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Holly Futures

(a joint stock company incorporated in the People's Republic of China (the "PRC") 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 2023

The board of directors of the Company (the "**Board**") hereby announces the audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023. This results announcement, containing the full text of the 2023 Annual Report for H shares 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 Board together with the management of the Company have reviewed the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2023. ShineWing Certified Public Accountants, the external auditor, has reviewed and agreed with the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2023.

The 2023 Annual Report of the Company will be published 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 2024.

By order of the Board
Mr. Chu Kairong
Acting Chairman and Executive Director

Nanjing, the PRC
28 March 2024

As at the date of this announcement, the Board of Directors consists of Mr. Chu Kairong as executive Director; Mr. Xue Binghai and Mr. Jiang Lin as non-executive Directors; and Mr. Huang Dechun, Mr. Lo Wah Wai and Mr. Zhang Hongfa as independent non-executive Directors.

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This report has been prepared in both Chinese and English. In the event of any inconsistency between the Chinese and English versions, the Chinese version shall prevail.



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About Us

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 twentieth meeting of the fourth session of the Board and the tenth 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 2023 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(特殊普通合夥)), and an auditor's report without reservation opinions was issued by them. All amounts set out in this report are expressed in Renminbi (RMB) unless otherwise indicated.

The Company's Acting Chairman and general manager Mr. Chu Kairong 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

The year 2023, which has just passed, was a year of economic recovery and development amidst persisting challenges such as insufficient effective demand, overcapacity in certain sectors, weak social expectations and an elevated number of risks, as well as an increase of complexity, severity and uncertainty of the external environment. The general working guideline for the whole year of 2024 is to insist on making progress while maintaining stability, promoting stability with progress, and building the new before discarding the old. The pursuit of high-quality development has risen to the paramount task in the comprehensive endeavor to build a modern socialist country. Standing at this critical juncture where domestic economic stability and recovery are underway, we must bolster confidence and resolve. We need to steadily advance with a solid footing and scientifically formulate medium- to long-term development strategies, thereby accumulating strength and momentum for the Company's growth over the long haul.

As a bridge connecting the real economy and the capital market, we root ourselves in our professional capabilities and the essence of futures, actively leveraging finance to stimulate the real economy, while also supporting its high-level integration and development with risk management and financial innovation. In 2023, we devoted all our efforts to business operations, focusing on our core business to drive development. Our brokerage business remained stable with steady progress, asset management business saw a solid improvement, risk management business experienced rapid growth, and our international business gradually took a favorable turn. We took it upon ourselves to serve the real economy, catalyzing high-quality development. Guided by the ambition to become stronger, better, and larger, we promptly seized emerging developmental prospects. Fueled by technological innovation, we enhanced customer experiences. With a mission to serve agriculture, rural areas and farmers, we contributed to rural revitalization.

In 2023, the Company fully leveraged its brand value as an "A+H" listed company, continuously improved its service quality and strengthened its management foundation, and its overall operation remained stable. During the year, the Company's average daily customer equity amounted to RMB8.079 billion, representing a year-on-year increase of 11.3%. The Company was awarded more than 40 honors, including Leading Enterprise of High-Quality Development (高質量發展領軍企業) of Jiangsu Province, Jiangsu Distinguished Enterprise of Social Responsibility (江蘇社會責任傑出企業), Model Unit for Rural Revitalization (鄉村振興示範單位), and Outstanding Contributions to Industrial Services Award (產業服務傑出貢獻獎).

The past year has shown a thousand layers of excellence, and in the new year, we will strive for further heights. The year 2024 marks a critical year for the comprehensive completion of tasks outlined in the "14th Five-Year" Plan, as well as a significant year for the Company to vigorously embark on a new journey towards high-quality development. The Company will focus on boosting its core competencies and fortifying its essential capabilities, align its operational strategy along the lines of "serving national strategies, fostering local economies, and advancing group growth", make efforts to build three "service ecosystems" of "industrial clients, institutional clients and small and medium-sized investors", create a platform that fosters assurance and emanates positive energy among all, and rally all cadres and staff of the Company to strive for the acceleration of the construction of a competitive domestic leading futures company. We will seize the historical opportunities in the new round of opening-up and reform with a stronger sense of mission, a more far-reaching strategic vision, and more pragmatic business initiatives to create greater value for our customers and investors!

Chu Kairong
Acting Chairman

Nanjing, the PRC
28 March 2024

Definitions

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

A Share Offering	initial public offering of 100,777,778 A Shares of the Company which are listed on the Main Board of the Shenzhen Stock Exchange on 5 August 2022. The Company has completed the A Share Offering and of which all of its 657,300,000 Domestic Shares have been converted into A Shares, please refer to the Company's announcement dated 4 August 2022 for details
A Share(s)	domestic listed ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the Shenzhen Stock Exchange (Stock Code: 001236). As at the end of the Reporting Period, the Company has issued a total of 758,077,778 A Shares
A Shareholder(s)	holders of A Shares
A Shares Prospectus	the prospectus in relation to the A Share Offering published on 5 July 2022
Articles of Association	the Articles of Association of the Company currently in force, as amended, supplemented and otherwise modified from time to time
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
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
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 Main Board of the Hong Kong Stock Exchange and its A Shares of which are listed on the Main Board of the Shenzhen Stock Exchange

Definitions

Controlling Shareholder, 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 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
Corporate Governance Code	the Corporate Governance Code contained in Appendix C1 of the Listing Rules
CSRC	China Securities Regulatory Commission
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
DCE	Dalian Commodity Exchange (大連商品交易所)
Director(s)	director(s) of the Company
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%
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
Futures and Derivatives Law	the Futures and Derivatives Law of the People’s Republic of China, implemented on 1 August 2022
GFE	the Guangzhou Futures Exchange
Group, our Group, us or we	the Company and its subsidiaries
H Share Offering	the global offering of 227,000,000 H Shares offered by the Company and 22,700,000 H Shares offering by the selling shareholders which are listed on the Hong Kong Stock Exchange on 30 December 2015

Definitions

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. As at the end of the Reporting Period, the Company has issued a total of 249,700,000 H Shares
H Shareholder(s)	holders of H Shares
H Shares Prospectus	the prospectus in relation to the H Share Offering published on 16 December 2015
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, SOHO Holly	Soho Holly Corporation (蘇豪弘業股份有限公司) (formerly known as Jiangsu Holly Corporation (江蘇弘業股份有限公司)), 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 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 Holly International Financial, 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

Definitions

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 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 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 Stock Exchange or HKEX	The Stock Exchange of Hong Kong Limited
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Rui Growth	Jiangsu Hong Rui Growth Venture Investment Co., Ltd. (江蘇弘瑞成長創業投資有限公司), a joint stock company of the Company
Hong Rui New Era	Jiangsu Hong Rui New Era Venture Investment Co., Ltd. (江蘇弘瑞新時代創業投資有限公司), a joint stock company of the Company
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
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

Definitions

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 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 C3 of the Listing Rules
MOF	Ministry of Finance of the PRC (中華人民共和國財政部)
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 and Taiwan
PTA	pure terephthalic acid
R&D	research and development
Report	this annual report for 2023 of the Company
Reporting Period	the year ended 31 December 2023
RMB or Renminbi	the lawful currency of the PRC

Definitions

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)	A Share(s) and H Share(s)
Shareholder(s)	holder(s) of the Shares
Shenzhen Stock Exchange	the Shenzhen Stock Exchange
SHFE	Shanghai Futures Exchange
SOHO Culture Group	SOHO Culture Group Company Limited (蘇豪文化集團有限公司) (formerly known as Artall Culture Group Company Limited (愛濤文化集團有限公司)), a limited liability company established under the laws of the PRC on 26 January 1999 and a wholly-owned subsidiary of the Company's Controlling Shareholder
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)

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) Legal Representative

Mr. Chu Kairong (Acting)

(3) Authorized Representatives of the Company

Mr. Chu Kairong and Mr. Huang Haiqing

(4) Registered Capital

RMB1,007.777778 million

(5) 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

(6) Head Office in China

Registered address of the Company: Building 3, No. 399 Jiang Dong Zhong Road, Jianye District, Nanjing, Jiangsu Province, the PRC (Postal code: 210019)

Office address of the Company: Building 3, No. 399 Jiang Dong Zhong Road, Jianye District, Nanjing, Jiangsu Province, the PRC (Postal code: 210019)

Website of the Company: www.ftol.com.cn

Email address: zqb@ftol.com.cn

(7) Principal Place of Business in Hong Kong

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

Company Profile

II. List of Board, Supervisory Committee and Special Committees

(8) Board

Executive Directors	Mr. Chu Kairong (<i>Acting Chairman</i>) Ms. Zhou Jianqiu (Resigned on 9 October 2023)
Non-executive Directors	Mr. Xue Binghai Mr. Jiang Lin Mr. Shan Bing (Resigned on 30 January 2024)
Independent non-executive Directors	Mr. Huang Dechun Mr. Lo Wah Wai Mr. Zhang Hongfa (Appointed on 21 July 2023) Mr. Wang Yuetang (Resigned on 21 July 2023)

(9) Special Committees of the Board

Audit Committee	Mr. Lo Wah Wai (<i>Chairman</i>) Mr. Xue Binghai Mr. Huang Dechun
Remuneration Committee	Mr. Huang Dechun (<i>Chairman</i>) Mr. Zhang Hongfa (Appointed on 21 July 2023) Mr. Shan Bing (Resigned on 30 January 2024) Mr. Wang Yuetang (Resigned on 21 July 2023)
Nomination Committee	Mr. Zhang Hongfa (Appointed on 21 July 2023) Mr. Huang Dechun Ms. Zhou Jianqiu (Resigned on 9 October 2023) Mr. Wang Yuetang (Resigned on 21 July 2023)
Risk Management Committee	Mr. Zhang Hongfa (<i>Chairman</i>) (Appointed on 21 July 2023) Mr. Chu Kairong Mr. Xue Binghai Mr. Jiang Lin Mr. Wang Yuetang (Resigned on 21 July 2023)
Strategic Committee	Mr. Xue Binghai Mr. Zhang Hongfa (Appointed on 21 July 2023) Ms. Zhou Jianqiu (Resigned on 9 October 2023) Mr. Wang Yuetang (Resigned on 21 July 2023)

(10) Supervisory Committee

Ms. Yu Hong (*Chairlady of the Supervisory Committee*)
Mr. Chen Liang
Ms. Zhang Lei (Appointed on 20 March 2023)
Ms. Yao Aili (Resigned on 20 March 2023)

III. Contact Information

(11) Secretary to the Board

Secretary to the Board: Mr. Huang Haiqing
Address: Building 3, No. 399 Jiang Dong Zhong Road, Jianye District, Nanjing, Jiangsu Province, the PRC
(Postal code: 210019)
Tel: 025-52278884
Email: zqb@ftol.com.cn

(12) Joint Company Secretaries

Mr. Huang Haiqing and Ms. Chan Yin Wah

IV. Other Information

(13) Statutory Audit Institutions of the Company

ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥))
Public Interest Entity Auditor recognised in accordance with the Financial Reporting Council Ordinance

(14) Legal Advisers of the Company

As to Hong Kong Law: DeHeng Law Offices (Hong Kong) LLP
As to PRC Law: Allbright Law Offices Nanjing
Jingtian & Gongcheng Law Firm in Beijing

Company Profile

(15) 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
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.
China Guangfa Bank Co., Ltd.
Wing Lung Bank Limited
Bank of China (Hong Kong) Limited
China Zheshang Bank Co., Ltd.
Bank of Ningbo Co., Ltd.

V. Brief Description of the Company's Shares

Types of Shares	Listed Exchanges	Stock Code	Share Registrar
A Shares	Shenzhen Stock Exchange	001236	China Securities Depository and Clearing Corporation Limited, Shenzhen Branch
H Shares	Hong Kong Stock Exchange	03678	Computershare Hong Kong Investor Services Limited

VI. 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.

Company Profile

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.

Company Profile

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%.

On 23 June 2022, according to the "Approval of the Initial Public Offering of Shares by Holly Futures Co., Limited" (Securities Regulatory Permit No. [2022] 1135) approved by the CSRC, the Company was permitted to issue up to 100,777,778 A Shares. On 5 August 2022, the A Shares of the Company were officially listed and trading on the Main Board of the Shenzhen Stock Exchange with the stock code 001236. Upon completion of the issuance, the registered capital and share capital of the Company are RMB1,007,777,778, with a total of 758,077,778 A Shares and 249,700,000 H Shares were issued, 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 A Shares or 27.33%; by Jiangsu Holly Corporation (江蘇弘業股份有限公司) as to 147,900,000 A Shares or 14.68%; by Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司) as to 143,548,000 A Shares or 14.24%; 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 A Shares or 6.34%; by Shanghai Mingda Industrial (Group) Company Limited (上海銘大實業(集團)有限公司) as to 9,276,631 A Shares or 0.92%; 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 A Shares or 0.88%; by Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司) as to 8,285,345 A Shares or 0.82%; and by public shareholders of H Shares as to a total of 249,700,000 H Shares or 24.78%.

Company Profile

VII. Organizational Structure



VIII. 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 ⁽¹⁾	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	RMB500 million	100%	In December 2022 and January 2023, the Company increased its capital by RMB10 million and RMB100 million, respectively, after the completion of capital injection, the registered capital was changed from RMB390 million to RMB500 million
Holly International Financial	Room 03-05, 20/F, Jubilee Centre, No. 46 Gloucester Road, Wanchai, Hong Kong	dealing in futures contracts, dealing in securities	Hong Kong	20 October 2011	HKD240 million	100%	
Holly International Asset Management	Room 1301, 13/F, Jubilee Centre, No. 46 Gloucester Road, Wanchai, Hong Kong	Asset management, advising on securities	Hong Kong	7 July 2016	HKD20 million	100%	Established and wholly owned by Holly International Financial

Note:

- Holly Capital is registered as domestic enterprise under PRC law, whose legal entity is limited liability company.

Company Profile

IX. Distribution of Futures Branches and Sub-branches

As at the end of the Reporting Period, the Company had established 37 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	Changsha Branch	1405, Changfang Dongjun Building, 99 Renmin East Road, Furong District, Changsha City	11 December 2008
5	Chongqing Branch	Unit 5, 18/F, 1 Qingyun Road, Jiangbei District, Chongqing City	30 December 2011
6	Fuzhou Branch	Unit 1907-1908, 19th Floor of Lippo Tianma Plaza, 1 Wuyibei Road, Gulou District, Fuzhou City, Fujian Province	10 November 2008
7	Guangzhou Branch	Room 1201, No. 138 Tiyu East Road, Tianhe District, Guangzhou City	8 March 2011
8	Haikou Branch	Room 201, 3/F (suite partition 315), Haiken International Finance Center, Longhua District, Haikou City	25 March 2010
9	Hangzhou Branch	Unit 1007, Block 1, Shipping International Administration Mansion, Shangcheng District, Hangzhou City	20 February 2008
10	Hefei Branch	Room 707, Block 1, Wucui Commercial Plaza, No. 129 Wangjiang West Road, Shushan District, Hefei City	26 December 2007
11	Huai'an Branch	Room 1111, 1112, office building of Huaihai City One, Qinghe District, Huai'an City	8 May 2012
12	Jinan Branch	910, 904, Tower C, Shimao International Plaza, Lixia District, Jinan City	7 August 2009
13	Jiangyin Branch	Unit A, 14/F, Hailan International Trade Building, No. 118 Chengjiang Middle Road, Jiangyin City	23 July 2013
14	Lianyungang Branch	Room 907 & 908, No. 26. Hailan East Road, Haizhou District, Lianyungang City, Jiangsu Province	16 September 2011
15	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

Company Profile

Serial No.	Branch/Sub-branch	Business Address	Date of Establishment
16	Nantong Branch	No. 6 Yaogang Road, Nantong City	6 September 2007
17	Ningbo Branch	Building 1, Wante Business Center, High-tech Zone, Ningbo City, Zhejiang Province	7 July 2011
18	Qingdao Branch	Room 2301, Building No. 1, No. 10 Xianggang Zhong Road, Shinan District, Qingdao City	26 November 2007
19	Shanghai Branch	Room 1210, 1211, No. 1589 Century Avenue, China (Shanghai) Pilot Free Trade Zone	15 August 2007
20	Shenyang Branch	Room 707, Jiarun Building, No. 161 Nanjing North Street, Heping District, Shenyang City	11 October 2010
21	Suzhou Branch	Room 2160, Bojin Building, No. 1338 Sanxiang Road, Gusu District, Suzhou City	18 December 2001
22	Suqian Branch	No. 301, 303, 305, 307, 3/F, Zone B, Suqian Daily Newspaper, No. 64 Development Avenue, Suqian City, Jiangsu Province	5 May 2010
23	Taiyuan Branch	Unit A, 5/F, Block A, Building 1, No. 9 Fuxi Street, Xinghualing District, Taiyuan City	2 February 2012
24	Taizhou Branch	Room 205, Room 106, No.607, Gulou South Road, Hailing District, Taizhou City	3 July 2008
25	Wuxi Branch	Room 1706, 1707, No. 531 Zhongshan Road, Wuxi City	12 December 2003
26	Wuhu Branch	Room 1004, 1005, Weixing Times Financial Centre, Jinghu District, Wuhu City, Anhui Province	28 June 2012
27	Xiamen Branch	Room 1304, No. 820 Xiahe Road, Siming District, Xiamen City, Fujian Province	18 November 2013
28	Xi'an Branch	Room G, 13/F, New Times Plaza, No. 55 Beida Street, Lianhu District, Xi'an City	10 April 2009
29	Xuzhou Branch	Room 1-3903, 3904, 3905, Podium Building A, Suning Plaza, 29 Huaihai East Road, Gulou District, Xuzhou City	4 January 2008
30	Yancheng Branch	Room 3A07, 3A08, 4/F, Huabangdong Mansion, No. 1 Renmin South Road, Yancheng City	16 June 2009

Company Profile

Serial No.	Branch/Sub-branch	Business Address	Date of Establishment
31	Yangzhou Branch	Room 803, Zijin Plaza, No. 10 Wenchang West Road, Yangzhou City	25 October 2002
32	Yixing Branch	Room 201-A, 2/F, Yixing International Trade Building, No. 21 Jiao Yu West Road, Yicheng Street, Yixing City	23 August 2013
33	Zhangjiagang Branch	No. 178 Chengbei Road, Zhangjiagang City	6 September 2013
34	Zhenjiang Branch	17/F, No. 8 Guan Cheng Road, Runzhou District, Zhenjiang City	31 October 2008
35	Haimen Branch	Room 507, Block A Guanghua Building, No. 965 Nanhai Road, Haimen Sub-district, Haimen City, Nantong City	30 October 2018
36	Zhangjiagang Free Trade Zone Branch	Room 2406A, Grain and Oil Market, Binjiang Building, Zhangjiagang Free Trade Zone	2 August 2019
37	Liyang Branch	Room 2507, office building of Futian Center, No. 28 Yanshan Middle Road, Licheng Town, Liyang City	29 August 2017
38	Beijing Sub-branch	Unit C1, 901, 9th Floor, 118 Jianguo Road, Chaoyang District, Beijing City	24 January 2017
39	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
40	Nanjing Sub-branch	4th Floor, Holly Tower, No. 50 Zhonghua Road, Nanjing	6 December 2016
41	Shanghai Sub-branch	Unit 01, 20/F, Tower 1, No. 1788, 1800, Century Avenue, China (Shanghai) Pilot Free Trade Zone	15 October 2016
42	Shenzhen Sub-branch	Unit 808AB, Modern Commercial Building, No. 3038, Jintian Road, Gangxia Community, Futian Sub-district, Futian District, Shenzhen City	13 July 2016
43	Zhengzhou Sub-branch	Room 1303, Futures Tower, No. 30 Business Outer Ring Road, Zhengdong New District, Zhengzhou Area of Henan Pilot Free Trade Zone	1 July 2008

Financial Summary

I. 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

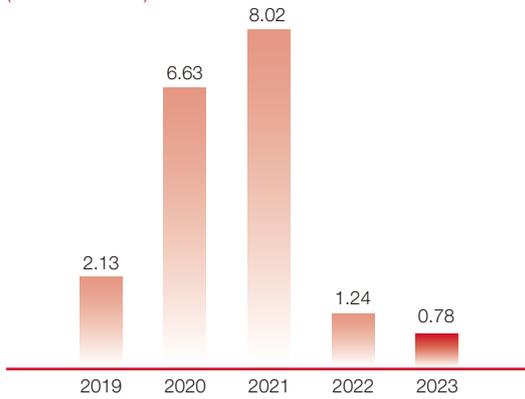
In RMB'0,000	2023 as compared to 2022						
	2023	2022	Change in amount	Change	2021	2020	2019
Operating income	194,322	152,775	41,547	27.20%	163,986	156,138	64,524
Total profit	1,047	1,591	-544	-34.17%	10,921	9,270	4,158
Net profit – attributable to shareholders of the Company	779	1,238	-459	-37.07%	8,021	6,632	2,127
Net cash generated from operating activities inflows/(outflows)	-161,715	192,509	-354,224	-184.00%	123,561	80,307	11,192
Earnings per share (RMB/share)							
Basic earnings per share	0.0077	0.0132			0.0884	0.0731	0.0234
Diluted earnings per share	0.0077	0.0132			0.0884	0.0731	0.0234
Profitability indicators							
Weighted average return on net assets	0.42%	0.71%			4.84%	4.07%	1.31%

Scale indicators (RMB'0,000)	2023 as compared to 2022						
	As of 31 December 2023	As of 31 December 2022	Change in amount	Change	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
Total assets	931,308	1,048,393	-117,085	-11.17%	808,310	634,916	451,077
Total liabilities	746,558	864,660	-118,102	-13.66%	640,093	470,249	291,180
Customers' equity payable	684,087	807,393	-123,306	-15.27%	593,063	428,784	265,955
Equity attributable to shareholders of the Company	184,749	183,732	1,017	0.55%	168,217	164,667	159,897
Total share capital ('000)	1,007,778	1,007,778			907,000	907,000	907,000
Net assets value per share attributable to shareholders of the Company (RMB per share)							
	1.83	1.82			1.85	1.82	1.76
Gearing ratio ^{Note 1}	25%	24%			22%	20%	14%

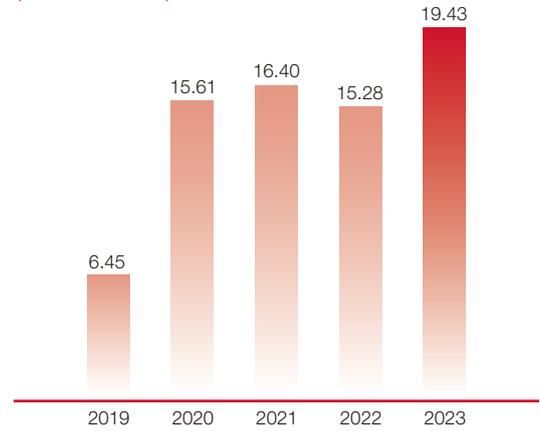
Note 1: Gearing ratio = (Total liabilities – Customers' equity payable)/(Total assets – Customers' equity payable)

Financial Summary

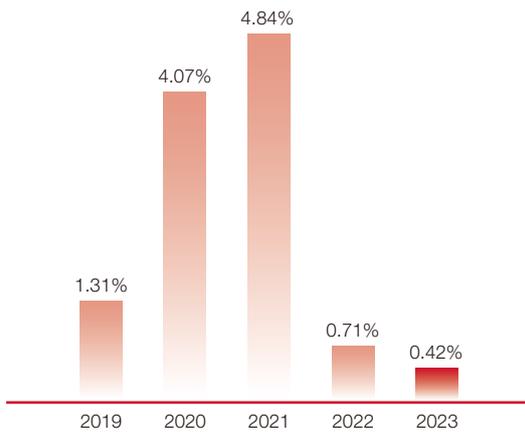
Net profit – attributable to shareholders of the Company
(RMB10 million)



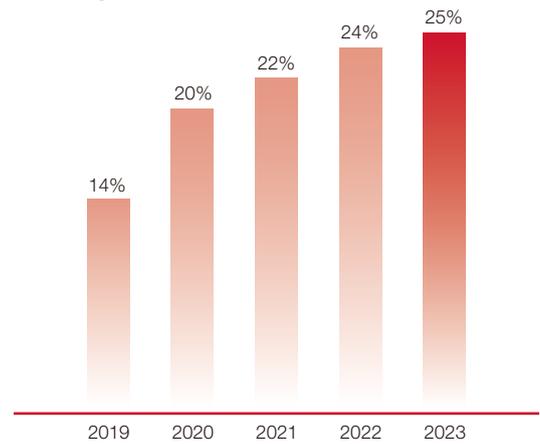
Operating income
(RMB100 million)



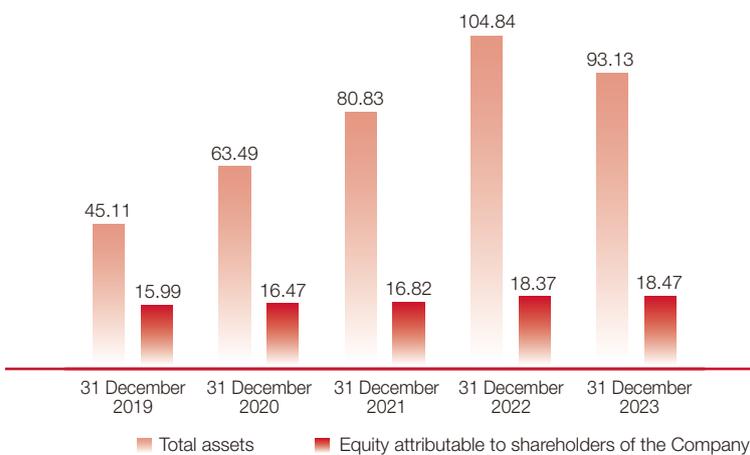
Weighted average return on net assets



Gearing ratio



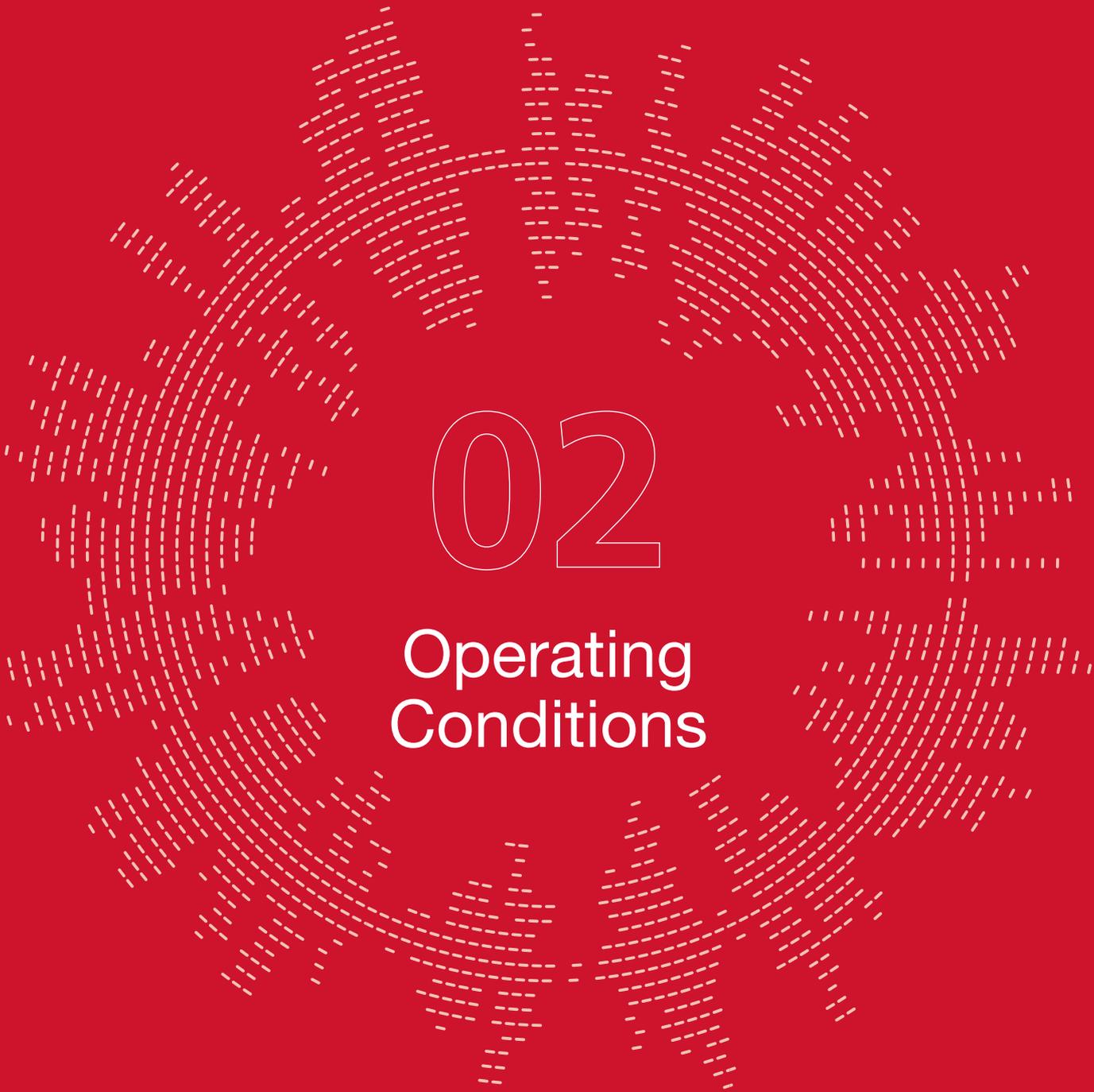
Scale indicators
(RMB100 million)



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

The Net capital of the Company as at 31 December 2023 amounted to RMB841 million, representing a decrease of RMB73 million as compared with RMB914 million as at the end of 2022. 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 2023	As of 31 December 2022	Warning level	Supervision level
Net capital (RMB million)	841	914	36	30
Net capital/total risk capital reserves (%)	266%	244%	120%	100%
Net capital/net assets (%)	45%	49%	24%	20%
Current assets/current liabilities (%)	439%	440%	120%	100%
Total liabilities/net assets (%)	18%	20%	120%	150%
Proprietary settlement reserve funds (RMB million)	736	623	–	10



02

Operating
Conditions

Management Discussion and Analysis

I. Industry and market review

In 2023, the scale of China's futures market has been steadily expanding and the variety of product categories has been enriched, and its pace has been accelerating to match the China's massive market scale and risk management needs as a trading power, and continuing to enhance its ability and level of service to the real economy. According to China Futures Industry Association, in 2023, China's futures market realised a cumulative trading volume of 8,501 million lots and a cumulative trading turnover of RMB568.51 trillion, representing a year-on-year increase of 25.60% and 6.28%, respectively; a total of 21 new varieties of futures and options were listed, and the total number of varieties reached 131. As of 31 December 2023, the total assets of futures companies exceeded RMB1.6 trillion, and their net assets exceeded RMB190 billion. The 150 futures companies nationwide realized a combined net profit of RMB9,903 million, representing a decrease of 9.88% as compared to RMB10,989 million in the same period of 2022.

Since the Futures and Derivatives Law came into force in August 2022, a registration-based system was implemented for the listing of futures varieties, following which the time and process for listing new varieties have been significantly shortened, and innovation has been accelerated significantly. A total of 21 new varieties of futures and options were listed in the futures market in 2023, indicating a notable acceleration in the pace of listing and bringing the total number of varieties to 131. These varieties covered important sectors of the national economy, including agricultural products, metals, energy, chemicals, shipping, and finance, enhancing the ability of futures to serve the real economy. Meanwhile, new varieties listed in 2023 are quite innovative. For example, the lithium carbonate futures and lithium carbonate options listed on the GFE in July are the first lithium carbonate futures variety with physical delivery in the world. It serves the new energy industry chain, contributes to the healthy development of green industries, and represents an important entry point for China to strive for the pricing right of international lithium resources; the SFE successfully launched the low-sulphur fuel oil futures, contributing to the transition from high-sulphur to low-sulphur in the bunker market and implementing the "dual-carbon" strategy; the Containerized Freight Index (Europe Service) Futures Contracts is the first futures variety in the service sector in China and is also the first index type and cash-settled futures contract listed in commodity and futures exchanges, which is considered to be the most innovative futures product in China market in recent years. The listing of new derivative products, such as 30-year treasury bond futures and SSE STAR 50 ETF Options, provides investors with more efficient risk management tools. Currently, equity products cover four broad-based index and 1,800 stocks. With the listing of 30-year treasury bond futures, treasury bonds with key maturities of two years, five years, 10 years and 30 years have been covered, forming a treasury yield curve from the short maturity to the ultra-long maturity.

Management Discussion and Analysis

In 2023, the innovative “insurance + futures” model was continuously promoted in China’s futures market for supporting and benefiting agriculture, and such model, with expanding scale and coverage, has achieved satisfying results in safeguarding farmers’ income, serving the maintenance of the supply and stabilizing the price of primary agricultural products, assisting in the high-quality development of the rural industry, and empowering inclusive financial services. In 2023, which is the ninth year of implementing the “Insurance + Futures” pilot program, this innovative model of financial support for agriculture, which makes use of market-oriented mechanisms to resolve agricultural market risks, is becoming more and more mature, and the scale, scope and participating subjects of “insurance + futures” are increasing year by year, with the level of risk protection rising constantly, showing a more diversified development trend and achieving fruitful outcomes. In terms of paired-up assistance, 132 futures operators have signed 1,699 paired-up assistance agreements with 734 villages participating village revitalization. In terms of capital investment, a total of RMB2.368 billion was invested in paired-up assistance industry wide.

In 2023, the regulation of the industry was further improved. The Measures for the Administration of Futures Exchanges (《期貨交易所管理辦法》), which came into effect on 1 May 2023, further strengthened the responsibilities of the futures exchanges, and by continuously exploring the futures regulatory system and business model with Chinese characteristics to safeguard the stable operation of the market, the futures exchanges facilitate the performance of the futures market functions, such as price discovery, risk management, and allocation of resources, and enhance the quality of the operation of the futures market by further enriching the product offering and optimizing the product rules to attract more operators. To regulate derivatives trading and related activities, enhance market transparency, and prevent and mitigate market risks, the CSRC released the Measures for the Supervision and Administration of Derivatives Trading (draft for comments) (《衍生品交易監督管理辦法(徵求意見稿)》) in March 2023, and its second draft for comments was released on 17 November 2023.

The Measures for the Supervision and Administration of Futures Companies (2024) (2024年《期貨公司監督管理辦法》) is expected to be released after soliciting public comments. The expansion of the scope of futures operation, the return of market-making and over-the-counter derivatives business to the parent company are expected to be the legal basis for futures companies to develop a solid derivatives trading capability and provide one-on-one risk management services, and will also accelerate the fulfillment of the futures industry’s unique functions of price discovery, risk management and resource allocation in the financial ecosystem.

II. Business review

The Group engages in the futures industry. The operating results of futures companies are correlated with the trend of the securities and futures market, and the operating income and profit level of the futures industry is strongly cyclical due to the macroeconomic impact. The Company’s futures business is also dependent on and benefits from China’s economic growth and the development and performance of China’s capital markets, which are affected by various factors such as the economic environment, regulatory policies, investors’ risk appetite and international markets.

Management Discussion and Analysis

With the promulgation and implementation of the new Futures and Derivatives Law, the legal system of the futures and derivatives market with the Futures and Derivatives Law at its core has been continuously enriched and improved, providing specific guidelines for the development of various market businesses, clarifying the self-regulatory requirements for the standardized development of the industry, and laying a solid foundation for the legal system of the futures and derivatives market. Under the guidance of the Futures and Derivatives Law, the futures market has entered the fastlane of development, and the ability of the futures and derivatives market to serve the real economy has also been continuously improved. The futures industry has continued to innovate, with the number of new varieties of futures and options increasing by more than 20 since 2023. The acceleration of the launch of new varieties and the opening-up process, while meeting the risk management needs of enterprises in various industries, has imposed higher requirements for futures companies to provide refined services. Under strict supervision and with emphasis on risk prevention, the futures industry is facing a landscape reshaping, which poses new challenges to the high-quality development of the futures industry, and the comprehensive service capability and the level of risk prevention and control of futures companies.

As of 31 December 2023, total assets of the Group amounted to RMB9,313 million, representing a decrease of 11.17% as compared to the beginning of the period. Net assets attributable to the Group amounted to RMB1,847 million, representing an increase of 0.55% as compared to the beginning of the period. In 2023, the Company's operating income increased 27.20% year-on-year; and the average daily customer equity increased 11.3% year-on-year. The Company was awarded more than 40 honors, including Leading Enterprise of High-Quality Development (高質量發展領軍企業) of Jiangsu Province, Jiangsu Distinguished Enterprise of Social Responsibility (江蘇社會責任傑出企業), Model Unit for Rural Revitalization (鄉村振興示範單位), and Outstanding Contributions to Industrial Services Award (產業服務傑出貢獻獎).

The Group is mainly engaged in futures brokerage, asset management, commodity trading and risk management, and financial asset investment. 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 2023, the Company had 43 branches and sub-branches located in several municipalities, in Jiangsu Province, and in other economically developed cities in the PRC.

In 2023, the Group's handling fees and interest income generated from the futures brokerage business amounted to RMB280 million, representing a decrease of 11.67% compared to RMB317 million for 2022. Turnover from brokerage (bilateral statistics, the same below) amounted to RMB5,173.920 billion, representing a decrease of 21.25% from RMB6,570.012 billion in 2022. The Company's market share was 0.46%. Turnover from commodity futures brokerage amounted to RMB4,427.375 billion, representing a decrease of 26.64% from RMB6,034.922 billion in 2022. Turnover from financial futures brokerage amounted to RMB746.545 billion, representing a growth of 39.52% from RMB535.090 billion in 2022. The Company's trading volume was 83.5447 million lots, representing a decrease of 8.32% from 91.1268 million lots in 2022. In 2023, the commission rate of the Company's domestic comprehensive futures and options brokerage business was 0.0038%, representing an increase of 5.56% from 0.0036% for the same period in 2022.

Management Discussion and Analysis

In 2024, the Company will focus on the core objective of “controlling costs, stabilising revenue, preventing risks and strengthening assessment”, and take the whole process of serving the high-quality development of the real economy as its main responsibility, and continuously improve the soft power of the Company in serving real enterprises to fully utilize the advantages of the Company’s various license business and provide more value-added services to customers.

(2) The asset management business

As of 31 December 2023, the Company’s AUM amounted to RMB18.422 billion, representing a year-on-year decrease of 8.73% over RMB20.184 billion at the end of 2022, ranked among the top three in the industry. The asset management business achieved an income (excluding fee income generated by the structured entity included in the consolidation) of RMB6.0993 million, representing a decrease of 21.49% from RMB7.7659 million for 2022. The Company’s AUM ranks among top 5 in the industry, with 27 trading asset management accounts in aggregate. We have filed 5 new asset management schemes, including 3 collective products and 2 individual products for directional products, which demonstrated our stable development.

In face of significant volatility in the stock, bond and commodity markets in 2023, the Company has successively set up net asset management products with on-market volatility gain strategy, as well as stable asset management products with highly rated bonds + arbitrage private equity funds. In addition, the Company has continued to deepen its cooperative relationship with multiple financial institutions, broaden channels for product sales, and committed to improving the quality of customer service. Meanwhile, the Company increased its research efforts in bond, stock and commodity markets. Despite the contraction pressure on the overall market scale, the Company has maintained its industry-leading AUM through accurate market positioning and outstanding asset management capabilities, demonstrating its competitive advantages and sustainable development potential in the complex market environment.

(3) The commodity trading and risk management business

Risk management business experienced rapid growth. The capital increase of Holly Capital was completed, following which its registered capital was RMB500 million. Its operating performance improved significantly, with multiple indicators reaching record highs. Focusing on the three principal businesses of spot and futures trading business, market-making business, and OTC derivatives business, in 2023, Holly Capital achieved an operating income of RMB1.684 billion, up by 31.64% year-on-year, and its total profit increased by 617.22% year-on-year. In particular, the spot and futures business team of black commodities generated revenue of over RMB450 million on rebars and hot rolled coils, made them the company’s specialties. With the quotations of over-the-counter options becoming more competitive, Holly Capital’s notional principal amount of new transactions was RMB20.2 billion, up by 74% year-on-year. It served over 80 small and medium-sized enterprises with a trading volume of RMB10 billion, further demonstrating its ability to serve the real economy. The futures market-making business team was awarded the 2022 SHFE Silver Award for Market-making Business (2022年度上期所做市業務銀獎), and the build of theoretical parameters and hardware facilities for options market-making was completed preliminarily to prepare for the subsequent application for options market-making. It has independently developed algorithmic trading system and quick settlement program, which helped achieving an annual capital gain rate of over 12%.

Management Discussion and Analysis

With a mission to serve agriculture, rural areas and farmers, the Company contributed to rural revitalization. Exploring new ideas and methods of “insurance + futures” for rural revitalization, the Company carried out 200 “insurance + futures” projects in 12 provinces across China, with a total underwriting value of RMB1.45 billion and a compensation amount of over RMB30 million, effectively safeguarding farmer’s income.

(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.

In 2023, the domestic securities market experienced initial gains followed by declines, with major indices declining overall throughout the year. The commodity market exhibited cyclical trends, yet the volatility overall maintained a moderately low level. Against this complex market backdrop, the Company strengthened risk control in its financial assets investment business and optimized its investment strategies, and generally achieved certain gains against the trend. In 2023, the Company’s investment income (excluding investment income on associates and derivative financial instruments) was RMB-10.5074 million and gain on change in fair value (excluding derivative financial instruments and investment properties) was RMB20.4253 million, totalling RMB9.9179 million.

(5) Overseas financial services business

In the year 2023, the company implemented multiple measures and vigorously developed various licensed businesses, resulting in a doubling of its business revenue and setting new historical highs for several business performance metrics.

Overseas futures business. The Company achieved new breakthroughs and developments in its futures business by implementing multiple measures, including optimizing its customer structure and setting up a high-quality customer service team. The handling fees of futures brokerage business increased by 79.59% year-on-year, the cumulative customers’ equity of futures business increased by 313.78% year-on-year, and the trading volume of futures business increased by 56.25% year-on-year. The Company achieved breakthrough results in the 10th Global Derivatives Live Trading Competition, with four clients winning the 3rd place in the heavyweight group and the 3rd, 6th and 10th places in the lightweight group.

Offshore securities business. Revenue from securities business continued to maintain high growth momentum. Revenue from securities brokerage business increased by 164.73% year-on-year, and the trading volume of securities business increased by 112.38% year-on-year; we continued to cultivate a quality business team, expand profitable businesses, and cultivate new profit growth drivers for the Company.

Management Discussion and Analysis

Offshore asset management business. The Company has continued to broaden the boundaries of its asset management business, proactively positioned itself in the public fund sector, and has become an investment advisor for multiple public funds; the Company cooperated with well-known local brokers in Hong Kong and launched new fund products; and amidst a backdrop of the Hong Kong stock market enduring its fourth consecutive year in a bear market, three funds under management of the Company significantly outperformed the broader market in terms of returns.

III. 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. However, operating results of the Company declined against the backdrop of a more complex macroeconomic situation and intense market competitions. In 2023, the Group achieved total operating income of RMB1.943 billion with a year-on-year increase of 27.20%. The net profit attributable to Shareholders of the Company amounted to RMB7.79 million with a year-on-year decrease of 37.07%. The earnings per share amounted to RMB0.0077, and the weighted average return on net assets was 0.42%, representing a year-on-year decrease of 0.29 percentage point.

2. Asset structure and asset quality

As at the end of 2023, the total assets of the Group amounted to RMB9,313 million, representing a year-on-year decrease of 11.17% as compared with RMB10,484 million of the end of 2022; the total liabilities amounted to RMB7,466 million, representing a year-on-year decrease of 13.66% as compared with RMB8,647 million at the end of 2022; and the net assets amounted to RMB1,847 million, representing a year-on-year increase of 0.55% as compared with RMB1,837 million at the end of 2022.

The asset structure remained stable while the quality and liquidity of assets were well maintained. At the end of 2023, the Group's total assets recorded a year-on-year decrease, mainly due to the decrease of customers' equity. As at the end of 2023, in the total assets of the Group, current assets of RMB8,862 million, accounting for 95.16%, non-current assets of RMB451 million, accounting for 4.84%. Total assets mainly include cash assets of RMB8,275 million (accounting for 88.86%), assets for financial investment of RMB452 million (accounting for 4.85%), and other assets of RMB586 million (accounting for 6.29%).

Management Discussion and Analysis

As at the end of 2023, the liabilities deducting accounts payable to customers' equity amounted to RMB625 million, representing a year-on-year increase of 9.09% as compared with RMB573 million at the end of 2022. The gearing ratio of the Group was 25%, representing an increase of 1 percentage point as compared to 24% at the end of 2022 (Note: Gearing ratio = (Total liabilities – Accounts payable to customers' equity)/(Total assets – Accounts payable to customers' equity)). The operating leverage was 1.34 times, representing a year-on-year increase of 2.29% as compared with 1.31 times at the end of 2022 (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 2023 complied with the regulatory requirements of the CSRC.

As at the end of 2023, the Group's total borrowings amounted to RMB110.9256 million (end of 2022: RMB89.1746 million), of which RMB77.9125 million was repayable within one year, RMB27.9710 million was repayable within one to two years and RMB5.0421 million was repayable within two to five years. Among them, the interest rate for borrowings of RMB49.7829 million is 3.45% and for RMB61.1427 million is 4.50% per annum. Details of the Group's borrowings are set out in Notes V. 20 and V. 31 to the financial statements of the annual report and the liquidity risk profile is set out in Note X. (III) to the financial statements of the annual report.

