HOLLY FUTURES

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

STOCK CODE : 3678

2016 ANNUAL REPORT

Contents

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 thirteenth meeting of the second session of the Board and the fourth meeting of the second 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 2016 prepared by the Company in accordance with the Hong Kong Financial Reporting Standards and that with PRC Accounting Standard for Business Enterprises were audited respectively by KPMG and KPMG Huazhen LLP (畢馬威華振會計師事務所（特殊普通合夥)), and an auditor's report with unqualified opinions was issued by each of them. All amounts set out in this report are expressed in Renminbi (RMB) unless otherwise indicated.

The Company's Chairman Mr. Zhou Yong, General Manager Ms. Zhou Jianqiu and supervisor of finance. Ms. Wang Min declare that they warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.

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

Chairman's Statement

2016 was the first year of our listing, and also the crucial year for our "second venture" and strategic transformation, and the beginning year of the "thirteenth five-year" plan. During the year, we obtained various awards by implementing prudently and excellently and keeping developing under the extreme challenges of the serious situation in the capital market. The Company received industrial awards for the honorary title of "Best Future Firm in China"(中國最佳期貨公司), and was awarded "the Best Commodity Futures Industry Service Prize"(最佳商品期貨產業服務獎), "Best Assets Management Business Award"(最佳資產管理業務獎) and "Best Capital Operation Development Award" (最佳資本運營發展獎). For Safe Finance Development, the Company was awarded "Model Unit of Safe Finance Development of Nanjing City for 2014-2016" (2014-2016年度南京市平安金融示範單位). For Industry classification regulation, we have been ranked as an only "Class A of the A Category" futures firm for eight years consecutively in Jiangsu Province. In addition, the Company was also awarded "President's Award" (公益榮譽獎). With the enhancement of brand influence and corporate recognition, the Company laid a good foundation for the expansion of business space.

During this year, by focusing on central tasks of the enterprise, the Company set up a foothold in transformation and upgrading of strategic objectives, comprehensively optimized the business layout, actively built the core competitiveness, and recorded satisfactory operating results. As at the end of 2016, our total assets amounted to RMB4,833 million, net assets attributable to the Company RMB1,716 million which grew by 2% over 2015 and net profit attributable to the Company RMB78.90 million, which grew by 12% over 2015. The Group achieved total operating income of RMB311 million, which grew by 6% over 2015. The Company's market share significantly increased to 0.91%, representing a year-on-year growth of 93%, hitting a 4-year record high. During this year, the fund sales business took a new step, while the option business developed steadily with a substantial increase in corporate efficiency, which laid a solid foundation for our future sustained and rapid development.

In 2016, the Company dedicated itself to foster the new momentum for development, build new heights of talent, and look for new drivers of profit growth. Formulating the clear development orientation and goal, the Company strived to become a financial group conglomerate of derivatives with a focus on risk management and wealth management through building five functions, such as integration of spot and futures, mixed operations, asset management, off-site and cross-border services. Specifically, in terms of business, we would achieve the transformation of "three-in-one", namely intermediary services, risk management and wealth management from pure channel business, with a connect path of "futures and spot, on-site and off-site, the international and domestic"; in terms of organizational system, we would transform to group control mode; in terms of development force, we would take IT as a core, and drive transformation and development through the innovation of information technology.

Looking forward into a new year, we will expand and strengthen the conditional brokerage business by seizing chances brought by the Internet Plus, focus on building three major innovative business systems of asset management, risk management and international business, and comprehensively strengthen the infrastructures such as talent, risk control, technology and study and development. Focusing on enriching people, we forge ahead and strive to become a pioneer of "focusing on innovation", a demonstration of "transformation and upgrading" as well as an implementer of "enriching people and strengthening company". We will spare no effort to promote the overall strength of the Company to a new level, enhance the staff's happiness index, and strive to construct Holly Futures as a financial group conglomerate of derivatives with international competitiveness, to create more value for our shareholders and investors.

Zhou Yong
Chairman

Nanjing, the PRC
28 March 2017

Definitions

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

Articles of Association	the Articles of Association of Holly Futures Co., Ltd. currently in force
Company, our Company, We or Holly Futures	Holly Futures Co., Ltd. (弘業期貨股份有限公司), a joint stock limited company established in Jiangsu, the PRC under the laws of the PRC on 29 November 2012 and carrying on business in Hong Kong as "Holly Futures", its H Shares of which are listed on Hong Kong Stock Exchange
Group, our Group, us or We	our Company and its subsidiaries
Director(s)	director(s) of our Company
Board	the board of directors of our Company
Supervisor(s)	supervisor(s) of our Company
Supervisory Committee	the supervisory committee of our Company
Listing Rules	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
Corporate Governance Code	the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Report	this annual report for 2016 of the Company
Domestic Share(s)	issued ordinary share(s) of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid up in RMB
H Share(s)	overseas listed foreign ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each listed on the Main Board of Hong Kong Stock Exchange
Reporting Period	the year ended 31 December 2016
end of Reporting Period	31 December 2016

Prospectus	the prospectus in relation to H Shares of the Company dated 16 December 2015
PRC or China	the People's Republic of China which, for the purpose of this report, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
State Council	State Council of the PRC (中華人民共和國國務院)
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
MOF	Ministry of Finance of the PRC (中華人民共和國財政部)
SAT	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
NDRC	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
MOFCOM	Ministry of Commerce of the PRC (中華人民共和國商務部)
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)
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 AIC	Jiangsu Administration of Industry and Commerce (江蘇省工商行政管理局)
Jiangsu Financial Services Office	Financial Services Office of Jiangsu People's Government (江蘇省人民政府金融服務辦公室)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Chairman	the chairman of our Company
Artall Culture Group	Artall Culture Group Company Limited (愛濤文化集團有限公司, formerly known as Jiangsu Holly International Group Company Limited (江蘇弘業國際集團有限公司)), a limited liability company established under the laws of the PRC on 20 January 1999 and a wholly-owned subsidiary of our Controlling Shareholder
Chief Risk Officer	the chief risk officer of our Company
CFA	China Futures Association (中國期貨業協會)
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

Controlling Shareholder	SOHO Holdings unless the context requires otherwise
SOHO Holdings	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) (formerly known as Jiangsu Silk Group Company Limited (江蘇省絲綢集團有限公司), a wholly state-owned limited liability company established under the laws of the PRC on 29 April 1994, which is the Controlling Shareholder and one of the promoters of the Company
Holly Corporation	Jiangsu Holly Corporation (江蘇弘業股份有限公司) (formerly known as Jiangsu Crafts Import & Export Trading Group Co., Ltd. (江蘇省工藝品進出口集團股份有限公司)), a limited liability company established under the laws of the PRC on 30 June 1994 and one of the promoters and a Shareholder of the Company
Holly 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 January 2011 and one of the promoters and a Shareholder of the Company
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
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
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
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 Capital	Holly Capital Management Co., Ltd. (弘業資本管理有限公司), a limited liability company established under the laws of the PRC on 25 June 2013 and a wholly-owned subsidiary of our Company
Holly Su Futures	Holly Su Futures (Hongkong) Co., Limited (弘蘇期貨（香港）有限公司), a company incorporated under the laws of Hong Kong with limited liability on 20 October 2011 and a wholly-owned subsidiary of our Company which is licensed to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO
Holly Su Asset	Holly Su Asset Management Co., Ltd. (弘蘇資產管理有限公司), a company incorporated under the laws of Hong Kong with limited liability on 7 July 2016 and a wholly-owned subsidiary of our Company

Holly Capital (Hong Kong)	HOLLY CAPITAL (HONG KONG) CO., LIMITED (弘業資本(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 10 May 2016 and carrying on business in Hong Kong as HOLLY CAPITAL (HONGKONG) CO., LIMITED, and a wholly-owned subsidiary of our Company
Hong Kong	the Hong Kong Special Administrative Region of the PRC
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
Listing Date	the date, being 30 December 2015, on which the H Shares were listed and from which dealings therein were permitted to take place on the Main Board of the Hong Kong Stock Exchange
PRC Futures Exchanges	China Financial Futures Exchange (中國金融期貨交易所), Dalian Commodity Exchange (大連商品交易所), Shanghai Futures Exchange (上海期貨交易所) and Zhengzhou Commodity Exchange (鄭州商品交易所)
Shareholder(s)	holder(s) of the shares of the Company
AUM	the amount of assets under management
average brokerage commission rate	equals the sum of net commission and fee income from futures brokerage business and refunds of trading fees as divided by the corresponding futures brokerage trading volume
client balances	cash and cash equivalents deposited by the brokerage clients with us for trading purpose, consisting of client margin deposits and settlement reserve funds
collective asset management scheme(s)	asset management contract(s) entered into with multiple clients by an asset manager, pursuant to which the clients' assets are placed in the custody of commercial bank qualified to hold client transaction settlement funds or in other institutions approved by the CSRC, and the asset manager provides asset management services to the clients through designated accounts
commission revenue	commission revenue of a futures company represents the sum of (i) commission and fee income generated from futures brokerage operations of a futures company and (ii) refund of relevant commission from futures exchanges
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
Introducing Broker(s)	a business partner of our Company who introduces clients to our Company for commission
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
R&D	research and development

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
targeted asset management scheme(s)	targeted asset management contract(s) entered into with a single client by an asset manager in China, pursuant to which the asset manager provides asset management services to the client through accounts under the client's name
Share(s)	Domestic Share(s) and H Share(s)
Rules of Procedure for Meeting of the Board	the Rules of Procedure for Meeting of the Board of Holly Futures Co., Ltd. currently in force
FOF	a fund specially invested 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
MOM	"Manager of Managers", an investment model where the fund managers of MOM select fund managers that for a long time consistently implement their own investment philosophies, maintain steady investment styles and achieve higher than normal returns, after following and researching the investment processes of fund managers, and have such fund managers take charge of investment management by means of investing in sub-accounts that are entrusted to them
QDII	Qualified Domestic Institutional Investor, refers to under the condition of an inconvertibility of RMB and closure of capital markets, a system arrangement established in the territory of a country, approved by the relevant department of the country, to allow a domestic institutional investor to conduct securities investment business in overseas capital markets, such as stocks and bonds in a controlled manner

Company Profile

I. BASIC INFORMATION ABOUT THE COMPANY

1. NAME OF COMPANY

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

Chinese abbreviation (in the PRC): 弘業期貨

English name: Holly Futures Co., Ltd.

2. BOARD

Executive Directors

Mr. Zhou Yong (Chairman)
Ms. Zhou Jianqiu

Non-executive Directors

Mr. Xue Binghai
Mr. Zhang Ke
Mr. Sun Changyu (resigned on 23 March 2017)

Independent non-executive Directors

Mr. Li Xindan
Mr. Zhang Hongfa
Mr. Lam Kai Yeung

Special Committees of the Board

Audit Committee	Mr. Lam Kai Yeung (Chairman) Mr. Xue Binghai Mr. Zhang Hongfa
Remuneration Committee	Mr. Zhang Hongfa (Chairman) Mr. Li Xindan (the former member of the Remuneration Committee, being Mr. Sun Changyu, resigned on 23 March 2017)
Nomination Committee	Mr. Zhou Yong (Chairman) Mr. Li Xindan Mr. Zhang Hongfa
Risk Management Committee	Mr. Li Xindan (Chairman) Mr. Xue Binghai Ms. Zhou Jianqiu Mr. Zhang Ke

3. SUPERVISORY COMMITTEE

Ms. Xu Yingying (Chairlady of the Supervisory Committee)
Ms. Wang Jianying
Mr. Zhao Yajun

4. LEGAL REPRESENTATIVE

Ms. Zhou Jianqiu

5. REGISTERED CAPITAL

RMB907 million

6. QUALIFICATIONS FOR BUSINESSES IN CHINA

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

■ *Head Office*

7. HEAD OFFICE IN CHINA

Registered address of the Company: No.50 Zhonghua Road,
Nanjing, Jiangsu Province, the PRC (postcode: 210001)
Office address of the Company: Holly Tower,
No.50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC
(postcode: 210001)
Website of the Company: www.ftol.com.cn
Email address: zqb@ftol.com.cn

8. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

9. SECRETARY TO THE BOARD

Secretary of the Board: Ms. Yu Hong
Address: 10/F, Holly Tower, No.50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (postcode: 210001)
Tel: 025-52278880
Email: yuhong@ftol.com.cn

10. JOINT COMPANY SECRETARIES

Ms. Yu Hong and Ms. Leung Wing Han Sharon

11. AUTHORIZED REPRESENTATIVES OF THE COMPANY

Ms. Zhou Jianqiu and Ms. Yu Hong

12. STATUTORY AUDIT INSTITUTIONS OF THE COMPANY

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

13. COMPLIANCE ADVISOR

Guotai Junan Capital Limited

14. LEGAL ADVISERS

As to Hong Kong Law: Li & Partners
As to PRC Law: Jingtian & Gongcheng

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
Evergrowing Bank Co., Ltd.
China CITIC Bank Corporation Limited
China Merchants Bank Co., Ltd.
Bank of Jiangsu Co., Ltd.
Bank of Nanjing Company Limited
China Everbright Bank Co., Ltd
Ping An Bank Co., Ltd.
Bank of Hangzhou Co., Ltd.
Bank of Shanghai Co., Ltd.
Hua Xia Bank Company Limited
Wing Lung Bank Limited
Bank of China (Hong Kong) Limited

16. H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

17. STOCK CODE

03678

II. DEVELOPMENT HISTORY

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

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

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

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

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

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

In 2009, the registered capital of Jiangsu Holly increased to RMB138.00 million. After the completion of the capital increase, 44.42% of the registered capital of Jiangsu Holly or RMB61.2996 million was contributed by Holly Investment; 44.42% or RMB61.2996 million by Holly Corporation; 3.57% or RMB4.9248 million by Holly Logistics, 3.83% or RMB5.292 million by Hongrui Venture Capital; and 3.76% or RMB5.184 million by Shanghai Mingda.

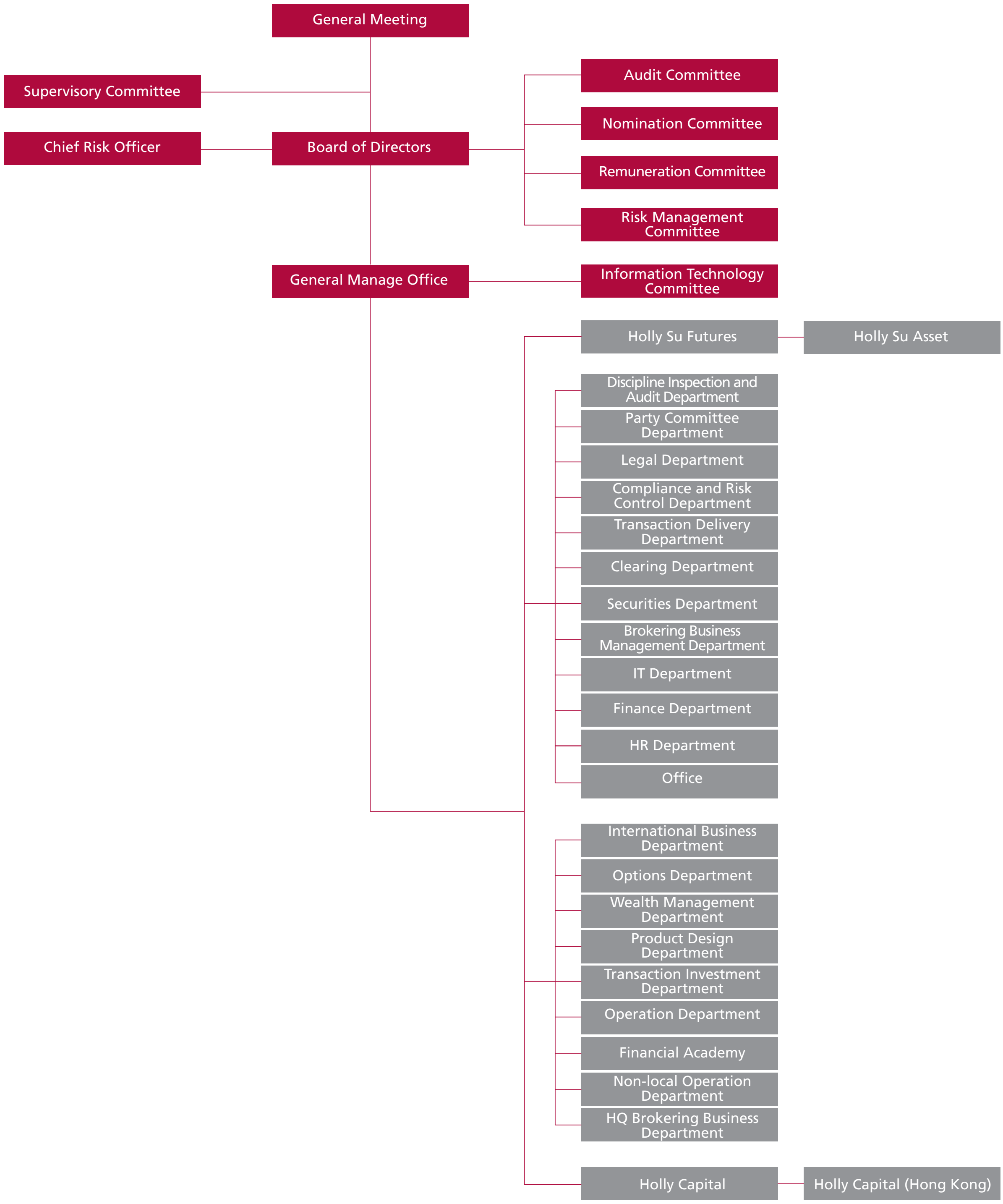
In 2011, the registered capital of Jiangsu Holly increased to RMB380 million. After the completion of the capital increase, 21.75% of the registered capital of Jiangsu Holly or RMB82.65 million was contributed by Holly Investment; 21.75% or RMB82.65 million by Holly Corporation; 21.34% or RMB81.0812 million by SOHO Holdings; 21.11% or RMB80.218 million by Holly Su Industrial; 10.00% or RMB38.00 million by High Hope International; 1.39% or RMB5.292 million by Hongrui Venture Capital; 1.36% or RMB5.184 million by Shanghai Mingda; and 1.30% or RMB4.9248 million by Holly Logistics.

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

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

On 18 August 2015, the CSRC issued the Reply on Approving Holly Futures Co., Ltd.'s Offering of Overseas Listed Foreign Shares (Zheng Jian Xu Ke [2015] No.1963) (《關於核准弘業期貨股份有限公司發行境外上市外資股的批覆》(證監許可[2015]1963號)) to approve the Company's offering of no more than 261,050,000 overseas listed foreign shares, all of which are ordinary shares of a nominal value of RMB1 each. On 30 December 2015, the shares issued by the Company overseas were listed on the Main Board of Hong Kong Stock Exchange (stock abbreviation: Holly Futures; and stock code: 03678). According to the Reply Concerning Transfer of State-owned Equities of Holly Futures Co., Ltd. (Guo Zi Chan Quan [2015] No. 411) (《關於弘業期貨股份有限公司國有股轉持有關問題的批覆》(國資產權[2015]411號)) by State-owned Assets Supervision and Administration Commission of the State Council, after the completion of such offering of the Company, the state-owned shareholders Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司), Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司), Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司) and Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司) transferred their respective 17,535,897 shares, 4,069,866 shares, 566,782 shares and 527,455 shares (22,700,000 shares in total) to National Council for Social Security Fund. Upon the listing, the total share capital of the Company amounted to 907,000,000 shares, which were held by Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) as to 275,456,777 shares or 30.37%, by Jiangsu Holly Corporation (江蘇弘業股份有限公司) as to 147,900,000 shares or 16.31%, by Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司) as to 143,548,000 shares or 15.83%, by Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司) as to 63,930,134 shares or 7.05%, by Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司) as to 8,903,113 shares or 0.98%, by Shanghai Mingda Industrial (Group) Company Limited (上海銘大實業（集團）有限公司) as to 9,276,631 shares or 1.02%, by Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司) as to 8,285,345 shares or 0.91% and by public shareholders of H Shares as to 249,700,000 H Shares or 27.53%.

