu’s Gross Domestic Product 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. 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. The restriction on the proportion of foreign ownership in futures companies was removed from 1 January 2020, which is a specific measure by the futures industry to implement the deployment of the Central Committee of the Communist Party and the State Council to further expand the opening up of the financial sector to the overseas. The entry of foreign financial institutions with great international reputation and business performance will continue to enrich the participating entities in China's futures market, stimulate market competition, help the futures industry to accelerate the building of core competitiveness and further enhance its ability to serve the real economy.

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, Shanghai Rural Commercial Bank, 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, inter-bank bond transactions 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), HKFE (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.

XII. Prospects for the Company's future development

2022 is the key year for Holly Futures to start a new era and move towards a new journey. The Company will gain an accurate understanding of the new stage of development, with a view to fully implement the new development philosophy, accelerating our efforts to create a new development dynamic, and promote high-quality development and promote common prosperity. The Company will closely follow the position of its financial service main business of the holding group of "accumulated advantages, reputation in the industry and leading position in the region" and the development theme of "strong party building, excellent governance, stable operation and good integration", fully implement the decisions and deployments of the management, deeply strengthen the five major operation and development philosophies, do a good job of "seven unswerving faiths", and reflect the Company's undertakings to serve the real economy in the new development dynamic that focuses on domestic economic flow and features positive interplay between domestic flow and international engagement with practical achievements.

(I) Strengthening the five major operation and development philosophies

The management concept of “compliance as the bottom line” will be continuously strengthened. Legal compliance is the high-voltage line, and risk control is the lifeline. We should always be vigilant and cautious about risks, and promote risk control for all staff with the concept of “everyone is a risk officer”. Through system improvement, publicity training, real-time monitoring, compliance review, etc., to carry out ex ante and ex post internal supervision of the Company’s operation and management. The Company will strengthen the analysis of the management system of key areas and major segments, sort out and identify compliance risk points in each business process and job responsibilities, examine and make remedy for defects, and improve related management measures. At the same time, we will further promote the construction of legal enterprises, and advocate further integration of subsidiary risk management systems and business operation management. Attention will be paid to strengthen corporate culture construction and legal system publicity and education, so that the options cultural philosophy of “compliance, honesty, profession, self-discipline and responsibility” will be deeply rooted in the hearts of our people.

Continuously strengthening the “employee-centric” management concept. “The country’s wealth lies in the abundance of the people.” Common prosperity is the common expectation of all of us. While enlarging the economic pie, we should study the institutional arrangements for sharing the benefits, achieve a steady increase in the average salary level of employees, further improve the welfare of employees, and answer the political proposition of “common prosperity” with practical actions. We also need to increase the training and use of young cadres to maintain the vitality of the cadre team, so that more “swift horses” can exercise their ability on the “career platform” of Holly Futures. Focusing on the Group’s strategies of “main structure” becoming a “specialized, refined, featured and innovative” enterprise, and “five in one”, the Company further increases the recruitment and training of high-end and innovative talents to accelerate the establishment of professional team to provide strong support for each business department. According to the deployment of the Holding Group, we will promote the reform of professional managers in due course and formulate and implement the professional manager system of two subsidiaries. Give full play to the role of performance assessment baton and salary distribution incentive guidance, so that employees can enjoy more development dividends. We also pay attention to employees’ career planning, care for employees’ life, and solve their practical difficulties.

Continuously strengthening the “client-centric” service philosophy. Based on client needs, the Company innovates services and products, optimizes the “five in one” service model, reaches out to the market and clients, and strengthens the building of application scenarios to effectively meet clients’ personalized, differentiated and customized financial service needs, provide clients with strong, fast and warm services, and creates an innovative customer service “Holly Model”.

Continuously strengthening the “performance-centric” development philosophy. Based on the traditional brokerage business, we will actively explore new business and promote the high quality development of the Company. We will constantly enrich the types of asset management products, and steadily launch derivatives, Fixed income+ and FOF products. We will capitalize on low-risk, stable-yield product, to expand business cooperation with commercial banks, wealth management subsidiaries, securities companies, large third-party agencies and high-quality private equity institutions. We will also enhance the brand effect of Holly Asset Management by expanding the sales channels of the Company’s pool of products. With quantitative hedging, low-risk arbitrage, hedging, multi-strategy FOF and IPOs as the entry point for cooperation, the Company increases cooperation with large institutions such as commercial banks’ financial subsidiaries, insurance institutions and the Group’s internal enterprises, striving to obtain more sufficient and stable sources of entrusted funds. The Company also increase product cooperation with internal group companies for investment research and trading of China Beijing Equity Exchange, equity arbitrage and high credit rated bonds. Focusing on research and development of CTA and arbitrage strategies, the Company insists on training and recruiting talents to enhance its independent management capability and build a quantitative trading platform with its own characteristics. For risk management business, Holly Capital has been classified as a sub-company under the elevated management of the Holding Group, will continue to accelerate the development of three main businesses and strive to become one of “specialized, refined, featured and innovative” enterprises. Holly Capital continues to deepen the industrial chain, and increase capital investment in the smoothly running varieties of futures and spot business. It actively applies for the qualification of market maker in commodities and financial options to increase the profit contribution of market making business. It optimizes trading strategies, improves profitability, and strives to reach larger nominal principal in over-the-counter options business transactions. For wealth management business, the Company continuously promotes the establishment of public fund companies, improve the wealth product system with a customer-centric focus and strives to become an expert in broad asset allocation. The Company promotes the construction of gold product lines and builds a wealth financial supermarket to provide customers with higher quality products. For international business, the Company strengthens team building and cultivates an elite marketing team with its own characteristics. The Company also expands and strengthens the main business, finds high-quality fund partners, vigorously allocates and market fund products, and forms a linkage with domestic capital management business. The Company jointly develops IPO underwriting sponsorship business and bond underwriting business with Hong Kong licensed companies.

Continuously strengthening the overall concept of “taking Party building as the guide”. The Company adheres to the overall leadership of the Party, implements the requirements of Party Committee to chart our course, craft overall plans, design policy, and promote reform, and gives a leading and guarantee play of the comprehensive and strict governance of the Party. The Company improves the organizational system of coherent and powerful implementation, and enhances the political ability and professionalism of cadres at all levels. The Company also strengthens the management of cadres and staff, and continuously improves political judgment, political comprehension and political execution to ensure that all key work is implemented and landed.

(II) Insisting on “seven unswerving faiths”

Being fully committed to deepening the reform. The Company will fully push ahead with and focus on the work of A-share IPO, strive to become the first “A+H” listed futures company. Taking the implementation of the Three-Year Plan for Reform of State-owned enterprises as its focus, the Company will make precise efforts to overcome the pain points, difficulties and blockages in the process of development, strive to solve the practical issues of pharmaceutical companies in innovative development.

Being fully committed to integrating into the big situation and serving the national strategy. The Company is the main force of the financial sector of the holding group, and must start from the overall situation of serving the development of the country and the province, improve its position, enhance its ability, plan and make layout in the national strategies of “double carbon” strategy, promoting rural revitalization, serving the real economy, energy conservation and environmental protection, energy supply and other national strategies, and put the main business of financial services in the strategic picture of the new development pattern. We will serve the “rural revitalization” strategy well. We will continue to expand our services, innovatively introduce banks, guarantees, leading enterprises and other parties to participate, and actively develop new models such as “order agriculture + insurance + futures” and “insurance + futures + banks”. We will promote the action of “connecting enterprises with villages to pursue the common prosperity”, and adopt the methods of financial assistance to agriculture, industrial development of agriculture, and promotion of employment of agriculture to accurately help revitalize the countryside and serve the goal of “double carbon” as well. General Secretary Xi Jinping emphasized that achieving carbon peak and carbon neutral is a broad and profound economic and social systemic change. The Company should deploy forward-looking research on carbon emission rights futures and electricity futures in advance, and invest more resources and efforts to promote the development of green finance from the perspective of operation and business development, and serve the national “double cycle” strategy well. The CSRC announced that qualified foreign investors can participate in financial derivatives trading varieties, opening up three new categories of commodity futures, commodity options and stock index options, with effect from 1 November 2021. Qualified foreign investors are allowed to enter the Chinese futures market, which is good for futures companies in the long term, both to enable the expansion of the futures market capital and to increase the channels for futures companies to obtain customers. Holly International Finance will have to take advantage of its license to steadily implement its QFII and RQFII business in order to seize the opportunity in the wave of capital market opening to the outside world.

Being fully committed to accelerating the establishment of “sci-Holly”. The Company will tightly grasp the opportunity of the booming development of financial technology, actively explore the upgrading direction of futures companies in the era of financial technology, and build a digital financial platform with Holly characteristics. The Company will deeply study of its long-accumulated data resources and customer resources, apply big data analysis and other means to build an automated operation and maintenance model to improve the level of financial technology. Empowered by technology, on the basis of gradually realizing online and automation, we will move forward to professionalism and intelligence.

Being fully committed to enhancing core competitiveness. The core competitiveness of futures companies is mainly reflected in the means and efficiency of their services, and research is an important link in transforming client needs into effective services. We should adhere to the market-oriented approach, strengthen the construction of business divisions, continue to refine our internal skills, and continuously improve the research strength of our researchers in the real world. We will strengthen the support of financial research institutes for client development and services, strengthen applied research, further transform research results into services for clients and products, and enhance the “realizability” of our R&D. Continue to strengthen the company’s research capabilities in the dominant industries, fully explore and integrate industry information, provide customers with more valuable investment research reports and strategies, and better play the role of futures escort for the spot.

Being fully committed to keeping the bottom line of safety. The Company will deeply implement the important instruction and requirements of General Secretary Xi Jinping on epidemic prevention and control, strictly implement various prevention and control measures of the holding group and the Company with everyone in his duty. The Company will conscientiously fulfill the main responsibility of safety production, achieve safety investment in place, safety training in place, basic management in place, emergency rescue in place, and continuously improve the safety production capacity of enterprises.

Being fully committed to strengthening the Party building. The Company will further strengthen the deep integration of party building and business, and persistently promote the development through the party building. The Company will continue to strengthen the political role, firmly undertake the main responsibility as the “nose of an ox”, seriously implement the “first issue” system, effectively enhance the “four consciousness”, insist on the “four self-confidence”, to achieve the “two maintenance”. The Company will revise and improve the “three major” decision-making system, to further clarify the boundaries of authority and responsibility between the governance bodies. According to the quality and effectiveness assessment of the Party Committee’s inspection and rectification, we are determined to solve the “pain point” and promote the implementation of the inspection and rectification. The Company will insist on “strengthening the foundation” and further consolidate the role of the Party branch in the Party construction work. The Company will continue to summarize the Party history, learning, education, and propaganda to deepen, to guide Party members and cadres from a century of party history to draw political determination, work wisdom and power to advance. The Company will combine the action of “sharing happiness and woe” and deepen the study and education of Party history, and carry out the practical activities of “I do practical things for the masses”, and solve a number of urgent, difficult, and worrisome problems of employees. The Company will continuously strengthen the Party wind and clean government construction and anti-corruption work, to create a good atmosphere of cleanliness and integrity.

Being fully committed to creating a “family” culture for employees. The Company will adhere to the original intention of development for the people, continue to promote the well-being of employees and fully protect their rights and interests. The Company will accelerate the station to Hexi Financial City, take into account the demands of employees, rationalize the layout and orderly carry out decoration design and other work. The Company will increase the caring for workers in difficulty and front-line workers, and further improve the sense of belonging of employees. The Company will support the construction of youth work and guide young employees to be active in the process of reform and development. The Company will give full play to the role of labor unions and youth leagues, establish staff reading rooms, party building studios and staff activity rooms, carry out a variety of cultural and sports activities, enhance corporate cohesion and centripetal force, and create a corporate cultural atmosphere of “unity, excellence, gratitude and happiness”.

XIII. Business overview

(a) Key financial ratios

	As of 31 December 2021	As of 31 December 2020
Net assets per Share attributable to shareholders of the Company (RMB/share)	1.85	1.82

The Group's net assets per Share attributable to shareholders of the Company as at 31 December 2021 increased 1.65% as compared to 31 December 2020.

Gearing ratio

	As of 31 December 2021	As of 31 December 2020
Gearing ratio (%) ^{Note}	22%	20%

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

Gearing ratio of the Group as at 31 December 2021 increased compared to 31 December 2020, which was mainly attributable to the addition of new long-term borrowings during the year and the increase in minority interests payable to investors due to the addition of new consolidated structured entities.

Weighted average return on net assets

	2021	2020
Weighted average return on net assets	4.84%	4.07%

Weighted average return on net assets of the Group in 2021 increased compared to 2020, which was mainly attributable to the increase in profit for the year.

(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 83 people were employed during the year, and the total number of employees was 659 as of 31 December 2021.

The Company attaches great importance to talents, further broaden the channel of attracting talents, improve the system of talent cultivation, optimize the employment mechanism, provide more favorable environment for excellent talents, and finally make the enterprise strong relying on talents. First, professional training of “nurturing talent”. The Company will adhere to the nurturing of the soul in the first place, the establishment of diversified talent training system, take education and training, study and research, talent exchange and other ways, and strive to improve the comprehensive quality and ability of the talent in each position. Insist on the combination of fixed-term training and rotation forging, and guide the business backbone to grow in the training. The Company has continuously improved the timeliness, relevance and effectiveness of training work, carried out more than 70 internal and external training sessions, and selected outstanding young people to participate in the holding group training courses for young and middle-aged cadres. The Company actively advocates the continuous strategic cooperation with Nanjing University, Hohai University, Nanjing Audit University and other outstanding universities, and vigorously implement the “quality improvement” project. Second, building the stage “with talents”. The Company will adhere to the principle of “appointment is the best training”, focus on increasing the training and selection of outstanding young cadres, and build a perfect training and selection chain of “selection, training, management and appointment” of young cadres. The Human Resources Department is guided to reasonably formulate assessment methods for business departments, measures to increase revenue and reduce expenditure, and rules for profit distribution to stimulate the enthusiasm of officers and entrepreneurs from the assessment. The Company and its subsidiaries implement the contractual management under tenure system. The Company has launched the reform of salary system to promote the common development of employees and enterprises. Third, we care for the employees and encourage them to be “talented”. The Company has given full play to the role of trade unions, the Communist Youth League and other organizations as a bridge and link, and will continue to promote the construction of “home of staff”. The Company has been promoting the entering of Nanjing Financial City, taking into account the demands of employees and providing them with a better working environment. The company has held popular activities such as spring walk, making rice dumplings in Dragon Boat Festival, wrapping and health walk around the lake. The Company has organized staff to watch patriotic movies such as “The Battle at Lake Changjin” and “My Country, My Parents”. The Company has participated in the “Singing for a New Era – Marching into a New Journey” singing competition and had fun with the staff.

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.

XIV. Event subsequent to the Reporting Period

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

Nil.

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 2021.

I. The principal business lines of the Company

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

II. Business overview

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

III. Major risks and uncertainties faced by the Company

As set out in Section VI “IX. Risk factors and uncertainties faced by the Company and its risk strategy”, “X. Constructing the risk management system of the Company” and “XI. 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 “XII. Prospects of the Company” and “XIV. Event subsequent to the Reporting Period” of Section VI of this Report.

V. Profit distribution and profit distribution plan

The Company has adopted a dividend policy, pursuant to which the Company may distribute dividends to the Shareholders of the Company by way of cash or shares. Any distribution of dividends shall be in accordance with the relevant requirements of the Articles of Associations and the distribution shall achieve continuity, stability and sustainability.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. The Board shall also take into account, inter alia, the Group’s earnings per share, the reasonable return on investment of the investors and the Shareholders in order to provide incentive to them to continue to support the Group in their long-term development, the financial conditions and business plan of the Group, and the market circumstances.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

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 the 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 2021, 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 2021, 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 2021)		
	Usable amount HKD'0,000	Used amount HKD'0,000	Balance HKD'0,000
Development of the future business in Hong Kong and throughout world	17,157	16,500	657
Development of the asset management business	13,404	13,404	–
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	2,681	–
General working capital	4,289	4,289	–
Total	53,615	46,710	6,905

* 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 2021, 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 2022.

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 2021, 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 2021, 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 2021, 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 2021, 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 2021, 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 2021 are set out in Note VI, 33 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 2021 are set out in Note VI, 38 to the financial statement of this annual report.

(7) Charity donation

During the Reporting Period, the Group made donations of approximately RMB36,700 in total, which were made by staff of the Company who participated in the one-day donation charity campaign.

(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 five largest customers was RMB5,454,500.73 (futures handling fee net income tax price inclusive), accounting for less than 30%.

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 2021 are set out in Note VI, 13 to the financial statement of this annual report.

(10) Social responsibilities

The Company focused on rural revitalization and served the development of agriculture, rural areas and farmers. The Company launched 17 “Insurance + Futures” projects in 24 districts and counties in 9 provinces, including Zhecheng in Henan, Yunyang in Chongqing, Jingzhou in Hunan and Fufeng in Shaanxi. The compensation amount nearly reached RMB9 million, benefiting 5,471 insured farmers. Since the launch of live hog futures in January 2021, the Company has launched 11 “Insurance + Futures” projects on live hog and live hog feed prices in 19 districts and counties in 6 provinces. The “Insurance + Futures” projects were implemented in Zhenjiang, Jiangsu and Yunyang, Chongqing. The payout rate was 91% and 134% respectively, providing solid income protection for local farmers. From November to December 2021, the Company launched the “Insurance + Futures” project for live pigs in Huaiyin, Lianshui and Xuyi counties of Huai’an and Peixian County of Xuzhou, and Vice Governor Ma Xin went to Huai’an in December to investigate the agricultural and rural work and especially learned about the local “Insurance + Futures” project. The natural rubber project implemented in Mengla County of Yunnan Province received financial support from the Shanghai Municipal Government in the amount of RMB1 million and won the third prize of Nanjing’s excellent financial innovation project. The Company solidly promoted the action of “connecting enterprises with villages to pursue the common prosperity” and carried out joint construction with Shaozhuang Village in Beichenji Town, Gounan County, Lianyungang. In the process of joint construction, the Company used tools such as “Insurance + Futures” and over-the-counter options to protect farmers’ income from grain cultivation, and lent funds of RMB165,000 to support the industrial development of the village. In due course, the model will be replicated from “one company for one village” to “one company for multiple villages”, so that the finance can empower the rural development. The Company also designated outstanding middle-level cadres to serve as the first secretary in the provincial village of Sihong County Wei Wei Village, to connect and serve the grassroots from the “last kilometer”.

Meanwhile, the Company also focuses on social responsibility and inherits corporate responsibility. Under the leadership of Jiangsu Securities Bureau, the Company insists on the purpose of maintaining the stability of futures market and financial order, and actively cooperates with the risk management of New Era Futures. It has arranged for settlement of designate business backbone to be permanently stationed at New Era Futures. By providing assistance, it has played a positive role in maintaining social stability, effectively protecting the legitimate rights and interests of investors, and preventing and resolving financial risks.

(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.

In 2021, the change from KPMG Huazhen LLP to ShineWing Certified Public Accountants, as the auditor of 2021 financial report of the Company, was considered and approved at the general meeting 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

The amendment to the Articles of Association was approved at the annual general meeting of the Company held on 14 May 2021. There is no any change to the accounting standards.

By order of the Board

Mr. Zhou Yong
Chairman

Nanjing, the PRC
29 March 2022

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

Nil.

(II) Material legal litigation concluded in 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 1. 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; 2. the Company shall bear joint and several liability for compensation; 3. 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. On 31 August 2021, the Company received a first instance ruling from the People's Court of Qixia District, Nanjing which ruled that the claims requested by the plaintiff on the Company shall not be supported. On 22 September 2021, the Company received two petitions for appeal from the Intermediate People's Court of Nanjing. On 10 December 2021, the plaintiff made an application to withdraw the lawsuit. On 20 December 2021, the Company received the ruling from the Intermediate People's Court of Nanjing which ruled that the client was allowed to withdraw the lawsuit, withdrawing the first instance ruling.
2. In July 2016, the Company found that an employee ("Mr. A") and his wife entered into personal borrowing contracts with three customers under which the Company was listed as the guarantor without being informed. 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 Jinghai District of Tianjin City (the "Jinghai 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 Jinghai Court. Subsequently, the plaintiff withdrew the lawsuit against Gandaji.

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 repayment of the loan and that the Company 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 repayment of the loan and that the Company 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. On 15 December 2020, after the two cases were jointly heard, the Company received the first instance civil judgment from the Jinghai Court, ruling 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 the judgment and 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%); the Company shall assume 50% of the debts which Mr. A and his wife cannot repay. On 28 December 2020, the Company submitted appeal application for the two cases to Jinghai Court. On 22 June 2021, the Company received the second instance civil judgment from the No. 2 Intermediate People's Court of Tianjin that the appeal was dismissed with the original judgment sustained.

On 30 June 2021, the Company paid compensation for the two cases totalling RMB4,701,890.00 to the plaintiff and has fulfilled the payment obligation determined by the judgment of the two cases. In July 2021, the court ruled to lift the freeze on the Company's accounts amounting to RMB6.7 million. In December 2021, the Company has filed an application for retrial with the Tianjin Higher People's Court, and the Court has currently accepted the Company's application for retrial.

3. 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 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. 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. The claims of the case are as follows: 1. Request to confirm that the plaintiff has ordinary claims against the defendant in RMB10,713,048.00 with interest (based on RMB10,713,048.00 and calculated at 1.5 times of the quoted interest rate of the loan market from 11 June 2020 to the date of actual payment). 2. Order the defendant to bear all the litigation costs, costs of preservation and other legal costs of the case. On 3 February 2021, the Jiangyin Municipal People's Court ruled to accept a bankruptcy and reorganization case of that company, and on the same day appointed a law firm as the administrator of that company. On 7 July 2021, Holly Capital Shanghai Branch received the first-instance civil judgment, confirming that Holly Capital Shanghai Branch has creditor's rights to that company of RMB10,713,048 together with interest. Holly Capital Shanghai Branch shall bear RMB1,078 for litigation costs and costs of preservation, and that company shall bear RMB90,000. Neither party has lodged an appeal and the first instance judgment was effective on 23 July 2021. On 14 July 2021, the administrator of that company made a review opinion on the claims of Holly Capital Shanghai Branch with principal amount of RMB10,713,048 and interest of RMB48,590.28 and the total claim amount was RMB10,761,638.28.

(III) Outstanding material legal litigations during the Reporting Period

1. 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 branches have set up any futures account.

The dissent of jurisdiction for the two cases was discussed on 21 November 2017 and 14 December 2017, respectively. On 15 January 2018, the Beijing Futures Branch received a civil ruling on dissent of jurisdiction and the two cases were transferred to the jurisdiction of the No. 2 Intermediate People's Court of Beijing ("Beijing No. 2 Intermediate People's Court"). On 6 November 2018, the Beijing Futures Branch received a first instance ruling from Beijing No. 2 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 cases were borne by two plaintiffs. On 26 December 2019, the Beijing Futures Branch received a second instance civil ruling from the Beijing Municipal Higher People's Court, withdrawing the first instance ruling. The two cases were sent to Beijing No. 2 Intermediate People's Court for retrial. On 14 April 2021, the Beijing Futures Branch received the first-instance civil judgment, stating that the Beijing Futures Branch shall compensate the two plaintiffs totalling RMB1,969,920 within ten days from the effective date of the judgment. On 28 April 2021, the Beijing Futures Branch submitted statements of appeal of the two cases to the court. On 11 October 2021, Beijing Higher People's Court held a hearing for the two cases and both cases are currently being referred back to second instance trial.

(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 XI 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) international trading; (iii) housing rental; and (iv) production, R&D and sales of mulberry 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 required for the implementation of such overseas projects; (ii) wholesale and operation of coal, wholesale of dangerous chemicals (specific projects to be operated pursuant to the requirements of relevant license); (iii) wholesale and retail of 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 2020 and the Group continued to provide similar transactions contemplated under the Original SOHO Financial Services Framework Agreement with SOHO Holdings, the Group entered into the New SOHO Financial Services Framework Agreement with SOHO Holdings on 22 April 2021 (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 2021 amounted to RMB2.6 million, with an actual amount of RMB0.0516 million in 2021.

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 2020 and the Group continued to lease the Property from Holly Corporation under the Existing Holly Property Lease Agreement, the Group entered into the New Holly Property Lease Agreement with Holly Corporation on 21 May 2021 (after trading hours of the Hong Kong Stock Exchange). The annual cap for 2021 amounted to RMB6.644 million, with an actual amount of RMB6.3266 million in 2021.

For further details, please refer to the Company's announcement dated 21 May 2021.

In addition, on 29 December 2021 (after trading hours of the Hong Kong Stock Exchange), the Group entered into another New Holly Property Lease Agreement with Holly Corporation for a term of one year from 1 January 2022 to 31 December 2022 (both dates inclusive) at a total annual rental of approximately RMB6.64 million. For further details, please refer to the Company's announcement dated 29 December 2021.

The following table set out the annual caps for continuing connected transactions of the Group in 2021 and the actual transaction amounts for connected transactions of the Group in 2021. For the twelve months ended 31 December 2021, the continuing connected transactions of the Group were aggregated as follows:

	2021	
	Actual Amount (RMB'000)	Annual Cap (RMB'000)
1 SOHO Financial Services Framework Agreement		
Income generated from the provision of services from the Group to SOHO Holdings and its subsidiaries	52	2,600
2 Holly Property Lease and Management Services Agreement		
Expenses incurred by leasing properties by the Group from Holly Corporation	6,327	6,644

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:

Pursuant to the Administrative Measures for the Appointment of Accounting Firms by State-owned Financial Enterprises (《國有金融企業選聘會計師事務所管理辦法》) (Cai [2020] No. 6) issued by the Ministry of Finance of the People's Republic of China, the term of consecutive engagement of the same accounting firm by a financial enterprise shall in principle not exceed five years and the consecutive engagement shall not exceed eight years. KPMG has been engaged by the Company to provide audit services in relation to domestic financial statements for approximately six consecutive years. In order to comply with above requirement, the Company has reached a mutual understanding with KPMG on the non-renewal of its appointment. As approved by the 2020 annual general meeting of the Company held on 14 May 2021, the Company appointed ShineWing Certified Public Accountants 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 2021 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 2021 was RMB1.30 million, including the fees for annual audit of H Share and annual statutory audit in the country in the amount of RMB1.30 million. In 2021, the Company paid RMB1.30 million for the audit services and no non-audit service fee was paid for 2021.

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*

On 28 June 2021, Mr. Wu Jiufeng was appointed to serve as director.

On 28 June 2021, Mr. Jia Guorong ceased to serve as a director.

On 30 September 2021, Ms. Chen Rongping and Ms. Chen Ling were appointed to serve as director.

3. *Holly International Asset Management*

Nil.

4. *Holly Capital*

On 14 April 2021, Mr. Sun Chaowang ceased to serve as legal representative, director and general manager.

On 16 September 2021, Mr. Zheng Peiguang ceased to serve as chairman and remained as a director.

On 16 September 2021, Mr. Wu Jiufeng was appointed to serve as legal representative, chairman and general manager.

(2) Annual profit distribution plan of the Company

The profit distribution plan for 2021 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 did not have any changes.

Changes in Share and Substantial Shareholders

I. Shareholding structure

The shareholding structure of the Company as of 31 December 2021 is as follows:

Name of shareholders	Class of shares	Number of shares	Approximate percentage of total number of issued Shares of the Company (%) ^①
SOHO Holdings	Domestic Shares	275,456,777	30.37%
Holly Corporation	Domestic Shares	147,900,000	16.31%
Holly Su Industrial	Domestic Shares	143,548,000	15.83%
High Hope International	Domestic Shares	63,930,134	7.05%
Shanghai Mingda	Domestic Shares	9,276,631	1.02%
Hongrui Venture Capital	Domestic Shares	8,903,113	0.98%
Holly Logistics	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%
Total		907,000,000	100%

Note: ① The calculation is based on a total of 907,000,000 issued Shares of the Company as at 31 December 2021.