4. *Cash flows*

The net increase in cash and cash equivalents amounted to RMB-1,504 million in 2023.

Net cash generated from operating activities amounted to RMB-1,617 million in 2023, representing a year-on-year decrease of RMB3,542 million as compared with RMB1,925 million for 2022; net cash generated from investing activities amounted to RMB122 million in 2023, representing a year-on-year decrease of RMB27 million as compared with RMB149 million for 2022; net cash generated from financing activities amounted to RMB-10 million in 2023, representing a year-on-year decrease of RMB130 million as compared with RMB120 million for 2022; effect of change in foreign exchange rate amounted to RMB1 million in 2023, representing a year-on-year decrease of RMB15 million as compared with RMB16 million for 2022; net increase in cash and cash equivalents amounted to RMB-1,504 million in 2023, representing a year-on-year decrease of RMB3,714 million as compared with RMB2,210 million for 2022.

Management Discussion and Analysis

(2) Income statement items

In 2023, the Group's net profit amounted to RMB7.79 million, representing a year-on-year decrease of RMB4.59 million or 37.07%. The key financial results are as follows:

In RMB'0,000	2023	2022	2023 as compared to 2022	
			Change in amount	Change
Net fee and commission income	20,314	24,585	-4,271	-17.37%
Net interest income	10,160	9,222	938	10.17%
Investment gains	-2,638	-3,945	1,307	33.13%
Other gains	47	104	-57	-54.73%
Gains from changes in fair value	2,644	-1,973	4,617	233.98%
Foreign exchange gains	30	482	-452	-93.72%
Income from other business activities	163,776	124,310	39,466	31.75%
Profit from disposal of assets	-12	-10	-2	-15.76%
Revenue	194,322	152,775	41,547	27.20%
Futures risk reserve expenses	837	964	-126	-13.13%
Taxes and surcharges	379	255	125	48.85%
Operating and management expenses	28,950	24,245	4,705	19.41%
Credit impairment loss	56	-301	357	118.42%
Other operating cost	163,445	126,016	37,429	29.70%
Operating expenses	193,667	151,177	42,489	28.11%
Non-operating income	655	1,597	-942	-58.99%
Non-operating expense	432	124	308	247.43%
Total profit	1,047	1,591	-544	-34.17%
Income tax expense	268	353	-84	-23.96%
Net profit	779	1,238	-459	-37.07%
Basic and diluted earnings per share	0.0077	0.0132		
Other comprehensive income, net of tax	238	1,165	-928	-79.60%
Total comprehensive income	1,017	2,404	-1,387	-57.69%

Management Discussion and Analysis

1. Net fee income and interest income

In 2023, the Group achieved net fee and commission income and net interest income of RMB304.74 million, representing a year-on-year decrease of RMB33.33 million or 9.86%. For 2023 and 2022, the Group's proportion of net fee and commission income were 66.66% and 72.72%, respectively, while the proportion of net interest income were 33.34% and 27.28%, respectively. Breakdown is set out in the following table:

In RMB'0,000	2023		2022		2023 as compared to 2022	
	Amount	Proportion	Amount	Proportion	Change in amount	Change
Net fee and commission income	20,314	66.66%	24,585	72.72%	-4,271	-17.37%
Net interest income	10,160	33.34%	9,222	27.28%	938	10.17%
Total	30,474	100.00%	33,807	100.00%	-3,333	-9.86%

- *Net fee and commission income*

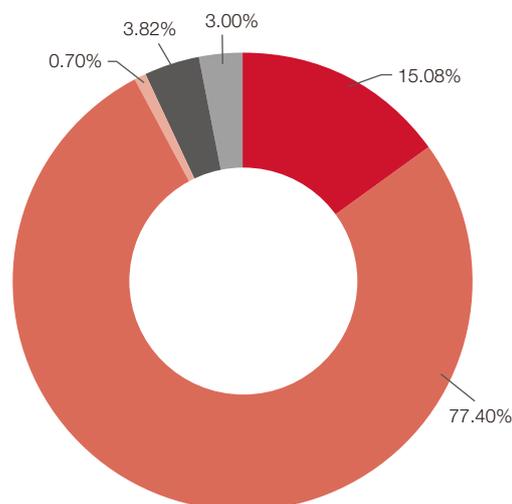
The Group achieved net fee and commission income of RMB203.14 million, representing a year-on-year decrease of RMB42.71 million or 17.37%. Breakdown is set out in the following table:

In RMB'0,000	2023		2022		2023 as compared to 2022	
	Amount	Proportion	Amount	Proportion	Change in amount	Change
Fee income from domestic futures brokerage	3,063	15.08%	1,659	6.75%	1,404	84.63%
Reduction of handling fees from exchanges	15,723	77.40%	21,500	87.47%	-5,777	-26.87%
Income from options brokerage business	142	0.70%	175	0.71%	-33	-18.86%
Income from overseas brokerage business	775	3.82%	463	1.88%	312	67.39%
Income from asset management business	610	3.00%	777	3.16%	-167	-21.49%
Income from agency sales fund business	1	0.00%	11	0.04%	-10	-90.91%
Net fee and commission income	20,314	100.00%	24,585	100%	-4,271	-17.37%

Management Discussion and Analysis

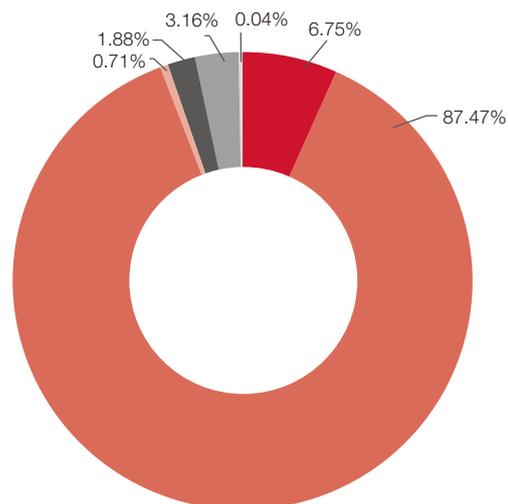
2023 Fee Income

- Fee income from domestic futures brokerage
- Reduction of handling fees from exchanges
- Income from options brokerage business
- Income from overseas brokerage business
- Income from asset management business
- Income from agency sales fund business



2022 Fee Income

- Fee income from domestic futures brokerage
- Reduction of handling fees from exchanges
- Income from options brokerage business
- Income from overseas brokerage business
- Income from asset management business
- Income from agency sales fund business



Total Fee Income Chart of the Group

Management Discussion and Analysis

- ① The income from brokerage business amounted to RMB197.03 million, representing a year-on-year decrease of RMB40.94 million or 17.20%, which mainly comprised domestic futures brokerage business, refunds of handling fees from exchanges, option brokerage business and overseas futures brokerage business, etc. In particular, the fee income from domestic futures brokerage business amounted to RMB30.63 million, representing a year-on-year increase of RMB14.04 million, income from reductions of handling fees from exchanges amounted to RMB157.23 million, representing a year-on-year decrease of RMB57.77 million, the relatively significant decrease was mainly due to the decrease in refunds of handling fees from exchanges as compared with the previous year. Fee income from overseas brokerage business amounted to RMB7.75 million, representing a year-on-year increase of RMB3.12 million.
- ② The income from asset management business amounted to RMB6.10 million, representing a year-on-year decrease of RMB1.67 million or 21.49%. 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 2023, the AUM of the Company amounted to RMB18.422 billion, representing a year-on-year decrease of 8.73% as compared to the AUM of RMB20.184 billion as at the end of 2022. There were 27 trading asset management accounts in aggregate. We have filed 5 new asset management schemes, including 3 collective products and 2 individual products for directional products, which demonstrated our stable development.
- ③ Income from agency sales fund business amounted to RMB0.01 million, representing a year-on-year decrease of RMB0.1 million. Income from such business accounted for a relatively small proportion of fee income.

Management Discussion and Analysis

- *Net interest income*

Net interest income of the Group amounted to RMB101.60 million, representing a year-on-year increase of RMB9.38 million or 10.17%. Breakdown is set out in the following table:

In RMB'0,000	2023	2022	2023 as compared to 2022	
			Change in amount	Change
Deposit of client's fund	8,344	7,920	423	5.35%
Deposit of own fund	1,812	1,332	480	36.01%
Resale agreements	129	37	91	243.59%
Less: Interests expense	125	68	57	83.12%
Total	10,160	9,222	938	10.17%

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 interest income from own fund deposits increased.

2. *Financial assets gains*

In 2023, the Group achieved financial assets gains of RMB0.06 million, representing a year-on-year increase of RMB59.24 million or 100.10%. Breakdown is set out in the following table:

In RMB'0,000	2023	2022	2023 as compared to 2022	
			Change in amount	Change
Investment gains	-2,638	-3,945	1,307	33.13%
Gain or loss on fair value changes	2,644	-1,973	4,617	233.98%
Total	6	-5,918	5,924	100.10%

Management Discussion and Analysis

(1) Investment gains

Investment gains of the Group amounted to RMB-26.38 million, representing a year-on-year increase of RMB13.07 million or 33.13%. Breakdown is set out in the following table:

In RMB'0,000	2023	2022	2023 as compared to 2022	
			Change in amount	Change
Grains on financial instrument during holding period				
– Financial instrument held for trading	1,038	1,666	-628	-37.70%
Gains from disposal of financial instruments				
– Financial instrument held for trading	-2,089	-5,508	3,420	62.08%
– Financial derivatives	-1,587	-224	-1,363	-608.20%
Long term equity investment gains calculated with equity method	0	122	-122	-99.98%
Total	-2,638	-3,945	1,307	33.13%

The Company's financial assets investment business mainly comprised of proceeds from disposal and holding of securities, funds, trust schemes, asset management plans and bonds. In 2023, the proceeds from disposal of financial assets held for trading amounted to RMB-20.89 million, which reduced year-on-year losses by RMB34.20 million, representing an increase of 62.08%; gains during holding period amounted to RMB10.38 million, representing a year-on-year decrease of RMB6.28 million or 37.70%. The others are mainly gains on derivative financial instruments of futures and risk management business of a subsidiary (Holly Capital) and investment gains from equity method calculation.

Management Discussion and Analysis

(2) Gain or loss on fair value changes

In 2023, gain or loss on fair value changes of the Group amounted to RMB26.44 million, representing a year-on-year increase of RMB46.17 million or 233.98%. Breakdown is set out in the following table:

In RMB'0,000	2023	2022	2023 as compared to 2022	
			Change in amount	Change
Financial assets held for trading	3,158	-3,194	6,352	198.90%
Financial liabilities held for trading	-1,116	1,493	-2,609	-174.73%
Derivative financial instruments	586	-778	1,364	175.35%
Investment properties	15	505	-489	-96.98%
Total	2,644	-1,973	4,617	233.98%

3. Other operating income

In 2023, the Group achieved other operating income of RMB1,638 million, representing a year-on-year increase of RMB395 million or 31.75%, which mainly included revenue from spot sales of Holly Capital's forward and spot basis trading business, revenue from "insurance + futures" business and revenue from property leasing.

4. Other income

In 2023, the Group recorded other income of RMB0.65 million, representing a year-on-year decrease of RMB5.10 million or 88.65%, which was mainly attributable to the decrease in foreign exchange gains. Breakdown is set out in the following table:

In RMB'0,000	2023	2022	2023 as compared to 2022	
			Change in amount	Change
Other gains	47	104	-57	-54.73%
Foreign exchange gains or losses	30	482	-452	-93.72%
Profit or loss from disposal of assets	-12	-10	-2	-15.76%
Other income	65	576	-510	-88.65%

Management Discussion and Analysis

(1) Other gains

Other gains represent government subsidies and personal tax refunds received by the Group totaling RMB0.47 million, representing a year-on-year decrease of RMB0.57 million or 54.73%. Of which, government subsidies amounted to RMB0.45 million and personal tax refunds amounted to RMB0.02 million.

(2) Foreign exchange gains

In 2023, foreign exchange gains of the Group amounted to RMB0.30 million, which was mainly attributable to the increase of exchange rates of Hong Kong dollar against Renminbi. In 2023, 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 RMB289.50 million in 2023, representing a year-on-year increase of RMB47.05 million or 19.41%. Breakdown is set out in the following table:

In RMB'0,000	2023	2022	2023 as compared to 2022	
			Change in amount	Change
Staff benefits	18,171	15,882	2,290	14.42%
Office expenses	3,886	3,185	701	22.02%
Depreciation and amortisation	3,376	1,896	1,480	78.03%
Lease charges	572	722	-149	-20.70%
Finance costs	643	737	-94	-12.79%
Insurance, brokerage and consulting services fees	514	714	-200	-27.98%
Investor Protection Fund	29	37	-8	-21.25%
Maintenance fees	604	254	350	137.85%
R&D costs	205	165	40	24.13%
Others	950	653	297	45.41%
Total	28,950	24,245	4,705	19.41%

(1) Staff benefits

Staff costs mainly comprised of salaries, bonuses and allowances, enterprise annuity and other social welfare such as “5 insurances and 1 pension”. In 2023, the staff costs of the Group amounted to RMB181.71 million with a year-on-year increase of RMB22.90 million or 14.42%, which was mainly due to the adjustment to the base for social security, provident fund, enterprise annuity, etc. and increase in bonus.

Management Discussion and Analysis

(2) Office expenses

Office expenses mainly comprised of office supplies fees, information fees, postal and communication expenses, business travel expenses and business entertainment expenses.

In 2023, the office expenses of the Group amounted to RMB38.86 million with a year-on-year increase of RMB7.01 million or 22.02%, which was mainly due to the increase in information fees, business travel expenses and other expenses.

(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 2023 amounted to RMB6.43 million, representing a year-on-year decrease of RMB0.94 million or 12.79%, mainly due to the reduction in interest payment related for mortgage loans applied by the Group for the purchase of office premises in Financial City.

6. Other operating costs

In 2023, the Group's other operating costs was RMB1.634 billion, representing a year-on-year increase of RMB374 million or 29.70%, which mainly included the cost of sales of Holly Capital's variation basis trading business and the cost of insurance and futures business.

(3) Asset Items

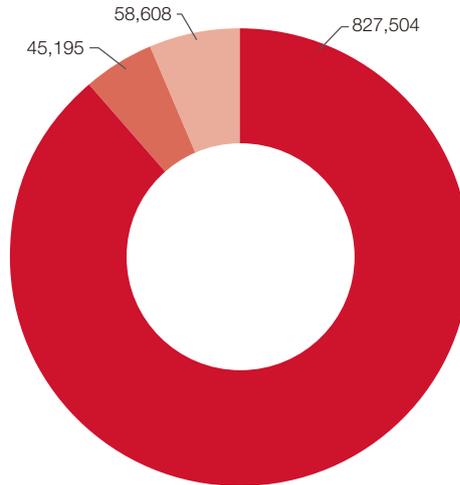
As of 31 December 2023, the total assets of the Group decreased year-on-year by RMB1,171 million or 11.17% to RMB9,313 million, including cash assets amounting to RMB8,275 million with a year-on-year decrease of 11.82%, financial investment assets amounting to RMB452 million with a year-on-year decrease of 22.92%, and other assets amounting to RMB586 million with a year-on-year increase of 14.23%. The change in the total amount of principal assets of the Group is set out as follows:

In RMB'0,000	2023	2022	Change as at 31 December 2023 as compared to 31 December 2022	
			Change in amount	Change
Cash assets	827,504	938,454	-110,950	-11.82%
Financial investment assets	45,195	58,633	-13,437	-22.92%
Other assets	58,608	51,306	7,302	14.23%
Total	931,308	1,048,393	-117,085	-11.17%

Management Discussion and Analysis

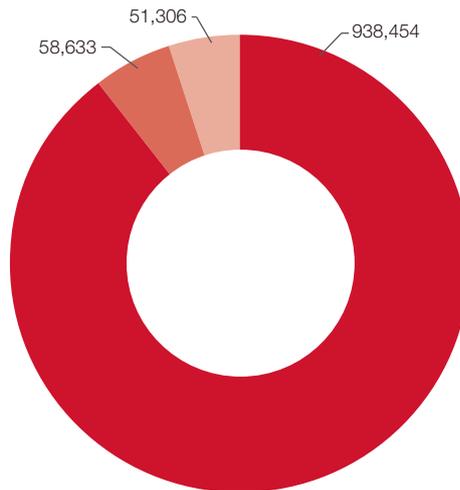
Asset distribution as at 31 December 2023

- Cash assets
- Financial investment assets
- Other assets



Asset distribution as at 31 December 2022

- Cash assets
- Financial investment assets
- Other assets



Management Discussion and Analysis

1. Cash assets

As of 31 December 2023, the cash assets of the Group amounted to RMB8,275 million, accounting for 88.86% of the total assets of the Group, with a year-on-year decrease of RMB1,110 million or 11.82%. The composition of the cash assets of the Group is set out as follows:

In RMB'0,000	As of 31 December 2023	As of 31 December 2022	Change as at 31 December 2023 as compared to 31 December 2022	
			Change in amount	Change
Monetary fund	484,082	634,867	-150,784	-23.75%
Currency deposits receivable	335,461	205,467	129,994	63.27%
Pledged deposits receivable	7,961	98,121	-90,159	-91.89%
Total	827,504	938,454	-110,950	-11.82%

The change in cash assets was mainly reflected in the monetary fund, currency deposits receivable and pledged deposits receivable. Monetary fund amounted to RMB4.841 billion, accounting for 51.98% of the total assets of the Group, representing a decrease of RMB1.508 billion or 23.75% as compared to 2022. Currency deposits receivable of RMB3.355 billion, accounting for 36.02% of the total assets of the Group, representing an increase of RMB1.3 billion or 63.27% as compared to 2022. Pledge deposits receivable amounted to RMB80 million, accounting for 0.85% of the total assets of the Group, representing a decrease of RMB902 million or 91.89% as compared to 2022.

2. Financial investment assets

As of 31 December 2023, the financial investment assets of the Group amounted to RMB452 million, accounting for 4.85% of the total assets of the Group, with a year-on-year decrease of RMB134 million or 22.92%. The composition of the financial investment assets of the Group is set out as follows:

In RMB'0,000	As of 31 December 2023	As of 31 December 2022	Change as at 31 December 2023 as compared to 31 December 2022	
			Change in amount	Change
Long-term equity investment	825	825	0	0.00%
Financial assets held for trading	43,469	55,885	-12,416	-22.22%
Other equity instruments investment*	185	0	185	N/A
Financial assets held under resale agreements	195	0	195	N/A
Derivative financial assets	521	1,922	-1,401	-72.88%
Total	45,195	58,633	-13,437	-22.92%

*Note: According to the Implementation Rules of the Financial Treatment of Futures Companies issued by the China Futures Association, the opening balance of qualifying investments for futures members is adjusted and reported as other equity instruments investment, and the rules is effective from 1 January 2023, according to which, the data of the same period of the previous year or the opening data do not need to be converted in accordance with the rules.

Management Discussion and Analysis

3. Other assets

As of 31 December 2023, the other assets of the Group amounted to RMB586 million, accounting for 6.29% of the total assets of the Group, and representing an increase of RMB73 million or 14.23%. 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 2023	As of 31 December 2022	Change as at 31 December 2023 as compared to 31 December 2022	
			Change in amount	Change
Receivables	5,274	6,556	-1,281	-19.55%
Financing capital	2,672	595	2,076	348.75%
Inventories	6,402	0	6,402	N/A
Fixed, intangible and right-to-use assets	34,131	34,734	-603	-1.74%
Investment properties	4,857	4,842	15	0.31%
Deferred tax assets	2,100	1,664	436	26.23%
Futures membership investment	0	185	-185	-100.00%
Other assets	3,172	2,731	441	16.15%
Total	58,608	51,306	7,302	14.23%

(4) Liabilities items

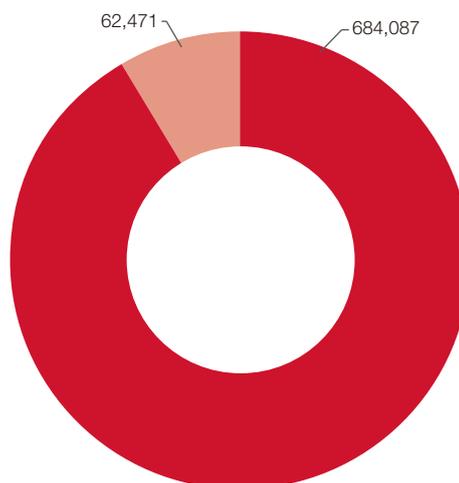
As of 31 December 2023, the total liabilities of the Group decreased year-on-year by RMB1,181 million or 13.66% to RMB7,466 million, in which accounts payable to customers amounted to RMB6,841 million with a year-on-year decrease of 15.27%, which was mainly attributable to the decrease in the deposits 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 2023	As of 31 December 2022	Change as at 31 December 2023 as compared to 31 December 2022	
			Change in amount	Change
Accounts payable to customers	684,087	807,393	-123,306	-15.27%
Other operating liabilities	62,471	57,268	5,204	9.09%
Total	746,558	864,660	-118,102	-13.66%

Management Discussion and Analysis

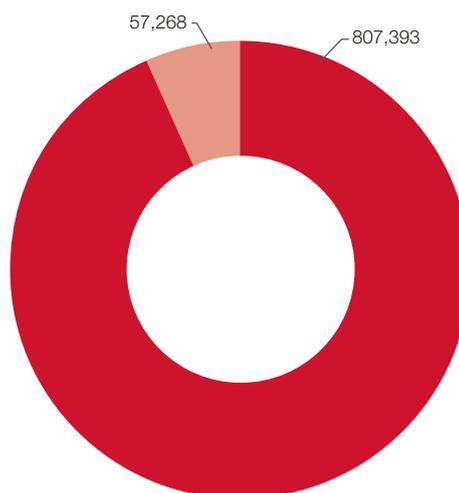
Liability distribution as at 31 December 2023

- Accounts payable to customers
- Other operating liabilities



Liability distribution as at 31 December 2022

- Accounts payable to customers
- Other operating liabilities



Management Discussion and Analysis

1. Accounts payable to customers

As of 31 December 2023, the accounts payable to customers of the Group amounted to RMB6,841 million, accounting for 91.63% of the total liabilities of the Group, with a year-on-year decrease of RMB1,233 million or 15.27%, which was mainly attributable to the decrease in the deposits contributed by customers. Of which, currency deposits payable and pledged deposits payable amounted to RMB6,779 million and RMB62 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 2023	As of 31 December 2022	Change as at 31 December 2023 as compared to 31 December 2022	
			Change in amount	Change
Corporate clients	306,180	451,302	-145,122	-32.16%
Natural person clients	377,907	356,091	21,816	6.13%
Total	684,087	807,393	-123,306	-15.27%

2. Other operating liabilities

As of 31 December 2023, the other operating liabilities of the Group amounted to RMB625 million, accounting for 8.37% of the total liabilities of the Group, with a year-on-year increase of RMB52 million or 9.09%. The composition of the other operating liabilities of the Group is set out as follows:

In RMB'0,000	As of 31 December 2023	As of 31 December 2022	Change as at 31 December 2023 as compared to 31 December 2022	
			Change in amount	Change
Financial liabilities	13,229	14,422	-1,193	-8.27%
Other liabilities	49,243	42,846	6,396	14.93%
Total	62,471	57,268	5,204	9.09%

Management Discussion and Analysis

(5) Equity

As of 31 December 2023, the total owners' equity of the Group amounted to RMB1,847 million, representing a year- on-year increase of RMB10 million or 0.55%. The composition of owner's equity of the Group is set out as follows:

In RMB'0,000	As of 31 December 2023	As of 31 December 2022	Change as at 31 December 2023 as compared to 31 December 2022	
			Change in amount	Change
Share capital	100,778	100,778	0	0.00%
Reserve	83,972	82,955	1,017	1.23%
Total shareholders' equity	184,749	183,732	1,017	0.55%

IV. Changes in branches and subsidiaries and impact on results

• Branches

1. Establishment of and changes in operation branches

• Establishment and closing of futures branches

During the Reporting Period, the Company closed Chengdu branch and Shenzhen branch. In addition, Haimen branch, Liyang branch and Zhangjiagang Free Trade Zone branch were closed subsequent to the Reporting Period. For details, please refer to the "Overseas Regulatory Announcement – Announcement of Resolutions of the 14th Meeting of the Fourth Session of the Board" and "Overseas Regulatory Announcement – Announcement of Resolutions of the 18th Meeting of the Fourth Session of the Board" published by the Company on 21 July 2023 and 28 December 2023, respectively.

• Relocation

The Company constantly adjusted and optimized its branch network. During the Reporting Period, 2 branches, namely the Haikou branch and Suqian branch, were relocated.

2. Establishment of and changes in sub-branch offices

During the Reporting Period, two sub-branches, Zhengzhou Sub-branch and Shenzhen Sub-branch, were relocated.

• Subsidiaries

During the Reporting Period, there was no change in subsidiaries.

Management Discussion and Analysis

- **Impact on results**

According to the overall development strategy, the Company further combined and optimized regional resources and improved utilization of the resources to achieve optimal 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.

V. Major investment and financing of the Company and subsidiaries

(i) Equity financing

The Company did not conduct any equity financing during the Reporting Period.

(ii) Debt financing

During the Reporting Period, the long-term debt financing is mainly a mortgage loan applied by the Company and its subsidiary, Holly Capital, to banks for the purchase of office premises in the Finance City, where the Company has now moved into the new office building. Short-term debt financing is mainly short-term borrowings from banks or funds borrowed from related parties by the subsidiary, Holly Capital, in accordance with its business needs, and is repaid in a timely manner, generally not exceeding one year. The Company had no short-term debt financing as at the end of the Reporting Period.

(iii) Equity investments

The Company did not conduct any equity investment during the Reporting Period.

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

For the year ended 31 December 2023, the Company had no material acquisition or disposal of subsidiaries, associates and joint ventures.

VII. Business innovation, its impact, and controlling risk

(1) 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.

Management Discussion and Analysis

1. *Substantial improvement in the quality and efficiency of international business*

In 2023, Holly International Financial actively responded to market changes, took the initiative to seek changes and breakthroughs, and continued to deepen the transformation, realizing a substantial improvement in the quality and efficiency of international business. In terms of futures and securities brokerage business, by accelerating the transformation and upgrading of customer structure and continuously optimizing customer service experience, futures and securities brokerage business achieved high-quality development, with a number of key business indicators being improved significantly. In particular, the handling fee of futures brokerage business increased by 79.59% year-on-year, and the income from securities brokerage business increased by 164.73% year-on-year. In terms of asset management business, we actively seized the opportunity represented by the restructuring and integration of SOHO Holdings Group, cooperated with well-known local brokers in Hong Kong and launched new fund products. The Company proactively positioned itself in the public fund sector, and has become an investment advisor for multiple public funds, with the scale of assets under advisory reaching US\$1,062 million.

2. *Risk management business shines*

Focusing on the three principal businesses of spot and futures trading business, market making business, and OTC derivatives business, in 2023, Holly Capital achieved an operating income of RMB1.669 billion, up by 29.59% year-on-year. The spot and futures business team focused on black commodities and generated revenue of over RMB450 million, made them the specialties of Holly Capital; the market-making business team has undertaken the task of market-making for nine futures varieties on four major exchanges throughout the year and was awarded the 2022 SHFE Silver Award for Market-making Business (2022年度上期所做市業務銀獎), and will continue to apply for varieties for market-making in the future; the OTC derivatives business has been growing steadily with rising customers, business scale and profit. Holly Capital's notional principal amount of new transactions was RMB20.2 billion, up by 74% year-on-year.

3. *Steadily improving wealth management business*

In 2023, guided by the concept of building a “financial supermarket”, a total of 2,147 public fund products of 17 fund companies were listed, with 247 newly added during the year. 78 new fund clients were added and the scale of public fund sales was RMB465 million, up by 56.57% year-on-year. We made significant progress in private placement distribution, with the private placement distribution model put into operation and one private placement product listed for sale. At the same time, the Company has been steadily carrying out the application process for public fund companies as planned.

(2) **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 regulatory system and risk control system. We make great effort on strengthening the governance 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.

Management Discussion and Analysis

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.

(3) **Business innovation prospects**

Based on client needs, the Company innovates services and products, 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*

In order to strengthen team building and optimize product lines, the Company will adopt a multi-dimensional strategy to enhance the strength of its futures asset management business in the new year. Firstly, through structural adjustment, internal tapping and external talent attraction, the Company will build a professional and adaptable trading team to improve investment decision-making and risk management capabilities. Secondly, focusing on the concept of active investment management, the Company will focus on the research and development of quantitative strategies and expand its diversified product lines covering CTA, fundamental arbitrage, quantitative index enhancement and stock hedging, so as to accurately capture market opportunities and satisfy diversified risk-return needs of investors. At the same time, the Company will actively promote in-depth cooperation with other financial institutions to provide customized financial solutions, diversify risks, enhance the efficiency of asset allocation, and serve high net worth clients. Finally, the Company will strengthen the professionalism and service awareness of its business team, apply financial technology to optimize the service process and customer experience, and strive to maintain a leading position in the competition, improve customer satisfaction through the provision of personalized and professional services, and continue to innovate to explore new growth points and create long-term value for its customers.

Management Discussion and Analysis

(II) Innovation and breakthrough in risk management business

The Company will adhere firmly to serving the real economy and strive to achieve new breakthroughs in key businesses, aiming to build a first-class risk management company. It will steadily promote basis trading and option trading, and focus on breaking new ground in advantageous industrial chains to increase revenue and profits under prudent risk control. It will continuously optimize over-the-counter options quotations to create synergies between over-the-counter business and economic operations, thereby increasing profit. It will actively apply for market-making qualifications for futures and options varieties, further improving market-making strategies to elevate overall profitability.

(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 premium product lines and builds a wealth financial supermarket to provide customers with higher quality products.

(IV) Promoting the transformation and upgrading of international business

The Company will seize the opportunity represented by the restructuring and integration of SOHO Holdings Group, make full use of the comprehensive advantages of business diversification of the holding group to provide quality services to members of the Group. The Company will comprehensively strengthen the foundation of brokerage business, continuously enhance its service capability, enrich the customer base and optimize the customer structure, focusing on the development and maintenance of industrial customers. The Company will actively plan and promote the transformation and upgrading of the asset management business, take the fund investment consultancy business as the starting point, proactively position itself in the public fund sector, to build up a long-term competitive advantage, and comprehensively strengthen the competitiveness of asset management business. The Company will vigorously enrich and cultivate sales and service teams with market competitiveness, strengthen management support for business expansion, and promote business development through efficient management.

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

The risks entailed by the Company's business activities include those inherent to policy risk, management and risks of internal control, professional conduct, markets, credit, information technology and ESG (environmental, social and governance) risk. In 2023, the Company put into place measures to effectively deal with these risks and safeguard the efficiency of its business activities.

(I) Policy risk

The futures industry and the regulatory environment are evolving. In recent years, the CSRC has gradually relaxed its control over the futures industry and encouraged diversification and innovation in businesses. Implementation of new rules related to innovative businesses carries inherent uncertainties. In addition, relaxing of regulatory control over the futures industry could intensify competition within the industry, potentially posing challenges to the Company in terms of market share and rankings. If regulatory authorities strengthen regulation on futures, it may result in restrictions on the scope of the Company's permissible operations, changes to its operating models, or increased costs. There is no guarantee that the Company will fully comply with new rules and regulations, or will be able to compete effectively with new market participants or efficiently adjust its business according to new policies, failing of which may have a material adverse effect on the business, financial condition, and results of operations of the Company.

At present, to promote industry development, domestic futures exchanges implement reductions in handling fees charged to futures companies regularly or from time to time. If there are significant changes in the future regarding these handling fee reduction policies of the exchanges, such as a decrease in the amount of fee reductions or suspension of such reductions, it would have a material impact on the Company's level of operating income, which in turn may result in a risk of significant fluctuations in profitability.

(II) 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.

Management Discussion and Analysis

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.

(III) 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 the employees of the Company.

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 individual staff members with low integrity level who cannot resist the temptation of the market, resulting in those staff members are more prone to manage customers' finance in violation of rules and regulations, or open accounts on their own accord to trade. Currently, the Company is screening and shielding the trading terminals of the staff members' 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 investigation by related departments, the risk of staff members opening accounts for trading will be eliminated at source and at the same time, through strengthening the training and education of staff members, their compliance awareness will be enhanced to reduce the chance of occurrence of such risk.

Management Discussion and Analysis

(IV) Market risk

Market risk refers to the risk of a decrease in revenue or asset loss of the Company resulting from macroeconomic conditions, such as fluctuations in risk factors, including stock prices, interest rates, exchange rates and commodities.

During the Reporting Period, the external environment remained complex and challenging, domestic effective demand was insufficient, certain industries experienced overcapacity, social expectations were weak and there were still many risks and vulnerabilities; the Company's financial asset investment business faced significant challenges. As a response, the Company were cautious in conducting assessments of market conditions, strictly controlled equity market positions and reduced exposure to equity market risks, which effectively controlled losses from equity investments caused by stock market downturns. Meanwhile, the Company continued to promote investment transformation towards diminishing orientation and actively explored various trading opportunities while controlling the downside risks of investment portfolios. In 2024, the Company will focus on obtaining steady investment returns through a broad asset allocation model featuring "Fixed income+".

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

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

In addition, as the Company has registered overseas subsidiaries whose capital is contributed in foreign currency, the Company holds foreign currency funds and assets, the changes of exchange rate will have certain impact on the Company's financial position. The Company does not currently hedge its exchange rate risk with derivative financial instruments. For details of the analysis of foreign currency risk, please refer to Note X. (I) to the financial statement of this report.

Management Discussion and Analysis

(V) Credit risk

Credit risk refers to the risk of loss of the Company's assets due to default by the financing customer, the issuer of the product or bond, or the default of the counterparty.

When futures brokerage companies accept 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. The Company has established a strict investor suitability management system and takes investor suitability seriously by thoroughly assessing 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.

(VI) Information technology risk

Information technology risk mainly refers to exposure to losses caused by the failure of the information system to continuously ensure the stable, efficient and safe operation of transaction and business management in terms of business realization, timely response, solving capacity and data security, resulting from the abnormal operation of the Company's information system or data corruption or leakage caused by various internal or external reasons.

The business lines and the middle and back office management of the Company are highly dependent on the information technology system, which has become the key support to the operation of businesses of the Company. During the Reporting Period, the Company continued to increase investment in information technology to improve the management system and process of information technology risks, strengthened quality control for information technology, strengthened the investigation and governance for information technology risks and improved the monitoring system, further improving the effectiveness of risk management. The Company continues to improve its information technology risk contingency plans and conducts regular contingency drills. During the Reporting Period, the Company's information system was operated safely and stably. No major information technology risk events occurred.

(VII) ESG (Environmental, Social and Governance) risks

1. Compliance risks

In the new development environment, ESG information disclosure rules and guidelines for companies listed on the “A+H” stock exchange have been continuously improved and are gradually becoming more stringent. In June 2021, the Ministry of Ecology and Environment issued the “Reform Plan for the Legal Disclosure System of Environmental Information” (《環境信息依法披露制度改革方案》), which proposes to set the primary objective to establish a mandatory environmental information disclosure system by 2025 and requires the CSRC to further revise the file format for information disclosure of listed enterprises. In terms of ESG development, the Hong Kong Stock Exchange has consistently taken a leading role. In June 2023, the International Sustainability Standards Board (ISSB) issued the General Requirements for Sustainability-related Financial Disclosures (IFRS S1) and the Climate-related Disclosure Standard (IFRS S2), which have become the foundational frameworks for consistency in disclosure practices globally. The HKEX has now confirmed the adoption of the ISSB as the benchmark for future ESG disclosure, and has made some adjustments to the international standards in light of the actual application. Consequently, listed companies in Hong Kong will be required to make disclosures in accordance with the relevant requirements in the future. In February 2024, under the unified deployment of the CSRC, the Shanghai and Shenzhen Stock Exchanges and Clearing House (SSE) issued the “Guidelines for Self-Regulation of Listed Companies – Sustainability Reporting (Trial) (Draft for Comments)” (《上市公司自律監管指引—可持續發展報告(試行)(徵求意見稿)》), which guides various elements towards sustainable development sectors, further strengthens the disclosure of information on sustainability, facilitate the realization of the dual-carbon goal and the sustainable development of economy, society and environment, and also marks a milestone in the disclosure of A-share ESG information. The Company will continue to optimize the disclosure of its ESG reporting to demonstrate the full range of initiatives taken by the Company to meet environmental commitments, social responsibility and strengthen internal governance.

2. Environmental pollution risks

For the financial industry, mainstream international ESG rating agencies are more concerned about whether enterprises incorporate ESG considerations into their asset management and decision-making process, and will also assess the performance of enterprises in green finance in various aspects. As an integral part of the modern financial system, the futures market is of great importance in the financial field. Under the influence of environmental pollution and climate change, green futures have become an important growth driver in the development of the futures industry, and the pace of “turning green” in the futures industry will continue to accelerate in the future. In June 2023, the Company hosted the “2023 Green Financial Service Entity and Futures Contributed to Rural Revitalization Conference”, at which the signing ceremony of the “Green Finance Futures Service Entities Cooperation Project” was held, forming a cooperation model of “futures + insurance + bank” to serve rural revitalization, and demonstrating the Company’s commitment to driving innovation and development in green finance. In August 2023, the Company established the first professional carbon futures research center in China, and moving forward, the Company will expedite the development of green financial derivatives and ensure that ESG considerations are consistently taken into account in decision-making throughout the product development process, so as to help the green industry mitigate the risk of environmental pollution and further promote the development of social responsibility.

Management Discussion and Analysis

3. *Data security risks*

Domestic and international ESG standards have always included information and data security as a disclosure or evaluation in the social dimension or governance dimension, which is also an issue of concern for mainstream international ESG rating agencies. In MSCI ratings, the performance of financial sector privacy and data security issues will affect the overall rating outcome of a company.

The Company has consistently adhered to the service concept of compliance, integrity, professionalism, and stability, and with the aim of maximizing the interests of customers and delivering high-quality services, it continually strengthens data security management and controls data security risks. While the Company has established a number of information security and privacy protection systems and adopted a number of security measures to ensure the safety of customer information, it also actively launches internal training on network hazards and security, regularly assesses internal and external information security risks, and proactively fulfills its ESG responsibilities, laying a solid foundation for its sustainable development and long-term value creation.

IX. Constructing the risk management system of the Company

The objective of risk management of the Company is to implement a comprehensive risk management system to ensure the business operation complies with the relevant rules and regulations, and limit the risk related to the business operation to a tolerable level, thereby maximizing the corporate value of the Company. The CSRC has rated the Company the “Class A of the A Category” for the past fifteen 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.

Management Discussion and Analysis

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

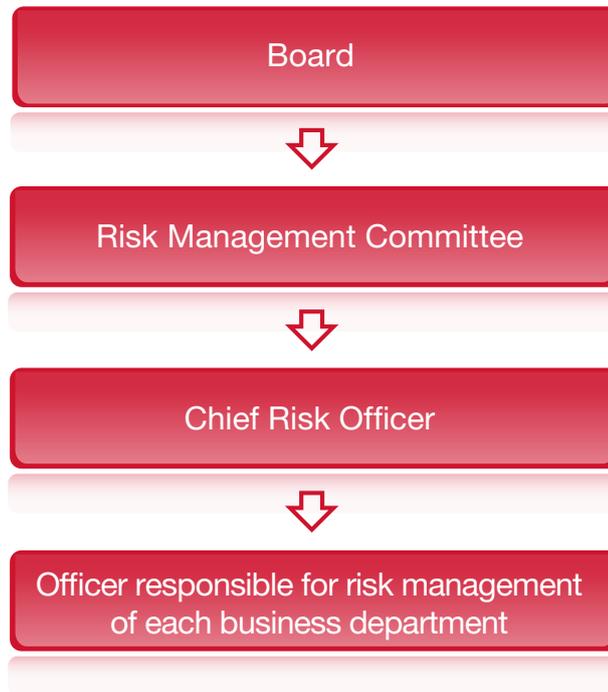
1. **Comprehensiveness:** The Company has developed a comprehensive and unified risk management system which covers the entire process of the Company's business and the various processes of different departments and individual employees permeating through decision-making, execution, supervision and evaluation. 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.

Management Discussion and Analysis

(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.

Management Discussion and Analysis

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 two of them are senior accountants. The risk management committee of the Company is led by Mr. Zhang Hongfa, 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 policies of the Company; evaluating and advising on the risks and compliance by the management of the Company in and regarding 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. Ms. Zhan Jieying is currently acting as the Chief Risk Officer of the Company and has approximately 10 years of experience in the financial industry.

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

X. Industry competition, market position and core competitiveness

(1) Industry competition

In the context of the licensing system for futures companies in China, the main scope of business of futures companies in China is mainly commodity futures and financial futures brokerage, while gradually expanding into new areas such as futures investment consulting, asset management, risk management and wealth management. Generally speaking, the share of emerging businesses and the maturity of the market are both low.

At present, China's futures companies can be broadly divided into three categories: The first category is traditional futures companies, which are generally more geographically oriented and have a higher market share in their main operating provinces and cities, and derive their profits mainly from their traditional brokerage business. The second category is futures companies affiliated with large spot institutions. The third category is brokerage-based futures companies.

Management Discussion and Analysis

In recent years, with the continuous improvement and development of China's capital markets, the profitability of China's futures industry and futures companies have continued to improve. In 2023, China's futures companies achieved a total operating income of RMB40.090 billion, down by 0.17% year-on-year, while net profit was RMB9.903 billion, down by 9.88% year-on-year. The total market management size (total customers' equity) of futures companies was RMB1.42 trillion, up 0.26% on a sequential basis and decreased 3.92% year-on-year from RMB1.48 trillion in 2022.

CSRC announced the 2023 classification results of domestic futures companies, in which the number of Category A, B, C, D and E futures companies were 55, 84, 10, 1 and 0 respectively, with an increase in the number of Class A companies, indicating a further increase in the competitiveness of the futures industry.

(2) Market position

After years of development, the Company has continuously improved its competitiveness, and all indicators continue to comply with the relevant requirements of the CSRC, and is in a good financial position with strong market competitiveness. The overall level of the Company ranks among the top 150 futures companies in China, with strong overall strength. As of 31 December 2023, the Company had 37 sales departments and 6 sub-branches in the territory, ranking among the top in the industry in terms of the number of network locations.

During the Reporting Period, the Company's domestic agency futures turnover and market share were as follows.

Unit: RMB100 million

Stock exchanges	2023		2022		2021	
	Turnover	Market share	Turnover	Market share	Turnover	Market share
SHFE	15,616.12	0.52%	23,656.83	0.84%	45,222.79	1.17%
ZCE	14,569.63	0.57%	12,891.55	0.67%	15,803.63	0.73%
DCE	11,623.80	0.51%	15,883.60	0.64%	18,023.00	0.64%
CFFE	7,465.45	0.28%	5,350.90	0.20%	4,909.30	0.21%
Energy Exchange	2,037.58	0.28%	7,915.03	0.99%	3,195.20	0.74%
GFE	426.63	0.35%	2.21	0.70%	–	–
Total	51,739.20	0.46%	65,700.12	0.61%	87,153.93	0.75%

Note 1: The above table shows the parent company's turnover data and the bilateral calculation of calibre;

Note 2: Market share = turnover of the Company (bilateral calibre)/(cumulative annual total market turnover (unilateral calibre) as published by the CFA * 2).

In the classification evaluation of futures companies conducted by the CSRC, the Company has been awarded Class A of the A Category in the futures industry for 15 consecutive years from 2009 to 2023.

Management Discussion and Analysis

(3) 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 43 branches (including 37 futures branches and 6 sub-branches), of which 20 were located in Jiangsu Province.

Jiangsu Province is located in the eastern coastal areas of China and is developed in economy. In 2023, Jiangsu Province's GDP reached RMB12.82 trillion, up by 5.8% year-on-year. In 2023, the per capita disposable income of Jiangsu residents was RMB52,674, up by 5.6% year-on-year. 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. 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.

2. Widely distributed business network

The Company has a total of 43 branches (37 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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

The Company provides multiple layers of service support to its clients. The Company's sales team 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 macroeconomic situation analysis and industrial variety research and analyse. 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 Holly Futures App.

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

The company has a stable and experienced senior management team with many 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, which has led Holly Futures to be awarded the title of "National Civilized Unit". 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 enabled them to offer services across the whole futures spectrum, from spot to on-and off-exchange, from domestic to international, and from online to offline. The Company's 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.

Management Discussion and Analysis

Holly Capital, a subsidiary of the Company, 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 9 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.

8. Good market reputation

With years of business development and market accumulation, the Company has built up a good market image in the futures industry and formed a stable client base, enhancing its brand value continuously.