III. ORGANIZATIONAL STRUCTURE



IV. SUBSIDIARIES

Name	Registered and office address	Principal activities	Place of incorporation and principal place of operation	Date of incorporation	Registered capital	Shareholding ratio	Remarks
Holly Capital Management Co., Ltd.	Room 201, Block A, No.1 Qianwan Road 1, Qianhai Shenzhen Hong Kong Cooperative District, Shenzhen, the PRC	Basis trading, cooperation hedging, warehouse receipts services	PRC	25 June 2013	RMB240 million	100%	
Holly Su Futures (Hongkong) Co., Ltd.	Room 01-02, 24/F, Jubilee Centre, No.42-46 Gloucester Road, Wanchai, Hong Kong	Provisions of futures trading	Hong Kong	20 October 2011	HK$100 million	100%	Acquired by the Company on 30 September 2015
HOLLY CAPITAL (HONG KONG) CO., LIMITED	Room 2103, Tung Chiu Commercial Centre, 193 Lockhart Road, Wanchai, Hong Kong	Fiduciary asset management, import and export business and investment management	Hong Kong	10 May 2016	HK$5 million	100%	Established and wholly owned by Holly Capital
Holly Su Asset Management Company Limited	Room 01-02, 24/F, Jubilee Centre, No.42-46 Gloucester Road, Wanchai, Hong Kong	Asset management and investment	Hong Kong	7 July 2016	HK$20 million	100%	Established and wholly owned by Holly Su Futures

V. DISTRIBUTION OF SECURITIES BRANCHES AND SUB-BRANCHES

As at the end of the Reporting Period, the Company had established 40 securities branches and 5 sub-branches in the PRC with the approval from the CSRC. The details are set out in the following table:

Name of Branch/ Sub-branch	Address (China)	Date of Establishment	Person in charge	Contact number
Suzhou Branch	Room 1303-1306, 13/F, No.9 Aiheqiao Road, Gusu District, Suzhou City	18 December 2001	Feng Xin	0512-88166669
Changzhou Branch	Room 6032,6053, Jiaye Building, No.99 Yanlin West Road, Zhonglou District, Changzhou City	24 September 2002	Zhu Jianfeng	0519-85229726
Yangzhou Branch	2,3/F, 3-storey commercial building next to Grand Skylight CIMC Hotel, No.368 Yangzijiang North Road, Yangzhou City	25 October 2002	Zhou Xiang	0514-85828622
Wuxi Branch	Room 1706,1707,1708,1709, No.531 Zhongshan Road, Wuxi City	12 December 2003	Cui Juan	0510-82703065
Beijing Branch	9/F, Block B, No.88 Andingmenwai Dajie Ding (Jiangsu Building), Dongcheng District, Beijing City	2 February 2005	Sun Jing	010-68014686

Name of Branch/ Sub-branch	Address (China)	Date of Establishment	Person in charge	Contact number
Shanghai Branch	Room 1210,1211, No.1589 Century Avenue, Pudong New Area, Shanghai City	15 August 2007	Li Yan	021-58301238
Nantong Branch	Room 703, Fangtian Building, No.6 Yaogang Road, Nantong City	6 September 2007	Cai Xuwen	0513-85113509
Qingdao Branch	Room 2301, Building No.1, No.10 Xianggang Zhong Road, Shinan District, Qingdao City, Shandong Province	26 November 2007	Qu Binghan	0532-85039479
Hefei Branch	Room 707, Block 1,Wucai Commercial Plaza, No.129 Wangjiang West Road, Shushan District, Hefei City	26 December 2007	Tan Haijun	0551-62671810
Xuzhou Branch	Room 2206-2207, Didou Building, Heping Road, Yunlong District, Xuzhou City	4 January 2008	Qiu Xinbo	0516-85698530
Hangzhou Branch	Room 1401, Block B, New Oriental Building, No.18 Xihu Avenue, Hangzhou City	20 February 2008	Huang Tao	0571-87185523
Zhengzhou Sub-branch	Room 1006, Futures Building, No.30 Business Outer Ring Road, Zheng Dong New District, Zhengzhou City	1 July 2008	Yang Xiujia	0371-65615360
Taizhou Branch	Room 1303, Wanda office building, No.220 East Jichuan Road, Hailing District, Taizhou City	3 July 2008	Yang Yong	0523-86211667
Nanning Branch	Room 2103, 21/F, Block A, Pacific Century Plaza, No.25 Jinzhou Road, Nanning City	19 September 2008	Da Rujie	0771-5760762
Zhenjiang Branch	17/F, Workers Building, No.8 Guang Cheng Road, Runzhou District, Zhenjiang City	31 October 2008	Shi Qingling	0511-85088002
Fuzhou Branch	Unit 2504, 25th Floor of Lippo Tianma Plaza, 1 Wuyibei Road, Gulou District, Fuzhou City, Fujian Province	10 November 2008	Shi Shuqiang	0591-38118108
Northeast Sub-branch	Room 2302, Dalian Futures Building, Block A, Dalian International Finance Center, No.129 Exhibition Road, Sha He Kou District, Dalian City	26 November 2008	Tang Yongqiang	0411-39799848
Changsha Branch	Room 1701, 17/F, Cultural Building, No.139 Shaoshan North Road, Fu Rong District, Changsha City	21 December 2008	Liu Zhongwen	0731-84420506
Xian Branch	Unit G, 13/F, New Times Square, No.55 North Avenue, Lianhu District, Xian City	10 April 2009	Ma Keyi	029-87208086
Yancheng Branch	Room 3A07, 3A08, 4/F, Huabangdong Mansion, No.1 Renmin South Road, Yancheng City	16 June 2009	Lu Yongfeng	0515-83068212
Jinan Branch	Room 901, 5/F, Zhong Run Century Square, No.13777 Jingshi Road, Lixia District, Jinan City, Shandong Province	7 August 2009	Fu Luzhong	0531-55592251
Tianjin Branch	Room 2212-2214, Jinzuo Plaza, No.5 Meiyuan Road, Huayuan Industrial Park, Binhai High-tech Zone Tianjin City	19 August 2009	Lei Hong	022-23869005
Nanchang Branch	Room 509, Bin Jiang No.1 office building, No.12 Tuanjie Road, Xihu District, Nanchang City, Jiangxi Province	8 January 2010	Gan Zhijian	0791-86653106
Haikou Branch	Room 1809, Fortune Centre, No.38 Datong Road, Longhua District, Haikou City, Hainan Province	25 March 2010	Ge Runhua	0898-66509189
Suqian Branch	Unit 2401-2404, 2418, Zhejiang Building, Kailinrui Paris City, Sucheng District, Suqian City,	5 May 2010	Long Jing	0527-84331800

Name of Branch/ Sub-branch	Address (China)	Date of Establishment	Person in charge	Contact number
Shenyang Branch	Room 707-714, Block C, Jiarun Building, No.161 Nanjing North Street, Heping District, Shenyang City	11 October 2010	Jia Ling	024-23253319
Wuhan Branch	Room 2210, 22/F, Galaxy Plaza, No.818 Zhongshan Avenue, Jianghan District, Wuhan City	11 March 2011	Zhang Junjian	027-82798310
Guangzhou Branch	Room 909-910, No 138 Tiyu East Road, Tianhe District, Guangzhou City	8 March 2011	Lu Huaxin	020-22836012
Ningbo Branch	No.267 Guang Xian Road, Gaoxin District, Ningbo City	7 July 2011	Xiang Hongda	0574-87869523
Lianyungang Branch	Unit 1101-1103, 1105-1, Longhe Mansion Phase II Construction, No.6 Cangwu Road, Haizhou District, Lianyungang City	16 September 2011	Cao Qiang	0518-85327209
Chongqing Branch	6-15# and 6-16#, No.388 Xinhua Road, Yuzhong District, Chongqing City	30 December 2011	Luo Jun	023-88367700
Taiyuan Branch	Unit A, 5/F, Block A, Building 1, No.9 Fuxi Street, Xinghualing Qu, Taiyuan City	2 February 2012	Zhu Huashou	0351-3377899
Huaian Branch	Room 1111,1112, office building of Huaihai City One, Qinghe District, Huaian City	8 May 2012	Pan Chengyou	0517-83900209
Wuhu Branch	Room 1004 and 1005, 10/F, Weixing Times Financial Centre (偉星時代金融中心), Wuhu City, Anhui Province	28 June 2012	Jin Junwang	0553-2396888
Chengdu Branch	Unit 03,04, 9/F, Zone A1, Tianfu Time Square, No.68 Zhiquan Road, East Avenue, Jinjiang District, Chengdu City	1 February 2013	Chen Xiaochun	028-84471800
Shenzhen Branch	Unit 808, Modern Commercial Building, intersection between Jintian Road and Fuhua Road, Futian District, Shenzhen City	22 February 2013	Liu Wena	0755-22663155
Changshu Branch	Room A617,A618,A620, No.45 Haiyu North Road (Changshu World Trade Center), Changshu City, Jiangsu Province	23 July 2013	Li Jianfeng	0512-52092318
Jiangyin Branch	Room 1802, Block A, Kaiyue International Finance Centre, No.27 Huancheng North Road, Jiangyin City (214400)	23 July 2013	Yu Dongdong	0510-80612121
Yixing Branch	Room 201-A, 2/F, Yixing International Trade Building, No.21 Jiao Yu West Road, Yicheng Street, Yixing City	23 August 2013	Liu Yuanhong	0510-87961109
Zhangjiagang Branch	Room 1301-1305, Huafang International Building, No.178 Chengbei Road, Yangshe Town, Zhangjiagang City	6 September 2013	Zhou Xingjun	0512-89598788
Xiamen Branch	Room 1304, No.820 Xiahe Road, Siming District, Xiamen City, Fujian Province	18 November 2013	Zeng Lei	0592-5201699
Kunshan Branch	Room 1710, 17/F, Block 1, SOHO International Square, No.199 Huaqiao Commerce Avenue, Kunshan City	24 September 2014	Fu Fangyuan	0512-86896363
Shenzhen Sub-branch	Unit 808, Modern Commercial Building, intersection between Jintian Road and Fuhua Road, Futian District, Shenzhen City	29 July 2016	Zhao Dong	0755-22663155
Shanghai Sub-branch	Room 1208,1209, No.1589 Century Avenue, Pudong New Area, Shanghai City	15 October 2016	Chu Kairong	021-60136398
Jiangnan Sub-branch	Room 201, 2/F, Yixing International Trade Building, No.21 Jiao Yu West Road, Yicheng Street, Yixing City	6 December 2016	Wang Xueping	0510-87961132

Financial Summary

1. Major accounting data and financial indicators

(Unless otherwise specified, the accounting data and financial indicators contained in this annual report are prepared in accordance with the Hong Kong Financial Reporting Standards).

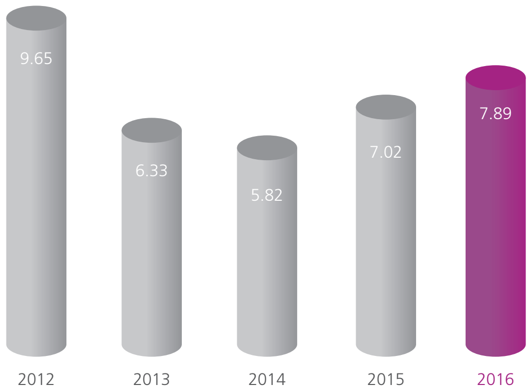
Major accounting data and financial indices for the past five years

RMB' 000	2016	2015	Increase in 2016 as compared to 2015 Amount	%	2014	2013	2012
Operating income	**311,380**	292,583	18,797	6%	273,875	325,398	375,642
Profit before taxation	**105,259**	89,476	15,783	18%	76,382	89,032	126,217
Profit after taxation – attributable to shareholders of the Company	**78,903**	70,170	8,733	12%	58,204	63,279	96,536
Net cash generated from operating activities Inflows/(outflows)	**11,450**	255,394	(243,944)	-96%	160,588	71,008	(355,750)
Earnings per share (RMB/share)							
Basic earnings per share	**0.0870**	0.1031			0.0856	0.0931	0.1420
Diluted earnings per share	**0.0870**	0.1031			0.0856	0.0931	0.1420
Profitability indicators							
Weighted average return on net assets (%)	**4.65%**	4.79%			4.67%	5.24%	8.80%

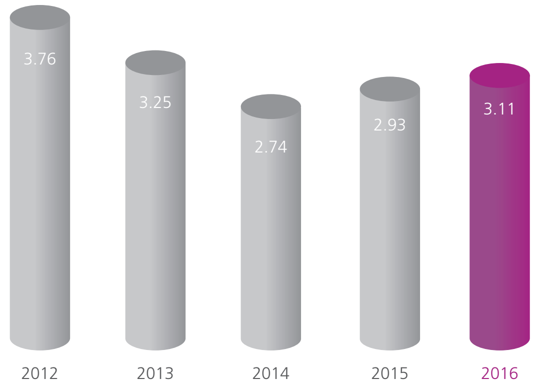
Scale indicators (RMB'000)	As at 31 December 2016	As at 31 December 2015	Increase in 2016 as compared to 2015 Amount	%	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
Total assets	**4,832,513**	5,528,765	(696,252)	-13%	3,367,640	3,300,696	2,944,872
Total liabilities	**3,116,827**	3,853,374	(736,547)	-19%	2,113,661	2,060,555	1,769,438
Accounts payable to brokerage clients	**3,040,791**	3,663,459	(622,668)	-17%	1,962,840	2,033,065	1,721,762
Equity attributable to shareholders of the Company	**1,715,686**	1,675,391	40,295	2%	1,253,979	1,240,141	1,175,434
Total share capital ('000)	**907,000**	907,000			680,000	680,000	680,000
Net assets value per share attributable to shareholders of the Company (RMB per share)	**1.89**	1.85			1.84	1.82	1.73
Gearing ratio (%) [Note 1]	**4%**	10%			11%	2%	4%

Note 1: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)

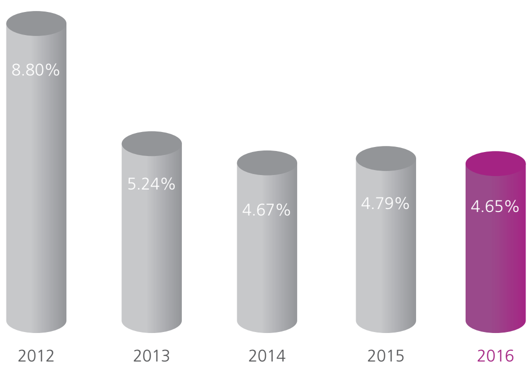
Profit after taxation-attributable to shareholders of the Company
(RMB 10 million)



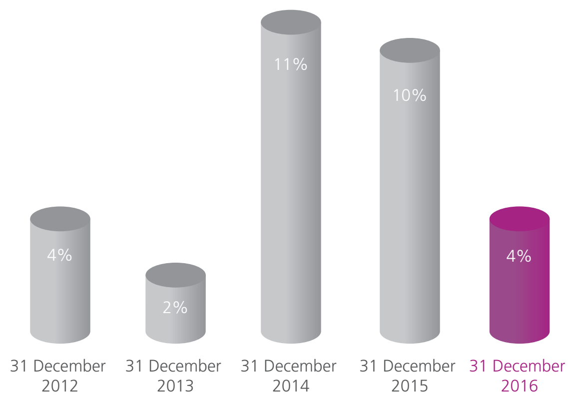
Operating income
(RMB 100 million)



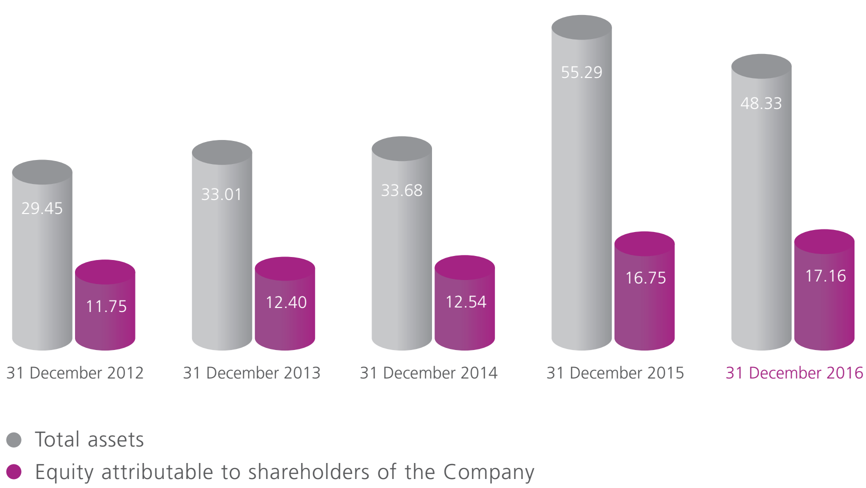
Weighted average return on net assets



Gearing ratio



Scale indicators
(RMB 100 million)



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

The Net Capital of the Company as at 31 December 2016 amounted to RMB1.067 billion, representing an increase of RMB114 million as compared with RMB953 million as at the end of 2015. 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 at 31 December 2016	As at 31 December 2015	Warning level	Minimum/ Maximum level
Net capital (RMB, million)	**1,067**	953	18	≥15
Net Capital/total risk capital reserves (%)	**408%**	376%	120%	≥100%
Net Capital/net assets (%)	**67%**	61%	48%	≥40%
Current assets/current liabilities (%)	**732%**	591%	120%	≥100%
Total liabilities/net assets (%)	**10%**	17%	120%	≤150%
Proprietary settlement reserve funds (RMB, million)	**250**	28	9.6	≥8

Management Discussion and Analysis

I. Industry review

In 2016, the international economic situation was increasingly complex with the waves of undercurrent, "Black Swan" events occurred frequently and the isolationism of anti-globalization was rising. On the one hand, global trade barriers raised to boost commodity prices; on the other hand, the global trade volume continued to decline, forcing the profits of relevant industry to decline, eliminate backward production capacity, and reduce the consumption of commodities. In 2016, as the world's second largest economy, China's economic development has entered a new normal, with growth shift, kinetic energy conversion, and structural optimization. China's total economy has reached US$11 trillion, maintaining the mid-and-high speed of growth. With the economic structure optimization, the transformation of the development mode and other characteristics, its economic operation was in a reasonable range. The quality and efficiency of economic growth has improved, and the new kinetic energy grew, which were the main symbols of the new normal feature in 2016.

The CPC Central Committee No.1 document issued on 27 January 2016 pointed out: "to create agricultural futures varieties and carry out agricultural options pilot", "explore the establishment of agricultural subsidies, agriculture-related credit, agricultural futures and agricultural insurance linkage mechanism", "steadily expand insurance + futures pilot", "reform and improve the grain and other important agricultural product price formation mechanism and purchasing and storage system". Supported by China's national policy and driven by regulatory departments, agricultural futures ushered in better development opportunities. In terms of three major oil products, palm oil futures rose 27.7%; vegetable oil futures soared 27.3%; and soybean oil futures rose nearly 22%. In addition, soy meal futures rose nearly 20%, vegetable meal futures jumped 22%, and soybean futures rose about 19%; with regard to soft commodities, cotton futures and sugar futures rose 31% and 20.6%, respectively.

With the steady progress of the supply side reform, the effect of the de-capacity was remarkable, and the futures market price fluctuated rapidly and significantly; for example, the annual volatility of coking coal and coke exceeded 100%, which enhanced the enthusiasm of all kinds of investors into the market. As for the major segment, the black products and chemical products had excellent performance, and more and more spot enterprises entered the futures market to achieve risk management via hedge. Organizations with futures companies as the representative continued to increase investment in commodity futures through the CTA (commodity trading consultant) and FOF, which directly promoted constant rise in the volume and turnover of commodity futures in 2016.

During the Reporting Period, the PRC futures market achieved a trading volume of 4,138 million lots, representing a year-on-year increase of 15.65%; influenced by the constant stock index futures control measures, trading turnover amounted to RMB195.63 trillion, representing a year-on-year decrease of 64.7%; total assets, Net Capital and futures margin deposits of futures companies amounted to RMB543.941 billion, more than RMB68.771 billion and approximately RMB436.907 billion respectively, representing increases of 14.61%, 14.55% and 14% as compared to the end of 2015 respectively.

II. Business review

Given the increasingly fierce competition in the futures industry and decline in the marginal benefits of traditional brokerage business, the Company focused on improving the quality of development and enhancing business efficiency; on the one hand, it vigorously consolidated the traditional brokerage business, and on the other hand, it actively cultivated asset management, international business, risk management and other profit growth points to promote the Company shift from the traditional brokerage company to a comprehensive financial group. As at 31 December 2016, our total assets amounted to RMB4,833 million, net assets attributable to the Company RMB1,716 million which grew by 2% over 2015 and net profit attributable to the Company RMB78.90 million which grew by 12% over 2015. Our total operating income amounted to RMB311 million which grew by 6% over 2015. The increase in profit was mainly due to the increase in operating income. Our key financial indicators such as total assets and net assets were at historically higher levels.

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

(1) Futures brokerage business

The futures brokerage business of the Company includes providing brokerage service in respect of the commodity futures and financial futures available at all futures exchanges in the PRC and receiving handling fees from clients. As of 31 December 2016, the Company had 45 branches, which mainly located at various municipalities, Jiangsu Province and other economically developed cities in the PRC.

In 2016, the futures brokerage business of the Company maintained at a fairly good level. The turnover from brokerage (bilateral statistics, the same below) of the Company amounted to RMB3.5488 trillion, representing a year-on-year decrease of 33%, smaller than the industry-wide decline in turnover from brokerage. The Company's market share increased to 0.91%, hitting a record high since 2013. The turnover from commodity futures brokerage amounted to RMB3.406 trillion, representing year-on-year growth of 51.19% as compared to RMB2.2527 trillion for the same period in 2015. The turnover from financial futures brokerage amounted to RMB0.1427 trillion, representing a year-on-year decrease of 95.33% as compared to RMB3.0536 trillion for the same period in 2015. The decrease was due to the restrictions imposed on stock index and futures by regulatory authorities and China Financial Futures Exchange, causing a huge drop in turnover of financial futures in the whole market in China. The trading volume of the Company was 80.66 million lots, representing year-on-year growth of 40.17% as compared to 57.54 million lots for the same period in 2015. In 2016, the handling fee rate for futures transactions of the Company was 0.5474 bps, representing a year-on-year increase of 79.37% as compared to 0.3052 bps for the same period in 2015. The decrease in trading volume of financial futures was due to the most stringent management and control measures ever imposed on stock index and futures by the China Financial Futures Exchange in early September 2015 and the introduction of a series of policies to prohibit the opening of short positions for financial futures by the CSRC. These management and control measures continued to be effective, causing a higher drop in turnover of financial futures in 2016 as compared to 2015. The handling fees of the Group from futures brokerage business amounted RMB200 million, representing an increase of 21.4% as compared to RMB165 million for the same period in 2015.

In 2017, the Company will continue to optimize the business network structure, explore the pilot business department, integrate resources, improve the service capacity in key areas, strengthen marketing promotion, and expand customer coverage.

Holly Tower

(2) Asset management business

As at 31 December 2016, AUM of the Company amounted to RMB861 million, representing an increase of 304% as compared to RMB213 million at the end of 2015. The client balance for futures and options amounted to RMB300 million, representing an increase of 37% on a year-on-year basis. The asset management business achieved a fee income of RMB3.64 million, representing growth of 19% as compared to RMB3.07 million for the same period of last year. There were 45 trading asset management accounts in aggregate, which increased by 22 as compared to the end of 2015, all accounts were operated smoothly.

There were some highlights of the Company's asset management business. Firstly, the asset management product line was abundant and active management products increased. The scope of product investment break through the futures-based pattern to add the options, stocks, bonds, interbank deposits and other business investment; secondly, the asset management platform is on the right track, gradually shifting from the simple subscription of the share of asset management products to actively expanding asset management projects; thirdly, while expanding the scale of asset management business, the Company focused on developing its own investment and trading team, intensified talent introduction, built a talent training system and enhanced the ability of risk control.

(3) Commodity trading and risk management business

In 2016, Holly Capital's development base and strength has been further strengthened and the registered capital increased to RMB240 million. It set up a subsidiary in Hong Kong to expand its businesses including cross-border transactions. In 2016, Holly Capital achieved total profit of RMB3.91 million, representing a decrease of 82% as compared to RMB21.39 million for the same period in 2015 primarily due to enhanced risk control of commodity trading business by the Group in 2016 with relevant risk management business newly established in this year. Therefore, investment gain in this year decreased significantly as compared to the same period in the previous year. During the year, Holly Capital tried futures and spot base difference proprietary transaction for the first time and achieved a breakthrough in the futures and spot business of thermal coal. While strengthening the business development, Holly Capital highlighted the risk prevention, comprehensively troubleshooting the risk control key points and precautions of business models, formulating customer adequacy management and credit assessment system and effectively enhancing the risk resistance capacity.

At the end of 2015, the Company obtained the qualification for trading participant for stock options from the Shanghai Stock Exchange and the trading permission to commence the stock options brokerage business. At the beginning of 2016, all preparation work of such business were completed for the official rolling out of stock options businesses. All stock options businesses are newly added this year and the business carrying out currently are brokerage business of ETF50 stock options and the over-the-counter option business. As of 31 December 2016, the revenue reached RMB0.127 million.

(4) Financial assets investment

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

As of the end of December 2016, the Group achieved disposition and dividend gains of RMB8.55 million from financial assets investment business, representing a decrease of 12% as compared to RMB9.74 million for the same period in 2015, which was mainly subject to the volatile and slumping stock market in the PRC under the influence of the macro economy, causing the Group to reduce investment in the securities market and reduce trading frequency.