II. Changes in Shares

The total number of shares of the Company was 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 2021, 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 ⁽¹⁾	Approximate percentage to relevant Share class ⁽²⁾
SOHO Holdings ⁽³⁾	Domestic Shares	Beneficial owner and interest in controlled corporation	431,642,122 (long position)	47.59%	65.67%
Holly Corporation	Domestic Shares	Beneficial owner	147,900,000 (long position)	16.31%	22.50%
Holly Su Industrial	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)) ⁽⁴⁾	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)) ⁽⁴⁾	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) ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Huang Jieping ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	143,548,000	15.83%	21.84%
High Hope International	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 2021.
- (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 2021.
- (3) On 31 December 2021, SOHO Holdings (i) directly held 275,456,777 Domestic Shares; (ii) was the beneficial owner of 21.81% equity interest in 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 (deemed to be interested in the 8,285,345 Domestic Shares directly held by Holly Logistics). As disclosed in the 2021 interim report of Holly Corporation, according to relevant Chinese laws, SOHO Holdings is deemed to be the controlling shareholder of Holly Corporation. Accordingly, SOHO Holdings is deemed to be interested in the 147,900,000 Domestic Shares of the Company directly held by Holly Corporation and 8,285,345 Domestic Shares of the Company directly held by Artall Culture Group, and hence directly and indirectly interested in 431,642,122 Domestic Shares.
- (4) According to the current information available to the Company, on 31 December 2021, (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 Holly Su Industrial.; (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 2021, 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, international trading, rental housing, and manufacturing, R&D and sales of mulberry 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	55	Male	Chairman and Executive Director	15 January 2001	May 1998		N/A	
Zhou Jianju	52	Female	Executive Director and general manager	9 June 2015	March 1999	73.64	N/A	
Xue Binghai	51	Male	Non-executive Director	30 June 2012	June 2012		N/A	
Jiang Lin	56	Male	Non-executive Director	15 November 2019	November 2019		N/A	
Shan Bing	54	Male	Non-executive Director	26 May 2017	May 2017		N/A	
Wang Yuetang	59	Male	Independent non-executive Director	15 November 2018	November 2018	12.03	N/A	
Huang Dechun	56	Male	Independent non-executive Director	15 November 2019	November 2019	12.03	N/A	
Lo Wah Wai	58	Male	Independent non-executive Director	23 December 2021	23 December 2021		N/A	Appointed on 23 December 2021
Lam Kai Yeung	52	Male	Independent non-executive Director	9 June 2015	June 2015	12.05	N/A	Resigned on 23 December 2021

(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	46	Female	Chairlady of the Supervisory Committee	13 June 2019	July 2016	68.99	N/A	
Chen Liang	40	Male	Supervisor	23 December 2021	23 December 2021		N/A	Appointed on 23 December 2021
Yao Aili	37	Female	Supervisor	13 June 2019	June 2010	27.02	N/A	
Wang Jianying	55	Female	Supervisor	25 December 2014	December 2014		N/A	Resigned on 23 December 2021

(3) Senior management

Name	Age	Gender	Position(s)	Date of appointment	Relationship with other Directors, Supervisors or members of senior management	Remarks
Zhou Jianqiu	52	Female	Executive Director and general manager	General manager since May 2015	N/A	
Zhao Dong	52	Male	Deputy general manager	Deputy general manager since March 2014	N/A	
Chu Kairong	47	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		
			Board secretary and joint company secretary	Board secretary and joint company secretary since December 2020		
Wu Jiufeng	39	Male	Deputy general manager	Deputy general manager since October 2020		
Chen Rongping	52	Female	Supervisor of finance	Supervisor of finance since June 2019	N/A	
Qiu Xiangjun	41	Male	Chief Risk Officer	Chief Risk Officer since August 2017	N/A	

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 Holdings Zking Property and Casualty Insurance Company Limited (紫金財產保險股份有限公司)	Chairman Director (Resigned in February 2021)
Zhou Jianqiu	Executive Director and general manager	Holly Capital	Director
Xue Binghai	Non-executive Director	Holly International Financial SOHO Holdings 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) Jiangsu SOHO Jisheng Investment Management Co., Ltd. (江蘇蘇豪基盛投資管理有限公司)	Director Assistant to CEO Chairman Chairman Chairman, general manager Director Chairman
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)	Non-executive director
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) Zhuhai Huafa Industrial Co., Ltd. (珠海華發實業股份有限公司)	External director External director Independent director Independent director
Huang Dechun	Independent non-executive Director	Yongan Futures Co., Ltd. Suzhou Sushi Test Group Co., Ltd. (蘇州蘇試試驗集團股份有限公司) Shanghai Xumao Information Technology Co., Ltd. (上海煦茂信息技術有限公司) World Shuigu (Nanjing) Academy Culture Co., Ltd. (世界水谷(南京)書院文化有限公司)	Independent non-executive director Independent director Supervisor Supervisor
Lo Wah Wai	Independent non-executive Director	BMI Consultants Limited (邦盟匯駿顧問有限公司) Shandong Xinhua Pharmaceutical Company Limited (山東新華製藥股份有限公司) Chongqing Machinery & Electric Co., Ltd. (重慶機電股份有限公司) Tenfu (Cayman) Holdings Company Limited (天福(開曼)控股有限公司)	Chairman and executive director Independent non-executive director Independent director Independent director

Name	Position(s) at the Company	Employment in other companies	Position(s) at other companies
Lam Kai Yeung ^(Note)	Independent non-executive Director	Sunway International Holdings Limited (新威國際控股有限公司) Highlight China IoT International Limited (高銳中國物聯網國際有限公司) Kong Shum Union Property Management (Holding) Limited (港深聯合物業管理(控股)有限公司) Kin Shing Holdings Limited (建成控股有限公司) Finsoft Financial Investment Holdings Limited (匯財金融投資控股有限公司)	Independent non-executive director Executive director and CEO and company secretary Independent non-executive director Independent non-executive director Independent non-executive director

Note: Mr. Lam Kai Yeung retired as a director on 23 December 2021.

(2) Supervisors

Name	Position(s) at the Company	Employment in other companies	Position(s) at other companies
Yu Hong	Chairlady of the Supervisory Committee and shareholder representative supervisor	Holly Capital SOHO Holdings	Supervisor Deputy director of the inspection office of the Party committee
Chen Liang	Shareholder representative supervisor	Lian Life Insurance Co., Ltd. (利安人壽保險股份有限公司) Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司)	Supervisor Deputy manager of the investment department
Yao Aili	Staff representative supervisor	–	–
Wang Jianying ^(Note)	Shareholder representative supervisor	Dongjiang Environmental Co., Ltd. (東江環保股份有限公司) Zhongrong Xinjia Investment Guaranty Co., Ltd. (中融信佳投資擔保有限公司)	Vice president and chief financial officer –

Note: Ms. Wang Jianying retired as a shareholder representative supervisor on 23 December 2021.

(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	Holly Capital Holly International Financial	Chairman and general manager Director
Chen Rongping	Supervisor of finance	Hong Rui New Era Hong Rui Growth Holly International Financial	Director Director Director
Qiu Xiangjun	Chief Risk Officer	Holly Capital	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 55, 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 served as the director and president of SOHO Holdings from May 2013 to June 2021, and served as president and chairman of SOHO Holding from June 2021 to September 2021. He has been the chairman of SOHO Holding since September 2021.

Ms. Zhou Jianqiu (周劍秋), with Chinese nationality, without permanent residency abroad, was born in August 1969, aged 52, 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.

Non-executive Directors

Mr. Xue Binghai (薛炳海), with Chinese nationality, without permanent residency abroad, was born in September 1970, aged 51, 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. from January 2008 to March 2013. 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 chairman 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 56, 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. He has been serving as secretary of the board of Holly Corporation since October 2021.

Mr. Shan Bing (單兵), with Chinese nationality, without permanent residency abroad, was born in December 1967, aged 54, 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.

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. 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 served as the tutor of 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 tutor 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.

Mr. Lo Wah Wai (盧華威), with Chinese (Hong Kong) nationality and permanent residency in the United Kingdom, was born in September 1963, aged 58, and holds a master's degree. Mr. Lo Wah Wai graduated with a bachelor's degree in business administration from The Chinese University of Hong Kong in 1986 and a master's degree in management science from New Jersey Institute of Technology in the United States in 1992. Mr. Lo is a practicing member of the Hong Kong Institute of Certified Public Accountants and is a member of the American Institute of Certified Public Accountants. Mr. Lo has more than 20 years' service experience in auditing and business consulting services.

Mr. Lam Kai Yeung (林繼陽), with Chinese nationality and permanent residency in Hong Kong, was born in July 1969, aged 52, 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. Lam Kai Yeung has resigned on 23 December 2021.

(2) Supervisors

Ms. Yu Hong (虞虹), with Chinese nationality, without permanent residency abroad, was born in August 1975, aged 46, 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). From July 2016 up to now, she worked in Holly Futures Co., Ltd., and used to serve as the secretary of the Board, the deputy secretary of the Party committee and the secretary of the Disciplinary Committee successively. She has been worked in SOHO Holdings and served as deputy director of the inspection office of the Party committee since December 2021.

Mr. Chen Liang (陳亮), with Chinese nationality, without permanent residency abroad, was born in March 1981, aged 40, and holds a master's degree.

Chen Liang worked at Jiangsu High-Tech Investment Group (江蘇省高科技投資集團) as an investment manager from August 2008 to February 2013; worked at Shanghai Fosun Kailei Equity Fund (上海復星凱雷股權投資基金) as a vice president from March 2013 to May 2015; worked at CEB International Asset Management (China) Co., Ltd. from July 2018 to October 2019 as an investment director; and worked at Jiangsu High Hope International Group Corporation as the deputy general manager of the investment department since November 2019.

Ms. Yao Aili (姚愛麗), with Chinese nationality, without permanent residency abroad, was born in October 1984, aged 37, and has a postgraduate degree and a master's degree.

Ms. Yao Aili served as the member of the Administrative and Human Resource Department and supervisor of Jiangsu Holly Futures Brokerage Company Limited from June 2010 to April 2014. Since May 2014, she has worked in Holly Futures Co., Ltd. and has successively served as the assistant to office general manager, deputy office director (presided over work), office director and party office director (department general manager level).

Ms. Wang Jianying (王健英), with Chinese nationality, without permanent residency abroad, was born in October 1966, aged 55, 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 Skyrun 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. Wang Jianying has resigned on 23 December 2021.

(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 52, 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. Since March 2014, he has been the deputy general manager of the Company.

Mr. Chu Kairong (儲開榮), with Chinese nationality, without permanent residency abroad, was born in July 1974, aged 47, 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 master's degree and a postgraduate 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. He has been serving as Secretary of the Board of Holly Futures Co., Ltd. since December 2020.

Mr. Wu Jiufeng (吳久鋒), with Chinese nationality, without permanent residency abroad, was born in February 1982, aged 39, and holds a undergraduate 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 and a senior accountant.

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.

Mr. Qiu Xiangjun (邱相駿), with Chinese nationality, without permanent residency abroad, was born in May 1980, aged 41, 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.

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

(1) Changes of Directors

On 23 December 2021, Mr. Lam Kai Yeung resigned as independent non-executive Director of the Company due to the expiry of his term; at the same date, Mr. Lo Wah Wai was appointed as an independent non-executive Director of the Company.

(2) Changes of Supervisors

On 23 December 2021, Ms. Wang Jianying resigned as shareholder representative supervisor of the Company due to personal work reasons; on the same date, Mr. Chen Liang was appointed as a shareholder representative supervisor of the Company.

(3) Changes of senior management

Nil.

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 2021, the total remunerations of Directors, Supervisors and senior management of the Company amounted to RMB5,835.10 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 2021, the remuneration of the Directors and Supervisors fell within the following bands:

Bands (RMB)	Number of Directors, Supervisors
0-500,000	4
500,001-1,000,000	2

For the year ended 31 December 2021, the remuneration of senior management of the Company fell within the following bands:

Bands (RMB)	Number of senior management
0-500,000	3
500,001-1,000,000	4
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 586 full-time and part-time employees while its subsidiaries have a total of 73 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	128	19.42%	
	Undergraduate	438	66.46%	
	Diploma and below	89	13.51%	
Position	Futures brokerage	367	55.69%	
	Asset management	26	3.95%	
	Commodity trading and risk management	48	7.28%	
	Stock option business	3	0.46%	
	Overseas business	33	5.01%	
	Research	25	3.79%	
	Audit and legal department and risk management	15	2.28%	
	IT	31	4.70%	
	Accounting and Finance	45	6.83%	
	Administration	66	10.02%	
Age	35 and below	397	60.24%	
	36 to 40	150	22.76%	
	41 to 50	90	13.66%	
	51 and above	22	3.34%	

(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 2021, the total remuneration of employees, including remuneration of Directors, amounted to approximately RMB167 million. Details of which are set out in Note VI, 25 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 XV.(II) to the financial statement of this Report. The aggregate of the emoluments are as follows:

(Unit: RMB'000)

	2021	2020
Salaries, allowances and benefits	1,742.42	1,192.21
Discretionary bonuses	5,384.58	3,639.91
Pension scheme contributions	191.62	13.26
Total	7,318.63	4,845.38

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

	2021 Number of Individuals	2020 Number of individuals
HKD0 to HKD1,000,000	0	3
HKD1,000,001 to HKD1,500,000	0	1
HKD1,500,001 to HKD2,000,000	5	1
HKD2,000,001 to HKD2,500,000	0	0
Total	5	5

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. With effect from 1 January 2022, Appendix 14 of the Listing Rules has been renamed and its structure has been renumbered.

II. Linkage between corporate governance and environment, social and governance

Corporate governance can be considered as the framework within which the Board forms their decisions and build their business. The entire Board should be focusing on creating long-term sustainable growth for Shareholders and delivering long-term values to all stakeholders. An effective corporate governance structure allows the Company to have a better understanding of, evaluate and manage, risks and opportunities (including environmental and social risks and opportunities). The Board is responsible for setting strategic objectives for risk management, implementing risk management values, evaluating and approving risk management policies, ensuring effective implementation of the risk management system and providing feedback on the effectiveness of the risk management system. For the principal risks faced by the Group's business, please refer to "IX. Risk factors and uncertainties faced by the Company and its risk strategy" set out in Section VI "Management Discussion and Analysis" of this Report. For details of environmental, social and governance matters for the year ended 31 December 2021, please refer to the separate ESG Report of the Company.

III. 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 2021, the Company convened a total of 3 general meetings, 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 3 general meetings in total, information and resolutions of which are set out as follows:

On 28 January 2021, the Company held the first extraordinary general meeting of 2021, at which considered and approved the following resolution: the resolution on the purchase of offices of Zijin Financial Centre.

On 14 May 2021, the Company held the 2020 annual general meeting, at which considered and approved the following resolutions: the resolution on the initial public offering and the listing of A Shares of the Company; the resolution on the authorization to the Board at general meeting of the Company to deal with at its full discretion matters relating to the initial public offering and the listing of A Shares of the Company; the resolution on feasibility analysis report on the investment projects using the proceeds from the initial public offering of A Shares of the Company; the resolution on impacts and remedial measures on dilution of immediate return from A Shares offering of the Company; the resolution on price stabilising plan for the A Shares within three years after the A Share Offering of the Company; the resolution on dividend return plan for three years after the initial public offering and listing of A Shares of the Company; the resolution on public undertakings in the A Share offering documents of the Company; the resolution on formulating related party transaction management system of the Company with effect upon the offering and listing of the A shares; the resolution on formulating the system concerning the independent Directors of the Company with effect upon the offering and listing of the A shares; the resolution on formulating the administration system of raised funds of the Company with effect upon the offering and listing of the A shares; the resolution on the vesting of accumulated undistributed profits or accumulated uncovered losses prior to the initial public offering of shares of Holly Futures Co., Ltd.; the resolution on proposed amendments to existing Articles of Association of the Company; the resolution on formulating the applicable Articles of Association after the listing of A Shares of the Company; the resolution on formulating the rules of procedures of the general meetings after the listing of A Shares of the Company; the resolution on formulating the rules of procedures of the Board after the listing of A Shares of the Company; the resolution on formulating the rules of procedures of the supervisory committee after the listing of A Shares of the Company; the resolution on proposed amendments to existing rules of procedures of the general meetings of the Company; the resolution on proposed amendments to existing rules of procedures of the Board of the Company; the resolution on the 2020 Annual Report of the Company; the resolution on the final financial report of the Company for the year ended 31 December 2020; the resolution on the report of the board of directors of the Company for the year ended 31 December 2020; the resolution on the report of the board of supervisors of the Company for the year ended 31 December 2020; the resolution on the profit distribution plan and the declaration of final dividend of the Company for the year ended 31 December 2020; the resolution on the report on the use of funds previous raised by the Company; the resolution on the appointment of ShineWing Certified Public Accountants as the auditor of the Company 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 for the year ended 31 December 2020.

On 23 December 2021, the Company held the second extraordinary general meeting of 2021, at which considered and approved the following resolutions: the resolution on election of the directors of the fourth session of the board of directors of the Company; and the resolution on election of the members of the fourth session of the supervisory committee of the Company.

IV. 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. Huang Dechun and Mr. Lo Wah Wai). 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. For the year ended 31 December 2021, 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. The Company further confirmed the independent non-executive Directors' respective independence from the Company.

None of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship(s)) between each other.

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 meetings

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

On 3 February 2021, the Company held the 21st meeting of the third session of the Board, at which considered and approved the following resolutions: the resolution on the application of Holly Capital Management Co., Ltd. to borrow from Jiangsu SOHO Holdings Group Co., Ltd.; the resolution on the establishment of the Administration and Management Department of the Company; the resolution on the establishment of the Safety Management Department of the Company; and the resolution on the retirement of assets of Yixing Branch.

On 26 March 2021, the Company held the 22nd meeting of the third session of the Board, at which considered and approved the following resolutions: the resolution on the initial public offering and the listing of A Shares of the Company; the resolution on the authorization to the Board at general meeting of the Company to deal with at its full discretion matters relating to the initial public offering and the listing of A Shares of the Company; the resolution on feasibility analysis report on the investment projects using the proceeds from the initial public offering of A Shares of the Company; the resolution on impacts and remedial measures on dilution of immediate return from A Shares offering of the Company; the resolution on price stabilising plan for the A Shares within three years after the A Share Offering of the Company; the resolution on dividend return plan for three years after the initial public offering and listing of A Shares of the Company; the resolution on public undertakings in the A Share offering documents of the Company; the resolution on formulating related party transaction management system of the Company; the resolution on formulating the system concerning the independent Directors of the Company; the resolution on formulating the administration system of raised funds of the Company; the resolution on the vesting of accumulated undistributed profits or accumulated uncovered losses prior to the initial public offering of shares of Holly Futures Co., Ltd.; the resolution on amendments to existing Articles of Association and its annexes of the Company; the resolution on formulating the applicable Articles of Association and its annexes

after the listing of A Shares of the Company; the resolution on the announcement of audited annual results for the year ended 31 December 2020 and 2020 Annual Report (Draft) of the Company; the resolution on 2020 Directors' Report of Holly Futures Co., Ltd.; the resolution on 2020 final financial report of Holly Futures Co., Ltd.; the resolution on 2020 profit distribution plan of the Company; the resolution on net capital and other risk regulatory indicators report of the Company for 2020; the resolution on the report on the use of funds previous raised by the Company; the resolution on the 2020 Internal Review Reporting and the 2021 Internal Review Plan of Holly Futures; the resolution on considering the change of the name of the Company's principal place of business in Hong Kong; the resolution on the appointment of certified public accountants of the Company for 2021 and its remuneration; the resolution on amendments to the financial management system of Holly Futures; 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 remuneration of directors, supervisors and senior management of the Company for 2020; the resolution on the implementation plan of the contracted reform for managers under tenure system of Holly Futures Co., Ltd.; the resolution on convening 2020 annual general meeting, 2021 first domestic shareholders' class meeting and 2021 first H shareholders' class meeting.

On 21 May 2021, the Company held the 23rd meeting of the third session of the Board, at which considered and approved the following resolutions: the resolution on the connected transaction of property lease between the Company and Jiangsu Holly Corporation Co., Ltd; the resolution on the capital increase for Holly Capital; 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 2018, 2019 and 2020; and the resolution on considering and confirming connected transactions of the Company during the reporting period.

On 30 June 2021, the Company held the 24th meeting of the third session of the Board, at which considered and approved the following resolution: the resolution on the review of 2020 ESG report of Holly Futures Co., Ltd.

On 26 August 2021, the Company held the 25th 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 consolidated interim results (draft) and the interim report (draft) of the Company for the six months ended 30 June 2021; the resolution on considering and paying the interim dividend for the six month ended 30 June 2021; the resolution on net capital and other risk regulatory indicators report of the Company for the first half of 2021; the resolution on renting out the 22nd floor and lease the 31st-33rd floors of the office building of Financial City; the resolution on amendments to the implementation measures for holding responsible for illegal operation and investment of Holly Futures Co., Ltd.; the resolution on the formulation of audit and correction assessment measures (trial) of Holly Futures Co., Ltd. and the resolution on the Internal Review Reporting for the first half of 2021 and the Internal Review Plan for the second half of Holly Futures.

On 15 September 2021, the Company held the 26th meeting of the third session of the Board, at which considered and approved the following resolutions: the resolution on the Company's Draft A-Share IPO Reporting Accountant's Report under the PRC Accounting Standards as of 31 December 2018, 2019 and 2020 and 30 June 2021; the resolution on the report on the use of funds previous raised by the Company; the resolution on considering and confirming connected transactions of the Company during the reporting period; the resolution on determining the annual salary distribution coefficient of the deputy directors of the Holly Futures's leadership team in 2020 (including deputy secretary of the Party Committee, secretary of the Disciplinary Committee, and

chief financial officer); the resolution on the establishment of a list of the Board's authorizations to managers of the Company.

On 15 November 2021, the Company held the 27th meeting of the third session of the Board, at which considered and approved the following resolutions: the resolution on the convening of the 2021 second extraordinary general meeting; and the resolution on the application of Holly Capital Management Co., Ltd. to borrow from Jiangsu SOHO Holdings Group Co., Ltd.

On 1 December 2021, the Company held the 28th meeting of the third session of the Board, at which considered and approved the following resolution: the resolution on election of the directors of the fourth session of the board of directors of the Company.

On 23 December 2021, the Company convened the 1st meeting of the fourth session of the Board, at which considered and approved the following resolutions: the resolution on election of the Chairman of the fourth session of the board of directors of the Company; the resolution on composition of members of each special committee of the fourth session of the Board of the Company; the resolution on considering the self-assessment report on money laundering and terrorist financing risks of the Company; and the resolution on the connected transaction of property lease between Holly Futures Co., Ltd. and Jiangsu Holly Corporation Co., Ltd.

(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	9	0	0	50	50	Abstain from voting on resolutions regarding transactions with related parties
Zhou Jianqiu	9	9	0	0	57	57	
Xue Binghai	9	9	0	0	50	50	Abstain from voting on resolutions regarding transactions with related parties
Jiang Lin	9	9	0	0	50	50	Abstain from voting on resolutions regarding transactions with related parties
Shan Bing	9	9	0	0	57	57	
Wang Yuetang	9	9	0	0	57	57	
Lam Kai Yeung	8	8	0	0	52	52	Resigned on 23 December 2021
Huang Dechun	9	9	0	0	57	57	
Lo Wah Wai	1	1	0	0	5	5	Appointed on 23 December 2021

* 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	3	2	1	
Zhou Jianqiu	3	3	0	
Xue Binghai	3	3	0	
Jiang Lin	3	3	0	
Shan Bing	3	3	0	
Wang Yuetang	3	3	0	
Lam Kai Yeung	3	3	0	Resigned on 23 December 2021
Huang Dechun	3	3	0	
Lo Wah Wai	0	0	0	Appointed on 23 December 2021

(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 (which has been renumbered as code provision C.1.4 with effect from 1 January 2022) 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 2021, 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, and learned about recent law enforcement cases, updates to Listing Rules and other materials.

V. 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)
Audit Committee	Lo Wah Wai (chairman) Xue Binghai Huang Dechun	Lo Wah Wai (chairman) Xue Binghai Huang Dechun
Remuneration Committee	Huang Dechun (chairman) Wang Yuetang Shan Bing	Huang Dechun (chairman) Wang Yuetang Shan Bing
Nomination Committee	Zhou Yong (chairman) Wang Yuetang Huang Dechun	Zhou Yong (chairman) Wang Yuetang Huang Dechun
Risk Management Committee	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 (which has been renumbered as code provision D.3.3 with effect from 1 January 2022) and code provision C.3.7 (which has been renumbered as code provision D.3.7 with effect from 1 January 2022) 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 2021, the Audit Committee comprises three members, including two independent non-executive Directors, namely Mr. Lo Wah Wai (chairman) and Mr. Huang Dechun, as well as a non-executive Director Mr. Xue Binghai.

The Audit Committee held four meetings during the Reporting Period. For the year ended 31 December 2021, 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 (which has been renumbered as code provision E.1.2 with effect from 1 January 2022) 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 2021, 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 XV, (II) 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 (which has been renumbered as code provision B.3.1 with effect from 1 January 2022) 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 2021, 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 one meeting 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 2021, the Company proposed Mr. Lo Wah Wai to serve as independent non-executive Director of the Company, 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 2021, 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 26 March 2021, the Remuneration Committee considered and approved the resolution on 2020 Remuneration for Directors, Supervisors and Senior Management, and on that day, relevant members and chairman of the committee all participated in the meeting.

On 15 September 2021, 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 2020, and on that day, relevant members and chairman of the committee all participated in the meeting.

On 15 November 2021, the Remuneration Committee considered and approved the resolution on the determining of the remuneration of independent non-executive directors of the fourth session of the Board, and on that day, relevant members and chairman of the committee all participated in the meeting.

On 15 November 2021, the Nomination Committee considered and approved the resolution on change of independent director, and on that day, relevant members and chairman of the committee all participated in the meeting.

On 25 March 2021, the Audit Committee considered and approved the resolution on the announcement of audited annual results for the year ended 31 December 2020 and 2020 Annual Report (Draft) of the Company; the resolution on 2020 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 appointment of certified public accountants of the Company for 2021 and its remuneration, and on that day, relevant members and chairman of the committee all participated in the meeting.

On 21 May 2021, the Audit Committee considered and approved 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 2018, 2019 and 2020, and on that day, relevant members and chairman of the committee all participated in the meeting.

On 26 August 2021, the Audit Committee considered and approved the resolution on considering and approving the announcement of unaudited consolidated interim results (draft) and the interim report (draft) of the Company for the six months ended 30 June 2021, the resolution on the Internal Review Reporting for the first half of 2021 and the Internal Review Plan for the second half of Holly Futures, and the resolution on the formulation of audit and correction assessment measures (trial) of Holly Futures Co., Ltd., and on that day, relevant members and chairman of the committee all participated in the meeting.

On 15 September 2021, the Audit Committee considered and approved the resolution on the Company's Draft A-Share IPO Reporting Accountant's Report under the PRC Accounting Standards as of 31 December 2018, 2019 and 2020 and 30 June 2021, and the resolution on the report on the use of funds previous raised by the Company, and on that day, relevant members and chairman of the committee all participated in the meeting.

On 26 March 2021, the Risk Management Committee considered and approved the resolution on net capital and other risk regulatory indicators report of the Company for 2020, and on that day, relevant members and chairman of the committee all participated in the meeting.

On 25 August 2021, 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 2021, and on that day, relevant members and chairman of the committee all participated in the meeting.

VI. 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.

VII. 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.

VIII. 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 six meetings during the Reporting Period, which are summarized as follows:

On 26 March 2021, the Company convened the tenth meeting of the third session of the Supervisory Committee, at which considered and approved the following resolutions: the resolution on the initial public offering and the listing of A Shares of the Company; the resolution on the authorization to the Board at general meeting of the Company to deal with at its full discretion matters relating to the initial public offering and the listing of A Shares of the Company; the resolution on feasibility analysis report on the investment projects using the proceeds from the initial public offering of A Shares of the Company; the resolution on impacts and remedial measures on dilution of immediate return from A Shares offering of the Company; the resolution on price stabilising plan for the A Shares within three years after the A Share Offering of the Company; the resolution on dividend return plan for three years after the initial public offering and listing of A Shares of the Company; the resolution on the report on the use of funds previous raised by Holly Futures Co., Ltd.; the resolution on public undertakings in the A Share offering documents of the Company; the resolution on the distribution of accumulated undistributed profits and its plan prior to the initial public offering of shares of the Company; the resolution on amendments to existing Articles of Association and its annexes of the Company; the resolution on formulating the applicable Articles of Association and its annexes after the listing of A Shares of the Company; the resolution on the 2020 Annual Working Report of the Supervisory Committee of Holly Futures Co., Ltd.; the resolution on the announcement of audited annual results for the year ended 31 December 2020 and 2020 Annual Report (Draft) of the Company; the resolution on 2020 profit distribution plan of the Company; and the resolution on 2020 final financial report of Holly Futures Co., Ltd.