During the Reporting Period, the Company received the following honours and qualifications from regulatory authorities and other institutions:

Time	Honours and qualifications	institutions
2023	Excellent Member in Market Growth, Textile Industry Service Award (紡織產業服務獎)	Zhengzhou Commodity Exchange
	Excellent Member Prize	Dalian Commodity Exchange
	Market Making Business Silver Award (做市業務銀獎)	Shanghai Futures Exchange, Shanghai International Energy Exchange
	Outstanding Enterprise of Social Responsibility in Jiangsu Province (江蘇社會責任傑出企業)	Xinhua Daily Media Group
	Excellent Member Prize, Second Prize for Pilot Project of “Insurance + Future” for Natural Rubber (天然橡膠「保險+期貨」試點項目二等獎)	Shanghai Futures Exchange
	“Golden Great Wall” Excellent Service Provider (「金長城」優秀服務商)	Futures Daily
	Outstanding Contribution Award for Industrial Services (產業服務傑出貢獻獎)	Industry Service Alliance
	Leading Enterprise for High-Quality Development in Jiangsu Province (江蘇省高質量發展領軍企業)	Jiangsu Development & Reform Commission
	Rural Revitalization Demonstration Unit in 2023 (2023鄉村振興示範單位)	Xinhua Daily

Management Discussion and Analysis

Time	Honours and qualifications	institutions
	<p>Best Futures Company of China (中國最佳期貨公司), Best Commodity Futures Industry Service Award (最佳商品期貨產業服務獎), Best Financial Futures Service Award (最佳金融期貨服務獎), Public Welfare Award of Best Rural Revitalization Service & Social Responsibility (最佳鄉村振興服務及社會責任公益獎), Best Integrity and Self-discipline Futures Company (最佳誠信自律期貨公司), Best Corporate Culture and Brand Building Award (最佳企業文化品牌建設獎), Best Asset Management Navigator Award (最佳資產管理領航獎), Annual Outstanding Asset Management Product (No. 1 Single Asset Management Plan of Holly Selection) (年度優秀資管產品(弘業甄選1號單一資產管理計劃)), Best Capital Operation and Development Award (最佳資本運營發展獎), Best Risk Management Subsidiary Service Innovation Award (最佳風險管理子公司服務創新獎) (Holly Capital Management Co., Ltd.), Newcomer in Internationalization Process Award (國際化進程新銳獎), Annual Most Popular Self-Media Platform for Futures Brokerage Institutions (年度最受歡迎的期貨經營機構自媒體), Annual Outstanding Performance for Best Futures Company App (年度最佳期貨公司APP突出表現獎), Award for Best Contribution in Cultivating Future Talent in the Futures Industry (最佳期貨人才培養機構貢獻獎), Gold Medal Management Team for Futures Companies of China (中國期貨公司金牌管理團隊), Futures Company's Annual Best Leader of China (中國期貨公司年度最佳掌舵人), Golden Futures Research Institute of China (中國金牌期貨研究所), Best Ferrous Metal Industry Futures Research Team (最佳黑色產業期貨研究團隊), Best Energy Chemical Industry Futures Research Team (最佳能源化工產業期貨研究團隊), Best Agricultural Products Industry Futures Research Team (最佳農產品產業期貨研究團隊), Best Futures Brokerage Institution for Digital Transformation (最佳數字化轉型期貨經營機構), Best Ferrous Metal Industry Futures Research Team (最佳黑色產業期貨研究團隊), Best Energy Chemical Industry Futures Research Team (最佳能源化工產業期貨研究團隊), Best Agricultural Products Industry Futures Research Team (最佳農產品產業期貨研究團隊), Best Futures Brokerage Institution for Digital Transformation (最佳數字化轉型期貨經營機構).</p>	<p>Futures Daily, Securities Times</p>
	<p>Excellent Industry Service Award</p>	<p>Futures Daily</p>

Management Discussion and Analysis

XI. Prospects for the Company's future development

Focusing on the development strategy of becoming an integrated derivatives service provider with “better mixed ownership system, more flexible institutional mechanisms, more effective risk management and control and more prominent advantages of as a listed platform”, the Company will thoroughly, accurately and comprehensively implement new development concepts, actively integrate and serve the new development pattern, as well as thoroughly implement all work arrangements. With a focus on enhancing core competitiveness and strengthening core functions, and taking “Serving National Strategies, Local Economies and Group Development” as the main line of work, the Company has been striving to build three “service ecosystems”, namely “industrial clients, institutional clients and small and medium investors”. By upholding the principle of making progress amid stability, advancing to secure stability and establishing foundations before breaking new ground, cohesively focusing on stabilizing operations, maintaining a stable workforce, ensuring safety and promoting development, devoting meticulous attention to cultivating ideology, strengthening Party-building, pushing forward reform and stimulating innovation, emphasizing compliance and prevent risks, seizing market opportunities to increase profits, improving services to build our brand, refining management to boost efficiency, the Company strives tenaciously towards establishing a highly competitive leading futures company in the domestic market.

The Company will focus its efforts on three major objectives: first, to meet the annual performance as assessment targets; second, to continuously improve the industry ranking by aligning with the classification and evaluation indexes of futures companies; and third, to improve the sense of gain, happiness and security of employees, and to improve customer satisfaction, shareholders' satisfaction, etc. The Company will always adhere to the promotion of high-quality development without wavering, proactively take actions to pursue progress through stability and consolidate its stability by moving forward, and promote the following key tasks in an integrated manner.

(I) **Insisting on performance enhancement as the central task and promoting high-quality development with high-quality operation**

All business segments of the Company should strengthen the bottom-line thinking and extreme-case thinking, always preparing for potential challenges in advance, ensuring that the certainty of their operations effectively responds to the uncertainties in the evolving environment, thus firmly grasp the initiative in development.

Management Discussion and Analysis

New heights shall be hit in the brokerage business. In order to regulate the development of the industry, the regulatory authorities are expected to introduce relevant policies for optimising service charges and regulating the management of service charges, which will have a positive effect on boosting market confidence and stabilizing development expectations. The Company should unswervingly focus on strengthening its brokerage business, and steadily promote the work related to industry cultivation by integrating “points, lines and surfaces”. To focus on “points”, the Company shall actively facilitate partnerships and trading activities with prominent industry leaders; to draw “lines”, the Company should innovative service pathways along the industrial chain; to expand the “surface”, the Company will consolidate efforts in industrial development services; coordinate visits to the industrial chain and leading enterprises to strive for more cooperation; solidify the business model of “driving revenue growth through increased volume”, by leveraging financial technology to empower the transformation and upgrading of the brokerage business; increase business contacts with financial institutions in and outside the province and strive for a breakthrough in margin scale; strengthen the cultivation and development of industrial and institutional clients, increase the market scale, and improve its market share, taking advantage of industrial and financial cultivation bases, industrial conferences, and investment and education activities in key regions and key varieties.

New progress shall be achieved in asset management. Through a combination of “external recruitment + internal cultivation”, the Company will effectively build and strengthen our asset management team, enhance active management capabilities. The Company will strengthen its cooperation with banks’ wealth management subsidiaries by taking professional service products as the key, and transform service-oriented cooperation into active management cooperation, to continuously enhance the brand influence of its asset management; put great emphasis on its professional advantages and the original purpose of futures asset management business, launch more futures and derivatives asset management products and provide differentiated futures asset management products for the market.

A new perspectives shall be opened up in OTC derivatives business and market-making business. In preparation for the return of OTC derivatives and market-making business to futures companies, the Company will start to formulate a sound and feasible business adjustment plan, taking into account factors such as risk isolation, venues, equipment, technical systems, network environment, personnel changes and assessment. In terms of over-the-counter business, the Company will continue to optimize the over-the-counter options quotations and foster a mutually reinforcing relationship between over-the-counter business and brokerage business, so as to make a greater contribution to the Company’s profits. In terms of market-making business, the Company will further optimize market-making strategies and improve overall profitability.

New breakthroughs shall be made in futures and spot business. Holly Capital should focus on the development of futures and spot business to form an absolute advantage; introduce teams or key personnel specialized in related varieties and expand the coverage of futures and spot varieties; steadily promote basis trading and option trading, focus on breakthrough in advantageous industrial chains, increase revenue and profits under prudent risk control.

Management Discussion and Analysis

A new look shall be presented in international business. We will further improve the building of system of Holly International Financial, optimize the organizational structure, consolidate the management responsibilities, and build the team of each business segment, so as to ensure “stable operation” with “excellent governance”; focus on our main responsibilities and principal businesses, with a key emphasis on expanding the three types of star investment, namely Hang Seng Index, FTSE China A50 and RMB futures, as well as three industry chain hedging varieties, namely crude oil, black and non-ferrous; firmly implement the “Three Major” decision-making system, strictly control investment risks, carry out comprehensive cooperation with Hong Kong’s leading fund companies, focus on driving the launch of new products, and promote the build of diversified offshore asset management platforms; and give full play to the financial licensing advantages of Holly International, increase the equities and shares of overseas customers, and enhance the financial principal business capacity of Holly International.

(II) Adhering to serving the real economy as the mainstay, and promoting high-quality development with high-quality services

Firstly, to create a service ecosystem for “small and medium-sized investors”. Individual customers in China’s futures market account for 96% of the market’s effective customers, and contribute approximately 70% of the market’s handling fees with approximately 40% of the trading margin. For small and medium-sized investors, the Company will deepen and solidify investment education efforts, and carry out a series of diverse and engaging investment education activities such as video and graphic publicity and training through online and offline channels to improve the professional knowledge and risk prevention awareness of small and medium-sized investors. At the same time, the Company is committed to improving the customer experience and improving online platforms such as Holly Futures APP to enhance customer loyalty.

Secondly, to create a service ecosystem for “industrial customers”. In terms of serving the real economy, the Company is primarily focuses on two directions. The first is to base in Jiangsu. There are more than 210 futures delivery depots in Jiangsu Province, accounting for nearly 17% of the country, the number ranks first in China. As a major industrial and agricultural province, Jiangsu boasts a significant number of futures varieties with large-scale production or trade volumes in physical goods that rank among the top nationwide. The Company shall carry out special projects such as “Industry Comprehensive Visit and Profile”, which involves taking visits to the delivery depots as a key task, strengthening cooperation with the government and industry associations, and stepping into industrial parks and delivery depot areas to accurately serve the real enterprises in Jiangsu. The second is to provide information service, hedging, risk management, asset management, cross-border service, talent training, technological empowerment and other service packages for the member enterprises of SOHO Holdings, and actively contribute to the Group’s commodity risk management with the “power of Holly Futures”.

Thirdly, to create a service ecosystem for “institutional clients”. The Company will intensify its efforts to serve institutional clients, focusing on the development of public funds, insurance companies and banks’ wealth management subsidiaries, so as to promote the scale of the Company’s brokerage business. The Company will further leverage the background resources of SOHO Holdings, make good use of futures companies, private equity licenses, equity investment, financial leasing and other businesses and talent advantages. In light of the overlapping in customer resources and complementary customer needs, the Company will take advantage of their synergistic integration to contribute to the development of a financial services ecosystem.

Management Discussion and Analysis

(III) Harnessing reform and innovation as the key source of momentum and pursuing high-quality development through effective reform

With a new round of deepening and upgrading action for SOE reform being fully launched, the Company will focus on enhancing core competitiveness and strengthening core functions and promote reform and innovation with stronger confidence, greater determination, and more practical measures, so as to truly achieve results in thought, in practice and in work.

We will promote strategic optimization. The Company will continue to pursue prudent investment policy by following the “Fixed Income +” asset allocation strategy and pursuing absolute returns, aiming for a steady appreciation in asset value. It will proactively explore equity incentive schemes for listed companies, and on the premise of protecting shareholders’ interests, encourage employees’ participation in corporate governance and share the fruits of development. It will complete the revision of the Company’s “14th Five-Year Plan” development strategy with high quality. It will strengthen institutional reform. The Central Financial Work Conference confirmed the need to comprehensively strengthen financial supervision and prevent and mitigate risks. In order to adapt to the new regulatory environment, we optimized the overall organizational structure of the Company. The Company will promote the transformation and upgrading of the business departments of the headquarters, eliminate the bottlenecks in key industrial chains, integrate and create unique business varieties and build departments with its own feature and brand. Utilizing our advantages in regional resources, we will strengthen our branches to establish their presence in each region. At the same time, to enhance the stability of the staff, the heads of the branches are generally locals. As for departments with “no business and barely no contribution and function”, we will carry out special improvement. The Company will further optimize the organizational structure of head office, clarify responsibilities of each position and implement the system of accountability to further enhance the performance of duties and functions, so that employees can realize their value in different positions.

We will improve the market-based mechanisms. We will improve the systems for competition, responsibility, and job transfer, continue to implement the mechanisms of competition for posts, adjustment for poor performance and withdrawal of incompetence for management personnel, and strive to realize the extension of the tenure system and contractual engagement to the middle-level cadres. We will apply mandatory withdrawal, making a new norm that competence determines position and contribution determines salary. We will enhance the management of the total salary budget and establish a sound performance-based mechanism. We will fully utilize the appraisal system and optimize the appraisal indicators by considering both existing and new business and we will explore targeted appraisal methods. We will pursue results from management and strive to realize cost reduction and efficiency increase by boosting income while controlling cost.

Management Discussion and Analysis

(IV) Insisting on key breakthroughs as a strategic move and promoting high-quality development with high-quality construction

We will further strengthen platform empowerment by fully utilizing the big trading platform of the SOHO Holdings and focusing on the Group's business direction of incremental empowerment, and strive to make new breakthroughs in the relevant industrial chain. For the three newly established business divisions, namely commodities department, overseas department, and finance department, we will enhance the supporting efforts and personnel recruitment, boost business synergies and create a model for business cooperation. Focusing on key areas, the Company will vigorously promote the implementation of key tasks and strive for substantial progress in the establishment of public fund companies.

We will further enhance the technology Holly Futures. The Company will continuously improve its IT hardware and software facilities to enhance transaction stability and minimize data delays. We will enhance the digitization of our technical systems and accelerate the upgrading of our core systems, data center optimization and system security maintenance. We will strengthen cooperation with major financial technology enterprises and enhance technological research and development to achieve intelligence in operation, service and marketing. The Company will make great efforts to build a professional media team, increase investment in live streaming, enhance the influence of live streaming, and broaden new revenue channels.

The Company will further optimize innovation in investment and research. It will deepen the reform of the Financial Academy, establish a quantitative grading and appraisal mechanism for researchers, comprehensively enhance the professional ability to serve clients, investment, futures, and spots, and turn the Financial Academy into a talent incubator. The Company will establish a research and investment system covering core database, multi-level research reports and strategy reports, enhance the research results and application through digital and smart technologies, promote the application of research advances, and strive to address investors' difficulties in locating, understanding and operation during their use of the Company's products. It will accelerate the hiring of scientific research talents from post-doctoral workstations and effectively utilize the platform of post-doctoral workstations. It will strengthen the cooperation with universities and rely on their advantages in talents, technology, and R&D to promote the Company's transformation and upgrading and high-quality development.

Management Discussion and Analysis

(V) Remain committed to promoting the modernization of governance capacity and supporting high-quality development with high-quality governance

We will adhere to the “two thorough implementations” principles and make concerted efforts to strengthen talent governance, risk prevention and control, safety management and culture building. We will further broaden the channels for selecting and employing talents and accelerate the introduction and cultivation of investment and research professionals, professional marketing talents and compound management talents with an internationalized vision. We will provide targeted and commensurate trainings of professional foundation and comprehensive skills. The Company is determined to be tough. It focuses on team building and targeted appraisal and has established positive and effective talent incentive scheme and market-oriented employment mechanism to explore the ability of employees to adapt to various working situation, either high or low income. We will be prudent in guarding the bottom line of risk and compliance. We will govern the Company in strict compliance with the law, act in accordance with the rules and regulations, implement the system for decision-making on major issues, important appointments and removals, major projects, and the use of large amounts of money, and remain committed to scientific and democratic decision-making process. We will further improve the internal control system, streamline business processes, and continuously establish a “three-in-one” synergistic operation mechanism integrating compliance, risk control, and internal control; fully leverage the role of legal and compliance review in gatekeeping, deeply embed them into the entire business process to strengthen risk prevention and control; enhance compliance training and legal publicity and education so that the cultural concepts of “compliance, integrity, professionalism, stability, and responsibility” in the futures industry are deeply rooted in the mind of all employees. We will make every effort to improve production safety; firmly establish the concept of safety development, and adopt higher standards, stricter requirements and more practical measures to solidly promote production safety; carry out safety training on a regular basis, and comprehensively identify and address potential risks and hazards to ensure a stable and secure work safety situation. We will adhere to and develop the “Fengqiao Experience” in the new era, conduct investigations and resolutions of conflicts and disputes in key areas, and make persistent efforts in maintaining stability through addressing petitioning and complaints. We will build a harmonious corporate culture with people at its core, starting from the details, take practical actions to serve the staff and do good deeds for them, so as to continuously improve the happiness index of the staff. For dedicated and hard-working employees, we will publicize and promote their exemplary deeds to ensure that these diligent contributors take center stage. We will organize a variety of vibrant cultural and entertainment activities to enrich the spare time cultural life of employees. We will actively fulfill our social responsibilities, give full play to the professional advantages of futures, and steadfastly advance diversified support measures to contribute to the revitalization of rural industries, talents, culture, ecology and organizations.

Management Discussion and Analysis

XII. Business overview

(1) Key financial ratios

	As at 31 December 2023	As at 31 December 2022
Net assets per Share attributable to shareholders of the Company (RMB/share)	1.83	1.82

The Group's net assets per Share attributable to shareholders of the Company as at 31 December 2023 increased by 0.55% as compared to 31 December 2022.

Gearing ratio

	As at 31 December 2023	As at 31 December 2022
Gearing ratio (%) ^{Note}	25%	24%

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 2023 increased compared to 31 December 2022, which was mainly attributable to the increase in short term borrowings of Holly Capital, a subsidiary, due to its business operations.

Weighted average return on net assets

	2023	2022
Weighted average return on net assets	0.42%	0.71%

Weighted average return on net assets of the Group in 2023 decreased compared to 2022, which was mainly attributable to the decrease in profit for the year.

Management Discussion and Analysis

(2) 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 109 people were employed during 2023, and the total number of employees was 681 as of 31 December 2023.

The Company attaches great importance to talents, further broadening its channels for attracting talent, optimizing its talent strategic layout, and continuously refining its corporate talent pipeline. It actively promotes the synergy of four pillars: universities, markets, talents and businesses. The Company is committed to build a pyramid-shaped talent platform with high-quality graduates from universities as its reserve talent pool at the base of the pyramid, professionals selected through market-oriented recruitment as the core driver at the middle layer, and the high-level talents as the leading edge at the top. Firstly, the Company has made efforts to strengthen the synergy between industry and education, and facilitate seamless channels for talent recruitment and development between universities and businesses. The company cooperated with four universities to carry out the Sixth “ZCE Cup (鄭商所杯)” College Students Financial Stimulation Trading Competition, and signed the Internship Base Agreements and Industry-University-Research Collaboration Agreements with the Business School of Hohai University and the School of Statistics, Nanjing Audit University. Secondly, the Company has established and improved a system of open recruitment and conducted market-oriented selection and recruitment of innovative talents. The Company makes use of the network, new media and offline platforms to attract talent resources and provide talent support for its business transformation, improves the efficiency of talent introduction externally by establishing communication channels, so as to reserving suitable candidates in a timely manner, and actively appoints backbones internally by organizing competitions for the positions of heads of branches, so as to realize the compatibility of talents and positions. Thirdly, the Company proactively captures a leading position in the competition for talents, and strategically recruits high-level professionals. Responding to the national talent strategy requirements, the Company promotes the recruitment of high-level talents from overseas.

The Company persistently drives initiatives for nurturing talents and intensifies the training of their specialized skills. Through a scientific talent training system, the Company carries out talent training in the areas of, among others, skill enhancement, business innovation, comprehensive management, compliance, safety and stability, and creates a multi-dimensional talent training platform that is hierarchical, promotes development, and strengthens expertise. Throughout the year, more than 160 training sessions were conducted, according to the different levels and positions of employees, to update job skills, strengthen expertise, popularize industry standards and other special competency training, with an aim to continuously strengthen the employees' capabilities in party affairs, professional skills, compliance and safety management. The Company cares for its employees and organizes group activities such as brisk walking and Whipped Eggs (攪蛋) competitions to enrich the lives of our staff, enhance communication among them, and enrich their spare time thereby enhancing corporate cohesion and creating a corporate cultural atmosphere of “unity, excellence, gratitude and happiness”.

Management Discussion and Analysis

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 Mainland China. Employees are also entitled to public holidays, marriage leave, bereavement leave and maternity leave.

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:

- (1) improve the official vehicle-using arrangement and advocate taking public transportation;
- (2) encourage staff to print on two sides of paper and remind staff to reduce waste production when printing and photocopying documents;
- (3) encourage staff to turn off lights when leaving, so as to reduce unnecessary lightings;
- (4) adopt an office automatic online management system to promote electronic office work and reduce paper consumption;
- (5) encourage employees to bring their own cups to save the use of disposable cups and so on; and
- (6) 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.

Management Discussion and Analysis

4. *Relationships with customers and suppliers*

The Group is always customer-focused and aims at standardization, honesty, service and professionalism. In accordance with the business philosophy of honesty, safety, professionalism and efficiency, the Group has been strengthening its customer service and maximizing customer benefits.

The Group adheres to the principles of openness, fairness and impartiality in the course of cooperation with suppliers, and procurements are made through market inquiries, bidding, competitive negotiations, single source procurement, etc. We have formulated the Procurement Management Measures of Holly Futures (Trial) and other systems to continuously promote regulated procurement, standardized construction and procurement efficiency.

In order to enhance the awareness of the responsibility of suppliers, the Company selects, accesses, evaluates, manages and regularly inspects the quality of suppliers it works with, and discontinues cooperation with suppliers with poor ratings. During the Reporting Period, all suppliers have passed the Company's annual audit and the Company is not aware of any significant actual and potential negative impact or non-compliance with business ethics, environmental protection, or labor standards by any of its suppliers.

XIII. 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 2023.

I. The principal business lines of the Company

As set out in Section II “Management Discussion and Analysis” – “II. Business review” of this Report.

II. Business overview

As set out in Section I “Financial Summary” and Section II “Management Discussion and Analysis” – “XII. Business overview” of this Report.

III. Major risks and uncertainties faced by the Company

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

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

As set out in Section II “Management Discussion and Analysis” – “XI. Prospects for the Company’s future development” and “XIII. Event subsequent to the Reporting Period” of this Report.

V. Profit distribution and profit distribution plan

In view of the long-term development and interests of investors, the Company is expected to make the following profit distribution plan: the Board proposed distribution of cash final dividend as of 31 December 2023 of RMB0.004 (tax inclusive) (“**2023 Final Dividend**”) to A Shareholders and H Shareholders of the Company. The proposed distribution of profit is based on the total issued share capital of 1,007,777,778 shares of the Company after the listing of A Shares and the total amount to be distributed is RMB4,031,111.11 (tax inclusive) among which, the number of A Shares is 758,077,778 with a cash dividend of RMB3,032,311.11 (tax inclusive); the number of H Shares is 249,700,000 with a cash dividend of RMB998,800.00 (tax inclusive). The actual total amount to be paid is determined based on the total share capital of the Company as at the record date of entitlement. The proposed distribution of the 2023 Final Dividend is subject to the approval of the Shareholders at the 2023 AGM of the Company. The Company will make separate announcement(s) on the record date of entitlement of the final dividend and the closure of the register of members. Please refer to the circular of general meeting to be published by the Company in due course for details and the actual arrangement regarding the distribution of final dividend. Regarding the distribution of the 2023 Final Dividend, the dividend payable to A Shareholders will be in RMB while those payable to H Shareholders of the Company will be in Hong Kong dollars. The exchange rate shall be calculated on the basis of the average benchmark exchange rate between RMB and Hong Kong dollars as announced by the People’s Bank of China for the five working days prior to the date of the 2023 AGM of the Company.

VI. Issue of Shares and use of proceeds

(1) Use of proceeds

H Shares

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 H Share 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 HKD536 million (after deducting the Group's underwriting fees and all related expenses).

According to the use of proceeds from H Share Offering as set out in the H Shares 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 HKD50 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 2022, the Company has obtained approval from the relevant regulatory authorities for the above application for changing the use of proceeds, and completed the implementation.

The Company held the first extraordinary general meeting of 2022 on 22 November 2022 and transferred the remaining fund of HKD19.05 million which originally intended to be used for "developing and strengthening the existing futures brokerage business", "developing the Hong Kong and global futures business" and "developing the commodity trading and risk management business" to "purchasing IT equipment and software".

Report of the Board

A Shares

According to “the Approval of the Initial Public Offering of Shares by Holly Futures Co., Ltd.” (Securities Regulatory Permit No. [2022] 1135) approved by the CSRC, the Company was permitted to make a public offering of 100,777,778 ordinary shares of RMB (par value RMB1 each) to the public at an effective issue price of RMB1.86 per share. As of 2 August 2022, the Company had raised gross proceeds of RMB187,446,667.08 through the public offering of 100,777,778 ordinary shares of RMB to the public, and the actual net proceeds raised after deduction of issue expenses amounted to RMB161,354,358.20, for a net proceeds of approximately RMB1.60 per share. According to the description of the use of proceeds in the A Shares Prospectus, all proceeds raised from the A Shares Offering of the Company, after deducting the issue expenses, will be used for capital replenishment of the Company, which is necessary for the Company’s development and achievement of its strategic objectives, enhancement of its core competitiveness, integration of resources and promotion of the rapid development of various businesses. The above proceeds were transferred to the designated accounts of the Company on 2 August 2022 and the availability of funds has been verified by ShineWing Certified Public Accountants, which has issued the relevant Capital Verification Report.

The Company’s proceeds of RMB161,354,358.20 have been fully utilized for capital replenishment. As of 31 December 2023, the proceeds have been fully utilized and the designated accounts for the proceeds have been cancelled.

(2) Use of proceeds for committed items

H Shares

As of 31 December 2023, the above-mentioned proceeds raised from H Share Offering, for the purposes as set out in the H Shares Prospectus, were used as follows:

Description	Consolidated usage of the proceeds raised (as of 31 December 2023)		
	Usable amount	Used amount	Balance
	HKD’0,000	HKD’0,000	HKD’0,000
Development of the future business in Hong Kong and throughout world ^{1, 2}	21,500	21,500	–
Development of the asset management business	13,404	13,404	–
Development of the commodity trading and risk management business ²	9,784	9,784	–
Development and enhancement of the existing futures brokerage business ²	52	52	–
Purchasing IT equipment and software ²	4,586	3,961	625
General working capital	4,289	4,289	–
Total	53,615	52,990	625

Note 1: The Company held the 2018 annual general meeting on 6 June 2019 and transferred the remaining fund of HKD50 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”. It has been approved by the regulatory authorities and completed the implementation.

Note 2: The Company held the first extraordinary general meeting of 2022 on 22 November 2022 and transferred the remaining fund of HKD19.0539 million which originally intended to be used for “developing and strengthening the existing futures brokerage business”, “developing the Hong Kong and global futures business” and “developing the commodity trading and risk management business” to “purchasing IT equipment and software”.

In order to enhance the efficiency of the utilisation of the proceeds, as of 31 December 2023, 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 H Shares Prospectus and as amended in the 2022 first extraordinary general meeting of the Company in due course in 2024.

A Shares

As of 31 December 2023, the aforementioned proceeds from the A Shares Offering have been fully utilized for capital replenishment and the designated accounts for the proceeds have been cancelled.

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 III Corporate Governance “Directors, Supervisors, Senior Management and Staff” of this Report.

VIII. 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 2023, 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.

Report of the Board

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

As of 31 December 2023, 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 2023, 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, Supervisors and chief executive in the Shares, underlying Shares or debentures of the Company and any of its associated corporations

As at 31 December 2023, based on the information obtained by the Company and the knowledge of the Directors, the Directors, Supervisors 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 2023, 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 H Shares 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 scheme

The Company and its subsidiaries have no share scheme.

XVII. Compliance with non-competition undertakings

As disclosed in the H Shares Prospectus, the Company and SOHO Holdings entered into the non-competition undertaking in favor of the Company on 8 December 2015 (the "**H Shares 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 H Shares 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.

Report of the Board

As disclosed in the A Shares Prospectus, the Company and SOHO Holdings entered into the non-competition undertaking in favor of the Company (the “**A Shares Non-competition Undertaking**”), pursuant to which SOHO Holdings undertook that: (1) SOHO Holdings and legal persons or other organizations directly or indirectly controlled by SOHO Holdings (other than the Group) (“**Other Enterprises Controlled By SOHO Holdings**”) are not currently engaged in business that competes with Holly Futures; (2) SOHO Holdings and Other Enterprises Controlled By SOHO Holdings will not engage, directly or indirectly, in any form of business that competes or is likely to compete with the Company during the period that SOHO Holdings is a controlling shareholder of the Company. SOHO Holdings will supervise other enterprises controlled by SOHO Holdings to induce compliance with the A Shares Non-competition Undertaking through the exercise of its legal rights; (3) SOHO Holdings will strictly comply with the provisions of relevant laws, administrative regulations and regulatory documents, exercise shareholders’ rights and fulfill shareholders’ obligations in accordance with the law, and will not take advantage of its position as a controlling shareholder to obtain improper benefits or prejudice the legitimate interests of the Company and other shareholders of the Company; (4) the Company has the right to choose the appropriate time to acquire from SOHO Holdings and Other Enterprises Controlled By SOHO Holdings those assets and businesses currently held by SOHO Holdings and Other Enterprises Controlled By SOHO Holdings that may compete with the Company. SOHO Holdings and Other Enterprises Controlled By SOHO Holdings shall cede to the Company any future business opportunities available to SOHO Holdings and Other Enterprises Controlled By SOHO Holdings that are engaged in a business similar to that of the Company, and SOHO Holdings and Other Enterprises Controlled By SOHO Holdings shall only invest in such business opportunities after they have been relinquished by the Company; (5) SOHO Holdings and Other enterprises Controlled By SOHO Holdings shall notify the Company in a timely manner when SOHO Holdings intends to undertake new businesses, investments and research that may compete with the business of the Company, the Company will have the right of first refusal to develop and acquire such projects and SOHO Holdings will use its best endeavors to procure that the price of the transaction is determined on a fair and reasonable basis and in an arm’s length commercial transaction with an independent third party; (6) if SOHO Holdings breaches the A Shares Non-competition Undertaking, SOHO Holdings shall be liable for the corresponding legal liabilities under the law; (7) the A Shares Non-competition Undertaking shall remain in force until SOHO Holdings ceases to be a controlling shareholder of the Company.

SOHO Holdings has confirmed to the Company that, during the Reporting Period, it has complied with all the undertakings and requirements under the H Shares Non-competition Undertaking and the A Shares 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 H Shares Non-competition Undertaking and the A Shares Non-competition Undertaking by SOHO Holdings, during the Reporting Period, and confirmed that SOHO Holdings was in full compliance with the H Shares Non-competition Undertaking and the A Shares Non-competition Undertaking and there was no breach.

Save as disclosed, no other non-competition agreements or arrangements have been provided by the controlling shareholder as of 31 December 2023 or during the Reporting Period.

XVIII. Other disclosures

(1) Equity

Details of changes in equity of the Group for the year ended 31 December 2023 are set out in Note V. 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 24.78% and the public float of the A Shares was 32.39%, which was in compliance with the relevant requirements 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 H Shareholders

Individual investors

In accordance with the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) 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" (《中華人民共和國個人所得稅法實施條例》) 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.

Report of the Board

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 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (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 (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (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 (《中華人民共和國企業所得稅法》) and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), 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 (《關於中國居民企業向境外H股非居民企業股東派發股利代扣代繳企業所得稅有關問題的通知》) (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 2023 are set out in Notes V. 34 to 38 to the financial statement of this annual report.

(7) Charity donation

During the Reporting Period, the staff of the Group carried out a one-day donation charity campaign and raised approximately RMB36,400.

(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 RMB4,926,649.13 (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 2023 are set out in Note V. 15 to the financial statement of this annual report.

Report of the Board

(10) Social responsibilities

With a mission to serve agriculture, rural areas and farmers, the Company contributed to rural revitalization. Exploring new ideas and methods of “insurance + futures” for rural revitalization, the Company carried out 200 “insurance + futures” projects in 12 provinces across China, with a total underwriting value of RMB1.45 billion and a compensation amount of over RMB30 million. Moreover, the Company has successfully expanded into additional 5 provinces and introduced coverage for 4 new species. Continued support was provided for the policy-based pilot project of “Insurance + Futures” for pigs in Jiangsu Province, with projects conducted in 7 cities in Jiangsu province, ensuring a coverage of live pig value reaching RMB850 million. Various “Insurance + Futures” projects for distinctive agricultural products were carried out in rural revitalization areas across the country, notably, the first-ever “Insurance + Futures” project for dairy cow feed costs was initiated in Qinghai Province, while the debut project targeting pulp as the commodity was conducted in Bobai County, Guangxi. The compensation rate reached 215%, which is more than six times of the farmers’ premium contribution. Aligning with the distinctive features of Jiangsu Province, the pioneering nationwide “Insurance + Futures” projects for duck feed cost has been conducted in six cities and eight counties within the province, with a compensation rate of 124%. Concurrently, in Yanchuan County, Shaanxi Province, a comprehensive approach has been adopted to propel the growth of local industries through initiatives such as the implementation of “Insurance + Futures” projects, professional assistance, consumer support and the introduction of enterprises. The Company launched public welfare and voluntary activities such as summer cooling, “one-day donation charity” and blood donation, raising a total of RMB36,400.

(11) Change of auditors

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) Amendments to the Articles of Association

On 29 December 2022, in view of the change of registered address and address of head office of the Company in China, the Board proposed to make corresponding amendment to the Articles of Association. Amendment to the Articles of Association has been adopted by Shareholders at the first extraordinary general meeting of 2023 held on 15 February 2023. For details, please refer to the announcements of the Company dated 29 December 2022 and 15 February 2023, the circular of the Company dated 20 January 2023 and the overseas regulatory announcement of the Company dated 29 December 2022.

Report of the Board

(13) Charges on the Group's assets

Charges and other restrictions on the use of the Group's assets at the end of 2023 are set out in Note V. 57 to the financial statements of this annual report.

By order of the Board
Mr. Chu Kairong
Acting Chairman

Nanjing, the PRC, 28 March 2024



03

Corporate
Governance

Material Matters

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

On 28 September 2023, the Jiangsu Securities Bureau issued a Decision Letter on Administrative Supervisory Measures of Decision of Jiangsu Securities Bureau on the Imposition of Correcting Administrative Regulatory Measures on Holly Futures Co., Ltd. ([2023] No. 140).

II. Material litigations and arbitrations

(I) Material Litigations and Arbitrations Occurring During the Reporting Period

Nil.

(II) Material Litigations and Arbitrations Concluded in the Reporting Period

In July 2016, the Company found that an employee (“**Mr. A**”) was suspected of forging the seal of the Company for signing contracts. As required by the contract, the commissioned funds are transferred directly into the private bank account of such employee, and the Company had reported the case to the public security organ. In 2022, the court found that the employee’s conduct constituted a criminal offence.

On 1 August 2017, a customer (“**Company I**”) filed three lawsuits to the People’s Court of Qinhuai District, Nanjing (the “**Qinhuai District Court**”) for requesting the Company for repayment of the principal of wealth products of RMB21 million with interest of RMB5.04 million, and the Company shall bear the cost of litigation. After the case was heard, on 21 March 2018, the Company received a civil ruling from Qinhuai District Court regarding the three lawsuits, dismissing the claims against Company I. The case was transferred to the public security organ for handling. In June 2018, the Company received a second instance ruling from the Nanjing Intermediate People’s Court (the “**Nanjing Intermediate Court**”) regarding the three lawsuits which ruled that the appeal of Company I was dismissed and the original decision was upheld.

On 2 December 2019, Company I filed three lawsuits to the People’s Court of Hexi District, Tianjin (the “**Tianjin Hexi Court**”) again for requesting the Company and Tianjin Branch for repayment of payments and loss of revenue, totaling RMB38.64 million, and the Company and Tianjin Branch shall bear the cost of litigation. On 30 June 2020, the Company received a first instance civil ruling from the Tianjin Hexi Court regarding the three lawsuits which ruled that the Plaintiff breached the principle of repeated discontinuance and dismissed the claims against the plaintiff, Company I.

On 1 December 2022, Company I filed three lawsuits to the Qinhuai District Court for the third time for requesting the Company for repayment of the principal of wealth products of RMB21 million with the related revenue, and the Company shall bear the cost of litigation for such three cases. Three cases are currently in the first instance trial. On 14 February 2023, Qinhuai District Court held a hearing for the three cases. On 21 February 2023, the Company received three civil rulings from the Qinhuai District Court, stating that the plaintiff has withdrawn the lawsuit.

Material Matters

(III) Outstanding material legal litigations during the Reporting Period

Nil.

(IV) New material legal litigations after the Reporting Period

Nil.

III. Material contracts and fulfillment

During the Reporting Period, the Company had no material contractual projects.

IV. Connected parties and connected transactions

Connected Transactions

During the Reporting Period, the Group conducted its connected transactions in strict compliance with the Listing Rules and the Administrative Measures on Connected Transactions. The connected transactions of the Group were mainly entered into with the controlling shareholder of the Company, SOHO Holdings, and Soho Real Estate. See Note XII 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.

(I) *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 49.17% 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.

Soho Real Estate

Soho Real Estate is a limited liability company established under the laws of the PRC on 8 April 1995. As at 31 December 2023, Soho Real Estate is a direct wholly-owned subsidiary of Soho Assets Operation which is a direct wholly-owned subsidiary of SOHO Holdings, the Controlling Shareholder of the Company.

Soho Real Estate is principally engaged in (i) leasing of non-residential real estate; (ii) property management; and (iii) provision of park management, car park and office services.

(II) Continuing Connected Transactions

SOHO Financial Services Framework Agreement between the Group and SOHO Holdings

Pursuant to the Financial Services Framework Agreement entered into between the Company and SOHO Holdings on 22 April 2021 (after trading hours of the Hong Kong Stock Exchange), the Group provided a variety of financial services to SOHO Holdings and its subsidiaries, including futures brokerage services and asset management services. In 2023, the annual cap was set at RMB2.60 million, with an actual transaction amount of RMB501,300. The agreement has expired on 31 December 2023.

The following table sets out the annual caps for continuing connected transactions of the Group in 2023 and the actual transaction amounts for connected transactions of the Group in 2023. For the period ended 31 December 2023, the continuing connected transactions of the Group were as follows:

	2023	
	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	501	2,600

Material Matters

The Directors (including the independent non-executive Directors of the Company) have reviewed the above mentioned 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.

(III) Connected transactions

Real Estate Lease Agreement between the Group and Soho Real Estate

On 28 April 2023 (after trading hours of the Hong Kong Stock Exchange), the Company (as the lessee) entered into the New Soho Real Estate Lease Agreement with Soho Real Estate (as the lessor), pursuant to which Soho Real Estate agreed to lease the 31/F to 33/F, Building 3, No. 399 Jiang Dong Zhong Road, Jianye District, Nanjing, Jiangsu Province, the PRC to the Company for office use for a term from 2 March 2023 to 1 March 2026 (both dates inclusive). The total rental fee shall be RMB11,069,154.78.

V. Acquisition, merger and separation during the Reporting Period

Nil.

VI. Attained qualifications for single business during the Reporting Period

Nil.

VII. Major off-balance sheet items

There are no major off-balance sheet items such as guarantee 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. As considered and approved at the 2022 annual general meeting of the Company held on 6 June 2023, ShineWing Certified Public Accountants were re-appointed as auditors of the Company, with the term of office until the conclusion of the next annual general meeting.

Remunerations for accounting firm: Pursuant to the related authorization at the general meeting, the external auditing fees of the Company for 2023 was RMB1.48 million, including the fees for annual audit of H Share and annual statutory audit in the country and internal control audit fee in the amount of RMB1.10 million, interim audit fee in the amount of RMB380,000 and no non-audit service fee was paid.

Material Matters

IX. Other important particulars and subsequent events

1. Change of Directors, Supervisors and Senior Management of the Subsidiaries

1. *Holly International Financial*

On 18 May 2023, Mr. Huang Haiqing was appointed as the chairman of Holly International Financial.

On 1 January 2023, Mr. Sun Haoming was appointed as an executive deputy general manager of Holly International Financial.

2. *Holly International Asset Management*

Nil.

3. *Holly Capital*

On 18 May 2023, Mr. Zheng Peiguang ceased to serve as a director of Holly Capital.

On 18 May 2023, Mr. Qiu Xiangjun ceased to serve as a director of Holly Capital.

On 18 May 2023, Ms. Zhan Jieying was appointed as a director of Holly Capital.

On 18 May 2023, Ms. Chen Ling was appointed as a director of Holly Capital.

On 18 May 2023, Ms. Yu Hong ceased to serve as a supervisor of Holly Capital.

On 18 May 2023, Mr. Huang Dongyan was appointed as a supervisor of Holly Capital.

On 5 May 2023, Mr. Ma Dongdong ceased to serve as a deputy general manager of Holly Capital.

2. Annual Profit Distribution Plan of the Company

The profit distribution plan for 2023 is set out in Section II – “Report of the Board” – “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 II Operating Conditions “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 II Operating Conditions “Management Discussion and Analysis” of this Report.

5. Future Plans for Major Investments or Capital Assets

As at the date of this Report, the Group does not have any future plans for major investments or capital assets.

6. Major Legal Proceedings and Arbitration

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

7. Merger or Disposal of Subsidiaries

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

8. 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.

9. Amendments to the Articles of Association During the Reporting Period

On 29 December 2022, in view of the change of registered address and address of head office of the Company in China, the Board proposed to make corresponding amendment to the Articles of Association. Amendment to the Articles of Association has been adopted by Shareholders at the first extraordinary general meeting of 2023 held on 15 February 2023. For details, please refer to the announcements of the Company dated 29 December 2022 and 15 February 2023, the circular of the Company dated 20 January 2023 and the overseas regulatory announcement of the Company dated 29 December 2022.

10. Amendments to the Articles of Association After the Reporting Period

On 29 December 2023, the Board of Directors considered and approved amendments to the Articles of Association, the Rules of Procedures for the Meeting of the Board and the Rules of Procedures of the General Meetings, which will be considered at the General Meeting scheduled for 2024, please refer to the circular of general meeting to be published by the Company in due course for details.

Changes in Share and Substantial Shareholders

I. Shareholding structure

The shareholding structure of the Company as of 31 December 2023 is as follows:

Shareholdings of the Shareholders holding more than 5% of the shares or the top ten Shareholders						
Nature of shareholders	Nature of shareholder	Proportion	Number of shares held as at the end of the Reporting Period	Changes during the Reporting Period	Number of shares subject to selling restriction	Number of shares not subject to selling restriction
Jiangsu SOHO Holdings Group Co., Ltd.	State-owned legal person	27.33%	275,456,777	0	275,456,777	0
HKSCC NOMINEES LIMITED	Foreign legal person	24.77%	249,690,049	5,100	0	249,690,049
Soho Holly Corporation	State-owned legal person	14.68%	147,900,000	0	147,900,000	0
Jiangsu Holly Su Industrial Co., Ltd.	Domestic non-state-owned legal person	13.70%	138,071,400	-5,476,600	0	138,071,400
Jiangsu High Hope International Group Corporation	State-owned legal person	6.34%	63,930,134	0	0	63,930,134
Jiangsu Holly International Logistics Corporation	State-owned legal person	0.82%	8,285,345	0	8,285,345	0
Hong Kong Securities Clearing Company Limited	Foreign legal person	0.16%	1,622,716	609,965	0	1,622,716
Industrial Bank Co., Ltd – China Southern Finance-themed Flexible Allocation Hybrid Securities Investment Fund	Domestic non-state-owned legal person	0.05%	497,200	497,200	0	497,200
Ling Guizhen	Domestic non-state-owned legal person	0.05%	460,000	460,000	0	460,000
CITIC Securities Co., Ltd.	State-owned legal person	0.04%	414,365	414,365	0	414,365

Changes in Share and Substantial Shareholders

Shareholding of Top Ten Shareholders Not Subject to Trading Moratorium			
Name of shareholder	Number of circulating shares not subject to trading moratorium	Type of shares	
		Type	Number of shares
HKSCC NOMINEES LIMITED	249,684,949	Foreign shares listed overseas	249,684,949
Jiangsu Holly Su Industrial Co., Ltd.	138,071,400	RMB ordinary shares	138,071,400
Jiangsu High Hope International Group Corporation	63,930,134	RMB ordinary shares	63,930,134
Hong Kong Securities Clearing Company Limited	1,622,716	RMB ordinary shares	1,622,716
Industrial Bank Co., Ltd – China Southern Finance-themed Flexible Allocation Hybrid Securities Investment Fund	497,200	RMB ordinary shares	497,200
Ling Guizhen	460,000	RMB ordinary shares	460,000
CITIC Securities Co., Ltd	414,365	RMB ordinary shares	414,365
Chen Shumin	401,800	RMB ordinary shares	401,800
BARCLAYS BANK PLC	361,382	RMB ordinary shares	361,382
Wang Guangjie	346,900	RMB ordinary shares	346,900

Notes:

- The calculation is based on a total of 1,007,777,778 issued Shares of the Company as at 31 December 2023.
- The type of shareholders of ordinary shares in RMB (A Shares) represents the type of accounts held by shareholders registered with Shanghai Branch of China Securities Depository and Clearing Corporation Limited.
- Among shareholders of overseas listed foreign shares (H Shares) of the Company, shares of non-registered shareholders are held by HKSCC Nominees Limited on their behalf.
- Hong Kong Securities Clearing Company Limited is a nominal holder of A Shares of the Company held by the investors in Northbound Trading under Shenzhen-Hong Kong Stock Connect.

II. Changes in Shares

Nil.