III. Financial statement analysis

(1) Financial Statement Analysis

1. Profitability Analysis

During the Reporting Period, the Company seized the opportunities of the industry innovation and development and gradually enhanced its comprehensive strength. The revenue of its principal futures brokerage business grew steadily while that of the asset management increased substantially. Its options business achieved a breakthrough. The overall operation kept on developing steadily with growing profitability. The Group achieved total operating income of RMB311 million with a year-on-year increase of 6%. The net profit attributable to Shareholders of the Company amounted to RMB78.90 million with a year-on-year increase of 12%. The earnings per share amounted to RMB0.087 and the weighted average return on net assets was 4.65% with a year-on-year decrease of 0.14 percentage point.

2. Asset Structure and Asset Quality

As at the end of 2016, the total assets of the Group amounted to RMB4,833 million, representing a year-on-year decrease of 13% as compared with RMB5,529 million at the end of 2015; the total liabilities amounted to RMB3,117 million, representing a year-on-year decrease of 19% as compared with RMB3,853 million in 2015; and the net assets attributable to the shares of the Company increased by 2% as compared with RMB1,675 million at the end of 2015 to RMB1,716 million.

The asset structure remained stable while the quality and liquidity of assets were well maintained. As at the end of 2016, the total assets of the Group consisted of: current assets of RMB4,741 million, accounting for 98% of the total assets and mainly including cash held on behalf of clients of RMB2,179 million (accounting for 45%), cash and bank balances of RMB1,172 million (accounting for 24%), refundable deposits of RMB1,047 million (accounting for 22%), assets for financial investment of RMB292 million (accounting for 6%), other receivables of RMB45 million (accounting for 1%) and other current assets of RMB5 million (accounting for 0.1%). There was no indicator for material impairment of the assets of the Company in 2016.

As at the end of 2016, the liabilities deducting accounts payable to brokerage clients amounted to RMB76 million, representing a decrease of 60% as compared with RMB190 million at the end of 2015. The decrease was mainly attributable to the listing of the Group in Hong Kong at the end of 2015, listing and financing fees payable to social security funds and the intermediary fees in relation to listing has been settled in 2016. The gearing ratio of the Group was 4%, representing a decrease of 6 percentage point as compared to 10% at the end of 2015 (Note: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)). The operating leverage was 1.04 times, representing a decrease of 6% as compared with 1.11 times at the end of 2015 (Note: Operating leverage = (Total assets – Accounts payable to brokerage clients)/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 monitor index of the Company in each month throughout 2016 complied with the regulatory requirements of the CSRC.

4. Cash Flows

The net increase in cash and cash equivalents amounted to RMB169 million in 2016.

Net cash generated from operating activities of the Group amounted to RMB11 million in 2016, representing a year-on-year decrease of RMB244 million as compared with RMB255 million for 2015; net cash used in investing activities amounted to RMB-195 million in 2016, representing a year-on-year decrease of RMB163 million as compared with RMB-32 million used in 2015; net cash generated from financing activities amounted to RMB337 million in 2016, representing a year-on-year increase of RMB431 million as compared with RMB-94 million used in 2015; net increase in cash and cash equivalents amounted to RMB169 million in 2016, representing a year-on-year increase of RMB39 million as compared with RMB130 million for 2015.

(2) Income Statement Items

In 2016, the Group's profit before income tax amounted to RMB105.259 million, representing a year-on-year increase of RMB15.783 million or 18%. The key financial results are as follows:

In RMB'000	2016	2015	Increase in 2016 as compared to 2015 Amount	%
Revenue	311,380	292,583	18,797	6%
Net investment gains	6,105	26,606	(20,501)	-77%
Operating income	317,485	319,189	(1,704)	-1%
Other income	20,351	4,190	16,161	386%
Operating and management expenses	231,546	233,362	(1,816)	-1%
Profit from operations	106,290	90,017	16,273	18%
Share of losses of associates	1,031	541	490	91%
Profit before taxation	105,259	89,476	15,783	18%
Income tax expense	26,356	19,306	7,050	37%
Profit after taxation	78,903	70,170	8,733	12%
Basic and diluted earnings per share	0.0870	0.1031		
Other comprehensive income				
Other comprehensive income that maybe reclassified to income statement	1,424	(5,466)	6,890	126%
Exchange differences on translation of financial statements in foreign currencies	5,318	829	4,489	541%
Comprehensive income	85,645	65,533	20,112	31%

1. Revenue

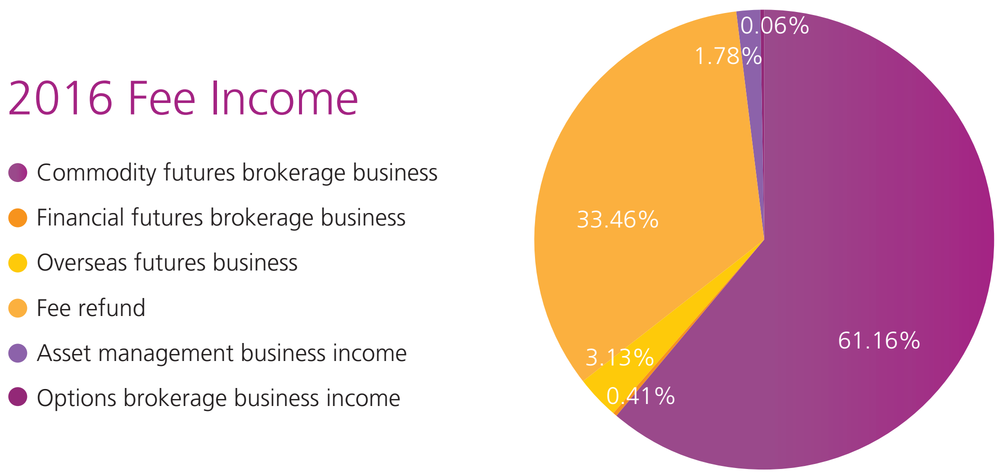
In 2016, the Group achieved revenue of RMB311.380 million, representing a year-on-year increase of RMB18.797 million or 6%. For 2016 and 2015, the Group's proportion of fee income were 65.6% and 61.5% respectively while the proportion of interest income were 34.4% and 38.5% respectively. The fee income presented an upward trend. Breakdown is set out in the following table:

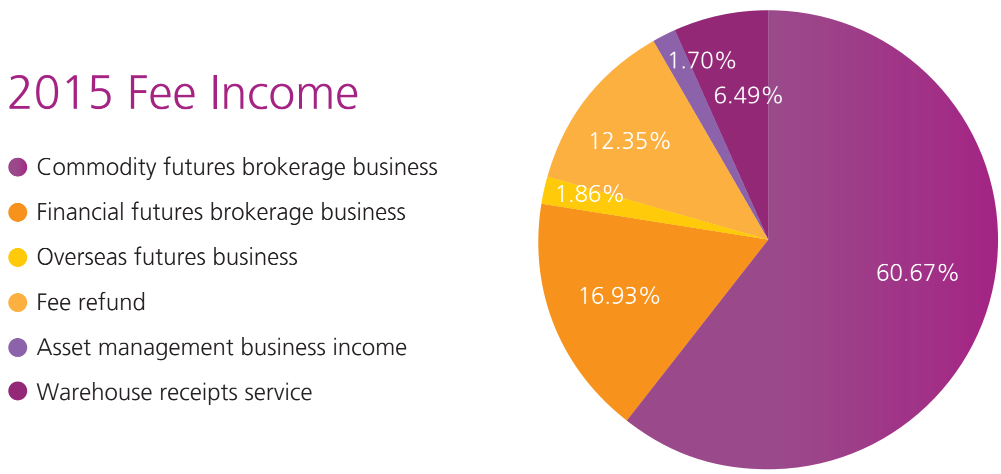
In RMB'000	2016 Amount	2016 Proportion	2015 Amount	2015 Proportion	Increase in 2016 as compared to 2015 Amount	%
Fee income	204,209	65.6%	179,883	61.5%	24,326	13.5%
Interest income	107,171	34.4%	112,700	38.5%	(5,529)	-4.9%
Total	311,380	100.0%	292,583	100.0%	18,797	6.4%

(1) Fee income

The Group achieved fee income of RMB204.209 million, representing a year-on-year increase of RMB24.326 million or 13.5%. The increase was mainly due to a growth in the futures business. Breakdown is set out in the following table:

In RMB'000	2016 Amount	2016 Proportion	2015 Amount	2015 Proportion	Change in 2016 as compared to 2015 Amount	Change in 2016 as compared to 2015 %
Commodity futures brokerage business	**124,895**	**61.16%**	109,130	60.67%	15,765	14.4%
Financial futures brokerage business	**845**	**0.41%**	30,462	16.93%	(29,617)	-97.2%
Overseas futures business	**6,389**	**3.13%**	3,342	1.86%	3,047	91.2%
Fee refund	**68,318**	**33.46%**	22,213	12.35%	46,105	207.6%
Asset management business income	**3,635**	**1.78%**	3,066	1.70%	569	18.6%
Options brokerage business	**127**	**0.06%**	–	–	127	N/A
Warehouse receipts services	**–**	**–**	11,670	6.49%	(11,670)	-100%
Total fee income	**204,209**	**100.00%**	179,883	100.00%	24,326	13.5%





Total Fee Income Chart of the Group

① The income from futures business amounted to RMB200.447 million, representing a year-on-year increase of RMB35.300 million or 21.4%, which mainly comprised fee income from commodity futures, financial futures and overseas futures brokerage business, as well as refunds of handling fees from the exchanges. Fee income from commodity futures amounted to RMB124.895 million, representing a year-on-year increase of RMB15.765 million or 14.4%, which was mainly attributable to the increase in handling fee rate of futures brokerage business (including commodity futures and financial futures, excluding overseas futures business) from 0.31 bp in 2015 to 0.55 bp in 2016 (handling fee rate = net fee income/trading amount). Among them, handling fee rate of commodity futures decreased from 0.5738 bp in 2015 to 0.5679 bp in 2016, while handling fee rate of financial futures decreased from 0.1070 bp in 2015 to 0.0592 bp in 2016. Due to the fact that the trading amount of financial futures with low handling fee rate reduced from RMB3.05 trillion in 2015 to RMB0.14 trillion in 2016, representing a sharp decline of 95.33%, and given the increased proportion accounted for by commodity futures as compared to 2015, therefore the overall handling fee rate recorded an increase rather than a decrease. Meanwhile, as compared to 2015, refunds of handling fees from exchanges amounted to RMB68.318 million in 2016, representing a significant year-on-year increase of RMB46.105 million or 207.6%. Refunds of handling fees from exchanges are mainly subject to the trading amount or volume of the Group in futures exchanges. The trading volume and amount of commodity futures, which accounted for 96% of the Company's futures brokerage business during the year, recorded a substantial growth following market fluctuation. In 2016, certain types of transactions in commodity futures market recorded explosive growth, and a few futures exchanges uplifted handling fee rates. In 2016, three major commodity futures exchanges repeatedly increased their efforts for refunds of handling fees of a portion of futures commodities, as such the income from futures business recorded a significant growth.

The proportion of the trading volume of Holly Futures to the overall market trading volume was 0.91% in 2016. The dramatic decrease of trading volume of general futures market and the Company was mainly because the China Financial Futures Exchange implemented the most stringent control measures ever for stock index futures in early September 2015, as well as China Securities Regulatory Commission implemented a series of policies that forbid the opening of short positions in financial futures. The control measures persisted until the end of 2016, as a result the decrease of trading amount was larger than that in 2015. Nevertheless, the decrease of trading amount of the Company was lower than that of overall futures market.

② The income from overseas futures business amounted to RMB6.389 million, representing a year-on-year increase of RMB3.047 million or 91.2%, which was mainly contributed by Holly Su Futures. Being established for a shorter time, Holly Su Futures is on track to have a sound development with a significantly rising fee income.

③ The income from asset management business amounted to RMB3.635 million, representing a year-on-year increase of RMB0.569 million or 18.6%. Income from asset management business is 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 at 31 December 2016, the net value of asset management plans amounted to RMB861 million, representing a year-on-year growth of RMB648 million or 304% as compared to RMB213 million on 31 December 2015. Number of asset management plans soared from 23 in 2015 to 45 in 2016.

(2) Interest income

Interest income of the Group amounted to RMB107.171 million, representing a year-on-year decrease of RMB5.529 million or 5%. Breakdown is set out in the following table:

RMB'000	2016	2015	Increase in 2016 as compared to 2015 Amount	%
Bank deposits	**92,589**	96,750	(4,161)	-4%
Asset management plans	**7,752**	–	7,752	N/A
Futures exchanges	**6,039**	5,586	453	8%
Trust schemes	**698**	–	698	N/A
Wealth management products	–	5,240	(5,240)	-100%
Resale agreements	93	1,623	(1,530)	-94%
Other interest-bearing financial assets	–	3,501	(3,501)	-100%
Total	107,171	112,700	(5,529)	-5%

Interest income is mainly attributable to: ① the interest income from the demand and time deposits of the Company's own funds and client deposits placed in financial institutions; ② the interest income from the purchased trust products issued by trust companies; and ③ the priority class interest income from the purchased asset management plans of the Group.

Interest income decreased mainly because: ① the interest income from the bank deposits decreased year on year by RMB4.161 million or 4%. It was mainly due to the 21% year-on-year decrease of Group's average balance of deposits in 2016 as compared to 2015. Nevertheless, given the significant growth of trading volume of commodity futures market and the Group during the year, the deposit income from cash held on behalf of clients increased 12% year-on-year. Coupled with the year-on-year decrease in average bank interest rate, the overall interest income recorded a decrease of approximately 4% as a result of the above; ② the Group recorded priority class interest income from asset management plans of RMB7.752 million during the year, which was mainly due to the fact the Group's investment in prior class share of its self-issued asset management plans amounted to RMB178.36 million in 2016, while its investment amount in this share was relatively low in 2015, as such the corresponding interest income had not been accrued; ③ the interest income from futures exchanges amounted to RMB6.039 million, representing a year-on-year growth of RMB0.453 million or 8%. It was mainly attributable to the increase of the Group's margin deposits as a result of increasing trading volume in the market, which expanded the interest-bearing base of exchanges in general; ④ the interest income from trust schemes amounted to RMB0.698 million, which represented the interest income generated from the addition of Jiangsu Trust and Zijin Trust of RMB56 million and RMB38 million and the disposal of Zijin Trust on maturity for RMB28 million during the year; ⑤ the interest income from the wealth management products decreased RMB5.240 million as compared to 2015, which was mainly due to the fact the Company had not purchased any principal and profit guaranteed wealth management products from banks during the year, therefore there was no interest income from wealth management products; ⑥ the interest income from the resale agreements business and other interest-bearing financial assets amounted to RMB0.093 million in 2016, which was mainly contributed by the interest income from the resale of national debt. During the year, other interest-bearing financial assets did not generate any interest income, which was mainly because the related business was conducted under risk management business of Holly Capital.

2. Net investment gains

In 2016, the Group achieved net investment gains of RMB6.105 million, representing a year-on-year decrease of RMB20.501 million or 77%, which was mainly attributable to the significant decrease in proceeds from disposal of financial assets and futures and other risk management business. Breakdown is set out in the following table:

RMB'000	2016	2015	Increase in 2016 as compared to 2015 Amount	%
Investment gains	(4,619)	28,591	(33,210)	-116%
Gain or loss on fair value changes	528	(2,548)	3,076	121%
Dividends from securities and funds	10,196	563	9,633	>1,000%
Total	6,105	26,606	(20,501)	-77%

(1) Investment gains

Investment gains of the Group amounted to -RMB4.619 million, representing a year-on-year decrease of RMB33.210 million or 116%. Breakdown is set out in the following table:

RMB'000	2016	2015	Increase in 2016 as compared to 2015 Amount	%
Disposal of financial assets at fair value through profit or loss				
– Trading securities	5,690	(2,310)	8,000	346%
– Funds	(9,856)	177	(10,033)	<-1,000%
– Receivables	224	(192)	416	217%
Disposal of financial liabilities at fair value through profit or loss				
– Payables	74	(1,919)	1,993	104%
– Asset management plans	(1,643)	–	(1,643)	N/A
Disposal of derivative financial instruments	(1,627)	21,647	(23,274)	-108%
– Disposal of available-for-sale financial assets				
– Listed securities	–	4,406	(4,406)	-100%
– Funds	–	5,418	(5,418)	-100%
– Wealth management products issued by banks	1,470	1,486	(16)	-1%
– Asset management plan	1,049	(122)	1,171	960%
Total	(4,619)	28,591	(33,210)	-116%

RMB'000	2016	2015	Increase in 2016 as compared to 2015 Amount	%
Proceeds from disposal of financial assets	(1,647)	9,177	(10,824)	-118%
Futures and other risk management business	(2,972)	19,414	(22,386)	-115%
Total	(4,619)	28,591	(33,210)	-116%

The investment gains of the Group mainly generated from proceeds from disposal of financial assets and futures and other risk management business. The decrease of investment gains was relatively higher as compared to 2015, of which proceeds from disposal of financial assets and futures and other risk management business both recorded even greater declines. Proceeds from disposal of financial assets and futures and other risk management business dropped RMB10.824 million and RMB22.386 million respectively.

① Proceeds from disposal of financial assets mainly comprised proceeds from disposal of securities, funds, wealth management products and asset management plans. In 2016, the proceeds from disposal of financial assets decreased year on year by RMB10.824 million or 118%, which was mainly due to the fact that the Group disposed part of its previously purchased and long-held securities and funds in the time of strong stock market in 2015, and as the Group did not dispose any security and fund investment under available-for-sale financial assets during the year, so the income from disposal of securities and funds under available-for-sale financial assets recorded a year-on-year decrease of approximately RMB9.824 million.

② The futures and other risk management business decreased year on year by RMB22.386 million or 115%, which was mainly attributable to the fact that part of the invested derivative financial instruments recorded loss in 2016, and the Group strengthened its risk control over commodity trading businesses, as such the Company had not commenced any new risk management business during the year, so the decrease of investment gains in 2016 was relatively higher than last corresponding period.

(2) Gain or loss on fair value changes

In 2016, gain or loss on fair value changes of the Group amounted to RMB0.528 million, representing a year-on-year increase of RMB3.076 million or 121%. Breakdown is set out in the following table:

			Increase in 2016 as compared to 2015	
RMB'000	2016	2015	Amount	%
Trading securities	**(1,653)**	2,949	(4,602)	-156%
Funds	**(212)**	64	(276)	-431%
Financial assets designated at fair value through profit or loss	**(280)**	1,395	(1,675)	-120%
Financial liabilities designated at fair value through profit or loss	**879**	1,250	(371)	-30%
Derivative financial assets	**(823)**	(9,745)	8,922	92%
Derivative financial liabilities	**2,617**	1,539	1,078	70%
Subtotal	**528**	(2,548)	3,076	121%

(3) Dividends from securities and funds

In 2016, dividends from securities and funds of the Group amounted to RMB10.196 million, representing a year-on-year increase of RMB9.633 million. Among them, dividends from funds achieved a substantial growth as compared to 2015. Dividends from funds was mainly contributed by the dividend income generated from funds held by the Group since 2016, amounting to RMB10.016 million. As a result, the growth of dividends from securities and funds during the year was relatively higher than that in 2015.

3. Other income

In 2016, the Group achieved other income of RMB20.351 million, representing a year-on-year increase of RMB16.161 million or 386%, which was mainly attributable to the increase in foreign exchange gains and losses. Breakdown is set out in the following table:

RMB'000	2016	2015	Increase in 2016 as compared to 2015 Amount	%
Government grants	1,270	2,500	(1,230)	-49%
Subsidies from exchanges	664	1,107	(443)	-40%
Exchange gains or losses	10,872	–	10,872	N/A
Others	7,545	583	6,962	>1,000%
Other income	20,351	4,190	16,161	386%

(1) Government grants

The government grants of the Group amounted to RMB1.270 million with a year-on-year decrease of RMB1.230 million or 49%. Government grants mainly comprised: (i) the subsidies for corporate listing of RMB1.000 million received by Holly Futures from the government in September 2016; and (ii) the employment subsides of RMB0.270 million received by Holly Futures from the Finance Bureau of Nanjing Municipality in September 2016.

(2) Subsidies from exchanges

The subsidies from exchanges of the Group amounted to RMB0.664 million with a year-on-year decrease of RMB0.443 million or 40%, which mainly comprised certain amount of subsidies from the exchanges to futures companies every year for encouraging them to conduct activities, including conference fees, activities fees and research issue fees.

(3) Foreign exchange gains and losses

In 2016, foreign exchange gains and losses of the Group amounted to RMB10.872 million, which was mainly attributable to the listing of the Company in late 2015 and the funds raised of HKD591.31 million. The receipt date of the proceeds was on 5 January 2016. As at 31 December 2016, the unutilized proceeds amounted to HKD198.04 million. As, exchange rates of Hong Kong dollar against Renminbi climbed from 0.8378 on 31 December 2015 to 0.8945 on 31 December 2016, foreign exchange gains and losses were incurred.

(4) Others

During the year, the significant growth of "others" items was mainly due to the fact that the Company adjusted the actual payment of underwriting fees in accordance with underwriting performance of the Group's listing, as such the overprovided listing fees of approximately RMB6.47 million were recognized in non-operating income based on contractual agreements in 2016.

4. Operating and management expenses

The operating and management expenses of the Group amounted to RMB231,546 million in 2016, representing a year-on-year decrease of RMB1.816 million or 1%. Breakdown is set out in the following table:

RMB'000	2016	2015	Increase in 2016 as compared to 2015 Amount	%
Staff costs	**136,552**	115,496	21,056	18%
Office expenses	**24,084**	23,388	696	3%
Lease charges	**19,075**	23,018	(3,943)	-17%
Business tax and surcharges	**4,219**	10,047	(5,828)	-58%
Audit fees	**1,925**	1,500	425	28%
Listing expenses	–	2,855	(2,855)	-100%
Others	**45,691**	57,058	(11,367)	20%
Total	**231,546**	233,362	(1,816)	-1%

(1) Staff costs

Staff costs mainly comprised salaries, bonuses and allowances, pension and other social welfare such as "5 insurances and 1 pension". In 2016, the staff costs of the Group amounted to RMB136.552 million with a year-on-year increase of RMB21.056 million or 18%, which was mainly attributable to the improvement in business development and results in 2016, leading to the increase in the relevant business performance and bonuses.

(2) Office expenses

Office expenses mainly comprised office supplies fees, books, newspapers and information fees, cleaning fees, office miscellaneous fees, printing fees, recruitment fees and others. In 2016, the office expenses of the Group amounted to RMB24.084 million with a year-on-year increase of RMB0.696 million or 3%.

(3) Lease charges

Lease charges mainly comprised housing rental, vehicle rental and equipment rental, among which, lease charges for housing accounted for 99% of lease charges. In 2016, the lease charges of the Group amounted to RMB19.075 million with a year-on-year decrease of RMB3.943 million or 17%, which was mainly attributable to the Group's cost control measures to lower its leasing charges for housing by partial relocation of branches and reduction of the floor area of branches.

(4) Business tax and surcharges

In 2016, the business tax and surcharges of the Group amounted to RMB4.219 million with a year-on-year decrease of RMB5.828 million or 58%, which was mainly because following the replacement of business tax by value added tax from 1 May 2016, the Company's taxable income under business tax is now subject to value added tax, as such the business tax in 2016 decreased 58% as compared to that in 2015.