On 21 May 2021, the Company convened the eleventh meeting of the third session of the Supervisory Committee, at which considered and approved the following resolution: the resolution on considering and confirming connected transactions of the Company during the reporting period.

On 26 August 2021, the Company convened the twelfth 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 2021 prepared under the Hong Kong Accounting Standards; and the resolution on considering and paying the interim dividend for the six month ended 30 June 2021.

On 15 September 2021, the Company convened the thirteenth meeting of the third session of the Supervisory Committee, at which considered and approved the following resolutions: the resolution on the Company's Draft A-Share IPO reporting accountant's report under the PRC Accounting Standards as of 31 December 2018, 2019 and 2020 and 30 June 2021; the resolution on the report on the use of funds previous raised by the Company and the resolution on considering and confirming connected transactions of the Company during the reporting period.

On 1 December 2021, the Company convened the fourteenth meeting of the third session of the Supervisory Committee, at which considered and approved the following resolution: the resolution on election of the members of the fourth session of the supervisory committee of the Company.

On 23 December 2021, the Company convened the first meeting of the fourth session of the Supervisory Committee, at which considered and approved the following resolution: the resolution on election of the chairman of the fourth session of the supervisory committee of the Company.

Name	Number of meeting to be attended	Number of meeting attended	Remarks
Yu Hong	6	6	
Wang Jianying	5	5	Resigned on 23 December 2021
Yao Aili	6	6	
Chen Liang	1	1	Appointed on 23 December 2021

IX. 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 2021, the Company appointed ShineWing Certified Public Accountants as its external audit firm for 2021 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 2021.

(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, a former 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. With effect from 21 February 2022, Ms. Leung Wing Han Sharon resigned and Ms. Chan Yin Wah was appointed as the joint company secretary. The Company's main contact person is Mr. Huang Haiqing, the Board secretary and another joint company secretary of the Company. For the year ended 31 December 2021, 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 an annual general meeting in accordance with the Articles of Association, a written notice shall be given at least 20 business days prior to the date of the meeting; where the Company convenes an extraordinary general meeting, Shareholders shall be notified by way of announcement not less than 10 business days or 15 days (whichever is longer) prior to the date of the meeting. All the Shareholders in the Shareholders' register will be notified with 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 within the period specified in the notice of meeting.

The Board of the Company maintains continuous communication with Shareholders and information is communicated to Shareholders through the Company's financial reports, annual general meetings and other extraordinary general meetings, and disclosures filed with the Hong Kong Stock Exchange. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings.

The Company has a dedicated Investor Relations section on the Company's website at www.ftol.com.cn which is updated regularly. Information released by the Company to the Hong Kong Stock Exchange will also be posted on the Company's website. All press releases, results announcements and other information relating to the Company are available on the Company's website.

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 within two days after receipt of a proposal, and announce the contents of provisional proposals.

Proposals that are not listed in the notice of the general meeting or that are not in conformity with the provisions of the Articles of Association shall not be voted or passed at the general meeting.

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% or more of the Shares carrying voting rights may request the Board to convene an extraordinary general meeting or class meeting by signing one or more counterpart written request(s) 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 consider 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, the listing rules of the place where the Company's shares are listed 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 more than one half of the directors 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.cn 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 (which has been renumbered as paragraph J of the mandatory disclosure requirements with effect from 1 January 2022) 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. One of them is female and 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) Gender diversity

In the course of introducing and cultivating staff, the Company adheres to the principle of equal employment, fair promotion to resist discrimination, harassment and defamation due to age, sex, marital status, disability, family status, race, skin colour, descent, nationality, ethnicity, or religion. As of 31 December 2021, the total number of employees of the Company was 659, of which 305 or 46% were female employees. The proportion of female among the Company's Directors, Supervisors and senior management is shown in the table below. A separate ESG Report provides details of the Company's gender diversity principles, governance approach and initiatives.

Table 2 Proportion of female among Directors, Supervisors and senior management

	Director	Supervisor	Senior management
Proportion of female	12.5%	66.7%	28.6%

(11) Articles of Association

On 14 May 2021, the amendment to the Articles of Association was considered and approved at the annual general meeting of the Company.

(12) Risk management and 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 “X. 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 2021 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 personnel when establishing new 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 2021, 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 2021, 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 2021. It engaged ShineWing Certified Public Accountants 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 2021, 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 2021, 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 five meetings and the fourth session of the Supervisory Committee convened a total of one meeting for 2021, specifically:

Date	Session	Attendance	Agenda
26 March 2021	The tenth meeting of the third session of the Supervisory Committee	Yu Hong, Wang Jianying, Yao Aili	<ol style="list-style-type: none"> 1. The resolution on the initial public offering and the listing of A Shares of the Company 2. The resolution on the authorization to the Board at general meeting of the Company to deal with at its full discretion matters relating to the initial public offering and the listing of A Shares of the Company 3. The resolution on feasibility analysis report on the investment projects using the proceeds from the initial public offering of A Shares of the Company 4. The resolution on impacts and remedial measures on dilution of immediate return from A Shares offering of the Company 5. The resolution on price stabilising plan for the A Shares within three years after the A Share Offering of the Company 6. The resolution on dividend return plan for three years after the initial public offering and listing of A Shares of the Company 7. The resolution on the report on the use of funds previous raised by Holly Futures Co., Ltd. 8. The resolution on public undertakings in the A Share offering documents of the Company 9. The resolution on the distribution of accumulated undistributed profits and its plan prior to the initial public offering of shares of the Company 10. The resolution on amendments to existing Articles of Association and its annexes of the Company 11. The resolution on formulating the applicable Articles of Association and its annexes after the listing of A Shares of the Company

Date	Session	Attendance	Agenda
			12. The resolution on the 2020 Annual Working Report of the Supervisory Committee of Holly Futures Co., Ltd.
			13. The resolution on the announcement of audited annual results for the year ended 31 December 2020 and 2020 Annual Report (Draft) of the Company
			14. The resolution on 2020 profit distribution plan of the Company
			15. The resolution on 2020 final financial report of Holly Futures Co., Ltd.
21 May 2021	The eleventh meeting of the third session of the Supervisory Committee	Yu Hong, Wang Jianying, Yao Aili	1. The resolution on considering and confirming connected transactions of the Company during the reporting period
26 August 2021	The twelfth meeting of the 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 2021 prepared under the Hong Kong Accounting Standards
			2. The resolution on considering and paying the interim dividend for the six month ended 30 June 2021
15 September 2021	The thirteenth meeting of the third session of the Supervisory Committee	Yu Hong, Wang Jianying, Yao Aili	1. The resolution on the Company's Draft A-Share IPO reporting accountant's report under the PRC Accounting Standards as of 31 December 2018, 2019 and 2020 and 30 June 2021
			2. The resolution on the report on the use of funds previous raised by the Company
			3. The resolution on considering and confirming connected transactions of the Company during the reporting period
1 December 2021	The fourteenth meeting of the third session of the Supervisory Committee	Yu Hong, Wang Jianying, Yao Aili	1. The resolution on election of the members of the fourth session of the supervisory committee of the Company
23 December 2021	The first meeting of the fourth session of the Supervisory Committee	Yu Hong, Chen Liang, Yao Aili	1. The resolution on election of the chairman of the fourth session of the supervisory committee of the Company

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

In the opinion of the Supervisory Committee:

1. In 2021, 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 2021, 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 ShineWing Certified Public Accountants.

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, 29 March 2022

Financial Report

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

I. OPINION

We have audited the financial statements of Holly Futures Co., Ltd. (“Holly Futures” or the “Company”), which comprise the consolidated and company balance sheets as at 31 December 2021, 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 2021, 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.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. 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 financial statements for the current period. 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.

1. Recognition of fee income	
Key Audit Matter	How the matter was addressed in our audit
<p>As stated in Note IV,25 and Note VI,39 to the financial statements, Holly Futures recorded fee income of RMB285,829,400. Fee income is one of the Company's key performance indicators.</p> <p>Holly Futures's Fee income o mainly consists of futures brokerage income, investment advisory income and asset management income.</p> <p>Revenue from futures brokerage business is recognized on the date of occurrence of agency transactions; revenue from investment advisory business and asset management business is recognised when the Group is entitled to receive the revenue under the agreement.</p> <p>As fee income is one of the Company's key performance indicators, and there is an inherent risk that the timing of revenue recognition may be manipulated to meet specific targets or expectations. The determination of the timing of the recognition of fee income involves management judgment and could have a material impact on the Company's net profit. Therefore, we identified the recognition of fee income as a critical audit issue.</p>	<p>Our audit procedures to assess the fee income included the following:</p> <ol style="list-style-type: none"> (1) Understanding the key internal controls related to the recognition of fee income, evaluating the design of these controls, determining whether they are implemented, and testing the operating effectiveness of the related internal controls. (2) For the critical information technology system that processes transactions related to fee income, we evaluate and test the design and operational effectiveness of critical internal controls of the system over the application of the information system, using the work of the Firm's in-house information technology experts. (3) For revenue from futures brokerage business, checking retained handling fee details from the Company's trade settlement system against book data; obtaining national futures market transaction data and comparing the Company's futures transaction data and fee income trends with national market trends; comparing book data with settlement data and conducts cut-off tests on futures brokerage fee income. (4) For the revenue from asset management business, taking samples and checking whether the rates of management fees and performance-based compensation were consistent with the contractual agreements, obtaining a list of all the Company's asset management plans, and calculate the related income according to different fee standards. (5) For the revenue from investment consulting business, taking samples of business items, checking the contracts signed between Holly Futures and the customers to verify whether the relevant revenue recognition was consistent with the terms of the contracts, and evaluating whether the relevant revenue recognition was in compliance with the Company's accounting policies on revenue recognition.

2. Assessing financial instruments measured at fair value	
Key Audit Matter	How the matter was addressed in our audit
<p>As described in Note IV,18, Note VI,5,9,21 and Note X to the financial statements, As at 31 December 2021, out of the financial instruments of Holly Futures, financial assets and financial liabilities measured at fair value amounted to RMB840.8855 million and RMB87.9853 million respectively.</p> <p>Since the valuation of the Company's financial instruments is based on a combination of market data and valuation models, a large number of variables are usually required to be entered. Of these inputs, the majority are derived from data available in liquid markets. Where observable market data is not available for Level 3 financial instruments, significant judgment and estimates are involved.</p> <p>We identified the valuation of financial instruments measured at fair value as a key audit matter due to the significant amounts involved and given the complexity involved in assessing the value of a particular financial instrument and the degree of reliance placed on management's judgment in determining the inputs to be used in the valuation methodology.</p>	<p>Our audit procedures to assess the financial instruments measured at fair value included the following:</p> <ol style="list-style-type: none"> (1) understanding the key internal controls relevant to the valuation of the fair value of financial instruments, evaluating the design of those controls, and determining whether they are being performed. (2) 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; (3) For financial instruments whose fair value is within Level 2 and Level 3, selecting a sample through a reasonable audit sampling method, obtaining the underlying information of the sample relevant to the valuation and identifying the conditions relevant to the valuation of the financial instruments, and evaluating the appropriateness of the valuation methods, valuation models and inputs used by management. On this basis, an independent valuation is performed and our valuation results are compared with those of Holly Futures. Specific procedures include: evaluating the valuation methods and valuation models used by Holly Futures against those typically used in the market, testing the inputs used in the valuation process, and applying the valuation methods and valuation models to re-measure the fair value of financial instruments; (4) 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.

3. Consolidation of structured entities	
Key Audit Matter	How the matter was addressed in our audit
<p>Please refer to the accounting policies set out in Note “IV.6 Preparation of consolidated financial statements” and Note “IV.33 Significant accounting estimates and judgments” to the financial statements and Note “VIII.1 Interests in subsidiaries” and Note “VIII.3 Interests in structured entities not included in the scope of consolidated financial statements” to the financial statements. 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>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.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ol style="list-style-type: none"> (1) understanding and assessing the design and operation of key internal controls over consolidation of structured entities; (2) performing the following procedures for all new structured entities: <ol style="list-style-type: none"> 1) 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; 2) 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 entity; 3) 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; 4) assessing management’s judgment over whether the structured entities should be consolidated or not; (3) 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; (4) assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

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

Management of Holly Futures (“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.

V. 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.

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

- (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, 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 Company's audit. We remain solely responsible for our audit opinion.

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.

ShineWing Certified Public Accountants

Certified Public Accountants registered in the People's Republic of China: Zhang Yuhu (the engaging partner)

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

Beijing, China

29 March 2022

Consolidated Balance Sheet

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	31-Dec-21	31-Dec-20
Assets:			
Monetary funds	VI, 1	4,143,641,973.33	2,894,295,423.20
Including: Futures margin deposits		3,959,706,206.55	2,660,162,679.92
Currency deposits receivable	VI, 2	2,025,860,140.16	2,131,088,863.50
Pledged deposits receivable	VI, 3	668,817,393.60	64,396,384.00
Settlement deposits receivable	VI, 4	20,000,000.00	20,000,000.00
Derivative financial assets	VI, 5	465,835.77	6,219,924.42
Trade receivables	VI, 6		6,841,752.75
Other receivables	VI, 7	24,951,725.11	36,060,100.00
Financial assets held under resale agreements	VI, 8	6,719,000.00	7,853,000.00
Financial investment:			
Financial assets held for trading	VI, 9	840,419,634.46	1,014,876,858.36
Inventories	VI, 10	9,531.74	48,676,714.04
Long-term equity investments	VI, 11	7,036,127.76	11,431,418.75
Investment in futures membership	VI, 12	1,808,800.00	1,820,820.00
Fixed assets	VI, 13	14,899,414.00	15,406,337.98
Right-of-use assets	VI, 14	24,655,989.58	18,898,649.52
Intangible assets	VI, 15	1,025,204.63	1,857,065.39
Goodwill			
Deferred tax assets	VI, 16	7,394,041.07	8,228,720.18
Other assets	VI, 17	295,396,263.71	61,209,766.78
Total assets		8,083,101,074.92	6,349,161,798.87

Item	Note	31-Dec-21	31-Dec-20
Liabilities:			
Short-term borrowings	VI, 18		2,052,060.00
Currency deposits payable	VI, 19	5,261,811,881.42	4,247,090,138.08
Pledged deposits payable	VI, 20	668,817,393.60	40,750,944.00
Financial liabilities held for trading	VI, 21	86,471,254.16	
Derivative financial liabilities	VI, 5	1,514,054.34	7,594,514.81
Financial assets sold under agreements to repurchase	VI, 22	32,625,838.11	35,819,204.28
Futures risk reserve	VI, 23	151,215,411.17	140,221,598.23
Futures investors protection funds	VI, 24	522,926.88	369,776.02
Employee benefits payable	VI, 25	20,659,015.94	26,279,433.60
Taxes payable	VI, 26	6,015,879.24	28,658,451.44
Trade Payable	VI, 27		7,373,441.99
Contract liabilities	VI, 28	1,000,000.00	1,859,630.01
Other payables	VI, 29	26,281,420.68	140,609,535.53
Estimated liabilities	VI, 30	1,969,920.97	4,467,575.89
Long-term borrowings	VI, 31	117,197,967.93	
Lease liabilities	VI, 32	24,831,103.80	19,347,767.49
Deferred income tax liabilities			
Other liabilities			
Total liabilities		6,400,934,068.24	4,702,494,071.37
Shareholders' equity			
Share capital	VI, 33	907,000,000.00	907,000,000.00
Capital reserve	VI, 34	537,826,419.52	533,124,529.52
Less: Treasury shares			
Other comprehensive income	VI, 35	-7,385,168.45	-3,692,964.07
Surplus reserve	VI, 36	66,606,194.62	58,426,314.46
General risk reserve	VI, 37	92,485,771.99	84,305,891.83
Retained earnings	VI, 38	85,633,789.00	67,503,955.76
Total equity attributable to owners of the parent company		1,682,167,006.68	1,646,667,727.50
Minority interests			
Total owners' equity		1,682,167,006.68	1,646,667,727.50
Total liabilities and shareholders' equity		8,083,101,074.92	6,349,161,798.87

Balance Sheet of the Parent Company

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	31-Dec-21	31-Dec-20
Assets:			
Monetary funds		4,038,043,781.83	2,833,195,961.37
Including: Futures margin deposits		3,933,237,738.95	2,644,187,524.11
Currency deposits receivable		1,963,110,837.41	2,080,281,631.24
Pledged deposits receivable		668,817,393.60	64,396,384.00
Settlement deposits receivable		20,000,000.00	20,000,000.00
Derivative financial assets			
Trade receivables			
Other receivables		12,925,889.39	11,855,879.63
Financial assets held under resale agreements		6,719,000.00	7,853,000.00
Financial investment:			
Financial assets held for trading		672,947,193.56	877,206,629.58
Inventories			
Long-term equity investments	XVI, 1	553,278,207.57	407,673,498.56
Investment in futures membership		1,400,000.00	1,400,000.00
Fixed assets		14,621,800.48	14,930,892.15
Right-of-use assets		23,052,131.01	15,586,598.97
Intangible assets		534,644.63	1,352,081.39
Goodwill			
Deferred tax assets		4,412,785.28	5,037,888.73
Other assets		245,798,360.21	51,250,553.33
Total assets		8,225,662,024.97	6,392,020,998.95

Item	Note	31-Dec-21	31-Dec-20
Liabilities:			
Short-term borrowings			
Currency deposits payable		5,510,697,950.46	4,347,104,746.35
Pledged deposits payable		668,817,393.60	64,396,384.00
Financial liabilities held for trading			
Derivative financial liabilities			
Financial assets sold under agreements to repurchase		32,625,838.11	34,197,000.00
Futures risk reserve		151,215,411.17	140,221,598.23
Futures investors protection funds payable		522,926.88	369,776.02
Employee benefits payable		20,160,381.89	25,612,318.28
Taxes payable		4,763,065.21	21,588,141.97
Trade Payable			
Contract liabilities			
Other payables		19,411,278.81	84,740,615.66
Estimated liabilities		1,969,920.97	4,467,575.89
Long-term borrowings		97,775,228.50	
Lease liabilities		23,223,933.96	15,994,832.46
Deferred income tax liabilities			
Other liabilities			
Total liabilities		6,531,183,329.56	4,738,692,988.86
Shareholders' equity			
Share capital		907,000,000.00	907,000,000.00
Capital reserve		531,424,379.33	526,722,489.33
Less: Treasury shares			
Other comprehensive income		70.39	-371,801.28
Surplus reserve		66,606,194.62	58,426,314.46
General risk reserve		92,485,771.99	84,305,891.83
Retained earnings		96,962,279.08	77,245,115.75
Total equity attributed to owners		1,694,478,695.41	1,653,328,010.09
Total liabilities and shareholders' equity		8,225,662,024.97	6,392,020,998.95

Consolidated Income Statement

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	2021	2020
I. Total income from operation		1,639,864,789.14	1,561,379,595.38
Net fee and commission income	VI, 39	285,829,444.17	229,458,231.66
Including: Net fee income from brokerage operations		274,613,207.74	216,042,713.56
Net fee income from assets management operations		11,216,236.43	13,415,518.10
Net interest income	VI, 40	84,118,225.19	72,644,679.32
Including: interest income		84,984,002.21	73,770,163.00
Interest expense		865,777.02	1,125,483.68
Investment gain (loss denoted by“-”)	VI, 41	24,976,761.56	37,893,784.42
Including: investment gain of associate and joint venture		-451,723.98	-1,342,890.80
Derecognised income of financial assets measured at amortised cost (loss denoted by“-”)			
Other income	VI, 42	3,254,738.51	441,073.63
Gains on change in fair value(loss denoted by“-”)	VI, 43	-18,008,681.86	20,197,295.96
Exchange gains(loss denoted by“-”)	VI, 44	-1,458,080.09	-5,183,313.77
Income from other business activities	VI, 45	1,261,316,136.31	1,206,069,904.43
Asset disposal gain (loss denoted by“-”)	VI, 46	-163,754.65	-142,060.27
II. Total operating expense		1,529,950,777.86	1,465,104,523.25
Appropriation for futures risk reserve	VI, 47	10,993,812.94	9,163,823.19
Taxes and surcharges	VI, 48	2,971,314.32	2,220,613.95
General and administrative expenses	VI, 49	267,024,622.37	268,599,105.55
Credit impairment loss	VI, 50	265,097.38	13,685,328.79
Other assets impairment loss			
Other general expenses	VI, 51	1,248,695,930.85	1,171,435,651.77
III. Profit from operations (loss denoted by“-”)		109,914,011.28	96,275,072.13
Add: Non-operating income	VI, 52	1,765,121.69	2,321,684.15
Less: Non-operating expenses	VI, 53	2,466,949.47	5,893,309.71
IV. Total profit (loss denoted by“-”)		109,212,183.50	92,703,446.57
Less: Income tax expense	VI, 54	29,000,712.03	26,380,991.31
V. Net profit (loss denoted by“-”)		80,211,471.47	66,322,455.26
(I) Classification by continuity of operations			
1. Net profit of operation on a going concern basis (Net loss denoted by“-”)		80,211,471.47	66,322,455.26
2. Net profit of operation on a terminated operation (Net loss denoted by“-”)			
(II) Classification by ownership			
1. Net income attributable to owners of the parent company (Net loss denoted by“-”)		80,211,471.47	66,322,455.26
2. Profit and loss of minority shareholders (Net loss denoted by“-”)			

Item	Note	2021	2020
VI. Other comprehensive income, net of tax		-4,064,082.29	-9,552,739.27
Net comprehensive income after tax attributable to owners of the parent company			
(I) Other comprehensive income that cannot be reclassified into profits/losses			
1. Changes arising from re-measurement of defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profits/losses under the equity method			
3. Changes in fair value of other equity instruments investment			
4. Change in fair value of the Enterprise's own credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified into profit or loss		-4,064,082.29	-9,552,739.27
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		-6.24	172,785.28
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Reserve for cash flow hedging			
5. Exchange rate differences of financial statements denominated in foreign currency		-4,064,076.05	-9,725,524.55
6. Others			
Net comprehensive income after tax attributable to minority shareholders			
VII. Total comprehensive income		76,147,389.18	56,769,715.99
(I) Total comprehensive income attributable to owners of the parent company		76,147,389.18	56,769,715.99
(II) Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share:			
(1) Basic earnings per share		0.0884	0.0731
(2) Diluted earning per share		0.0884	0.0731

Income Statement of the Parent Company

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	2021	2020
I. Total income from operation		352,036,845.50	359,182,398.05
Net fee and commission income	XVI, 2	232,114,496.99	196,471,452.72
Including: Net fee income from brokerage operations		219,932,010.59	182,961,013.63
Net fee income from assets management operations		12,182,486.40	13,510,439.09
Net interest income	XVI, 3	82,986,347.83	71,512,685.65
Including: interest income		83,852,124.85	72,638,169.33
Interest expense		865,777.02	1,125,483.68
Investment gain(loss denoted by“-”)	XVI, 4	43,018,315.81	78,319,576.16
Including: investment gain of associate and joint venture		-451,723.98	-1,342,890.80
Derecognised income of financial assets measured at amortised cost (loss denoted by“-”)			
Other income		631,333.55	436,480.63
Gains on change in fair value(loss denoted by“-”)	XVI, 5	-6,835,739.24	9,889,309.94
Exchange gains(loss denoted by“-”)		-1,793,647.68	-4,659,568.32
Income from other business activities		2,079,492.89	7,354,521.54
Asset disposal gain (loss denoted by“-”)		-163,754.65	-142,060.27
II. Total operating expense		242,822,657.31	248,839,414.53
Appropriation for futures risk reserve		10,993,812.94	9,163,823.19
Taxes and surcharges		1,290,582.70	1,244,837.09
General and administrative expenses		230,257,780.00	237,836,228.57
Credit impairment loss		280,481.67	594,525.68
Other assets impairment loss			
Other general expenses			

Item	Note	2021	2020
III. Profit from operations (loss denoted by “-”)		109,214,188.19	110,342,983.52
Add: Non-operating income		1,604,440.41	1,471,037.99
Less: Non-operating expenses		2,416,949.47	5,627,448.65
IV. Total profit (loss denoted by “-”)		108,401,679.13	106,186,572.86
Less: Income tax expense		26,602,877.57	26,759,484.18
V. Net profit (loss denoted by “-”)		81,798,801.56	79,427,088.68
(I) Net profit of operation on a going concern basis (Net loss denoted by “-”)		81,798,801.56	79,427,088.68
(II) Net profit of operation on a terminated operation (Net loss denoted by “-”)			
VI. Other comprehensive income, net of tax		-6.24	172,785.28
(I) Other comprehensive income that cannot be reclassified into profits/losses			
1. Changes arising from re-measurement of defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profits/losses under the equity method			
3. Changes in fair value of other equity instruments investment			
4. Change in fair value of the Enterprise’s own credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified into profit or loss		-6.24	172,785.28
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		-6.24	172,785.28
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Reserve for cash flow hedging			
5. Exchange rate differences of financial statements denominated in foreign currency			
6. Others			
VII. Total comprehensive income		81,798,795.32	79,599,873.96

Consolidated Statement of Cash Flows

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	2021	2020
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,420,813,014.24	1,359,060,774.08
Cash received from interest, fees and commissions		364,515,103.25	297,674,881.89
Net decrease in currency deposits receivable and pledged deposits receivable		—	
Net increase in currency deposits payable and pledged deposits payable		1,642,788,192.94	1,628,293,250.40
Net decrease in restricted monetary funds		19,622,205.54	
Net decrease in term deposits with original maturity over three months			
Cash received from other operating activities	VI, 55	105,262,388.22	127,703,833.14
Subtotal of cash inflows from operating activities		3,553,000,904.19	3,412,732,739.51
Cash paid for goods and services		1,355,853,953.58	1,321,289,127.85
Cash paid for interest, fee and commissions		538,731.14	1,708,894.45
Net increase in currency deposits receivable and pledged deposits receivable		499,820,816.29	906,890,908.24
Net decrease in currency deposits payable and pledged deposit payable			
Net decrease from disposal of financial assets relating to risk management business		31,755,179.85	49,200,774.63
Net increase in restricted monetary funds			17,977,026.20
Cash paid to and for employees		173,504,332.86	130,607,423.51
Cash paid for general and administrative expenses		65,923,485.57	69,602,983.51
Payments of various taxes		66,241,905.00	22,134,135.51
Cash paid for other operating activities	VI, 55	123,755,513.90	90,254,811.46
Subtotal of cash outflows from operating activities		2,317,393,918.19	2,609,666,085.36
Net cash flow from operating activities		1,235,606,986.00	803,066,654.15

Item	Note	2021	2020
II. Cash flow from investing activities:			
Cash received from disposal of investments		3,307,423,310.44	4,835,317,474.51
Cash received from investment income		29,124,530.92	20,110,106.61
Cash received from disposal of associates		2,560.77	
Cash received from dividend distribution from associates		-	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		125,716.71	33,019.79
Other cash received relating to investing activities			
Subtotal of cash inflows form investing activities		3,336,676,118.84	4,855,460,600.91
Cash paid for investment		3,118,059,490.75	5,154,403,983.21
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		243,341,303.65	11,457,875.49
Cash paid for investment on associates			
Other cash paid for relating to investing activities			
Subtotal of cash outflows from investing activities		3,361,400,794.40	5,165,861,858.70
Net cash flow from investing activities		-24,724,675.56	-310,401,257.79
III. Cash flow from financing activities:			
Cash received from introducing investment			
Cash received from borrowings		239,854,840.00	52,052,060.00
Net cash received from sales of repurchase business			34,693,720.60
Other cash received relating to financing activities		4,701,890.00	
Subtotal of cash inflows from financing activities		244,556,730.00	86,745,780.60
Cash paid for repayment of debts		124,980,914.00	50,000,000.00
Cash paid for distribution of dividend and profit or repayment of interest		51,845,151.76	9,842,361.12
Cash paid for repayment of principal and interest of lease liabilities		15,312,755.80	22,957,714.84
Net cash paid for sales of repurchase business		4,059,143.19	
Other cash paid relating to financial activities	VI, 55	3,535,000.00	
Subtotal of cash outflows from financing activities		199,732,964.75	82,800,075.96
Net cash flow from financing activities		44,823,765.25	3,945,704.64
IV. Effect of change in foreign exchange rate on cash and cash equivalent		-4,376,690.34	-14,946,050.58
V. Net increase in cash and cash equivalents		1,251,329,385.35	481,665,050.42
Add: Beginning balance of cash and cash equivalents		2,854,855,864.32	2,373,190,813.90
VI. Ending balance of cash and cash equivalents	VI, 55	4,106,185,249.67	2,854,855,864.32