Changes in Share and Substantial Shareholders

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

As at 31 December 2023, 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⁾	A Shares	Beneficial owner and interest in controlled corporation	495,572,256 (long position)	49.17%	65.37%
SOHO Holly	A Shares	Beneficial owner	147,900,000 (long position)	14.68%	19.51%
Holly Su Industrial ⁽⁴⁾	A Shares	Beneficial owner	138,071,400 (long position)	13.70%	18.21%
Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業 (有限合夥)) ⁽⁴⁾	A Shares	Interest in controlled corporation	138,071,400 (long position)	13.70%	18.21%
Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業 (有限合夥)) ⁽⁴⁾	A Shares	Interest in controlled corporation	138,071,400 (long position)	13.70%	18.21%
Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) ⁽⁴⁾	A Shares	Interest in controlled corporation	138,071,400 (long position)	13.70%	18.21%
Huang Jieping ⁽⁴⁾	A Shares	Interest in controlled corporation	138,071,400 (long position)	13.70%	18.21%
High Hope Corporation	A Shares	Beneficial owner	63,930,134 (long position)	6.34%	8.43%

Changes in Share and Substantial Shareholders

Notes:

- (1) The calculation is based on the total number of 1,007,777,778 Shares in issue of the Company as at 31 December 2023.
- (2) The calculation is based on the 758,077,778 A Shares in issue and 249,700,000 H Shares in issue of the Company as at 31 December 2023.
- (3) On 31 December 2023, SOHO Holdings (i) directly held 275,456,777 A Shares; (ii) was the beneficial owner of 22.46% equity interest in SOHO Holly (directly holding 147,900,000 A Shares of the Company); (iii) was the beneficial owner of 67.41% equity interest in High Hope Corporation (directly holding 63,930,134 A Shares of the Company); and (iv) was the beneficial owner of the entire equity interests of SOHO Culture Group (deemed to be interested in the 8,285,345 A Shares directly held by Holly Logistics). As disclosed in the 2022 annual report of SOHO Holly, according to relevant Chinese laws, SOHO Holdings is deemed to be the controlling shareholder of SOHO Holly. Accordingly, SOHO Holdings is deemed to be interested in the 147,900,000 A Shares of the Company directly held by SOHO Holly, 63,930,134 A Shares of the Company directly held by High Hope Corporation and 8,285,345 A Shares of the Company indirectly held by SOHO Culture Group, and hence directly and indirectly interested in 495,572,256 A Shares.
- (4) According to the current information available to the Company, on 31 December 2023, (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 138,071,400 A 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 2023, 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 49.17% 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 group company	Remunerations received during the Reporting Period (RMB'0,000)	Relationship with other Directors, Supervisors or members of senior management	Remarks
Zhou Jianqiu	54	Female	Chairlady and Executive Director	9 June 2015	March 1999	44.04	N/A	Resigned on 9 October 2023
Chu Kairong	49	Male	Acting Chairman, Executive Director and general manager	22 November 2022	September 2004	55.06	N/A	Appointed as the Acting Chairman on 8 January 2024
Xue Binghai	53	Male	Non-executive Director	30 June 2012	June 2012		N/A	
Jiang Lin	58	Male	Non-executive Director	15 November 2019	November 2019		N/A	
Shan Bing	56	Male	Non-executive Director	26 May 2017	May 2017		N/A	Resigned on 30 January, 2024
Wang Yuetang	60	Male	Independent non-executive Director	15 November 2018	November 2018	6.94	N/A	Resigned on 22 May 2023 and took effect on 21 July 2023
Huang Dechun	58	Male	Independent non-executive Director	15 November 2019	November 2019	11.90	N/A	
Lo Wah Wai	60	Male	Independent non-executive Director	23 December 2021	23 December 2021	13.01	N/A	
Zhang Hongfa	59	Male	Independent non-executive Director	21 July 2023	21 July 2023	4.96	N/A	Appointed on 21 July 2023

Directors, Supervisors, Senior Management and Staff

(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	48	Female	Chairlady of the Supervisory Committee	13 June 2019	July 2016	3.53	N/A	
Chen Liang	43	Male	Supervisor	23 December 2021	23 December 2021		N/A	
Yao Aili	39	Female	Supervisor	13 June 2019	June 2010	7.42	N/A	Resigned on 20 March 2023
Zhang Lei	46	Female	Supervisor	20 March 2023	August 2018	18.09	N/A	Appointed on 20 March 2023

(3) Senior Management

Name	Age	Gender	Position(s)	Date of appointment	Relationship with other Directors, Supervisors or members of senior management	Remarks
Chu Kairong	49	Male	Executive deputy general manager and general manager	General manager since October 2022	N/A	
Zhao Dong	54	Male	Deputy general manager	Deputy general manager since March 2014	N/A	
Chen Rongping	55	Female	Supervisor of finance	Supervisor of finance since June 2019	N/A	
Huang Haiqing	41	Male	Deputy general manager Board secretary and joint company secretary	Deputy general manager since October 2020 Board secretary and joint company secretary since December 2020	N/A	
Wu Jiufeng	42	Male	Deputy general manager	Deputy general manager since October 2020	N/A	
Zhan Jieying	42	Female	Chief Risk Officer	Chief Risk Officer since 5 July 2023	N/A	Appointed on 5 July 2023

Note: The above ages are based on the disclosure date of the reporting date of this annual report (i.e., 28 March 2024).

Directors, Supervisors, Senior Management and Staff

II. Directors, Supervisors and Senior Management in Companies of Shareholders and Position(s) 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 Jianqiu	Chairlady and executive Director	SOHO Holdings	Assistant to CEO
Chu Kairong	Acting Chairman, Executive Director and general manager	Holly Capital	Chairman and general manager
Xue Binghai	Non-executive Director	SOHO Holdings	Assistant to CEO
		Jiangsu SOHO Investment Group Company Limited (江蘇蘇豪投資集團有限公司)	Chairman
		Jiangsu Jin Su Zheng Investment Development Co., Ltd. (江蘇金蘇證投資發展有限公司)	Chairman
		Jiangsu Zhonghe Venture Investment Co., Ltd. (江蘇眾合創業投資有限公司)	Director, general manager
		Jiangsu Zijin Rural Commercial Bank Co., Ltd. (江蘇紫金農村商業銀行股份有限公司)	Director
		Jiangsu SOHO Jisheng Investment Management Co., Ltd. (江蘇蘇豪基盛投資管理有限公司)	Chairman
Jiang Lin	Non-executive Director	SOHO Holly	Secretary to the board of directors
		Jiangsu Holly Environmental Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司)	Chairman
		Jiangsu Holly Yongchang (Hong Kong) Co., Limited (江蘇弘業永昌(香港)有限公司)	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	Shanghai Pudong Development Bank (上海浦東發展銀行)	External supervisor
		Nanjing Emporium (Group) Co. Ltd (南京中央商場(集團)股份有限公司)	Independent director
		Zhuhai Huafa Industrial Co., Ltd. (珠海華發實業股份有限公司)	Independent director
Huang Dechun	Independent non-executive Director	Shanghai Xumao Information Technology Co., Ltd. (上海煦茂信息技術有限公司)	Supervisor
		Suzhou Sushi Test Group Co., Ltd. (蘇州蘇試試驗集團股份有限公司)	Independent director
		World Shuigu (Nanjing) Academy Culture Co., Ltd. (世界水谷(南京)書院文化有限公司)	Supervisor
Lo Wah Wai	Independent non-executive Director	BMI Consultants Limited (邦盟匯駿顧問有限公司)	Chairman and executive director
		Chongqing Machinery & Electric Co., Ltd. (重慶機電股份有限公司)	Independent non-executive director
		Tenfu (Cayman) Holdings Company Limited (天福(開曼)控股有限公司)	Independent non-executive director
Zhang Hongfa	Independent non-executive Director	Jiangsu Appraisal Society	Vice president
		Jiangsu Guoxin Corp., Ltd.	Independent director

Directors, Supervisors, Senior Management and Staff

(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	SOHO Holdings	Deputy director of the inspection office of the Party committee
Chen Liang	Shareholder representative Supervisor	Jiangsu Futures Association	Supervisor
		Lian Life Insurance Co., Ltd. (利安人壽保險股份有限公司)	Supervisor
		SOHO Holdings Financial Business Division	Deputy general manager
Zheng Lei	Employee representative Supervisor		

(3) Senior Management

Name	Position(s) at the Company	Employment in other companies	Position(s) at other companies
Chu Kairong	Acting Chairman, Executive Director and general manager	Holly Capital	Chairman, general manager
Zhao Dong	Deputy general manager	–	–
Chen Rongping	Supervisor of finance	Hong Rui New Era	Director
		Hong Rui Growth	Director
		Holly International Financial	Director
Huang Haiqing	Deputy general manager, Board secretary and joint company secretary	Holly Capital	Director
		Holly International Financial	Chairman
Wu Jiufeng	Deputy general manager	Holly Capital	Director
		Holly International Financial	Director
Zhan Jieying	Chief Risk Officer	Holly Capital	Director
		Holly International Financial	Supervisor

Directors, Supervisors, Senior Management and Staff

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 Section III “II. Directors, Supervisors and Senior Management in Companies of Shareholders and Position(s) at Other Companies During the Reporting Period” of this report.

(1) Directors

Executive directors

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

From October 1996 to October 2003, Mr. Chu Kairong served as an account manager, senior account manager, marketing supervisor, and head of the sales and marketing service department of Xichang Town in China Life Insurance Co., Ltd. Hai'an Branch (中國人壽保險股份有限公司海安支公司). From October 2003 to September 2004, he served as a cooperative intermediary (合作居間人) of Jiangsu Holly Futures Brokerage Company Limited (江蘇弘業期貨經紀有限公司). From September 2004 to January 2009, Mr. Chu served as institutional investment headquarters employee, deputy manager and manager of Jiangsu Holly Futures Brokerage Company Limited. From January 2009 to April 2016, he worked at Holly Futures Brokerage Co., Ltd. (弘業期貨經紀有限公司) as an assistant to the general manager. From April 2016 to January 2022, he served as the deputy general manager of Holly Futures Co., Ltd.. From January 2022 to October 2022, he served as a member of the party committee and executive deputy general manager of Holly Futures Co., Ltd.. From October 2022 until now, he has been serving as the vice secretary of the Party Committee, general manager and executive Director of Holly Futures Co., Ltd.. From January 2024 until now, he has been the Acting Chairman. Mr. Chu Kairong is also the chairman of the board of directors and general manager of Holly Capital Management Co., Ltd. (弘業資本管理有限公司), a wholly-owned subsidiary of the Company. He is currently a member of the Risk Management Committee of the Board.

Directors, Supervisors, Senior Management and Staff

Non-executive Directors

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

Mr. Xue Binghai served as 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), the general manager of the asset and finance department of Jiangsu SOHO Holding Group Co., Ltd. (the former Jiangsu Silk Group Co., Ltd.), a director and the general manager of 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), and the chief financial officer of Jiangsu SOHO International Group Co., Ltd.. He is currently 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). Mr. Xue Binghai also serves as the chairman of Jiangsu Jin Su Zheng Investment Development Co., Ltd. (江蘇金蘇證投資發展有限公司), a director and general manager of Jiangsu Zhonghe Venture Investment Co., Ltd. (江蘇眾合創業投資有限公司), a director of Jiangsu Zijin Rural Commercial Bank Co., Ltd. (江蘇紫金農村商業銀行股份有限公司), and the chairman of Jiangsu SOHO Jisheng Investment Management Co., Ltd. (江蘇蘇豪基盛投資管理有限公司). Mr. Xue has been serving as a non-executive Director of the Company since 10 July 2015, he is also a member of the Audit Committee, the Risk Management Committee and the Strategic Committee of the Board.

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

Mr. Jiang Lin served as director of the research office of the Nanjing Food Packaging Machinery Research Institute (南京食品包裝機械研究所), a director, the general manager and the Secretary of the Board of Jiangsu Holly Corporation (江蘇弘業股份有限公司), the chairman of Jiangsu Holly International Engineering Co., Ltd. (弘業國際技術工程有限公司), a director of Jiangsu Hong Rui New Era Venture Investment Co., Ltd. (江蘇弘業新時代創業投資有限公司), Jiangsu Hong Rui Growth Venture Investment Co., Ltd. (江蘇弘瑞成長創業投資有限公司), Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司), and Jiangsu Soho Finance Leasing Co., Ltd. (江蘇蘇豪融資租賃有限公司). He is currently the secretary to the board of directors of SOHO Holly (formerly known as Holly Corporation), the chairman of Jiangsu Holly Environmental Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司) and a director of Jiangsu Holly Yongchang (Hong Kong) Co., Limited (江蘇弘業永昌(香港)有限公司). Mr. Jiang has been serving as a non-executive Director of the Company since 15 November 2019. He is also a member of the Risk Management Committee of the Board.

Directors, Supervisors, Senior Management and Staff

Independent non-executive Directors

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

Mr. Huang Dechun served as a teacher at Jiangsu Vocational College of Finance and Economics, the deputy director of Economic and Trade Commission of Suqian, Jiangsu (temporary post), a postdoctoral fellow in theoretical economics from Nanjing University, a visiting professor of Finance in University of Northern Iowa (UNI) in U.S., an independent director of Jiangsu Dexuantang Pharmaceutical (Group) Co., Ltd. (江蘇德軒堂醫藥(集團)有限公司), an independent director of Leysen Jewelry Co., Ltd. (萊紳通靈珠寶股份有限公司), an independent director of Yongan Futures Co., Ltd. (永安期貨有限公司), and a supervisor of Shanghai Xumao Information Technology Co., Ltd. (上海煦茂信息技術有限公司). He is currently a professor at Hohai University, an independent director of Suzhou Sushi Test Group Co., Ltd. (蘇州蘇試試驗集團股份有限公司), and a supervisor of World Shuigu (Nanjing) Academy Culture Co., Ltd. (世界水谷(南京)書院文化發展有限公司). Mr. Huang has been serving as an independent non-executive Director of the Company since 15 November 2019. He is also currently the chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Board.

Mr. Lo Wah Wai (盧華威), with Chinese (Hong Kong) nationality and permanent residency in the United Kingdom, was born in September 1963, 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. Lo previously served as an independent non-executive director of Shangdong Xinhua Pharmaceutical Company Limited (山東新華製藥股份有限公司), and currently is also the chairman and an executive director of BMI Consultants Limited (邦盟匯駿顧問有限公司), an independent non-executive director of Chongqing Machinery & Electric Co., Ltd. (重慶機電股份有限公司) and Tenfu (Cayman) Holdings Company Limited (天福(開曼)控股有限公司). Mr. Lo has been serving as an independent non-executive Director of the Company since 23 December 2021. He is also currently the chairman of the Audit Committee under the Board.

Directors, Supervisors, Senior Management and Staff

Mr. Zhang Hongfa (張洪發), with Chinese nationality, was born in September 1964, and holds a bachelor's degree.

Mr. Zhang Hongfa graduated from Soochow University in July 1986 with a bachelor degree in economics, is a senior accountant as credentialed by the Department of Human Resources and Social Security of Jiangsu Province (江蘇省人力資源和社會保障廳) and a Certified Public Accountant as credentialed by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). Mr. Zhang has worked in Jiangsu Radio and Television University (江蘇廣播電視大學, now known as Jiangsu Open University (江蘇開放大學)), Jiangsu Provincial Firm of Accountants (江蘇省會計師事務所) and Jiangsu Institute of Certified Public Accountants (江蘇省註冊會計師協會). He has been the deputy secretary-general, secretary-general and vice-chairman of Jiangsu Province Appraisal Society (江蘇省資產評估協會) since August 2014. Mr. Zhang is also an independent director of Jiangsu Guoxin Corporation Limited. Mr. Zhang previously served as an independent non-executive Director of the Company from 8 July 2013 to 15 November 2019. Mr. Zhang has been an independent non-executive Director of the Company since 21 July 2023, and he is also the chairman of the Risk Management Committee, and a member of the Remuneration Committee, the Nomination Committee and the Strategic Committee of the Board.

(2) Supervisors

Ms. Yu Hong (虞虹), with Chinese nationality, without permanent residency abroad, was born in August 1975, and holds a master'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 (江蘇省國防資產管理有限公司) as a section member. From December 2000 to May 2006, Ms. Yu worked in Jiangsu National Defense Industry Asset Management Co., Ltd. (江蘇省國防工業資產管理有限公司), and served as deputy section chief and section chief. From May 2006 to August 2010, Ms. Yu Worked in Jiangsu Silk Group Co., Ltd. (江蘇省絲綢集團有限公司), 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. (江蘇蘇豪國際集團股份有限公司), 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. (江蘇省蘇豪控股集團有限公司) as the deputy general manager of the Legal Department (presided over the work). From July 2016 to June 2022, 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 a supervisor of Jiangsu Futures Association since January 2021. She has been worked in SOHO Holdings and served as deputy director of the inspection office of the Party committee since December 2021.

Directors, Supervisors, Senior Management and Staff

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

Mr. 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. (光銀國際資產管理(中國)有限公司) from July 2018 to October 2019 as an investment director; and worked at Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司) as the deputy general manager of the strategic development department from November 2019 to November 2023. He has been worked at the Financial Business Division in Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) and served as deputy general manager since November 2023.

Ms. Zhang Lei (章蕾), with Chinese nationality, without permanent residency abroad, was born in August 1977, and holds a bachelor's degree.

Ms. Zhang Lei passed the National Judicial Examination of the PRC in 2010 and has 4 years of experience as a practicing lawyer in the PRC. Ms. Zhang has joined the Company since August 2018, and has been the vice manager of the legal department, the vice manager of the audit and legal department, and is currently the vice manager of the audit and legal department (in charge).

(3) Senior Management

Mr. Chu Kairong (儲開榮), for details of Mr. Chu Kairong, 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, and holds a bachelor's degree.

Mr. Zhao Dong was appointed as the deputy general manager in March 2014 and is primarily responsible for branches of the Company. Prior to joining the Group, Mr. Zhao Dong was an employee of the Yixing Economic Cooperation Committee (宜興市經濟協作委員會) from March 1989 to January 1997. He was an employee of the Marketing Department of the Yixing Office of Changzhou Jianzheng Futures Company (常州建證期貨公司宜興辦事處) 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. (華證期貨經紀有限公司), where he served successively as market manager, head of Shanghai sales department, deputy general manager, and general manager. Since March 2014, he has been the deputy general manager of the Company.

Directors, Supervisors, Senior Management and Staff

Ms. Chen Rongping (陳蓉平), with Chinese nationality, without permanent residency abroad, was born in March 1969, holds a bachelor's degree 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 served as a member of the Party committee of Holly Futures Co., Ltd. from June 2019 to April 2023, the supervisor of finance of Holly Futures Co., Ltd. since June 2019, and the general manager of finance department of Holly Futures Co., Ltd. since May 2022. Ms. Chen Rongping also serves as a director of Holly International Financial, Hong Rui Growth and Hong Rui New Era.

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

Mr. Huang Haiqing was appointed as the Company's deputy general manager in October 2020 and mainly in charge of several Integrated Departments, Operating Department and Business Department. Mr. Huang Haiqing was an employee of Jiangsu Holly International Group Garment Trading Co., Ltd. (江蘇弘業國際集團服務貿易有限公司) 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, a member of the Party committee of Holly Futures Co., Ltd. since January 2022, the Chairman of Holly International Financial and a director of Holly Capital.

Directors, Supervisors, Senior Management and Staff

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

Mr. Wu Jiufeng was appointed as the Company's deputy general manager in October 2020 and mainly in charge of the Company's asset management center, several business departments of the headquarters and operating departments. 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., a member of the Party committee of Holly Futures Co., Ltd. since January 2022, and a director of Holly Capital and Holly International Financial.

Ms. Zhan Jieying (占潔瑩), with Chinese nationality, without permanent residency abroad, was born in September 1981, and holds a master's degree.

From August 2004 to April 2013, Ms. Zhan Jieying worked at Changzhou Xinbei District Foreign Trade and Economic Cooperation Bureau (常州市新北區對外貿易經濟合作局). From May 2013 to March 2015, she served as the deputy general manager of the International Business Department of Holly Futures Co., Ltd.. From April 2015 to May 2016, she served as the deputy general manager of the Audit and Legal Department of Holly Futures Co., Ltd.. From May 2016 to June 2016, she served as the temporary head of the Legal Department of Holly Futures Co., Ltd.. From July 2016 to May 2018, she served as the deputy general manager (presided over the work) of the Legal Department of Holly Futures Co., Ltd.. From June 2018 to July 2020, she served as the general manager of the Legal Department of Holly Futures Co., Ltd.. From July 2020 to November 2021, she served as the general manager of the Audit and Legal Department of Holly Futures Co., Ltd.. From November 2021 until now, she has been serving as the general manager of the Compliance and Risk Control Department of Holly Futures Co., Ltd.. She served as the Acting Chief Risk Officer of Holly Futures Co., Ltd. from September 2022 to July 2023, and has been the Chief Risk Officer since July 2023. Ms. Zhan Jieying also serves as a director of Holly Capital and a supervisor in Holly International Financial.

Directors, Supervisors, Senior Management and Staff

IV. Changes of Directors, Supervisors and Senior Management

(1) Changes of Directors and Board Committees Members

On 22 May 2023, Mr. Wang Yuetang ceased to serve as an independent non-executive director, the chairman of the risk management committee, a member of the nomination committee, the remuneration committee and the strategic committee of the Company. Pursuant to relevant regulations and rules as well as the Articles of Association, the resignation of Mr. Wang would become effective on the date on which the Company's extraordinary general meeting elects a new independent director to fill in such vacancy.

On 21 July 2023, the resignation of Mr. Wang Yuetang, an independent non-executive Director, took effect, and Mr. Zhang Hongfa was appointed as an independent non-executive director, the chairman of the risk management committee, a member of the nomination committee, the remuneration committee and the strategy committee.

On 9 October 2023, Ms. Zhou Jianqiu ceased to serve as the chairlady, an executive Director, chairlady of the nomination committee, the chairlady of the strategic committee, the authorized representative and other positions of the Company.

On 8 January 2024, Mr. Chu Kairong was appointed as the Acting Chairman of the Company.

On 30 January 2024, Mr. Shan Bing ceased to serve as the non-executive Director and the member of the remuneration committee of the Company.

(2) Changes of Supervisors

On 20 March 2023, Ms. Yao Aili resigned, and Ms. Zhang Lei was appointed, as an employee representative Supervisor of the Company.

(3) Changes of Senior Management

On 5 July 2023, Ms. Zhan Jieying was appointed as the chief risk officer of the Company.

V. Remuneration Management of Directors, Supervisors and Senior Management

• 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.

Directors, Supervisors, Senior Management and Staff

- **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.

- **Non-cash Remuneration**

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

- **Payment of Remuneration to Directors, Supervisors and Senior Management**

In 2023, the total remunerations of Directors, Supervisors and senior management of the Company amounted to RMB3,871.97 thousands. For details of payment of remuneration to Directors, Supervisors, please see “1. Basic Information about Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period” in this section.

For the year ended 31 December 2023, the remuneration of the Directors and Supervisors fell within the following bands:

Bands (RMB)	Number of Directors, Supervisors
Nil to 500,000	8
500,001–1,000,000	1

For the year ended 31 December 2023, the remuneration of senior management of the Company fell within the following bands:

Bands (RMB)	Number of senior management
Nil to 500,000	5
500,001–1,000,000	1
Above 1,000,000	0

Directors, Supervisors, Senior Management and Staff

VI. Employees and remuneration

(1) Headcount and Composition

As at the end of the Reporting Period, the Company has a total of 603 full-time and part-time employees while its subsidiaries have a total of 78 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)		681	
Type of employment		Full-time and part-time	
Category	Sub-category	Number	Percentage
Academic background	Ph.D.	5	0.73%
	Master	140	20.56%
	Undergraduate	462	67.84%
	Diploma and below	74	10.87%
Position	Futures brokerage	369	54.19%
	Asset management	33	4.85%
	Commodity trading and risk management	50	7.34%
	Stock option business	4	0.59%
	Overseas business	33	4.85%
	Research	24	3.52%
	Audit and legal department and risk management	14	2.06%
	IT	34	4.99%
	Accounting and Finance	47	6.90%
	Administration	73	10.72%
Age	35 and below	357	52.42%
	36 to 40	175	25.7%
	41 to 50	113	16.59%
	51 and above	36	5.29%

(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 2023, the total remuneration of employees, including remuneration of Directors, amounted to approximately RMB183 million. Details of which are set out in Note V. 27 to the financial statement of this Report.

Directors, Supervisors, Senior Management and Staff

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

Firstly, the Company focused on professional training to consolidate the foundation of skills. Through a combination of internal and external training, the Company made its efforts in organizing and participating in training for external organizations such as associations, stock exchanges and holding groups. The Company focused on specialized skills training in compliance, finance and innovative business to build a foundation of vocational skills for our employees and increase the depth of their specialized skills. Throughout the year, 164 training sessions were conducted, according to the different levels and positions of employees, to update job skills, strengthen expertise, popularize industry standards and other special competency training, with an aim to continuously strengthen the employees' capabilities in party affairs, professional skills, compliance and safety management. Secondly, the Company organized thematic training to enhance professional skills. The Company organized training and examination for the qualification of the Board secretary, continuing education and training for fund practitioners and accountants in Nanjing, 30-year treasury bond futures listing member firm employee training and other training and examination; the Company selected enterprise employees to participate in the Group's new employee training, special training courses for youth talents and other specialized training. In 2024, firstly, the Company will continue to deepen the reform of the employment mechanism and increase construction and innovation in all aspects of talent selection, cultivation, evaluation, utilization and guarantee, and reasonably use the three mechanisms to build and establish a sound enterprise talent flow ecosystem. Secondly, closely integrating the Company's strategy of serving the real economy, the Company will increase the introduction of financial business complex talents to enrich the Company's business backbone team and cultivate the Company's backbone force. Thirdly, the Company will continue to introduce high-level talents, increase the recruitment of post-doctoral fellows relying on post-doctoral workstations, and increase the introduction of talents from first-class colleges and universities.

Directors, Supervisors, Senior Management and Staff

(5) The Five Highest Paid Individuals

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 XII. (IV). Emoluments in respect of the other five (last year: five) individuals are as follows:

(Unit: RMB'000)

	2023	2022
Salaries, allowances and benefits	904.87	1,077.16
Discretionary bonuses	3,365.40	4,808.82
Pension scheme contributions	230.80	208.31
Total	4,501.07	6,094.29

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

	2023 Number of Individuals	2022 Number of Individuals
Nil to HKD1,000,000	2	0
HKD1,000,001 to HKD1,500,000	3	4
HKD1,500,001 to HKD2,000,000	0	1
HKD2,000,001 to HKD2,500,000	0	0
Total	5	5

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

Corporate Governance Report

I. Overview of corporate governance

As a public company listed both domestically and overseas, the Company has been operating business in a standard manner and in strict compliance with the requirements outlined in the laws, regulations and regulatory documents of the PRC and the overseas jurisdiction where the shares of the Company are listed, and has made continuous efforts to maintain and enhance the good image of the Company in the market. During the Reporting Period, the Company keeps improving its corporate governance structure, compliance risk control and internal control system according to the requirements under the Company Law, the Securities Law, the Futures and Derivatives Law, the Measures for the Supervision and Administration of Futures Companies, the Rules for Corporate Governance of Listed Companies, the Corporate Governance Code as set out in Appendix C1 to the Listing Rules of Hong Kong Stock Exchange and other relevant laws and regulations as well as the Articles of Association, in order to establish a modern corporate system, and shape a corporate governance structure where checks and balances among the general meeting, the Board, the Supervisory Committee and the operation management are maintained, with each of them being separated from the other and performing its own functions and responsibilities corresponding to its position within the specified terms of reference, thereby ensuring all the operational activities of the Company are carried out smoothly and in accordance with relevant laws and regulations. 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.

During the Reporting Period, the Company has complied with the code provisions set out in Part 2 of Appendix C1 to the Listing Rules save for the deviation from code provision C.2.1 as disclosed below.

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 "VIII. Risk factors and uncertainties faced by the Company and its risk strategy" set out in Section II Operating Conditions "Management Discussion and Analysis" of this Report. For details of environmental, social and governance matters for the year ended 31 December 2023, please refer to the separate ESG Report of the Company.

III. Corporate strategy, business models and culture

1. Development strategy: striving to become an integrated derivatives service provider with “more improved mixed ownership system, more flexible organizations and mechanisms and more effective risk management and control”.
2. Development goal: With a focus on enhancing core competitiveness and strengthening core functions, and taking “Serving National Strategies, Local Economies and Group Development” as the main line of work, striving to build three “service ecosystems”, namely “industrial clients, institutional clients and small and medium investors”. Contributing to the maintenance of supply and the stabilization of price in the market, and serving the real economy to reduce costs and increase efficiency.
3. Corporate culture: heritage, openness, integrity, excellence.
4. Mission and social responsibility: creating development opportunities for employees, providing quality services to customers, contributing more wealth to the society and writing a bright future for the futures industry in China.

IV. Shareholders and General Meetings

• 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 Procedures 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 2023, 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.

• Procedures for General Meetings

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.

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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 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 2 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 sign (or seal) of the principal or his proxy duly authorised in writing or, if the principal is a legal shareholder, 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:

- 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
- 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 4 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.

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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 at the general meeting (including the annual general meeting and the extraordinary general meeting) held at the time of the election of the Directors, and shall be handled in accordance with the following procedures:

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

Pursuant to article 80 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 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 may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting to other Shareholders within two days after receipt of a proposal, and announce the contents of provisional proposals.

- (2) General meeting is convened to considerate proposals on nomination of director candidate(s), and to elect director(s). Pursuant to article 66 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;

.....

Corporate Governance Report

- (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 141 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 a person to act as the chairman. If for any reason the Shareholders cannot elect a chairman, the Shareholder (including agent thereof) holding the most voting 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 procedures 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.

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- General Meetings**

During the Reporting Period, the Company convened 3 general meetings in total, information and resolutions of which are set out as follows:

Session	Convening date	Meeting contents	Adoption
The first extraordinary general meeting in 2023	15 February 2023	The resolution on the relocation and change of registered address of the Company The resolution on the amendment to the Articles of Association of Holly Futures Co., Ltd.	Considered and approved
2022 annual general meeting	6 June 2023	The resolution on the Annual Report (A Shares) for 2022 and its summary of the Company The resolution on the Annual Results Announcement and the Annual Report (H Shares) for 2022 of the Company The resolution on the 2022 Annual Working Report of the Board The resolution on the 2022 Annual Working Report of the Supervisory Committee The resolution on the 2022 final financial report The resolution on the profit distribution plan of the Company for 2022 The resolution on the re-appointment of certified public accountants The resolution on the remuneration package of the Directors of the Company for 2022 The resolution on the remuneration package of the Supervisors of the Company for 2022 The resolution on the purchase of liability insurance for Directors, Supervisors and senior management The resolution on the authorization to the Board at general meetings to issue shares to specific targets under simplified procedures The resolution on the use of part of the self-owned funds for entrusted wealth management The resolution on the annual financial budgets and investment plans for 2023	Considered and approved
The second extraordinary general meeting in 2023	21 July 2023	The resolution on the election of an independent non-executive Director of the fourth session of the Board of Directors of the Company	Considered and approved

Corporate Governance Report

V. Performance of duties of Board

• 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, external donations and other matters within the scope set forth by the general meeting; deciding on the setup of Company's internal management bodies and branches; deciding on the appointment or removal of the general manager, Chief Risk Officer, the Board secretary and other senior management; 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.

In addition, the Board is responsible for the performance of corporate governance functions, which includes developing and reviewing the Company's policies and practices on corporate governance; 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.

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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 groups. 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.

Corporate Governance Report

- **Composition of the Board**

The Board kept improving its Rules of Procedures 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 six Directors, of which one is executive Director (Mr. Chu Kairong (Acting Chairman), two are non-executive Directors (Mr. Xue Binghai and Mr. Jiang Lin) and three are independent non-executive Directors (Mr. Huang Dechun, Mr. Lo Wah Wai and Mr. Zhang Hongfa). 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 (including independent non-executive 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 2023, 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 III Corporate Governance Subsection III "Biography of Directors, Supervisors and Senior Management".

- **Insurance arrangements for Directors**

During the Reporting Period, 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.

Corporate Governance Report

- Board meetings**

During the Reporting Period, the Board convened a total of 8 meetings as follows:

Session	Convening date	Meeting contents	Adoption
11th meeting of the fourth session of the Board	29 March 2023	<p>The resolution on the Annual Report (A Shares) for 2022 and its summary of the Company</p> <p>The resolution on the Annual Results Announcement and the Annual Report (H Shares) for 2022 of the Company</p> <p>The resolution on the 2022 Annual Working Report of the Board</p> <p>The resolution on the 2022 final financial report</p> <p>The resolution on confirming connected transactions of 2022</p> <p>The resolution on the profit distribution plan of the Company for 2022</p> <p>The resolution on the self-assessment report of internal control for 2022</p> <p>The resolution on the special report of risk regulatory indicators for 2022</p> <p>The resolution on the special report of deposit and use of proceeds raised for 2022</p> <p>The resolution on the 2022 Internal Review Reporting and the 2023 Internal Review Plan of the Company</p> <p>The resolution on the 2022 working report of the Chief Risk Officer</p> <p>The resolution on the re-appointment of certified public accountants</p> <p>The resolution on the remuneration package of the directors of the Company for 2022</p> <p>The resolution on the remuneration package of the senior management of the Company for 2022</p> <p>The resolution on the purchase of liability insurance for Directors, Supervisors and senior management</p> <p>The resolution on the evaluation results of the contractual reform of managerial staff under tenure system for 2021 and the compensation settlement</p> <p>The resolution on the amendment to the Rules of Procedures of remuneration committee of the Board</p> <p>The resolution on the amendment to the Rules of Procedures of audit committee of the Board</p> <p>The resolution on the authorization to the Board at general meetings to issue shares to specific targets under simplified procedures</p> <p>The resolution on the 2022 ESG report</p> <p>The resolution on date selection for convening 2022 annual general meeting, 2023 first A shareholders' class meeting and 2023 first H shareholders' class meeting</p>	Considered and approved

Corporate Governance Report

Session	Convening date	Meeting contents	Adoption
12th meeting of the fourth session of the Board	28 April 2023	The resolution on the first quarterly report for 2023 of the Company The resolution on the use of part of the self-owned funds for security investment The resolution on the use of part of the self-owned funds for entrusted wealth management The resolution on the annual financial budgets and investment plans for 2023	Considered and approved
13th meeting of the fourth session of the Board	5 July 2023	The resolution on the election of an independent non-executive Director of the fourth session of the Board of Directors of the Company The resolution on the appointment of Chief Risk Officer of the Company The resolution on convening 2023 second extraordinary general meeting	Considered and approved
14th meeting of the fourth session of the Board	21 July 2023	The resolution on the adjustment on the composition of members of special committees of the fourth session of the Board of Directors of the Company The resolution on the disestablishment of a branch and its inclusion within another Branch	Considered and approved
15th meeting of the fourth session of the Board	29 August 2023	The resolution on the Interim Report (A Shares) for 2023 and its summary of the Company The resolution on the Interim Results Announcement and the Interim Report (H Shares) for 2023 of the Company The resolution on net capital and other risk regulatory indicators report of the Company for the first half of 2023 The resolution on the Internal Review Reporting for the first half and the Internal Review Plan for the second half of 2023 of the Company	Considered and approved
16th meeting of the fourth session of the Board	27 October 2023	The resolution on the third quarterly report for 2023 of the Company The resolution on the establishment of the investment department of the Company	Considered and approved
17th meeting of the fourth session of the Board	27 November 2023	The resolution on the authorization to an executive Director/general manager of the Company to perform the duties of the acting legal representative	Considered and approved
18th meeting of the fourth session of the Board	28 December 2023	The resolution on the amendments to the Articles of Association of Holly Futures Co., Ltd. and its appendices The resolution on the appointment of Chief Risk Officer of the Company The resolution on the disestablishment of Haimen Branch, Liyang Branch and Zhangjiagang Free Trade Zone Branch	Considered and approved

Corporate Governance Report

- Objections from Independent Non-executive Directors to Relevant Issues of the Company**

Nil.

- 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 Jianqiu	5	5	0	0	32	32	Resigned on 9 October 2023
Chu Kairong	8	8	0	0	36	36	
Xue Binghai	8	8	0	0	37	37	Abstain from voting on resolutions regarding transactions with related parties
Jiang Lin	8	8	0	0	37	37	Abstain from voting on resolutions regarding transactions with related parties
Shan Bing	8	8	0	0	38	38	Resigned on 30 January 2024
Wang Yuetang	3	3	0	0	26	26	Resigned on 22 May 2023 and took effect on 21 July 2023
Huang Dechun	8	8	0	0	38	38	
Lo Wah Wai	8	8	0	0	38	38	
Zhang Hongfa	5	5	0	0	12	12	Appointed on 21 July 2023

Corporate Governance Report

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 Jianqiu	3	3	0	Resigned on 9 October 2023
Chu Kairong	3	3	0	
Xue Binghai	3	3	0	
Jiang Lin	3	3	0	
Shan Bing	3	3	0	Resigned on 30 January 2024
Wang Yuetang	3	3	0	Resigned on 22 May 2023 and took effect on 21 July 2023
Huang Dechun	3	3	0	
Lo Wah Wai	3	3	0	
Zhang Hongfa	0	0	0	Appointed on 21 July 2023

• **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 C.1.4 of the Corporate Governance Code.

For the year ended 31 December 2023, Mr. Chu Kairong, Mr. Xue Binghai, Mr. Jiang Lin, Mr. Huang Dechun, Mr. Lo Wah Wai and Mr. Zhang Hongfa participated in the training on the responsibilities of listed companies on the main board of the Hong Kong Stock Exchange conducted by DeHeng Law Offices (Hong Kong) LLP, and learned about recent law enforcement cases, updates to Listing Rules and other materials. All directors participated in the training on 2023 continuous supervision for the Company conducted by China Securities, and learned about information on regulation of listed companies and information disclosure, etc.

VI. Special committees of the Board and duty performance

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

As of the end of the Reporting Period and as of 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 of 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) Shan Bing Zhang Hongfa	Huang Dechun (chairman) Zhang Hongfa
Nomination Committee	Zhang Hongfa Huang Dechun	Zhang Hongfa Huang Dechun
Risk Management Committee	Zhang Hongfa (chairman) Chu Kairong Xue Binghai Jiang Lin	Zhang Hongfa (chairman) Chu Kairong Xue Binghai Jiang Lin
Strategic Committee	Xue Binghai Zhang Hongfa	Xue Binghai Zhang Hongfa

Corporate Governance Report

(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 D.3.3 and code provision D.3.7 of the Corporate Governance Code and are available on the websites of the Company and the Hong Kong Stock Exchange. The rules of procedures of the Audit Committee has been amended and approved on 29 March 2023.

The main duties of the Audit Committee include: proposing to the Board the appointment and replacement of external audit firms, approving the remuneration and terms of appointment of external auditors, supervising the implementation of the internal audit system and its implementation, liaising between the internal audit and external auditors, reviewing financial information and related disclosures, reviewing and supervising the internal control and risk management systems for financial monitoring of the Company; assessing the mechanism for reporting internal control or other improprieties by the Company’s employees, and the mechanism for conducting independent and impartial investigations into reported matters and taking appropriate action; and other duties conferred by the Board. As of 31 December 2023, 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 2023, the Board has no disagreement with the Audit Committee on the selection, appointment, designation or removal of the external auditor.

Corporate Governance Report

During the Reporting Period, the Audit Committee of the Board convened 4 meetings, the details of which were as follows:

Session	Convening date	Meeting contents	Adoption
22nd meeting of the Audit Committee	28 March 2023	<p>The resolution on the Annual Report (A Shares) for 2022 and its summary of the Company</p> <p>The resolution on the Annual Results Announcement and the Annual Report (H Shares) for 2022 of the Company</p> <p>The resolution on the 2022 final financial report</p> <p>The resolution on the self-assessment report of internal control for 2022</p> <p>The resolution on the 2022 Internal Review Reporting and the 2023 Internal Review Plan of the Company</p> <p>The resolution on the re-appointment of certified public accountants</p> <p>The resolution on the authorization to the Board at general meetings to issue shares to specific targets under simplified procedures</p> <p>The resolution on the amendment to the Rules of Procedures of audit committee of the Board</p>	Considered and approved
23rd meeting of the Audit Committee	27 April 2023	<p>The resolution on the first quarterly report for 2023 of the Company</p> <p>The resolution on the annual financial budgets and investment plans for 2023</p> <p>The resolution on the first quarterly Internal Review Reporting for 2023 of the Company</p>	Considered and approved
24th meeting of the Audit Committee	29 August 2023	<p>The resolution on the Interim Report (A Shares) for 2023 and its summary of the Company</p> <p>The resolution on the Interim Results Announcement and the Interim Report (H Shares) for 2023 of the Company</p> <p>The resolution on net capital and other risk regulatory indicators report of the Company for the first half of 2023</p> <p>The resolution on the Internal Review Reporting for the first half and the Internal Review Plan for the second half of 2023 of the Company</p>	Considered and approved
25th meeting of the Audit Committee	27 October 2023	<p>The resolution on the third quarterly report for 2023 of the Company</p> <p>The resolution on the Internal Review Reporting for the third quarter and the Internal Review Plan for the fourth quarter of 2023 of the Company</p>	Considered and approved

Corporate Governance Report

Attendance of the members of the Audit Committee of the Board at the meetings held during the Reporting Period:

Name	Position	Attendance in person/Number of meetings requiring attendance
Lo Wah Wai (chairman)	Independent non-executive Director	4/4
Xue Binghai	Non-executive Director	4/4
Huang Dechun	Independent non-executive Director	4/4

(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 E.1.2 of the Corporate Governance Code and are available on the websites of the Company and the Hong Kong Stock Exchange. The rules of procedures of the Remuneration Committee has been amended and approved on 29 March 2023.

The main duties of the Remuneration Committee include: studying, reviewing and making recommendations to the Board on the policy, structure and proposal concerning remuneration of Directors, supervisors and senior management of the Company, 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 2023, the Remuneration Committee comprises three members, including two independent non-executive Directors, namely Mr. Huang Dechun (chairman), Mr. Zhang Hongfa as well as one non-executive Director, Mr. Shan Bing. Mr. Shan Bing has tendered his resignation on 30 January 2024, and the Company will fill the vacancy as soon as possible.

Details of the Directors’ remuneration are set out in Note XII. (IV) to the financial statement of this Annual Report. The Remuneration Committee held two 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.

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During the Reporting Period, the Remuneration Committee of the Board convened 2 meetings, the details of which were as follows:

Session	Convening date	Meeting contents	Adoption
18th meeting of the Remuneration Committee	28 March 2023	The resolution on the remuneration package of the directors of the Company for 2022 The resolution on the remuneration package of the senior management of the Company for 2022 The resolution on the remuneration package of the supervisors of the Company for 2022 The resolution on the purchase of liability insurance for Directors, Supervisors and senior management The resolution on the evaluation results of the contractual reform of managerial staff under tenure system for 2021 and the compensation settlement The resolution on the amendment to the Rules of Procedures of remuneration committee of the Board	Considered and approved
19th meeting of the Remuneration Committee	5 July 2023	The resolution on confirming the annual remuneration package of Mr. Zhang Hongfa as an independent non-executive director of the fourth session of the Board	Considered and approved

Attendance of the members of the Remuneration Committee of the Board at the meetings held during the Reporting Period:

Name	Position	Attendance in person/ Number of meetings requiring attendance	Remarks
Huang Dechun (chairman)	Independent non-executive Director	2/2	
Wang Yuetang	Independent non-executive Director	2/2	Resigned on 22 May 2023 and took effect on 21 July 2023
Zhang Hongfa	Independent non-executive Director	0/0	
Shan Bing	Non-executive Director	2/2	Resigned on 30 January 2024

Corporate Governance Report

(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 B.3.1 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 include: reviewing the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and make recommendations to the Board regarding the Company’s business activities, corporate strategy, asset size and shareholding structure in light of the operating activities of the Company, 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 and re-appointment of the Directors, succession planning for Directors, and other duties conferred by the Board. As Ms. Zhou Jianqiu, the Chairlady and the chairlady of the Nomination Committee, resigned on 9 October 2023, as of 31 December 2023, the Nomination Committee comprises two members, including two independent non-executive Directors, namely Mr. Huang Dechun and Mr. Zhang Hongfa. The Company will fill the vacancy of the Nomination Committee as soon as possible.

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.

During the Reporting Period, upon review by the Nomination Committee of the Board on the biographical information and qualifications of the candidates of independent non-executive Director, the fourth session of the Board of the Company, as the nominator, nominated Mr. Zhang Hongfa as a candidate for election as an independent non-executive Director of the fourth session of the Board of the Company. The term of office of Mr. Zhang Hongfa shall commence on the date of election at the general meeting and expire on the date of conclusion of the fourth session of the Board.

According to articles 140 and 141 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.

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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.

During the Reporting Period, the Nomination Committee of the Board convened one meeting, the details of which were as follows:

Session	Convening date	Meeting contents	Adoption
15th meeting of the Nomination Committee	5 July 2023	The resolution on the election of an independent non-executive Director of the fourth session of the Board of Directors of the Company The resolution on the election of Chief Risk Officer of the Company	Considered and approved

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Attendance of the members of the Nomination Committee of the Board at the meetings held during the Reporting Period:

Name	Position	Attendance in person/ Number of meetings requiring attendance	Remarks
Zhou Jianqiu (chairlady)	Chairlady	1/1	Resigned on 9 October 2023
Wang Yuetang	Independent non-executive Director	1/1	Resigned on 22 May 2023 and took effect on 21 July 2023
Zhang Hongfa	Independent non-executive Director	0/0	Appointed on 21 July 2023
Huang Dechun	Independent non-executive Director	1/1	

(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 include: 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.