5. Share of losses of associates

In 2016, the share of losses of associates of the Group amounted to RMB1.031 million with a year-on-year increase of RMB0.490 million or 91%, which was mainly attributable to the increase in the net losses of the associates invested by the Group.

(3) Asset Items

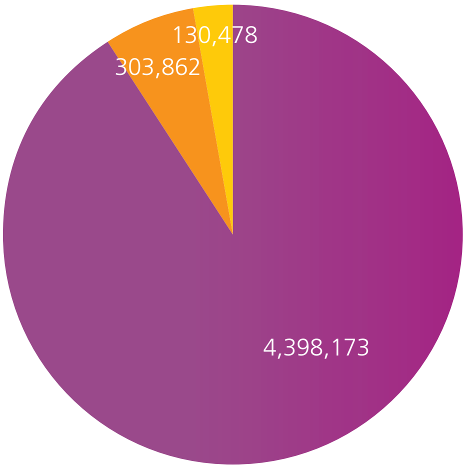
As at 31 December 2016, the total assets of the Group decreased year on year by RMB696 million or 13% to RMB4,833 million, including cash assets amounting to RMB4,398 million with a year-on-year decrease of 10%, financial investment assets amounting to RMB304 million with a year-on-year increase of 264%, and other operating assets such as property and equipment amounting to RMB130 million with a year-on-year decrease of 77%. The change in the total amount of principal assets of the Group is set out as follows:

RMB'000	As at 31 December 2016	As at 31 December 2015	Increase as at 31 December 2016 as compared to 31 December 2015 Amount	%
Cash assets	**4,398,173**	4,875,363	(477,190)	-10%
Financial investment assets	**303,862**	83,366	220,496	264%
Other operating assets such as property and equipment	**130,478**	570,036	(439,558)	-77%
Total	**4,832,513**	5,528,765	(696,252)	-13%

The composition of the total assets of the Group:

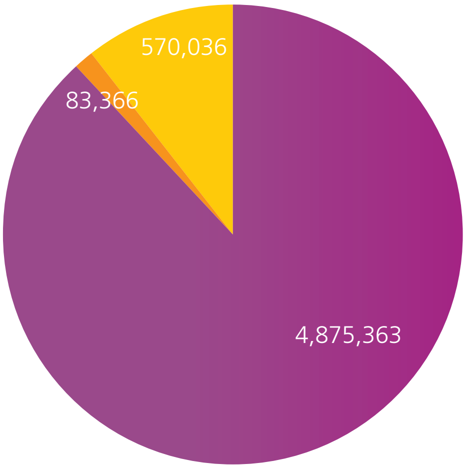
Asset distribution as at 31 December 2016

- Cash assets
- Financial investment assets
- Other operating assets such as property and equipment



Asset distribution as at 31 December 2015

- Cash assets
- Financial investment assets
- Other operating assets such as property and equipment



1. Cash assets

As at 31 December 2016, the cash assets of the Group amounted to RMB4,398 million, accounting for 91% of the total assets of the Group, with a year-on-year decrease of RMB477 million or 10%. The composition of the cash assets of the Group is set out as follows:

RMB'000	As at 31 December 2016	As at 31 December 2015	Increase as at 31 December 2016 as compared to 31 December 2015 Amount	%
Refundable deposits	1,046,750	734,597	312,153	42%
Cash held on behalf of clients	2,178,936	2,985,146	(806,210)	-27%
Cash and bank balances	1,172,487	1,155,620	16,867	1%
Total	4,398,173	4,875,363	(477,190)	-10%

The change in cash assets was mainly reflected in the cash held on behalf of clients. Cash held on behalf of clients amounted to RMB2,179 million, accounting for 45% of the total assets of the Group, with a year-on-year decrease of RMB806 million or 27%, which was mainly attributable to the growth of the Group's customer transactions in the year, as such customers' capital were allocated to exchanges and contributed by clients. Refundable deposits, which mainly comprised currency deposits receivable and pledged deposits receivable, amounted to RMB1,047 million, accounting for 22% of the total assets of the Group, representing an increase of RMB312 million or 42% as compared to 2015.

2. Financial investment assets

As at 31 December 2016, the financial investment assets of the Group amounted to RMB304 million, accounting for 6% of the total assets of the Group, with a year-on-year increase of RMB220 million or 264%. The composition of the financial investment assets of the Group is set out as follows:

RMB'000	As at 31 December 2016	As at 31 December 2015	Increase as at 31 December 2016 as compared to 31 December 2015 Amount	%
Investment in associates	11,743	12,775	(1,032)	-8%
Available-for-sale financial assets	256,613	8,925	247,688	2,775%
Financial assets at fair value through profit or loss	35,481	61,372	(25,891)	-42%
Derivative financial assets	25	294	(269)	-91%
Total	303,862	83,366	220,496	264%

As of 31 December 2016, the available-for-sale financial assets of the Group amounted to RMB257 million, accounting for 5% of the total assets of the Group, with a year-on-year increase of RMB248 million or 2,775%. The composition of the available-for-sale financial assets of the Group is set out as follows:

RMB'000	As at 31 December 2016	As at 31 December 2015	Increase as at 31 December 2016 as compared to 31 December 2015 Amount	%
Equity instruments	6,280	5,599	681	12%
Funds	–	1,000	(1,000)	-100%
Asset management plans	184,333	2,326	182,007	>1,000%
Trusts	66,000	–	66,000	100%
Total	256,613	8,925	247,688	>1,000%

As at 31 December 2016, the financial assets at fair value through profit or loss of the Group amounted to RMB35.481 million, accounted for 1% of the Group's total amount of assets, representing a year-on-year decrease of RMB25.891 million or 42%. The composition of the financial assets at fair value through profit or loss of the Group are set out in the table below:

RMB'000	As at 31 December 2016	As at 31 December 2015	Increase as at 31 December 2016 as compared to 31 December 2015 Amount	%
Financial assets held for trading				
Equity instruments	35,481	16,882	18,599	110%
Funds	–	37,210	(37,210)	-100%
Subtotal	35,481	54,092	(18,611)	-34%
Financial assets at fair value through profit or loss				
Asset management plans	–	7,280	(7,280)	-100%
Subtotal	–	7,280	(7,280)	-100%
Total	35,481	61,372	(25,891)	-42%

3. Other operating assets such as property and equipment

As at 31 December 2016, the other operating assets such as property and equipment of the Group amounted to RMB130.478 million, accounting for 3% of the total assets of the Group, and representing a year-on-year decrease of RMB439.558 million or 77%. The composition of other operating assets such as property and equipment of the Group is set out in the table below:

RMB'000	As at 31 December 2016	As at 31 December 2015	Increase as at 31 December 2016 as compared to 31 December 2015 Amount	%
Property, plant and equipment	**7,898**	11,922	(4,024)	-34%
Goodwill	**43,322**	43,322	–	0%
Intangible assets	**22,536**	24,099	(1,563)	-6%
Deferred income tax assets	**4,595**	2,552	2,043	80%
Other current assets, non-current assets	**52,127**	488,141	(436,014)	-89%
Total	**130,478**	570,036	(439,558)	-77%

The change in other operating assets such as property and equipment was mainly reflected in other current and non-current assets, with a year-on-year decrease of RMB436.014 million or 89%, which was mainly because the listing proceeds receivable of RMB444.994 million as at 31 December 2015 was fully received in 2016, resulting in the decrease in other receivables.

(4) Liabilities Items

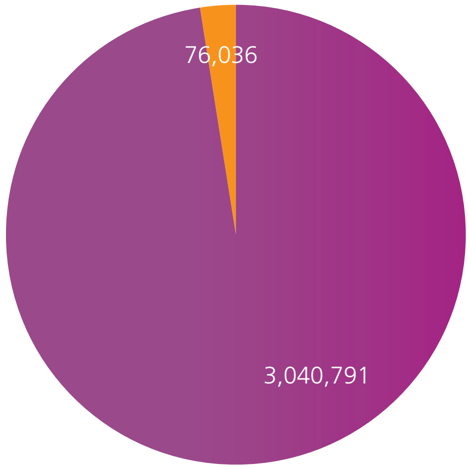
As at 31 December 2016, the total liabilities of the Group decreased year on year by RMB737 million or 19% to RMB3,117 million, in which accounts payable to brokerage clients amounted to RMB3,041 million with a year-on-year decrease of 17%, which was mainly attributable to the decrease in the deposits contributed by clients. The change in the total amount of principal liabilities of the Group is set out as follows:

RMB'000	As at 31 December 2016	As at 31 December 2015	Increase as at 31 December 2016 as compared to 31 December 2015 Amount	%
Accounts payable to brokerage clients	**3,040,791**	3,663,459	(622,668)	-17%
Other operating liabilities	**76,036**	189,915	(113,879)	-60%
Total	**3,116,827**	3,853,374	(736,547)	-19%

The composition of the total liabilities of the Group:

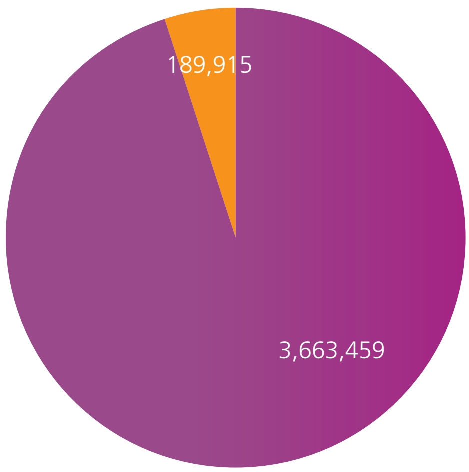
Liability distribution as at 31 December 2016

- Accounts payable to brokerage clients
- Other operating liabilities



Liability distribution as at 31 December 2015

- Accounts payable to brokerage clients
- Other operating liabilities



1. Accounts payable to brokerage clients

As at 31 December 2016, the accounts payable to brokerage clients of the Group amounted to RMB3,040.791 million, accounting for 98% of the total liabilities of the Group, with a year-on-year decrease of RMB622.668 million or 17%, which was mainly attributable to the decrease in the deposits contributed by clients. Of which, currency deposits payable and pledged deposits payable amounted to RMB3,037.532 million and RMB3.259 million respectively. The composition of the accounts payable to brokerage clients of the Group is set out as follows:

RMB'000	As at 31 December 2016	As at 31 December 2015	Increase as at 31 December 2016 as compared to 31 December 2015 Amount	%
Domestic				
Natural person clients	**1,853,385**	1,059,188	794,197	75%
Corporate clients	**956,701**	2,508,696	(1,551,995)	-62%
Overseas	**230,705**	95,575	135,130	141%
Total	**3,040,791**	3,663,459	(622,668)	-17%

2. Other operating liabilities

As at 31 December 2016, the other operating liabilities of the Group amounted to RMB76.036 million, accounting for 2% of the total liabilities of the Group, with a year-on-year decrease of RMB113.879 million or 60%. The composition of the other operating liabilities of the Group is set out as follows:

RMB'000	As at 31 December 2016	As at 31 December 2015	Increase as at 31 December 2016 as compared to 31 December 2015 Amount	%
Other current liabilities	48,255	155,396	(107,141)	-69%
Financial liabilities and derivative financial liabilities at fair value through profit or loss	27,781	34,090	(6,309)	-19%
Deferred income tax liabilities	–	429	(429)	-100%
Total	76,036	189,915	(113,879)	-60%

The change in the other operating liabilities was mainly reflected in other current liabilities, with a year-on-year decrease of RMB107.141 million or 69%, which was mainly attributable to the sharp decrease in the Group's listing fees payable and proceeds payable out of asset management products, resulting in the decrease in other payables.

(5) Equity

As at 31 December 2016, the total equity of the Group amounted to RMB1,716 million, representing a year-on-year increase of RMB40.3 million or 2%. The composition of the equity of the Group as of the dates indicated is set out as follows:

RMB'000	As at 31 December 2016	As at 31 December 2015	Increase as at 31 December 2016 as compared to 31 December 2015 Amount	%
Share capital	907,000	907,000	0	0%
Reserve	808,686	768,391	40,295	5%
Total equity	1,715,686	1,675,391	40,295	2%

(6) Contingent liability and assets pledge

As at 31 December 2016, the Group had no asset pledge or contingent liabilities.

IV. Changes in branches and subsidiaries and impact on results

(1) Branches

1. Establishment of and changes in operation branches

(1) Establishment and closing of futures branches

During the Reporting Period, the Company did not establish new futures branches. And during the Reporting Period, the Company closed its Shanghai Free Trade Zone Branch.

(2) Relocation

The Company constantly adjusted and optimized its branch network. During the Reporting Period, 6 branches, namely the branches at Taizhou, Tianjin, Nanchang, Haikou, Guangzhou and Wuhan were relocated.

2. Establishment of and changes in sub-branch offices

The Company established new sub-branch offices at Shenzhen, Shanghai and Jiangnan, and upgraded operation branches in Dalian and Zhengzhou to Northeast and Zhengzhou sub-branch offices, respectively.

(2) Subsidiaries

On 14 April 2016, the Company contributed capital of HK$75 million into Holly Su Futures.

On 10 May 2016, Holly Capital incorporated Holly Capital (Hong Kong) in Hong Kong.

On 7 July 2016, Holly Su Futures incorporated Holly Su Asset in Hong Kong.

On 21 July 2016, the Company contributed capital of RMB90 million into Holly Capital.

On 21 December 2016, Holly Su Futures contributed capital of HK$20 million into its subsidiary Holly Su Asset.

On 11 January 2017, Holly Su Futures was licensed under the SFO and was approved to carry on Type 1 (dealing in securities) regulated activity.

(3) Impact on results

The capital increase of Holly Capital enhanced its capital strength and, in turn, consolidated its core competitiveness. Leveraging its business model in relation to the futures and spot businesses, cooperative hedging and warehouse receipts service, Holly Capital strengthened its close partnership with customers in key industries, in order to achieve outstanding performance in business scale and profitability. In 2016, Holly Capital recorded operating income of RMB8.61 million, total expenses of RMB4.7 million and profit before taxation of RMB3.91 million.

The increase in registered capital of Holly Su Futures facilitated the steady profit growth of innovative business and allowed the Company to accumulate experience for development the international business and counter service. Currently, Holly Su Futures has achieved steadily improving operating results. In 2016, Holly Su Futures was back on the track of profitability with the total profit reaching RMB0.49 million, representing a year-on-year increase of 245%. Meanwhile, Holly Su Futures set up a new asset management subsidiary, in order to advance the application for licenses for securities dealing and asset management in an orderly manner.

V. Major investment and financing

(1) Equity financing

Nil.

(2) Debt financing

Nil.

(3) Equity investments

The Company completed five equity investments throughout the year.

On 14 April 2016, the Company contributed capital of HK$75 million into Holly Su Futures.

On 10 May 2016, Holly Capital incorporated Holly Capital (Hong Kong) in Hong Kong.

On 7 July 2016, Holly Su Futures incorporated Holly Su Asset in Hong Kong.

On 21 July 2016, the Company contributed capital of RMB90 million into Holly Capital.

On 21 December 2016, Holly Su Futures contributed capital of HK$20 million into its subsidiary Holly Su Asset.

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 2016, the Company has no material acquisition or disposal of subsidiaries, associates and joint ventures.

VII. Business innovation and its impact and risk control

(1) Business innovation and its impact

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

1. Enhanced profitability of international business

As at 31 December 2016, Holly Su Futures, the wholly-owned subsidiary of the Company in Hong Kong, achieved a breakthrough for profitability. Its client balance of foreign operations amounted to HK$260 million at the end of Reporting Period, representing a year-on-year increase of 126%. Apart from achieving a turnaround for the first time, its total profit amounted to HK$700,000. In order to expand its business scale and scope, Holly Su Futures increased its registered capital to HK$100 million, and set up a new asset management subsidiary in order to advance the application for licenses for securities dealing and asset management in an orderly manner.

2. New steps of options business

The Company is the first futures company in Jiangsu province to be qualified as a stock options exchange participant, and its business volume, number of clients and market share are at the forefront of the industry. During the Reporting Period, our first "futures + insurance" deal was officially made, pursuant to which the Company entered into a strategic cooperation agreement with PICC Property and Casualty Company Limited, for providing price insurance to over 5,000 tons of corns in Guannan County, Lianyungang, Jiangsu; our first over-the-counter options transaction was officially completed, and with the increasingly matured business flow, calculations in pricing and hedging models, the Company entered into over-the-counter options cooperation agreements with a number of financial institutions; our first self-researched and developed discretionarily-managed options product was officially launched, and its related subscription was completed.

3. Fund sales business is ready for launch

After the Company obtained qualification for sales of fund at the end of 2015, in 2016, it carried out system deployment, compliance test, fund company test and other tasks one by one, and signed fund underwriting agreements with numerous fund company whereby we would officially distribute 360 fund products on behalf of the fund companies.

(2) Risk control of innovative business

1. Enhancing prior system construction and staff training

The Company strived to enhance the internal control procedures with a focus on risk prevention. Prior to commencement of new business, the Company would formulate a self-contained complementary system and the relevant terms for contracts as standards of business operation. At the same time, it would recruit suitable talents with reference to the business nature and enhance staff training.

2. Strengthening on-going monitoring

The Company strengthened on-going monitoring to facilitate risk control. It monitored risk control on real time basis and established the "Chinese Wall" to contain business risk.

3. Implementing post-inspection

The Company combined self-inspection and accountability system. It set up a dedicated team for risk inspection, which was responsible for rationalizing and inspecting innovative business. The team formulated solutions for each of the issues identified and supervised the implementation of rectification measures, thereby effectively minimizing risks.

(3) Prospects

In 2017, with "Internet +" as the starting point, the Company will expand and strengthen the brokering business, target its services on industry customers and institutional customers, focus on the establishment of three major business systems, namely asset management, risk management and international business, and comprehensively strengthen the infrastructure such as including talents, risk control, technology and research and development. The Company will put effort in innovation and creating wealth for everyone, so to bring the Company's comprehensive capability to a new level and strive to achieve the development goal of "To develop Holly Futures into a comprehensive derivatives-focused financial group with international competitiveness".

1. Deepen business transformation and enhance competitiveness

Traditional brokering business is transforming into more intricate and sophisticated in nature. Traditional brokering business is transforming from extensive model to sophisticated model, and changing from straightforward services to services requiring value adding. By achieving professionalism of practitioners, precision of customer management and income maximization, together with innovative businesses including investment advisory, asset management and increase and risk management, we are able to strengthen our service quality, expand our customer and asset sizes and reinforce our market share. We will make good use of the leveraging concept to strengthen marketing and dig into the new hidden needs of customers; accommodate to the trend of the institutionalization and industrialization of customer's structure and solidly maintain customer quality and business volume of the brokering business; join and utilize platforms such as spot trading competition to understand the needs and trading habits of customers, in order to assist the transformation and upgrading of traditional business and policy research and development.

Asset management business is having a scale-up transformation. We will launch customer value-added services by taking investment managers and investment capabilities as the key concerns, with "one on one" specialized investment management and"one-to-many" investment consulting products as the starting points, as well as placing importance on nurturing our fund managers and accelerating the building of a proactive management team. We will leverage the futures company's advantages over the research and development and risk control of derivatives to design characterized, actively managed products for derivatives markets such as commodity futures and options markets; lay stress on the innovation of the form of product and keep on exploring and pushing through the issuance of FOF, MOM, QDII, offline issuance of new shares, private placement and other products; put more effort on the research and exploration on different industries, especially the emerging industries, and design products according to the specific needs of customers by shifting from product-focused to customer-centric approach and establish a risk management system suitable for these products, so to create value for our customers.

The transformation that risk management business is having is professionalization. Risk management business will have to establish a "business department – service team – Holly Capital" multilayer service system. First, Holly Capital will emphasise on sharpening its strength by strengthening team building, establishing a mature business development model through study and research, and enhancing the enterprise's core competence. In addition, we attach importance to the control of risk exposure and strive to implement the control model of"total coverage from top to bottom" in risk control system, so to reinforce profitability and risk resistant capability of Holly Capital. Second, we will promote the development of over-the-counter futures business by expanding customer base, offering futures products to all classes of enterprises, and deepening the strategic collaborations with large enterprises; utilize over-the-counter futures to provide tailored risk management services including quotations and product design to brick-and-mortar enterprises, and launch more micro or one-to-many futures products. We have applied to obtain the qualification to conduct exchange commodity futures market-maker business, aiming to provide liquidity services to the futures market. Third, under the guidance of "financial supermarket"concept, we will promote fund sales business and extensively cooperate with fund companies, to offer our customers all kinds of fund products. We will focus on the implementation of national strategies such as "One Road One Belt" and the integrated development of Yangtze River economic zone, and press on with the set up of Holly Fund Management Company and apply for public fund license.

2. Focus on internationalization and internetization, strengthen sustainable development ability

Expand global presence. Firstly, Holly Su Futures experienced business model innovation in Hong Kong market through obtaining license for dealing in securities under SFO on 11 January 2017, laying a foundation for future securities broker business; it increased promotion and marketing of overseas business and got substantial progress in the globalization of communications and channels, information research and development, and investment and wealth management. Secondly, the Company insisted on implementing the strategy of "going out and bringing in" by arranging Holly Su Futures to serve as a bridgehead for it to connect to the Europe and America market and setting up cross-border service platform to open up channels connecting domestic and foreign capital; following the "strengthen Hong Kong and explore Europe and America" policy, the Company gradually expanded its foreign market and timely set up overseas subsidiaries in Europe and America; under the background of "One Road One Belt" development strategy, the Company seized the opportunity to establish commodity futures exchange and securities companies in Southeast Asia region so to bolster our global presence.

Accelerate the implementation of Internet finance. We use"Internet +" as an opportunity to improve customer experience and service quality, develop the profitability model by online-offline joint development and organic combination. The customer expansion business model through operating outlets progressively changed into internet-based customer service model. Customer mobile terminal "Holly Easy" (弘運通) was officially launched. We will fully utilize the internet big data to provide our customers with integrated and diversified financial service solutions, constantly launch financial innovative products and explore cross sector cooperation in internet finance.

3. Further optimize organizations and mechanisms to enhance business transformation and innovation

Explore the business model of setting up sub-branch offices in certain regions, and support the rapid growth and strengthening of sub-branch offices. We encourage the characterized development of sub-branch offices so to make the most of their respective operating advantages and establish their own characterized development patterns. Each sub-branch offices also needs to help the business sections at the region it is located and nearby regions, especially to facilitate the rapid development of the business sections in deficit.

Create a competitive atmosphere and carry on the "In Weal and Woe" (一幫一、 一起紅) event. Adopt effective measures to curb operating costs according to the actual conditions of the departments in deficit. Guide all small business section to develop in a "professional" and "refined" direction.

Further strengthen the business of the subsidiaries. Improve the management and control model and increase the efficiency of decision-making process. Expand the development of subsidiaries' businesses and enhance their rapid growth and strengthening subject to compliance operation.