Statement of Cash Flows of the Parent Company

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	2021	2020
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services			
Cash received from interest, fees and commissions		311,468,093.22	270,902,260.97
Net decrease in currency deposits receivable and pledged deposits receivable			
Net increase in currency deposits payable and pledged deposits payable		1,768,014,213.71	1,634,589,008.27
Net decrease in restricted monetary funds		23,638,399.93	
Net decrease in term deposits with original maturity over three months			
Cash received from other operating activities		9,242,626.67	73,909,124.04
Subtotal of cash inflows from operating activities		2,112,363,333.53	1,979,400,393.28
Cash paid for goods and services			
Cash paid for interest, fee and commissions		538,731.14	1,708,894.45
Net increase in currency deposits receivable and pledged deposits receivable		487,250,215.77	877,498,629.60
Net decrease in currency deposits payable and pledged deposit payable			
Net decrease from disposal of financial assets relating to risk management business			
Net increase in restricted monetary funds			17,707,777.13
Cash paid to and for employees		153,937,959.41	113,125,532.85
Cash paid for general and administrative expenses		52,515,201.22	64,156,351.54
Payments of various taxes		56,106,832.51	15,607,315.63
Cash paid for other operating activities		78,067,095.03	1,956,036.73
Subtotal of cash outflows from operating activities		828,416,035.08	1,091,760,537.93
Net cash flow from operating activities		1,283,947,298.45	887,639,855.35

Item	Note	2021	2020
II. Cash flow from investing activities:			
Cash received from disposal of investments		3,244,085,630.62	4,675,682,983.00
Cash received from investment income		27,909,922.32	18,824,903.01
Cash received from disposal of associates		2,560.77	
Cash received from dividend distribution from associates			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		125,721.76	33,019.79
Other cash received relating to investing activities			
Subtotal of cash inflows form investing activities		3,272,123,835.47	4,694,540,905.80
Cash paid for investment		3,029,781,223.64	4,980,118,292.83
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		197,676,553.87	11,186,398.43
Net cash paid for acquisition of subsidiaries and other business units		150,000,000.00	
Other cash paid for relating to investing activities			
Subtotal of cash outflows from investing activities		3,377,457,777.51	4,991,304,691.26
Net cash flow from investing activities		-105,333,942.04	-296,763,785.46
III. Cash flow from financing activities:			
Cash received from introducing investment			
Cash received from borrowings		117,037,680.00	
Net cash received from sales of repurchase business			33,071,516.32
Other cash received relating to financing activities		4,701,890.00	
Subtotal of cash inflows from financing activities		121,739,570.00	33,071,516.32
Cash paid for repayment of debts		19,506,280.00	
Cash paid for distribution of dividend and profit or repayment of interest		49,409,744.55	9,070,000.00
Cash paid for repayment of principal and interest of lease liabilities		12,824,465.20	21,123,879.20
Net cash paid for sales of repurchase business		2,436,938.91	
Other cash paid relating to financial activities		3,535,000.00	
Subtotal of cash outflows from financing activities		87,712,428.66	30,193,879.20
Net cash flow from financing activities		34,027,141.34	2,877,637.12
IV. Effect of change in foreign exchange rate on cash and cash equivalent			
		-1,793,647.68	-4,659,568.32
V. Net increase in cash and cash equivalents			
		1,210,846,850.07	589,094,138.69
Add: Beginning balance of cash and cash equivalents		2,794,025,651.56	2,204,931,512.87
VI. Ending balance of cash and cash equivalents			
		4,004,872,501.63	2,794,025,651.56

Consolidated Statement of Changes in Owners' Equity

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	2021								Total owners' equity
	Equity attributable to owners of the parent company							Minority shareholders' equity	
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings		
I. Ending balance of last year	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
Add: Changes in accounting policies									-
Correction of previous error									-
Other				371,877.91			-371,877.91		-
II. Opening balance of the current year	907,000,000.00	533,124,529.52	-	-3,321,086.16	58,426,314.46	84,305,891.83	67,132,077.85		1,646,667,727.50
III. Increase/decrease of the current period (loss denoted by "-")									
(I) Total comprehensive income				-4,064,082.29	8,179,880.16	8,179,880.16	18,501,711.15		35,499,279.18
(II) Owners' capital injected and reduced		4,701,890.00							4,701,890.00
1. Ordinary shares invested by owners									-
2. Capital invested by holders of other equity instruments									-
3. Amounts of share-based payments included in owners' equity									-
4. Others		4,701,890.00							4,701,890.00
(III) Profit distribution					8,179,880.16	8,179,880.16	-61,709,760.32		-45,350,000.00
1. Withdrawal of surplus reserve					8,179,880.16		-8,179,880.16		
2. Withdrawal of general risk provisions						8,179,880.16	-8,179,880.16		
3. Distribution to owners							-45,350,000.00		-45,350,000.00
4. Others									
(IV) Internal carryover of owners' equity									-
1. Transfer of capital reserves into paid-in capital (or share capital)									-
2. Transfer of surplus reserves into paid-in capital (or share capital)									-
3. Surplus reserves for making up losses									-
4. Carry-Forward of Retained Earnings by Changes in Defined Benefit Plan									-
5. Other comprehensive income transferred to retained earnings									-
6. Others									-
(V) Others									-
IV. Ending balance of the current period	907,000,000.00	537,826,419.52	-	-7,385,168.45	66,606,194.62	92,485,771.99	85,633,789.00		1,682,167,006.68

Item	2020								Total owners' equity
	Equity attributable to owners of the parent company								
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Minority shareholders' equity	
I. Ending balance of last year	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
Add: Changes in accounting policies							-		-
Correction of previous error									-
Other									
II. Opening balance of the current year	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
III. Increase/decrease of the current period (loss denoted by "-")	-	-	-	-9,552,739.27	7,942,708.87	7,942,708.87	41,367,037.52		47,699,715.99
(I) Total comprehensive income				-9,552,739.27			66,322,455.26		56,769,715.99
(II) Owners' capital injected and reduced	-	-							-
1. Ordinary shares invested by owners									-
2. Capital invested by holders of other equity instruments									-
3. Amounts of share-based payments included in owners' equity		-							-
4. Others									-
(III) Profit distribution	-	-			7,942,708.87	7,942,708.87	-24,955,417.74		-9,070,000.00
1. Withdrawal of surplus reserve					7,942,708.87		-7,942,708.87		-
2. Withdrawal of general risk provisions						7,942,708.87	-7,942,708.87		-
3. Distribution to owners							-9,070,000.00		-9,070,000.00
4. Others									-
(IV) Internal carryover of owners' equity	-	-							-
1. Transfer of capital reserves into paid-in capital (or share capital)									-
2. Transfer of surplus reserves into paid-in capital (or share capital)									-
3. Surplus reserves for making up losses									-
4. Carry-Forward of Retained Earnings by Changes in Defined Benefit Plan									-
5. Other comprehensive income transferred to retained earnings									-
6. Others									-
(V) Others									-
IV. Ending balance of the current period	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

Statement of Changes in owners' Equity of the Parent Company

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	2021							
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Total owners' equity
I. Ending balance of last year	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
Add: Changes in accounting policies								-
Correction of previous error								-
Other				371,877.91			-371,877.91	
II. Opening balance of the current year	907,000,000.00	526,722,489.33	-	76.63	58,426,314.46	84,305,891.83	76,873,237.84	1,653,328,010.09
III. Increase/decrease of the current period (loss denoted by "-")								
(I) Total comprehensive income	-	4,701,890.00	-	-6.24	8,179,880.16	8,179,880.16	20,089,041.24	41,150,685.32
(II) Owners' capital injected and reduced	-	4,701,890.00						4,701,890.00
1. Ordinary shares invested by owners								-
2. Capital invested by holders of other equity instruments								-
3. Amounts of share-based payments included in owners' equity		-						-
4. Others		4,701,890.00						4,701,890.00
(III) Profit distribution	-	-			8,179,880.16	8,179,880.16	-61,709,760.32	-45,350,000.00
1. Withdrawal of surplus reserve					8,179,880.16		-8,179,880.16	-
2. Withdrawal of general risk provisions						8,179,880.16	-8,179,880.16	-
3. Distribution to owners							-45,350,000.00	-45,350,000.00
4. Others								-
(IV) Internal carryover of owners' equity	-	-			-		-	-
1. Transfer of capital reserves into paid-in capital (or share capital)								-
2. Transfer of surplus reserves into paid-in capital (or share capital)								-
3. Surplus reserves for making up losses								-
4. Carry-Forward of Retained Earnings by Changes in Defined Benefit Plan								-
5. Other comprehensive income transferred to retained earnings								-
6. Others								-
(V) Others								-
IV. Ending balance of the current period	907,000,000.00	531,424,379.33	-	70.39	66,606,194.62	92,485,771.99	96,962,279.08	1,694,478,695.41

Item	2020							
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Total owners' equity
I. Ending balance of last year	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
Add: Changes in accounting policies							-	-
Correction of previous error								-
Other								
II. Opening balance of the current year	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
III. Increase/decrease of the current period (loss denoted by "-")	-	-	-	172,785.28	7,942,708.87	7,942,708.87	54,471,670.94	70,529,873.96
(I) Total comprehensive income				172,785.28			79,427,088.68	79,599,873.96
(II) Owners' capital injected and reduced	-	-						-
1. Ordinary shares invested by owners								-
2. Capital invested by holders of other equity instruments								-
3. Amounts of share-based payments included in owners' equity		-						-
4. Others								-
(III) Profit distribution	-	-			7,942,708.87	7,942,708.87	-24,955,417.74	-9,070,000.00
1. Withdrawal of surplus reserve					7,942,708.87		-7,942,708.87	-
2. Withdrawal of general risk provisions						7,942,708.87	-7,942,708.87	-
3. Distribution to owners							-9,070,000.00	-9,070,000.00
4. Others								-
(IV) Internal carryover of owners' equity	-	-						-
1. Transfer of capital reserves into paid-in capital (or share capital)								-
2. Transfer of surplus reserves into paid-in capital (or share capital)								-
3. Surplus reserves for making up losses								-
4. Carry-Forward of Retained Earnings by Changes in Defined Benefit Plan								-
5. Other comprehensive income transferred to retained earnings								-
6. Others								-
(V) Others								-
IV. Ending balance of the current period	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

Notes to the financial statements

(All amounts in RMB unless otherwise stated)

I. General information of the Company

Holly Futures Co., Ltd. (the “Company”, together with its subsidiaries, the “Group”) 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’s predecessor was Jiangsu Jinling Futures Brokerage Company Limited (江蘇金陵期貨經紀有限公司), a company established in July 1995.

In December 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) (“Jiangsu Holly”) from Jiangsu Jinling Futures Brokerage Company Limited (江蘇金陵期貨有限公司) on 14 December 1999. Its original registered capital was RMB30 million, of which 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)) contributed RMB28.2 million, representing 94% of the registered capital; 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)) contributed RMB1.8 million, representing 6% of the registered capital.

In 2001, Jiangsu Holly Corporation transferred 48% of its equity interest 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) in accordance with a resolution passed at a general meeting of Jiangsu Holly and a relevant equity transfer agreement. Upon the equity transfer, Jiangsu Holly International Group Investment Management Company Limited contributed RMB14.4 million, representing 48% of the registered capital; Jiangsu Holly Corporation contributed RMB13.8 million, representing 46% of the registered capital; Jiangsu Holly International Logistics Corporation contributed RMB1.8 million, representing 6% of the registered capital.

In 2006, in accordance with a resolution passed at a general meeting of Jiangsu Holly, its paid-in capital increased by RMB8 million through transfer of retained earnings, and its registered capital changed to RMB38 million, of which Jiangsu Holly International Group Investment Management Company Limited contributed RMB18.24 million, representing 48% of the registered capital; Jiangsu Holly Corporation contributed RMB17.48 million, representing 46% of the registered capital; Jiangsu Holly International Logistics Corporation contributed RMB2.28 million, representing 6% of the registered capital.

In 2007, in accordance with a resolution passed at a general meeting of the Company, the registered capital increased by RMB12 million and was changed to RMB50 million, of which Jiangsu Holly International Group Investment Management Company Limited contributed RMB21,435,000, representing 42.87% of the registered capital; Jiangsu Holly Corporation contributed RMB21,435,000, representing 42.87% of the registered capital; Jiangsu Holly International Logistics Corporation contributed RMB2.28 million, representing 4.56% of the registered capital; Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司) contributed RMB2.45 million, representing 4.90% of the registered capital; Shanghai Mingda Industrial (Group) Company Limited (上海銘大實業(集團)有限公司) contributed RMB2.4 million, representing 4.80% of the registered capital.

In 2008, in accordance with a resolution passed at a general meeting of Jiangsu Holly, its registered capital increased by RMB58 million and was changed to RMB108 million. The shareholding percentage of each shareholder remained unchanged.

I. General information of the Company (continued)

In 2009, in accordance with a resolution passed at a general meeting of Jiangsu Holly, its registered capital increased by RMB30 million and was changed to RMB138 million, of which Jiangsu Holly International Group Investment Management Company Limited contributed RMB61,299,600, representing 44.42% of the registered capital; Jiangsu Holly Corporation contributed RMB61,299,600, representing 44.42% of the registered capital; Jiangsu Holly International Logistics Corporation contributed RMB4,924,800, representing 3.57% of the registered capital; Jiangsu Hongrui Venture Capital Co., Ltd. contributed RMB5,292,000, representing 3.83% of the registered capital; Shanghai Mingda Industrial (Group) Company Limited contributed RMB5,184,000, representing 3.76% of the registered capital.

On 25 April 2011, in accordance with a resolution passed at a general meeting of Jiangsu Holly, its registered capital increased by RMB242 million and changed to RMB380 million, of which Jiangsu Holly International Group Investment Management Company Limited contributed RMB82.65 million, representing 21.75% of the registered capital; Jiangsu Holly Corporation contributed RMB82.65 million, representing 21.75% of the registered capital; Jiangsu Holly International Logistics Corporation contributed RMB4,924,800, representing 1.30% of the registered capital; Jiangsu Hongrui Venture Capital Co., Ltd. contributed RMB5,292,000, representing 1.39% of the registered capital; Shanghai Mingda Industrial (Group) Company Limited contributed RMB5,184,000, representing 1.36% of the registered capital; Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) (“SOHO Holdings”) (formerly known as Jiangsu Silk Group Company Limited (江蘇省絲綢集團有限公司)) contributed RMB81,081,200, representing 21.34% of the registered capital; Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司) contributed RMB80,218,000, representing 21.11% of the registered capital; Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團有限公司) contributed RMB38 million, representing 10.00% of the registered capital.

On 20 August 2012, in accordance with the Approval for Change of Certain State-owned Equity Holders of Jiangsu Holly Futures Company Limited (Su Guo Zi Fu [2012] No. 78) issued by the State-owned Assets Supervision and Administration Commission of Jiangsu Provincial People’s Government, the 21.75% equity interest in Jiangsu Holly held by Jiangsu Holly International Group Investment Management Company Limited was transferred to SOHO Holdings. The procedures for industrial and commercial change registration of Jiangsu Holly were completed on 21 November 2012, following which SOHO Holdings held 43.09% equity interest in Jiangsu Holly.

In November 2012, the shareholders of Jiangsu Holly entered into the Promoters’ Agreement in relation to the Establishment of Holly Futures Co., Ltd. (弘業期貨股份有限公司), and Jiangsu Holly was converted into Holly Futures Co., Ltd. Pursuant to the Promoters’ Agreement, the shareholders of Jiangsu Holly made capital contribution through its adjusted audited net assets of RMB680,000,000.00. It has a total of 680,000,000 shares each with a nominal value of RMB1, all of which are ordinary shares. The excess of the remaining net assets over the total share capital in the amount of RMB350,124,231.10 was included in “Capital reserve – Share premium”.

Following the conversion, the share capital of the Company was 680,000,000 shares, of which SOHO Holdings held 292,992,674 shares, representing 43.09% of the total share capital; Jiangsu Holly Corporation held 147,900,000 shares, representing 21.75% of the total share capital; Jiangsu Holly Su Industrial Co., Ltd. held 143,548,000 shares, representing 21.11% of the total share capital; Jiangsu High Hope International Group Co., Ltd. held 68,000,000 shares, representing 10.00% of the total share capital; Jiangsu Hongrui Venture Capital Co., Ltd. held 9,469,895 shares, representing 1.39% of the total share capital; Shanghai Mingda Industrial (Group) Company Limited held 9,276,631 shares, representing 1.36% of the total share capital; Jiangsu Holly International Logistics Corporation held 8,812,800 shares, representing 1.30% of the total share capital.

I. General information of the Company (continued)

On 18 August 2015, in accordance with the Approval for the Issue of Overseas Listed Foreign Shares by Holly Futures Co., Ltd. (Zheng Jian Xu Ke [2015] No. 1963) issued by the CSRC, the Company issued no more than 261,050,000 overseas listed foreign shares each with a nominal value of RMB1, all of which were ordinary shares. On 31 December 2015, the overseas issued shares of the Company became listed on the Main Board of the Hong Kong Stock Exchange, with stock name of Holly Futures and stock code of 03678. In accordance with the Approval for the Transfer of State-owned Shares of Holly Futures Co., Ltd. issued by the State-owned Assets Supervision and Administration Commission of the State Council (Guo Zi Chan Quan [2015] No. 411), upon completion of the issue, the state-owned shareholders, being SOHO Holdings, Jiangsu High Hope International Group Co., Ltd., Jiangsu Hongrui Venture Capital Co., Ltd. and Jiangsu Holly International Logistics Corporation, transferred part of their shares to the National Council for Social Security Fund, totaling 22,700,000 shares. The Company offered 249,700,000 H shares (including the shares disposed of by the state-owned shareholders) each with a nominal value of RMB1 at a price of HK\$2.43 per share in the global public offering, raising a total of HK\$607 million. Upon the listing, the Company had a total share capital of 907,000,000 shares, including 249,700,000 shares (H shares) held by the public shareholders, representing 27.53% of its total share capital.

The Company is headquartered in Nanjing. As of 31 December 2021, 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).

II. Scope of consolidated financial statements

The Group's Consolidated Financial Statements included directly or indirectly controlled subsidiaries and structured entities.

For details, please refer to the relevant content of "Note VII. Changes in the scope of consolidated statements" and "Note VIII. Interests in other entities".

III. Basis for preparation of financial statements

(I) Basis of preparation

The financial statements of the Group have been prepared on the going-concern basis and transactions and events actually occurred in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance and relevant provisions and based on the accounting policies and estimates stated in "Note IV. Significant accounting policies and accounting estimates".

(II) Going concern

The Group is able to continue as a going concern for at least the next 12 months from the end of the Reporting Period, and there is no material matters affecting its operation as a going concern.

IV. Significant accounting policies and accounting estimates

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Group have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, and present truly and completely the financial position, operating results and cash flows of the Group.

2. Accounting year

The accounting year of the Group is from 1 January to 31 December of each calendar year.

3. Operating cycle

The Group adopts 12 months as an operating cycle, which commences on 1 January and ends on 31 December.

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 the subsidiaries of the Group on the basis of the currency in which major income and costs are denominated and settled. Some of the Group'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 IV.8.

5. Accounting methods for business combination under common control and not under common control

(1) Business combination under common control

A business combination under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities acquired by the company through a business combination under common control shall be measured at carrying amounts attributable to the owner's equity of acquiree included in the consolidated financial statements of the ultimate controlling party at the date of combination. The difference between the carrying amount of the net assets acquired and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) shall be adjusted to the capital reserve. If the capital reserve is not sufficient to offset, any excess amount shall be adjusted against retained earnings.

The auditing and appraisal fees, legal and consulting fees and other direct related expenses incurred by the company for business combination under common control are charged to the profit or loss during the period in which they are incurred. Handling fees, commissions and other expenses paid for issuance of bonds or other liabilities committed in relation to business combination shall be charged to the initial measuring value of the bonds and other liabilities issued. Handling fees, commissions and other expenses paid for issuance of equity securities in relation to business combination shall be offset against the premium from equity securities and whereas such amount is not sufficient to offset by premium, the excess shall be adjusted against retained earnings.

IV. Significant accounting policies and accounting estimates (continued)

5. Accounting methods for business combination under common control and not under common control (continued)

(1) Business combination under common control (continued)

If the acquiree becomes a subsidiary of the company after business combination under common control, the company shall prepare the consolidated balance sheet, consolidated income statement and consolidated cash flow statement as at the date of combination. If the accounting policies adopted by the acquiree are inconsistent with those of the company, the relevant items of the financial statements of the acquiree shall be adjusted in accordance with the accounting policies of the company on the date of combination and measured at the adjusted carrying amounts. The consolidated income statement will include the incomes, expenses and profits of all parties involving in the combination from the beginning of the period in which such combination happens to the date of combination. The net profit of the acquiree prior to the combination will be reflected as a separate item in the consolidated income statement. The consolidated cash flow statement will include the cash flows of all parties involving in the combination from the beginning of the period in which such combination happens to the date of combination.

(2) Business combination not under common control

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination.

For business combination not under common control, the assets paid and liabilities incurred or committed as a consideration of business combination by the company was measured at fair value on the date of acquisition and the difference between the fair value and its carrying value shall be included in the profit or loss for the period. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, the acquirer shall recognize such difference as goodwill. Where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, the acquirer shall recognize such difference in the profit or loss for the period.

The auditing, legal, appraisal and consulting and other agency fees and related management fees incurred by the company for business combination not under common control are charged to the profit or loss during the period in which they are incurred; the transaction fees related to the issuance of equity securities or debt securities as the consideration of business combination are charged to the initial measuring value of equity securities or debt securities issued.

If the acquiree becomes a subsidiary of the company after business combination not under common control, the company shall establish a record book that states the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries acquired in business combination on the date of acquisition. In preparing the consolidated financial statements, the financial statements of the subsidiaries shall be restated based on the fair value of the identifiable assets, liabilities and contingent liabilities recognised on the date of acquisition.

IV. Significant accounting policies and accounting estimates (continued)

6. Preparation method of consolidated financial statements

(1) Determination principles of consolidation scope

The scope of consolidated financial statements is based on control. Control exists when the investor has power over the investee; and has exposure or rights to variable returns from its involvement with the investee's activities and has the ability to affect those returns through its power over the investee.

(2) Accounting methods of consolidated financial statements

The Group's consolidated financial statements have been prepared in accordance with Accounting Standard for Business Enterprises No.33 – Consolidated Financial Statements and relevant regulations. All material intra-group transactions and balance within the scope of consolidation have been eliminated. The parts of subsidiaries' shareholders' equity not attributable to the parent company are regarded as "non-controlling interests" and stated separately in shareholders' equity in the consolidated financial statements. The share of the subsidiary's current net profit or loss attributable to non-controlling interests is stated under the item of "profit or loss attributable to non-controlling interests" under the item of net profits in the consolidated income statement. When the amount of loss attributable to the non-controlling interests of a subsidiary exceeds the non-controlling interests' share of the opening shareholders' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the 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 accounting policies in preparing the consolidated financial statements.

For subsidiaries acquired through a business combination not under common control, in preparing the consolidated financial statements, adjustments shall be made to their individual financial statements based on the fair values of the identifiable net assets at the acquisition date; for subsidiaries acquired through a business combination under common control, in preparing the consolidated financial statements, adjustments shall be made to the opening balance of the consolidated financial statements and the corresponding items of the comparative statements, as if the reporting entities after the combination had existed from the date when the combining entities first came under control of the ultimate controlling party.

Acquisition of minority interests or disposal of part of the equity interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transaction. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

IV. Significant accounting policies and accounting estimates (continued)

6. Preparation method of consolidated financial statements (continued)

When the Company loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between the aggregate of the consideration received on disposal and the fair value of any retained interest and the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified as investment income in the period in which control is lost.

7. 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.

8. Foreign currency transactions and foreign currency translation

The Company adopts an independent accounting system to record foreign currency transactions. Foreign currency transactions are initially recorded on the original currency respectively at the dates of the transactions. On the balance sheet date, foreign currency monetary items and foreign currency non-monetary items are treated separately: foreign currency monetary items are translated at the spot exchange rate on the balance sheet data (the central parity of the RMB exchange rate announced by the People's Bank of China), and foreign currency non-monetary items are translated at the spot exchange rate on the transaction date, and the resulting exchange difference is included in the profit and loss for the current period.

For foreign operations, the Group translates all amounts of functional currencies into RMB in preparing the financial statements as follows: for assets and liabilities in the balance sheet, spot exchange rates prevailing on the balance sheet date are used for translation, while, for shareholders' equity, spot exchange rates prevailing on the transaction dates are adopted for items other than "retained earnings". For incomes and expenses in the income statement, the spot exchange rates or its approximate rate prevailing on the transaction dates are used for translation. The resulting differences are recognised in other comprehensive income as unrealized exchange gains and losses and are separately stated under the shareholders' equity item in the consolidated statement.

9. 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.

IV. Significant accounting policies and accounting estimates (continued)

10. 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.

(3) Accounting for customer futures deposits

1) *Customer currency deposits*

When the Company accepts customer orders, receives and deposits currency deposits into designated bank accounts, the Company recognises them as monetary funds 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 monetary funds 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.

2) *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.

IV. Significant accounting policies and accounting estimates (continued)

11. 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.

12. 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.

13. 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 perpetual inventory system.

14. Long-term equity investments

(1) Investment cost of long-term equity

1) *Long-term equity investments acquired through business combination*

The initial cost of long-term equity investment acquired through 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.

IV. Significant accounting policies and accounting estimates (continued)

14. Long-term equity investments (continued)

(1) Investment cost of long-term equity (continued)

2) *Long-term equity investments acquired other than through business combination*

Long-term equity investment acquired other than through 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.

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

1) *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.

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 IV. 19.

In the Group's consolidated financial statements, long-term equity investments in subsidiaries are accounted for in accordance with the policies described in Note IV.6.

2) *Investments in associates*

An associate is an enterprise over which the Group can exert significant influence (see Note IV.14(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:

- ① 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.

IV. Significant accounting policies and accounting estimates (continued)

14. Long-term equity investments (continued)

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

2) *Investments in associates (continued)*

- ② After the acquisition of investment in an 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.
- ③ 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.
- ④ 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 description of the Group's impairment testing method and provision for impairment method for its investments in associates, please refer to Note IV. 19.

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.

IV. Significant accounting policies and accounting estimates (continued)

15. 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.

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:

Fixed assets	Useful life	Residual value ratio	Depreciation
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) Impairment test and provisioning

For the impairment test and provisioning, please refer to Note IV. 19.

IV. Significant accounting policies and accounting estimates (continued)

15. Fixed assets (continued)

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- ① when the fixed assets is held for disposal; or
- ② 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.

16. 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 IV.19). 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:

Intangible assets	Amortisation period
Software	2 – 4 years
Customer relationship	3.5 years

17. 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 IV.19). 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.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments

The financial instruments of the Group include monetary funds, currency deposits receivable, financial assets held for trading, derivative financial assets, financial assets held under resale agreements, receivables, other receivables, currency deposits payable, futures investors protection funds payable, financial liabilities held for trading, derivative financial liabilities, employee benefits payable, other payables and share capital, etc.

(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 IV.25.

(2) Classification and subsequent measurement of financial assets

1) *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:

- ① The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows;
- ② 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.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(2) Classification and subsequent measurement of financial assets (continued)

1) *Classification of financial assets of the Group (continued)*

The Group classifies financial assets not designated as at FVTPL that meet the following conditions as financial assets at FVOCI:

- ① 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;
- ② 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.