During the Reporting Period, Mr. Wang Yuetang, an independent non-executive Director, resigned on 22 May 2023 and took effect from 21 July 2023, and Mr. Zhang Hongfa, a new independent non-executive Director, was appointed as the chairman of the Risk Management Committee. As of 31 December 2023, the Risk Management Committee comprises four Directors, including an executive Director Mr. Chu Kairong, two non-executive Directors Mr. Xue Binghai and Mr. Jiang Lin and one independent non-executive Director Mr. Zhang Hongfa (chairman).

The Risk Management Committee held one meeting during the Reporting Period.

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During the Reporting Period, the Risk Management Committee of the Board convened one meeting, the details of which were as follows:

Session	Convening date	Meeting contents	Adoption
11th meeting of the Risk Management Committee	29 March 2023	The resolution on the special report of risk regulatory indicators for 2022 The resolution on the special report of risk regulatory indicators for 2022	Considered and approved

Attendance of the members of the Risk Management Committee of the Board at the meetings held during the Reporting Period:

Name	Position	Attendance in person/ Number of meetings requiring attendance	Remarks
Wang Yuetang (chairman)	Independent non-executive Director	1/1	
Zhang Hongfa (chairman)	Independent non-executive Director	0/0	Resigned on 22 May 2023 and took effect on 21 July 2023
Chu Kairong	Executive Director	1/1	
Xue Binghai	Non-executive Director	1/1	
Jiang Lin	Non-executive Director	1/1	

(5) Strategic Committee

Pursuant to the Board resolution passed on 27 October 2022, the Company has established the Strategic Committee (the “**Strategic Committee**”) with written terms of reference.

The main duties of the Strategy Committee include: understanding the domestic and international economic development, industry trends and national and industry policy directions; studying the Company’s long-term development strategy plans and development directions and proposing suggestions; evaluating the strategic planning, development objectives, business plans and implementation processes developed by the Company; studying major investment financing programs which are required to be approved by the Board as stated in the Articles of Association and proposing suggestion; studying material capital operation and assets operation projects which are required to be approved by the Board as stated in the Articles of Association and proposing suggestion; studying other important matters affecting the Company’s development and making a recommendation; inspecting the implementation of the above; and performing other duties authorized by the Board.

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During the Reporting Period, Ms. Zhou Jianqiu, the Chairlady and the chairlady of the Strategic Committee, resigned on 9 October 2023, Mr. Wang Yuetang, an independent non-executive Director, resigned on 22 May 2023 and took effect from 21 July 2023, and Mr. Zhang Hongfa, an independent non-executive Director, was appointed as a new member of the Strategic Committee. As of 31 December 2023, the Strategic Committee comprises two Directors, including the non-executive Director Mr. Xue Binghai and the independent non-executive Director Mr. Zhang Hongfa. The Company will fill the vacancy as soon as possible.

The Strategic Committee held one meeting during the Reporting Period.

During the Reporting Period, the Strategic Committee of the Board convened one meeting, the details of which were as follows:

Session	Convening date	Meeting contents	Adoption
1st meeting of the Strategic Committee	23 April 2023	The resolution on the use of part of the idle self-owned funds for security investment The resolution on the use of part of the idle self-owned funds for entrusted wealth management	Considered and approved

Attendance of the members of the Strategic Committee of the Board at the meetings held during the Reporting Period:

Name	Position	Attendance in person/ Number of meetings requiring attendance	Remarks
Zhou Jianqiu (chairlady)	Chairlady	1/1	Resigned on 9 October 2023
Xue Binghai	Non-executive Director	1/1	
Wang Yuetang	Independent non-executive Director	1/1	Resigned on 22 May 2023 and took effect on 21 July 2023
Zhang Hongfa	Independent non-executive Director	0/0	Appointed on 21 July 2023

VII. Chairlady/Chairman and General Manager

The Chairman is responsible for leading 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.

Code provision C.2.1 of the CG Code requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Ms. Zhou Jianqiu, the Chairlady, has resigned on 9 October 2023, and currently, Mr. Chu Kairong, an executive Director and general manager of the Company, serves as the acting Chairman. Currently, Mr. Chu Kairong also acts as the acting legal representative. The Board considers that the current role of Mr. Chu Kairong as the general manager and the acting Chairman is conducive to ensuring the continuity of leadership within the Group, which is conducive to the efficiency of the Group's overall strategic planning and business decision-making and implementation. As all major decisions are made after deliberation by members of the Board and relevant special committees and with independent advice from the independent non-executive Directors of the Board, the Board considers that there are sufficient safeguards to ensure that there is an adequate balance of power on the Board. The Board will keep the Group as a whole under review with a view to maintaining a higher standard of corporate governance practices.

VIII. 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 Rule 3.10 and Rule 3.10A of the Listing Rules in relation to appointment of at least three independent non-executive directors, and one of them is an independent non-executive Director who has appropriate professional qualifications or with appropriate accounting or related financial management expertise. 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.

During the Reporting Period, the Company made amendments to the "Independent Directors' Work System" in accordance with the "Measures for the Administrative of Independent Directors of Listed Companies" (《上市公司獨立董事管理辦法》), "the Self-regulatory Guideline No. 1 for Companies Listed on the Shenzhen Stock Exchange – the Standardized Operation of Main Board Listed Company (Revised in December 2023)" (《深圳證券交易所上市公司自律監管指引第1號—主板上市公司規範運作(2023年12月修訂)》) and other laws, regulations and normative documents, and the new working system for independent directors took effect on 28 December 2023. The amended system for independent directors clarifies the responsibilities and positioning of independent directors, optimizes the performance of independent directors, strengthens the management of independent directors' tenure, enhance protection for the fulfillment of independent directors' duties, and improves the accountability mechanism for independent directors, which will more effectively bring into play the decision-making, supervisory and consulting roles of the independent directors, and promote a better match between the powers and responsibilities of independent directors, more optimized functions, more powerful supervision, more scientific management on selection and election of independent directors, and ensure that independent directors play their proper roles.

During the Reporting Period, the independent non-executive Directors of the Company held 1 meeting with the Chairman of the Board to discuss the operation and development of the Company.

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

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

The Supervisory Committee performs its relevant duties according to relevant laws and regulations and the Articles of Association. The Supervisory Committee convened four meetings during the Reporting Period. For details of the meetings, please refer to Section III Corporate Governance – “Report of Supervisory Committee” of this report.

X. Other related matters

(1) Shareholders' right

The Company convened and held general meetings according to the Articles of Association and Rules of Procedures 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.

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(2) Compliance with Model Code

The Company has adopted the Model Code as set out in Appendix C3 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 2023, the Company appointed ShineWing Certified Public Accountants as its external audit firm for 2023 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 III Corporate Governance "Material Matters" – "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 financial statement of the Company for the year ended 31 December 2023.

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(6) Joint 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. Chan Yin Wah, an associate director of SWCS Corporate Services Group (Hong Kong) Limited, as the other joint company secretary of the Company to assist Mr. Huang Haiqing in fulfilling his duties as the Board secretary and a joint company secretary of the Company. The Company's main contact person is Mr. Huang Haiqing, the Board secretary and joint company secretary of the Company. For the year ended 31 December 2023, Mr. Huang Haiqing and Ms. Chan Yin Wah took 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.

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. For the procedures by which enquiries may be put to the board by shareholders and for them to putting forward proposals at general meetings, the procedures by which enquiries may be put to the Board by shareholders are as follows: shareholders may put their enquiries to the Board through the investor contact information set out in the section headed "Company Profile" of this Annual Report.

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's shareholder communications policy is designed to:

- (I) promote a positive relationship between the Company and investors and enhance investors' further understanding and familiarity with the Company;
- (II) build a stable and high-quality investor base and gain long-term support from the market;

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- (III) cultivate a corporate culture that serves investors, respects investors and holds investors;
- (IV) practice the investment philosophy of maximizing the overall interests of the Company while growing the wealth of shareholders; and
- (V) increase transparency in information disclosure of the Company and improve corporate governance.

Through the following initiatives, the Company confirms that it is now effectively implementing the Company's shareholder communications policy: the channels through which the Company communicates with its investors include, but are not limited to: the Company's official website of the Company, the Shenzhen Stock Exchange website and the investor relations interactive platform launched by Shenzhen Stock Exchange (hereinafter referred to as the EasyIR Platform), new media platforms, telephone, fax, e-mail, etc. Forms of communication may also encompass general meetings, performance briefings, roadshows, investor research activities, and securities analyst research activities.

The Company attaches great importance to the views and suggestions of its Shareholders, actively, proactively and regularly conducts various investor relations activities to maintain communication with its shareholders and meet their reasonable needs in a timely manner. The Company has been actively making use of the Investor Service Hotline and has set up the Investor Relations section on the Company's website www.ftol.com.cn, and all press releases, results announcements and other information relating to the Company are available on the Company's website. At the same time, the Company has formed good interaction and communication with its Shareholders by receiving investors for on-site investigation and research, etc. During the Reporting Period, the Company maintained the "Investor Relations" section of the Company's website and made its effort in answering questions from investors on the EasyIR Platform of the Shenzhen Stock Exchange. The Company also did a good job in the day-to-day investor consultation process, answering questions from investors in detail.

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.

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(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.

On 20 June 2023, the Company held its 2022 annual performance briefing meeting, for details, please refer to the Investor Relations Activities Record Sheet published by the Company on 21 June 2023.

(9) Board Diversity Policy

The Company has adopted the board diversity policy (the “**Board Diversity Policy**”) according to the Corporate Governance Code, which aims to set out the Company's approach to achieving diversity on the 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 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.

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As at the date of this Annual Report, the Board comprises six Directors, including three independent non-executive Directors. As a result of the resignation of Ms. Zhou Jianqiu, the Chairlady of the Company, on 9 October 2023, the Board of the Company is composed of all male members. The Board has set a target of electing a female as a Board member by no later than 31 December 2024. The Board will take opportunities to progressively increase the proportion of female members when nominating and electing eligible candidates to Directors. The Board will make reference to the recommended best practices for A shares and H shares to ensure an appropriate balance of gender diversity of the Board, so as to achieve the Group's long-term strategic goal of sustainable development.

The Board has also adopted the nomination policy (the “**Nomination Policy**”), which aims to set out the criteria and procedures to be followed in considering director candidates and re-appointing existing Directors of the Company. In the case of selection of director candidates, the Nomination Committee shall consider the candidates confirmed or selected in accordance with the nomination criteria through a meeting and, if appropriate, make recommendations to the Board. The Board shall consider and determine such appointments on the recommendation of the Nomination Committee. In the case of re-appointing existing Directors, the Nomination Committee shall review the overall contribution and services of the retiring Director to the Company and determine whether the retiring Director continues to meet the criteria set out in the Nomination Policy and, if appropriate, recommend the retiring Director to the Board for consideration and to shareholders for re-election at a general meeting. The following factors will be considered in assessing the appointment of the director candidates as and the re-appointment of existing Directors:

- contribution to the Board;
- reputation;
- the ability to commit sufficient time to perform the duties of a member of the Board;
- whether there is a potential conflict of interest for the Company; and
- whether the independence requirements of the Listing Rules are met in respect of the candidates who are independent non-executive directors.

During the Reporting Period, the Nomination Committee also reviewed the implementation and effectiveness of mechanisms to ensure that independent views and opinions are available to the Board. Having considered the following means, the Nomination Committee considers that the Company has maintained an effective mechanism to ensure that there is a strong and sufficient element of independence on the Board:

- there are three independent non-executive Directors on the Board (representing more than one-third of the Board), all of whom can continue to devote sufficient time to the Company;
- site visits have been arranged from time to time for the independent non-executive Directors to enhance their understanding of the old and new projects of the Company;

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- the Chairman/Chairlady has conducted annual meeting with all independent non-executive Directors without the presence of other Directors to provide an effective platform for the Chairman/Chairlady to receive independent advice on various issues of the Company; and
- independent professional advice is provided to the independent non-executive Directors at their reasonable request to assist them in discharging their duties to the Company.

The Nomination Committee held one meeting during the year, among others, to review the Board Diversity Policy and Nomination Policy and concluded that the said policies were still valid and appropriate for 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 2023, the total number of employees of the Company was 681, of which 314 or approximately 46.1% were female employees. The proportion of female among the Company's Directors, Supervisors and senior management is shown in the table below. The Company's ratio of male to female employees is basically balanced. The Company will continue to maintain a basically balanced ratio of male to female employees in order to achieve the gender diversity in its workforce. A separate ESG Report provides details of the Company's gender diversity principles, governance approach and initiatives.

Proportion of female among Directors, Supervisors and senior management			
	Director	Supervisor	Senior management
Proportion of female	0%	66.7%	33.3%

(11) Articles of Association

On 15 February 2023, the Company held the first extraordinary general meeting of 2023, and the amendment to the Articles of Association was considered and approved.

On 29 March 2023, with the revision and approval by the Board, the newly amended rules of procedure of the Audit Committee of the Board of Directors and the rules of procedure of the Remuneration Committee have come into effect on the same date. For details, please refer to the announcement of the Company dated 29 March 2023.

(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 Futures and Derivatives Law, 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, independence 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 II Operating Conditions – “Management Discussion and Analysis” – “IX. Constructing the Risk Management System of the Company” of this Report.

The Board acknowledges its responsibility for risk management and internal control systems and reviewing their effectiveness. The Board identifies and manages the major risks which may affect the performance of the Group as appropriate, and reviews and updates the system annually.

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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. The Audit and Legal Department formulates the internal audit plan on an annual basis and conducts internal audits in accordance with the requirements of the Company's relevant systems. By providing independent and objective supervision, evaluation and recommendations on the internal control, risk management, financial income and expenditure and related economic activities of the audited entity, the Company promotes the improvement of governance and the achievement of objectives. 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 2023 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.

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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 business development, 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.

(1) 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 supervision and guidance 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 Company regularly submits internal audit plans, work reports, etc. to the audit committee and the management at governance level for consideration. The Company has formulated the internal audit work plan, after which is reviewed in accordance with the requirements of relevant systems of the Company, it will carry out internal audit work and strengthen audit supervision.

Corporate Governance Report

The Company's internal audit department facilitates the Company to strengthen its internal control through standardized audit and supervision, instruct subsidiaries and branches to strengthen their financial management and internal control work, summarize the experience in corporate management with relevant departments of 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 performance of economic responsibility by internal management officers, internal control, risk management and financial management of the Company's business, subsidiaries and branches. 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 2023, 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, and improved audit methods. It 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 the 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 2023, 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 2023. 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 2023, 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.

(III) Whistleblowing and anti-corruption policy

1. The Company has established a top-down mechanism for working with integrity to establish an anti-corruption management system covering the Rules of Procedures for Meeting of the Board, the Rules of Procedures of the Supervisory Committee, the Financial Management System, the Regulations on Punishment for Non-Compliance by Employees of Holly Futures Co., Ltd. and the Practice Integrity Provisions Anti-fraud Management Rules of Holly Futures Co., Ltd.. To systematically eliminate the occurrence of corruption, misappropriation and embezzlement of the assets of the Company or its customers, it is stipulated in the Financial Management System that relevant certificates are audited and strictly examined by dedicated personnel to prevent misappropriation and embezzlement of funds and to eliminate illegal, corrupt and other criminal acts. The Company has entrusted the Human Resource Department, Discipline Inspection Department and the Audit and Legal Department with the corresponding departmental responsibilities, which is responsible for overseeing the implementation of various financial rules and systems by all departments and subordinate units, and investigating and dealing with acts of corruption and misappropriation of property, leakage of secrets and bribery, either alone or in conjunction with other relevant departments, so as to ensure the effective operation of the Company's integrity and employment work mechanism. If an employee has engaged in prohibited conduct, he/she is prohibited from acting as a Director, Supervisor and senior management of the Company. In addition to terminating the employment contract, the Company will also refer the problematic leads to the judicial authorities in accordance with the law.

Corporate Governance Report

2. Departments of the Company have established a parallel whistleblowing and complaint mechanism covering all business segments of the Company, realizing a dual-chain passage of internal control and external supervision and prevention. Complaints involving investors will be handled in accordance with the Rules for Handling Customer Complaints of the Company, clearing the customer complaint channel. After preliminary classification of the complaints, the complaints will be resolved through legal channels such as negotiation, mediation, arbitration and litigation in accordance with the handling process. For complaints reported within the Company, a distinction is made according to whether the subject of the report is a member of the Party, a cadre or a general employee. Depending on the nature of the identity of the subject of the report, the Company adopts a different mechanism for handling the report, with the disciplinary, compliance and legal departments taking the lead or forming a joint working group to investigate and handle the matter in accordance with the procedures stipulated in the system.

On this basis, the Company has established a mechanism for the protection of whistleblowing and complaint work, prohibiting any discrimination or retaliation, and prohibiting any obstruction, interference or hostile measures against the personnel involved in the investigation.

Report of Supervisory Committee

In 2023, 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 fourth session of the Supervisory Committee convened a total of four meetings for 2023, specifically:

Date	Session	Attendance	Agenda
29 March 2023	The sixth meeting of the fourth session of the Supervisory Committee	Yu Hong, Chen Liang, Zhang Lei	The resolution on the Annual Report (A Shares) for 2022 and its summary of the Company The resolution on the Annual Results Announcement and the Annual Report (H Shares) for 2022 of the Company The resolution on the 2022 Annual Working Report of the Supervisory Committee The resolution on the 2022 final financial report The resolution on the profit distribution plan of the Company for 2022 The resolution on the self-assessment report of internal control for 2022 The resolution on the special report of deposit and use of proceeds raised for 2022 The resolution on the remuneration package of the supervisors of the Company for 2022 The resolution on the purchase of liability insurance for Directors, Supervisors and senior management The resolution on the authorization to the Board at general meetings to issue shares to specific targets under simplified procedures
28 April 2023	The seventh meeting of the fourth session of the Supervisory Committee	Yu Hong, Chen Liang, Zhang Lei	The resolution on the first quarterly report for 2023 of the Company The resolution on the use of part of the self-owned funds for security investment The resolution on the use of part of the self-owned funds for entrusted wealth management The resolution on the annual financial budgets and investment plans for 2023
29 August 2023	The eighth meeting of the fourth session of the Supervisory Committee	Yu Hong, Chen Liang, Zhang Lei	The resolution on the Interim Report (A Shares) for 2023 and its summary of the Company The resolution on the Interim Results Announcement and the Interim Report (H Shares) for 2023 of the Company The resolution on net capital and other risk regulatory indicators report of the Company for the first half of 2023
27 October 2023	The ninth meeting of the fourth session of the Supervisory Committee	Yu Hong, Chen Liang, Zhang Lei	The resolution on the third quarterly report for 2023 of the Company

Report of Supervisory Committee

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

In the opinion of the Supervisory Committee:

1. In 2023, 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 Futures and Derivatives 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.
3. The Company strictly follows the relevant laws and regulations and the provisions of the Company's "Management System for Information Disclosure Affairs" and "Management System for Registration of Insiders of Inside Information", faithfully fulfils its information disclosure obligations, discloses information in a timely and fair manner, and ensures that the disclosure of information is true, accurate and complete, and that there is no false representation, misleading statement or material omission. The Company has conscientiously done a good job in the management of inside information as well as the registration of insiders of inside information, and standardised the information transmission process, Directors, Supervisors and senior management of the Company and other relevant insiders have also strictly complied with the relevant provisions, and has not found any case of a insider of the inside information making use of the inside information to trade shares of the Company.

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

In 2023, 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.

Report of Supervisory Committee

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 A Shares and H Shares Prospectus in the management of funds raised. The use of proceeds 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, 28 March 2024



04

Financial
Information

Auditor's Report

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

I. AUDIT OPINION

We have audited the financial statements of Holly Futures Co., Ltd. (Holly Futures), which comprise the consolidated and company balance sheets as at 31 December 2023, 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 2023, 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.

Auditor's Report

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 III.25 and Note V.39 to the financial statements, Holly Futures recorded fee income of RMB203,142,800 in 2023. Fee income is one of the Company's key performance indicators.</p> <p>Holly Futures's Fee income 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.

III. KEY AUDIT MATTERS *(Continued)*

2. Assessing financial instruments measured at fair value	
Key Audit Matter	How the matter was addressed in our audit
<p>As described in Note III.15, Notes V.5, 9, 10, 23 and Note X to the financial statements, as at 31 December 2023, out of the financial instruments of Holly Futures, financial assets and financial liabilities measured at fair value amounted to RMB441,752,300 and RMB75,599,200 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.

Auditor's Report

III. KEY AUDIT MATTERS *(Continued)*

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 "III.6 Accounting methods for business combination under common control and not under common control" and Note "III.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. OTHER INFORMATION

Management of Holly Futures ("Management") is responsible for the other information. The other information consists of the information included in the 2023 Annual Report of Holly Futures, other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

Auditor's Report

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

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

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

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

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

28 March 2024

Consolidated Balance Sheet

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	31-Dec-23	1-Jan-23
Assets:			
Monetary funds	V.1	4,840,823,714.33	6,348,666,153.74
Including: Futures margin deposits		4,426,745,702.71	6,026,696,688.51
Currency deposits receivable	V.2	3,354,606,892.26	2,054,665,070.53
Pledged deposits receivable	V.3	79,613,312.00	981,207,968.00
Advance to customers	V.4	26,718,486.91	5,953,971.21
Derivative financial assets	V.5	5,212,428.02	19,223,235.33
Settlement deposits receivable	V.6	20,000,000.00	20,000,000.00
Trade receivables			
Other receivables	V.7	32,744,189.68	45,557,381.12
Financial assets held under resale agreements	V.8	1,948,419.75	
Financial investment:			
Financial assets held for trading	V.9	434,686,764.24	558,851,538.15
Other equity instruments investment	V.10	1,853,110.00	
Inventories	V.11	64,018,473.68	
Long-term equity investments	V.12	8,252,558.04	8,252,386.71
Investment in futures membership	V.13		1,846,635.00
Investment properties	V.14	48,573,122.00	48,420,728.00
Fixed assets	V.15	317,738,489.85	324,646,521.40
Work in progress			
Right-of-use assets	V.16	23,023,154.19	22,154,853.76
Intangible assets	V.17	543,732.00	535,962.00
Goodwill			
Deferred tax assets	V.18	21,001,079.72	16,637,688.15
Other assets	V.19	31,719,217.22	27,308,606.63
Total assets		9,313,077,143.89	10,483,928,699.73

Consolidated Balance Sheet

(All amounts in RMB unless otherwise stated)

Item	Note	31-Dec-23	1-Jan-23
Liabilities:			
Short-term borrowings	V.20	49,782,862.90	
Currency deposits payable	V.21	6,779,281,113.85	7,092,720,613.41
Pledged deposits payable	V.22	61,590,912.00	981,207,968.00
Financial liabilities held for trading	V.23	61,534,340.24	86,445,401.37
Derivative financial liabilities	V.5	14,064,892.26	22,573,170.18
Financial assets sold under agreements to repurchase	V.24	56,687,229.99	35,197,232.68
Futures risk reserve	V.25	169,222,360.19	160,851,377.70
Futures investors protection funds payable	V.26	310,592.85	394,274.29
Employee benefits payable	V.27	2,303,860.56	2,882,801.23
Taxes payable	V.28	2,054,597.25	3,148,586.05
Trade Payable			
Contract liabilities	V.29	446,185.04	
Other payables	V.30	183,508,959.48	149,435,444.94
Long-term borrowings	V.31	61,142,766.81	89,174,605.23
Lease liabilities	V.32	23,653,164.97	22,573,315.47
Estimated liabilities			
Deferred income tax liabilities			
Other liabilities			
Total liabilities		7,465,583,838.39	8,646,604,790.55
Shareholders' equity			
Share capital	V.33	1,007,777,778.00	1,007,777,778.00
Other equity instruments investment			
Incl.: Preference shares			
Perpetual bond			
Capital reserve	V.34	598,402,999.72	598,402,999.72
Less: Treasury shares			
Other comprehensive income	V.35	6,646,700.10	4,268,800.09
Surplus reserve	V.36	71,425,437.16	70,228,670.53
General risk reserve	V.37	97,305,014.53	96,108,247.90
Retained earnings	V.38	65,935,375.99	60,537,412.94
Total equity attributable to owners of the parent company		1,847,493,305.50	1,837,323,909.18
Minority interests			
Total owners' equity		1,847,493,305.50	1,837,323,909.18
Total liabilities and shareholders' equity		9,313,077,143.89	10,483,928,699.73

Legal representative:

Chu Kairong (Acting)

Person in charge of accounting:

Chu Kairong

Person in charge of the accounting firm:

Chen Rongping

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-23	1-Jan-23
Assets:			
Monetary funds		4,245,495,946.24	6,071,853,272.01
Including: Futures margin deposits		4,200,559,202.31	5,914,339,091.99
Currency deposits receivable		3,070,565,462.38	1,986,377,918.29
Pledged deposits receivable		79,613,312.00	981,207,968.00
Advance to customers			
Derivative financial assets			
Settlement deposits receivable		20,000,000.00	20,000,000.00
Trade receivables			
Other receivables		12,361,486.75	22,464,271.03
Financial assets held under resale agreements			
Financial investment:			
Financial assets held for trading		315,078,096.14	433,016,584.46
Other equity instruments investment		1,400,000.00	
Inventories			
Long-term equity investments	XVI. 1	708,701,137.85	608,700,966.52
Investment in futures membership			1,400,000.00
Investment properties		48,573,122.00	48,420,728.00
Fixed assets		273,989,280.65	279,614,122.00
Work in progress			
Right-of-use assets		20,077,051.70	18,370,226.33
Intangible assets			
Goodwill			
Deferred tax assets			1,961,581.02
Other assets		22,930,022.11	25,435,796.37
Total assets		8,818,784,917.82	10,498,823,434.03

Balance Sheet of the Parent Company

(All amounts in RMB unless otherwise stated)

Item	Note	31-Dec-23	1-Jan-23
Liabilities:			
Short-term borrowings			
Currency deposits payable		6,535,431,368.09	7,276,989,317.85
Pledged deposits payable		79,613,312.00	981,207,968.00
Financial liabilities held for trading			
Derivative financial liabilities			
Financial assets sold under agreements to repurchase		52,106,000.53	31,188,220.04
Futures risk reserve		169,222,360.19	160,851,377.70
Futures investors protection funds payable		310,592.85	394,274.29
Employee benefits payable		1,715,882.76	1,909,766.03
Taxes payable		2,045,400.18	1,312,561.62
Trade Payable			
Contract liabilities			
Other payables		31,368,865.88	90,026,407.83
Long-term borrowings		50,860,140.05	74,324,912.29
Lease liabilities		20,667,289.56	18,794,178.16
Estimated liabilities			
Deferred income tax liabilities		1,651,630.41	
Other liabilities			
Total liabilities		6,944,992,842.50	8,636,998,983.81
Shareholders' equity			
Share capital		1,007,777,778.00	1,007,777,778.00
Other equity instruments investment			
Incl.: Preference shares			
Perpetual bond			
Capital reserve		592,000,959.53	592,000,959.53
Less: Treasury shares			
Other comprehensive income			41.21
Surplus reserve		71,425,437.16	70,228,670.53
General risk reserve		97,305,014.53	96,108,247.90
Retained earnings		105,282,886.10	95,708,753.05
Total equity attributed to owners		1,873,792,075.32	1,861,824,450.22
Total liabilities and shareholders' equity		8,818,784,917.82	10,498,823,434.03

Legal representative:

Chu Kairong (Acting)

Person in charge of accounting:

Chu Kairong

**Person in charge of the
accounting firm:**

Chen Rongping

Consolidated Income Statement

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	2023	2022
I. Total income from operation		1,943,218,118.09	1,527,746,679.22
Net fee and commission income	V.39	203,142,884.07	245,849,356.56
Including: Net fee income from brokerage operations		197,043,570.14	238,083,450.93
Net fee income from assets management operations		6,099,313.93	7,765,905.63
Net interest income	V.40	101,599,422.92	92,221,690.44
Including: interest income		102,847,251.36	92,903,109.73
Interest expense		1,247,828.44	681,419.29
Investment gain (loss denoted by "-")	V.41	-26,380,162.72	-39,449,269.72
Including: investment gain of associate and joint venture		212.54	1,216,288.13
Derecognised income of financial assets measured at amortised cost (loss denoted by "-")			
Other income	V.42	469,227.31	1,036,589.06
Gains on change in fair value (loss denoted by "-")	V.43	26,438,346.42	-19,733,135.96
Exchange gains (loss denoted by "-")	V.44	302,679.87	4,822,830.11
Income from other business activities	V.45	1,637,764,240.16	1,243,101,005.06
Asset disposal gain (loss denoted by "-")	V.46	-118,519.94	-102,386.33
II. Total operating expense		1,936,668,139.06	1,511,774,929.07
Futures risk reserve expenses	V.47	8,370,982.49	9,635,966.53
Taxes and surcharges	V.48	3,793,929.43	2,548,827.38
General and administrative expenses	V.49	289,501,592.55	242,448,508.88
Credit impairment loss	V.50	555,340.22	-3,014,282.88
Other assets impairment loss			
Other operating costs	V.51	1,634,446,294.37	1,260,155,909.16
III. Profit from operations (loss denoted by "-")		6,549,979.03	15,971,750.15
Add: Non-operating income	V.52	4,318,407.08	1,242,953.42
Less: Non-operating expenses	V.53	396,333.90	1,307,594.20
IV. Total profit (loss denoted by "-")		10,472,052.21	15,907,109.37
Less: Income tax expense	V.54	2,680,555.90	3,525,200.27
V. Net profit (loss denoted by "-")		7,791,496.31	12,381,909.10
(I) Classification by continuity of operations			
1. Net profit of operation on a going concern basis (Net loss denoted by "-")		7,791,496.31	12,381,909.10
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 "-")		7,791,496.31	12,381,909.10
2. Profit and loss of minority shareholders (Net loss denoted by "-")			

Consolidated Income Statement

(All amounts in RMB unless otherwise stated)

Item	Note	2023	2022
VI. Other comprehensive income, net of tax		2,377,900.01	11,653,968.54
Net comprehensive income after tax attributable to owners of the parent company		2,377,900.01	11,653,968.54
(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		2,377,900.01	11,653,968.54
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		-41.21	-29.18
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Credit impairment provisions for other debt investments			
5. Reserve for cash flow hedging			
6. Exchange rate differences of financial statements denominated in foreign currency		2,377,941.22	11,653,997.72
7. Others			
Net comprehensive income after tax attributable to minority shareholders			
VII. Total comprehensive income		10,169,396.32	24,035,877.64
Total comprehensive income attributable to owners of the parent company		10,169,396.32	24,035,877.64
Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share:			
(1) Basic earnings per share		0.0077	0.0132
(2) Diluted earning per share		0.0077	0.0132

Legal representative:

Chu Kairong (Acting)

Person in charge of accounting:

Chu Kairong

Person in charge of the accounting firm:

Chen Rongping

Income Statement of the Parent Company

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	2023	2022
I. Total income from operation		278,555,287.14	270,316,856.78
Net fee and commission income	XVI.2	176,178,890.39	207,113,682.51
Including: Net fee income from brokerage operations		167,888,252.81	197,392,831.34
Net fee income from assets management operations		6,592,588.10	9,172,085.90
Net interest income	XVI.3	90,812,031.85	90,060,204.63
Including: interest income		92,059,860.29	90,741,623.92
Interest expense		1,247,828.44	681,419.29
Investment gain (loss denoted by “-”)	XVI.4	-13,401,359.19	-15,591,904.77
Including: investment gain of associate and joint venture		212.54	1,216,288.13
Derecognised income of financial assets measured at amortised cost (loss denoted by “-”)			
Other income		463,394.06	1,028,630.85
Gains on change in fair value (loss denoted by “-”)	XVI.5	18,804,478.20	-17,548,036.91
Exchange gains (loss denoted by “-”)		275,214.37	4,664,384.72
Income from other business activities		5,536,998.78	690,623.94
Asset disposal gain (loss denoted by “-”)		-114,361.32	-100,728.19
II. Total operating expense		266,068,819.54	221,862,990.25
Futures risk reserve expenses		8,370,982.49	9,635,966.53
Taxes and surcharges		2,576,313.38	1,892,191.35
General and administrative expenses		251,967,069.67	210,548,127.22
Credit impairment loss		-3,965.43	-213,294.85
Other assets impairment loss			
Other operating costs		3,158,419.43	
III. Profit from operations (loss denoted by “-”)		12,486,467.60	48,453,866.53
Add: Non-operating income		4,084,611.88	844,854.94
Less: Non-operating expenses		396,333.90	1,307,594.20
IV. Total profit (loss denoted by “-”)		16,174,745.58	47,991,127.27
Less: Income tax expense		4,207,079.27	11,766,368.14
V. Net profit (loss denoted by “-”)		11,967,666.31	36,224,759.13
(I) Net profit of operation on a going concern basis (Net loss denoted by “-”)		11,967,666.31	36,224,759.13
(II) Net profit of operation on a terminated operation (Net loss denoted by “-”)			

Income Statement of the Parent Company

(All amounts in RMB unless otherwise stated)

Item	Note	2023	2022
VI. Other comprehensive income, net of tax		-41.21	-29.18
(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		-41.21	-29.18
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		-41.21	-29.18
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Credit impairment provisions for other debt investments			
5. Reserve for cash flow hedging			
6. Exchange rate differences of financial statements denominated in foreign currency			
7. Others			
VII. Total comprehensive income		11,967,625.10	36,224,729.95
VIII. Earnings per Share			
(I) Basic earnings per Share		0.0119	0.0385
(II) Diluted earnings per Share		0.0119	0.0385

Legal representative:

Chu Kairong (Acting)

Person in charge of accounting:

Chu Kairong

Person in charge of the accounting firm:

Chen Rongping

Consolidated Statement of Cash Flows

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	2023	2022
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,837,396,214.38	1,401,380,148.96
Cash received from interest, fees and commissions		337,506,752.98	396,594,953.36
Net decrease in currency deposits receivable and pledged deposits receivable			–
Net increase in currency deposits payable and pledged deposits payable			2,143,299,306.39
Net decrease in restricted monetary funds			3,999,919.73
Net decrease in term deposits with original maturity over three months			–
Cash received from other operating activities	V.55	184,840,047.44	218,160,081.13
Subtotal of cash inflows from operating activities		2,359,743,014.80	4,163,434,409.57
Cash paid for goods and services		1,903,298,871.62	1,413,767,703.26
Cash paid for interest, fee and commissions		525,926.05	406,322.56
Net increase in currency deposits receivable and pledged deposits receivable		398,083,217.87	338,582,679.10
Net decrease in currency deposits payable and pledged deposit payable		1,233,056,555.56	
Net decrease from disposal of financial assets relating to risk management business		10,196,016.30	7,717,257.05
Net increase in restricted monetary funds		2,254,666.81	
Cash paid to and for employees		182,103,435.43	178,094,228.49
Cash paid for general and administrative expenses		66,223,379.43	67,578,288.55
Payments of various taxes		34,886,587.93	62,816,527.36
Cash paid for other operating activities	V.55	146,265,229.55	169,384,466.60
Subtotal of cash outflows from operating activities		3,976,893,886.55	2,238,347,472.97
Net cash flow from operating activities		-1,617,150,871.75	1,925,086,936.60

Consolidated Statement of Cash Flows

(All amounts in RMB unless otherwise stated)

Item	Note	2023	2022
II. Cash flow from investing activities:			
Cash received from disposal of investments		15,752,091,820.68	6,034,708,063.72
Cash received from investment income		17,352,106.29	17,034,407.73
Cash received from disposal of associates			–
Cash received from dividend distribution from associates			–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		129,494.46	5,915.93
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		15,769,573,421.43	6,051,748,387.38
Cash paid for investment		15,619,177,984.80	5,833,440,625.37
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		28,492,454.11	69,373,731.92
Cash paid for investment on associates			
Other cash paid for relating to investing activities			
Subtotal of cash outflows from investing activities		15,647,670,438.91	5,902,814,357.29
Net cash flow from investing activities		121,902,982.52	148,934,030.09
III. Cash flow from financing activities:			
Cash received from introducing investment			174,183,931.20
Cash received from borrowings		79,509,286.82	50,000,000.00
Net cash received from sales of repurchase business		20,195,168.34	1,892,195.32
Other cash received relating to financing activities			–
Subtotal of cash inflows from financing activities		99,704,455.16	226,076,126.52
Cash paid for repayment of debts		57,745,054.82	77,970,968.00
Cash paid for distribution of dividend and profit or repayment of interest		33,832,459.85	5,984,768.20
Cash paid for repayment of principal and interest of lease liabilities		16,066,598.85	13,405,928.51
Net cash paid for sales of repurchase business			
Other cash paid relating to financial activities	V.55	1,849,056.60	8,897,420.61
Subtotal of cash outflows from financing activities		109,493,170.12	106,259,085.32
Net cash flow from financing activities		-9,788,714.96	119,817,041.20
IV. Effect of change in foreign exchange rate on cash and cash equivalent			
		1,035,545.34	16,422,634.98
V. Net increase in cash and cash equivalents			
		-1,504,001,058.85	2,210,260,642.87
Add: Opening balance of cash and cash equivalents		6,316,445,892.54	4,106,185,249.67
VI. Ending balance of cash and cash equivalents	V.55	4,812,444,833.69	6,316,445,892.54

Legal representative:

Chu Kairong (Acting)

Person in charge of accounting:

Chu Kairong

Person in charge of the accounting firm:

Chen Rongping

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	2023	2022
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services			
Cash received from interest, fees and commissions		302,927,303.23	351,928,729.87
Net decrease in currency deposits receivable and pledged deposits receivable			
Net increase in currency deposits payable and pledged deposits payable			2,078,681,941.79
Net decrease in restricted monetary funds			540,298.72
Net decrease in term deposits with original maturity over three months			
Cash received from other operating activities		50,941,203.09	54,501,514.78
Subtotal of cash inflows from operating activities		353,868,506.32	2,485,652,485.16
Cash paid for goods and services			
Cash paid for interest, fee and commissions		525,926.05	406,322.56
Net increase in currency deposits receivable and pledged deposits receivable		182,592,888.09	335,657,655.28
Net decrease in currency deposits payable and pledged deposit payable		1,643,152,605.76	
Net decrease from disposal of financial assets relating to risk management business			
Net increase in restricted monetary funds		3,080,489.26	
Cash paid to and for employees		160,098,244.67	161,244,918.84
Cash paid for general and administrative expenses		57,881,160.83	57,295,239.03
Payments of various taxes		24,621,570.23	55,728,412.82
Cash paid for other operating activities		49,363,182.76	54,778,405.82
Subtotal of cash outflows from operating activities		2,121,316,067.65	665,110,954.35
Net cash flow from operating activities		-1,767,447,561.33	1,820,541,530.81

Statement of Cash Flows of the Parent Company

(All amounts in RMB unless otherwise stated)

Item	Note	2023	2022
II. Cash flow from investing activities:			
Cash received from disposal of investments		15,736,343,429.88	5,962,744,387.03
Cash received from investment income		9,129,432.10	11,095,760.57
Cash received from disposal of associates			–
Cash received from dividend distribution from associates			–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		129,494.46	5,915.93
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		15,745,602,356.44	5,973,846,063.53
Cash paid for investment		15,620,997,277.44	5,766,219,488.30
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		28,176,969.64	67,399,119.91
Net cash paid for acquisition of subsidiaries and other business units		100,000,000.00	54,206,500.00
Other cash paid for relating to investing activities			
Subtotal of cash outflows from investing activities		15,749,174,247.08	5,887,825,108.21
Net cash flow from investing activities		-3,571,890.64	86,020,955.32
III. Cash flow from financing activities:			
Cash received from introducing investment			174,183,931.20
Cash received from borrowings			–
Net cash received from sales of repurchase business		20,870,779.96	
Other cash received relating to financing activities			
Subtotal of cash inflows from financing activities		20,870,779.96	174,183,931.20
Cash paid for repayment of debts		23,407,536.00	23,407,536.00
Cash paid for distribution of dividend and profit or repayment of interest		33,378,935.23	3,906,132.60
Cash paid for repayment of principal and interest of lease liabilities		14,832,782.19	11,496,563.89
Net cash paid for sales of repurchase business			2,116,817.32
Other cash paid relating to financial activities		1,849,056.60	8,897,420.61
Subtotal of cash outflows from financing activities		73,468,310.02	49,824,470.42
Net cash flow from financing activities		-52,597,530.06	124,359,460.78
IV. Effect of change in foreign exchange rate on cash and cash equivalent			
		275,214.37	4,664,384.72
V. Net increase in cash and cash equivalents			
		-1,823,341,767.66	2,035,586,331.63
Add: Opening balance of cash and cash equivalents		6,040,458,833.26	4,004,872,501.63
VI. Ending balance of cash and cash equivalents			
		4,217,117,065.60	6,040,458,833.26

Legal representative:

Chu Kairong (Acting)

Person in charge of accounting:

Chu Kairong

Person in charge of the accounting firm:

Chen Rongping

Consolidated Statement of Changes in Owners' Equity

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	2023									
	Equity attributable to owners of the parent company								Minority shareholders' equity	Total owners' equity
	Capital	Capital reserve	Less: Treasury shares	Other		Surplus reserves	General risk reserve	Retained earnings		
				comprehensive income	income					
I. Ending balance of last year	1,007,777,778.00	598,402,999.72	-	4,268,800.09	70,228,670.53	96,108,247.90	60,537,412.94		1,837,323,909.18	
Add: Changes in accounting policies							-		-	
Correction of previous error									-	
Business combination under common control										
Other										
II. Opening balance of the current year	1,007,777,778.00	598,402,999.72	-	4,268,800.09	70,228,670.53	96,108,247.90	60,537,412.94		1,837,323,909.18	
III. Increase/decrease of the current period										
(loss denoted by "-")	-	-	-	2,377,900.01	1,196,766.63	1,196,766.63	5,397,963.05		10,169,396.32	
(I) Total comprehensive income				2,377,900.01			7,791,496.31		10,169,396.32	
(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	-	-			1,196,766.63	1,196,766.63	-2,393,533.26		-	
1. Withdrawal of surplus reserve					1,196,766.63		-1,196,766.63		-	
2. Withdrawal of general risk provisions						1,196,766.63	-1,196,766.63		-	
3. Distribution to owners									-	
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	1,007,777,778.00	598,402,999.72	-	6,646,700.10	71,425,437.16	97,305,014.53	65,935,375.99		1,847,493,305.50	

Consolidated Statement of Changes in Owners' Equity

(All amounts in RMB unless otherwise stated)

Item	2022									
	Equity attributable to owners of the parent company								Minority shareholders' equity	Total owners' equity
	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	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	
Add: Changes in accounting policies									-	
Correction of previous error									-	
Business combination under common control									-	
Other									-	
II. Opening balance of the current year	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	
III. Increase/decrease of the current period										
(loss denoted by "-")	100,777,778.00	60,576,580.20	-	11,653,968.54	3,622,475.91	3,622,475.91	-25,096,376.06		155,156,902.50	
(I) Total comprehensive income				11,653,968.54			12,381,909.10		24,035,877.64	
(II) Owners' capital injected and reduced	100,777,778.00	60,576,580.20							161,354,358.20	
1. Ordinary shares invested by owners	100,777,778.00	60,576,580.20							161,354,358.20	
2. Capital invested by holders of other equity instruments									-	
3. Amounts of share-based payments included in owners' equity		-							-	
4. Others									-	
(III) Profit distribution	-	-			3,622,475.91	3,622,475.91	-37,478,285.16		-30,233,333.34	
1. Withdrawal of surplus reserve					3,622,475.91		-3,622,475.91		-	
2. Withdrawal of general risk provisions						3,622,475.91	-3,622,475.91		-	
3. Distribution to owners							-30,233,333.34		-30,233,333.34	
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	1,007,777,778.00	598,402,999.72	-	4,268,800.09	70,228,670.53	96,108,247.90	60,537,412.94		1,837,323,909.18	

Legal representative:

Chu Kairong (Acting)

Person in charge of accounting:

Chu Kairong

Person in charge of the accounting firm:

Chen Rongping

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	2023							
	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	1,007,777,778.00	592,000,959.53	-	41.21	70,228,670.53	96,108,247.90	95,708,753.05	1,861,824,450.22
Add: Changes in accounting policies							-	-
Correction of previous error								-
Other								
II. Opening balance of the current year	1,007,777,778.00	592,000,959.53	-	41.21	70,228,670.53	96,108,247.90	95,708,753.05	1,861,824,450.22
III. Increase/decrease of the current period (loss denoted by "-")	-	-	-	-41.21	1,196,766.63	1,196,766.63	9,574,133.05	11,967,625.10
(I) Total comprehensive income				-41.21			11,967,666.31	11,967,625.10
(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	-	-			1,196,766.63	1,196,766.63	-2,393,533.26	-
1. Withdrawal of surplus reserve					1,196,766.63		-1,196,766.63	-
2. Withdrawal of general risk provisions						1,196,766.63	-1,196,766.63	-
3. Distribution to owners								-
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	1,007,777,778.00	592,000,959.53	-	0.00	71,425,437.16	97,305,014.53	105,282,886.10	1,873,792,075.32

Statement of Changes in owners' Equity of the Parent Company

(All amounts in RMB unless otherwise stated)

Item	2022							
	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	531,424,379.33	-	70.39	66,606,194.62	92,485,771.99	96,962,279.08	1,694,478,695.41
Add: Changes in accounting policies								-
Correction of previous error								-
Other								-
II. Opening balance of the current year	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
III. Increase/decrease of the current period (loss denoted by "-")	100,777,778.00	60,576,580.20	-	-29.18	3,622,475.91	3,622,475.91	-1,253,526.03	167,345,754.81
(I) Total comprehensive income				-29.18			36,224,759.13	36,224,729.95
(II) Owners' capital injected and reduced	100,777,778.00	60,576,580.20						161,354,358.20
1. Ordinary shares invested by owners	100,777,778.00	60,576,580.20						161,354,358.20
2. Capital invested by holders of other equity instruments								-
3. Amounts of share-based payments included in owners' equity		-						-
4. Others								-
(III) Profit distribution	-	-			3,622,475.91	3,622,475.91	-37,478,285.16	-30,233,333.34
1. Withdrawal of surplus reserve					3,622,475.91		-3,622,475.91	-
2. Withdrawal of general risk provisions						3,622,475.91	-3,622,475.91	-
3. Distribution to owners							-30,233,333.34	-30,233,333.34
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	1,007,777,778.00	592,000,959.53	-	41.21	70,228,670.53	96,108,247.90	95,708,753.05	1,861,824,450.22

Legal representative:

Chu Kairong (Acting)

Person in charge of accounting:

Chu Kairong

Person in charge of the accounting firm:

Chen Rongping

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

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 Building 3, No. 399 Jiang Dong Zhong Road, Jianye District, Nanjing City. The Company has a registered capital of RMB1,008 million and legal representative of Zhou Jianqiu. Zhou Jianqiu has rendered her resignation as legal representative of the Company on 9 October 2023, and the duties are acted by Chu Kairong, an Executive Director/General Manager, the change of business registration for which has not been completed. 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.