4. Insisting and concentrating on the constant improvement of operation integrity

By actively learning from the past management experiences of the financial industry, we improve our regimes and systems and further bolster the quality of targeted management and stardardized operation, in order to strongly support and facilitate transformation and innovation development.

Innovations in risk prevention and control mechanism. We further examine and improve our internal control regimes in practice and build a sound internal control system, so to solidly enhance the enterprise's capabilities of risk identification, monitor, warning and resolve; establish a systemic management model for personnel, company affairs and operation management, further improve various management systems and ensure their implementation. We will also raise the risk awareness of all staff and strictly implement the accountability system, to strengthen the overall effect of risk management; uphold the concepts of "compliance comes first, everyone complies, proactive compliance, compliance creates value" to promote and nurture a good compliance culture.

Deepen the establishment of information technology. We will press on with implementing the technology-led strategy to formulate medium and long term plans for information technology system according to industry development trend and the Company's transformation and innovation needs. We use IT system as a platform to accelerate the optimization and reconstruction of business process, and build up a highly effective service system featuring smooth communications, orderly procedures and customer intimacy. Through promoting the establishment of backstage operation system and deepening the development of backstage management model, we target to speed up achieving the goals of "unified settlement, unified compliance, unified risk control, unified technology, unified consulting". We will advance from "internet + futures" to "internet x futures" by exploring cross sector cooperation in internet finance.

Strengthen the enterprise's research and development capabilities. We will build up a research and development resources sharing platform, enhance the integration of investment and research of the Company, and create a good atmosphere of "research creates value". Through changing the old research and development mindset to a new seller research approach that based on buyer's mindset and building up a micro research system, we develop a buyer and seller win-win approach, thereby strengthening the Company's core competence. We will also provide professional consulting services to our customers by enabling face to face internet communication between the Company and its customers and improving the expert online section.

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

The risks the Company faces in its business activities mainly include operation risk, compliance risk, market risk, credit risk and investment risk. In 2016, the Company adopted effective measures to deal with the risks proactively, thereby safeguarding the safety and high efficiency of the business activities.

(1) Operation Risk

Operation risk refers to the risks resulting from improper operation in transactional processes and is one of the major risks of futures companies, namely,

1. System Disaster Risk. Currently, the trading mode of futures companies is generally centralized electronic trading and the impact of the trading environment on business has become greater and greater and if any disastrous incidents such as fire, flooding, earthquake and blackouts occur, all preventive measures based on local back-ups cannot warrant the completeness and continuity of the trading data, especially when the engine room of a futures company is damaged by fire, flooding, earthquake, lightning or thunders. It will take a long time to resume the service of the system and this is disastrous to a futures brokerage company. The Company has increased its input on the construction of the trading disaster back-up system to elevate its own risk resistance capability to a new level.

2. Hacking and virus risks. In the era of network economy, most futures brokerage companies have provided online trading services which account for a greater and greater share of their business. Therefore, developing online trading vigorously and at the same time preventing hacking and the spread of virus have always been the subject of futures companies. At the corporate level, though hacking and the spread of virus can be prevented effectively, this kind of problems may still exist on the part of the customers. Customers may have disputes with futures companies in trading due to hackers' attacks on or infection of virus of their own computers.

In order to strengthen the preventive measures to deal with the operation risk, the Company has increased its input on technology to construct three kinds of engine room of the industry and set up the disaster back-up system in different places and in the same city while strengthening daily technical operation and maintenance work to prevent the operation risk effectively.

(2) Compliance Risk

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

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

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

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

(3) Market Risk

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

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

Since there is a large number of futures companies, the price war of handling charges has become fierce year after year for traditional brokerage business whose development prospect is not optimistic. Meanwhile, investors enter the futures market without adequate investment experience and skills nor good risk control capability but simply emphasize speculative trading 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 material risk of customers incurring losses in trading.

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

(4) Credit Risk

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

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

(5) Investment Risk

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

1. Investment target risk: It refers to the uncertainties in the growth and development of the investment target, including but not limited to technical risk, operation risk and financial risk;

2. Investment analysis risk: It refers to the risk of loss resulting from incorrect or incomplete due diligence conducted in an investment project;

3. Investment decision-making risk: It refers to the risk of loss resulting from an imperfect decision-making process and bias before any decision-making;

4. Project management risk: It refers to the risk resulting from insufficient supervision or improper management after investment and failure to discover and exercise control of the problems in an investment project in a timely manner; and

5. Project exit risk: It refers to the risk resulting from exit from an investment project with losses or inability to exit from an investment project.

The Company will formulate comprehensive procedures for approval and supervision of investment projects through authorities such as the Asset Management Business Investment Decision Committee, general manager meetings, Board meetings, general meetings, in order to minimize investment risk. The Company will take reasonable steps in carrying out investment and enter into comprehensive investment agreement to protect the legal rights of the Company.

IX. Constructing the risk management system of the Company

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

(1) Risk Management Principles

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

1. Preventing operation, compliance, market and credit risks;

2. Ensuring the safety and integrity of the assets of the Company' customers and the Company's own assets;

3. Ensuring the reliability, completeness and timeliness of the business records, financial records and other information of the Company; and

4. Enhancing the operation efficiency and the efficiency in future business development of the Company.

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

1. Comprehensiveness: The Company has developed a comprehensive and unified risk management system which covers the entire process of the Company's business and the various processes of different departments and individual employees permeating through decision-making, execution, supervision and evaluation. Each department and individual employee must have a clearly defined role and responsibility in the risk management process.

2. Sustainability: The Company takes the initiative in actively setting risk management objectives and implementing risk management measures with proper supervision and evaluation on a sustainable basis.

3. Independency: The Compliance and Risk Control Department, Discipline Inspection, Supervision and Audit Department as well as Justice Department operates independently from other departments in inspecting, assessing and monitoring various risks applicable to the Company on a regular basis.

4. Effectiveness: Risk management should be in proportion to the scale of the Company's business, scope of business as well as actual circumstances and unite with the efficacy of actual delivered results, so as to realize the risk management objectives of the Company.

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

(2) Risk Management System

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

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

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

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

The Chief Risk Officer of the Company is responsible for ensuring the effective implementation of the internal policies of the Company and compliance with the business policy of the Company; evaluating and advising on the risks and compliance by the management of the Company in and as regards the major decisions making and main business activities of the Company; inspecting and investigating possible regulatory violations and risk concerns in the operation of the Company, reporting to the Board, the Shareholders and the regulatory authority independently on any non-compliance and enhancing the risk management of the Company through training, inspection and supervision. Mr. Jia Guorong is the Chief Risk Officer of the Company and has approximately 18 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

The year of 2016 marked the commencement of the "Thirteenth Five-year Plan" of our country. The futures market progressed steadily and the capacity of serving the real economy was continuously strengthened. While the market was developing, it faced many challenges as well. The stock index futures were prevented by policy measures, which to some extent affected the development of the futures market. Some futures' prices have larger fluctuations. Though futures companies were in urgent need of professionals at the moment of business transformation, it was hard to prevent the trend of brain drain.

In terms of brokerage, there was a significant growth in trading volume in 2016 with an accumulated volume of 4.138 billion lots and an accumulated turnover of RMB195.63 trillion for the national futures market, representing year-on-year increase of 15.65% and decrease of 64.70% respectively. However, with the development of the internet business, there was increasing competition among futures companies in handling charges.

In terms of asset management, as at 31 December 2016, there was a total of 129 futures companies qualified for asset management business, which together offered 3,644 asset management products in an amount of RMB279.172 billion with the industry's asset management income amounted to RMB916 million.

In terms of risk management business, as at 31 December 2016, there was a total of 62 risk management subsidiaries in the industry passed the association filing and 50 companies completed the filing of carrying out pilot business with total assets of RMB22.224 billion, net assets of RMB8.649 billion, accumulated operating income of RMB48.619 billion and accumulated net profit of RMB116 million.

(2) Market position

In 2016, the Company continued to maintain a development edge. Leveraging the advantages of network distribution and fully integrating with Internet services, the Company consolidated the traditional business. In 2016, the turnover was RMB3,548.8 billion (bilateral statistics), accounting for approximately 0.91% of the national market share. At the same time, the Company actively developed innovative business with significant growth in risk management and asset management business.

In 2016, the Company has been rated "Class A of the A Category" for the eighth consecutive year.

(3) Core competitiveness

1. *The Company provides customers with whole process and whole industry chain services involving futures to enhance customer service.*

The Company currently has full licences of futures business and engages in brokerage, investment consulting, asset management, risk management, fund sales, stock options trade and other businesses. Risk management business in Holly Capital has been conducted steadily, promoting the organic integration of the spot and futures markets. Business of Hong Su Futures develops rapidly, providing investors with global futures services across time zones. The Company will consolidate and expand the whole business model from spot to futures, from domestic to overseas, from on-board to off-board, and from off-line to on-line. The Company will also actively absorb advanced management experience of the finance industry and provide customers with standardized products and services, and meanwhile provide customized products and services for high-end customers based on the diversified demand of market with an aim to satisfy the demands of enterprises and investors all-around.

2. *The Company focuses on professional research to provide expertise research reports of every kind and of different risk preferences.*

The Company has established the industry's only national post-doctoral research center, pioneering in the industry's innovation in talent training mechanism, which received several provincial and municipal awards. The three research institutes set up by the Company, namely the Finance Research Institute, Agricultural Products Research Institute and Industrial Products Research Institute, have remarkable expertise in several business lines and products. Boosting outstanding researchers in the industry, the institutes have won the title of Top Ten Investment Research Team several times awarded by the China Financial Futures Exchange. To make full use of the professional advantages of talents, the Financial Academy actively explored the road of transformation and carried out new attempt in the combination of researches and businesses. Financial Academy, together with various Business Departments, Options Department and Holly Capital, has established research and development group of non-ferrous metal, ferrous metal and chemical sector industry chains to co-develop large corporate customers, and provided customers in industry with professional and personalized services. The Company focuses on promoting its research and development capabilities and has published almost a thousand of papers and daily reviews on print and professional media. The investment consulting business has achieved good results and formed a business development model which focus on providing strategy and is supplemented by special training, analysis report, industry research and assets management.

3. *Strategy of a widely distributed network of futures branches.*

The Company is a futures company with the most branches in China, including 40 futures branches and 5 sub-branches across China. In addition, Holly Su Futures cooperates closely with overseas brokerage companies to provide futures brokerage services of the world's major futures exchanges. The Company believes that the advantageous position of the futures business network enables the Company to acquire high-end customers in developed regions, while rapid economic growth in the developing regions and urbanization also provide the Company with a steady stream of customers. The Company believes that the outlet coverage strategy allows the Company to provide customers with convenient services, therefore further enhancing the Company's brand awareness and improving customer loyalty.

4. *As a service provider for online futures trading, the Company provides customers with an efficient and stable trading platform for conducting real-time transactions, which is the key to ensure the success of the Company and to maintain competitiveness.*

The Company has the industry's most advanced information technology systems. The Company's headquarters information technology unit, Shanghai data center and Nanjing Hexi data center together form a "two-location, three-center" system structure, providing daily data backup of the transactions in the online trading platform. Breakdowns of any particular servers containing the core database will not cause interruption of services provided by the Company. The Company believes that the ability to maintain a stable trading platform is the key factor to build and maintain customer loyalty and in attracting new customers.

5. *Benefitted from the strong economic position of Jiangsu Province.*

The Company is headquartered, and has a strong presence, in Jiangsu Province with 18 of its 40 futures branches and 5 sub-branches operating in Jiangsu Province. Located in the eastern coast area of China, Jiangsu Province is one of the most developed provinces in China. The Company believes that, its leading position in Jiangsu Province and development experience will help attracting customers in various regions.

6. *Strong customer service capabilities.*

The Company provides strong customer service support to clients through the sales and service team. By providing customer service, the Company is able to boost customer loyalty and facilitate its expansion and smooth operation in China.

7. *Experienced and stable senior management team.*

The Company has a stable and experienced senior management team which has years of experience in the futures industry. The Company believes that the strong, experienced senior management team is the key to realize its future growth strategies.

8. *The Company is an influential branded futures company.*

The Company is in the committee of the China Futures Association and the president unit of Jiangsu Futures Association. Moreover, it was awarded "National Civilized Unit" (全國文明單位), "Best Civilized Unit in Jiangsu Province" (江蘇省文明單位標兵) and "The Civilized Unit of Jiangsu Province" (江蘇省文明單位). The Company is also the only futures company in the industry to be recognized as "National Civilized Unit".

XI. Prospects of the Company

In recent years, the related departments of the PRC government have launched several innovative development policies and measures with respect to the futures market. The PRC futures market will maintain good development. On the one hand, the existing products will be constantly improved and their ability to serve the economy is significantly higher. On the other hand, some futures commodities and financial futures regarding government policies and the people's living will be launched to the market or their studies will accelerate, which will continue to increase the breadth of the futures market. It is expected the PRC futures market will maintain steady growth.

Looking forward, the Company will make traditional brokerage bigger and stronger using "Internet Plus" as an entry point, and spare no effort to build up the three innovative business architectures including asset management, risk management and international business focusing on industrial and institutional customers. The Company will also comprehensively strengthen the construction of pillars including talents, risk control, technologies as well as research and development, gathering strength on innovation, focus on enriching people and make every effort to promote the Company's comprehensive strength to a new level with an aim to achieve the development objectives to build the Company an internationally competitive and derivative integrated financial conglomerate.

XII. Business overview

(1) Key Financial Ratios

	2016	2015
Net assets per Share attributable to shareholders of the Company (RMB/share)	1.89	1.85

The Group's net assets per Share attributable to shareholders of the Company increased in 2016, which was mainly attributable to the listing of the Company on the Hong Kong Stock Exchange on 30 December 2015 and the growth in business and profit in 2016.

Gearing Ratio

	2016	2015
Gearing ratio (%)Note	4%	10%

Note: Gearing ratio = (Total liabilities – client deposit payables)/(Total assets – client deposit payables)

Gearing ratio of the Group decreased during the year of 2016, which was mainly attributable to the increase in total assets of the Company as a result of the proceeds from the listing of the Company on the Hong Kong Stock Exchange on 30 December 2015.

Weighted average return on net assets

	2016	2015
Weighted average return on net assets	4.65%	4.79%

Weighted average return on net assets of the Group slightly decreased in 2016, which was mainly attributable to the growth in net assets of the Company caused by the proceeds from listing on 30 December 2015.

(2) Corporate Social Responsibility

1. Relationship with employees

Staff is the Company's valuable assets and the foundation of its survival and development. The Company treats all employees with fairness and respect. Adhering to the strategic goal of becoming a "people-oriented and talent-based corporation", the Company keeps expanding its recruitment channels while optimising the training system and deployment of staff. The Company pays close attention to the interest of staff and puts in efforts to build a corporate culture that creates a harmonious and healthy atmosphere.

The Company emphasises on efficiency and fairness when establishing the comprehensive performance-based assessment system.

The Company provides and maintains statutory benefits for employees in accordance with the requirements under the laws, regulations and relevant policies in Hong Kong and the PRC, including but not limited to provident fund, basic medical insurance, pension insurance, maternity insurance, job-related injury insurance and unemployment insurance. Employees are also entitled to day-offs on public holidays, marriage leave, funeral leave and maternity leave.

For years, the Group supports its staff in self-enhancement by organising training courses and seminars, with a view to enhance their professional capability.

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, advocate taking public transportation;

(2) encourage staff to print on two sides of papers 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; and

(4) promote electronic office work and reduce paper consumption.

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

3. Compliance with relevant laws and regulations

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

4. Key relationships with customers and suppliers

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

XIII. Event subsequent to the Reporting Period

(1) Subsequent investment and financing of the Company

On 23 March 2017, the Company contributed capital of HK$90 million into Holly Su Futures.

(2) Subsequent investment and financing of 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 2016.

I. The principal business lines of the Company

As set out in Section VI "2. Business review" of this Report.

II. Business overview

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

III. Major risks and uncertainties faced by the Company

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

V. Profit distribution and profit distribution plan

The audit institution confirmed through audit in accordance with the accounting standards of the PRC that, the Company generated net profit of RMB78,335,634.7 for 2016. According to relevant regulations such as the Company Law, Securities Law, Financial Rules for Financial Enterprises and Articles of Association, and Proposal on Distribution Plan of Accumulated Profits before Issue of H Shares of Holly Futures Co., Ltd. (《關於弘業期貨股份有限公司發行H股之前滚存利潤分配方案的議案》) (which stipulated that "the proceeds from the current issue of H Shares and accumulated undistributed profits before listing shall be shared by existing and new shareholders in proportion to their shareholding after H Shares are offered") considered and passed at the 2015 first extraordinary general meeting, the Company plans to distribute its undistributed profits in 2016 according to the following order: 1. Withdraw 10% of such sum as statutory surplus reserve, amounting RMB7,833,563.47; 2. Withdraw 10% as general risk reserve, amounting RMB7,833,563.47; 3. After deducting the above two items, the net profit of the Company in 2016 was RMB62,668,507.76, and the undistributed profit at the beginning of the year was RMB52,681,346.62, hence the accumulated distributable profits for 2016 was RMB69,999,854.38 (excluding the distributed profit of RMB45,350,000 for last year).

In view of the long-term development and interests of investors, the Company is expected to make the following profit distribution plan: the Board of Directors proposed distribution of cash final dividend for the year ended 31 December 2016 ("2016 Final Dividend") of RMB0.06 per share (tax inclusive) to Shareholders whose names appeared on the register of members on the equity registration date ("Equity Registration Date") of the distribution of cash dividend for 2016, namely Wednesday, 7 June 2017, and who are entitled to such distribution. Based on the total equity of the Company as of 31 December 2016, the aggregate amount to be distributed will be RMB54,420,000. The actual total amount to be distributed is subject to the total equity of the Company on the Equity Registration Date. The proposed 2016 Final Dividend is subject to approval at the 2016 annual general meeting of the Company. The 2016 Final Dividend of the Company is intended to be paid on Tuesday, 18 July 2017. Please refer to the circular of the 2016 annual general meeting published by the Company in due course for details and the actual arrangement regarding the distribution of dividend. The dividend payable to holders of Domestic Shares of the Company will be in RMB while those payable to holders of H Shares of the Company will be in Hong Kong Dollars. The exchange rate shall be calculated on the basis of the average benchmark exchange rate between RMB and Hong Kong Dollars as announced by the People's Bank of China for the five working days prior to the date of the 2016 annual general meeting of the Company.

The Company is intended to hold its 2016 annual general meeting on Friday, 26 May 2016. In order to determine the shareholders eligible to attend and vote at the 2016 annual general meeting, the share registrar of the Company will be closed from Wednesday, 26 April 2017 to Friday, 26 May 2017 (both days inclusive), during which no transfer of shares will be registered. Only shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 25 April 2017 are entitled to attend and vote at the 2016 annual general meeting. In order to qualify for attending and voting at the 2016 annual general meeting, the transfer documents must be lodged with the Board office of the Company at No. 50 Zhonghua Road, Nanjing, China (for holders of domestic shares) or the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) for registration no later than 4:30 p.m. on Tuesday, 25 April 2017.

Subject to the approval of the resolution regarding the declaration of 2016 Final Dividend at the 2016 annual general meeting, 2016 Final Dividend will be paid to the Shareholders whose names appear on the register of members of the Company after the close of the market on Wednesday, 7 June 2017, and who are entitled to such distribution. The share registrar of the Company will be closed from Friday, 2 June 2017 to Wednesday, 7 June 2017 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for receiving 2016 Final Dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, and in any case no later than 4:30 p.m. on Thursday, 1 June 2017. The Company has no obligation and will not be responsible for confirming the identities of the shareholders. The Company held no liability in respect of any claims arising from any delay in, or inaccurate determination of the identity of the shareholders or any disputes over the mechanism of withholding.

VI. Issue of Shares and use of proceeds

(1) Use of proceeds

As approved by CSRC Zheng Jian Xu Ke [2015] No. 1963, the Company was listed on the Main Board of the Hong Kong Stock Exchange on 30 December 2015 and it issued 249,700,000 H Shares (comprising 227,000,000 H Shares offered by the Company and 22,700,000 H Shares offered by the selling Shareholders) under the global offering, with an offer price of HK$2.43 per share, raising total proceeds of approximately HK$607 million.

According to the use of proceeds from global offering as set out in the Prospectus, the Company intended to use the proceeds to: develop the Hong Kong and global futures business and 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.

(2) Use of proceeds for committed items

As of 31 December 2016, the abovementioned proceeds, for the purposes as set out in the Prospectus, were used as follows:

	Consolidated usage of the proceeds raised (as of 31 December 2016)		
Description	Usable amount HK$'000	Used amount HK$'000	Balance HK$'000
Development of the future business in Hong Kong and throughout world	171,567	75,000	96,567
Development of the asset management business	134,037	121,356	12,681
Development of the commodity trading and risk management business	107,230	97,838	9,392
Development and enhancement of the existing futures brokerage business	53,615	–	53,615
Acquisition of IT equipment and software	26,807	1,174	25,633
General working capital	42,892	42,745	147
Total	536,148	338,113	198,035

VII. Directors

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

VIII. Director and Supervisor service contract

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 2016, the Company or its subsidiaries did not enter into any material transactions, arrangements or contracts entitling direct or indirect substantial interests to the Directors or Supervisors of the Company (or the related entities of any Director or Supervisor) during the Reporting Period.

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

As of 31 December 2016, none of 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 2016, the Company has not given Directors, Supervisors 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, Supervisors 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

On 31 December 2016, 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

For the year ended 31 December 2016, 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 Prospectus, no contracts of significance to which the Company or its controlling companies or any of its subsidiaries was a party and in which the controlling shareholder or its subsidiaries had a material interest subsisted at the end of the Reporting Period or at any time during the year.

XV. Permitted indemnity provision

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

XVI. Share option scheme

The Company and its subsidiaries have no share option scheme.

XVII. Compliance with non-competition undertaking

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

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

XVIII. Other disclosures

(1) Equity

Details of changes in equity of the Group for the year ended 31 December 2016 are set out in Note 32(c) 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 27.53%, which was in compliance with the relevant regulations of Rule 8.08 and Rule 13.32 of the Listing Rules.

(4) Management contract

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

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

Individual investors

In accordance with the Individual Income Tax Law of the People's Republic of China issued by the Fifth Session of the Standing Committee of the National People's Congress on 10 September 1980, revised on 30 June 2011 and came into effect on 1 September 2011 and the "Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China" revised by the State Council on 19 July 2011 and came into effect on 1 September 2011, the dividends paid by Chinese companies shall be subject to the withholding tax at a rate of 20.0%. Non-Chinese resident foreign individuals shall be imposed 20.0% of individual income tax on the dividends from Chinese companies, unless specific exemptions allowed by the tax authorities of the State Council or special deductions in accordance with applicable tax treaty.