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.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(2) Classification and subsequent measurement of financial assets (continued)

2) *Subsequent measurement of financial assets of the Group*

① 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.

② 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 amortization using the effective interest method or recognition of impairment.

③ 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.

④ 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.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(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.

① 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.

② Financial liabilities measured at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

(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:

① the Group currently has a legally enforceable right to set off the recognised amounts;

② the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(5) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when one of the following conditions is met:

- ① the Group's contractual rights to the cash flows from the financial asset expire;
- ② the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;
- ③ 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:

- ① the carrying amount of the financial asset transferred at the date of derecognition;
- ② 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.

(6) Impairment

Based on the expected credit loss, the Group conducts impairment accounting for the following items and recognises loss allowance:

- ① Financial assets measured at amortised cost;
- ② Debt investments at FVOCI.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(6) Impairment (continued)

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.

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 12 months after the balance sheet date (or a shorter period if the expected life of the financial instrument is less than 12 months).

Loss allowances for trade receivables 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.

Except for trade 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:

- ① If the financial instrument is determined to have low credit risk at the balance sheet date; or
- ② If the credit risk on a financial instrument has not increased significantly since initial recognition.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(6) Impairment (continued)

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.

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:

- ① failure to make payments of principal or interest on their contractually due dates;
- ② an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- ③ an actual or expected significant deterioration in the operating results of the debtor;
- ④ 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.

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 Group considers a financial asset to be in default when:

- ① 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
- ② the financial asset is over 90 days past due.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(6) Impairment (continued)

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:

- ① significant financial difficulty of the borrower or issuer;
- ② a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- ③ 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;
- ④ it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- ⑤ the disappearance of an active market for that financial asset because of financial difficulties of the issuer or borrower.

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.

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.

IV. Significant accounting policies and accounting estimates (continued)

19. 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:

- ① fixed assets
- ② right-of-use assets
- ③ intangible assets
- ④ Goodwill
- ⑤ long-term equity investments, etc.

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 IV.20) 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.

IV. Significant accounting policies and accounting estimates (continued)

20. 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.

21. 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:

- ① 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.
- ② 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.

IV. Significant accounting policies and accounting estimates (continued)

21. Employee benefits (continued)

(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:

- ① When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- ② 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.

22. 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.

IV. Significant accounting policies and accounting estimates (continued)

23. 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.

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:

- ① the taxable entity has a legally enforceable right to offset current tax assets and current tax liabilities;
- ② 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.

IV. Significant accounting policies and accounting estimates (continued)

24. Provision

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:

- ① If the contingency involves a single item, it shall be determined according to the most likely amount;
- ② 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.

25. 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.

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.

IV. Significant accounting policies and accounting estimates (continued)

25. Revenue (continued)

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:

- ① the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- ② the customer can control the asset created or enhanced during the Group's performance;
- ③ 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.

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:

- ① the Group has a present right to payment for the goods or services;
- ② the Group has transferred physical possession of the goods to the customer;
- ③ 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
- ④ 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.

IV. Significant accounting policies and accounting estimates (continued)

25. Revenue (continued)

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.

(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.

IV. Significant accounting policies and accounting estimates (continued)

26. 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 nonoperating 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.

27. Commission fees

The Group enters into intermediary agreements with brokers, and the commissions paid to brokers are expensed as general and administrative expenses.

28. 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.

29. Lease

A lease is a contract that a lessor transfers the right to use an identified asset for a period of time to a lessee 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.

IV. Significant accounting policies and accounting estimates (continued)

29. Lease (continued)

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:

- ① 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;
- ② 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;
- ③ Whether the lessee has the right to direct the use of the identified asset during the period of use.

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.

1) 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 IV.19.

IV. Significant accounting policies and accounting estimates (continued)

29. Lease (continued)

1) The Group as a lessee (continued)

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 of such period or part of the cost of other related assets. Variable lease payments not included in the measurement of the lease liability are recognised in profit or loss or part of the cost of another related asset as incurred.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments, if either:

- ① there is a change in the amounts expected to be payable under a residual value guarantee;
- ② there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- ③ 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 carrying 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 of such period .

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 recognised the lease payments associated with these leases in profit or loss of such period or part of the cost of another related assets on a straight-line basis over the lease term.

30. Profit 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.

IV. Significant accounting policies and accounting estimates (continued)

31. 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.

In addition to the related parties stated above, the Group determines related parties of the Group or the Company based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

32. 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.

33. 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.

The following accounting estimates and key assumptions carry a significant risk of causing significant adjustments to the carrying amounts of assets and liabilities in future periods.

(1) Provision for impairment of financial assets

On the basis of expected credit losses, the Group performs the impairment treatment and recognises the provision for impairment losses on debt investments, other debt investments, assets arising from carrying out financing operations (including margin financing and securities lending, agreed repurchase, stock pledge repurchase, etc.), as well as placement (lending) of funds or securities in money market, accounts receivable and financial lease receivables.

IV. Significant accounting policies and accounting estimates (continued)

33. Significant accounting estimates and judgments (continued)

(1) Provision for impairment of financial assets (continued)

Based on the classification and nature of the above financial assets, combined with its own risk management practices and the relevant requirements of the impairment guidelines, the Group establishes an expected credit loss model to measure impairment losses on the above financial instruments based on a probability-weighted average, taking into account the time value of money and reasonable and reliable information about past events, current conditions and projected future economic conditions that can be obtained at the balance sheet date without unnecessary additional costs or effort. The assumptions, parameters, data sources and measurement procedures associated with the expected credit loss model require the Company's professional judgment, and changes in the assumptions of these relevant factors can affect the results of the expected credit loss calculations for financial instruments.

The Group uses an expected credit loss model to evaluate the impairment of financial assets and the application of the expected credit loss model requires making significant judgments and estimates such as the probability of default, the rate of default losses and whether credit risk increases significantly, taking into account all reasonable and reliable information, including forward-looking information. In making these judgments and estimates, the Company extrapolates expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risk and other factors.

(2) Impairment of non-current assets other than financial assets

The Group makes judgement to determine whether non-current assets other than financial assets are likely to be impaired on the balance sheet date. When conducting an impairment test, if the carrying amount of an asset or asset group is higher than its recoverable amount, it indicates that an impairment has occurred. In estimating the present value of future cash flows, the management is required to estimate the expected future cash flow of the asset or asset group, and select an appropriate discount rate to determine the present value of future cash flow.

(3) Fair value of financial instruments

For financial instruments where there is a lack of active market, the Group uses valuation methods to determine their fair value. Valuation methods include referring to the transaction price determined when fair transactions are conducted between economic entities with complete information and willingness to buy and sell in the market, referring to the fair value of another similar financial instrument in the market, or using cash flow discount analysis and option pricing model to estimate. Valuation methods maximise the use of observable market information. However, when observable market information is unavailable, the management will estimate the significant non-observable information included in the valuation methods.

(4) Income tax and deferred income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. In accordance with relevant tax laws and regulations, the Group carefully evaluates the income tax implications of transactions and make tax provisions accordingly. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available against which the deferred income tax assets can be utilised.

IV. Significant accounting policies and accounting estimates (continued)

33. Significant accounting estimates and judgments (continued)

(5) Determination of the consolidated scope

All facts and circumstances shall be considered when assessing whether the Group acts as an investor to control the investee. The definition of control includes the following three elements: 1) the power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) has the ability to affect those returns through its power over the investee. If there are facts and circumstances that indicate that one or more of the factors mentioned above changed, the Group is required to reassess whether it controls the investee.

For structured entities managed and invested by the Group, the Group will assess whether its maximum risk exposure to the structured entities, together with the variable returns generated by the remuneration of its managers, is significant enough to indicate that the Group has control over its structured entities. If the Group has control over the structured entities under management, the structured entities shall be included in the consolidated scope of the consolidated financial statements.

34. Major changes in accounting policies

(1) Significant changes in accounting policies

Nil

V. 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:

Types 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%, 13%
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%

The statutory income tax rate applicable to the Company and Holly Capital Management Co., Ltd. (弘業資本管理有限公司) ("Holly Capital"), a domestic subsidiary of the Company, is 25%, and the statutory income tax rate applicable to Holly International Financial Holdings Limited (弘業國際金融控股有限公司) ("Holly International Financial Holdings") and Holly International Asset Management Company Limited (弘業國際資產管理有限公司) ("Holly International Assets"), being overseas subsidiaries of the Company, is 16.5%.

VI. Notes to Financial Statements

1. Monetary funds

Item	31 December 2021	31 December 2020
Cash		
Bank deposit	4,073,372,703.29	2,865,678,274.33
Incl.: Futures margin	3,959,706,206.55	2,660,162,679.92
Own funds	113,666,496.74	205,515,594.41
Other monetary funds	37,885,031.15	13,872,280.30
Accrued interest on monetary funds	32,384,238.89	14,744,868.57
Total	4,143,641,973.33	2,894,295,423.20
Incl.: Total amount deposited overseas	66,665,380.23	47,283,118.77

(1) Futures margin deposit breakdown

Item	31 December 2021	31 December 2020
CITIC Bank	1,054,078,895.82	1,175,941,243.75
Minsheng Bank	883,884,376.49	598,246,980.25
Industrial Bank Co., Ltd	1,157,480,298.10	264,330,493.23
SPD Bank	115,589,915.20	234,823,286.55
Bank of Communications	678,396,184.79	234,384,743.43
China Guangfa Bank	185,620.99	47,069,114.68
Bank of China	32,236,681.18	31,944,736.25
Agricultural Bank of China	8,220,606.60	22,120,070.68
China Construction Bank	8,958,007.41	19,734,353.28
China Merchants Bank	5,155,922.79	14,566,900.53
ICBC	10,389,858.47	11,282,972.50
Ping An Bank	1,572,620.46	3,439,058.67
China Everbright Bank	3,557,218.25	2,278,726.12
Total	3,959,706,206.55	2,660,162,679.92

(2) Use of restricted funds

See Note VI.56.

VI. Notes to Financial Statements (continued)

2. Currency deposits receivable

(1) By exchange/clearer

Item	31 December 2021	31 December 2020
Shanghai Futures Exchange	186,376,259.43	515,339,412.89
Dalian Commodity Exchange	654,164,795.52	608,526,653.82
Zhengzhou Commodity Exchange	498,143,426.63	386,679,174.75
China Financial Futures Exchange	399,286,033.93	337,670,752.88
China Securities Depository and Clearing Corporation Limited	103,385,291.13	89,795,175.78
Shanghai International Energy Exchange	121,755,030.77	142,270,461.12
R.J.O'Brien & Associates LLC	640,197.99	655,159.69
PHILLIP FUTURES PTE LTD	27,200,217.85	10,754,284.01
Phillip Commodities (HK) Limited	8,854,413.76	4,197,030.91
Marex Financial	11,734,143.13	8,370,091.38
G.H.Financials (HongKong) Limited	17,614,078.04	29,504,731.12
PHILLIP SECURITIES PTE LTD	8,846.86	
Subtotal	2,029,162,735.04	2,133,762,928.35
Less: Provision for impairment	3,302,594.88	2,674,064.85
Total	2,025,860,140.16	2,131,088,863.50

(2) By category

Item	31 December 2021	31 December 2020
Settlement reserve	343,966,861.36	469,449,597.42
Trading margin	1,619,143,976.05	1,610,832,033.82
Offshore futures brokers	66,051,897.63	53,481,297.11
Subtotal	2,029,162,735.04	2,133,762,928.35
Less: Provision for impairment	3,302,594.88	2,674,064.85
Total	2,025,860,140.16	2,131,088,863.50

VI. Notes to Financial Statements (continued)

3. Pledges deposits receivable

(1) Exchanges breakdown

Item	31 December 2021	31 December 2020
Shanghai Futures Exchange	428,672,112.00	40,750,944.00
Zhengzhou Commodity Exchange	79,350,321.60	23,645,440.00
Dalian Commodity Exchange	160,794,960.00	
Total	668,817,393.60	64,396,384.00

(2) Pledges breakdown

Category	Market value at 31 December 2021	Discount rate	Amount at 31 December 2021
Shanghai Futures Exchange Incl.: 2021 Book-entry Interest-bearing T-bond (8th Tranche)	100,280,000.00	80%	80,224,000.00
2020 Book-entry Interest-bearing T-bond (8th Tranche)	433,741,000.00	80%	346,992,800.00
Standard warrants for tin	1,819,140.00	80%	1,455,312.00
Zhengzhou Commodity Exchange Incl.: 2020 Book-entry Interest-bearing T-bond (11th Tranche)	99,187,902.00	80%	79,350,321.60
Dalian Commodity Exchange Incl.: 2016 Book-entry Interest-bearing T-bond (10th Tranche)	101,169,800.00	80%	80,935,840.00
2020 Book-entry Interest-bearing T-bond (3rd Tranche)	99,823,900.00	80%	79,859,120.00
Total	836,021,742.00		668,817,393.60

(continued)

Category	Market value at 31 December 2020	Discount rate	Amount at 31 December 2020
Shanghai Futures Exchange Incl.: Standard warrants for lead	44,115,000.00	80%	35,292,000.00
Standard warrants for silver	5,018,400.00	80%	4,014,720.00
Standard warrants for tin	1,805,280.00	80%	1,444,224.00
Zhengzhou Commodity Exchange Incl.: Standard warrants for cotton	29,556,800.00	80%	23,645,440.00
Total	80,495,480.00		64,396,384.00

VI. Notes to Financial Statements (continued)

4. Settlement currency deposits receivable

Item	31 December 2021	31 December 2020
China Financial Futures Exchange	20,000,000.00	20,000,000.00
Total	20,000,000.00	20,000,000.00

5. Derivative financial instruments

Item	31 December 2021		
	Nominal amount	Fair value	
		Assets	Liabilities
Commodity derivative financial instruments			
Incl.: Futures contracts	1,155,503,009.85	38,764,426.92	40,975,213.10
Option contracts	1,188,697,480.04	465,835.77	1,514,054.34
Total	2,344,200,489.89	39,230,262.69	42,489,267.44
Less: Settlement amount		38,764,426.92	40,975,213.10
Net amount		465,835.77	1,514,054.34

(continued)

Item	31 December 2020		
	Nominal amount	Fair value	
		Assets	Liabilities
Commodity derivative financial instruments			
Incl.: Futures contracts	2,871,361,685.00	15,878,000.00	16,605,795.00
Option 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
Less: Settlement amount		15,878,000.00	16,605,795.00
Net amount		6,219,924.42	7,594,514.81

VI. Notes to Financial Statements (continued)

6. Accounts receivable

(1) Breakdown

Category	31 December 2021				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Accounts receivable after a combination of bad debt provisions	-		-		-
Combination: Trade receivables	-		-		-
Total	-		-	-	-

(continued)

Category	31 December 2020				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Accounts receivable after a combination of bad debt provisions	7,201,845.00	100.00	360,092.25	5.00	6,841,752.75
Combination: Trade receivables	7,201,845.00	100.00	360,092.25	5.00	6,841,752.75
Total	7,201,845.00	100.00	360,092.25	-	6,841,752.75

VI. Notes to Financial Statements (continued)

6. Accounts receivable (continued)

(2) Accounts receivable after a combination of bad debt provisions

Age	31 December 2021		
	Accounts receivable	Bad debt provision	Provision ratio (%)
<= 1 year	-	-	
Total	-	-	-

(continued)

Age	31 December 2020		
	Accounts receivable	Bad debt provision	Provision ratio (%)
<= 1 year	7,201,845.00	360,092.25	5.00
Total	7,201,845.00	360,092.25	-

7. Other receivables

(1) Breakdown

Category	31 December 2021				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables after a single bad debt provision	10,713,048.00	30.33	9,106,090.80	85.00	1,606,957.20
Other receivables after a combination of bad debt provisions	24,613,016.83	69.67	1,268,248.92	5.15	23,344,767.91
Combination: Risk-free portfolio	4,880,716.81	13.82	-		4,880,716.81
Margin and deposit	11,273,842.21	31.91	563,692.10	5.00	10,710,150.11
Other combination	8,458,457.81	23.94	704,556.82	8.33	7,753,900.99
Total	35,326,064.83	100.00	10,374,339.72	-	24,951,725.11

VI. Notes to Financial Statements (continued)

7. Other receivables (continued)

(1) Breakdown (continued)

(continued)

Category	31 December 2020				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables after a single bad debt provision	10,713,048.00	23.02	9,106,090.80	85.00	1,606,957.20
Other receivables after a combination of bad debt provisions	35,819,244.89	76.98	1,366,102.09	3.81	34,453,142.80
Combination: Risk-free portfolio	14,030,579.95	30.15	–		14,030,579.95
Margin and deposit	10,138,972.35	21.79	506,948.62	5.00	9,632,023.73
Other combination	11,649,692.59	25.04	859,153.47	7.37	10,790,539.12
Total	46,532,292.89	100.00	10,472,192.89	–	36,060,100.00

(2) Accounts receivable after a single bad debt provision

Debtor	31 December 2021			
	Other receivables	Bad debt provision	Provision ratio (%)	Reason
Hanbang (Jiangyin) Petrochemical Co., Ltd. (漢邦(江陰)石化有限公司)	10,713,048.00	9,106,090.80	85.00	Not fully recoverable due to improper operation
Total	10,713,048.00	9,106,090.80	–	–

(continued)

Debtor	31 December 2020			
	Other receivables	Bad debt provision	Provision ratio (%)	Reason
Hanbang (Jiangyin) Petrochemical Co., Ltd. (漢邦(江陰)石化有限公司)	10,713,048.00	9,106,090.80	85.00	Not fully recoverable due to improper operation
Total	10,713,048.00	9,106,090.80	–	–

Note: See Note XII.1. (2).

VI. Notes to Financial Statements (continued)

7. Other receivables (continued)

(3) Changes in provision for impairment

Item	Jan-Dec 2021			Total
	Stage 1	Stage 2	Stage 3	
	Expected credit loss for future 12 months	Expected credit loss for the lifetime: No credit impairment	Expected credit loss for the lifetime: Credit impaired	
Beginning balance	1,366,102.09		9,106,090.80	10,472,192.89
Current provision	-97,853.17			-97,853.17
Ending balance	1,268,248.92		9,106,090.80	10,374,339.72

(4) By category

Item	31 December 2021	31 December 2020
Refundable payment for PTA spot transactions	10,713,048.00	10,713,048.00
Dividends and redemptions receivable from funds and asset management plans	1,471,741.45	10,462,798.73
Securities settlement accounts receivable	3,408,975.36	8,631,466.93
OTC option margin receivable	6,849,475.86	5,566,455.58
Deposit	4,424,366.35	4,572,516.77
Others	8,458,457.81	6,586,006.88
Subtotal	35,326,064.83	46,532,292.89
Less: Provision for impairment	10,374,339.72	10,472,192.89
Total	24,951,725.11	36,060,100.00

8. Financial assets purchased under resale agreements

Item	31 December 2021	31 December 2020
Treasury bond reverse repurchase	6,719,000.00	7,853,000.00
Total	6,719,000.00	7,853,000.00

At 31 December 2021, there was no sign of significant impairment on the financial assets purchased under resale agreement, so there was no provision for impairment.

VI. Notes to Financial Statements (continued)

9. Financial assets held for trading

(1) Breakdown

Item	31 December 2021	31 December 2020
Financial assets at fair value through profit or loss		
Investments in debt instruments	223,644,052.46	203,866,828.83
Investments in equity instruments	616,775,582.00	811,010,029.53
Total	840,419,634.46	1,014,876,858.36

- (2) For details of the financial assets held for trading with commitment conditions or restrictions, see Note VI. 56: Assets with restricted ownership or use rights.

10. Inventory

(1) Category

Item	31 December 2021		
	Book balance	Provision for depreciation	Book value
Inventory goods	9,531.74		9,531.74
Total	9,531.74		9,531.74

(continued)

Item	31 December 2020		
	Book balance	Provision for depreciation	Book value
Inventory goods	48,676,714.04		48,676,714.04
Total	48,676,714.04		48,676,714.04

- (2) At the end of the Reporting Periods, there was no sign of impairment on the inventory, so there was no provision for impairment in respect of inventory.

VI. Notes to Financial Statements (continued)

11. Long term equity investment

(1) Breakdown

Item	31 December 2021	31 December 2020
Long term equity investment calculated with equity method	7,036,127.76	11,431,418.75
Total long term equity investment	7,036,127.76	11,431,418.75
Less: Provision for impairment on long term equity investment		
Net long term equity investment	7,036,127.76	11,431,418.75

(2) Long term equity investment calculated with equity method

Investees	Amount at 31 December 2020	Change for this year							Amount at 31 December 2021	Provision for impairment at 31 December 2021
		Additional investment	Investment reduction	Investment gain/loss recognised with equity method	Other comprehensive income adjustment	Other equity change	Declared cash dividend or profit	Provision for impairment		
I. Joint ventures										
II. Associates										
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資 有限公司)	5,379,849.71			-592,738.57						4,787,111.14
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資 有限公司)	6,051,569.04	3,943,560.77		141,014.59	-6.24					2,249,016.62
Total	11,431,418.75	3,943,560.77		-451,723.98	-6.24					7,036,127.76

VI. Notes to Financial Statements (continued)

12. Futures membership investment

(1) Breakdown

Item	31 December 2021		
	Book balance	Provision for depreciation	Book value
Futures membership investment	1,808,800.00		1,808,800.00
Total	1,808,800.00		1,808,800.00

(continued)

Item	31 December 2020		
	Book balance	Provision for depreciation	Book value
Futures membership investment	1,820,820.00		1,820,820.00
Total	1,820,820.00		1,820,820.00

(2) Classified by exchange

Item	31 December 2021	31 December 2020
Shanghai Futures Exchange	500,000.00	500,000.00
Dalian Commodity Exchange	400,000.00	500,000.00
Zhengzhou Commodity Exchange	500,000.00	400,000.00
Hong Kong Futures Exchange	408,800.00	420,820.00
Total	1,808,800.00	1,820,820.00

- (3) At the end of the Reporting Periods, there was no sign of impairment on futures membership investment, so there was no provision for impairment in respect of futures membership investment.

VI. Notes to Financial Statements (continued)

13. Fixed assets

(1) Fixed assets breakdown

Item	Vehicles	Office furniture	Electronic equipment	Total
I. Book cost				
1. Balance at 31 December 2020	4,530,441.60	3,263,590.26	45,897,192.25	53,691,224.11
2. Current increase		12,028.06	6,164,951.85	6,176,979.91
(1) Purchase		12,028.06	6,164,951.85	6,176,979.91
(2) Transfer from work in progress				
3. Current decrease		2,626,073.96	1,695,930.91	4,322,004.87
(1) Disposal or scrap		2,626,073.96	1,695,930.91	4,322,004.87
(2) Transfer to work in process				
4. Exchange difference		-2,497.22	-44,255.11	-46,752.33
5. Balance at 31 December 2021	4,530,441.60	647,047.14	50,321,958.08	55,499,446.82
II. Cumulative depreciation				
1. Balance at 31 December 2020	3,681,326.03	2,648,466.99	31,955,093.11	38,284,886.13
2. Current increase	138,022.77	100,822.01	6,254,522.37	6,493,367.15
(1) Provision	138,022.77	100,822.01	6,254,522.37	6,493,367.15
3. Current decrease		2,515,656.62	1,627,830.75	4,143,487.37
(1) Disposal or scrap		2,515,656.62	1,627,830.75	4,143,487.37
(2) Transfer to work in process				
4. Exchange difference		-1,821.75	-32,911.34	-34,733.09
5. Balance at 31 December 2021	3,819,348.80	231,810.63	36,548,873.39	40,600,032.82
III. Provision for impairment				
IV. Book value				
1. Book value at 31 December 2021	711,092.80	415,236.51	13,773,084.69	14,899,414.00
2. Book value at 31 December 2020	849,115.57	615,123.27	13,942,099.14	15,406,337.98

(2) As at the end of the Reporting Periods, there was no fixed assets without registered title certificates.

(3) As at the end of the Reporting Periods, there was no sign of impairment on fixed assets, so no provision was made for such impairment.

VI. Notes to Financial Statements (continued)

14. Right-of-use assets

(1) Right-of-use assets breakdown

Item	Lease housing	Total
I. Book cost		
1. Balance at 31 December 2020	55,560,609.47	55,560,609.47
2. Current increase	19,466,705.15	19,466,705.15
(1) Rent	19,466,705.15	19,466,705.15
(2) Business merger increase		
3. Current decrease		
(1) Disposal		
4. Exchange difference	-145,607.27	-145,607.27
5. Balance at 31 December 2021	74,881,707.35	74,881,707.35
II. Cumulative depreciation		
1. Balance at 31 December 2020	36,661,959.95	36,661,959.95
2. Current increase	13,614,762.05	13,614,762.05
(1) Provision	13,614,762.05	13,614,762.05
3. Current decrease		
(1) Disposal		
4. Exchange difference	-51,004.23	-51,004.23
5. Balance at 31 December 2021	50,225,717.77	50,225,717.77
III. Provision for impairment		
IV. Book value		
1. Book value at 31 December 2021	24,655,989.58	24,655,989.58
2. Book value at 31 December 2020	18,898,649.52	18,898,649.52

(2) As at the end of the Reporting Periods, there was no sign of impairment on the right-of-use assets, so there was no provision for such impairment.

VI. Notes to Financial Statements (continued)

15. Intangible assets

(1) Intangible assets breakdown

Item	Software	Customer relations	Total
I. Book cost			
1. Balance at 31 December 2020	7,881,641.78	6,100,000.00	13,981,641.78
2. Current increase			
(1) Purchase			
3. Current decrease	137,735.82		137,735.82
(1) Disposal or scrap	137,735.82		137,735.82
4. Exchange difference	-17,429.21		-17,429.21
5. Balance at 31 December 2021	7,726,476.75	6,100,000.00	13,826,476.75
II. Cumulative amortisation			
1. Balance at 31 December 2020	6,024,576.39	6,100,000.00	12,124,576.39
2. Current increase	706,482.90		706,482.90
(1) Provision	706,482.90		706,482.90
3. Current decrease	26,781.96		26,781.96
(1) Disposal or scrap	26,781.96		26,781.96
4. Exchange difference	-3,005.21		-3,005.21
5. Balance at 31 December 2021	6,701,272.12	6,100,000.00	12,801,272.12
III. Provision for impairment			
IV. Book value			
1. Book value at 31 December 2021	1,025,204.63		1,025,204.63
2. Book value at 31 December 2020	1,857,065.39		1,857,065.39

(2) As at the end of the Reporting Periods, there was no sign of impairment on the intangible assets, so there was no provision for such impairment.

VI. Notes to Financial Statements (continued)

16. Deferred income tax assets

(1) Deferred income tax assets without offset

Item	31 December 2021		31 December 2020	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Employee compensation payable	19,655,122.19	4,913,780.55	25,156,871.24	6,289,217.81
Credit impairment loss	10,326,151.10	2,581,537.78	10,347,043.88	2,586,760.97
Accrued expenses	3,300,766.11	825,191.53	4,525,520.73	1,131,380.18
Provisions	1,969,920.97	492,480.24	4,467,575.89	1,116,893.97
Changes in the fair value of derivative financial instruments	3,305,416.91	826,354.23	2,102,385.39	525,596.35
Changes in the fair value of financial assets/liabilities held for trading			908,422.21	227,105.55
Leasing	171,802.95	42,950.74	408,233.50	102,058.38
Total	38,729,180.23	9,682,295.07	47,916,052.84	11,979,013.21

(2) Deferred income tax liabilities without offset

Item	31 December 2021		31 December 2020	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in the fair value of derivative financial instruments				
Changes in the fair value of financial assets/liabilities held for trading	9,153,015.98	2,288,254.00	15,001,172.12	3,750,293.03
Total	9,153,015.98	2,288,254.00	15,001,172.12	3,750,293.03

(3) Net deferred income tax assets or liabilities after offset

Item	Deferred income tax assets and liabilities offset amount at 31 December 2021	Deferred income tax asset or liability balance after offset at 31 December 2021	Deferred income tax assets and liabilities offset amount at 31 December 2020	Deferred income tax asset or liability balance after offset at 31 December 2020
Deferred income tax assets	-2,288,254.00	7,394,041.07	-3,750,293.03	8,228,720.18
Deferred income tax liabilities	-2,288,254.00		-3,750,293.03	

VI. Notes to Financial Statements (continued)

16. Deferred income tax assets (continued)

(4) Unrecognised deferred income tax assets breakdown

Item	31 December 2021	31 December 2020
Provision for goodwill impairment	53,167,251.21	53,167,251.21
Deductible losses	58,466,875.71	40,995,924.94
Total	111,634,126.92	94,163,176.15

(5) The deductible loss of unrecognised deferred income tax assets will be due in the following years

Because Holly International Financial Holdings (弘業國際金控) is not likely to have future taxable profit sufficient to offset related losses, the Group has not recognised deferred income tax assets in respect of the cumulative deductible losses of Holly International Financial Holdings. According to prevailing tax laws, these deductible losses may be carried forward indefinitely to deduct taxes from the year they are incurred.