On 31 December 2015, the overseas issued shares of the Company became listed on the Main Board of the Hong Kong Stock Exchange. On 5 August 2022, the Company issued RMB ordinary A shares, which have been listed on the Shenzhen Stock Exchange.

The Company is headquartered in Nanjing. As of 31 December 2023, it had a total of 6 sub-branches and 37 branches in the PRC.

The parent and ultimate holding company of the Company is Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司), a company established in the PRC.

The Company operates in the futures industry and is principally engaged in commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management and fund sales.

This financial report was approved by the Board of Directors of the Company on 28 March 2024. Pursuant to the Articles of Association, the financial statements will be submitted to the general meeting for consideration.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

II. Basis for preparation of financial statements

1. Basis of preparation

The financial statements of the Group have been prepared on the transactions and events actually occurred in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance and its application guidance, interpretations and other relevant provisions (collectively, the “Accounting Standards for Business Enterprises”), as well as the Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (2023 Revision) issued by the China Securities Regulatory Commission (“CSRC”) and the relevant disclosures required by the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

2. Going concern

The Group has performed an assessment on the going concern ability within the 12 months since 31 December 2023 and has not identified any event and condition causing material doubt about the going concern ability. These financial statements have been prepared on a going concern basis.

III. Significant accounting policies and accounting estimates

Specific accounting policies and accounting estimates indication: accounting policies and accounting estimates determined by the Group according to characteristics of actual operation including business combination (Notes III. 6 and 7), financial instruments (Note III. 15), depreciation of fixed assets, amortization of intangible assets (Note III.19, 20), revenue recognition and measurement (Note III. 25), fair value measurement (Note III. 30) etc.

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

These financial statements comply with the Accounting Standards for Business Enterprises, which reflect the financial position as at 31 December 2023, results of operation and cash flow for the year 2023 of the Company and the Group truly, accurately and completely.

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.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. Significant accounting policies and accounting estimates

(Continued)

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 III.10.

5. The determination methods and selection basis of materiality standards

The Group adheres to the principle of materiality in the preparation and disclosure of its financial statements. The matters disclosed in the notes to these financial statements that involve the judgment of materiality standards and their determination methods and selection basis are as follows:

Matters disclosed that involve judgements of materiality standards	Location of the disclosure of such matter in the notes to these financial statements	Determination methods and selection basis of materiality standards
Significant receivables after a single bad debt provision	V.7	Amounts exceeding RMB10 million
Significant Investment Activities	V.55	The Company determines cash flows from investing activities where the individual amount exceeds 5% of the total assets as material cash flows from investing activities
Material contingent matters/ subsequent matters/ other material matters	XIII, XIV, XV	Amounts exceeding RMB10 million and accounting for more than 10% of the absolute value of the most recent audited net assets of the listed company

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. Significant accounting policies and accounting estimates

(Continued)

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

(1) *Business combination under common control*

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

The assets and liabilities acquired by the Group, as the combining party, from the business combination under common control should be measured based on the book value in the ultimate controller's consolidated statements of the combined party on the combination date. The difference between the book value of the net assets acquired and that of the paid combination consideration shall be used to adjust the capital surplus. Where the capital surplus is insufficient for offset, retained earnings shall be adjusted.

(2) *Business combination not under common control*

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

The identifiable assets, liabilities and contingent liabilities acquired by the Group as the purchaser from the acquiree in the business combination not under common control are measured at fair value on the acquisition date. Positive balance between the combination cost and the fair value of the identifiable net assets of the acquiree obtained by the Group on the acquisition date shall be recognized as goodwill; if the combination cost is less than the fair value of the identifiable net assets of the acquiree obtained, the fair value of various identifiable assets, liabilities and contingent liabilities obtained in the business combination and the combination cost shall be re-checked first. If the rechecked combination cost is still less than the fair value of identifiable net assets of the acquiree obtained, the balance shall be included in current non-operating revenue.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. Significant accounting policies and accounting estimates

(Continued)

7. Judgmental criteria for control and preparation method of consolidated financial statements

The scope of the Group's consolidated financial statements is based on control and the consolidated financial statements cover the Company and all of its subsidiaries (including structured entities controlled by the business, etc.). The criterion for the Group to judge a control exists is that the Group 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.

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.

The impact of internal transactions between the Company and its subsidiaries and among the subsidiaries on the consolidated financial statements is eliminated on consolidation. The share of the owner's equity of a subsidiary not attributable to the parent company and the current net profit or loss, other comprehensive income and the share of the total comprehensive income attributable to the non-controlling interests shall be listed as "non-controlling interests", "profit and loss of minority shareholders" and "other comprehensive income attributable to minority shareholders" and "total comprehensive Income attributable to minority shareholders" in the consolidated financial statements.

8. Classification of joint arrangements and accounting treatment method for joint operations

The Group's joint arrangements include joint operations and joint ventures entities. Joint operations refers to the arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint venture arrangement whereby the parties that have joint control have rights to the net assets of the joint arrangement.

For joint operations, the Group, as the joint operator of the joint operations, recognises assets and liabilities solely held and liabilities assumed by the Group, recognises assets and liabilities jointly owned proportionally, and recognises income and expenses solely or proportionally based on the related agreements. When the Company incurs asset transactions of purchase and sales not constituting to business transactions, the Company only recognises the portion of profit or loss generated due to the transaction attributable to other parties of the joint operations.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. Significant accounting policies and accounting estimates

(Continued)

9. Cash and cash equivalents

Cash shown in the cash flow statement of the Group refers to both cash on hand and the deposit held in bank available for payment at any time. Cash equivalent in the cash flow statement are held less than 3 months, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

10. Foreign currency transactions and foreign currency translation

(1) Foreign currency transactions

Foreign currency transactions are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currencies at the rates of exchange prevailing at the balance sheet date. All differences are taken to profit or loss, except when they are attributable to the foreign currency borrowings that are specifically for the purpose of acquisition, construction or production of qualifying assets and are accordingly capitalized.

(2) Translation of financial statements denominated in foreign currency

Financial statements of foreign operations are translated into RMB for the preparation of consolidated financial statements. Assets and liabilities items in the balance sheet denominated in foreign currency are translated at the spot exchange rate prevailing at the balance sheet date. The owners' equity items, except for the "undistributed profits", are translated at the spot exchange rate when business occurs. Income and expenses items in the income statement are translated at the spot exchange rates or an exchange rate that approximates the spot exchange rates on the transaction dates. The translation differences arising from the above translation in statements denominated in foreign currency are presented in other comprehensive income item. Cash flows dominated in foreign currency are translated using the weighted average exchange rate at the date when the cash flow occurs. Effects on cash arising from the change of exchange rate are presented separately in the cash flow statement.

11. 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.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. Significant accounting policies and accounting estimates

(Continued)

12. 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.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. Significant accounting policies and accounting estimates

(Continued)

13. 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

14. 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.

15. Financial instruments

(1) Recognition and derecognition of financial instruments

The Group recognizes a financial asset or a financial liability when it becomes a party to a financial instrument contract.

A financial asset (or part of a financial asset, or part of a group of similar financial assets) is derecognized, that is to be written off from its accounts and balance sheet, when the following conditions are met: 1) the rights to receive the cash flows from the financial asset have expired; 2) the rights to receive the cash flows from the financial asset have been transferred or an obligation to pay the collected cash flows in full and on a timely basis to third parties has been assumed under a “pass-through agreement; and either substantially all of the risks and rewards of ownership of the financial asset have been transferred or, although neither transferred nor retained substantially all of the risks and rewards of ownership of the financial asset, control over the financial asset has been waived.

A financial liability is derecognized if the obligation under the financial liability has been fulfilled, cancelled or expired. If an existing financial liability is replaced by another from the same creditor on substantially different terms, or the terms of an existing liability are substantially modified in its entirety, such replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference being recognized in profit or loss.

Regular way purchases and sales of financial assets are recognized and derecognized using the trade date accounting.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

15. Financial instruments *(Continued)*

(2) *Classification and measurement of financial assets*

The Group's financial assets are classified at initial recognition as financial assets measured at amortized cost, financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVTPL") based on the business model in which the financial assets are managed and their contractual cash flow characteristics. All affected financial assets are reclassified when, and only if, the Group changes its business model for managing financial assets.

Financial assets are measured at fair value on initial recognition, except for accounts receivable or notes receivable arising from the sale of goods or provision of services, etc., which do not contain significant financing components or do not take into account financing components that have been in existence for not more than one year, which are initially measured at the transaction price.

For financial assets at fair value through profit or loss, any related directly attributable transaction costs are charged profit or loss; for other categories of financial assets, any related directly attributable transaction costs are included in their initial costs.

The subsequent measurement of financial assets is determined by their classification:

1) *Financial assets measured at amortized cost*

Financial assets that meet both of the following conditions are classified as financial assets at amortized cost: ① the purpose of the 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. The Group's financial assets in this category mainly include: monetary funds, currency deposits receivable, trade receivables and other receivables.

2) *Investments in debt instruments at fair value through other comprehensive income*

Financial assets that meet the following conditions are classified as financial assets at FVOCI: ① the purpose of the 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. Interest income is recognized using the effective interest method for such financial assets. Except for interest income, impairment losses and exchange difference which are recognized in profit or loss for the current period, the remaining changes in fair value are included in other comprehensive income. When a financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred out of other comprehensive income and recognized in profit or loss for the current period. The Group's financial assets in this category mainly include: trade receivables financing.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

15. Financial instruments *(Continued)*

(2) *Classification and measurement of financial assets (Continued)*

3) *Investments in equity instruments at fair value through other comprehensive income*

The Group has irrevocably elected to designate certain investments in equity instruments not held for trading as financial assets at fair value through other comprehensive income, and the designation, once made, cannot be revoked. The Group recognizes only the related dividend income (except for dividend income that is explicitly recognized as part of the cost of the investment being recovered) in profit or loss for the current period. Subsequent changes in fair value are recognized in other comprehensive income and no provision for impairment is required. When a financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred out of other comprehensive income and recognized in retained earnings. The Group's financial assets in this category mainly include: other equity instruments investment.

4) *Financial assets at fair value through profit or loss*

Financial assets other than those classified as financial assets at amortized cost and those classified or designated as financial assets at fair value through other comprehensive income as described above are classified by the Group as financial assets at fair value through profit or loss. Financial assets in this category are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss for the current period, except for those relating to hedge accounting. The Group's financial assets in this category mainly include: financial assets held for trading.

(3) *Classification, recognition basis and measurement of financial liabilities*

The Group's financial liabilities are classified at initial recognition as: financial liabilities at fair value through profit or loss and financial liabilities at amortized cost. For financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss, and for financial liabilities at amortized cost, any related directly attributable transaction costs are included in their initial costs.

The subsequent measurement of financial liabilities is determined by their classification:

1) *Financial liabilities measured at amortized cost*

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

15. Financial instruments *(Continued)*

(3) *Classification, recognition basis and measurement of financial liabilities (Continued)*

2) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss (including derivatives which fall under financial liabilities) include financial liabilities held for trading and those designated on initial recognition as at fair value through profit or loss. Financial liabilities held for trading (including derivatives which fall under financial liabilities) are subsequently measured at fair value, with all changes in fair value recognized in profit or loss. Financial liabilities designated as at fair value through profit or loss are subsequently measured at fair value, with all changes in fair value recognized in profit or loss, except for changes in fair value attributable to changes in the Group's own credit risk, which are recognized in other comprehensive income; if recognition of changes in fair value attributable to changes in the Group's own credit risk in other comprehensive income would cause or enlarge an accounting mismatch in profit or loss, the Group recognizes all changes in fair value, including the amount of the effect of changes in its own credit risk, in profit or loss.

(4) *Impairment of financial instruments*

On the basis of expected credit losses, the Group performs the impairment treatment and recognizes the provision for impairment losses on 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 following elements are reflected in the Group's consideration of method of measuring expected credit loss: (i) an unbiased probability-weighted average amount determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) 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.

The Group assesses the expected credit losses of financial instruments on an individual basis and a collective basis. When the assessment is performed on a collective basis, the Group categorizes financial instruments into different groups based on shared credit risk characteristics. The shared credit risk characteristics adopted by the Group include: type of financial instruments, credit risk ratings, past due status, ageing of receivables, etc.

The Group's assessment of the impairment of financial instruments using the expected credit loss model requires making significant judgments and estimates, taking into account all reasonable and reliable information, including forward-looking information. In making these judgments and estimates, the Group extrapolates expected changes in the debtor's credit risk based on historical repayment data combined with industry risk and other factors. The different estimates may impact the impairment assessment, and the provision for impairment may also not be representative of the actual impairment loss in the future.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

15. Financial instruments *(Continued)*

(4) *Impairment of financial instruments (Continued)*

1) *Impairment of financial assets*

The Group recognises provisions based on expected credit losses for financial assets measured at amortised cost and investments in debt instruments at fair value through other comprehensive income.

The Group recognizes expected credit losses by calculating the probability-weighted amount of the present value of the difference between the cash flows receivable under a contract and the cash flows expected to be received, taking into account reasonable and reliable information about past events, current conditions, projected future economic conditions and others, weighted by the risk of default.

At each balance sheet date, the Group measures expected credit losses separately for financial instruments in different stages. For financial instruments with no significant increase in credit risk since initial recognition, which are at stage 1, the Group measures the loss allowances on the basis of expected credit loss in the next 12 months; for financial instruments with a significant increase in credit risk since initial recognition, but not yet impaired, which are at stage 2, the Group measures the loss allowances on the basis of expected credit loss for lifetime of the instrument; for financial instruments that have been impaired since initial recognition, which are at stage 3, the Group measures the loss allowances on the basis of expected credit loss for lifetime of the instrument.

For financial instruments with lower credit risk at the balance sheet date, the Group measures the loss allowances on the basis of expected credit losses in the next 12 months, assuming that there has been no significant increase in credit risk since initial recognition.

The Group calculates interest income on financial instruments at stages 1 and stage 2 and with lower credit risk, based on their carrying amounts before provision for impairment and effective interest rates. For financial instruments at stage 3, interest income is calculated on the basis of the amortized cost with provision for impairment deducted from their carrying amount and effective interest rate.

Expected credit losses are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition, and the increase or reversal of the loss provision resulting therefrom is recognised as an impairment gain or loss in profit or loss.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

15. Financial instruments *(Continued)*

(4) *Impairment of financial instruments (Continued)*

2) *Impairment of accounts receivable*

For account receivables from basis trading business, whether it contains significant financing components, the Group always adopts the simplified approach and measures its loss provisions in accordance with the amount of expected credit losses for the full lifetime period, and the increase or reversal of the loss provision resulting therefrom is recognised as an impairment gain or loss in profit or loss.

For expected credit losses measured on portfolio basis, the proportion of loss provision for the expected credit losses is estimated based on the portfolio of ageing credit risk characteristics.

The basis to determine the portfolio

The portfolio of risk	Grouped by ageing of accounts receivable of various natures as a credit risk
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Accrual method for provision for bad debts by portfolio

The portfolio of risk	Taking into account various natures of amounts and with reference to historical credit loss experience, current situation and forecasts of economic conditions, compiling the comparison table between aging and lifetime expected credit loss rates of accounts receivable, to calculate the expected credit loss.
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Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

15. Financial instruments *(Continued)*

(4) *Impairment of financial instruments (Continued)*

3) *Grouping of other receivables and basis of determination*

For other receivables, the Group is unable to obtain sufficient evidence of significant increase in credit risk at a reasonable cost at the level of individual instruments, and it is feasible to assess whether there is a significant increase in credit risk on a portfolio basis. Therefore, the Group groups other receivables according to the type of financial instruments, credit risk ratings, dates of initial recognition, and remaining contractual maturity as the shared risk characteristics and considers and assesses whether there is a significant increase in credit risk on a portfolio basis.

To measure expected credit losses on a portfolio basis, the Group estimates the provision ratio of credit losses in accordance with the corresponding ageing credit risk characteristics portfolio.

Basis for determining the portfolio

Risk Portfolio	Grouped by ageing of other receivables of various natures as a credit risk characteristic
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Provision for bad debts by portfolio

Risk Portfolio	Taking into account various natures of amounts and with reference to historical credit loss experience, current situation and forecasts of economic conditions, compiling the comparison table between aging and lifetime expected credit loss rates of other receivables, to calculate the expected credit loss.
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The Group groups other receivables categorized into risk portfolios based on similar credit risk characteristics (aging) and on all reasonable and reliable information, including forward-looking information.

Other receivables arising from non-operating, low-risk businesses are individually impaired based on the nature of the business.

For other receivables with collateralized pledges, the original value less the recoverable value of the collateral is used as an risk exposure to estimate credit losses.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

15. Financial instruments *(Continued)*

(5) *Basis of Recognition and Measurement of Transfers of Financial Assets*

For a transaction involving the transfer of a financial asset, if substantially all of the risks and rewards of ownership of the financial asset has been transferred, the Group derecognizes the financial asset; if it has retained substantially all of the risks and rewards of ownership of the financial asset, the financial asset will not be derecognized; if it has neither transferred nor retained substantially all of the risks and rewards of ownership of the financial asset, but control over the financial asset has been waived, the Group would derecognize the financial asset and recognize the resulting assets and liabilities; where control over the financial asset has not been waived, the Group would recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize the related liability accordingly.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the carrying amount of the financial asset transferred at the date of derecognition and the sum of the consideration received from the transfer and, any cumulative changes of fair value that have been recognized directly in other comprehensive income for the part derecognized (the financial asset transferred meets the following conditions: 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) is recognized in profit or loss for the current period.

Where a partial transfer of a financial asset meets the criteria for derecognition, the overall carrying amount of the financial asset transferred is allocated between the derecognized portion and the non-derecognized portion in accordance with their respective relative fair values, and the difference between the sum of the consideration received from the transfer and, any cumulative changes of fair value that have been recognized directly in other comprehensive income for the part derecognized which shall be allocated to the derecognized portion (the financial asset transferred meet the following conditions: 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) and the apportioned overall carrying amount of the aforementioned financial assets is recognized in profit or loss for the current period.

When a continuing involvement is recognized by means of a financial guarantee over the transferred financial assets, assets resulting from the continuing involvement are recognized at the lower of the carrying amount of the financial assets and the amount of the financial guarantee. The amount of the financial guarantee is the maximum amount of consideration received that will be required to be repaid.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

15. Financial instruments *(Continued)*

(6) *Derivative financial instruments*

Derivative financial instruments are initially measured at fair value at the date the derivative contract is entered into and are subsequently measured at their fair value. Derivative financial instruments with a positive fair value are recognized as an asset and those with a negative fair value are recognized as a liability.

Gains or losses arising from changes in the fair value of derivatives are recognized directly in profit or loss for the period.

(7) *Offsetting of financial assets and financial liabilities*

Financial assets and financial liabilities are presented separately by the Group 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 recognized amounts; ② the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

16. Inventory

The Group's inventories mainly include spot commodities.

Inventories are initially measured at cost. Cost of inventories comprises costs of purchase, processing cost and other costs. Inventories are maintained on a perpetual basis. The actual cost of inventories is determined using the first-in first-out method when the inventories are claimed or issued.

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 for the current period.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Long-term equity investments

The Group's long-term equity investments include investments in subsidiaries, investments in associates and equity investments in joint ventures.

(1) *Judgement on significant influence, common control*

The Group's judgment on common control is based on the fact that all participants or groups of participants collectively control the arrangement and the policies for the activities related to the arrangement must be agreed upon by those participants who collectively control the arrangement.

The Group is generally considered to have significant influence over an investee when it owns, directly or indirectly through subsidiaries, more than 20% but less than 50% of the investee's voting rights. If the Group owns less than 20% of the investee's voting rights, the Group's significant influence over the investee should be determined by taking into account the facts and circumstances, such as representation on the investee's board of directors or similarly empowered body, participation in the investee's financial and operating policy making process, significant transactions with the investee, dispatch of management personnel to the investee, or provision of critical technical information to the investee.

(2) *Accounting method*

The Group initially measures long-term equity investments acquired at initial investment cost.

The initial investment cost of long-term equity investment acquired through business combination involving entities under common control is the share of the carrying amount of the net assets of the party to be combined at the combination date in the consolidated statements of the ultimate controlling party; where the carrying amount of the net assets of the party to be combined at the combination date is negative, the initial investment cost is determined as nil.

The initial investment cost of long-term equity investment acquired through business combination involving entities not under common control is the combination cost, which includes the sum of the fair value of assets paid, liabilities incurred or assumed, and equity securities issued by the purchaser.

The initial investment cost of long-term equity investments acquired other than through business combination is the purchase price actually paid and the fees, taxes and other necessary expenditures directly related to the acquisition of the long-term equity investments. For long-term equity investments acquired through issue of equity securities, the fair value of the equity securities issued is treated as their investment cost.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Long-term equity investments *(Continued)*

(2) *Accounting method (Continued)*

The Company's investments in subsidiaries are accounted for under the cost method in the separate financial statements. Under the cost method, long-term equity investments are carried at initial investment cost. When additional investments are made, the carrying value of the cost of long-term equity investments is increased by the fair value of costs paid for the additional investment and related transaction costs incurred. Cash dividends or profits declared by the investee are recognized as investment income in the amount to which they are attributable.

The Group's investments in joint ventures and associates are accounted for using the equity method. Under the equity method, if the initial investment cost of a long-term equity investment is greater than the share of fair value of the investee's identifiable net assets at the time of investment, no adjustment is made to the carrying amount of the long-term equity investment; if the initial investment cost of a long-term equity investment is less than the share of fair value of the investee's identifiable net assets at the time of investment, the difference is adjusted to the carrying amount of the long-term equity investment and included in profit or loss for the period in which the investment is acquired.

For long-term equity investments accounted for using the equity method for subsequent measurement, the carrying amount of the long-term equity investment is increased or decreased in accordance with the owners' equity changes of the investee during the period in which the investment is held. In recognizing the share of net profit or loss of the investee, the fair value of each identifiable asset of the investee at the time of investment acquisition is used as the basis for calculating the portion attributable to the Group in proportion with unrealized internal transaction gains and losses arising from transactions with associates and joint ventures that do not constitute a business being offset, in accordance with the Group's accounting policies and accounting period (recognize in full if the internal transaction losses falls into impaired losses of assets), adjustment to net profit of the investee is made before recognition. The Group recognizes net losses incurred by the investee to the extent that the carrying amount of the long-term equity investment and other long-term interests that in substance form part of the Group's net investment in the investee are written down to zero, except to the extent that the Group has an obligation to assume additional losses.

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(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Long-term equity investments *(Continued)*

(2) *Accounting method (Continued)*

The difference between the carrying value and the actual acquisition price of the long-term equity investments disposed of is recognized as investment income for the current period.

If a long-term equity investment accounted for by the equity method is included in the owners' equity due to changes in owners' equity of the investee other than net profit or loss, the portion of the investment that was previously included in owners' equity is transferred to the investment income or loss for the current period in proportion on disposal of the investment.

If joint control or significant influence over the investee is lost due to the disposal of a portion of equity investment, the remaining equity after the disposal is accounted for in accordance with the relevant provisions of financial instrument recognition and measurement standards, with the difference between the fair value and the carrying amount of the remaining equity at the date of the loss of joint control or significant influence recognized in profit or loss for the current period. Other comprehensive income recognized originally as a result of the accounting of an equity investment using equity method is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee when the accounting using equity method is discontinued.

If control over the investee is lost due to the disposal of a portion of long-term equity investment, and the remaining equity after the disposal can exercise joint control or significant influence over the investee, the investment shall be accounted for under equity method, with the difference between the carrying amount of the equity disposed of and the consideration for the disposal recognized in investment income, and the remaining equity shall be adjusted as if it were accounted for using equity-method since its acquisition; if the remaining equity after the disposal cannot exercise joint control or significant influence over the investee, it is accounted for in accordance with the relevant provisions of financial instrument recognition and measurement standards, with the difference between the carrying amount of the equity disposed of and the consideration for the disposal recognized in investment income, and the difference between the fair value and the carrying amount of the remaining equity at the date of the loss of control recognized in investment income or loss for the current period.

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From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

18. Investment properties

The Group's investment properties are properties held for earning rentals or for capital appreciation, or both, and are measured by fair value model.

There is an active real estate trading market for the Group's investment properties, and the Group is able to obtain market prices and related information for similar properties from the market and is able to make reasonable estimates of the fair value of investment properties on an ongoing basis; therefore, the Group has elected to subsequently measure investment properties at fair value.

19. Fixed assets

Fixed assets represent the tangible assets held by the Group for use in production, provision of services, rental or for administrative purposes with a useful life of over one year and their unit value is over RMB2,000.

Fixed assets are recognised when it is probable that the economic benefits associated with them will flow to the Group and their cost can be measured reliably. The Group's fixed assets include plants and buildings, electronic equipment, transportation equipment and office equipment, etc.

The Group depreciates all fixed assets, except for fully depreciated fixed assets that continue to be used and land that is separately recorded in the accounts. Depreciation is provided using the average life method. The categorized depreciable lives, estimated net residual values and depreciation rates of the Group's fixed assets are as follows:

Fixed assets	Useful life	Residual value rate	Depreciation rate
Plants and buildings	10–33 years	5%	2.88%-9.5%
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%

The Group reviews the estimated useful lives, estimated net residual values and depreciation methods of fixed assets at the end of each year and treats changes, if any, as changes in accounting estimates.

Notes to the financial statements

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(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

20. Intangible assets

The Group's intangible assets, including software and customer relationship, are measured at actual cost at the time of acquisition, of which, acquired intangible assets are measured at actual cost based on the price actually paid and related other expenses. The actual cost of intangible assets invested by investors shall be determined at the value agreed in the investment contract or agreement, but if the agreed value in the contract or agreement is not fair, the actual cost shall be determined at fair value. The intangible asset, which is owned by the acquiree in a combination under different control but is not confirmed in the financial statement, shall be confirmed as intangible asset at its fair value upon the initial recognition on the acquiree's assets.

(1) *Useful life and the basis for its determination, estimation, amortisation method or review procedure*

Land use rights are amortised equally over their useful lives from the commencement date of the grant; application software is amortised equally over the shortest of the estimated useful life, the contractually stipulated beneficial life and the legally stipulated effective life. The amortised amount is included in the cost of the related assets and in profit or loss according to the beneficiary. The estimated useful lives and amortisation methods of intangible assets with finite useful lives are reviewed at the end of each year, and any changes are treated as changes in accounting estimates.

As a result of the review, the useful lives and amortisation methods of intangible assets at the end of the Reporting Period have not changed from the previous estimates.

(2) *Scope of research and development expenditure and related accounting treatment*

The scope of the Group's research and development expenditure includes employee benefits of research and development personnel, direct input costs, depreciation and other expenses.

The Company treats information and related preparatory activities for further development activities as the research phase. Expenditures on intangible assets during the research phase are charged to profit or loss as incurred. Development activities that are carried out after the Company has completed the research phase are classified as the development phase. Expenditures during the development phase can be recognised as intangible assets when the following conditions are met: ① the technical feasibility of completing the intangible asset so that it will be available for use or sale; ② its intention to complete the intangible asset and use or sell it; ③ how the intangible asset will generate probable future economic benefits, among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; ④ the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; ⑤ its ability to measure reliably the expenditure attributable to the intangible asset during the development phase.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

21. Impairment of long-term assets

The Group examines long-term equity investments, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful life and operating lease assets at each balance sheet date, and performs impairment tests when there is an indication of impairment. Goodwill and intangible assets with indefinite useful life are tested for impairment at the end of each year, regardless of whether there is an indication of impairment.

(1) *Impairment of non-current assets other than financial assets (excluding goodwill)*

The Group determines the recoverable amount of an asset based on the higher of the asset's net fair value less costs of disposal and the present value of the asset's expected future cash flows when performing an impairment test. If, after impairment testing, the carrying amount of the asset exceeds its recoverable amount, the difference is recognised as an impairment loss.

The Group estimates the recoverable amount of an asset on an individual basis. Where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of an asset group is determined on the basis of the asset group to which the asset belongs. The identification of an asset group is based on whether the major cash inflows generated from the asset group are independent of those from other assets or asset groups.

Fair value, net of disposal costs, is determined by reference to an agreed price for the sale of a similar asset in an arm's length transaction or an observable market price, less incremental costs that are directly attributable to the disposal of the asset. When estimating the present value of future cash flows, management must estimate the expected future cash flows of the asset or group of assets and select an appropriate discount rate to determine the present value of the future cash flows.

(2) *Impairment of goodwill*

The Group allocates the carrying amount of goodwill arising from a business combination to the relevant asset group in a reasonable manner from the date of acquisition, or to the combination of asset groups if it is difficult to allocate the goodwill to the relevant asset group. When testing for impairment of the relevant asset group or combination of asset groups that contains goodwill, if there is any indication of impairment for the asset group or combination of asset groups related to goodwill, the asset group or combination of asset groups that does not contain goodwill is first tested for impairment, the recoverable amount is calculated and compared with the relevant carrying amount, and the corresponding impairment loss is recognised; and then the asset group or combination of asset groups that contains goodwill is tested for impairment, and the carrying amount is compared with their recoverable amount. If the recoverable amount is lower than the carrying amount, the amount of the impairment loss shall first be offset against the carrying amount of goodwill allocated to the asset group or combination of asset groups, and then against the carrying amount of each other asset proportionally according to the proportion of the carrying amount of each other asset other than goodwill in the asset group or combination of asset groups.

Impairment losses on the above assets, once recognised, are not reversed in subsequent accounting periods.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

22. Employee benefits

The employee benefits of the Group includes short-term benefits, post-employment benefits and termination benefits.

Short-term benefits mainly include employee wages, bonuses, social insurance premiums and housing provident funds paid for employees, union funds withdrawn in accordance with the regulations, education funds and welfare expenses for employees. Short-term benefits actually incurred during the accounting period in which the employee provide services are recognised as liabilities and included in the profit or loss or the cost of the related assets in accordance with the beneficiary.

Post-employment benefits, mainly comprising basic endowment insurance premiums, unemployment insurance and enterprise pensions, are classified as defined contribution plans in accordance with the risks and obligations assumed by the Company. For defined contribution plans, contributions made to a separate entity at the balance sheet date in exchange for services rendered by employees during the accounting period are recognised as a liability and included in profit or loss or in the cost of the related assets according to the beneficiary. 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.

When the Group cannot unilaterally withdraw the dismissal welfare provided due to the labor relationship termination plan or the redundancy offer, or when the costs or expenses (whichever is earlier) related to reorganization concerning the dismissal welfare payment are recognized, the liabilities of the employee compensation arising from dismissal welfare shall be recognized and included in profit or loss. Compensation payments made in excess of one year are discounted and recognised in profit or loss.

23. 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 Zi [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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

23. Futures risk reserve *(Continued)*

(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.

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 recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers. The following are the details of the accounting policies regarding revenue from the Group’s principal activities:

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

25. Revenue *(Continued)*

(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 by the Group on the basis of the amount of exchange reimbursement reductions received when the settlement of exchange funds is completed.

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 sales of goods on gross basis as it is the principal that controls the goods before they are sold and is liable for storage, damage and loss of goods, assumes the price fluctuation risks of goods and promises to provide the specified goods under the terms of the contract.

The Group recognises income from advisory services according to the performance progress of advisory services.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

26. Government grants

Government grants are recognised when the conditions attaching to them can be met and when they are receivable. Government grants that are monetary assets are measured at the actual amount received, or at the amount receivable if the grant is provided at a fixed rate or there is conclusive evidence at the end of the year that the conditions set out in the financial support policy have been complied with and the grant is expected to be received; government grants that are non-monetary assets are measured at fair value, or at the nominal amount (RMB1) if the fair value is not reliably obtainable.

The Group's government grants include asset-related government grants and revenue-related government grants. Among them, asset-related government grants refer to government grants obtained by the Group for the purpose of acquiring or otherwise forming long-term assets; revenue-related government grants refer to government grants other than asset-related government grants. If the targets of the grants are not specified in the government documents, the Group makes judgement in accordance with the above principles of differentiation, and if it is difficult to differentiate them, they are categorised as revenue-related government grants as a whole.

Government grants relating to assets acquired by the Group are recognised as deferred income and phased into profit or loss on an equal basis over the useful life of the related assets.

If the related assets are sold, transferred, retired or damaged before the end of their useful life, the unallocated balance of the related deferred income is transferred to profit or loss in the period in which the assets are disposed of.

If a government grant related to income acquired by the Company is to compensate the related cost, expenses or losses to be incurred in subsequent periods, it is recognized as deferred income, and is recognized in profit or loss for the period when the related cost, expenses or losses incurred. If a government grant is related to the ordinary activities, it is included in other income or offsets relevant cost and expenses based on the economic substance of the business. Government grants not related to the ordinary activities are included in non-operating income or expenses.

27. General risk reserve

The Company appropriates 10% of its net profit for the current period to the general risk reserve in accordance with the Rules on the Accounting by Financial Enterprises and the Implementation Guidance of Rules on the Accounting by Financial Enterprises.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

28. Deferred tax assets and deferred tax liabilities

The Group's deferred tax assets and deferred tax liabilities are recognised on the basis of differences between the tax bases of assets and liabilities and their carrying amounts, as well as (temporary differences) arising from differences between the tax bases of items that are not recognised as assets and liabilities but whose tax bases can be determined in accordance with the provisions of the tax law.

Deferred tax assets are recognized for deductible losses and tax credits that can be offset against taxable income in subsequent years in accordance with the provisions of the tax law as if they were temporary differences. For temporary differences arising from the initial recognition of goodwill, no corresponding deferred tax liabilities are recognized. For temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that affect neither accounting profit nor taxable income (or deductible losses), the corresponding deferred tax assets and deferred tax liabilities are not recognized. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is recovered or the liability is settled.

The Group recognizes deferred income tax assets to the extent that it is probable that future taxable income will be available against which deductible temporary differences, deductible losses and tax credits can be utilized.

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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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.

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.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

29. Lease *(Continued)*

1) *The Group as a lessee (Continued)*

The Group depreciates the right-of-use assets using the straight-line method. If it is reasonably certain that the lease will transfer ownership of the underlying asset to the lessee by the end of the lease term, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses are recognised in accordance with the accounting policy described in Note III.21.

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.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

29. Lease *(Continued)*

2) *The Group as a lessor*

Properties held by the Group as a lessor to earn rentals and for capital appreciation are accounted as investment properties.

During each period of the lease term, the Group uses the straight-line method to recognise the lease payments from operating leases as rental income.

30. Fair value measurement

The Group measures financial assets held for trading, investment properties, derivative financial instruments at fair value at each balance sheet date. 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.

For financial instruments traded in active markets, the Group determines its fair value with its active market quotation; for financial instruments that are not traded in active markets, the Group uses valuation techniques to determine their fair values. The valuation models used are mainly cash flow discount models.

Level 3 fair value is based on the Group's valuation models, such as discounted cash flows, Bloomberg OVML function, Black-Scholes PDE, Clark Nielsen finite difference method for solving partial differential equations, Valuation of underlying financial instruments and contract allocation method. The Group also considers the original transaction price, recent transactions of the same or similar instruments and completed third-party transactions in comparable instruments.

At each balance sheet date, the Group reassesses the assets and liabilities recognised in the financial statements that have been measured at fair value on a continuous basis to determine whether there has been a transition between fair value measurement levels.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

31. Segment reporting

Reportable segments are identified based on the structure of the Group's internal organisation, management requirements and internal reporting system. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Reportable segments are identified based on operating segment taking into consideration of the materiality principle.

In preparing segment reports, the Group measures the revenue from inter-segment transactions based on the actual transaction price. The accounting policies adopted for the preparation of segment reports are consistent with those adopted for the preparation of the Group's financial statements.

32. Significant accounting estimates and judgments

The preparation of the financial statements requires management of the Group to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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.

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.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

32. Significant accounting estimates and judgments *(Continued)*

(1) *Provision for impairment of financial assets (Continued)*

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.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

32. 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.

33. Significant changes in accounting policies and accounting estimates

(1) *Significant changes in accounting policies*

Changes in accounting policies arising from changes in ASBEs

The MOF issued the Interpretation of Accounting Standards for Business Enterprises No.16 (Cai Kuai [2022] No.31, the "Interpretation No.16") on 30 November 2022, among which, "Accounting treatment that the exemption of initial recognition shall not apply to the deferred income tax relating to assets and liabilities arising from a single transaction" took effect from 1 January 2023.

The Company implemented this provision of Interpretation No.16 on 1 January 2023 and the implementation of Interpretation No.16 had no impact on the Company's financial statements.

(2) *Significant changes in accounting estimates*

Nil

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

IV. Taxation

1. 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%
Property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12%	1.2%, 12%

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%.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements

Unless otherwise stated, in respect of the following data disclosed in the financial statements, “beginning of the year”, “end of the year”, “the year” and “last year” refer to 1 January 2023, 31 December 2023, 1 January 2023 to 31 December 2023, and 1 January 2022 to 31 December 2022, respectively, while the currency unit is RMB yuan.

1. Monetary funds

Item	Closing balance	Opening balance
Cash		
Bank deposit	4,801,790,844.06	6,226,000,243.63
Incl.: Futures margin	4,426,745,702.71	6,026,696,688.51
Own funds	375,045,141.35	199,303,555.12
Other monetary funds	13,981,221.48	91,518,213.95
Accrued interest on monetary funds	25,051,648.79	31,147,696.16
Total	4,840,823,714.33	6,348,666,153.74
Incl.: Total amount deposited overseas	318,376,918.01	212,073,061.56

(1) Futures margin deposit breakdown

Item	Closing balance	Opening balance
CITIC Bank	1,781,787,053.62	1,641,737,333.30
Minsheng Bank	652,052,687.10	1,002,716,318.51
Industrial Bank Co., Ltd	490,228,883.87	355,889,793.46
SPD Bank	100,500,255.05	980,427,016.13
Bank of Communications	530,066,254.86	232,686,326.14
China Guangfa Bank	1,332,588.21	385,816.19
Bank of China	89,226,470.24	81,242,122.61
Agricultural Bank of China	867,637.75	1,554,521,626.16
China Construction Bank	778,547.09	6,385,809.20
China Merchants Bank	100,467,745.25	6,168,207.97
ICBC	7,113,733.43	13,659,975.74
Ping An Bank	641,941,091.19	145,813,017.03
China Everbright Bank	30,382,054.12	5,062,612.82
HSBC	700.93	713.25
Total	4,426,745,702.71	6,026,696,688.51

(2) Use of restricted funds

See Note V.57.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements *(Continued)*

2. Currency deposits receivable

(1) By exchange/clearer

Item	Closing balance	Opening balance
Shanghai Futures Exchange	741,912,018.17	228,120,232.44
Dalian Commodity Exchange	591,825,087.77	422,598,170.31
Zhengzhou Commodity Exchange	625,846,425.84	584,716,058.68
China Financial Futures Exchange	760,999,082.04	571,590,270.69
China Securities Depository and Clearing Corporation Limited	121,309,944.34	106,353,948.02
Shanghai International Energy Exchange	119,164,843.10	41,354,277.79
Guangzhou Futures Exchange	109,508,061.12	31,644,960.36
R.J.O' Brien & Associates LLC		699,278.77
PHILLIP FUTURES PTE LTD	54,960,458.15	15,165,647.12
Phillip Commodities (HK) Limited	4,994,614.72	6,455,946.14
Marex Financial	129,381,241.08	17,378,180.64
G.H. Financials (Hong Kong) Limited	90,468,325.36	28,280,131.35
PHILLIP SECURITIES PTE LTD	1,706,326.61	30,971.06
Phillip Securities Ltd	18,624.30	28,763.86
Hong Kong Exchanges and Clearing Limited	3,939,183.53	938,002.51
Subtotal	3,356,034,236.13	2,055,354,839.74
Less: Provision for impairment	1,427,343.87	689,769.21
Total	3,354,606,892.26	2,054,665,070.53

(2) By category

Item	Closing balance	Opening balance
Settlement reserve	592,395,041.26	325,732,190.49
Trading margin	2,478,170,421.12	1,660,645,727.80
Offshore futures brokers	285,468,773.75	68,976,921.45
Subtotal	3,356,034,236.13	2,055,354,839.74
Less: Provision for impairment	1,427,343.87	689,769.21
Total	3,354,606,892.26	2,054,665,070.53

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements *(Continued)*

3. Pledges deposits receivable

(1) Exchanges breakdown

Item	Closing balance	Opening balance
Shanghai Futures Exchange	61,590,912.00	779,930,288.00
Dalian Commodity Exchange	18,022,400.00	161,125,680.00
Shanghai International Energy Exchange		40,152,000.00
Total	79,613,312.00	981,207,968.00

(2) Pledges breakdown

Category	Market value at the end of year	Discount rate	Amount at the end of year
Shanghai Futures Exchange Incl.: Shanghai Silver	76,988,640.00	80%	61,590,912.00
Dalian Commodity Exchange Incl.: PVC	22,528,000.00	80%	18,022,400.00
Total	99,516,640.00		79,613,312.00

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements *(Continued)*

3. Pledges deposits receivable *(Continued)*

(2) Pledges breakdown *(Continued)*

Category	Market value at the beginning of year	Discount rate	Amount at the beginning of year
Shanghai Futures Exchange			
Incl.: 2021 Book-entry Interest-bearing T-bond (12th Tranche)	30,066,000.00	80%	24,052,800.00
2020 Book-entry Interest-bearing T-bond (5th Tranche)	49,550,000.00	80%	39,640,000.00
2020 Book-entry Interest-bearing T-bond (14th Tranche)	50,285,000.00	80%	40,228,000.00
2021 Book-entry Interest-bearing T-bond (15th Tranche)	50,135,000.00	80%	40,108,000.00
2022 Book-entry Interest-bearing T-bond (7th Tranche)	49,695,000.00	80%	39,756,000.00
2020 Book-entry Interest-bearing T-bond (13th Tranche)	40,644,000.00	80%	32,515,200.00
2020 Book-entry Interest-bearing T-bond (17th Tranche)	443,029,000.00	80%	354,423,200.00
Shanghai Copper	33,090,000.00	80%	26,472,000.00
Shanghai Tin	2,922,360.00	80%	2,337,888.00
2017 Book-entry Interest-bearing T-bond (4th Tranche)	31,050,000.00	80%	24,840,000.00
2021 Book-entry Interest-bearing T-bond (11th Tranche)	102,889,500.00	80%	82,311,600.00
2021 Book-entry Interest-bearing T-bond (2nd Tranche)	91,557,000.00	80%	73,245,600.00
Shanghai International Energy Exchange			
Incl.: 2021 Book-entry Interest-bearing T-bond (11th Tranche)	50,190,000.00	80%	40,152,000.00
Dalian Commodity Exchange			
Incl.: 2016 Book-entry Interest-bearing T-bond (10th Tranche)	101,374,500.00	80%	81,099,600.00
2020 Book-entry Interest-bearing T-bond (3rd Tranche)	100,032,600.00	80%	80,026,080.00
Total	1,226,509,960.00	80%	981,207,968.00

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements *(Continued)*

4. Advance to customers

(1) *Category of advance to customers*

Item	Closing balance	Opening balance
Domestic		
Incl.: Individual		
Institutional		
Less: Provision for impairment		
Subtotal of book value		
Overseas	26,852,750.66	6,014,112.34
Incl.: Individual	10,563,258.11	1,926,442.29
Institutional	16,289,492.55	4,087,670.04
Less: Provision for impairment	134,263.75	60,141.13
Subtotal of book value	26,718,486.91	5,953,971.21
Total	26,718,486.91	5,953,971.21

(2) *Collateral information*

Fair value of collaterals provided by customers to the Company for margin financing and securities lending business:

Item	Closing balance	Opening balance
Stock	91,097,674.88	82,575,118.78
Total	91,097,674.88	82,575,118.78

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements *(Continued)*

4. Advance to customers *(Continued)*

(3) Provision for impairment

	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss for future 12 months	Expected credit loss for the lifetime (No credit Impairment)	Expected credit loss for the lifetime (Credit impaired)	
Balance as at 1 January 2023	60,141.13			60,141.13
Other receivables as at 1 January 2023	-	-	-	-
Book balance for the year				
- transfer to Stage 2				
- transfer to Stage 3				
- back to Stage 2				
- back to Stage 1				
Provision in the current year	74,122.62			74,122.62
Reversal in the current year				
Write-off in the current year				
Cancellation in the current year				
Other changes				
Balance as at 31 December 2023	134,263.75			134,263.75

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements *(Continued)*

5. Derivative financial instruments

Item	Nominal amount	Closing balance	
		Fair value	
		Assets	Liabilities
Commodity derivative financial instruments			
Incl.: Futures contracts	2,186,376,444.00	47,756,813.91	44,080,410.20
Option contracts	2,363,260,879.14	5,212,428.02	14,064,892.26
Total	4,549,637,323.14	52,969,241.93	58,145,302.46
Less: Settlement amount		47,756,813.91	44,080,410.20
Net amount		5,212,428.02	14,064,892.26

Item	Nominal amount	Opening balance	
		Fair value	
		Assets	Liabilities
Commodity derivative financial instruments			
Incl.: Futures contracts	1,787,597,053.11	103,337,735.70	111,024,470.58
Option contracts	1,059,821,746.74	19,223,235.33	22,573,170.18
Total	2,847,418,799.85	122,560,971.03	133,597,640.76
Less: Settlement amount		103,337,735.70	111,024,470.58
Net amount		19,223,235.33	22,573,170.18

6. Settlement currency deposits receivable

Item	Closing balance	Opening balance
China Financial Futures Exchange	20,000,000.00	20,000,000.00
Total	20,000,000.00	20,000,000.00

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements *(Continued)*

7. Other receivables

Item	Closing balance	Opening balance
Interest receivables		
Dividend receivables		
Other receivables	32,744,189.68	45,557,381.12
Total	32,744,189.68	45,557,381.12

7.1 Other receivables

(1) Other receivables by category

Category	Closing book balance	Opening book balance
Refundable payment for PTA spot transactions	10,000,644.61	10,713,048.00
Dividends and redemptions receivable from funds and asset management plans	635,799.24	18,651,131.86
Securities settlement accounts receivable	9,625,473.20	8,147,335.09
OTC option margin receivable	9,520,213.07	5,868,816.88
Deposit	4,971,076.64	4,466,565.74
Others	7,864,053.48	7,823,247.48
Total	42,617,260.24	55,670,145.05

(2) Other receivables by aging

Aging	Closing book balance	Opening book balance
Within 1 year (Inclusive)	28,723,250.71	38,705,564.24
1 to 2 years	682,544.65	1,742,068.67
2 to 3 years	846,600.99	11,943,855.56
Over 3 years	12,364,863.89	3,278,656.58
Total	42,617,260.24	55,670,145.05

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

7. Other receivables (Continued)

7.1 Other receivables (Continued)

(3) Provision for bad debts on other receivables

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
After a single bad debt provision	10,000,644.61	23.47	9,106,090.80	91.06	894,553.81
After a combination of bad debt provisions	32,616,615.63	76.53	766,979.76	2.35	31,849,635.87
Combination: Liquidation combination	10,261,272.44	24.08			10,261,272.44
Margin and deposit	14,491,289.71	34.00	144,912.91	1.00	14,346,376.80
Other combination	7,864,053.48	18.45	622,066.85	7.91	7,241,986.63
Total	42,617,260.24	100.00	9,873,070.56	23.17	32,744,189.68

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
After a single bad debt provision	10,713,048.00	19.24	9,106,090.80	85.00	1,606,957.20
After a combination of bad debt provisions	44,957,097.05	80.76	1,006,673.13	2.24	43,950,423.92
Combination: Liquidation combination	26,679,788.99	47.92	26,679,788.99		26,679,788.99
Margin and deposit	10,335,382.62	18.57	516,769.13	5.00	9,818,613.49
Other combination	7,941,925.44	14.27	489,904.00	6.17	7,452,021.44
Total	55,670,145.05	100.00	10,112,763.93	18.17	45,557,381.12

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

7. Other receivables (Continued)

7.1 Other receivables (Continued)

(3) Provision for bad debts on other receivables (Continued)

1) Other receivables after a single bad debt provision

Debtor	Closing balance			Reason
	Booking balance	Bad debt provision	Provision ratio (%)	
Hanbang (Jiangyin) Petrochemical Co., Ltd. (漢邦(江陰)石化有限公司)	10,000,644.61	9,106,090.80	91.06	Not fully recoverable due to improper operation
Total	10,000,644.61	9,106,090.80	-	-

2) Other receivables after a combination of bad debt provisions

Debtor	Closing balance		
	Booking balance	Bad debt provision	Provision ratio (%)
Within 1 year (Inclusive)	28,723,250.71	475,387.71	1.66
1 to 2 years	682,544.65	24,546.38	3.60
2 to 3 years	846,600.99	46,261.25	5.46
Over 3 years	2,364,219.28	220,784.42	9.34
Total	32,616,615.63	766,979.76	-

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements *(Continued)*

7. Other receivables *(Continued)*

7.1 Other receivables *(Continued)*

(3) Provision for bad debts on other receivables *(Continued)*

3) Other receivables after a bad debts provision under general model of expected credit losses

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss for future 12 months	Expected credit loss for lifetime (No credit impairment)	Expected credit loss for lifetime (Credit impaired)	
Balance as at 1 January 2023	961,390.57	45,282.56	9,106,090.80	10,112,763.93
Other receivables as at 1 January 2023	-	-	-	-
Book balance for the period				
- transfer to Stage 2	-224,510.55	224,510.55		
- transfer to Stage 3				
- back to Stage 2				
- back to Stage 1				
Provision in the current year	-190,684.68	-49,008.69		-239,693.37
Reversal in the current year				
Charged in the current year				
Write-off in the current year				
Other changes				
Balance as at 31 December 2023	546,195.34	220,784.42	9,106,090.80	9,873,070.56

(4) Provision, recovery or reversal for bad debts on other receivables

Category	Opening balance	Change for the year				Closing balance
		Provision	Recovery or reversal	Amounts charged or written off	Others	
Other receivables	10,112,763.93	-239,693.37				9,873,070.56
Total	10,112,763.93	-239,693.37				9,873,070.56

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

7. Other receivables (Continued)

7.1 Other receivables (Continued)

(5) Other receivables actually written-off in the year

No other receivables were actually written-off in the year.