According to the Notice on the Management of Individual Income Tax Impose after the Abolition of Guo Shui Fa [1993] No. 045 issued by the State Administration of Taxation (Guo Shui Han [2011] No. 348), for domestic non-foreign-invested enterprises publicly listed in Hong Kong, its overseas resident individual shareholders are entitled to the preferential tax treatments under the taxation agreement entered into between China and the countries in which they reside. Dividends paid by domestic non-foreign-invested enterprises listed in Hong Kong to its H share individual holders who are not Chinese residents shall be subjected to individual income tax at the rate of 10.0%, and without prior approval from the Chinese tax authorities. In the event that the tax rate of 10.0% is not applicable, (i) for a foreign citizen who receives dividend in the capacity of an H share individual holder, where an income tax treaty prescribing a rate of less than 10.0% was entered into between China and the country in which he resides, the non-foreign-invested enterprises listed in Hong Kong may, on behalf of such holder, apply for further preferential tax treatment; and upon approval from the competent tax authorities, the withholding tax paid in excess will be refunded; (ii) for a foreign citizen who receives dividend in the capacity of an H share individual holder, where an income tax treaty prescribing a rate higher than 10.0% but less than 20.0% was entered into between China and the country in which he resides, the non-foreign-invested enterprises listed in Hong Kong shall withhold dividends pursuant to the agreement, without making an application; (iii) for a foreign citizen who receives dividend in the capacity of an H share individual holder, where the country he resides in has not entered into any tax treaty or otherwise with China, the non-foreign-invested enterprises listed in Hong Kong shall withhold dividends at the rate of 20.0%.

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

Enterprise

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

(6) Reserves and reserves of profits available for distribution

Details of changes in reserve of the Group for the year ended 31 December 2016 are set out in Note 32(d) to the financial statement of this annual report.

(7) Charity donation

During the Reporting Period, the Group made donations of approximately RMB54,000 in total.

(8) Major customers and suppliers

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

During the Reporting Period, the largest customer of the Company accounted for 1.8% of the income and other gains, while the five largest customers accounted for 4.4% of the income and other gains.

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 year.

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 2016 are set out in Note 12 to the financial statement of this annual report.

(10) Social Responsibilities

During the Reporting Period, Holly Futures stepped up its corporate social responsibility efforts and actively participated in charitable donations and social welfare activities. The Company organized its staff members to join the "Communist Party Members Paying Special Party Membership Fee" and "One in Trouble, All to Help" fund-raising campaign, raising over RMB40,000 for people in the disaster-stricken area of Funing, Yancheng. During the flood, the fifth party branch went to the frontline of flood control to show its care for the area. In supporting charity events, the Company also participated in the campaign "Piggy Bank of Love, Good Tradition of Family" held by Jiangsu Children Welfare Foundation, raising up to RMB24,000. To support the "Spring Buds Project" in Jiangsu and help underprivileged students to receive vocational training as well as college and university education, the Company actively supported the subsidy programme for the "Spring Buds Project Class" of Guannan High School at Lianyungang, donating for the 18 prospective university students in the "Spring Buds Love Action", helping them to realize their dreams of education. In addition, the Company also proactively organized book donation events and "Swallowtail Butterfly" charity event in order to enhance employees' sense of responsibility and promote their well-being.

By order of the Board
Mr. Zhou Yong
Chairman

Nanjing, the PRC
28 March 2017

Other Material Matters

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

In December 2016, the Company received a warning letter of administrative regulatory decision issued by the Tianjin Securities Regulatory Commission to our Tianjin Branch.

II. Material litigations and arbitrations

(1) Litigations and Arbitrations occurring during the Reporting Period

1. (1) In July 2016, the Company found that an employee, ("Mr. A"), was suspected of forging the seal of the Company for signing contracts. The Company had reported the case to the public security organ and the public security organ has put the case on file. Currently, the case was in the investigation stage.

(2) On 25 July 2016, two customers ("Customer Y" and "Customer Z") filed a lawsuit against Mr. A and his wife and the Company to the People's Court of Jinghai District, Tianjin ("Jinghai District Court"), The claims of Customer Y include: (1) requesting Mr. A and his wife for jointly repaying the loan of RMB3 million and pay interest from 17 July 2016 to the date of the actual payment of the loan at the monthly rate of 2% and that the Company shall be jointly and severally liable; and (2) litigation costs. The claims of Customer Z include: (1) requesting Mr. A and his wife for jointly repaying the loan of RMB1.7 million and that the Company shall be jointly and severally liable; and (2) litigation costs. For details, please refer to the announcement of the Company dated 26 July 2016 and 8 August 2016. The case has not yet been heard.

(3) On 19 August 2016, a customer ("Customer W") filed a lawsuit against Mr. A and his wife, Tianjin Gandaji E-Commerce Co., Ltd. ("Gandaji") and the Company to the Court of Jinghai District, Tianjin. The claims of Customer W include: requesting Mr. A for repaying the loan and interest of RMB3.712 million and pay interest from 18 July 2016 to the date of the actual payment of the loan at the monthly rate of 2% on the basis of RMB3.712 million to Customer W. Mr. A's wife, the Company and Gandaji shall be jointly and severally liable. The defendant is responsible for the costs of litigation. Customer W also filed the criminal lawsuit against Mr. A for fraud of cash to the Tianjin Public Security Bureau Jinghai Branch and the Company made an application for terminating trial in November 2016. The Court of Jinghai District ruled in December 2016 that the lawsuit filed by Customer W was rejected.

(4) On 22 September 2016, a customer ("Customer B") filed a lawsuit to the People's Court of Qinhuai District, Nanjing (hereinafter referred to as the Qinhuai District Court) for requesting the Company for repayment of the principal assets of RMB9.86072 million and the risk compensation of RMB875,000, totalling RMB10.73572 million; and the Company shall bear the cost of litigation. The case was heard on 26 October 2016 and 16 March 2017 and is currently in the first instance trial.

2. On 11 July 2016, an information technology company ("Company D") filed a lawsuit in the People's Court of the Qinhuai District, requesting for the order that the Company do pay the full contract amount RMB168,000 pursuant to the website construction contract entered into between the Company and Company D and bear the cost of litigation. Considering it was an intellectual property civil case, the People's Court of the Qinhuai District transferred the case to the Nanjing Railway Transportation Court on 3 August 2016. The Company entered into a settlement agreement with Company D on 28 November 2016 under the supervision of the Nanjing Railway Transportation Court and made appropriate compensation to Company D (the amount was RMB55,000). The Company had paid the compensation amount to Company D in full and therefore the case was resolved.

(2) Legal litigation concluded in the Reporting Period

Apart from the cases 1(3) and 2 mentioned in (1) there is no other concluded case.

(3) Outstanding legal litigations during the Reporting Period

1. Two customers ("Customer E" and "Customer F") had privately entrusted a person previously in charge of a branch of the Company to be their agent in engaging futures trading, which incurred loss and filed a lawsuit in the Intermediate People's Court of Nanjing City on 8 May 2015, requesting for an order that the Company do bear the trading losses in the accounts, transaction fees, and interest up to 22 July 2015, totalling RMB58,294,681.17. On 5 November 2015, the Intermediate People's Court of Nanjing City delivered its first trial judgment after trial and held that the litigation claims of the two customers demanding the Company to bear the liability for breach of contract were lacking in factual and legal grounds and dismissed their claims. On 23 November 2015, the two customers appealed to the Higher People's Court of Jiangsu Province respectively. On 20 March 2017, the Company received the judgment of second instance that the Higher People's Court of Jiangsu Province has dismissed the appeal of the two plaintiffs. The original judgment sustained and is the final judgement.

2. In 2014, Holly Capital entered into a contract for sale and purchase with a customer ("Customer X") and a warehouse supervision entrusted agreement with Holly Logistics. In August 2015, certain part of grains owned by Holly Capital was moved by Customer X without the authorization of Holly Capital. A lawsuit was filed to the Court of Qinhuai District by Holly Capital against Customer X in August 2015 for, among other things, the repayment of debts. The Court of Qinhuai District terminated the lawsuit in October 2015 and reopened the case on 28 February 2017. On 16 March 2017, Holly Capital received the judgement of first instance that the Court of Qinhuai District ordered Customer X to repay RMB24,496,331.75 plus interest of RMB3,461,812.5 and overdue interest to Holly Capital.

   In August 2015, Holly Capital was a third party in the lawsuit between grain depot G and Customer X. The lawsuit was concluded in September 2016 and the second trial remained the same judgment as in the first instance that the grains involved in the case are not owned by Holly Capital. Therefore, the disposal value of grains RMB5,132,600 belongs to grain depot G.

   As disclosed in the 2015 Annual Report, on 8 December 2015, Holly Capital entered into the agreement for assignment with Holly Logistics, under which Holly Logistics would pay Holly Capital the amount for various fees, totaling RMB26,148,100. Holly Capital has transferred all the rights under the related contracts including the contract for sale and purchase and warehouse supervision entrusted agreement to Holly Logistics and Holly Logistics shall have no claims against the Holly Capital after the transfer. On 21 December 2015, Holly Capital received RMB26,148,100 from Holly Logistics.

(4) New material cases after the Reporting Period

Nil.

III. Material contracts and fulfillment

During the Reporting Period, the Company had not engaged in any material trust, sub-contract and lease arrangements of over RMB10.0 million and no such matters were carried forward to the Reporting Period from the previous period.

IV. Connected parties and connected transactions

Connected Transactions

During the Reporting Period, the Group conducted its connected transactions in strict compliance with the Hong Kong Listing Rules and the Administrative Measures on Connected Transactions. The connected transactions of the Group were mainly entered into with the controlling shareholder, SOHO Holdings, and the substantial shareholder, Holly Corporation, of the Company. See Note 36 to the consolidated financial statements of this report for information about other related party transactions and continuing connected transactions. The Company has complied with the disclosure requirements under Chapter 14 of the Listing Rules in respect of its connected transactions or continuing connected transactions.

In December 2015, for the preparation of the issue and listing of H Shares, based on the types and contents of possible continuing connected transactions in the future, the Group categorized its connected transactions with SOHO Holdings and Holly Corporation into two major categories, namely financial services and lease and management services. The Group entered into SOHO Financial Services Framework Agreement and SOHO Property Lease Framework Agreement with SOHO Holdings and entered into Holly Property Lease and Management Services Agreement with Holly Corporation, and set annual caps for the connected transactions from 2016 to 2017 under each of these framework agreements.

Continuing Connected Transactions

During the Reporting Period, the ordinary continuing connected transactions entered into by the Group and SOHO Holdings and Holly Corporation had been conducted according to the relevant framework agreements between the Group and SOHO Holdings and Holly Corporation. Neither the transaction amount nor its subject matter exceeded the scope covered by the agreements. Matters related to the framework agreements and their implementation during the Reporting Period were as follows:

(1) SOHO Financial Services Framework Agreement between the Group and SOHO Holdings

The Group entered into the agreement with SOHO Holdings on 8 December 2015. Pursuant to the agreement, the Group provided a variety of financial services to SOHO Holdings and its subsidiaries, including futures brokerage services, asset management services and commodity trading and risk management services. The annual amount for 2016 amounted to RMB2.3 million, with an actual amount of RMB0.306 million in 2016.

(2) SOHO Property Lease Framework Agreement between the Group and SOHO Holdings

The Group entered into the agreement with SOHO Holdings on 8 December 2015. Pursuant to the agreement, the Group leased certain properties from SOHO Holdings and its subsidiaries for offices or other business uses. The annual cap for 2016 amounted to RMB0.695 million, with an actual amount of RMB0.565 million in 2016.

(3) Holly Property Lease and Management Services Agreement between the Group and Holly Corporation

The Group entered into the agreement with Holly Corporation on 1 December 2015. Pursuant to the agreement, the Group leased certain properties from Holly Corporation for offices uses and Holly Corporation provided property management services to the Group. The annual cap for 2016 amounted to RMB5.663 million, with an actual amount of RMB5.646 million in 2016.

The following table sets out the annual caps for continuing connected transactions of the Group in 2016 and the continuing connected transactions of the Group for the twelve months ended 31 December 2016, as defined in Chapter 14A of the Listing Rules were aggregated as follows:

		2016	
		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	306	2,300
2	**SOHO Property Lease Framework Agreement** Expense incurred by leasing properties by the Group from SOHO Holdings and its subsidiaries	565	695
3	**Holly Property Lease and Management Services Agreement** Expenses incurred by leasing properties by the Group from Holly Corporation	5,646	5,663

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

(a) such transactions were entered into in the ordinary course of business of the Group;

(b) such transactions were conducted on normal or better commercial terms; and

(c) 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:

(a) nothing has come to its attention that may cause it to believe that these transactions have not been approved by the Board;

(b) 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;

(c) 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

(d) nothing has come to its attention that may cause it to believe that these transactions have exceeded their respective annual caps for such transactions.

The Company had complied with the disclosure requirements under Chapter 14A of the Listing Rules throughout the Reporting Period.

V. Acquisition, merger and separation during the Reporting Period

Nil.

VI. Attained qualifications for single business

Nil.

VII. Major off-balance sheet items

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

VIII. Engagement of accounting firm

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

To maintain consistency and completeness of the audit work of the Company, as approved by the 2015 annual general meeting of the Company on 31 May 2016, the Company appointed KPMG Huazhen LLP and KPMG as its external audit firms for 2016 to respectively provide related audit and review services based on the China Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards with a term ending at the date of the conclusion of the 2016 annual general meeting.

Remunerations for accounting firm: Pursuant to the related authorization of the Board, the external auditing fees of the Company for 2016 was RMB1.925 million, including the fees for annul audit of H Share and annual statutory audit in the country in the amount of RMB1.925 million. In 2016, the Company paid RMB1.575 million for the audit and the review related services for the initial global public offering of H Shares and RMB0 for non-audit service for 2016.

During the Reporting Period, the Company did not change its accounting firm.

IX. Other important particulars and subsequent events

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

1. The Company

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

2. Holly Capital

On 3 August 2016, Mr. Zheng Peiguang and Ms. Yu Hong were appointed as directors of Holly Capital.

On 22 September 2016, Mr. Zheng Peiguang was appointed as the chairman of Holly Capital.

3. Holly Su Futures

On 27 June 2016, Mr. Ho Wai Lun was appointed as the directors of Holly Su Futures.

(2) Annual profit distribution plan of the Company

The profit distribution plan for 2016 is set out in Section VII "V. Profit distribution and profit distribution plan" of this Report.

(3) Profit distribution of subsidiaries

Profit distribution of Holly Capital

On 29 December 2016, a shareholders' resolution was made by the Company to distribute the accumulated undistributed profit of RMB10,000,000.00 of Holly Capital as of 31 December 2015. The remaining undistributed profit will be carried forward to the coming year. The said profit distribution plan has been implemented on 30 December 2016.

(4) Major investment and financing

1. **Major investment and financing of the Company**

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

2. **Major investment and financing of subsidiaries**

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

(5) Major legal proceedings and arbitration

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

(6) Merger or disposal of subsidiaries

Nil.

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

Nil.

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

Nil.

Changes in share and Substantial Shareholders

I. Shareholding structure

Name of shareholders	Class of shares	Number of shares	Approximate percentage of total number of issued Shares of the Company (%)①
Jiangsu SOHO Holdings Group Co., Ltd.	Domestic Share	275,456,777	30.37%
Jiangsu Holly Corporation	Domestic Share	147,900,000	16.31%
Jiangsu Holly Su Industrial Co., Ltd.	Domestic Share	143,548,000	15.83%
Jiangsu High Hope International Group Corporation	Domestic Share	63,930,134	7.05%
Shanghai Mingda Industrial (Group) Company Limited	Domestic Share	9,276,631	1.02%
Jiangsu Hongrui Venture Capital Co., Ltd.	Domestic Share	8,903,113	0.98%
Jiangsu Holly International Logistics Corporation	Domestic Share	8,285,345	0.91%
Public shareholders	H Share	249,700,000	27.53%
Total		907,000,000	100%

Note: ① The calculation is based on the total issued 907,000,000 Shares of the Company as at 31 December 2016.

II. Changes in shares

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

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

As at 31 December 2016, 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]
Jiangsu SOHO Holdings Group Co., Ltd. [3]	Domestic Shares	Beneficial owner and interest in controlled corporation	431,642,122 (long position)	47.59%	65.67%
Jiangsu Holly Corporation	Domestic Shares	Beneficial owner	147,900,000 (long position)	16.31%	22.50%
Artall Culture Group Company Limited [4]	Domestic Shares	Interest in controlled corporation	156,185,345 (long position)	17.22%	23.76%
Jiangsu Holly Su Industrial Co., Ltd.	Domestic Shares	Beneficial owner	143,548,000 (long position)	15.83%	21.84%
Hony Capital Industrial Phase I Fund (Tianjin) (Limited Partnership) [5]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Hony Capital Management (Tianjin) (Limited Partnership)[5]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Hony Tongren Consulting (Tianjin) (Limited Partnership) [5]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Hony Capital (Tianjin) Co., Ltd. [5]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Hony Capital (Beijing) Co., Ltd. [5]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Beijing Hony Capital Management Co., Ltd. [5]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Xu Minsheng [5]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Cao Yonggang [5]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Wang Lijie [5]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Jiangsu High Hope International Group Corporation	Domestic Shares	Beneficial owner	63,930,134 (long position)	7.05%	9.73%
Xu Xiping	H Shares	Beneficial owner	15,234,000 (long position)	1.68%	6.10%

Note:

(1) The calculation is based on the total number of 907,000,000 Shares in issue of the Company as at 31 December 2016.

(2) The calculation is based on the 657,300,000 Domestic Shares in issue and 249,700,000 H Shares in issue of the Company as at 31 December 2016.

(3) On 31 December 2016, Jiangsu SOHO Holding Group Co., Ltd. (i) directly held 275,456,777 Domestic Shares; (ii) was the beneficial owner of the entire equity interests of Artall Culture Group Company Limited (deemed to be interested in the 147,900,000 Domestic Shares and 8,285,345 Domestic Shares directly held by Jiangsu Holly Corporation and Jiangsu Holly International Logistics Corporation). Accordingly, Jiangsu SOHO Holdings Group Co., Ltd. is deemed to be interested in the 156,185,345 Domestic Shares indirectly held by Artall Culture Group Company Limited and hence directly and indirectly interested in 431,642,122 Domestic Shares under the SFO.

(4) On 31 December 2016, Artall Culture Group Company Limited (i) was the beneficial owner of approximately 24.02% equity interests in Jiangsu Holly Corporation, which in turn held 147,900,000 Domestic Shares, and (ii) was the beneficial owner of approximately 89.66% of the equity interests in Jiangsu Holly International Logistics Corporation, which in turn held 8,285,345 Domestic Shares. As disclosed in the 2015 annual report of Jiangsu Holly Corporation, Artall Culture Group Company Limited is regarded as the controlling shareholder of Jiangsu Holly Corporation under the relevant PRC laws. Accordingly, Jiangsu Holly Corporation is a deemed controlled corporation of Artall Culture Group Company Limited under the SFO, and Artall Culture Group Company Limited is therefore deemed to be interested in the 147,900,000 Domestic Shares and 8,285,345 Domestic Shares directly held by Jiangsu Holly Corporation and Jiangsu Holly International Logistics Corporation, respectively.

(5) On 31 December 2016, (i) Hony Capital Industrial Phase I Fund (Tianjin) (Limited Partnership) (弘毅投資產業一期基金（天津)(有限合夥)) ("Hony Capital Phase I") was the beneficial owner of 99.9955% equity interests in Jiangsu Holly Su Industrial Co., Ltd., which in turn held 143,548,000 Domestic Shares; (ii) Hony Capital Management (Tianjin) (Limited Partnership) (弘毅投資管理（天津)(有限合夥)) was the general partner of Hony Capital Phase I; (iii) Hony Capital (Tianjin) Co., Ltd. (弘毅投資（天津）有限公司) ("Hony Tianjin") was the general partner of Hony Capital Management (Tianjin) (Limited Partnership); (iv) Hony Tongren Consulting (Tianjin) (Limited Partnership) (弘毅同人顧問（天津)(有限合夥)) ("Hony Tongren") was the limited partner of Hony Capital Management (Tianjin) (Limited Partnership) holding 99% of its registered capital; (v) Hony Capital (Beijing) Co., Ltd. (弘毅投資（北京）有限公司) was the beneficial owner of 1% equity interests in Hony Tianjin and the general partner of Hony Tongren, which in turn held 99% equity interests in Hony Tianjin; (vi) Beijing Hony Capital Management Co., Ltd. (北京弘毅資產管理有限公司) was the beneficial owner of 80% equity interests in Hony Capital (Beijing) Co., Ltd.; and (vii) each of Mr. Xu Minsheng, Mr. Cao Yonggang and Mr. Wang Lijie was a beneficial owner of one third of the equity interests in Beijing Hony Capital Management Co., Ltd. Accordingly, under the SFO, each of Hony Capital Phase I, Hony Capital Management (Tianjin)(Limited Partnership), Hony Tongren, Hony Tianjin, Hony Capital (Beijing) Co., Ltd., Beijing Hony Capital Management Co., Ltd., Mr. Xu Minsheng, Mr. Cao Yonggang and Mr. Wang Lijie is deemed to be interested in the 143,548,000 Domestic Shares directly held by Jiangsu Holly Su Industrial Co., Ltd..

Save as disclosed above, as at 31 December 2016, the Directors, Supervisors and chief executives of the Company are not aware of any other person (other than the Directors, Supervisors or chief executives of the Company) have 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, Jiangsu SOHO Holdings Group Co., Ltd., the controlling shareholder of the Company, held approximately 47.59% of the total issued Shares of the Company. SOHO Holdings was established in April 1994, with a registered capital of RMB2,000 million. It is a state-owned enterprise wholly-owned by the State-owned Assets Supervision and Administration Commission of Jiangsu. SOHO Holdings is an investment holding company and its business scope includes finance, industrial investment, operation and management of state-owned assets as authorized, domestic and international trade, property lease, and manufacturing, R&D and sales of silk, textile and clothing.