17. Other assets

(1) Breakdown

Item	31 December 2021	31 December 2020
Advance payments	281,485,696.70	44,093,175.32
Prepaid expenses	6,995,142.68	8,174,721.86
Taxes to be refunded, deducted and settled	1,960,559.20	7,532,600.17
Overseas futures exchange deposit	1,369,016.07	1,409,269.43
Others	3,585,849.06	
Total	295,396,263.71	61,209,766.78

Advance payments mainly refer to the house purchase price paid in advance to Nanjing Financial City Construction and Development Co., Ltd. (南京金融城建設發展股份有限公司) for the Company to buy the property located in Nanjing Hexi Zijin Financial Center.

VI. Notes to Financial Statements (continued)

18. Short term borrowings

Item	31 December 2021	31 December 2020
Pledged borrowings		2,052,060.00
Total		2,052,060.00

19. Currency deposits payable

(1) By customer category

Customer category	31 December 2021		31 December 2020	
	QTY	Amount	QTY	Amount
Natural persons	85,991	3,244,516,564.70	82,930	2,599,294,685.74
Legal persons	3,070	2,017,295,316.72	2,891	1,647,795,452.34
Total	89,061	5,261,811,881.42	85,821	4,247,090,138.08

(2) By exchange

Exchange	31 December 2021		31 December 2020	
	QTY	Amount	QTY	Amount
Domestic futures exchanges				
Incl.: Shanghai Futures Exchange	2,062	520,554,746.95	2,110	443,111,322.60
Dalian Commodity Exchange	2,590	507,598,638.10	2,694	387,852,642.14
China Financial Futures Exchange	330	362,963,783.28	287	333,299,674.48
Zhengzhou Commodity Exchange	2,819	419,692,429.65	3,265	277,827,552.05
Shanghai International Energy Exchange	106	35,442,258.80	73	31,005,172.50
China Securities Depository and Clearing Corporation Limited	16	7,519,835.67	20	2,824,859.00
Subtotal	7,923	1,853,771,692.45	8,449	1,475,921,222.77
Overseas futures brokers	2,095	89,679,035.34	2,060	62,112,764.04
Total	10,018	1,943,450,727.79	10,509	1,538,033,986.81

Note: The customer margins stated by exchange shall not include the customer margins deposited in bank accounts or the settlement reserves deposited at the exchanges.

VI. Notes to Financial Statements (continued)

20. Pledged deposits payable

(1) By customer category

Customer category	31 December 2021		31 December 2020	
	QTY	Amount	QTY	Amount
Legal persons	5	668,817,393.60	3	40,750,944.00
Total	5	668,817,393.60	3	40,750,944.00

(2) By exchange

Exchange	31 December 2021	31 December 2020
Shanghai Futures Exchange	428,672,112.00	40,750,944.00
Dalian Commodity Exchange	160,794,960.00	
Zhengzhou Commodity Exchange	79,350,321.60	
Total	668,817,393.60	40,750,944.00

21. Financial liabilities held for trading

Item	31 December 2021	31 December 2020
Financial liabilities at fair value through profit or loss	86,471,254.16	
Incl.: Accounts payable	86,471,254.16	

For the financial liabilities at fair value through profit or loss, the changes of their fair values are listed below:

Item	Changes of fair value at 31 December 2021	Cumulative changes of fair values due to changes of their own credit risks
Accounts payable	4,224,539.06	Nil

As of 31 December 2021, there was no different between the book value of financial liabilities measured at fair value through profit or loss and the amount payable to creditors under contract.

VI. Notes to Financial Statements (continued)

22. Financial assets sold under repurchase agreements

(1) By business category

Item	31 December 2021	31 December 2020
Bonds	32,625,838.11	34,197,000.00
Spot goods		1,622,204.28
Total	32,625,838.11	35,819,204.28

(2) Security information

Item	31 December 2021	31 December 2020
Bonds	54,775,333.50	54,333,333.42
Spot goods		1,838,027.90
Total	54,775,333.50	56,171,361.32

23. Futures risk provision

(1) Breakdown

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 31 December 2021
Futures risk provision	140,221,598.23	10,993,812.94		151,215,411.17
Total	140,221,598.23	10,993,812.94		151,215,411.17

24. Payable to futures investors protection fund

(1) Breakdown

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 31 December 2021
Payable to futures investors protection fund	369,776.02	522,906.25	369,755.39	522,926.88
Total	369,776.02	522,906.25	369,755.39	522,926.88

Note: According to the CSRC Decree No. 129: Decision to Modify the Interim Measures for the Administration of Futures Investor Safeguard Funds (dated 8 November 2016) (關於修改 <期貨投資者保障基金管理暫行辦法> 的決定), starting from 8 December 2016, the Company should make payment to this fund at a rate of 600 millionth of the broker transaction volume instead of 60 millionth.

VI. Notes to Financial Statements (continued)

25. Employee compensation payable

(1) Employee compensation payable by category

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 31 December 2021
I. Short-term compensation	26,279,433.60	148,751,777.47	154,372,195.13	20,659,015.94
II. Post-employment benefits-setting up a contribution plan		19,121,242.60	19,121,242.60	
III. Dismissal benefits				
Total	26,279,433.60	167,873,020.07	173,493,437.73	20,659,015.94

(2) Short term compensation

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 31 December 2021
Salary, bonus, subsidy and allowance	25,782,825.92	124,818,332.81	130,479,381.05	20,121,777.68
Workers benefits		2,226,588.57	2,226,588.57	
Social insurance premiums		10,782,691.20	10,782,691.20	
Incl.: Medical insurance premiums		10,054,172.88	10,054,172.88	
Work injury insurance premiums		161,827.24	161,827.24	
Maternity insurance premiums		566,691.08	566,691.08	
Housing reserve fund		8,335,028.98	8,335,028.98	
Labour union funding and employee education funding	496,607.68	2,589,135.91	2,548,505.33	
Total	26,279,433.60	148,751,777.47	154,372,195.13	20,659,015.94

(3) Contribution plan

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 31 December 2021
Basic pension		12,900,139.56	12,900,139.56	
Unemployment insurance		403,971.67	403,971.67	
Corporate annuity		5,817,131.37	5,817,131.37	
Total		19,121,242.60	19,121,242.60	

VI. Notes to Financial Statements (continued)

26. Taxes payable

Item	31 December 2021	31 December 2020
Enterprise income tax	4,087,590.83	20,942,367.18
VAT	1,771,663.92	7,465,193.64
Taxes and surcharges	148,589.64	231,960.64
Withholding of personal income tax	8,034.85	18,929.98
Total	6,015,879.24	28,658,451.44

27. Accounts payable

Item	31 December 2021	31 December 2020
Purchase of spot goods		7,373,441.99
Total		7,373,441.99

28. Contract liabilities

Item	31 December 2021	31 December 2020
Receipts in advance	1,000,000.00	1,859,630.01
Total	1,000,000.00	1,859,630.01

29. Other payables

Item	31 December 2021	31 December 2020
Pending settlement of asset management plan	1,085,141.20	68,226,995.45
Pledge cash payable to standard warrant		37,271,225.33
Margins payable	2,034,551.68	13,900,529.62
Advance dividends from associates		3,791,000.00
Commission payable	1,452,492.29	1,565,749.01
Auditor's fee payable	1,641,219.20	1,500,000.00
Payable to fund agency	600,109.87	50,000.00
Risk guarantee payable	4,247,710.09	3,513,161.44
Others	15,220,196.35	10,790,874.68
Total	26,281,420.68	140,609,535.53

VI. Notes to Financial Statements (continued)

30. Provisions

Item	31 December 2021	31 December 2020
Expected litigation losses	1,969,920.97	4,467,575.89
Total	1,969,920.97	4,467,575.89

Note: See Note XII.1. (1).

31. Long term borrowings

Item	31 December 2021	31 December 2020
Mortgage borrowings	117,197,967.93	
Total	117,197,967.93	

Note: Long term borrowings was utilised to pay property purchase price to Nanjing Financial City Construction and Development Co., Ltd. for the purchase of the property located in Nanjing Hexi Zijin Financial Center and pre-registration was made, and the collateral for the long term borrowing was the property pre-registered.

32. Lease liability

Item	31 December 2021	31 December 2020
Within 1 year	11,051,398.16	11,717,703.90
1-2 yrs	7,408,033.43	6,495,388.72
2-5 yrs	6,371,672.21	1,134,674.87
Book value of lease liability	24,831,103.80	19,347,767.49

VI. Notes to Financial Statements (continued)

33. Share capital

Shareholders	Balance at 31 December 2020	Current change (+/-)					Subtotal	Balance at 31 December 2021
		New issue	Bonus issue	Provident fund conversion	Others			
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	275,456,777.00	0.00	0.00	0.00	0.00	0.00	0.00	275,456,777.00
Jiangsu Holly Corporation (Jiangsu Holly Corporation (江蘇弘業股份有限公司))	147,900,000.00	0.00	0.00	0.00	0.00	0.00	0.00	147,900,000.00
Jiangsu Holly Su Industrial Co., Ltd. (江蘇 弘蘇實業有限公司)	143,548,000.00	0.00	0.00	0.00	0.00	0.00	0.00	143,548,000.00
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	0.00	0.00	0.00	0.00	0.00	0.00	63,930,134.00
Shanghai Mingda Industrial (Group) Company Limited (上海銘大實業(集 團)有限公司)	9,276,631.00	0.00	0.00	0.00	0.00	0.00	0.00	9,276,631.00
Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司)	8,903,113.00	0.00	0.00	0.00	0.00	0.00	0.00	8,903,113.00
Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公 司)	8,285,345.00	0.00	0.00	0.00	0.00	0.00	0.00	8,285,345.00
HK stocks tradable	249,700,000.00	0.00	0.00	0.00	0.00	0.00	0.00	249,700,000.00
Total	907,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00	907,000,000.00

34. Capital reserve

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 31 December 2021
Share premium	533,124,529.52	0.00	0.00	533,124,529.52
Others (Note)		4,701,890.00		4,701,890.00
Total	533,124,529.52	4,701,890.00	0.00	537,826,419.52

Note: The increase for the period was primarily due to the compensation made by Jiangsu SOHO Holdings Group Co., Ltd. for the litigation losses of the Company. See Note XI. (II). 6 for details.

VI. Notes to Financial Statements (continued)

35. Other comprehensive income

Item	Balance at 31 December 2020	Other changes	Balance at 1 January 2021	Before current income tax	Jan-Dec 2021		Less: Income tax expense	After tax attributable to the parent	After tax attributable to minority shareholders	Balance at 31 December 2021
					Less: Transfer from previous other comprehensive income to current profit or loss	Less: Transfer from previous other comprehensive income to current retained earnings				
I. Other comprehensive income that cannot be reclassified into profit or loss										
II. Other comprehensive income to be reclassified into profit and loss										
Incl.: Other comprehensive income that can be converted to profit or loss with equity method	-371,801.28	371,877.91	76.63	-6.24				-6.24		70.39
Translation difference of foreign currency financial statements	-3,321,162.79		-3,321,162.79	-4,064,076.05				-4,064,076.05		-7,385,238.84
Others										
Total of other comprehensive income	-3,692,964.07	371,877.91	-3,321,086.16	-4,064,082.29				-4,064,082.29		-7,385,168.45

Note: The Group's associate--Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司) adopted new financial instrument standards since 1 January 2021, which resulted in changes of other comprehensive income.

VI. Notes to Financial Statements (continued)

36. Surplus reserve

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 31 December 2021
Statutory surplus reserve	58,426,314.46	8,179,880.16	0.00	66,606,194.62
Total	58,426,314.46	8,179,880.16	0.00	66,606,194.62

37. General risk provision

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 31 December 2021
General risk provision	84,305,891.83	8,179,880.16	0.00	92,485,771.99
Total	84,305,891.83	8,179,880.16	0.00	92,485,771.99

38. Undistributed profit

Item	31 December 2021
Balance at the end of previous period	67,503,955.76
Add: Others (Note)	-371,877.91
Balance at the beginning of current period	67,132,077.85
Add: Current net profit attributable to shareholders of parent	80,211,471.47
Less: Statutory surplus reserve	8,179,880.16
Appropriation for general risk reserve	8,179,880.16
Dividend payable on ordinary shares	45,350,000.00
Balance at the end of current period	85,633,789.00

Note: See Note VI. 35.

VI. Notes to Financial Statements (continued)

39. Net handling fee and commission income

(1) Net handling fee and commission income breakdown

Item	2021	2020
Net brokerage fee income	31,677,823.64	39,994,727.86
Exchange fee reduction deemed as income	242,935,384.10	176,047,985.70
Net brokerage fee income subtotal	274,613,207.74	216,042,713.56
Asset management business income	11,216,236.43	13,415,518.10
Total	285,829,444.17	229,458,231.66

(2) Net handling fee and commission income by business offices in administrative regions

Administrative regions	2021		2020	
	Number of branches	Net handling fee and commission income	Number of branches	Net handling fee and commission income
Jiangsu Province	22	228,254,395.16	22	174,384,644.69
Fujian Province	2	8,142,191.25	2	10,228,973.73
Shanghai	2	5,969,734.05	2	7,551,840.14
Zhejiang Province	2	7,355,252.53	2	6,959,628.21
Henan Province	1	4,326,767.65	1	5,417,131.25
Guangdong Province	3	3,219,301.20	3	2,772,203.59
Beijing	2	2,287,775.74	2	2,754,255.85
Hong Kong, China	1	1,940,420.31	1	2,441,834.79
Shandong Province	2	5,538,829.87	2	2,422,804.46
Shaanxi Province	1	4,001,717.60	1	2,390,309.22
Anhui Province	2	2,968,667.91	2	2,261,947.07
Liaoning Province	2	2,767,997.90	2	1,961,438.74
Guangxi Province	1	2,267,712.72	1	1,866,009.54
Hunan Province	1	2,482,675.78	1	1,851,347.59
Chongqing	1	1,649,449.92	1	1,249,918.52
Sichuan Province	1	691,652.07	1	1,165,762.23
Shanxi Province	1	1,272,397.79	1	976,117.84
Hainan Province	1	692,504.72	1	802,064.20
Total	48	285,829,444.17	48	229,458,231.66

VI. Notes to Financial Statements (continued)

40. Net interest income

Item	2021	2020
Interest income		
Incl.: Interest income from customer deposit	74,536,722.34	58,512,840.45
Interest income from own funds deposit	10,260,687.14	14,771,813.54
Interest income from repurchase agreements	186,592.73	485,509.01
Total interest income	84,984,002.21	73,770,163.00
Interest expense		
Incl.: Interest expense on sale and repurchase	865,777.02	1,125,483.68
Total interest expenses	865,777.02	1,125,483.68
Net interest income	84,118,225.19	72,644,679.32

41. Investment gains

(1) Investment gains breakdown

Item	2021	2020
Long term equity investment gains calculated with cost method		
Long term equity investment gains calculated with equity method	-451,723.98	-1,342,890.80
Incl.: Gains on investment in associates	-451,723.98	-1,342,890.80
Gains on investment in joint ventures		
Investment gains from disposal of long term equity investment		
Financial instrument investment gains	25,428,485.54	39,236,675.22
Incl.: Grains on financial instrument during holding period	31,055,469.27	20,308,573.76
– Financial instrument held for trading	31,055,469.27	20,308,573.76
Proceeds from disposal	-5,626,983.73	18,928,101.46
– Financial derivatives	-34,564,921.92	-53,389,309.84
– Financial instrument held for trading	28,937,938.19	72,317,411.30
Others		
Total	24,976,761.56	37,893,784.42

VI. Notes to Financial Statements (continued)

41. Investment gains (continued)

(2) Gains of investment in associates

Item	2021	2020
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	-592,738.57	-1,701,152.21
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	141,014.59	358,261.41
Total	-451,723.98	-1,342,890.80

(3) There is no significant restriction on repatriation of investment gains.

42. Other incomes

Item	2021	2020
Government subsidies	3,197,691.90	441,073.63
Individual income tax refund	57,046.61	
Total	3,254,738.51	441,073.63

(1) 2021 government subsidies breakdown

Subsidy	Amount	Related to assets/gains	Issuing authority	Approval document
Job stabilization subsidy	13,140.28	Related to income	People's Government of Jiangsu Province	Opinions on Implementing Employment Priority Policies and Further Stabilizing Employment
Job stabilization subsidy	2,953.31	Related to income	People's Government of Guangdong Province	Notice to Issue Several Policies and Measures to Further Stabilize and Promote Employment in Guangdong Province
Futures market construction reward	100,000.00	Related to income	Dalian Financial Development Bureau	Notice to cash out rewards for futures market construction
Work for training	3,000.00	Related to income	Lianyungang Human Resources and Social Security Bureau Finance Bureau of Lianyungang	Notice of the Municipal Human Resources and Social Security Bureau and the Municipal Finance Bureau to implement the special support plan for enterprises to stabilize and expand employment
Job stabilization subsidy	664.68	Related to income	Department of Human Resources and Social Security of Anhui Province Department of Finance of Anhui Province	Notice on the use of provincial employment risk reserves to support the stable employment of small, medium and micro enterprises
Job stabilization subsidy	2,256.76	Related to income	Hefei Human Resources and Social Security Bureau Hefei Municipal Bureau of Finance	Hefei City's Action Plan for "Welcoming the Spring Festival, Sending Warmth, Stabilizing and Retaining Jobs"

VI. Notes to Financial Statements (continued)

42. Other incomes (continued)

(1) 2021 government subsidies breakdown (continued)

Subsidy	Amount	Related to assets/gains	Issuing authority	Approval document
Financial innovation award	377,358.49	Related to income	Nanjing Local Financial Supervision and Administration Bureau Nanjing Bureau of Finance	Announcement on commending Nanjing Excellent Financial Innovation project in 2020
Tax refund	2,622,446.18	Related to income	Ministry of Finance/State Administration of Taxation	Notice of the Ministry of Finance and the State Administration of Taxation on the Preferential Policies and Preferential Catalogue of Enterprise Income Tax in Guangdong Hengqin New Area, Fujian Pingtan Comprehensive Experimental Zone, Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone
Job stabilization subsidy	36,168.43	Related to income	Department of Human Resources and Social Security of Jiangsu Province, Jiangsu Provincial Development and Reform Commission, Department of Education of Jiangsu Province, Department of Finance of Jiangsu Province and Chinese People's Liberation Army Jiangsu Provincial Mobilization office	Notice of Provincial Human Resources and Social Security of, Provincial Development and Reform Commission, Provincial Department of Education of, Provincial Department of Finance and Chinese People's Liberation Army Provincial Mobilization office on the Continuation of the Implementation of Certain Policies and Measures to Reduce Burdens, Keep the Payroll Stable and Create More Jobs
Job stabilization subsidy	2,373.36	Related to income	Department of Human Resources and Social Security of Guangxi Zhuang Autonomous Region and Department of Finance of Guangxi Zhuang Autonomous Region	Notice of the Department of Human Resources and Social Security of Guangxi Zhuang Autonomous Region and Department of Finance of Guangxi Zhuang Autonomous Region on Issues Related to the work of Unemployment Insurance to Reduce Burdens, Keep the Payroll Stable and Create More Jobs in 2021
Job stabilization subsidy	2,453.00	Related to income	Department of Human Resources and Social Security of Shenyang City and Department of Finance of Shenyang City	Notice of Department of Human Resources and Social Security of Shenyang City and Department of Finance of Shenyang City on Increasing the Returning Ratio of Unemployment Insurance Stabilization Subsidy
Unemployment insurance subsidy	6,377.00	Related to income	Department of Human Resources and Social Security of Ningbo City, Department of Finance of Shenyang City and PBOC Ningbo Branch	Notice of Department of Human Resources and Social Security of Ningbo City, Department of Finance of Shenyang City and PBOC Ningbo Branch on Rules for the Implementation of Further Keep Employment Stable

VI. Notes to Financial Statements (continued)

42. Other incomes (continued)

(1) 2021 government subsidies breakdown (continued)

Subsidy	Amount	Related to assets/gains	Issuing authority	Approval document
Job stabilization subsidy	2,439.48	Related to income	Department of Human Resources and Social Security of Anhui Province, Department of Finance of Anhui Province, Anhui Provincial Development and Reform Commission, Department of Education of Anhui Province, and Chinese People's Liberation Army Anhui Provincial Mobilization office	Notice on the Implementation of the Human Resources and Social Security and Other Departments on Continuation of the Implementation of Certain Policies and Measures to Reduce Burdens, Keep the Payroll Stable and Create More Jobs
Job stabilization subsidy	8,901.90	Related to income	Department of Human Resources and Social Security of Yangzhou City	Notice of the Department of Human Resources and Social Security of Yangzhou City on Ensuring the Supply of Labor for Enterprises During the Pandemic
Job stabilization subsidy	3,184.25	Related to income	Ministry of Human Resources and Social Security, National Development and Reform commission, Ministry of Education, Ministry of Finance and National Defense Mobilization Department	Notice of the Ministry of Human Resources and Social Security, National Development and Reform commission, Ministry of Education, Ministry of Finance and National Defense Mobilization Department on the Continuation of the Implementation of Certain Policies and Measures to Reduce Burdens, Keep the Payroll Stable and Create More Jobs
Job stabilization subsidy	53.68	Related to income	Department of Human Resources and Social Security of Shenzhen	Notice of the Department of Human Resources and Social Security of Shenzhen on the Continuation of Policies to Keep the Payroll Stable and Create More Jobs
Job stabilization subsidy	5,334.55	Related to income	Department of Human Resources and Social Security of Zhejiang Province, Zhejiang Provincial Development and Reform Commission, Department of Education of Zhejiang Province, Department of Finance of Zhejiang Province, Zhejiang Provincial Tax Service, State Taxation Administration and Conscription Office of People's Government of Zhejiang Province	Notice of six Departments (including Department of Human Resources and Social Security of Zhejiang Province) on the Continuation of the Implementation of Certain Policies and Measures to Reduce Burdens, Keep the Payroll Stable and Create More Jobs

VI. Notes to Financial Statements (continued)

42. Other incomes (continued)

(1) 2021 government subsidies breakdown (continued)

Subsidy	Amount	Related to assets/gains	Issuing authority	Approval document
Job stabilization subsidy	955.10	Related to income	Department of Human Resources and Social Security of Lianyungang City, Lianyungang City Municipal Development and Reform Commission, Lianyungang Municipal Education Bureau, Lianyungang Municipal Finance Bureau, and Conscription Office of People's Government of Zhejiang Province	Notice on the Continuation of the Implementation of Certain Policies and Measures to Reduce Burdens, Keep the Payroll Stable and Create More Jobs
Job stabilization subsidy	1,169.00	Related to income	Department of Human Resources and Social Security of Shanxi Province, Shanxi Provincial Development and Reform Commission, Department of Education of Shanxi Province,, Department of Finance of Shanxi Province, and Chinese People's Liberation Army Shanxi Provincial Mobilization office	Notice on the Continuation of the Implementation of Certain Policies and Measures to Reduce Burdens, Keep the Payroll Stable and Create More Jobs
Job stabilization subsidy	1,562.45	Related to income	Huai'an Human Resources and Social Security and Huai'an Finance Bureau	Notice on the implementation of the special support plan for enterprise job stabilization and expansion
Work for training	4,900.00	Related to income	Shenyang Human Resources and Social Security and Shenyang Finance Bureau	Notice of Shenyang Human Resources and Social Security and Shenyang Finance Bureau on the Work for Training
Total	3,197,691.90			

43. Gains on changes of fair value

Item	2021	2020
Financial assets held for trading	-12,627,523.44	21,494,125.35
Incl.: Financial assets at fair value through profit or loss	-12,627,523.44	21,494,125.35
Financial liabilities held for trading	-4,224,539.06	1,024,271.00
Incl.: Financial liabilities at fair value through profit or loss	-4,224,539.06	1,024,271.00
Derivative financial assets	17,132,338.27	8,608,984.42
Derivative financial liabilities	-18,288,957.63	-10,930,084.81
Total	-18,008,681.86	20,197,295.96

VI. Notes to Financial Statements (continued)

44. Exchange gains

Item	2021	2020
Exchange gains	-1,458,080.09	-5,183,313.77
Total	-1,458,080.09	-5,183,313.77

45. Other operating income

Item	2021	2020
Spot sales revenue	1,259,236,643.42	1,198,714,914.97
Consulting fee income and others	2,079,492.89	7,354,989.46
Total	1,261,316,136.31	1,206,069,904.43

46. Proceeds from disposal of assets

Item	2021	2020
Proceeds from disposal of fixed assets	-163,754.65	-142,060.27
Total	-163,754.65	-142,060.27

47. Futures risk provision

Item	2021	2020
Futures risk provision	10,993,812.94	9,163,823.19
Total	10,993,812.94	9,163,823.19

48. Taxes and surcharges

Item	2021	2020
Urban maintenance and construction tax	1,222,988.07	912,569.52
Education surcharge	523,689.81	389,494.01
Local education surcharge	349,126.64	259,662.72
Others	875,509.80	658,887.70
Total	2,971,314.32	2,220,613.95

VI. Notes to Financial Statements (continued)

49、業務及管理費用

Item	2021	2020
Employees' compensation	167,041,955.13	154,491,445.69
Office expenses	37,710,646.16	37,239,373.37
Depreciation & amortization	20,814,612.10	28,073,970.29
Rent	10,761,540.27	4,110,197.69
Insurance	1,235,676.27	13,911,174.21
Consulting fees	5,155,452.04	13,785,765.45
Repair cost	635,653.20	3,324,455.16
Maintenance cost	2,874,383.51	2,651,594.24
Financial expenses	8,363,233.47	2,496,315.08
Commission expense	425,474.42	1,398,791.81
Investors protection fund	493,308.90	355,421.54
R&D expenses	851,347.96	
Utilities expenses	1,669,058.53	1,053,601.64
Others	8,992,280.41	5,706,999.38
Total	267,024,622.37	268,599,105.55

50. Credit impairment loss

Item	2021	2020
Currency deposits receivable impairment loss	715,601.00	2,825,554.10
Accounts receivable bad debt loss	-360,092.25	360,092.25
Other receivables bad debt loss	-90,411.37	10,499,682.44
Total	265,097.38	13,685,328.79

51. Other operating costs

Item	2021	2020
Cost of spot sales	1,248,695,930.85	1,171,435,651.77
Total	1,248,695,930.85	1,171,435,651.77

VI. Notes to Financial Statements (continued)

52. Non-operating income

(1) Non-operating income breakdown

Item	2021	2020
Government subsidy	58,100.00	758,767.82
Exchange subsidy	1,565,262.96	1,430,379.64
Others	141,758.73	132,536.69
Total	1,765,121.69	2,321,684.15

Item	Incl.: Amount included in the current non-recurring profit and loss	
	2021	2020
Government subsidy	58,100.00	758,767.82
Exchange subsidy	1,565,262.96	1,430,379.64
Others	141,758.73	132,536.69
Total	1,765,121.69	2,321,684.15

(2) 2021 government subsidies breakdown

Subsidy	Amount	Related to assets/income	Issuing authority	Approval document
Anti-epidemic Fund subsidy from the Government of the Hong Kong Special Administrative Region	58,100.00	Related to income	The Government of the Hong Kong Special Administrative Region	Anti-epidemic Fund from the Government of the Hong Kong Special Administrative Region
Total	58,100.00			

VI. Notes to Financial Statements (continued)

53. Non-operating expenses

Item	2021	2020
Donations and sponsorship expenditures	50,000.00	1,000,000.00
Provisions	1,969,920.97	4,467,575.89
Litigation compensation	234,314.11	
Others	212,714.39	425,733.82
Total	2,466,949.47	5,893,309.71