(6) Top five other receivables categorized by debtors

Name	Category	Closing book balance	Aging	Proportion to closing balance of other receivables as at the end of the year (%)	Closing balance of bad debt provision
Hanbang (Jiangyin) Petrochemical Co., Ltd. (漢邦(江陰)石化有限公司)	Refundable payment for PTA spot transactions	10,000,644.61	Over 3 years	23.47%	9,106,090.80
Shanghai Haitong Resource Management Co., Ltd. (上海海通資源管理有限公司)	OTC option margin receivable	2,025,522.21	Within 1 year	4.75%	20,255.22
People's Insurance Company of China Limited, Xuzhou Branch (中國人民財產保險股份有限公司徐州市分公司)	OTC option margin receivable	1,787,235.60	Within 1 year	4.19%	17,872.36
People's Insurance Company of China Limited, Shaanxi Branch (中國人民財產保險股份有限公司陝西省分公司)	OTC option margin receivable	1,193,917.41	Within 1 year	2.80%	11,939.17
Ruida New Control Capital Management Co., Ltd. (瑞達新控資本管理有限公司)	OTC option margin receivable	1,156,702.00	Within 1 year	2.71%	11,567.02
Total	-	16,164,021.83	-	37.93%	9,167,724.57

(7) Borrowings due from employees

As at the end of the Reporting Period, there was no borrowings due from employees.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

8. Financial assets purchased under resale agreements

Item	Closing balance	Opening balance
Treasury bond reverse repurchase	1,948,419.75	–
Total	1,948,419.75	–

9. Financial assets held for trading

(1) Breakdown

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss		
Incl.: Investments in debt instruments	220,764,797.88	154,224,643.74
Investments in equity instruments	213,921,966.36	404,626,894.41
Total	434,686,764.24	558,851,538.15

(2) For details of the financial assets held for trading with commitment conditions or restrictions, see Note V. 57 Assets with restricted ownership or use rights.

10. Other equity instruments investment

Item	Change for this year							Dividend income recognised	Cumulative gains included in other comprehensive income	Cumulative losses included in other comprehensive income		
	Opening balance	Additional investment	Investment reduction	Gains		Losses					Others (Note)	Closing balance
				comprehensive income	comprehensive income	comprehensive income	comprehensive income					
				in other	in other	in other	in other					
Futures membership investment							1,853,110.00	1,853,110.00				
Total							1,853,110.00	1,853,110.00				

Note: RMB1,853,110.00 represents the adjustment of presenting opening amount of futures membership investment as other equity instruments investment in accordance with the "Implementation Regulations on Financial Treatment of Futures Companies (《期貨公司財務處理實施細則》)" issued by China Futures Association (中國期貨業協會) and became effective on 1 January 2023. Under such regulation, no need adjust the figures for the same period of the previous year or the opening amount.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

11. Inventory

(1) Category

Item	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories/ impairment provision of contract performance costs	Book value	Book balance	Provision for decline in value of inventories/ impairment provision of contract performance costs	Book value
Inventory goods	64,018,473.68		64,018,473.68	-		-
Total	64,018,473.68		64,018,473.68	-		-

(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.

12. Long term equity investment

Investees	Opening balance (Book value)	Provision for Impairment as at the beginning of the year	Change for this year								Closing balance (Book value)	Provision for impairment as at the end of the year	
			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	Others			
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)	6,105,888.27				3,470.61							6,109,358.88	
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	2,146,498.44				-3,258.07	-41.21						2,143,199.16	-
Total	8,252,386.71				212.54	-41.21						8,252,558.04	-

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

13. Futures membership investment

(1) Breakdown

Item	Opening balance		Book value
	Book balance	Provision for impairment	
Futures membership investment	1,846,635.00		1,846,635.00
Total	1,846,635.00		1,846,635.00

(2) Classified by exchange

Item	Closing balance	Opening balance
Shanghai Futures Exchange		500,000.00
Dalian Commodity Exchange		500,000.00
Zhengzhou Commodity Exchange		400,000.00
Hong Kong Futures Exchange		446,635.00
Total		1,846,635.00

- (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.

14. Investment properties

(1) Investment properties measured by fair value model

Item	Plants and buildings	Total
I. Opening balance	48,420,728.00	48,420,728.00
II. Change for the year		
Add: Purchases		
Transfer from inventories/fixed assets/work in progress		
Increase in business combinations		
Less: Disposal		
Other transfers		
Add: Changes in fair value	152,394.00	152,394.00
III. Closing balance	48,573,122.00	48,573,122.00

- (2) As at the end of the period, there was no investment property in existence without property right certificate.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

15. Fixed assets

Item	Closing book value	Opening book value
Fixed assets	317,738,489.85	324,646,521.40
Disposal of fixed assets		
Total	317,738,489.85	324,646,521.40

15.1 Fixed assets

(1) Details of fixed assets

Item	Plants and buildings	Vehicles	Office furniture	Electronic equipment	Total
I. Book cost					
1. Opening balance	308,986,925.21	4,530,441.60	6,645,464.18	49,000,772.70	369,163,603.69
2. Current increase	692,029.19		110,642.00	10,888,551.86	11,691,223.05
(1)Purchase	692,029.19		110,642.00	10,888,551.86	11,691,223.05
(2)Transfer from work in progress					
(3)Increase in business combinations					
3. Current decrease			125,391.97	2,633,259.22	2,758,651.19
(1)Disposal or scrap			125,391.97	2,633,259.22	2,758,651.19
(2)Transfer to work in process					
4. Exchange difference			1,345.22	24,732.04	26,077.26
5. Closing balance	309,678,954.40	4,530,441.60	6,632,059.43	57,280,797.38	378,122,252.81
II. Cumulative depreciation					
1. Opening balance		3,894,479.01	419,181.85	40,203,421.43	44,517,082.29
2. Current increase	12,365,798.08	67,330.20	1,237,244.37	4,682,696.93	18,353,069.58
(1)Provision	12,365,798.08	67,330.20	1,237,244.37	4,682,696.93	18,353,069.58
3. Current decrease			91,266.01	2,419,370.78	2,510,636.79
(1)Disposal or scrap			91,266.01	2,419,370.78	2,510,636.79
(2)Transfer to work in process					
4. Exchange difference			1,099.25	23,148.63	24,247.88
5. Closing balance	12,365,798.08	3,961,809.21	1,566,259.46	42,489,896.21	60,383,762.96
III. Provision for impairment					
IV. Book value					
1. Closing book value	297,313,156.32	568,632.39	5,065,799.97	14,790,901.17	317,738,489.85
2. Opening book value	308,986,925.21	635,962.59	6,226,282.33	8,797,351.27	324,646,521.40

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

15. Fixed assets (Continued)

15.1 Fixed assets (Continued)

(2) Fixed assets without registered title certificates

Item	Book value	Reasons for not obtained certificates
Underground parking space in Hexi Financial City	33,992,424.20	Housing Authority has not yet surveyed and mapped

(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.

16. Right-of-use assets

(1) Right-of-use assets breakdown

Item	Lease housing	Total
I. Book cost		
1. Opening balance	85,283,560.44	85,283,560.44
2. Current increase	16,219,129.42	16,219,129.42
(1) Rent	16,219,129.42	16,219,129.42
(2) Business merger increase		
3. Current decrease		
(1) Disposal		
4. Exchange difference	134,807.58	134,807.58
5. Closing balance	101,637,497.44	101,637,497.44
II. Cumulative depreciation		
1. Opening balance	63,128,706.68	63,128,706.68
2. Current increase	15,405,695.85	15,405,695.85
(1) Provision	15,405,695.85	15,405,695.85
3. Current decrease		
(1) Disposal		
4. Exchange difference	79,940.72	79,940.72
5. Closing balance	78,614,343.25	78,614,343.25
III. Provision for impairment		
IV. Book value		
1. Closing book value	23,023,154.19	23,023,154.19
2. Opening book value	22,154,853.76	22,154,853.76

(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.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements *(Continued)*

17. Intangible assets

(1) Intangible assets breakdown

Item	Software	Customer relations	Total
I. Book cost			
1. Opening balance	7,781,338.16	6,100,000.00	13,881,338.16
2. Current increase			
(1) Purchase			
3. Current decrease			
(1) Disposal or scrap			
4. Exchange difference	9,388.86		9,388.86
5. Closing balance	7,790,727.02	6,100,000.00	13,890,727.02
II. Cumulative amortisation			
1. Opening balance	7,245,376.16	6,100,000.00	13,345,376.16
2. Current increase			
(1) Provision			
3. Current decrease			
(1) Disposal or scrap			
4. Exchange difference	1,618.86		1,618.86
5. Closing balance	7,246,995.02	6,100,000.00	13,346,995.02
III. Provision for impairment			
IV. Book value			
1. Closing book value	543,732.00		543,732.00
2. Opening book value	535,962.00		535,962.00

- (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.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

18. Deferred income tax assets

(1) Deferred income tax assets without offset

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Employee compensation payable	1,200,000.00	300,000.00	1,283,424.23	320,856.06
Credit impairment loss	10,619,346.70	2,590,417.46	10,064,006.47	2,516,001.62
Accrued expenses	367,367.61	91,841.90	562,731.13	140,682.78
Changes in the fair value of derivative financial instruments	4,738,944.24	1,184,736.06	11,209,129.87	2,802,282.47
Changes in the fair value of financial assets/liabilities held for trading			14,210,940.30	3,552,735.08
Unrealized profit of internal transactions	54,069,408.60	13,517,352.15	19,080,531.24	4,770,132.81
Lease liabilities	20,667,289.56	5,166,822.39	14,326,078.48	3,581,519.62
Others	34,458,315.27	5,663,358.96	29,138,348.46	4,807,827.50
Total	126,120,671.98	28,514,528.92	99,875,190.18	22,492,037.94

(2) Deferred income tax liabilities without offset

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in the fair value of investment properties	5,199,566.83	1,299,891.71	5,047,172.83	1,261,793.21
Changes in the fair value of financial assets/liabilities held for trading	4,777,178.24	1,194,294.56	–	–
Right-of-use assets	20,077,051.70	5,019,262.93	18,370,226.33	4,592,556.58
Total	30,053,796.77	7,513,449.20	23,417,399.16	5,854,349.79

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

18. Deferred income tax assets (Continued)

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

Item	Deferred income tax assets and liabilities offset closing amount	Deferred income tax asset or liability balance after offset closing amount	Deferred income tax assets and liabilities offset opening amount	Deferred income tax asset or liability balance after offset opening amount
Deferred income tax assets	-7,513,449.20	21,001,079.72	-5,854,349.79	16,637,688.15
Deferred income tax liabilities	-7,513,449.20		-5,854,349.79	-

(4) Unrecognised deferred income tax assets breakdown

Item	Closing balance	Opening balance
Provision for goodwill impairment	53,167,251.21	53,167,251.21
Deductible losses	63,835,966.39	60,503,354.48
Total	117,003,217.60	113,670,605.69

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

According to prevailing tax laws, deductible losses of Holly Futures may be carried forward indefinitely to deduct taxes from the year they are incurred.

19. Other assets

(1) Breakdown

Item	Closing balance	Opening balance
Advance payments	11,123,235.91	11,477,128.44
Prepaid expenses	6,614,928.65	4,149,603.18
Taxes to be refunded, deducted and settled	12,463,648.38	10,186,154.63
Overseas futures exchange deposit	1,517,404.28	1,495,720.38
Total	31,719,217.22	27,308,606.63

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

20. Short-term borrowings

(1) Category of short-term borrowings

Item	Closing balance	Opening balance
Principal amount of credit borrowings	49,735,200.00	–
Accrued interest	47,662.90	–
Tota	49,782,862.90	–

21. Currency deposits payable

(1) By customer category

Customer category	Closing balance		Opening balance	
	QTY	Amount	QTY	Amount
Natural persons	94,185	3,779,072,587.27	86,124	3,560,910,941.04
Legal persons	3,607	3,000,208,526.58	2,767	3,531,809,672.37
Total	97,792	6,779,281,113.85	88,891	7,092,720,613.41

(2) By exchange

Exchange	Closing balance		Opening balance	
	QTY	Amount	QTY	Amount
Domestic futures exchanges				
Incl.: Shanghai Futures Exchange	2,316	716,472,501.67	1,921	792,479,712.60
Dalian Commodity Exchange	3,285	439,328,269.02	2,644	405,381,873.13
China Financial Futures Exchange	568	728,095,615.82	385	552,803,803.08
Zhengzhou Commodity Exchange	2,897	330,809,289.75	2,704	345,014,968.25
Shanghai International Energy Exchange	290	39,224,954.20	73	14,668,889.00
China Securities Depository and Clearing Corporation Limited	9	7,207,033.66	17	6,421,198.50
Guangzhou Futures Exchange	308	39,985,190.50	9	325,260.00
Subtotal	9,673	2,301,122,854.62	7,753	2,117,095,704.56
Overseas futures brokers	4,861	507,857,510.15	4,917	181,548,922.60
Total	14,534	2,808,980,364.77	12,670	2,298,644,627.16

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.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

22. Pledged deposits payable

(1) By customer category

Customer category	Closing balance		Opening balance	
	QTY	Amount	QTY	Amount
Legal persons	1	61,590,912.00	9	981,207,968.00
Total	1	61,590,912.00	9	981,207,968.00

(2) By exchange

Exchange	Closing balance	Opening balance
Shanghai Futures Exchange	61,590,912.00	779,930,288.00
Dalian Commodity Exchange		161,125,680.00
Shanghai International Energy Exchange		40,152,000.00
Total	61,590,912.00	981,207,968.00

23. Financial liabilities held for trading

Item	Closing balance	Opening balance
Financial liabilities at fair value through profit or loss	61,534,340.24	86,445,401.37
Incl.: Accounts payable	61,534,340.24	86,445,401.37

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 the end of year	Cumulative changes of fair values due to changes of their own credit risks
Accounts payable	450,610.72	無

As at the end of the Reporting Period, 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.

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From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

24. Financial assets sold under repurchase agreements

(1) By business category

Item	Closing balance	Opening balance
Bonds	56,687,229.99	35,197,232.68
Total	56,687,229.99	35,197,232.68

(2) Security information

Item	Closing balance	Opening balance
Bonds	90,901,734.50	54,624,177.03
Total	90,901,734.50	54,624,177.03

25. Futures risk provision

(1) Breakdown

Item	Opening balance	Current increase	Current decrease	Closing balance
Futures risk provision	160,851,377.70	8,370,982.49		169,222,360.19
Total	160,851,377.70	8,370,982.49		169,222,360.19

(2) Description of accrual method and ratio of futures risk provision

The futures risk provision is accrued at 5% of the parent company's net agency fee income and is included in the current period's profit or loss.

26. Payable to futures investors protection fund

(1) Breakdown

Item	Opening balance	Current increase	Current decrease	Closing balance
Payable to futures investors protection fund	394,274.29	310,822.80	394,504.24	310,592.85
Total	394,274.29	310,822.80	394,504.24	310,592.85

(2) Description of accrual method and ratio of payable to futures investors protection fund

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 six in 100 million of the broker transaction volume instead of six in 10 million.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

27. Employee compensation payable

(1) Employee compensation payable by category

Item	Opening balance	Current increase	Current decrease	Closing balance
Short-term compensation	2,881,902.96	158,305,160.18	158,883,202.58	2,303,860.56
Post-employment benefits-setting up a contribution plan	898.27	24,237,758.71	24,238,656.98	
Dismissal benefits	-	389,093.00	389,093.00	
Total	2,882,801.23	182,932,011.89	183,510,952.56	2,303,860.56

(2) Short term compensation

Item	Opening balance	Current increase	Current decrease	Closing balance
Salary, bonus, subsidy and allowance	2,225,577.39	126,186,760.61	126,671,761.78	1,740,576.22
Workers benefits	-	6,697,033.64	6,697,033.64	-
Social insurance premiums	102,811.06	11,710,273.02	11,813,084.08	-
Incl.: Medical insurance premiums	97,374.06	10,792,344.59	10,889,718.65	-
Work injury insurance premiums	-	225,774.34	225,774.34	-
Maternity insurance premiums	5,437.00	692,154.09	697,591.09	-
Housing reserve fund	-	11,226,856.32	11,210,146.31	16,710.01
Labour union funding and employee education funding	553,514.51	2,484,236.59	2,491,176.77	546,574.33
Total	2,881,902.96	158,305,160.18	158,883,202.58	2,303,860.56

(3) Contribution plan

Item	Opening balance	Current increase	Current decrease	Closing balance
Basic pension		17,279,285.49	17,279,285.49	
Unemployment insurance		550,508.50	550,508.50	
Corporate annuity	898.27	6,407,964.72	6,408,862.99	
Total	898.27	24,237,758.71	24,238,656.98	

The Group only has contribution schemes, mainly endowment insurance, annuity, and unemployment insurance, and the Group cannot use the endowment insurance and enterprise annuity deposited for employees, and the Company's employees can only receive their contributions to endowment insurance and enterprise annuity when they reach the retirement age stipulated by the state. Also, the Group does not apply defined benefit schemes (defined benefit schemes).

For each of the two financial years ended 31 December 2022 and 2023, there were no forfeited contributions under the Group's defined contribution schemes (represented by employees who left the schemes before the contributions were fully vested) available to the Group to reduce the existing level of contributions.

Notes to the financial statements

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V. Notes to Financial Statements *(Continued)*

28. Taxes payable

Item	Closing balance	Opening balance
Enterprise income tax	669,321.47	1,576,337.09
VAT	709,229.11	1,085,254.21
Taxes and surcharges	584,182.98	479,247.64
Withholding of personal income tax	91,863.69	7,747.11
Total	2,054,597.25	3,148,586.05

29. Contract liabilities

Item	Closing balance	Opening balance
Receipts in advance	446,185.04	–
Total	446,185.04	–

30. Other payables

Item	Closing balance	Opening balance
Interest payable		
Dividend payable		30,233,333.34
Other payables	183,508,959.48	119,202,111.60
Total	183,508,959.48	149,435,444.94

30.1 Dividend payable

Item	Closing balance	Opening balance
Dividend on ordinary shares		30,233,333.34
Total		30,233,333.34

Note: Pursuant to the resolutions of the seventh Meeting of the fourth session of the Board held on 29 August 2022 and the first extraordinary general meeting of 2022 held on 22 November 2022, the Group declared an interim dividend for 2022 to shareholders on the basis of a dividend of RMB0.3 (tax inclusive) per share, amounting to RMB30,233,333.34 in aggregate.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

30. Other payables (Continued)

30.2 Other payables

Item	Closing balance	Opening balance
Margins payable	125,442,231.49	51,782,717.89
Construction payable	16,267,959.69	33,069,190.75
Pending settlement of asset management plan	3,209,023.53	9,485,656.83
Risk guarantee payable	4,393,114.21	4,055,950.48
Auditor's fee payable	2,580,000.00	3,440,000.00
Settlement payable	2,998,357.36	2,535,772.56
Pledge cash payable to standard warrant	18,022,400.00	
Others	10,595,873.20	14,832,823.09
Total	183,508,959.48	119,202,111.60

31. Long term borrowings

(1) Category of long-term borrowings

Item	Closing balance	Opening balance
Principal amount of mortgage borrowings	60,984,050.00	88,955,018.00
Accrued interest	158,716.81	219,587.23
Total	61,142,766.81	89,174,605.23

(2) Profile of maturity dates of long-term borrowings

Type of borrowings	Closing balance	Opening balance
Mortgage borrowings	61,142,766.81	89,174,605.23
Total	61,142,766.81	89,174,605.23

The carrying amounts of the aforementioned borrowings shall be repaid in the following periods:

Within one year	28,129,684.81	28,190,555.23
After one year from the balance sheet date but within two years	27,970,968.00	27,970,968.00
After two years from the balance sheet date but within five years	5,042,114.00	33,013,082.00
Total	61,142,766.81	89,174,605.23

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

32. Lease liability

Item	Closing balance	Opening balance
Within 1 year	14,911,256.81	13,339,653.56
1–2 years	7,326,887.35	8,179,382.17
2–5 years	1,415,020.81	1,054,279.74
Book value of lease liability	23,653,164.97	22,573,315.47

33. Share capital

Shareholders	Opening balance	Current change (+/-)				Subtotal	Closing balance
		New issue	Bonus issue	Provident fund conversion	Others		
Total shares	1,007,777,778.00				-	-	1,007,777,778.00

34. Capital reserve

Item	Opening balance	Current increase	Current decrease	Closing balance
Share premium	593,701,109.72			593,701,109.72
Others	4,701,890.00			4,701,890.00
Total	598,402,999.72			598,402,999.72

35. Other comprehensive income

Item	Amount incurred in the year							Closing balance
	Opening balance	Less: income tax	Less: Transfer from previous other comprehensive income to current profit or loss	Less: Transfer from previous other comprehensive income to current retained earnings	Less: Income tax expense	After tax attributable to the parent	After tax attributable to minority shareholders	
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	41.21	-41.21				-41.21		
Translation difference of foreign currency financial statements	4,268,758.88	2,377,941.22				2,377,941.22		6,646,700.10
Others								
Total other comprehensive income	4,268,800.09	2,377,900.01				2,377,900.01		6,646,700.10

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

36. Surplus reserve

Item	Opening balance	Current increase	Current decrease	Closing balance
Statutory surplus reserve	70,228,670.53	1,196,766.63		71,425,437.16
Total	70,228,670.53	1,196,766.63		71,425,437.16

37. General risk provision

Item	Opening balance	Current increase	Current decrease	Closing balance
General risk provision	96,108,247.90	1,196,766.63		97,305,014.53
Total	96,108,247.90	1,196,766.63		97,305,014.53

38. Undistributed profit

Item	Current year	Last year
Undistributed profits at the end of the previous year before adjustment	60,537,412.94	85,633,789.00
Adjustment for total undistributed profits as at the beginning of the year (+ for increase and – for decrease)		
Including: Retrospective adjustment under Accounting Standards for Business Enterprises and relevant provisions		
Changes in accounting policies		
Corrections to significant accounting errors for prior periods		
Changes to consolidation scope under common control		
Other adjustments		
Undistributed profits at the beginning of the year after adjustment	60,537,412.94	85,633,789.00
Add: Current net profit attributable to shareholders of parent company	7,791,496.31	12,381,909.10
Less: Statutory surplus reserve	1,196,766.63	3,622,475.91
Appropriation for general risk reserve	1,196,766.63	3,622,475.91
Dividend payable on ordinary shares		30,233,333.34
Balance at the end of current year	65,935,375.99	60,537,412.94

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

39. Net handling fee and commission income

(1) Net handling fee and commission income breakdown

Item	Amount incurred in the year	Amount incurred in last year
Net brokerage fee income	39,813,976.81	23,083,351.45
Exchange fee reduction deemed as income	157,229,593.33	215,000,099.48
Net brokerage fee income subtotal	197,043,570.14	238,083,450.93
Asset management business income	6,099,313.93	7,765,905.63
Total	203,142,884.07	245,849,356.56

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

Administrative regions	Amount incurred in the year		Amount incurred in last year	
	Number of branches	Net handling fee and commission income	Number of branches	Net handling fee and commission income
Jiangsu Province	22	162,067,938.68	22	201,756,745.10
Fujian Province	2	4,541,227.25	2	6,823,089.89
Shanghai	2	3,029,648.22	2	3,436,009.88
Zhejiang Province	2	4,667,945.66	2	5,668,178.01
Henan Province	1	1,926,138.18	1	2,234,018.05
Guangdong Province	3	1,536,304.23	3	2,245,537.25
Beijing	2	1,284,200.61	2	1,492,148.28
Hong Kong, China	1	7,751,586.22	1	4,633,688.15
Shandong Province	2	3,074,298.59	2	5,097,976.28
Shaanxi Province	1	2,070,682.46	1	1,576,289.96
Anhui Province	2	2,225,613.03	2	1,525,205.96
Liaoning Province	2	1,901,853.35	2	2,074,476.12
Guangxi Province	1	1,042,989.45	1	1,256,849.65
Hunan Province	1	1,243,894.79	1	1,183,770.14
Chongqing	1	3,485,416.41	1	3,622,258.08
Sichuan Province	1	157,080.96	1	325,975.58
Shanxi Province	1	679,029.86	1	613,955.76
Hainan Province	1	457,036.12	1	283,184.42
Total	48	203,142,884.07	48	245,849,356.56

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements *(Continued)*

40. Net interest income

Item	Amount incurred in the year	Amount incurred in last year
Interest income		
Incl.: Interest income from customer deposit	83,438,712.27	79,204,806.88
Interest income from own funds deposit	18,121,955.34	13,323,850.01
Interest income from repurchase agreements	1,286,583.75	374,452.84
Total interest income	102,847,251.36	92,903,109.73
Interest expense		
Incl.: Interest expense on sale and repurchase	1,247,828.44	681,419.29
Total interest expenses	1,247,828.44	681,419.29
Net interest income	101,599,422.92	92,221,690.44

41. Investment gains

(1) *Investment gains breakdown*

Item	Amount incurred in the year	Amount incurred in last year
Long term equity investment gains calculated with cost method		
Long term equity investment gains calculated with equity method	212.54	1,216,288.13
Incl.: Gains on investment in associates	212.54	1,216,288.13
Gains on investment in joint ventures		
Investment gains from disposal of long term equity investment		
Financial instrument investment gains	-26,380,375.27	-40,665,557.85
Incl.: Grains on financial instrument during holding period	10,379,305.28	16,659,954.89
– Financial instrument held for trading	10,379,305.28	16,659,954.89
Proceeds from disposal	-36,759,680.55	-57,325,512.74
– Financial derivatives	-15,872,937.63	-2,241,308.35
– Financial instrument held for trading	-20,886,742.92	-55,084,204.39
Others		
Total	-26,380,162.73	-39,449,269.72

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

41. Investment gains (Continued)

(2) Gains of investment in associates

Item	Amount incurred in the year	Amount incurred in last year
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	3,470.61	1,318,777.13
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	-3,258.07	-102,489.00
Total	212.54	1,216,288.13

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

42. Other incomes

Item	Amount incurred in the year	Amount incurred in last year
Government subsidies	445,288.93	904,765.09
Individual income tax refund	23,938.38	131,823.97
Total	469,227.31	1,036,589.06

(1) Government subsidies included in profit or loss for the year

Subsidy	Amount	Related to assets/gains	Issuing authority	Approval document
Job stabilization subsidy	1,237.73	Related to income	Department of Human Resources and Social Security of Anhui Province, Department of Finance of Anhui Province, Anhui Provincial Tax Services of the State Taxation Administration	Notice on the Implementation of the Policy of Assisting Enterprises to Stabilize their Jobs
Job stabilization subsidy	7,145.16	Related to income	Fuzhou Municipal Human Resources and Social Security Bureau	Notice of Fujian Provincial Employment Work Leading Group Office on Optimizing the Task Division of Implementing Stable Employment Policies and Measures (Min Jiu Gong Ban [2023] No. 3)

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From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

42. Other incomes (Continued)

(1) Government subsidies included in profit or loss for the year (Continued)

Subsidy	Amount	Related to assets/gains	Issuing authority	Approval document
Job stabilization subsidy	16,273.45	Related to income	General Office of the State Council	Notice of the General Office of the State Council on Optimizing and Adjusting Policies and Measures for Stabilizing Employment and Promoting Development to Benefit Citizens
Job stabilization subsidy	5,391.67	Related to income	Jinan Municipal Human Resources and Social Security Bureau	Circular of the General Office of Jinan Municipal People's Government on the Issuing the Implementation Plan for Stabilizing and Expanding Employment and Promoting High-quality Economic and Social Development in Jinan Municipality (Ji Zheng Ban Fa [2023] No. 10), and Circular of the Department of Human Resources and Social Security of Shandong Province on the Work Related to the Implementation of the Recent Policy of Stabilizing Employment through Unemployment Insurance (Lu Ren She Han[2023] No. 70)
Job stabilization subsidy	3,535.00	Related to income	Jiangsu Provincial People's Government	Notice on Optimizing and Adjusting Policies and Measures for Stabilizing Employment and Promoting Development to Benefit Citizens
Job stabilization subsidy	351,587.00	Related to income	Office of Jiangsu Provincial People's Government	Notice of Office of Provincial People's Government on Optimizing and Adjusting Policies and Measures for Stabilizing Employment and Promoting Development to Benefit Citizens
Job stabilization subsidy	2,500.00	Related to income	Lianyungang Municipal Human Resources and Social Security Bureau	Circular of the Municipal Human Resources and Social Security Bureau, Municipal Finance Bureau and Municipal Taxation Bureau on the Work of Stabilizing Jobs and Enhancing Skills to Prevent Unemployment
Job stabilization subsidy	10,500.00	Related to income	Nanjing Municipal Bureau of Human Resources and Social Security	Notice on the Work of Unemployment Insurance to Stabilize Positions and Skills to Prevent Unemployment
Job stabilization subsidy	1,500.00	Related to income	Nanjing Municipal Bureau of Human Resources and Social Security	Notice of the Provincial Department of Human Resources and Social Security, the Provincial Department of Education and the Provincial Department of Finance on the Continued Implementation of the One-time Expansion Subsidy Policy (Su Zheng Ban Fa [2023] No. 33)

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

42. Other incomes (Continued)

(1) Government subsidies included in profit or loss for the year (Continued)

Subsidy	Amount	Related to assets/gains	Issuing authority	Approval document
Job stabilization subsidy	10,775.00	Related to income	Ningbo Municipal Bureau of Human Resources and Social Security and the Municipal Bureau of Finance, The People's Bank of China Sub-branch	Notice on the Publication of the Implementation Details of Further Improving the Work of Stabilizing Employment
Job stabilization subsidy	2,965.76	Related to income	Xiamen Municipal Bureau of Human Resources and Social Security	Circular of Xiamen Municipal Human Resources and Social Security Bureau on Assisting Enterprises in Stabilizing Employment and Preventing Unemployment
Job stabilization subsidy	5,426.00	Related to income	Shenyang Municipal Bureau of Human Resources and Social Security	Circular of the General Office of the People's Government of Liaoning Province on Optimizing and Adjusting Measures to Stabilize Employment and Further Promoting Development, Benefiting the People's Livelihood and Assisting with Revitalization
Job stabilization subsidy	4,754.16	Related to income	Xi'an Lianhu District Human Resources and Social Security Bureau	Guidelines for Unemployment Insurance Refund
Job stabilization subsidy	17,627.00	Related to income	Yixing Municipal Bureau of Human Resources and Social Security	Notice on the Implementation of Unemployment Insurance to Support the Employment Stabilization of Enterprises (Xi Ren She Gui Fa [2016] No. 4)
Job stabilization subsidy	1,000.00	Related to income	Zhengzhou Municipal Healthcare Security Bureau, Zhengzhou Municipal Finance Bureau, Zhengzhou Municipal Taxation Bureau of the State Administration of Taxation	Circular of the Tax Bureau of Zhengzhou Airport Economy Zone of the State Administration of Taxation on the Phased Reduction of the Premium Rates of Basic Medical Insurance for Zhengzhou Workers
Job stabilization subsidy	3,071.00	Related to income	Chongqing Municipal Bureau of Human Resources and Social Security	Notice of the General Office of Chongqing Municipal People's Government on Optimizing and Adjusting Several Measures of Employment Stabilization Policies to Promote Development and Benefit the People's Livelihood (Yu Fu Ban Fa [2023] No. 57)
Total	445,288.93			

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

43. Gains on changes of fair value

Item	Amount incurred in the year	Amount incurred in last year
Financial assets held for trading	31,584,224.64	-31,935,453.57
Incl.: Financial assets at fair value through profit or loss	31,584,224.64	-31,935,453.57
Investment properties	152,394.00	5,047,172.83
Financial liabilities held for trading	-11,158,881.42	14,932,809.76
Incl.: Financial liabilities at fair value through profit or loss	-11,158,881.42	14,932,809.76
Derivative financial instruments	5,860,609.20	-7,777,664.98
Total	26,438,346.42	-19,733,135.96

44. Exchange gains

Item	Amount incurred in the year	Amount incurred in last year
Exchange gains	302,679.87	4,822,830.11
Total	302,679.87	4,822,830.11

45. Other operating income

Item	Amount incurred in the year	Amount incurred in last year
Spot sales revenue	1,632,227,241.38	1,242,410,381.12
Revenue of Insurance + Futures business	3,181,132.07	
Leasing income	2,355,866.71	690,623.94
Total	1,637,764,240.16	1,243,101,005.06

46. Proceeds from disposal of assets

Item	Amount incurred in the year	Amount incurred in last year
Proceeds from disposal of fixed assets	-118,519.94	-102,386.33
Total	-118,519.94	-102,386.33

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements *(Continued)*

47. Futures risk provision

Item	Amount incurred in the year	Amount incurred in last year
Futures risk provision	8,370,982.49	9,635,966.53
Total	8,370,982.49	9,635,966.53

48. Taxes and surcharges

Item	Amount incurred in the year	Amount incurred in last year
Urban maintenance and construction tax	304,332.35	309,182.84
Education surcharge	129,665.02	131,961.91
Local education surcharge	86,443.35	87,974.66
Property tax	2,397,617.26	1,471,070.20
Others	875,871.45	548,637.77
Total	3,793,929.43	2,548,827.38

49. Operating and management expenses

Item	Amount incurred in the year	Amount incurred in last year
Employees' compensation	181,712,365.97	158,816,727.47
Office expenses	38,861,416.48	31,849,264.94
Depreciation & amortization	33,758,765.43	18,962,918.31
Rent	5,721,320.87	7,215,024.45
Financial expenses	6,428,668.48	7,371,116.61
Insurance, intermediary and consulting service fees	5,143,377.14	7,141,597.57
Investors Protection Fund	292,868.29	371,893.53
Maintenance cost	6,035,853.97	2,537,623.47
R&D expenses	2,045,984.26	1,648,318.92
Others	9,500,971.66	6,534,023.61
Total	289,501,592.55	242,448,508.88

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

50. Credit impairment loss

Item	Amount incurred in the year	Amount incurred in last year
Currency deposits receivable impairment loss	722,725.55	-2,806,224.60
Accounts receivable bad debt loss	-240,147.85	-265,886.06
Advance to customers bad debt loss	72,762.52	57,827.78
Total	555,340.22	-3,014,282.88

51. Other operating costs

Item	Amount incurred in the year	Amount incurred in last year
Cost of spot sales	1,631,287,874.94	1,260,155,909.16
Cost of Insurance + Futures business	3,158,419.43	
Total	1,634,446,294.37	1,260,155,909.16

52. Non-operating income

(1) Non-operating income breakdown

Item	Amount incurred in the year	Amount incurred in last year	Amount included in non-recurring profit or loss for the year
Government subsidy	3,000,000.00	390,975.83	3,000,000.00
Exchange subsidy	810,849.06	654,366.52	810,849.06
Others	507,558.02	197,611.07	507,558.02
Total	4,318,407.08	1,242,953.42	4,318,407.08

(2) Government subsidies included in profit or loss for the year

Subsidy	Issuing body	Reason for issuing the subsidies	Nature	Did the subsidies have an effect on profits/ losses of the year	Were the subsidies special subsidies	Amount incurred in the year	Amount incurred in last year	Related to assets/income
Preliminary subsidies	Jianye District Financial Supervisory Authority	Interim Measures on Supporting High-Quality Development of Financial Industries and Capital Markets in Jianye District	Preliminary subsidies	Yes	No	3,000,000.00	-	Related to income
Total						3,000,000.00		

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

53. Non-operating expenses

Item	Amount incurred in the year	Amount incurred in last year	Amount included in non-recurring profit or loss for the year
Donations and sponsorship expenditures		1,020,000.00	
Litigation compensation expenditures	171,381.00		171,381.00
Others	224,952.90	287,594.20	224,952.90
Total	396,333.90	1,307,594.20	396,333.90

54. Income tax expense

(1) Income tax expense breakdown

Item	Amount incurred in the year	Amount incurred in last year
Current income tax expense	6,967,739.49	12,583,912.26
Deferred income tax expense	-4,287,183.59	-9,058,711.99
Total	2,680,555.90	3,525,200.27

(2) Accounting profit and income tax expense adjustments

Item	Amount incurred in the year
Total profit of the current period	10,472,052.21
Income tax expense calculated at the statutory/applicable tax rate	2,618,013.04
Impact of different tax rates applied to subsidiaries	283,741.18
Impact of accelerated deduction on R&D expenses	-511,496.06
Impact of non-taxable income	-648,637.42
Impact of non-deductible costs, expenses and losses	938,935.16
Income tax expense	2,680,555.90

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V. Notes to Financial Statements *(Continued)*

55. Additional information on cash flow statement

(1) Cash related to operating activities

1) Other cash received related to operating activities

Item	Amount incurred in the year	Amount incurred in last year
Securities settlement or redemption payments received		40,525,516.04
Pending settlement payments received	53,590,528.84	20,000,000.0
Standard warranty pledge cash received	18,022,400.00	33,962,810.01
Margin and commission received	104,479,372.08	51,050,640.87
Funds received from other holders of structured entity		46,647,114.35
Non-operating income and other income	4,787,634.39	2,279,542.48
Others	3,960,112.13	23,694,457.38
Total	184,840,047.44	218,160,081.13

2) Other cash paid related to operating activities

Item	Amount incurred in the year	Amount incurred in last year
Funds paid by other holders of structured entity	36,069,942.55	31,740,157.38
Payment of amount to be settled	48,495,377.95	74,642,749.83
Standard warrant pledge payment		33,962,810.01
Margin and commission paid	34,795,894.85	
Donations and sponsorship expenditures		1,020,000.00
Litigation compensation	171,381.00	1,934,720.97
Others	26,732,633.20	26,084,028.41
Total	146,265,229.55	169,384,466.60

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(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements *(Continued)*

55. Additional information on cash flow statement *(Continued)*

(2) Cash related to investing activities

1) Material cash received related to investing activities

Item	Amount incurred in the year	Amount incurred in last year
Treasury bond reverse repurchase	11,328,887,000.00	
Total	11,328,887,000.00	

2) Material cash paid related to investing activities

Item	Amount incurred in the year	Amount incurred in last year
Treasury bond reverse repurchase	11,859,351,000.00	
Total	11,859,351,000.00	

(3) Cash related to financing activities

1) Other cash paid related to financing activities

Item	Amount incurred in the year	Amount incurred in last year
Expenses related to financing	1,849,056.60	8,897,420.61
Total	1,849,056.60	8,897,420.61

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

56. Additional information on cash flow statement

(1) Additional information on cash flow statement

Item	Amount incurred in the year	Amount incurred in last year
1. Adjustment of net profit to cash flow from operating activities:		
Net profit	7,791,496.31	12,381,909.10
Add: Asset impairment provision		
Credit impairment provisions	555,340.22	-3,014,282.88
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	18,353,069.58	5,850,862.39
Depreciation of right-of-use assets	15,405,695.85	12,593,104.51
Amortization of intangible assets		534,644.63
Amortization of long-term deferred expenses		
Loss ("-" for gain) from disposal of fixed assets, intangible assets and other long term assets	118,519.94	102,386.33
Fixed assets scrap loss ("-" for gain)		
Loss ("-" for gain) from changes in fair value	-20,577,737.22	11,955,470.98
Financial expense ("-" for income)	5,740,652.60	6,998,614.21
Exchange losses	-302,679.87	-4,822,830.11
Investment loss ("-" for gain)	4,821,007.84	37,207,961.37
Decrease ("-" for increase) of deferred income tax assets	-4,287,183.59	-9,058,711.99
Increase ("-" for decrease) of deferred income tax liabilities		
Decrease ("-" for increase) of inventory	-64,018,473.68	9,531.74
Decrease ("-" for increase) of operating receivables	-414,520,735.15	-408,554,678.15
Increase ("-" for decrease) of operating payables	-1,174,562,071.76	2,252,962,241.53
Net interest income	-38,755.31	304,746.41
Futures risk provision	8,370,982.49	9,635,966.53
Others		
Net cash flow from operating activities	-1,617,150,871.75	1,925,086,936.60
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	4,812,444,833.69	6,316,445,892.54
Less: Cash balance at the beginning of period	6,316,445,892.54	4,106,185,249.67
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	-1,504,001,058.85	2,210,260,642.87

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

56. Additional information on cash flow statement (Continued)

(2) Cash and cash equivalents

Item	Amount incurred in the year	Amount incurred in last year
Cash		
Incl.: Cash in hand		
Bank deposit immediately available	4,798,463,612.21	6,224,927,678.59
Other monetary funds immediately available	13,981,221.48	91,518,213.95
Cash equivalents		
Closing balance of cash and cash equivalents	4,812,444,833.69	6,316,445,892.54

(3) Monetary funds that are not cash and cash equivalents

Item	Amount for the year	Amount for previous year	Reasons for not being cash and cash equivalents
Monetary funds	3,327,231.85	1,072,565.04	Restricted in use
Monetary funds	25,051,648.79	31,147,696.16	Accrued interest of monetary funds
Total	28,378,880.64	32,220,261.20	–

57. Assets with restricted ownership or use rights

Item	At the end of the year			
	Closing balance	Closing book value	Type of restriction	Restriction status
Monetary fund	3,327,231.85	3,327,231.85	Frozen	Product raised funds account
Financial assets held for trading	90,901,734.50	90,901,734.50	Pledge	Pledge for sale and repurchase
Fixed assets	274,678,954.40	263,320,732.12	Mortgage	Mortgage of long-term borrowings
Investment properties	48,573,122.00	48,573,122.00	Mortgage	Mortgage of long-term borrowings
Total	417,481,042.75	406,122,820.47	–	–

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements (Continued)

57. Assets with restricted ownership or use rights (Continued)

Item	At the beginning of the year			
	Closing balance	Closing book value	Type of restriction	Restriction status
Monetary fund	246,742.59	246,742.59	Frozen	Product raised funds account
Monetary fund	517,262.23	517,262.23	Frozen	OTC option margin
Monetary fund	308,560.22	308,560.22	Frozen	Freezing of long-term inactive account
Financial assets held for trading	54,624,177.03	54,624,177.03	Pledge	Pledge for sale and repurchase
Fixed assets	273,986,925.21	273,986,925.21	Mortgage	Mortgage of long-term borrowings
Investment properties	48,420,728.00	48,420,728.00	Mortgage	Mortgage of long-term borrowings
Total	378,104,395.28	378,104,395.28	-	-

58. Foreign currency monetary funds

(1) Foreign currency monetary funds

Item	Foreign currency balance at the end of the year	Exchange rate	RMB balance converted at the end of the year
Monetary fund			
Incl.: USD	35,787,059.80	7.0827	253,469,008.45
HKD	57,266,336.80	0.90622	51,895,899.73
JPY	187,526.52	0.050213	9,416.27
Advance to customers			
Incl.: HKD	29,631,602.33	0.90622	26,852,750.66
Currency deposits receivable			
Incl.: USD			
HKD	315,010,454.13	0.90622	285,468,773.74

(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

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

V. Notes to Financial Statements *(Continued)*

59. Lease

(1) *The Group as lessee*

Item	Amount incurred in the year	Amount incurred in last year
Interest expense on lease liabilities	1,297,236.79	1,064,141.35
Expenses relating to short-term leases accounted for current profit or loss under the simplified approach	5,721,320.87	7,215,024.45
Lease expenses relating to low value asset accounted for current profit or loss under the simplified approach (other than short-term leases)		
Variable lease payments that are not included in the measurement of the lease liabilities		
Including: Portion arising from sale-and-leaseback transactions		
Income from subletting of right-to-use assets		
Total cash outflows relating to leases	16,066,598.85	13,405,928.51
Relevant profit or loss arising from sale-and-leaseback transactions		
Cash inflows from leaseback transactions		
Cash outflows from leaseback transactions		

(2) *The Group as lessor*

1) *Operating leases where the Group is a lessor*

Item	Rental income	Including: Income related to variable lease payments not included in lease receipts
Property leasing	2,355,866.71	
Total	2,355,866.71	

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

VI. Research and development expenditure

Item	Amount incurred in the year	Amount incurred in last year
Direct investment	826,338.34	131,627.13
Staff cost	1,219,645.92	1,500,998.57
Depreciation and amortisation		15,693.22
Total	2,045,984.26	1,648,318.92
Including: Expensed research and development expenditure	2,045,984.26	1,648,318.92
Capitalised research and development expenditure		

VII. Changes in the scope of consolidated statements

(I) Business combination not under the same control

In 2023, the Group has no subsidiary acquired through business combination not under the same control.