Directors, Supervisors, Senior Management and Staff

I. Basic Information about Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period

(1) Directors

Name	Age	Gender	Position	Date of appointment	Time of joining the Company	Remunerations received during the Reporting Period (RMB'0000)	Relationship with other Directors, Supervisors or members of senior management	Remarks
Zhou Yong	50	Male	Chairman and Executive Director	15 January 2001	May 1998		N/A	
Zhou Jianqiu	47	Female	Executive Director and general manager	9 June 2015	March 1999	82.73	N/A	
Xue Binghai	46	Male	Non-executive Director	30 June 2012	June 2012		N/A	
Sun Changyu	46	Male	Non-executive Director	27 November 2015	November 2015		N/A	Resigned on 23 March 2017
Zhang Ke	44	Male	Non-executive Director	31 May 2016	May 2016		N/A	
Zhang Fasong	53	Male	Non-executive Director	24 August 1998	August 1998		N/A	Resigned on 29 March 2016
Li Xindan	50	Male	Independent Non-executive Director	30 June 2012	June 2012	9.9	N/A	
Zhang Hongfa	52	Male	Independent Non-executive Director	8 July 2013	July 2013	9.9	N/A	
Lam Kai Yeung	47	Male	Independent Non-executive Director	9 June 2015	June 2015	12.25	N/A	
Zhang Jie	40	Female	Independent Non-executive Director	30 June 2012	June 2012	2.4	N/A	Resigned on 29 March 2016

(2) Supervisors

Name	Age	Gender	Position	Date of appointment	Time of joining the Company	Remunerations received during the Reporting Period (RMB'0000)	Relationship with other Directors, Supervisors or members of senior management	Remarks
Xu Yingying	32	Female	Chairlady of the Supervisory Committee and employee representative	22 November 2012	July 2007	29.37	N/A	
Zhao Yajun	43	Male	Supervisor	31 May 2016	May 2016		N/A	
Wang Jianying	50	Female	Supervisor	25 December 2014	December 2014		N/A	
Pu Xuenian	54	Male	Supervisor	22 November 2012	November 2006		N/A	Resigned on 31 May 2016

(3) Senior Management

Name	Age	Gender	Position	Time of taking office	Relationship with other Directors, Supervisors or members of senior management	Remarks
Zhou Jianqiu	47	Female	Executive Director and general manager	Deputy general manager from April 2007 to June 2011. Executive deputy general manager from July 2011 to May 2015. General manager since May 2015.	N/A	
Ding Jiunian	50	Male	Deputy general manager	Deputy general manager since September 2010.	N/A	
Zheng Peiguang	51	Male	Deputy general manager	Deputy general manager since May 2002.	N/A	
Jia Guorong	46	Male	Chief Risk Officer	Deputy general manager from April 2007 to March 2009. Chief Risk Officer since March 2009.	N/A	
Zhao Dong	47	Male	Deputy general manager	Deputy general manager since March 2014.	N/A	
Yu Hong	41	Female	Board secretary and joint company secretary	Board secretary and joint company secretary since October 2016.	N/A	Elected as Board secretary and joint company secretary at the eighth meeting of the second session of the Board on 14 October 2016
Chu Kairong	42	Male	Deputy general manager	Deputy general manager since June 2016.	N/A	Elected as deputy general manager at the sixth meeting of the second session of the Board on 15 June 2016
Wang Min	39	Female	Supervisor of finance	Supervisor of finance since July 2015.	Ms. Wang Min is the spouse of Mr. Zhao Weixiong	
Zhao Weixiong	41	Male	Executive deputy general manager, Board secretary and joint company secretary	Board secretary from January 2008 to October 2016. Deputy general manager from September 2010 to May 2015. Executive deputy general manager from May 2015 to October 2016. Joint company secretary from July 2015 to October 2016.	Mr. Zhao Weixiong is the spouse of Ms. Wang Min	Resigned as deputy general manager, Board secretary and joint company secretary at the eighth meeting of the second session of the Board on 14 October 2016

II. Appointment of Directors, Supervisors and Senior Management in Companies of Shareholders and Other Companies

(1) Directors

Name	Position at the Company	Employer	Position at other companies	Period of time
Zhou Yong	Chairman and Executive Director	SOHO Holding	Director and CEO	Since May 2013
		Huatai Securities Co., Ltd.	Director	Since January 2015
		Zking Property & Casualty Insurance Co., Ltd.	Director	Since November 2012
Zhou Jianqiu	Executive Director and general manager	Holly Capital	Director	Since January 2014
		China Futures Association	Committee member	Since October 2015
Xue Binghai	Non-executive Director	SOHO Holding	Assistant to CEO	Since March 2013
		Jiangsu SOHO Investment Group Company Limited	General manager	Since March 2013
Sun Changyu[1]	Non-executive Director	Beijing Hony Yuanfang Investment Consultancy Co., Ltd.	General manager	Since November 2011
		Chengdu Bank Co., Ltd.	Supervisor	Since September 2013
		China Rongzhong Financial Holdings Company Limited	Non-executive Director	Since October 2015
Zhang Ke	Non-executive Director	Holly Corporation	General manager and Director	Since May 2015
Li Xindan	Independent Non-executive Director	Nanjing University	Professor	Since May 1999
		C.banner International Holdings Limited	Independent Director	Since August 2011
		Nanjing Securities Co., Ltd.	Independent Director	Since May 2016
Zhang Hongfa	Independent Non-executive Director	Jiangsu Province Appraisal Society	Executive deputy secretary-general	Since August 2014
		Guolian Futures Co., Ltd.	Independent Director	Since April 2007
Lam Kai Yeung	Independent Non-executive Director	Silverman Holdings Limited	Independent Non-executive Director	Since June 2012
		Highlight China IoT International Limited	Independent Non-executive Director	Since August 2014
		Sunway International Holdings Limited	Independent Non-executive Director	Since May 2015
		Finsoft Financial Investment Holdings Limited	Independent Non-executive Director	Since June 2015
		Kong Shum Union Property Management (Holding) Limited	Independent Non-executive Director	Since October 2015

Note:

(1) Mr. Sun Changyu has resigned as the non-executive Director of the Company on 23 March 2017.

(2) Supervisors

Name	Position at the Company	Employer	Position at other companies	Period of time
Xu Yingying	Chairlady of the Supervisory Committee and employee representative	–	–	–
Wang Jianying	Supervisor	High Hope International	General manager of Corporate Management Department	Since April 2014
Zhao Yajun	Supervisor	SOHO Holdings	Deputy general manager of the asset and finance department	Since February 2015 to January 2017
		Jiangsu Textile (Group) Corporation	Executive deputy general manager, deputy secretary of the party committee and Director	Since January 2017

(3) Senior Management

Name	Position at the Company	Employer	Position at other companies	Period of time
Zhou Jianqiu	Executive Director and general manager	Please refer to the above subsection "Appointment of Directors, Supervisors and Senior Management in Companies of Shareholders and Other Companies-Directors"		
Ding Jiunian	Deputy general manager	Holly Capital	Supervisor	Since June 2013
Zheng Peiguang	Deputy general manager	Holly Capital	Director	Since August 2016
			Chairman	Since September 2016
Jia Guorong	Chief Risk Officer	Holly Capital	Director	Since November 2013
		Jiangsu Chamber of International Commerce	Committee member	Since October 2016
Zhao Dong	Deputy general manager	–	–	–
Yu Hong	Board secretary Joint company secretary	Holly Capital	Director	Since August 2016
		Jiangsu Hong Rui Growth Venture Investment Co., Ltd.	Director	Since February 2017
Chu Kairong	Deputy general manager	Holly Su Futures	Director	Since November 2015
Wang Min	Supervisor of finance	–	–	–

III. Biography of Directors, Supervisors and Senior Management

(1) Directors

Executive Directors

Mr. Zhou Yong (周勇), aged 50, has been appointed as the Chairman and a Director of the Company since January 2001 (he was re-designated as an executive Director in July 2015) and is primarily responsible for the overall management and supervision of the Company, making strategic plans and organising Board meetings. Mr. Zhou Yong was also the general manager of Jiangsu Holly International Group Investment Management Co., Ltd. (江蘇弘業國際集團投資管理有限公司) ("Holly Investment") from February 1999 to June 2006. He had also been engaged with Jiangsu Holly International Group Company Limited from June 2006 to July 2010 as its vice president. Mr. Zhou Yong served as the vice president of SOHO Holdings from July 2010 to May 2013 and has been the director and president of SOHO Holdings since May 2013.

In addition, Mr. Zhou Yong currently holds directorship in the following listed companies: Huatai Securities Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 601688) and the main board of Hong Kong Stock Exchange (stock code: 6886), respectively, since January 2015 and Zking Property & Casualty Insurance Co., Ltd., an insurance company, since November 2012.

Mr. Zhou Yong acted as a member of CFA from June 2006 to October 2015, the president of Jiangsu Futures Association (江蘇省期貨業協會) since October 2007 and a member of Zhengzhou Commodity Exchange (鄭州商品交易所) since January 2011, respectively. Mr. Zhou Yong graduated from Sichuan University (四川大學) located in Chengdu, Sichuan Province in July 1987 with a bachelor degree in physics, from Fudan University (復旦大學) located in Shanghai in January 1998 with a master degree in politics and economics and from Nanjing University (南京大學) located in Nanjing, Jiangsu Province in January 2005 with a doctor degree in philosophy. He is a senior economist (正高級經濟師) and a senior international commerce economist (高級國際商務師) as credentialed by the Human Resources Department of Jiangsu Province (江蘇省人事廳) (now known as the Department of Human Resources and Social Security of Jiangsu Province (江蘇省人力資源和社會保障廳)). He is also a research fellow as credentialed by the Department of Human Resources and Social Security of Jiangsu Province.

Ms. Zhou Jianqiu (周劍秋), aged 47, was appointed as a Director in June 2015 (she was re-designated as an executive Director in July 2015) and the general manager of the Company in May 2015. She is primarily responsible for the management and operation of the Company. Ms. Zhou Jianqiu has been engaged with Jiangsu Holly, the predecessor company of the Company (that is the Company) since March 1999, working at various times as the supervisor of its finance department, Chief financial officer, deputy general manager and executive deputy general manager. She has also been a director of Holly Capital, the wholly-owned subsidiary of the Company, since January 2014. Ms. Zhou Jianqiu graduated from Fudan University (復旦大學) located in Shanghai in June 2012 with a master degree in business administration for senior management.

Non-executive Directors

Mr. Xue Binghai (薛炳海), aged 46, was appointed as a Director in June 2012 (he was re-designated as a non-executive Director in July 2015) and is primarily responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Company. Mr. Xue Binghai had served in various positions including a staff, a section chief the assistant to the general manager and the deputy general manager of the asset and finance department and the chief financial officer of Jiangsu SOHO International Group Co., Ltd. (江蘇蘇豪國際集團股份有限公司), a company principally engaged in the import and export trading business of silk products, from July 1995 to June 2007 and from June 2008 to March 2013. He had been the deputy general manager of the asset and finance department of Jiangsu Silks Group Co., Ltd. (江蘇省絲綢集團有限公司), the previous company name of SOHO Holdings, from June 2007 to December 2007 and the general manager of the asset and finance department of SOHO Holdings from January 2008 to March 2013. He had also been the director and general manager of both Jiangsu Soho Venture Capital Investment Co., Ltd. (江蘇蘇豪創業投資有限公司), a company principally engaged in equity investment business, and Jiangsu Soho Investment Management Co., Ltd. (江蘇蘇豪投資管理有限公司), a company principally engaged in asset management business, from February 2008 to March 2013. He has been the assistant to the president of SOHO Holdings as well as the general manager of Jiangsu SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司), a company principally engaged in asset investment business since March 2013. In addition, Mr. Xue Binghai was a director of Huatai Securities from February 2010 to January 2015. Mr. Xue Binghai graduated from Nanjing College of Finance (南京經濟學院) (now known as Nanjing University of Finance and Economics (南京財經大學)) located in Nanjing, Jiangsu Province in June 1995 with a bachelor degree in accounting, and from Peking University (北京大學) located in Beijing in June 2005 with a master degree in public management, respectively. He is a senior accountant as credentialed by the Human Resources Department of Jiangsu Province (江蘇省人事廳).

Mr. Sun Changyu (孫昌宇), aged 46, was appointed as an non-executive Director in November 2015 and is primarily responsible for providing strategic advice on corporate development and making recommendations on major operational and managerial decisions of the Company and has resigned on 23 March 2017. Mr. Sun Changyu joined Beijing Hony Yuanfang Investment Consultancy Co., Ltd. (北京弘毅遠方投資顧問有限公司), an investment company, in November 2011 where he currently serves as Director and general manager. He had also served as a senior manager in the investment management department of China Life Insurance Company Limited (中國人壽保險股份有限公司), an insurance company, from August 2005 to November 2011 and he was primarily responsible for the management of utilization of insurance funds. In addition, Mr. Sun Changyu has been a supervisor of Chengdu Bank Co., Ltd. (成都銀行股份有限公司) since September 2013 and has served as a non-executive director of China Rongzhong Financial Holdings Company Limited (a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3963)) since October 2015.

Mr. Sun Changyu graduated from Tsinghua University (清華大學) in Beijing, the PRC with his Bachelor of Science degree in July 1993, from Zhongnan University of Economics (中南財經大學, now known as Zhongnan University of Economics and Law (中南財經政法大學)) in Hubei province, the PRC with his Master of Business Administration degree in June 1998 and from Zhongnan University of Economics and Law (中南財經政法大學) with his doctor's degree in Industrial Economics in June 2004. He is an engineer as credentialed by China Construction Bank, Hainan Branch (中國建設銀行海南省分行).

Mr. Zhang Ke (張柯), aged 44, was appointed as a non-executive Director in May 2016. He has worked in Jiangsu Holly Corporation as a director since June 2015 and deputy secretary to the party committee and general manager of the company since May 2015. He served as general manager of Jiangsu SOHO Garments Co., Ltd. from August 2005 to August 2013 and as chairman of the company from May 2011 to April 2015. He was also a member of the Communist Party of China Committee of Jiangsu SOHO International Group Co., Ltd. from August 2010 to April 2015.

Mr. Zhang Ke graduated from Soochow University in July 1995 with a bachelor degree in economics and from the faculty of business administration of Nanjing University Business School in 2009 with an MBA. In addition, he became a senior international business engineer in November 2008.

Independent Non-executive Directors

Mr. Li Xindan (李心丹), aged 50, was appointed as an independent non-executive Director in June 2012 and is primarily responsible for supervising and providing independent advice on the operation and management of the Company. Mr. Li Xindan had been an associate professor in Southeast University (東南大學) since 1993 and was promoted to a professor in 1999. Mr. Li Xindan served as the vice president of the School of Management and Engineering of Nanjing University (南京大學) from January 2001 to June 2009 and served as the president from June 2009 to April 2016. He is currently a professor and a doctoral supervisor in Nanjing University. He has served as an independent director of NARI Technology Development Co., Ltd. (國電南瑞科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600406)) since May 2010. He has also been an independent non-executive director of C.banner International Holdings Limited (千百度國際控股有限公司, a company listed on the Hong Kong Stock Exchange (stock code: 1028)), a retailer of mid-to-premium women's footwear in the PRC, since August 2011 and an independent director of Nanjing Securities Co., Ltd. (a company listed on the National Equities Exchange and Quotations, stock code: 833868) since May 2016. Mr. Li Xindan graduated from Fudan University (復旦大學) located in Shanghai in July 1988 with a bachelor degree in international economics and management science and a doctor degree in economics in July 1999, respectively. He was recognised as a Zhao Shiliang Chair Professor (趙士良講座教授) by Nanjing University in 2014.

Mr. Zhang Hongfa (張洪發), aged 52, was appointed as the independent non-executive Director in July 2013 and is primarily responsible for supervising and providing independent advice on the operation and management of the Company, in particular in regards to financial affairs. Mr. Zhang Hongfa has worked in the Jiangsu Institute of Certified Public Accountants (江蘇省註冊會計師協會) from May 1998 to July 2014. He has also been the deputy secretary-general of Jiangsu Province Appraisal Society (江蘇省資產評估協會) since August 2014. Mr. Zhang Hongfa had been a lecturer at 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)) from September 1986 to September 1993 and performed social audit work for Jiangsu Provincial Firm of Accountants (江蘇省會計師事務所) from October 1993 to May 1998. Furthermore, Mr. Zhang Hongfa has been an independent director of Guolian Futures Co., Ltd. since April 2007.

Mr. Zhang Hongfa graduated from Soochow University (蘇州大學) in July 1986 with a bachelor degree in economics. He 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 Department of Finance of Jiangsu Province (江蘇省財政廳).

Mr. Lam Kai Yeung (林繼陽), aged 47, was appointed as an independent non-executive Director in June 2015. He has been an independent non-executive director of Silverman Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1616) since June 2012, an independent non-executive director of Highlight China IoT International Limited (formerly known as Ford Glory Group Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1682) since August 2014, an independent non-executive director of Sunway International Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 58) since May 2015, an independent non-executive director of Finsoft Financial Investment Holdings Limited (a company listed on Growth Enterprise Market of the Hong Kong Stock Exchange, stock code: 8018) since June 2015 and an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (a company listed on Growth Enterprise Market of the Hong Kong Stock Exchange, stock code: 8181) since October 2015.

Mr. Lam Kai Yeung is a fellow of the Association of Chartered Certified Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants. He is also a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Mr. Lam Kai Yeung obtained a bachelor degree of accounting from Xiamen University (廈門大學) in July 1990 and a master degree in business administration from Oxford Brookes University in the U.K. in July 2010.

(2) Supervisors

Ms. Xu Yingying (徐瑩瑩), aged 32, was appointed as the chairlady of the Supervisory Committee and an employee representative Supervisor in November 2012 and is primarily responsible for supervising the performance of duties by the Directors and members of the senior management. Ms. Xu Yingying has been engaged with Jiangsu Holly (the predecessor company of the Company) since July 2007 and worked at various times as a staff, person-in-charge and assistant to manager of the administration and human resource department. She has served as the deputy general manager of the human resources department of the Company from February 2012 to July 2016 and was promoted to general manager of the human resources department since July 2016. Ms. Xu Yingying graduated from Nanjing University (南京大學) located in Nanjing, Jiangsu Province in June 2007 with a bachelor degree in Chinese language and literature.

Mr. Zhao Yajun (趙亞軍), aged 43, was appointed as a Supervisor in May 2016 and is primarily responsible for supervising the performance of duties by the Directors and members of the senior management. Mr. Zhao served as deputy division manager,division manager and deputy director of the Finance Division of Jiangsu Petrochemical Asset Management Company Limited (江蘇省石化資產管理有限公司) from May 2000 to July 2006 and the deputy director of the Finance Department of Jiangsu Textile (Group) Corporation (江蘇省紡織（集團）總公司) from July 2006 to September 2011. He also held the position of deputy general manager of Zhenjiang Hongyuan Property Development Company Limited (鎮江泓遠房地產開發有限公司) from January 2008 to September 2011 and the general manager of the Financial Audit Department of Jiangsu Suho Construction Group Company Limited (江蘇蘇豪建設集團有限公司) from September 2011 to February 2015. He has been the deputy general manager of the Asset Finance Department of SOHO Holdings from February 2015 to January 2017 and the executive deputy general manager, deputy secretary to the party committee and director of Jiangsu Textile (Group) Corporation since 26 January 2017.

Mr. Zhao Yajun graduated from Senior Finance Institute of the Jiangsu Province (江蘇財經高等專科學校) in July 1994 with an associate degree in finance. He also graduated from Nanjing University in June 2004 with a postgraduate diploma in business administration and an MBA from Nanjing University. He is currently a senior accountant as credentialed by the Human Resources Department of Jiangsu Province (江蘇省人事廳).

Ms. Wang Jianying (王健英), aged 50, was appointed as a Supervisor in December 2014 and is primarily responsible for supervising the performance of duties by the Directors and members of the senior management. Ms. Wang Jianying served as the deputy general manager and the general manager of the audit department of Jiangsu Skyrun International Group Co., Ltd. (江蘇開元國際集團有限公司), a company principally engaged in import and export trading business of commodities, from December 2000 to January 2003 and from January 2003 to July 2007, respectively. She has also been the chief accountant and the general manager of the corporate management department and the operation management department of High Hope Corporation from July 2007 to April 2014 and since April 2014, respectively. Ms. Wang Jianying graduated from the University of International Business and Economics (對外經濟貿易大學) located in Beijing in July 1986 with an associate degree in accounting. She is a senior accountant as credentialed by the Human Resource Department of Jiangsu Province (江蘇省人事廳).

(3) Senior Management

Ms. Zhou Jianqiu (周劍秋), for details of Ms. Zhou Jianqiu, please see the above subsection "Biography of Directors – Executive Directors".

Mr. Ding Jiunian (丁久年), aged 50, was appointed as the deputy general manager in September 2010 and is primarily responsible for the brokerage business management department, information technology department and discipline inspection and audit department. Mr. Ding Jiunian has been engaged with Jiangsu Holly, the predecessor company of the Company (that is, the Company) since March 2006, working at various times as manager of department, assistant to general manager and deputy general manager. He has also served as a supervisor of Holly Capital, the wholly-owned subsidiary of the Company, since June 2013. He served as the deputy general manager of Holly Motors Company Limited (弘業汽車發展有限公司), a company principally engaged in sales of vehicle from April 2002 to March 2004. Mr. Ding Jiunian also served as the general manager of Yangzhou Holly Motors Sales Service Co., Ltd. (揚州弘業汽車銷售服務有限公司) from March 2004 to February 2006. Mr. Ding Jiunian graduated from Jiangsu Provincial Party Committee of the Communist Party of China (中共江蘇省委黨校) located in Nanjing, Jiangsu Province in July 2010 with his postgraduate diploma.

Mr. Zheng Peiguang (鄭培光), aged 51, was appointed as the deputy general manager in May 2002 and is primarily responsible for the option department, some non-local operation departments, as well as several business departments of the head office. Mr. Zheng Peiguang has been engaged with Jiangsu Holly, the predecessor company of the Company (that is, Company) since September 1999, working at various times as deputy manager of the marketing development department, deputy manager and manager of futures branch and the deputy general manager. He also held the positions of director and chairman of Holly Capital, the wholly-owned subsidiary of the Company, respectively since August 2016 and September 2016. Mr. Zheng Peiguang graduated from Jiangsu Provincial Cadres College (江蘇省省級機關幹部業餘大學) (now known as Jiangsu Provincial Management Cadres College (江蘇省省級機關管理幹部學院)) located in Nanjing, Jiangsu Province in July 1992 with an associate degree in administrative management.

Mr. Jia Guorong (賈國榮), aged 46, was appointed as the Chief Risk Officer in March 2009 and is primarily responsible for the compliance and risk management matters and the labor union. Mr. Jia Guorong has been engaged with Jiangsu Holly, the predecessor company of the Company (that is, the Company) since January 1999, working at various times as the deputy manager and manager of the settlement department, risk director, deputy general manager and Chief Risk Officer. He has also been a director of Holly Capital, the wholly-owned subsidiary of the Company, since November 2013. Mr. Jia Guorong graduated from Hohai University (河海大學) located in Nanjing, Jiangsu Province in December 2012 with a master degree in business administration.

Mr. Zhao Dong (趙東), aged 47, was appointed as the deputy general manager in March 2014 and is primarily responsible for a part of the futures branches. Prior to joining the Group, 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 May 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 October 2003, respectively. Mr. Zhao Dong had been engaged with Huazheng Futures Brokerage Co., Ltd. (華證期貨經紀有限公司) from October 2003 to May 2013, working at various times as its manager of marketing department, deputy general manager and general manager. Mr. Zhao Dong graduated from the Officer Correspondence School of Jiangsu Provincial Party Committee of the Communist Party of China (中共江蘇委黨校幹部函授學院) located in Nanjing, Jiangsu Province with an associate degree in economics and management in July 2001.