Item	Incl.: Amount included in the current non-recurring profit and loss	
	2021	2020
Donations and sponsorship expenditures	50,000.00	1,000,000.00
Provisions	1,969,920.97	4,467,575.89
Litigation compensation	234,314.11	
Others	212,714.39	425,733.82
Total	2,466,949.47	5,893,309.71

54. Income tax expense

(1) Income tax expense breakdown

Item	2021	2020
Current income tax expense	28,166,032.89	34,248,081.32
Deferred income tax expense	834,679.14	-7,867,090.01
Total	29,000,712.03	26,380,991.31

VI. Notes to Financial Statements (continued)

54. Income tax expense (continued)

(2) Accounting profit and income tax expense adjustments

Item	2021	2020
Total profit of the current period	109,212,183.50	92,703,446.57
Income tax expense calculated at the statutory/ applicable tax rate	27,303,045.88	23,175,861.64
Impact of different tax rates applied to subsidiaries	1,481,980.55	-160,444.07
Impact of accelerated deduction on R&D expenses	-159,627.74	
Impact of non-taxable income	-3,313,638.62	-1,148,974.07
Impact of non-deductible costs, expenses and losses	812,444.66	4,785,543.12
Impact of deductible loss of previous unrecognised deferred income tax assets		-270,995.31
Impact of deductible temporary differences or deductible loss of current unrecognised deferred income tax assets	2,876,507.30	
Income tax expense	29,000,712.03	26,380,991.31

55. Additional information on cash flow statement

(1) Other cash received/paid related to operating/investing/funding activities

1) Other cash received related to operating activities

Item	2021	2020
Securities settlement or redemption payments received	5,222,491.57	
Pending settlement of asset management plan payments		68,226,995.45
Standard warranty pledge cash received		37,271,225.33
Margin and commission received		15,466,278.63
Funds received from other holders of structured entity	82,246,715.10	
Non-operating income and other income	5,019,860.20	2,762,757.78
Others	12,773,321.35	3,976,575.95
Total	105,262,388.22	127,703,833.14

VI. Notes to Financial Statements (continued)

55. Additional information on cash flow statement (continued)

(1) Other cash received/paid related to operating/investing/funding activities (continued)

2) Other cash paid related to operating activities

Item	2021	2020
Funds paid by other holders of structured entity		59,998,245.76
Advance payment for PTA business		10,713,048.00
Payment of amount to be settled	57,600,687.10	
Standard warrant pledge payment	37,271,225.33	
Margin and commission paid	16,753,570.18	
Payment for liquidation or redemption of securities		8,631,466.93
Donations and sponsorship expenditures	50,000.00	1,000,000.00
Litigation compensation	4,467,575.89	
Others	7,612,455.40	9,912,050.77
Total	123,755,513.90	90,254,811.46

3) Other cash received related to financing activities

Item	2021	2020
Compensation for loss due to litigation	4,701,890.00	
Total	4,701,890.00	

4) Other cash paid related to financing activities

Item	2021	2020
Expenses related to financing	3,535,000.00	
Total	3,535,000.00	

VI. Notes to Financial Statements (continued)

55. Additional information on cash flow statement (continued)

(2) Additional information on consolidated cash flow statement

Item	2021
1. Adjustment of net profit to cash flow from operating activities:	
Net profit	80,211,471.47
Add: Asset impairment provision	-
Credit impairment loss	265,097.38
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	6,493,367.15
Depreciation of right-of-use assets	13,614,762.05
Amortization of intangible assets	706,482.90
Amortization of long-term deferred expenses	-
Loss ("-" for gain) from disposal of fixed assets, intangible assets and other long term assets	163,754.65
Fixed assets scrap loss ("-" for gain)	-
Loss ("-" for gain) from changes in fair value	16,852,062.50
Financial expense ("-" for income)	7,399,920.29
Exchange losses	1,458,080.09
Investment loss ("-" for gain)	-55,248,950.22
Decrease ("-" for increase) of deferred income tax assets	834,679.11
Increase ("-" for decrease) of deferred income tax liabilities	-
Decrease ("-" for increase) of inventory	48,667,182.30
Decrease ("-" for increase) of operating receivables	-504,711,405.70
Increase ("-" for decrease) of operating payables	1,607,227,484.80
Net interest income	679,184.29
Futures risk provision	10,993,812.94
Others	-
Net cash flow from operating activities	1,235,606,986.00
2. Major investment and financing activities that do not involve cash receipts and expenditures:	
Conversion of debt into capital	
Convertible corporate bonds due within one year	
Finance lease fixed assets	
3. Net changes in cash and cash equivalents:	
Cash balance at the end of period	4,106,185,249.67
Less: Cash balance at the beginning of period	2,854,855,864.32
Add: Cash equivalent balance at the end of period	
Less: Cash equivalent balance at the beginning of period	
Net increase of cash and cash equivalents	1,251,329,385.35

VI. Notes to Financial Statements (continued)

55. Additional information on cash flow statement (continued)

(3) Cash and cash equivalents

Item	31 December 2021	31 December 2020
Cash		
Incl.: Cash in hand		
Bank deposit immediately available	4,068,300,218.52	2,840,983,584.02
Other monetary funds immediately available	37,885,031.15	13,872,280.30
Cash equivalents		
Closing balance of cash and cash equivalents	4,106,185,249.67	2,854,855,864.32

56. Assets with restricted ownership or use rights

Item	Book value at 31 December 2021	Reason
Monetary fund	787,041.31	產品募集資金賬戶
Monetary fund	4,285,443.46	場外期權保證金
Financial assets held for trading	54,775,333.50	賣出回購交易質押

57. Foreign currency monetary funds

(1) Foreign currency monetary funds

Item	Foreign currency balance at 31 December 2021	Exchange rate	RMB balance converted at 31 December 2021
Monetary fund			
Incl.: USD	3,931,333.12	6.3757	25,065,000.57
HKD	87,154,013.92	0.8176	71,257,121.78
JPY	187,664.00	0.055415	10,399.40
Currency deposits receivable			
Incl.: USD			
HKD	76,748,168.73	0.8176	62,749,302.75

(2) Important overseas business entity

Name of entity	Principal place of business	Accounting currency	Basis for selection of accounting currency
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	Hong Kong	HKD	Local currency

VII. Changes in the scope of consolidated statements

(I) Business combination not under the same control

In 2021, the Group has no subsidiary acquired through business combination not under the same control.

(II) Business combination under the same control

In 2021, the Group has no subsidiary acquired through business combination under the same control.

(III) Reverse takeover

In 2021, the Group had no subsidiary acquired through reverse takeover.

(IV) Disposal of subsidiary

In 2021, the Group had no disposal of subsidiary.

(V) Changes in the scope of consolidation for other reasons

1. New subsidiary

In 2021, there was no new subsidiary or entity to be consolidated.

2. Reduction of subsidiaries by deregistration or otherwise

In 2021, there was no reduction of subsidiaries by deregistration or other means.

3. Structured entities

In 2021, the Group consolidated 9 structured entities, namely, "Holly Innovation Quantitative Select No. 1 Asset Management Plan (弘業科創量化優選1號資產管理計劃)" · Holly Ruixin No. 1 Collective Asset Management Plan (弘業瑞鑫1號集合資產管理計劃), "Holly Value Growth CTA1 Collective Asset Management Plan (弘業價值成長CTA1號集合資產管理計劃)", "Holly Private No. 3 FOF Collective Asset Management Plan (弘業私享三號FOF集合資產管理計劃)", "Holly Hongxi Quantitative CTA2 Collective Asset Management Plan (弘業宏錫量化CTA2號集合資產管理計劃)", "Holly Steady Growth CTA2 Collective Asset Management Plan (弘業穩健成長CTA2集合資產管理計劃)", and "Holly International Fixed Income Fund (弘業國際固定收益基金)" and "Holly Guangye Fund SP (弘業廣業基金SP)" where its subsidiary acts as manager, however, such consolidation did not have significant impact on the financial conditions, operating results and cash flow of the Group in 2021.

VIII. Interests in Other Entities

(I) Interests in subsidiaries

1. Group members

(1) Subsidiaries

Subsidiary name	Principal place of business	Place of registration	Nature	Shareholding %		Reason
				Direct	Indirect	
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	Nanjing	Shenzhen	Commodity trading and risk management	100%	100%	Establishment
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	Hong Kong	Hong Kong	Futures brokerage	100%	100%	Business combination under the same control
Holly International Asset Management Company Limited (弘業國際資產管理有限公司)	Hong Kong	Hong Kong	Assets management	100%	100%	Establishment
Holly International Fund Series SPC (弘業國際基金系列 SPC)	Hong Kong	Cayman	Fund investment	100%	100%	Establishment
Holly International Fixed Income Fund (弘業國際固定收益基金)	Hong Kong	Cayman	Fund investment	100%	100%	Establishment

(2) Structured entities

Under the Accounting Standards for Business Enterprises (“ASBE”) No. 33: Consolidated Financial Statements, the Group regards itself as the manager of structured entities, or as the main responsible person for the structured entities, and the Group will include the structured entities where the Group participates with its own funds, which fall in the definition of “control” in the updated ASBE, into the scope of the consolidated statements.

On 31 December 2021, the net assets managed under the consolidated asset management plans and fund amounted to RMB172,600,027.13, and meanwhile, the book value of the Group’s interests in the consolidated asset management plans reached RMB86,128,772.98, which was recognised in “Financial assets held for trading”, “Monetary fund”, “Other receivables” and “Other payable” in these financial statements.

VIII. Interests in Other Entities (continued)

(I) Interests in subsidiaries (continued)

1. Group members (continued)

(2) Structured entities (continued)

Structured entity name	Type	The Group's actual capital contribution at the end of period
Holly Innovation Quantitative Select No. 1 Asset Management Plan (弘業科創量化優選1號資產管理計劃)	Asset management plan	RMB5,107,200
Holly Ruixin No.1 Collective Asset Management Plan (弘業瑞鑫1號集合資產管理計劃)	Asset management plan	RMB5,000,000
Holly Value Growth CTA1 Collective Asset Management Plan (弘業價值成長 CTA1號集合資產管理計劃)	Asset management plan	RMB5,000,000
Holly Jingxin Phase I FOF Collective Asset Management Plan (弘業景信一期 FOF 集合資產管理計劃)	Asset management plan	RMB5,000,000
Holly Private No. 3 FOF Collective Asset Management Plan (弘業私享三號 FOF 集合資產管理計劃)	Asset management plan	RMB4,000,000
Holly Hongxi Quantitative CTA2 Collective Asset Management Plan (弘業宏錫量化CTA2號集合資產管理計劃)	Asset management plan	RMB2,000,000
Holly Steady Growth CTA2 Collective Asset Management Plan (弘業穩健成長CTA2集合資管計劃)	Asset management plan	RMB5,000,100
Holly Fixed Income Fund (弘業固定收益基金)	Fund	USD3,560,695.53
Holly Guangye Fund SP (弘業廣業基金 SP)	Fund	USD3,128,802.70
Holly International Global Opportunity Fund SP (弘業國際環球機遇基金 SP)	Fund	USD2,547,179.40

2、 The Group had no significant non-wholly owned subsidiary.

3、 The Group had no financial or other support from any structured entity to be included in the consolidated financial statements.

4、 The Group had no control over any subsidiary in which the Group's interests had changed.

VIII. Interests in Other Entities (continued)

(II) Interests in joint ventures or associates

1. Important associates

Associates	Principal place of business	Place of registration	Nature	Shareholding%		Accounting method
				Direct	Indirect	
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	Jiangsu	Jiangsu	Risk investment etc.	22.00		Equity method
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	Jiangsu	Jiangsu	Risk investment etc.	9.901		Equity method

Note: Within the Reporting Period, the Group held 9.901% equity of Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司) ("Hongrui Growth"). According to Hongrui Growth's Articles of Association, the Group and the Company would appoint a member of Board of Directors. The Group and the Company would impose significant influence on the invested company through participation in its production or operating decisions; therefore, Hongrui Growth as an associate should be included into the consolidated financial statements of the Company.

2. Financial highlights of key associates

Item	31 December 2021/2021		
	Hongrui New Era	Hongrui Growth	Total
Current assets	17,802,195.29	485,712.72	18,287,908.01
Non-current assets	3,972,811.66	22,917,595.05	26,890,406.71
Total Assets	21,775,006.95	23,403,307.77	45,178,314.72
Current liabilities	15,410.85	688,025.68	703,436.53
Non-current liabilities		236.97	236.97
Total Liabilities	15,410.85	688,262.65	703,673.50
Net profit	-2,694,266.22	3,765,368.27	1,071,102.05
Total comprehensive income	-2,694,266.22	3,765,305.28	1,071,039.06

VIII. Interests in Other Entities (continued)

(II) Interests in joint ventures or associates (continued)

3. Summary of insignificant associates

None.

4. Joint ventures or associates were not restricted to transfer funds into the Company.
5. There was no excessive loss incurred by any joint venture or associate of the Group.
6. The Group had no unrecognised commitment related to investment in joint ventures.
7. The Group had no contingent liability related to investment in joint ventures or associates.

(III) Structured entities not consolidated

On 31 December 2021, the net assets of structured entities established by the Group but not included into the consolidated financial statements amounted to RMB23,505,414,715.31.

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:

Item	31 December 2021 Financial assets held for trading	31 December 2020 Financial assets held for trading
Funds	486,081,988.72	657,936,247.67
Trust schemes	126,522,054.80	122,180,718.27
Asset management plans	20,966,041.70	59,736,311.27
Wealth management products		8,446,452.00
Total	633,570,085.22	848,299,729.21

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.

IX. Financial Instruments and Risk Management

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.

(I) Market Risk

1. 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.

- (1) For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of foreign currency financial statements are excluded. 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:

Item	31 December 2021		31 December 2020	
	Balance in foreign currency	Balance in RMB equivalent	Balance in foreign currency	Balance in RMB equivalent
Monetary funds				
HKD	67,679,206.96	55,334,519.61	77,675,872.85	65,375,121.63
USD	44,625.80	284,520.73	44,716.04	291,767.66

- (2) The exchange rates for Renminbi against foreign currencies applied by the Group are analysed as follows:

Item	Average rates		Reporting date mid-spot rate	
	2021	2020	31 December 2021	31 December 2020
HKD	0.8300	0.88932	0.8176	0.84164
USD	6.4512	6.8976	6.3757	6.5249

IX. Financial Instruments and Risk Management (continued)

(I) Market Risk (continued)

1. Foreign currency risk (continued)

(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 balance sheet date:

Item	31 December 2021	31 December 2020
Net profit and shareholders' quality		
Items denominated in HKD	-4,150,088.97	-4,903,134.12
Items denominated in USD	-21,339.05	-21,882.57

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.

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 periods.

2. 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.

IX. Financial Instruments and Risk Management (continued)

(I) Market Risk (continued)

2. Interest rate risk (continued)

(1) Interest-bearing financial instruments held by the Group at the end of year

Item	31 December 2021		31 December 2020	
	Actual interest rate	Amount	Actual interest rate	Amount
Fixed interest rate financial instruments				
Financial assets				
Monetary fund				
Incl.: Futures margin	2.45%-3.40%	3,665,000,000.00	2.00%-3.75%	2,070,000,000.00
Own funds				
Currency deposits receivable and pledged deposits receivable	1.66%-1.85%	514,930,761.04	1.66%-1.95%	493,095,037.42
Financial assets purchased under resale agreements	3.157%-3.517%	6,719,000.00	3.16%-3.17%	7,853,000.00
Financial assets held for trading				
Incl.: Bonds held for trading	1.00%-7.50%	97,121,997.66	0.08%-7.00%	81,686,110.56
Trust schemes	4.20%-8.10%	126,522,054.80	7.30%-8.10%	122,180,718.27
Financial liabilities				
Short term borrowings			3.65%	2,052,060.00
Financial assets sold under repurchase agreements	2.847%-3.905%	32,601,000.00	2.98%-3.63%	35,819,204.28
Long term borrowings	4.50%	116,925,986.00		
Net amount		4,559,820,799.50		2,812,686,130.53
Floating rate financial instruments				
Financial assets				
Monetary fund				
Incl.: Futures margin	0.001%-2.25%	294,706,206.55	0.001%-2.70%	590,162,679.92
Own funds	0.001%-1.95%	113,666,496.74	0.001%-2.70%	205,515,594.41
Other monetary funds	0.35%	37,885,031.15	0.35%	13,872,280.30
Net amount		446,257,734.44		809,550,554.63

IX. Financial Instruments and Risk Management (continued)

(I) Market Risk (continued)

2. Interest rate risk (continued)

(2) Sensitivity analysis

① Fair value sensitivity analysis for fixed rate financial instruments

As at 31 December 2021, 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 RMB1,333,005.60; and a decrease in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB1,371,022.67.

As at 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; and a decrease in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB424,170.35.

② Cash flow sensitivity analysis for floating rate financial instruments

As at 31 December 2021, 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 RMB3,346,933.01; and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB2,222,815.52.

As at 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; 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.

In respect of the cash flow interest rate risk arising from floating rate non-derivative instruments, which were held by the Group at the 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.

3. Other price risk

Other price risk refers to the risk that the fair value or future cash flows of equity financial instruments held by the Group will fluctuate due to changes in market price factors other than market interest rates and exchange rates. The Group mainly invests in stocks and funds listed on stock exchanges, and the maximum market price risk is determined by the fair value of the financial instruments held by the Group.

IX. Financial Instruments and Risk Management (continued)

(I) Market Risk (continued)

3. Other price risk

Sensitivity analysis

The following analysis shows the impacts of a 10% increase or decrease in the share price and commodity price on net profit and equity of the Group, with all other variables held constant.

Item	Net profit	
	31 December 2021	31 December 2020
Change in share price		
10% increase	6,790,065.90	3,935,216.16
10% decrease	-6,790,065.90	-3,935,216.16
Change in commodity price		
10% increase	3,945,856.95	9,017,367.31
10% decrease	-3,945,856.95	-9,017,367.31

(continued)

Item	Shareholders' equity	
	31 December 2021	31 December 2020
Change in share price		
10% increase	6,790,065.90	3,935,216.16
10% decrease	-6,790,065.90	-3,935,216.16
Change in commodity price		
10% increase	3,945,856.95	9,017,367.31
10% decrease	-3,945,856.95	-9,017,367.31

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.

IX. Financial Instruments and Risk Management (continued)

(II) 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 monetary funds, currency deposits receivable, financial assets held under resale agreements, financial assets held for trading, derivative financial assets, other receivables and other assets. 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.

As to currency deposits receivable deposited with domestic exchanges and other financial institutions, the Group believes there is low level of credit risk because such financial institutions have good reputation and asset conditions.

As to currency deposits receivable deposited with overseas futures brokers, at the end of Reporting Period, the Group would prudently make provision for loss equivalent to the expected credit loss within the entire duration, by reference to historic credit loss experience, considering current situation and future economic forecasting.

As to accounts receivable and other receivables, the Group regularly would assess customers trading with credit. According to the assessment results, the Group would select to trade with recognised customers of good standing, and monitor the balance of accounts receivable and other receivables. As to accounts receivable and other receivables, at the end of Reporting Period, the Group would prudently calculate the expected credit loss and make provision for impairment by reference to historic credit loss experience, considering current situation and future economic forecasting, through the Exposure at Default (EAD) at the expected credit loss rate within future 12 months or within the entire duration. As to impaired accounts receivable, the Group would actively urge the debtors to pay by written notice or arbitration, and may make provision for loss equivalent to the expected credit loss within the entire duration after considering the recoverable amount.

IX. Financial Instruments and Risk Management (continued)

(II) Credit Risk (continued)

As of 31 December 2021, the Group had no external guarantee. Therefore, regardless of the available collateral or other credit enhancements, the maximum credit risk exposure of the Group on the balance sheet date is the book value of the Group's financial assets less the corresponding provision for impairment. The Group's maximum credit risk exposure is listed as follows:

Item	31 December 2021	31 December 2020
Monetary fund	4,143,641,973.33	2,894,295,423.20
Currency deposits receivable	2,025,860,140.16	2,131,088,863.50
Financial assets held for trading	840,419,634.46	1,014,876,858.35
Pledged deposits receivable	668,817,393.60	64,396,384.00
Derivative financial assets	465,835.77	6,219,924.42
Financial assets purchased under resale agreements	6,719,000.00	7,853,000.00
Accounts receivable	24,951,725.11	42,901,852.75
Total maximum risk exposure	7,710,875,702.43	6,161,632,306.22

(III) Liquidity risk

Liquidity risk refers to the risk of a shortage of funds for a company to fulfill its obligation of settlement in cash or other financial assets. The Company and its subsidiaries are responsible for their own cash management, including short-term investment and borrowing to meet estimated cash requirements (Any borrowing above the preset upper limit of authority should be approved by the Company's Board of Directors). The Group's policy is to regularly monitor its liquidity requirements to ensure sufficient cash reserves to meet short-term and long-term liquidity requirements.

The remaining contract period of the Group's financial liabilities on the balance sheet date based on the undiscounted contractual cash flows (including interest calculated at the contract rate (if it is a floating rate, the current rate at the end of the year)), and the earliest date of required payment are as follows:

IX. Financial Instruments and Risk Management (continued)

(III) Liquidity risk (continued)

1. 31 December 2021

Item	Current	Within 1 year	1-5 yrs	Total	Book value at balance sheet date
Currency deposits payable	5,261,811,881.42			5,261,811,881.42	5,261,811,881.42
Pledged deposits payable	668,817,393.60			668,817,393.60	668,817,393.60
Payable to futures investors protection fund		522,926.88		522,926.88	522,926.88
Financial assets sold under repurchase agreements		32,625,838.11		32,625,838.11	32,625,838.11
Financial liabilities held for trading		86,471,254.16		86,471,254.16	86,471,254.16
Derivative financial liabilities		1,514,054.34		1,514,054.34	1,514,054.34
Employee compensation payable		20,659,015.94		20,659,015.94	20,659,015.94
Other payable		26,281,420.68		26,281,420.68	26,281,420.68
Lease liability		11,974,787.90	14,433,350.15	26,408,138.05	24,831,103.80
Long term borrowings		32,859,584.76	95,283,813.50	128,143,398.26	117,197,967.93
Total	5,930,629,275.02	212,908,882.77	109,717,163.65	6,253,255,321.44	6,240,732,856.86

2. 31 December 2020

Item	Current	Within 1 year	1-5 yrs	Total	Book value at balance sheet date
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
Payable to futures investors protection fund		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
Accounts payable		7,373,441.99		7,373,441.99	7,373,441.99
Employee compensation payable		26,279,433.60		26,279,433.60	26,279,433.60
Other payable		140,609,535.53		140,609,535.53	140,609,535.53
Lease liability		14,069,265.76	6,213,995.71	20,283,261.47	19,347,767.49
Total	4,287,841,082.08	226,669,518.18	6,213,995.71	4,520,724,595.97	4,519,692,300.99

IX. Financial Instruments and Risk Management (continued)

(IV) Operational risk

Operational risk refers to the risk of loss due to unreasonable internal process settings, employee operating errors or failure to strictly implement processes, IT system problems, and external events of a company. In response to operational risks, the Group established a compliant, applicable and clear daily operation system, designed strict business processes and authority division, improved the business system, adopted double reviews for important positions, reduced the probability of human negligence, and established a sound performance examination mechanism. At the same time, by establishing emergency plans, carrying out system testing, and strengthening the construction of emergency backup channels, the Group avoided the risks caused by errors in trading and risk control system. In addition, the Group strengthened internal training, continues to improve the professional capabilities of employees, and reduced the probability and possibility of pricing errors in product design and other aspects.

X. Fair Value Disclosure Management

(I) The amount of assets and liabilities measured at fair value and the levels of fair value measurement

1. Year-end fair value of assets and liabilities measured at fair value

Item	Summary of 31 December 2021 Fair value			Total
	Fair value measurement within level 1	Fair value measurement within level 2	Fair value measurement within level 3	
I. Ongoing fair value measurement				
Financial assets				
(I) Financial assets held for trading	464,733,109.40	229,998,295.90	145,688,229.16	840,419,634.46
1. Debt instrument investment	72,444,667.66	24,677,330.00	126,522,054.80	223,644,052.46
2. Equity instrument investment	392,288,441.74	205,320,965.90	19,166,174.36	616,775,582.00
(II) Derivative financial assets	34,302.50		431,533.27	465,835.77
Total financial assets measured at fair value on an ongoing basis	464,767,411.90	229,998,295.90	146,119,762.43	840,885,470.23
Financial liabilities				
(I) Financial liabilities held for trading			86,471,254.16	86,471,254.16
(II) Derivative financial liabilities	342,139.17		1,171,915.17	1,514,054.34
Total financial liabilities measured at fair value on an ongoing basis	342,139.17	-	87,643,169.33	87,985,308.50
II. Non-ongoing fair value measurement				
Total financial assets measured at fair value not on an ongoing basis				
Total financial liabilities measured at fair value not on an ongoing basis				

X. Fair Value Disclosure Management (continued)

(I) The amount of assets and liabilities measured at fair value and the levels of fair value measurement (continued)

1. Year-end fair value of assets and liabilities measured at fair value (continued)

(continued)

Item	Summary of fair values at 31 December 2020			Total
	Fair value measurement within level 1	Fair value measurement within level 2	Fair value measurement within level 3	
I. Ongoing fair value measurement				
Financial assets				
(I) Financial assets held for trading	591,656,495.01	257,613,635.36	165,606,727.99	1,014,876,858.36
1. Investment in debt instrument	56,425,900.56	25,260,210.00	122,180,718.27	203,866,828.83
2. Investment in equity instrument	535,230,594.45	232,353,425.36	43,426,009.72	811,010,029.53
(II) Derivative financial assets	2,219,480.00		4,000,444.42	6,219,924.42
Total financial assets measured at fair value on an ongoing basis	593,875,975.01	257,613,635.36	169,607,172.41	1,021,096,782.78
Financial liabilities				
(I) Derivative financial liabilities	1,590,820.00		6,003,694.81	7,594,514.81
Total financial liabilities measured at fair value on an ongoing basis	1,590,820.00		6,003,694.81	7,594,514.81
II. Non-ongoing fair value measurement				
Total financial assets measured at fair value not on an ongoing basis				
Total financial liabilities measured at fair value not on an ongoing basis				

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 date.

(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.

X. Fair Value Disclosure Management (continued)

(I) The amount of assets and liabilities measured at fair value and the levels of fair value measurement (continued)

1. Year-end fair value of assets and liabilities measured at fair value (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 listed equity securities, fair value is determined based on the closing price of the equity securities as at the end of the Reporting Period, within bid-ask spread. If there is no quoted market price as at the end of the Reporting Period and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value.

For exchange-listed investment funds, 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. 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 futures traded through over-the-counter market, fair value is determined using valuation techniques based on observable commodity futures market data with similar characteristics.

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 plans for which there is no open market, fair value is determined through quoted net asset values based on the end date 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.

X. Fair Value Disclosure Management (continued)

(I) The amount of assets and liabilities measured at fair value and the levels of fair value measurement (continued)

1. Year-end fair value of assets and liabilities measured at fair value (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 technique	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Asset management plans, trust schemes, wealth management products and assets-backed securities	Discounted cash flow mode	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 Including: 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.

X. Fair Value Disclosure Management (continued)

(I) The amount of assets and liabilities measured at fair value and the levels of fair value measurement (continued)

1. Year-end fair value of assets and liabilities measured at fair value (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:

Item	1 January 2021	Total gains or losses for the year included in profit or loss	Purchase	Settlement and sale	31 December 2021	For assets held and liabilities assumed at the end of the Period, unrealised gains or losses for the Period included in profit or loss
Financial assets						
Financial assets held for trading						
Included: Investments in debt instruments	122,180,718.27	7,624,006.07	200,000,000.00	203,282,669.54	126,522,054.80	1,522,054.80
Investment in equity instrument	43,426,009.72	3,031,143.71	9,000,000.00	36,290,979.07	19,166,174.36	834,327.77
Derivative financial assets	4,000,444.42	-3,568,911.15			431,533.27	431,533.27
Subtotal of financial assets	169,607,172.41	7,086,238.63	209,000,000.00	239,573,648.61	146,119,762.43	2,787,915.84
Financial liabilities						
Financial liabilities held for trading						
Including: Financial liabilities designated as at FVTPL		4,224,539.06	82,246,715.10		86,471,254.16	4,224,539.06
Derivative financial liabilities	6,003,694.81	-4,831,779.64			1,171,915.17	1,171,915.17
Subtotal of financial liabilities	6,003,694.81	-607,240.58	82,246,715.10		87,643,169.33	5,396,454.23
Net amount	163,603,477.60	7,693,479.21	126,753,284.90	239,573,648.61	58,476,593.10	-2,608,538.39

X. Fair Value Disclosure Management (continued)

(I) The amount of assets and liabilities measured at fair value and the levels of fair value measurement (continued)

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: monetary funds, currency deposits receivable, pledged deposits receivable, settlement deposits receivable, financial assets held under resale agreements, other receivables, currency deposits payable, pledged deposits payable, futures investors protection funds payable, trade payables, employee benefits payable and other payables. As at the end of the Reporting Period, there was no significant difference between the carrying amount and the fair value of the above financial assets and financial liabilities.