(II) Business combination under the same control

In 2023, the Group has no subsidiary acquired through business combination under the same control.

(III) Reverse takeover

In 2023, the Group had no subsidiary acquired through reverse takeover.

(IV) Disposal of subsidiary

In 2023, the Group had no disposal of subsidiary.

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

1. New subsidiary

In 2023, there was no new subsidiary or entity to be consolidated.

2. Reduction of subsidiaries by deregistration or otherwise

In 2023, there was no reduction of subsidiaries by deregistration or other means.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

VII. Changes in the scope of consolidated statements *(Continued)*

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

3. Structured entities

In 2023, the Group consolidated 3 structured entity, namely, "Holly Volatility Gain Phase I Collective Asset Management Plan (弘業波動增益1期集合資產管理計劃)", "Holly Jinghe Collective Asset Management Plan (弘業景和集合資產管理計劃)" and "Holly Hongsheng FOF2301 Single Asset Management Plan (弘業弘升FOF2301單一資產管理計劃)", however, such consolidation did not have significant impact on the financial conditions, operating results and cash flow of the Group in 2023.

VIII. Interests in Other Entities

(I) Interests in subsidiaries

1. Group members

(1) Subsidiaries

Subsidiary name	Registered capital	Principal place of business	Place of registration	Nature	Shareholding %		
					Direct	Indirect	Reason
Holly Capital Management Co., Ltd. (弘業資本管理有限公司) ^{Note}	RMB500 million	Nanjing	Shenzhen	Commodity trading and risk management	100%		Establishment
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	HKD240 million	Hong Kong	Hong Kong	Futures brokerage	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)	HKD20 million	Hong Kong	Hong Kong	Assets management		100%	Establishment
Holly International Fund Series SPC (弘業國際基金系列 SPC)	USD1	Hong Kong	Cayman	Fund investment		100%	Establishment
Holly International Fixed Income Fund (弘業國際固定收益基金)	USD100	Hong Kong	Cayman	Fund investment		100%	Establishment

Note: A domestic enterprise registered under the PRC law.

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From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

VIII. Interests in Other Entities (Continued)

(I) Interests in subsidiaries (Continued)

1. Group members (Continued)

(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 2023, the net assets managed under the consolidated asset management plans and fund amounted to RMB146,048,826.78, and meanwhile, the book value of the Group’s interests in the consolidated asset management plans reached RMB84,514,486.54, which was recognised in “Financial assets held for trading”, “Monetary fund”, “Other receivables” and “Other payable” in these financial statements.

Structured entity name	Type	The Group’s actual capital contribution at the end of period
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	RMB1,011,800
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	RMB1,200,000
Holly Value Growth CTA2 Collective Asset Management Plan (弘業價值成長 CTA2 號集合資產管理計劃)	Asset management plan	RMB985,100
Holly Volatility Gain Phase I Collective Asset Management Plan (弘業波動增益1 期集合資產管理計劃)	Asset management plan	RMB2,000,000
Holly Jinghe Collective Asset Management Plan (弘業景和集合資產管理計劃)	Asset management plan	RMB5,000,000
Holly Hongsheng FOF2301 Single Asset Management Plan (弘業弘升FOF2301 單一資產管理計劃)	Asset management plan	RMB20,000,000
Holly Fixed Income Fund (弘業固定收益基金)	Fund	USD2,105,562.32
Holly Guangye Fund SP (弘業廣業基金SP)	Fund	USD4,923,647.60
Holly International Global Opportunity Fund SP (弘業國際環球機遇基金 SP)	Fund	USD2,276,999.63

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From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

VIII. Interests in Other Entities (Continued)

(I) Interests in subsidiaries (Continued)

- The Group had no significant non-wholly owned subsidiary.
- The Group had no financial or other support from any structured entity to be included in the consolidated financial statements.
- The Group had no control over any subsidiary in which the Group's interests had changed.
- As at 31 December 2023, no subsidiaries of the Company issued share capital or debt securities.

(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 financial statements of the Company.

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(All amounts in RMB unless otherwise stated in the notes to these financial statements)

VIII. Interests in Other Entities *(Continued)*

(II) Interests in joint ventures or associates *(Continued)*

2. Financial highlights of key associates

Item	Closing balance/ Amount incurred in the year		Opening balance/ Amount incurred in last year	
	Hongrui New Era	Hongrui Growth	Hongrui New Era	Hongrui Growth
Current assets	25,914,946.26	325,422.78	25,219,717.12	356,521.70
Non-current assets	1,854,866.79	22,000,000.00	2,540,808.39	22,000,917.00
Total Assets	27,769,813.05	22,325,422.78	27,760,525.51	22,357,438.70
Current liabilities		677,939.56	6,487.97	677,687.40
Non-current liabilities				138.72
Total Liabilities		677,939.56	6,487.97	677,826.12
Net profit	15,775.51	-32,906.50	5,994,441.44	-1,035,137.86
Total comprehensive income	15,775.51	-33,322.68	5,994,441.44	-1,035,432.54

3. Summary of insignificant associates

Nil

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

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From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

VIII. Interests in Other Entities *(Continued)*

(III) Structured entities not included into the consolidated financial statements

On 31 December 2023, the net assets of structured entities established by the Group but not included into the consolidated financial statements amounted to RMB19,157,262,071.95.

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	Closing balance	Opening balance
	Financial assets held for trading	Financial assets held for trading
Funds	97,819,772.63	289,206,523.08
Trust schemes	80,874,791.75	63,981,165.75
Asset management plans	84,240,236.50	520,484.54
Total	262,934,800.88	353,708,173.37

As at the end of the Reporting Period, 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. Government grants

1. Government grants recognized at the end of the year on the basis of amounts receivable

Nil

2. Liabilities involving government grants

Nil

3. Government grants recognized in profit or loss

Item	Amount incurred in the year	Amount incurred in last year
Other income	445,288.93	904,765.09
Non-operating income	3,000,000.00	390,975.83

Notes to the financial statements

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X. 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 2023		31 December 2022	
	Balance in foreign currency	Balance in RMB equivalent	Balance in foreign currency	Balance in RMB equivalent
Monetary funds				
HKD	6,693,271.24	6,065,576.26	17,681,157.12	15,794,047.22
USD	44,659.22	316,307.86	44,635.41	310,867.81

- (2) Analysis on the exchange rates for Renminbi against foreign currencies applied by the Group

Item	Average rates		Reporting date mid-spot rate	
	2023	2022	31 December 2023	31 December 2022
HKD	0.90018	0.85891	0.90622	0.89327
USD	7.0467	6.7261	7.0827	6.9646

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From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

X. 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 2023	31 December 2022
Net profit and shareholders' quality		
Items denominated in HKD	-454,918.22	-1,184,553.54
Items denominated in USD	-23,723.09	-23,315.09

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 Period.

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.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

X. Financial Instruments and Risk Management *(Continued)*

(I) Market Risk *(Continued)*

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.

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

Item	31 December 2023		31 December 2022	
	Actual interest rate	Amount	Actual interest rate	Amount
Fixed interest rate financial instruments				
Financial assets				
Monetary fund				
Incl.: Futures margin	2.37%-5.54%	3,061,534,211.14	1.80%-5.11%	4,057,694,911.57
Own funds	4.37%-4.58%	9,256,228.46	4.30%-4.58%	48,822,241.76
Currency deposits				
receivable and pledged deposits receivable	1.50%-1.66%	628,053,489.55	1.50%-1.85%	522,268,722.13
Financial assets purchased under resale agreements	3.13%	1,948,419.75		
Financial assets held for trading				
Incl.: Bonds held for trading	2.9%-6.4%	154,626,006.13	3.00%-5.2%	138,554,616.34
Trust schemes	4.55%-7.00%	66,138,791.75	5.40%-7.00%	15,670,027.40
Financial liabilities				
Short term borrowings	3.45%	49,735,200.00		
Financial assets sold under repurchase agreements	5.49%-5.65%	56,640,229.46	2.495%-2.600%	35,195,012.64
Long term borrowings	4.50%	60,984,050.00	4.50%	88,955,018.00
Net amount		3,754,197,667.32		4,658,860,488.56
Floating rate financial instruments				
Financial assets				
Monetary fund				
Incl.: Futures margin	0.001%-3.50%	1,365,211,491.57	0.001%-1.80%	1,969,001,776.94
Own funds	0.001%-1.70%	365,788,912.90	0.001%-1.75%	150,481,313.36
Other monetary funds	0.35%	13,981,221.48	0.35%	91,518,213.95
Net amount		1,744,981,625.95		2,211,001,304.25

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From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

X. Financial Instruments and Risk Management *(Continued)*

(I) Market Risk *(Continued)*

2. Interest rate risk

(2) Sensitivity analysis

① Fair value sensitivity analysis for fixed rate financial instruments

As of 31 December 2023, 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 RMB19,257,090.83; and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB19,056,177.16.

As of 31 December 2022, 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 RMB22,990,874.50; and a decrease in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB22,653,542.55.

② Cash flow sensitivity analysis for floating rate financial instruments

As of 31 December 2023, 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 RMB13,087,362.19; and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB6,630,833.03.

As of 31 December 2022, 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 RMB16,582,509.78; and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB15,072,016.37.

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.

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From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

X. Financial Instruments and Risk Management *(Continued)*

(I) Market Risk *(Continued)*

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.

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 2023	31 December 2022
Change in share price		
10% increase	1,012,233.76	4,067,717.11
10% decrease	-1,012,233.76	-4,067,717.11
Change in commodity price		
10% increase	728,494.35	20,183,052.48
10% decrease	-728,494.35	-20,183,052.48

Item	Shareholders' equity	
	31 December 2023	31 December 2022
Change in share price		
10% increase	1,012,233.76	4,067,717.11
10% decrease	-1,012,233.76	-4,067,717.11
Change in commodity price		
10% increase	728,494.35	20,183,052.48
10% decrease	-728,494.35	-20,183,052.48

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.

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(All amounts in RMB unless otherwise stated in the notes to these financial statements)

X. 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.

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From 1 January 2023 to 31 December 2023

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X. Financial Instruments and Risk Management *(Continued)*

(II) Credit Risk *(Continued)*

As of 31 December 2023, 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 2023	31 December 2022
Monetary fund	4,840,823,714.33	6,348,666,153.74
Currency deposits receivable	3,354,606,892.26	2,054,665,070.53
Pledged deposits receivable	79,613,312.00	981,207,968.00
Derivative financial assets	5,212,428.02	19,223,235.33
Advance to customers	26,718,486.91	5,953,971.21
Financial assets held for trading	434,686,764.24	558,851,538.15
Financial assets purchased under resale agreements	1,948,419.75	–
Accounts receivable	32,744,189.68	45,557,381.12
Other equity instruments investment	1,853,110.00	–
Total maximum risk exposure	8,778,207,317.19	10,014,125,318.08

(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:

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From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

X. Financial Instruments and Risk Management *(Continued)*

(III) Liquidity risk *(Continued)*

1. 31 December 2023

Item	Current	Within 1 year	1-5 yrs	Total	Book value at balance sheet date
Currency deposits payable	6,779,281,113.85			6,779,281,113.85	6,779,281,113.85
Pledged deposits payable	61,590,912.00			61,590,912.00	61,590,912.00
Payable to futures investors protection fund		310,592.85		310,592.85	310,592.85
Short term borrowings		49,782,862.90		49,782,862.90	49,782,862.90
Financial assets sold under repurchase agreements		56,687,229.99		56,687,229.99	56,687,229.99
Financial liabilities held for trading		61,534,340.24		61,534,340.24	61,534,340.24
Derivative financial liabilities		14,064,892.26		14,064,892.26	14,064,892.26
Employee compensation payable		2,303,860.56		2,303,860.56	2,303,860.56
Contract liabilities		446,185.04		446,185.04	446,185.04
Other payable		183,508,959.48		183,508,959.48	183,508,959.48
Lease liability		16,356,919.36	8,846,671.76	25,203,591.12	23,653,164.97
Long term borrowings		30,213,751.38	33,876,868.13	64,090,619.51	61,142,766.81
Total	6,840,872,025.85	415,209,594.06	42,723,539.89	7,298,805,159.80	7,294,306,880.95

2. 31 December 2022

Item	Current	Within 1 year	1-5 yrs	Total	Book value at balance sheet date
Currency deposits payable	7,092,720,613.41			7,092,720,613.41	7,092,720,613.41
Pledged deposits payable	981,207,968.00			981,207,968.00	981,207,968.00
Payable to futures investors protection fund		394,274.29		394,274.29	394,274.29
Financial assets sold under repurchase agreements		35,197,232.68		35,197,232.68	35,197,232.68
Financial liabilities held for trading		86,445,401.37		86,445,401.37	86,445,401.37
Derivative financial liabilities		22,573,170.18		22,573,170.18	22,573,170.18
Employee compensation payable		2,882,801.23		2,882,801.23	2,882,801.23
Other payable		149,435,444.94		149,435,444.94	149,435,444.94
Lease liability		14,213,322.78	15,925,890.93	30,139,213.71	22,573,315.47
Long term borrowings		31,536,668.07	63,950,994.04	95,487,662.11	89,174,605.23
Total	8,073,928,581.41	342,678,315.54	79,876,884.97	8,496,483,781.92	8,482,604,826.80

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

X. 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.

XI. 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 Fair value at the end of the year			Total
	Fair value measurement within level 1	Fair value measurement within level 2	Fair value measurement within level 3	
I. Ongoing fair value measurement				
(I) Financial assets held for trading				
1. Financial assets at FVTPL	157,547,006.26	207,371,459.13	69,768,298.85	434,686,764.24
(1) Debt instrument investment	144,050,556.13	10,575,450.00	66,138,791.75	220,764,797.88
(2) Equity instrument investment	13,496,450.13	196,796,009.13	3,629,507.10	213,921,966.36
(II) Derivative financial assets	6,537.50		5,205,890.52	5,212,428.02
(III) Investment properties		48,573,122.00		48,573,122.00
1. Buildings for rent		48,573,122.00		48,573,122.00
Total assets measured at fair value on an ongoing basis	157,553,543.76	255,944,581.13	74,974,189.37	488,472,314.26
(IV) Financial liabilities held for trading			61,534,340.24	61,534,340.24
(V) Derivative financial liabilities	3,683,367.50		10,381,524.76	14,064,892.26
Total financial liabilities measured at fair value on an ongoing basis	3,683,367.50	-	71,915,865.00	75,599,232.50
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				

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(All amounts in RMB unless otherwise stated in the notes to these financial statements)

XI. 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)*

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.

(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 Period 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.

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(All amounts in RMB unless otherwise stated in the notes to these financial statements)

XI. 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 *(Continued)*

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.

For investment property items where the fair value is available from the real estate market with examples of transactions comparable to the subject of the valuation and where earnings can be ascertained, the market approach or the income approach is used for valuation.

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.

(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 Period, there were no changes in the valuation techniques for the fair values of the assets and liabilities of level 3 fair value measurement.

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(All amounts in RMB unless otherwise stated in the notes to these financial statements)

XI. 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 opening balance and closing balance of the assets and liabilities of recurring level 3 fair value measurement is as follows:

Item	Opening balance	Total gains or losses for the year included in profit or loss	Purchase	Settlement and sale	Closing balance	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						
Including: Investments in debt instruments	15,670,027.40	775,775.45	78,000,000.00	28,307,011.10	66,138,791.75	-1,844,485.85
Investment in equity instrument	12,352,520.30	27,128.29	7,400,499.73	16,150,641.21	3,629,507.10	29,007.38
Derivative financial assets	17,921,740.33	-12,715,849.81			5,205,890.52	5,205,890.52
Subtotal of financial assets	45,944,288.02	-11,912,946.07	85,400,499.73	44,457,652.31	74,974,189.37	3,390,412.05
Financial liabilities						
Financial liabilities held for trading						
Including: Financial liabilities designated as at FVTPL	86,445,401.37	11,158,881.42	14,193,075.22	50,263,017.77	61,534,340.24	450,610.72
Derivative financial liabilities	21,213,100.18	-10,831,575.42			10,381,524.76	10,381,524.76
Subtotal of financial liabilities	107,658,501.55	327,306.00	14,193,075.22	50,263,017.77	71,915,865.00	10,832,135.48
Net amount	-61,714,213.53	-12,240,252.07	71,207,424.51	-5,805,365.46	3,058,324.37	-7,441,723.43

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(All amounts in RMB unless otherwise stated in the notes to these financial statements)

XI. 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.

XII. 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 percentage of the Company	Parent's shareholding 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	27.33%	27.33%	People's Government of Jiangsu Province

(2) Changes in controlling shareholder's registered capital

Nil

2. Subsidiaries of the Company

See Note VII and Note VIII. (I).

3. Associates of the Company

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

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XII. Related Parties and Transactions with Related Parties

(Continued)

(I) Relations with related parties (Continued)

4. Other important related parties of the Company

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
Soho Holly Corporation (蘇豪弘業股份有限公司) (former name: Jiangsu Holly Corporation (江蘇弘業股份有限公司))	Shareholder of the Group/Company
Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司)	Shareholder of the Group/Company
Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司)	Shareholder of the Group/Company
Jiangsu 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 Digital Technology Co., Ltd. (江蘇蘇豪數字科技有限公司)	Controlled by the same ultimate holding company
Jiangsu Aitao Space Culture Technology Development Co., Ltd.* (江蘇愛濤空間文化科技發展有限公司)	Controlled by the same ultimate holding company
SOHO Culture Group Company Limited (蘇豪文化集團有限公司) (former name: Artall Culture Group Co., Ltd. (愛濤文化集團有限公司))	Controlled by the same ultimate holding company
Jiangsu SOHO Artall Culture Group Co., Ltd. (江蘇蘇豪愛濤文化有限公司) (former name: 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 Health Industry Co., Ltd. (江蘇蘇豪健康產業有限公司)	Controlled by the same ultimate holding company
Jiangsu Holly International Engineering Co., Ltd. (江蘇弘業國際技術工程有限公司)	Controlled by the same ultimate holding company
Jiangsu Holly Yongchang (Hong Kong) Co., Limited (江蘇弘業永昌(香港)有限公司)	Controlled by the same ultimate holding company
Aitao Cultural (UK) Co., Ltd. (愛濤文化(英國)中心有限公司)	Controlled by the same ultimate holding company
Artall Culture Trade (Netherlands) Company Limited (愛濤文化貿易(荷蘭)有限公司)	Controlled by the same ultimate holding company
Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司)	Controlled by the same ultimate holding company
Liaoning Litian New Material Co., Ltd. (遼寧麗天新材料有限公司) (consolidated time: 24 July 2023)	Controlled by the same ultimate holding company
Jiangsu SOHO Real Estate Operation and Management Co., Ltd. (江蘇蘇豪不動產經營管理有限公司)	Controlled by the same ultimate holding company
Jiangsu High Hope Wisdom Co., Ltd. (江蘇匯鴻匯升投資管理有限公司) (consolidated time: 3 August 2023)	Controlled by the same ultimate holding company

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XII. Related Parties and Transactions with Related Parties

(Continued)

(I) Relations with related parties (Continued)

4. Other important related parties of the Company (Continued)

Other related parties	Relation
Jiangsu High Hope Arser Co., Ltd. (江蘇匯鴻亞森國際貿易有限公司) (consolidated time: 3 August 2023)	Controlled by the same ultimate holding company
Yangzhou HONG Yuan Shoes Co., Ltd. (揚州鴻元鞋業有限公司) (consolidated time: 3 August 2023)	Controlled by the same ultimate holding company
Jiangsu OVERSEAS Rubber Co., Ltd. (江蘇海企橡膠有限公司) (consolidated time: 24 July 2023)	Controlled by the same ultimate holding company
Zhan Jieying	Senior management

(II) Related party transactions

1. Purchase of goods/Acceptance of services

Related parties	Related party transaction	Amount incurred in the year	Number of transactions approved	Whether the transaction limit is exceeded	Amount incurred in last year
Jiangsu Financial Holdings Co., Ltd. (江蘇金融控股有限公司)	Labour cost	337,567.50	337,567.50	No	453,504.48
Jiangsu SOHO Artall Culture Group Co., Ltd. (江蘇蘇豪愛濤文化有限公司)	Decoration and Procurement costs			No	15,880.24
Jiangsu Soho Digital Technology Co., Ltd. (江蘇蘇豪數字科技有限公司)	Publicity cost	34,325.67	34,325.67	No	179,525.65
Jiangsu SOHO Health Industry Co., Ltd. (江蘇蘇豪健康產業有限公司)	Procurement cost			No	8,035.40
Jiangsu Holly Environmental Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司)	Procurement cost	513.27	513.27	No	1,159.29
Jiangsu Aitao Space Culture Technology Development Co., Ltd. (江蘇愛濤空間文化科技發展有限公司)	Service charge			No	220,513.27
Jiangsu Holly International Engineering Co., Ltd. (江蘇弘業國際技術工程有限公司)	Safety production fee	10,619.47	10,619.47	No	27,982.3
Jiangsu SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司)	Cafeteria service charge	1,323,400.55	1,323,400.55	No	
Jiangsu OVERSEAS Rubber Co., Ltd. (江蘇海企橡膠有限公司) ^{note}	Loans	11,381,628.31	11,381,628.31	No	
Total		13,088,054.77	13,088,054.77	-	906,600.63

Note: The contracts for the above disclosed transactions between the Group and Jiangsu OVERSEAS Rubber Co., Ltd. were signed on 11 January 2023 and 1 February 2023, respectively.

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XII. Related Parties and Transactions with Related Parties

(Continued)

(II) Related party transactions (Continued)

2. Sales of goods/Provision of services

Related parties	Related party transaction	Amount incurred in the year	Amount incurred in last year
Jiaingsu SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司)	Asset management business income/Others	35,550.02	22,280.06
Jiangsu SOHO Artall Culture Group Co., Ltd. (江蘇蘇豪愛濤文化有限公司)	Asset management business income	9,080.48	57,765.91
Soho Holly Corporation (蘇豪弘業股份有限公司)	Asset management business income	4,377.08	57,765.91
Jiangsu SOHO Assets Operation Group Co., Ltd. (江蘇蘇豪資產運營集團有限公司)	Asset management business income	1,682.91	
Zhan Jieying	Asset management business income	3,370.72	
Jiangsu Chemical Fertilizer Co., Ltd. (江蘇省化肥工業有限公司)	Fee income	4,034.22	1,559.43
Liaoning Litian New Material Co., Ltd. (遼寧麗天新材料有限公司)	Fee income	1,285.28	
Soho Holly Corporation (蘇豪弘業股份有限公司)	Fee income	59.29	
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Others	42,452.83	
Jiangsu Holly Yongchang (Hong Kong) Co., Limited (江蘇弘業永昌(香港)有限公司)	Asset management business income	387,375.41	417,185.49
Aitao Cultural (UK) Co., Ltd. (愛濤文化(英國)中心有限公司)	Asset management business income	4,935.89	86,151.67
Artall Culture Trade (Netherland) Company Limited (愛濤文化貿易(荷蘭)有限公司)	Asset management business income		7,483.30
Jiangsu Financial Holdings Co., Ltd. (江蘇金融控股有限公司)	Asset management business income	52,891.21	
Total		547,095.34	650,191.77

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XII. Related Parties and Transactions with Related Parties

(Continued)

(II) Related party transactions (Continued)

3. Related lease

(1) Lease

Name of lessor	Type of leased assets	Expenses relating to Short-term lease and leases of low-value assets applied the practical expedient (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rental paid	Interest expense of lease liabilities		Addition of right-to-use assets		
		Amount incurred in the year	Amount incurred in last year	Amount incurred in the year	Amount incurred in last year	Amount incurred in the year	Amount incurred in last year	Amount incurred in the year	Amount incurred in last year	Amount incurred in the year	Amount incurred in last year
Soho Holly Corporation (蘇豪弘業股份有限公司)	Plants and buildings	809,606.29	3,184,753.70								
Jiangsu SOHO Real Estate Operation and Management Co., Ltd. (江蘇蘇豪不動產經營管理有限公司)	Plants and buildings					3,275,867.07		359,603.41		10,297,691.47	
Total		809,606.29	3,184,753.70			3,275,867.07		359,603.41		10,297,691.47	

4. Borrowings from related parties

(1) Borrowings from related parties

Related party	Amount incurred in the year			
	Opening balance	Current increase	Current decrease	Closing balance
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)				
Total				

(Continued)

Related party	Amount incurred in last year			
	Opening balance	Current increase	Current decrease	Closing 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	

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XII. Related Parties and Transactions with Related Parties

(Continued)

(II) Related party transactions (Continued)

4. Borrowings from related parties (Continued)

(2) Interest on borrowings from related parties

Related parties	Amount incurred in the year	Amount incurred in last year	Descriptions
Interest expenses for funds borrowed from related parties		1,300,000.00	The 5th meeting of the Fourth Board of Director of the Company of 2022 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 five months from 13 April to 16 September.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

XII. Related Parties and Transactions with Related Parties

(Continued)

(II) Related party transactions (Continued)

5. Other related party transactions

Related parties	Item	Related party transaction	Amount incurred in the year	Amount incurred in last year
Soho Holly Corporation (蘇豪弘業股份有限公司)	N/A	Net investment/disposal of in asset management plans	-5,268,551.22	-10,210,099.26
SOHO Culture Group Company Limited (蘇豪文化集團有限公司)	N/A	Net investment/disposal of in asset management plans		-162.21
Jiangsu SOHO Artall Cultural Group Co., Ltd. (江蘇蘇豪愛濤文化有限公司)	N/A	Net investment/disposal of in asset management plans	-5,184,752.03	-10,210,198.52
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		
Jiangsu SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司)	N/A	Net investment/disposal of in asset management plans		20,000,000.00
Jiangsu Holly Yongchang (Hong Kong) Co., Limited (江蘇弘業永昌(香港)有限公司)	N/A	Net investment/disposal of in asset management plans		31,313,579.85
Artall Culture Trade (Netherlands) Company Limited (愛濤文化貿易(荷蘭)有限公司)	N/A	Net investment/disposal of in asset management plans	-5,376,819.81	-103,436.20
Jiangsu Financial Holdings Co., Ltd. (江蘇金融控股有限公司)	N/A	Net investment/disposal of in asset management plans	5,780,640.00	
Zhan Jieying	N/A	Net investment/disposal of in asset management plans	500,000.00	

(III) Related party transaction balance

1. Amount due from related parties

Item	Related party transaction	Related parties	Closing book value	Opening book value
Prepayments	Housing leasing cost	Soho Holly Corporation (蘇豪弘業股份有限公司)		3,300,000.00
Other receivables	Housing leasing deposits	Soho Holly Corporation (蘇豪弘業股份有限公司)	71,000.00	
Other receivables	Housing leasing deposits	Jiangsu SOHO Real Estate Operation and Management Co., Ltd. (江蘇蘇豪不動產經營管理有限公司)	257,231.82	

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

XII. Related Parties and Transactions with Related Parties

(Continued)

(III) Related party transaction balance (Continued)

2. Amounts due to related parties

Item	Related parties	Amount incurred in the year	Amount incurred in last year
Currency deposits	Jiangsu SOHO International Group Corporation payable (江蘇蘇豪國際集團股份有限公司)	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)	1,653,483.56	1,781,250.52
Currency deposits payable	SOHO Culture Group Company Limited (蘇豪文化集團有限公司)	1,500.00	1,500.00
Currency deposits payable	Soho Holly Corporation (蘇豪弘業股份有限公司)	3,205,695.06	
Currency deposits payable	Jiangsu High Hope Wisdom Co., Ltd. (江蘇匯鴻匯升投資管理有限公司)	1,001.00	
Currency deposits payable	Liaoning Litian New Material Co., Ltd. (遼寧麗天新材料有限公司)	4,285,322.60	
Currency deposits payable	Jiangsu High Hope Arser Co., Ltd. (江蘇匯鴻亞森國際貿易有限公司)	1,001.00	
Currency deposits payable	Yangzhou HONG Yuan Shoes Co., Ltd. (揚州鴻元鞋業有限公司)	1,001.00	
Other payables–Dividend payable	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)		8,263,703.31
Other payables–Dividend payable	Soho Holly Corporation (蘇豪弘業股份有限公司)		4,437,000.00
Other payables–Dividend payable	Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司)		4,306,440.00
Other payables–Dividend payable	Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司)		1,917,904.02
Other payables–Dividend payable	Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司)		248,560.35
Other payables	Jiaingsu SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司)	1,323,400.55	

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

XII. Related Parties and Transactions with Related Parties

(Continued)

(III) Related party transaction balance (Continued)

3. Others

Related parties	Item	Related party transaction	Closing balance	Opening balance
Jiangsu SOHO Private Equity Fund Management Co., Ltd. (江蘇蘇豪私募基金管理有限公司)	Financial assets held for trading	Private Equity	2,709,359.73	

(IV) Remuneration of directors, supervisors and staff

1. Compensation of senior management

Item	Amount incurred in the year	Amount incurred in last year
Compensation of senior management	3,871,974.51	5,193,071.38

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

XII. Related Parties and Transactions with Related Parties

(Continued)

(IV) Remuneration of directors, supervisors and staff (Continued)

2. 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 and Chairlady					
– Zhou Jianqiu		314,244.00	126,201.00		440,445.00
Executive Director					
– Chu Kairong		449,192.00	101,373.00		550,565.00
Non-executive Directors					
– Xue Binghai					
– Jiang Lin					
Independent non-executive Directors					
– Wang Yuetang (January-July)	69,441.68				69,441.68
– Zhang Hongfa (August-December)	49,601.20				49,601.20
– Huang Dechun	119,042.88				119,042.88
– Lo Wah Wai	130,074.99				130,074.99
Total	368,160.75	763,436.00	227,574.00		1,359,170.75

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

XII. Related Parties and Transactions with Related Parties

(Continued)

(IV) Remuneration of directors, supervisors and staff (Continued)

2. Directors' emoluments (Continued)

Item	Director's fees	Salaries, allowances and other benefits	Discretionary bonus	Pension scheme contributions	Total
Amount incurred in last year					
Chairman and Chairlady					
– Zhou Jianqiu		384,992.00	302,000.00		686,992.00
Executive Director					
– Chu Kairong		349,072.00	300,000.00		649,072.00
Non-executive Directors					
– Xue Binghai					
– Shan Bing					
– Jiang Lin					
Independent non-executive Directors					
– Wang Yuetang	119,663.10				119,663.10
– Huang Dechun	119,663.10				119,663.10
– Lo Wah Wai	123,645.24				123,645.24
Total	362,971.44	734,064.00	602,000.00		1,699,035.44

None of the non-independent directors (except Zhou Jianqiu, Chu Kairong) 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.

Note: Zhou Jianqiu has rendered her resignation as Chairlady of the Board and executive Director the Company on 9 October 2023.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

XII. Related Parties and Transactions with Related Parties

(Continued)

(IV) Remuneration of directors, supervisors and staff (Continued)

3. 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 XII. (IV)1. Emoluments in respect of the other five (last year: five) individuals are as follows:

Item	Amount incurred in last year	Amount incurred in last year
Salaries, allowances and benefits	904,878.00	1,077,172.00
Discretionary bonus	3,365,397.43	4,808,823.31
Pension scheme contributions	230,803.20	208,315.68
Total	4,501,078.63	6,094,310.99

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	2	
HKD1,000,001 to HKD1,500,000	3	4
HKD1,500,001 to HKD2,000,000		1
HKD2,000,001 to HKD2,500,000		

4. 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 an inducement to join or upon joining the Company or as compensation for loss of office during the Track Record Period.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

XIII. Commitments and Contingent Events

(I) Material commitments

1. External investment contracts contracted but not performed or not completely performed

Capital commitments	Closing balance	Opening balance
Contracts contracted but not performed	42,000,000.00	42,000,000.00
Contracts authorized but not contracted	78,000,000.00	78,000,000.00
Total	120,000,000.00	120,000,000.00

(II) Contingent events

1. Significant pending litigation or arbitration

- (1) 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 Law Firm 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 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 2023, 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 2023, the Group had no other contingencies to be disclosed.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

XIV. Subsequent Events

1. Profit distribution after the balance sheet date

Item	Content
Profits or dividends to be distributed	4,031,111.11 (note)
Profits or dividends declared to distribute after review and approval	–

Note: Pursuant to the resolution of the 20th meeting of the 4th session of the Board of the Company held on 28 March 2023, the above profit distribution proposal is subject to the approval at the general meetings of the Company.

Save for the above, 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.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

XV. Other important matters (Continued)

(I) Segment reports (Continued)

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

Item	Futures	Commodity	Offset between divisions	Total
	Brokerage and Asset Management Business Division	Trading and Risk Management Business Division		
External operating income	320,780,733.41	1,622,437,384.68		1,943,218,118.09
Inter-divisional operating income	-26,545,526.36	61,534,403.73	-34,988,877.37	
Operating expenses	-285,086,870.89	-1,651,581,268.17		-1,936,668,139.06
Non-operating income and expenditure	3,688,277.98	233,795.20		3,922,073.18
Gross profit	12,836,614.14	32,624,315.44	-34,988,877.37	10,472,052.21
Income tax expense	-3,237,227.15	-8,190,548.10	8,747,219.35	-2,680,555.90
Net profit	9,599,386.99	24,433,767.34	-26,241,658.02	7,791,496.31
Total assets	8,858,745,507.96	772,408,808.93	-318,077,173.00	9,313,077,143.89
Total liabilities	7,506,817,839.69	222,773,763.09	-264,007,764.39	7,465,583,838.39
Other important items:				
Incl.: Net interest income	98,354,810.61	3,244,612.31		101,599,422.92
Depreciation and amortization	32,237,894.76	1,520,870.67		33,758,765.43
Increase in non-current assets other than long-term equity investment	11,455,981.64	235,241.41		11,691,223.05

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
Mainland China	1,927,603,791.98
Hong Kong, China	15,614,326.11
Total	1,943,218,118.09

(II) As of 31 December 2023, the Group had no other important matters to be disclosed.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

XVI. Notes to Parent's Financial Statements

1. Long term equity investment

(1) Long term equity investment breakdown

Item	Closing balance	Opening balance
Investment in subsidiaries	700,448,579.81	600,448,579.81
Investment in joint ventures or associates	8,252,558.04	8,252,386.71
Total long term equity investment	708,701,137.85	608,700,966.52
Less: Provision for long term equity investment impairment		
Net long term equity investment	708,701,137.85	608,700,966.52

(2) Investment in subsidiaries

Invested company	Opening balance (Book value)	Provision for impairment as at the beginning of the year	Current changes				Closing balance (Book value)	Provision for impairment as at the end of the year
			Additional investment	Investment reduction	Provision for impairment	Other		
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	400,000,000.00		100,000,000.00				500,000,000.00	
Holly International Financial Holdings Limited (弘業國際 金融控股有限公司)	200,448,579.81						200,448,579.81	
Total	600,448,579.81		100,000,000.00				700,448,579.81	

Note: In May 2021, the 74th board meeting of the 5th session of Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) and the 23th board meeting of the 3rd session of Holly Futures Co., Ltd. (弘業期貨股份有限公司) resolved to approve the capital increase of RMB260 million by Holly Futures Co., Ltd. (弘業期貨股份有限公司) to Holly Capital Management Co., Ltd. (弘業資本管理有限公司). The capital increase will be implemented in two tranches over two years, with the first tranche of RMB150 million completed in October 2021, increasing the registered capital of Holly Capital to RMB390 million. Another portion of capital increase of RMB10 million was completed in December 2022, and the capital increase of RMB100 million was completed in January 2023, following which the registered capital of Holly Capital was increased to RMB500 million.

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

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

1. Long term equity investment (Continued)

(3) Investment in joint ventures or associates

Investees	Current changes											Provision for impairment as at the end of the year	
	Provision for Impairment		Additional investment	Investment reduction	Investment gain/loss recognised with equity method	Other comprehensive income	Other equity change	Declared cash		Provision for impairment	Others		Closing balance
	Opening balance	as at the beginning of the year						dividend or profit	Others				
Associates													
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	6,105,888.27				3,470.61							6,109,358.88	
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	2,146,498.44				-3,258.07	-41.21						2,143,198.16	
Total	8,252,386.71				212.54	-41.21						8,252,558.04	

2. Net handling fee and commission income

(1) Net handling fee and commission income breakdown

Item	Amount incurred in the year	Amount incurred in last year
Net brokerage fee income	167,888,252.81	197,392,831.34
Asset management business income	6,592,588.10	9,172,085.90
Investment advisory income	1,698,049.48	548,765.27
Total	176,178,890.39	207,113,682.51

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

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

2. Net handling fee and commission income (Continued)

(2) Branches and fee income by administrative region

Administrative region	Amount incurred in the year		Amount incurred in last year	
	Number of branches	Fee income	Number of branches	Fee income
Jiangsu Province	21	142,855,531.22	21	167,654,759.20
Fujian Province	2	4,541,227.25	2	6,823,089.89
Shanghai	2	3,029,648.22	2	3,436,009.88
Zhejiang Province	2	4,667,945.66	2	5,668,178.01
Henan Province	1	1,926,138.18	1	2,234,018.05
Guangdong Province	3	1,536,304.23	3	2,245,537.25
Beijing	2	1,284,200.61	2	1,492,148.28
Shandong Province	2	3,074,298.59	2	5,097,976.28
Shaanxi Province	1	2,070,682.46	1	1,576,289.96
Anhui Province	2	2,225,613.03	2	1,525,205.96
Liaoning Province	2	1,901,853.35	2	2,074,476.12
Guangxi Province	1	1,042,989.45	1	1,256,849.65
Hunan Province	1	1,243,894.79	1	1,183,770.14
Chongqing	1	3,485,416.41	1	3,622,258.08
Sichuan Province	1	157,080.96	1	325,975.58
Shanxi Province	1	679,029.86	1	613,955.76
Hainan Province	1	457,036.12	1	283,184.42
Total	46	176,178,890.39	46	207,113,682.51

3. Net interest income

Item	Amount incurred in the year	Amount incurred in last year
Interest income		
Incl.: Interest income from customer fund deposits	78,936,566.41	79,050,803.24
Interest income from own fund deposits	11,836,710.13	11,316,367.84
Interest income from repurchase agreements	1,286,583.75	374,452.84
Total interest income	92,059,860.29	90,741,623.92
Interest expense		
Incl.: Interest expense on sale and repurchase	1,247,828.44	681,419.29
Total interest expense	1,247,828.44	681,419.29
Net interest income	90,812,031.85	90,060,204.63

Notes to the financial statements

From 1 January 2023 to 31 December 2023

(All amounts in RMB unless otherwise stated in the notes to these financial statements)

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

4. Investment gains

(1) Investment gains breakdown

Item	Amount incurred in the year	Amount incurred in last year
Long term equity investment gains calculated with cost method		
Long term equity investment gains calculated with equity method	212.54	1,216,288.13
Incl.: Gains on the investment in associates	212.54	1,216,288.13
Gains on the investment in joint ventures		
Proceeds from disposal of long term equity investment		
Financial instrument investment gains	-13,401,571.73	-16,808,192.90
Incl.: Grains on financial instrument during holding period	7,842,848.35	10,721,307.73
– Financial instrument held for trading	7,842,848.35	10,721,307.73
Proceed of disposal	-21,244,420.08	-27,529,500.63
– Financial instrument held for trading	-21,244,420.08	-27,529,500.63
Total	-13,401,359.19	-15,591,904.77

(2) Gains from investment in associates

Item	Amount incurred in the year	Amount incurred in last year
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	3,470.61	1,318,777.13
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	-3,258.07	-102,489.00
Total	212.54	1,216,288.13

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

5. Gains from changes in fair value

Item	Amount incurred in the year	Amount incurred in last year
Financial assets held for trading	18,652,084.20	-22,595,209.74
Incl.: Financial assets at FVTPL	18,652,084.20	-22,595,209.74
Investment properties	152,394.00	5,047,172.83
Total	18,804,478.20	-17,548,036.91

Additional information on the financial statements

(Unless otherwise specified, amounts are expressed in RMB)

1. Extraordinary profit and loss statement

Item	Amount for the year
Profit or loss on disposal of non-current assets	-118,519.94
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	3,445,288.93
Profit or loss from changes in fair value of investment properties using the fair value model for subsequent measurement	152,394.00
Other non-operating income and expenses other than the foregoing items	946,011.56
Other profit and loss items falling within the meaning of extraordinary profit and loss	
Subtotal	4,425,174.55
Less: Effect of income tax	1,141,765.60
Effect of minority interests (after tax)	
Total	3,283,408.95

2. Returns on net assets and earnings per share

Profit of the Reporting Period	Weighted average return on net assets (%)	Earnings per share (RMB/share)	
		Basic	Diluted
Net profit attributable to equity holders of the parent company	0.4229	0.0077	0.0077
Net profit attributable to equity holders of the parent company after extraordinary items	0.2447	0.0045	0.0045

Holly Futures Co., Ltd.
28 March 2024