XI. Related Parties and Transactions with Related Parties

(I) Relations with related parties

1. Controlling shareholder and ultimate controller

(1) Controlling shareholder and ultimate controller

Parent name	Place of registration	Business nature	Registered capital	Parent's shareholding percentage of the Company	Parent's voting power percentage of the Company	Ultimate controller of the Company
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Jiangsu Province	Financial investment, industrial investment, operation and management of state-owned assets within the scope of authorization; international trade; housing leasing; production, research and development and sales of cocoon silk, textile and clothing	2,000,000,000.00	30.37%	30.37%	People's Government of Jiangsu Province

(2) Changes in controlling shareholder's registered capital

None.

2. Subsidiaries of the Company

See Note VII. (I) and Note VIII. (I).

XI. Related Parties and Transactions with Related Parties (continued)

(I) Relations with related parties (continued)

3. Associates of the Company

For details of the Company's joint ventures and associates, see Note VIII. (II).

4. Other important related parties

Other related parties	Relation
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Shareholder of the Group/Company
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Shareholder of the Group/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
High Hope Zhongding Corporation (江蘇匯鴻國際集團中鼎控股股份有限公司)	Subsidiary controlled by a shareholder of the Group/Company
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	Associate of the Group/Company
Jiaingsu SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO International Group Corporation (江蘇蘇豪國際集團股份有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO Royal Co., Ltd. (江蘇蘇豪尚品有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO Textile Co., Ltd. (江蘇蘇豪輕紡有限公司)	Controlled by the same ultimate holding company
Artall Culture Group Co., Ltd. (愛濤文化集團有限公司)	Controlled by the same ultimate holding company
Jiangsu Artall Cultural Industry Co., Ltd. (江蘇愛濤文化產業有限公司)	Controlled by the same ultimate holding company
Jiangsu Financial Holdings Co., Ltd. (江蘇金融控股有限公司)	Controlled by the same ultimate holding company
Jiangsu Holly Environmental Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司)	Controlled by the same ultimate holding company
Jiangsu Chemical Fertilizer Co., Ltd. (江蘇省化肥工業有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO Assets Operation Group Co., Ltd. (江蘇蘇豪資產運營集團有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO Media Co., Ltd. (江蘇蘇豪傳媒有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO Health Industry Co., Ltd. (江蘇蘇豪健康產業有限公司)	Controlled by the same ultimate holding company
Jiangsu Kanghong Automobile Sales Service Co., Ltd. (江蘇康泓汽車服務有限公司)	Controlled by the same ultimate holding company
Haian County So HO SILK-MAKING Co., Ltd. (海安市蘇豪制絲有限公司)	Controlled by the same ultimate holding company
Mr./Ms. ZHANG	Close family member of senior management
Mr./Ms. CHU	Close family member of senior management

XI. Related Parties and Transactions with Related Parties (continued)

(II) Related party transactions

1. Acceptance of services

Related parties	Related party transaction	2021	2020
Jiangsu Financial Holdings Co., Ltd. (江蘇金融控股有限公司)	Labour cost	713,685.00	525,183.36
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Service charge	23,815.63	202,571.93
Jiangsu Artall Cultural Industry Co., Ltd. (江蘇愛濤文化產業有限公司)	Decoration and procurement costs	296,486.11	4,294.00
Jiangsu SOHO Royal Co., Ltd. (江蘇蘇豪尚品有限公司)	Publicity cost	70,718.57	104,732.00
Jiangsu SOHO Media Co., Ltd. (江蘇蘇豪傳媒有限公司)	Conference cost		48,396.23
Jiangsu SOHO Health Industry Co., Ltd. (江蘇蘇豪健康產業有限公司)	Procurement cost		44,601.77
Jiangsu SOHO Textile Co., Ltd. (江蘇蘇豪輕紡有限公司)	Publicity cost		6,600.00
Jiangsu Holly Environmental Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司)	Procurement cost	2,185.84	142,539.38
Jiangsu SOHO International Group Corporation (江蘇蘇豪國際集團股份有限公司)	Publicity cost		74,942.64
Haian County So HO SILK-MAKING Co., Ltd. (海安市蘇豪制絲有限公司)	Service charge	34,017.69	
Jiangsu Kanghong Automobile Sales Service Co., Ltd. (江蘇康泓汽車服務有限公司)	Service charge		2,830.19
Total		1,140,908.84	1,156,691.50

2. Provision of services

Related parties	Related party transaction	2021	2020
Mr./Ms. CHU	Fee income	2,591.75	4,873.51
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Asset management business income/ Others		35,948.70
Artall Culture Group Co., Ltd. (愛濤文化集團有限公司)	Asset management business income	25,824.87	
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Asset management business income	25,824.51	
Jiangsu Chemical Fertilizer Co., Ltd. (江蘇省化肥工業有限公司)	Fee income	5,679.72	2,433.96
Total		59,920.85	43,256.17

XI. Related Parties and Transactions with Related Parties (continued)

(II) Related party transactions (continued)

3. Related lease

Name of Lessor	Type	2021	2020
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Housing leasing cost	6,326,619.28	
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Right-of-use assets		6,435,781.59
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Financial expenses of right-of-use assets		170,739.16
Total		6,326,619.28	6,606,520.75

4. Compensation of senior management

Item	2021	2020
Compensation of senior management	5,206,557.52	4,631,774.42

5. Borrowings from related parties

(1) Borrowings from related parties

Related party	2021			
	Beginning balance	Current increase	Current decrease	Ending balance
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)		100,000,000.00	100,000,000.00	
Total		100,000,000.00	100,000,000.00	

(continued)

Related party	2020			
	Beginning balance	Current increase	Current decrease	Ending balance
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)		50,000,000.00	50,000,000.00	
Total		50,000,000.00	50,000,000.00	

XI. Related Parties and Transactions with Related Parties (continued)

(II) Related party transactions (continued)

5. Borrowings from related parties (continued)

(2) Interest on borrowings from related parties

Related parties	2021	2020	Descriptions
Interest expenses for funds borrowed from related parties	1,716,666.66	772,361.12	<p>The 27th meeting of the Third Board of Director of the Company of 2021 considered and passed the Motion on the Application of Holly Capital Management Co., Ltd. (弘業資本管理有限公司) to Borrow from Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司), under which, the Board agreed on the borrowing amount RMB50 million, at interest rate 6%, due in half a year from 29 November to 31 December.</p> <p>The 21st meeting of the Third Board of Director of the Company of 2021 considered and passed the Motion on the Application of Holly Capital Management Co., Ltd. (弘業資本管理有限公司) to Borrow from Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司), under which, the Board agreed on the borrowing amount RMB50 million, at interest rate 6%, due in half a year from 12 March to 11 September.</p> <p>The 16th meeting of the Third Board of Director of the Company of 2020 considered and passed the Motion on the Application of Holly Capital Management Co., Ltd. (弘業資本管理有限公司) to Borrow from Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司), under which, the Board agreed on the borrowing amount RMB50 million, at interest rate 4.15%, due in four months.</p>

XI. Related Parties and Transactions with Related Parties (continued)

(II) Related party transactions (continued)

6. Compensation for litigation losses of related parties

Related parties	2021	Description
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	4,701,890.00	On 1 June 2021, Jiangsu SOHO Holdings Group Co., Ltd. issued a "Letter of Undertaking", in relation to the civil litigation case in which the Company is the defendant caused by surnamed Ma, the former head of the Company's Tianjin Branch, signing an asset management contract in the name of the Company without authorization and stamping a suspected forged official seal of the Company, as well as the civil litigation case in which the Company is the defendant caused by providing guarantee for his personal loans in the name of the Company's Tianjin Branch without authorization and stamping a special financial seal of the Company's Tianjin Branch. Ltd., that it will fully indemnify the Company in accordance with the written notice from the Company if the Company is required to pay any monetary compensation, settlement payment or fine pursuant to the effective judgment rendered by the trial court, after the Company has paid the same. The Company paid the total compensation amount of RMB4,701,890 on June 30, 2021 in accordance with the court judgment, and Jiangsu SOHO Holdings Group Co., Ltd. compensated the Company in full on 27 September 2021.

7. Other related party transactions

Related parties	科目	Related party transaction	2021	2020
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	N/A	Net investment/disposal of in asset management plans	15,000,000.00	
Artall Culture Group Company Limited (愛濤文化集團有限公司)	N/A	Net investment/disposal of in asset management plans		-5,752,596.68
Jiangsu Artall Cultural Industry Co., Ltd. (江蘇愛濤文化產業有限公司)	N/A	Net investment/disposal of in asset management plans	15,000,000.00	
Jiangsu SOHO Assets Operation Group Co., Ltd. (江蘇蘇豪資產運營集團有限公司)	N/A	Net investment/disposal of in asset management plans	-10,001,000.00	10,000,000.00
Jiangsu SOHO Media Co., Ltd. (江蘇蘇豪傳媒有限公司)	Business and management fee	Journal publication	754.72	

XI. Related Parties and Transactions with Related Parties (continued)

(III) Related party transaction balance

1. Amounts due to related parties

Item	Related parties	31 December 2021	31 December 2020
Other payable	Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)		3,791,000.00
Currency deposits payable	Mr./Ms. CHU		2,314,711.34
Currency deposits payable	Mr./Ms. ZHANG		1,134.49
Currency deposits payable	Jiangsu SOHO International Group Corporation (江蘇蘇豪國際集團股份有限公司)	1,001.00	1,001.00
Currency deposits payable	High Hope Zhongding Corporation (江蘇匯鴻國際集團中鼎控股股份有限公司)	1,001.00	1,001.00
Currency deposits payable	Jiangsu Chemical Fertilizer Co., Ltd. (江蘇省化肥工業有限公司)	2,843,893.50	101,101.00
Currency deposits payable	Artall Culture Group Co., Ltd. (愛濤文化集團有限公司)	1,500.00	1,500.00

2. Amount due from related parties

Item	Related parties	31 December 2021	31 December 2020
Prepayments	Jiangsu Holly Corporation (江蘇弘業股份有限公司)		453,350.32

3. Others

Related parties	科目	Related party transaction	31 December 2021	31 December 2020
Jiaingsu SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司)	Financial assets held for trading	Wealth management product		8,446,452.00

XII. Contingent Events

1. Significant pending litigation or arbitration

- (1) In September 2017, two customers of the Company, Mr./Ms. JIAO and Mr./Ms. XING, filed a lawsuit against the Company's Beijing office with the Beijing Dongcheng District People's Court, in respect of a dispute over a contract for entrusted wealth management, alleging that a former employee of the Company marketed wealth management products to him/her, the Beijing office's transfer of the customer's account funds to the Beijing office account for unauthorized futures transactions resulted in a total loss of the customer's account funds.

Mr./Ms. JIAO's claims: (1) the defendant should return the wealth management deposit in the amount of RMB8,352,495 plus interest; and (2) the defendant should bear all the legal costs. Mr./Ms. XING's claims: (1) the defendant should return the wealth management deposit in the amount of RMB1,500,000 plus interest; and (2) the defendant should bear all the legal costs. On 6 November 2018, the Company received the first-instance civil judgment from the Beijing Second Intermediate People's Court, which rejected all the customer's claims. On 26 December 2019, the Company received the second-instance civil ruling from the Beijing Higher People's Court, in which the Court ruled to revoke the first-instance judgment and sent it back to the Beijing Second Intermediate People's Court for retrial. The case was remanded for new trials on 20 May and 25 November 2020. In April 2021, the Beijing Second Intermediate People's Court made a judgment and ordered the Company's Beijing Office to compensate Mr./Ms. JIAO and Mr./Ms. XING respectively for investment losses of RMB1,670,100 and RMB299,800, and ordered Mr./Ms. JIAO and Mr./Ms. XING to bear all the legal costs. The Company has filed an appeal and is currently in the process of the second instance.

As of 31 December 2021, the Company made provision for the above-mentioned judgment loss with an estimated liability of RMB1,969,920.97, in prudent consideration of various factors.

XII. Contingent Events (continued)

1. Significant pending litigation or arbitration (continued)

- (2) In December 2020, Holly Capital Shanghai Branch filed a lawsuit to the Qinhuai Court of Nanjing (this case has been transferred to Jiangyin Municipal People's court for jurisdiction in accordance with the notice issued by Jiangsu Provincial Higher People's court to intermediate people's courts throughout the province on 31 August 2020). The claims of the case are as follows: request Hanbang (Jiangyin) Petrochemical Co., Ltd. (漢邦(江陰)石化有限公司) ("Hanbang Petrochemical") to repay RMB10,713,048.00 and interest and bear all litigation fees such as appeal fees and preservation fees. The Jiangyin Municipal People's court made a judgment on 2 July 2021, ruling that Holly Capital Shanghai Branch enjoys RMB10,713,048.00 and interest. The Jiangyin Municipal People's court issued (2021) Su 0281 Po No. 8 "Decision Letter" on 3 February 2021. Hanbang Petrochemical is currently in the stage of bankruptcy and reorganization with Jiangsu Mousheng Lawfirm as the administrator. Holly Capital has submitted the debt declaration documents. On 14 July 2021, the administrator of Hanbang Petrochemical made a review opinion on the claims of Holly Capital Shanghai Branch with a principal amount of RMB10,713,048.00 and an interest of RMB48,590.28 and a total claim amount of RMB10,761,638.28.

Based on the relevant facts and the principle of prudence, the Company made a single provision for bad debts of RMB9,106,090.80 in the 2020 financial statements.

Except for the above-mentioned matters, as of 31 December 2021, the Group had not been involved in any major legal, arbitration or administrative litigation that may have a material adverse effect on the financial status and operating results of the Group.

2. Other contingent events

As of 31 December 2021, the Group had no other contingencies to be disclosed.

XIII. Commitments

1. Signed foreign investment contracts not fulfilled or not fulfilled in full:

Capital commitment	31 December 2021	31 December 2020
Signed contracts not fulfilled	42,000,000.00	42,000,000.00
Authorized contracts not signed	78,000,000.00	78,000,000.00
Total	120,000,000.00	120,000,000.00

XIV. Subsequent Events

As of the date of this Report, the Group had no material subsequent events.

XV. Other important matters

(I) Segment reports

The Group has two reporting Segments, 1) Futures Brokerage and Asset Management Business Division, and 2) Commodity Trading and Risk Management Business Division. Each reporting division is a separate business division that offers different products and services. As each division requires different technologies and market strategies, it needs to be managed separately.

The Futures Brokerage and Asset Management Business Division participates in the transactions of commodity futures and financial futures on behalf of customers. Meanwhile, it participates in the development and sales of asset management products and services based on the asset size and customer demands. In addition, this division also operate investment activities in asset management plans, bank wealth management products, listed and unlisted securities, trust schemes, funds, and derivative financial instruments.

The Commodity Trading and Risk Management Business Division participates in the provision of bulk commodity purchase and resale, futures arbitrage, basis trading and hedging services.

Division operating results refer to the income generated by each business division (including foreign transaction income and inter-divisional transaction income), deducting the expenses incurred by each division, the depreciation, amortization and impairment of assets attributable to each division, the net amount of bank deposits and bank borrowings directly attributable to a division after the net interest expenses incurred. The transfer pricing of revenue between the two divisions is calculated on terms similar to other external transactions. The Group did not allocate non-operating income and expenditure and income tax expenses to each division.

XV. Other important matters (continued)

(I) Segment reports (continued)

1. Segment reports of profit (loss), assets and liabilities by business type

1) 2021 reporting segment

Item	Futures Brokerage and Asset Management Business Division	Commodity Trading and Risk Management Business Division	Offset between divisions	Total
External operating income	411,895,684.32	1,227,969,104.82		1,639,864,789.14
Inter-divisional operating income	-55,180,894.56	49,005,175.92	6,175,718.64	
Operating expenses	-262,473,249.48	-1,267,477,528.38		-1,529,950,777.86
Non-operating income and expenditure	-652,480.20	-49,347.58		-701,827.78
Gross profit	93,589,060.08	9,447,404.78	6,175,718.64	109,212,183.50
Income tax expense	-26,602,877.57	-2,397,834.46		-29,000,712.03
Net profit	66,986,182.51	7,049,570.32	6,175,718.64	80,211,471.47
Total assets	7,991,732,879.36	437,645,198.45	-346,277,002.89	8,083,101,074.92
Total liabilities	6,713,658,400.72	25,840,771.90	-338,565,104.38	6,400,934,068.24
Other important items:				
Incl.: Net interest income	82,546,020.25	1,572,204.94		84,118,225.19
Depreciation and amortization	20,792,967.40	21,644.70		20,814,612.10
Increase in non-current assets other than long-term equity investment	6,176,979.91			6,176,979.91

XV. Other important matters (continued)

(I) Segment reports (continued)

1. Segment reports of profit (loss), assets and liabilities by business type (continued)

2) 2020 reporting segment

Item	Futures Brokerage and Asset Management Business Division	Commodity Trading and Risk Management Business Division	Offset between divisions	Total
External operating income	407,961,646.94	1,153,417,948.44		1,561,379,595.38
Inter-divisional operating income	-26,785,714.18	44,527,482.29	-17,741,768.11	
Operating expenses	-269,789,017.29	-1,199,169,656.92	3,854,150.96	-1,465,104,523.25
Non-operating income and expenditure	-3,312,765.24	-258,860.32		-3,571,625.56
Gross profit	108,074,150.23	-1,483,086.51	-13,887,617.15	92,703,446.57
Income tax expense	-26,759,484.18	378,492.87		-26,380,991.31
Net profit	81,314,666.05	-1,104,593.64	-13,887,617.15	66,322,455.26
Total assets	6,223,161,721.61	331,217,874.61	-205,217,797.35	6,349,161,798.87
Total liabilities	4,814,738,787.01	79,085,464.56	-191,330,180.20	4,702,494,071.37
Other important items:				
Incl.: Net interest income	71,674,505.48	970,173.84		72,644,679.32
Depreciation and amortization	28,053,472.71	20,497.58		28,073,970.29
Increase in non-current assets other than long-term equity investment	11,428,119.76	29,755.73		11,457,875.49

2. Segment reports of profit (loss), assets and liabilities by geographic region

The Group's external transaction income by region is listed below. External transaction income is classified by the location of the clients who accepted services or bought products from the Group.

Item	Total external transaction income	
	2021	2020
Mainland China	1,641,744,358.73	1,541,232,853.85
Hong Kong, China	-1,879,569.59	20,146,741.53
Total	1,639,864,789.14	1,561,379,595.38

XV. Other important matters (continued)

(II) Directors' remuneration

1. Directors' emoluments

Details of Directors' emoluments 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:

Item	Director's fees	Salaries, allowances and other benefits	Discretionary bonus	Pension scheme contributions	Total
Amount incurred in the year					
Chairman					
– Zhou Yong					
Executive Directors					
– Zhou Jianqiu		383,159.00	353,240.00		736,399.00
Non-executive Directors					
– Xue Binghai					
– Shan Bing					
– Jiang Lin					
Independent non-executive Directors					
– Wang Yuetang	120,283.32				120,283.32
– Lam Kai Yeung (Note)	120,504.83				120,504.83
– Huang Dechun	120,283.32				120,283.32
– Lo Wah Wai (Note)					
Total	361,071.47	383,159.00	353,240.00		1,097,470.47
Amount incurred in last year					
Chairman					
– Zhou Yong					
Executive Directors					
– Zhou Jianqiu		330,000.00	62,903.99		392,903.99
Non-executive Directors					
– Xue Binghai					
– Shan Bing					
– Jiang Lin					
Independent non-executive Directors					
– Wang Yuetang	120,697.36				
– Lam Kai Yeung	120,697.36				
– Huang Dechun	120,000.00				
Total	361,394.72	330,000.00	62,903.99		392,903.99

Note: Lo Wah Wai was appointed as an independent non-executive Director on 23 December 2021, and Lam Kai Yeung resigned as an independent non-executive Director on 23 December 2021.

XV. Other important matters (continued)

(II) 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.

2. Five Individuals with highest emoluments

Of the five individuals with the highest emoluments in the year, none of them (last year: none) are directors whose emoluments are disclosed in Note XV. (II)1. Emoluments in respect of the other five (last year: five) individuals are as follows:

Item	Amount incurred in the year	Amount incurred in last year
Salaries, allowances and benefits	1,742,421.29	1,192,213.95
Discretionary bonus	5,384,587.25	3,639,905.08
Pension scheme contributions	191,620.80	13,257.92
Total	7,318,629.34	4,845,376.95

The range of emoluments is as follows:

Item	Number of individuals in the year	Number of individuals in last year
HKDNil to HKD1,000,000		3
HKD1,000,001 to HKD1,500,000		1
HKD1,500,001 to HKD2,000,000	5	1
HKD2,000,001 to HKD2,500,000		

3. None of directors waived or agreed to waive any remuneration during the Track Record Period. No emoluments are paid to any directors, supervisors or the five highest paid individuals as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the Reporting Period.

- (III) As of 31 December 2021, the Group had no other important matters to be disclosed.

XVI. Notes to Parent's Financial Statements

1. Long term equity investment

(1) Long term equity investment breakdown

Item	31 December 2021	31 December 2020
Investment in subsidiaries	546,242,079.81	396,242,079.81
Investment in joint ventures or associates	7,036,127.76	11,431,418.75
Total long term equity investment	553,278,207.57	407,673,498.56
Less: Provision for long term equity investment impairment		
Net long term equity investment	553,278,207.57	407,673,498.56

(2) Investment in subsidiaries

Invested company	Balance at 31 December 2020	Current increase	Current decrease	Balance at 31 December 2021	Provision for impairment in 2021	Provision for impairment as at 31 December 2021
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	240,000,000.00	150,000,000.00		390,000,000.00		
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	156,242,079.81			156,242,079.81		
Total	396,242,079.81	150,000,000.00		546,242,079.81		

(3) Investment in joint ventures or associates

Invested company	Amount at 31 December 2020	Current changes							Amount at 31 December 2021	Provision for impairment as at 31 December 2021
		Additional investment	Reduced investment	Investment gain/loss recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declared distribution of cash dividend or profit	Provision for impairment		
Associates										
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新 時代創業投資有限公司)	5,379,849.71			-592,738.57						4,787,111.14
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞 成長創業投資有限公司)	6,051,569.04	3,943,560.77		141,014.59	-6.24					2,249,016.62
Total	11,431,418.75	3,943,560.77		-451,723.98	-6.24					7,036,127.76

XVI. Notes to Parent's Financial Statements (continued)

2. Net handling fee and commission income

(1) Net handling fee and commission income breakdown

Item	2021	2020
Net brokerage fee income	219,932,010.59	182,961,013.63
Asset management business income	12,182,486.40	13,510,439.09
Total	232,114,496.99	196,471,452.72

(2) By administrative region

Administrative region	2021		2020	
	Number of branches	Fee income	Number of branches	Fee income
Jiangsu Province	21	176,479,868.29	21	143,839,700.54
Fujian Province	2	8,142,191.25	2	10,228,973.73
Shanghai	2	5,969,734.05	2	7,551,840.14
Zhejiang Province	2	7,355,252.53	2	6,959,628.21
Henan Province	1	4,326,767.65	1	5,417,131.25
Guangdong Province	3	3,219,301.20	3	2,772,203.59
Beijing	2	2,287,775.74	2	2,754,255.85
Shandong Province	2	5,538,829.87	2	2,422,804.46
Shaanxi Province	1	4,001,717.60	1	2,390,309.22
Anhui Province	2	2,968,667.91	2	2,261,947.07
Liaoning Province	2	2,767,997.90	2	1,961,438.74
Guangxi Province	1	2,267,712.72	1	1,866,009.54
Hunan Province	1	2,482,675.78	1	1,851,347.59
Chongqing	1	1,649,449.92	1	1,249,918.52
Sichuan Province	1	691,652.07	1	1,165,762.23
Shanxi Province	1	1,272,397.79	1	976,117.84
Hainan Province	1	692,504.72	1	802,064.20
Total	46	232,114,496.99	46	196,471,452.72

XVI. Notes to Parent's Financial Statements (continued)

3. Net interest income

Item	2021	2020
Interest income		
Incl.: Interest income from customer fund deposits	74,535,104.12	49,216,475.00
Interest income from own fund deposits	9,130,428.00	21,908,294.41
Interest income from repurchase agreements	186,592.73	1,513,399.92
Total interest income	83,852,124.85	72,638,169.33
Interest expense		
Incl.: Interest expense on sale and repurchase	865,777.02	1,125,483.68
Total interest expense	865,777.02	1,125,483.68
Net interest income	82,986,347.83	71,512,685.65

4. Investment gains

(1) Investment gains breakdown

Item	2021	2020
Long term equity investment gains calculated with cost method		
Long term equity investment gains calculated with equity method	-451,723.98	-1,342,890.80
Incl.: Gains on the investment in associates	-451,723.98	-1,342,890.80
Gains on the investment in joint ventures		
Proceeds from disposal of long term equity investment		
Financial instrument investment gains	43,470,039.79	79,662,466.96
Incl.: Grains on financial instrument during holding period	15,746,710.20	18,339,394.00
– Financial instrument held for trading	15,746,710.20	18,339,394.00
Proceed of disposal	27,723,329.59	61,323,072.96
– Financial instrument held for trading	27,723,329.59	61,323,072.96
Total	43,018,315.81	78,319,576.16

XVI. Notes to Parent's Financial Statements (continued)

4. Investment gains (continued)

(2) Gains from investment in associates

Item	2021	2020
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	-592,738.57	-1,701,152.21
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	141,014.59	358,261.41
Total	-451,723.98	-1,342,890.80

(3) There is no significant restriction on repatriation of investment gains.

5. Gains from changes in fair value

Item	2021	2020
Financial assets held for trading	-6,835,739.24	9,889,309.94
Incl.: Financial assets at fair value through profit or loss	-6,835,739.24	9,889,309.94
Total	-6,835,739.24	9,889,309.94

XVII. Approval of Financial Report

This Financial Report was approved by the Board of Directors of the Company on 29 March 2022.

Additional information on the financial statements

(Unless otherwise specified, amounts are expressed in RMB)

1. Extraordinary profit and loss statement

Extraordinary profit and loss of the Group under Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public No. 1-Extraordinary Profit and Loss (2008) of China Securities Regulatory Commission are as follows:

Item	2021
Profit or loss on disposal of non-current assets	-163,754.65
Tax rebate or tax concessions with unauthorised approval or without official approval documents or on an occasional basis	
Government grants recognised through profit or loss for the period	3,255,791.90
Other non-operating income and expenses other than the foregoing items	-702,881.17
Other profit and loss items falling within the meaning of extraordinary profit and loss	
Subtotal	2,389,156.08
Less: Effect of income tax	596,458.10
Effect of minority interests (after tax)	
Total extraordinary profit and loss attributable to the owner of the parent company	1,792,697.98

2. Returns on net assets and earnings per share

The Company's return on net assets and earnings per share as required under "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) – Calculations And Disclosures For The Return On Net Assets And Earnings Per Share (2010 Revision)" issued by the CSRC are as follows:

Profit of the Reporting Period	Reporting Period	Weighted average return on net assets (%)	Earnings per share	
			Basic	Diluted
Net profit attributable to equity holders of the parent company	2021	4.84	0.0884	0.0884
Net profit attributable to equity holders of the parent company after extraordinary items	2021	4.73	0.0865	0.0865

Holly Futures Co., Ltd.
29 March 2022