Ms. Yu Hong (虞虹), aged 41, was appointed as Board secretary and joint company secretary in October 2016, primarily responsible for managing the office, securities department and legal department. Before joining the Company, Ms. Yu Hong worked at Jiangsu Silk Group Company Limited (the former name of SOHO Holdings) from May 2006 to August 2010 as the chief secretary of the office and assistant for the general manager of the human resources department successively. From August 2010 to May 2015, Ms. Yu served successively as deputy general manager and general manager of the human resources department, the chief of the General Manager Office and the director of the party office at Jiangsu SOHO International Group Co., Ltd.. She served as deputy general manager of the legal department (in charge) at Jiangsu SOHO Holding Group Co., Ltd from May 2015 to July 2016. Since August 2016, She has also become a director of Holly Capital, a wholly-owned subsidiary of the Company, and a director of Jiangsu Hong Rui Growth Venture Investment Co., Ltd. since February 2017. Ms. Yu Hong graduated from Nanjing University in July 2004 with a master degree in law.

Mr. Chu Kairong (儲開榮), aged 42, was appointed as deputy general manager of the Company in June 2016, primarily responsible for managing the business department of the head office and some of the non-local operation departments. Mr. Chu Kairong joined the Company since September 2004, successively held the positions of deputy manager, manager, assistant of general manager and deputy general manager, and also served as a director of Holly Su Futures since November 2015. Mr. Chu Kairong graduated from Nanjing Political College of People's Liberation Army in June 2008 with a bachelor degree in economics and administration.

Ms. Wang Min (王敏), aged 39, was appointed as the supervisor of finance in July 2015 and is primarily responsible for the finance and accounting work. Ms. Wang Min has been engaged with Jiangsu Holly, the predecessor company of the Company (that is, the Company) since July 1999, working at various times as, including but not limited to, deputy manager and manager of the finance department. From September 2003 to October 2009, she had served as the assistant to manager and deputy manager of the finance department of Holly Investment. Ms. Wang Min holds the professional certificates of accounting, statistics and futures and she has been an intermediate accountant since 2002. She received the award Women's pacesetter (巾幗標兵崗) from Trade Union of Jiangsu Provincial Committee (江蘇省部屬企事業工會) in May 2014. Ms. Wang Min graduated from Yangzhou University (揚州大學) located in Yangzhou, Jiangsu Province in June 1999 with a bachelor degree in accounting.

IV. Changes of Directors, Supervisors and Senior Management during the Reporting Period

(1) Changes of Directors

On 29 March 2016, Mr. Zhang Fasong, former non-executive Director, resigned as a director due to personal work reasons. Ms. Zhang Jie, former independent non-executive Director, resigned as a director due to personal work reasons on 29 March 2016.

On 31 May 2016, the 2015 annual general meeting of the Company considered and approved the "Resolution on Considering and Approving the Appointment of Mr. Zhang Ke as New Non-executive Director of the Company" and elected Mr. Zhang Ke as non-executive Director of the Company.

(2) Changes of Supervisors

On 31 May 2016, Mr. Pu Xuenian, former Supervisor, resigned as a supervisor due to personal work reasons.

On 31 May 2016, the 2015 annual general meeting of the Company considered and approved the "Resolution on Considering and Approving the Appointment of Mr. Zhao Yajun as Supervisor of the Company" and elected Mr. Zhao Yajun as Supervisor of the Company.

(3) Changes of Senior Management

On 15 June 2016, the sixth meeting of the second session of the Board of the Company considered and approved the "Resolution on the Appointment of Deputy General Manager of Holly Futures Co., Ltd.", and elected Mr. Chu Kairong as the deputy general manager of the Company.

On 14 October 2016, the eighth meeting of the second session of the Board of the Company considered and approved the "Resolution on the Change of Secretary of the Board and Joint Company Secretary, the Authorized Representatives to the Hong Kong Stock Exchange and the Authorised Person for HKEX e-submission system of the Company", and Mr. Zhao Weixiong resigned as the deputy general manager of the Company, the Board secretary and joint company secretary, the authorized representatives to the Hong Kong Stock Exchange and the authorised person for HKEX e-submission system of the Company. The Board approved the change of the Board secretary and joint company secretary, the authorized representatives to the Hong Kong Stock Exchange and the authorised person for HKEX e-submission system of the Company to Ms. Yu Hong.

V. Remuneration Management of Directors, Supervisors and Senior Management

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

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

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

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

(3) Non-cash remuneration

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

(4) Payment of remuneration to Directors, Supervisors and Senior Management

In 2016, the total remunerations of Directors, Supervisors and senior management of the Company amounted to RMB7,448.21 thousands. For details of payment of remuneration to Directors, Supervisors, please see "I. Basic Information about Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period" in this section.

For the year ended 31 December 2016, the remuneration of the Directors and Supervisors fell within the following bands:

Bands (RMB)	Number of Directors, Supervisors
0-500,000	5
500,000-1,000,000	1

For the year ended 31 December 2016, the remuneration of senior management fell within the following bands:

Bands (RMB)	Number of senior management
0-500,000	3
500,000-1,000,000	5
Above 1,000,000	1

VI. Employees and Remuneration

(1) Headcount and composition

As at the end of the Reporting Period, the Company has a total of 665 full time and part time employees while its subsidiaries have a total of 34 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)	699		
Type of employment	Full time and part time		
Category	Sub-category	Number	Percentage
Academic background	Ph.D.	4	0.57%
	Master	98	14.02%
	Undergraduate	441	63.09%
	Diploma and below	156	22.32%
Position	Futures brokerage	502	71.82%
	Asset management	27	3.86%
	Commodity trading and risk management	21	3.00%
	Stock option business	8	1.14%
	Overseas business	13	1.86%
	Research	20	2.86%
	Audit and legal department and risk management	8	1.14%
	IT	25	3.58%
	Accounting and Finance	15	2.15%
	Administration	60	8.58%
Age	35 and below	542	77.54%
	36 to 40	75	10.73%
	41 to 50	71	10.16%
	51 and above	11	1.57%

(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 2016, the total remuneration of employees, including remuneration of Directors, amounted to approximately RMB137 million. Details of which are set out in Note 6 to the financial statement of this Report.

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

(3) Training schemes

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

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

(4) The five highest paid individuals

Of the five individuals with the highest emoluments, none of them is a director whose emoluments is disclosed in Note 8 to the financial statement of this Report. The aggregate of the emoluments are as follows:

	2016	2015
Salaries, allowances and benefits	1,580	1,478
Discretionary bonuses	5,706	3,327
Pension scheme contributions	191	184
Total	7,477	4,989

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

	2016 Number of Individuals	2015 Number of individuals
HK$0 to HK$1,000,000	–	3
HK$1,000,001 to HK$1,500,000	2	–
HK$1,500,001 to HK$2,000,000	3	2
Total	5	5

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

Corporate Governance Report

I. Overview of corporate governance

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

II. Shareholders and general meetings

(1) Rights of general meetings

The general meeting is the supreme authority of the Company and exercises its power according to laws, Articles of Association and Rules of Procedure for General Meetings. The Company convened general meetings in strict accordance with relevant provisions and ensured all shareholders could enjoy equal status and fully exercise their rights as Shareholders. In 2016, the Company convened 2 general meetings, answered in detail the questions of Shareholders, and carefully listened to the opinions and suggestions of the Shareholders on the Company's development.

(2) General meetings

In the Reporting Period, the Company convened 2 general meetings in total, information and resolutions of which are set out as follows:

The Company held its first extraordinary general meeting for 2016 on 29 March 2016, it has passed the Proposal of the Articles of Association of Holly Futures Co., Ltd. and Proposal on the Replacement Of Accounting Firm by Holly Futures Co., Ltd.

The Company held its annual general meeting for 2015 on 31 May 2016. The meeting reviewed and approved the Proposal on Review and Approval of the Auditor's Report and the Audited Consolidated Financial Statements of the Company for the Year Ended 31 December 2015 Prepared in accordance with the PRC Accounting Standards, the Proposal on Review and Approval of the Auditor's Report and the Audited Consolidated Financial Statements of the Company for the Year Ended 31 December 2015 Prepared in accordance with Hong Kong Financial Reporting Standards, the Proposal on Review and Approval of the H-share Annual Report of the Company for the Year Ended 31 December 2015, the Proposal on Review and Approval of the Annual Report of the Company for the Year Ended 31 December 2015 Prepared in accordance with the Rules and Regulations of the China Securities Regulatory Commission, the Proposal on Review and Approval of the Work Report of the Board of Directors of the Company for the Year Ended 31 December 2015, the Proposal on Review and Approval of the Work Report of the Board of Supervisors of the Company for the Year Ended 31 December 2015, the Proposal on Review and Approval of the Final Account Report of the Company for the Year Ended 31 December 2015, the Proposal on Review and Approval of the Profit Distribution Scheme and Announcement of the Final Dividend of the Company for the Year Ended 31 December 2015, the Proposal on Review and Approval of Constant Appointment of KPMG Huazhen LLP and KPMG as the Company's PRC Auditor and International Auditor Respectively for the Term of Office Until the Next Annual General Meeting of the Company and Authorizing the General Manager Office Meeting to Determine Their Remuneration. Proposal on Authorizing the Board of Directors to Determine the Remuneration Package of Directors and Supervisors for the Year Ended 31 December 2015, the Proposal on Reviewing the Remuneration of the Independent Non-executive Directors of the Second Session of the Board of Directors of the Company, the Proposal on Appointing Mr. Zhang Ke as the Non-executive Director of the Company, the Proposal on Review and Approval of Mr. Zhao Yajun as the Supervisor of the Company, the Proposal on Approval and Confirmation of Proposed Amendments to the Articles of Association of the Company (details of which are set out in the circular of the Company dated 15 April 2016) and Authorizing the Board to Amend the Terms of the Amendments (If Applicable) (without the Approval of the Shareholders for the Amendment), and the Signing of the Relevant Documents and/or Taking Any Action Which It Considers Necessary or Expedient and in the Interests of the Company, Resulting in the Proposed Amendments to Take Force and in Compliance with the PRC Laws and Regulations, and the Provisions of the Relevant National Regulatory Authorities (If Any); and Handling of Other Matters Arising From the Amendments to the Articles of Association of the Company, the Proposal on Approval and Confirmation of Proposed Amendments to the Rules of Procedure of the Board (details of which are set out in the circular of the Company dated 15 April 2016) and Authorizing the Board to Amend the Terms of the Amendments (If Applicable) (without the Approval of the Shareholders for the Amendment), and the Signing of the Relevant Documents and/or Taking Any Action Which It Considers Necessary or Expedient and in the Interests of the Company Resulting in the Proposed Amendments to Take Force and in Compliance with the PRC Laws and Regulations, and the Provisions of the Relevant National Regulatory Authorities (If Any); and Handling of Other Matters Arising From the Amendments to the Rules of Procedure of the Board, and the Proposal on Authorizing the Board with the General Mandate for Allotment, Issue and Disposal of No More Than 20% Additional Domestic Shares of the Issued Domestic Shares of the Company and No More Than 20% Additional H shares of the Issued H shares of the Company, and Authorizing the Board to Make the Corresponding Revisions of the Articles of Association of the Company As It Thinks Fit to Reflect the New Share Capital Structure After the Allotment or Issue of the Shares Pursuant to the Relevant Mandate.

III. Performance of duties of Board

(1) Respective duties of the Board and the management

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

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

(2) Composition of the Board

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

At present, the Board comprised of seven Directors, of which two are executive Directors (Mr. Zhou Yong (Chairman) and Ms. Zhou Jianqiu), two are non-executive Directors (Mr. Xue Binghai and Mr. Zhang Ke) and three are independent non-executive Directors (Mr. Li Xindan, Mr. Zhang Hongfa and Mr. Lam Kai Yeung). The current number of independent non-executive Directors meets the relevant requirements under the Listing Rules and the Articles of Association. Ms. Zhang Jie, a former independent non-executive Director, resigned from the positions of independent non-executive Director, chairman of the remuneration committee and member of the nomination committee on 29 March 2016. Mr. Zhang Fasong, a former non-executive Director, resigned from the positions of non-executive Director and member of the risk management committee on 29 March 2016. Mr. Sun Changyu, a former non-executive Director, resigned from the positions of non-executive Director and member of the remuneration committee on 23 March 2017. Directors shall be elected at general meetings. A Director shall serve a term of three years, and may seek re-election upon expiry of the said term. The Company confirmed that it had received annual confirmations issued by each independent non-executive Director in respect of their independence according to Rule 3.13 of the Listing Rules. The Company further confirmed the independent non-executive Directors' respective independence from the Company.

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

(3) Insurance arrangements for Directors

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

(4) Board meeting

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

The Company held its 2nd meeting of the second session of the Board of Directors on 22 January 2016, and reviewed and approved the Proposal on the Composition of the Remuneration Committee and the Nomination Committee of the Board of Directors, the Proposal on the Replacement of Certified Public Accountants of Holly Futures Co., Ltd., the Proposal on Further Implementing Anti-Money Laundering Related Work of Holly Futures Co., Ltd., the Proposal of Holly Futures Co., Ltd. on Engaging Intermediary Organization for H Shares Issue and Reviewing Relevant Fees, the Proposal on Changing the Scope of Business and Modifying the Articles of Association of Holly Futures Co., Ltd., the Proposal of Holly Futures Co., Ltd. on the Use of Own Funds to Participate in FOF Asset Management Plan to Configure the Company's Assets Management Products, and the Proposal on Replacement of the Shareholders of Holly Futures Co., Ltd., and the Proposal on the Convening of the First Extraordinary General Meeting of Shareholders of Holly Futures Co., Ltd. for 2016;

The 3rd meeting of the second session of the Board of Directors was held on 15 February 2016, and reviewed and approved the Proposal on the Replacement of the Shareholders of Holly Fund Management Co., Ltd., the Proposal on Establishment of a wholly owned subsidiary in Hong Kong by Holly Fund Management Co., Ltd., the Proposal on Payment of Listing Intermediary Costs,, the Proposal on Authorizing the General Manager's Office to Consider the Use of the Company's Own Funds for Investment, and the Proposal on the Company's Sale of Vehicles to Jiangsu Suhao Holding Group Co., Ltd.;

The 4th meeting of the second session of the Board of Directors was held on 11 March 2016, and reviewed and approved the Proposal on Authorizing the General Manager's Office to Consider the Use of the Company's Own Funds for Securities Investment, the Proposal on Application by Hongsu Futures (Hong Kong) Co., Ltd. for Hong Kong Securities Regulatory Commission Class 1, 3, and 9 Licenses and Capital Increase, and the Proposal on the Proposed Remuneration of Independent Directors;

The 5th meeting of the second session of the Board of Directors was held on 30 March 2016, and reviewed and approved the Proposal on Audited Consolidated Financial Statements Draft of Holly Futures Co., Ltd. for the Year Ended 31 December 2015 Prepared in accordance with Hong Kong Accounting Standards, the Proposal on Audited Consolidated Financial Statements Draft of Holly Futures Co., Ltd. for the Year Ended 31 December 2015 Prepared in accordance with the PRC Accounting Standards, the Proposal on the H-share Report Draft of Holly Futures Co., Ltd. for 2015, the Proposal on 2015 Annual Report of Holly Futures Co., Ltd. in accordance with the Provisions of the China Securities Regulatory Commission, the Proposal on the Shareholders' Communication Policy of Holly Futures Co., Ltd., the Proposal on the 2015 Work Report of the Board of Directors of Holly Futures Co., Ltd., the Proposal on the Financial Final Report of Holly Futures Co., Ltd. for 2015, the Proposal on Appointing Ms. Zhou Jianqiu of Holly Futures Co., Ltd. as the "Designated Director", the Proposal on Profit Distribution Plan of Holly Futures Co., Ltd. for 2015, the Proposal on Renewal Appointment of Certified Public Accountants of Holly Futures Co., Ltd. for 2016, the Proposal on Remuneration of Directors, Supervisors and Senior Executives of Holly Futures Co., Ltd. for 2015, the Proposal on Election of Mr. Zhang Ke as Non-executive Director of the Second Session of the Board of Directors of Holly Futures Co., Ltd., the Proposal on Amending the Articles of Association of Holly Futures Co., Ltd., the Proposal on Revising the Rules of Procedure of the Board of Directors of Holly Futures Co., Ltd., the Proposal on Implementing Rewards for the Management during the "11th Five-Year Plan" Period, the Proposal on the Establishment of Jiangnan Branch and Shenzhen Branch of Holly Futures Co., Ltd., and the Proposal on Holding the 2005 General Meeting of Shareholders of Holly Futures Co., Ltd.;

The second session of the Board was held on 12 April 2016, at which it reviewed and adopted the Proposal on the Resolution of Authorizing the General Mandate to the Board of Directors of Holly Futures Co., Ltd. for the Issuance of Domestic Shares and/or Foreign Listed Overseas Shares in the way of voting by correspondence;

The 6th meeting of the second Board was held on 15 June 2016, at which it passed the Resolution in Relation to the Composition of Risk Management Committee under the Board, Resolution in Relation to the Capital Increase of Holly Capital Management Co., Ltd., Appointment of Deputy General Manager of Holly Futures Co., Ltd., Resolution in Relation to the Establishment of Branches in Northeastern China and Shanghai and strategic Layout Adjustment of Operation Units, Resolution in Relation to the Payment of Connected Expenses, Resolution in Relation to the Authorization to Office of General Manager to Pass the Proposal of Use of the Company's own funds for Investment, and Resolution in Relation to the Establishment of Asset Management Subsidiary of Holly Su Futures (Hongkong) Co., Limited in Hong Kong;

The 7th meeting of the second session of Board was held on 25 August 2016, at which it passed Resolution in Relation to the Approving and Passing Announcement of Unaudited Interim Result (Draft) of the Group for the Six Months ended 30 June 2016 prepared under the Hong Kong Accounting Standards, Resolution in Relation to the Approving and Passing Interim Report (Draft) of the Group for the Six Months Ended 30 June 2016, Resolution in Relation to the Considering Distribution of Interim Dividend for the Six Months ended 30 June 2016, Resolution in Relation to the Establishment of Beijing Branch and Upgrade of Zhengzhou Operation unit to Zhengzhou Branch, Resolution in Relation to the Payment of Expenses of Connected Transactions, Resolution in Relation to the Opening Account with Hong Kong Branch of China Minsheng Banking Corp., Ltd, Resolution in Relation to the Application of External Donation, Resolution in Relation to the Establishment of Compliance and Risk Control Department, and Resolution in Relation to the Reporting of Various Risk Control Indicators Including Net Equity for the First Half of 2016;

The 8th meeting of the second session of Board was held on 14 October 2016, at which it passed the Resolution in Relation to Change of Secretary of the Board of the Company, Joint Company Secretaries, Authorized Representative to the Stock Exchange, Authorized Person under the E-submission System of the Stock Exchange; and

The 9th meeting of the second session of Board was held on 16 December 2016, at which it passed Resolution in Relation to the the Capital Increase of Holly Su Futures (Hongkong) Co., Limited as Our Subsidiary, Resolution in Relation to the use of Temporarily Idle Own Funds of the Company to Purchase Currency Market Funds of China Universal Xianjin Bao, approval and Confirmation of Connected Transaction between the Company and Jiangsu High Hope International Group Corporation and Its Subsidiaries, Closure of Nanchang Branch of the Company, Resolution in Relation to the Appointment of Jiangsu SOHO Investment Group Company Limited by Holly Capital Management Co., Ltd for Wealth Management Service, and the Resolution in Relation to the Convening the 2017 First Extraordinary General Meeting of Holly Futures Co., Ltd.

(5) Objections from independent non-executive Directors of the Company

Nil.

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

1. Attendances and voting of Directors at Board meetings

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

Name	Number of Board meeting to be attended	Number of Board meeting attended in person	Number of Board meeting attended by proxy	Number of absences	*Number of proposals to be voted on	Number of proposals voted on	Remarks
Zhou Yong	9	9	0	0	54	54	
Zhou Jianqiu	9	9	0	0	58	58	
Xue Binghai	9	9	0	0	54	54	
Zhang Fasong	3	3	0	0	15	15	Resigned on 29 March 2016
Sun Changyu	9	9	0	0	58	58	Resigned on 23 March 2017
Zhang Ke	4	4	0	0	22	22	Appointed as a non-executive Director on 31 May 2016
Li Xindan	9	8	1	0	58	58	
Zhang Hongfa	9	9	0	0	58	58	
Lam Kai Yeung	9	9	0	0	58	58	
Zhang Jie	3	2	1	0	16	16	Resigned on 29 March 2016

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

2. Attendances of Directors at general meetings

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

Name	Number of general meeting to be attended	Number of general meeting attended in person	Number of absences	Remarks
Zhou Yong	2	2	0	
Zhou Jianqiu	2	2	0	
Xue Binghai	2	2	0	
Zhang Fasong	1	0	1	Resigned on 29 March 2016
Sun Changyu	2	1	1	Resigned on 23 March 2017
Zhang Ke	1	1	0	Appointed as a non- executive Director on 31 May 2016
Li Xindan	2	1	1	
Zhang Hongfa	2	2	0	
Lam Kai Yeung	2	1	1	
Zhang Jie	1	0	1	Resigned on 29 March 2016

(7) Training for Directors

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

According to information provided by the Directors, for the year ended 31 December 2016, all Directors received a training and read the training materials provided by Li & Partners regarding the main responsibilities of listed companies on Main Board of the Hong Kong Stock Exchange on 4 May 2016.

IV. Special committees of the Board and duty performance

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

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

Name of Committee	Members (as of the end of the Reporting Period)	Members (as at the date of this Report)
Audit committee	Lam Kai Yeung (chairman) Xue Binghai Zhang Hongfa	Lam Kai Yeung (chairman) Xue Binghai Zhang Hongfa
Remuneration committee	Zhang Hongfa (chairman) Sun Changyu Li Xindan (the former chairman of the remuneration committee, being Zhang Jie, resigned on 29 March 2016)	Zhang Hongfa (chairman) Li Xindan (the former member of the remuneration committee, being Sun Changyu, resigned on 23 March 2017)
Nomination committee	Zhou Yong (chairman) LI Xindan Zhang Hongfa (the former member of the nomination committee, being Zhang Jie, resigned on 29 March 2016)	Zhou Yong (chairman) Li Xindan Zhang Hongfa
Risk management committee	Li Xindan (chairman) Xue Binghai Zhou Jianqiu Zhang Ke (a former member of the risk management committee, being Zhang Fasong, resigned on 29 March 2016)	Li Xindan (chairman) Xue Binghai Zhou Jianqiu Zhang Ke

(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 Rule 3.21 and 3.22 of the Listing Rules, with written terms of reference. The written terms of reference of the Audit Committee were adopted in compliance with Code Provision C.3.3 and C.3.7 and are available on the websites of the Company and the Hong Kong Stock Exchange.

The main duties of the Audit Committee are: proposing to the Board the appointment and replacement of external audit firms, supervising the implementation of the internal audit system, liaising between the internal audit department and external auditors, reviewing financial information and related disclosures, and other duties conferred by the Board. As at 31 December 2016, the Audit Committee comprises three members, including two independent non-executive Directors, namely Mr. Lam Kai Yeung (chairman) and Mr. Zhang Hongfa, as well as an non-executive Director Mr. Xue Binghai.

The Audit Committee held two meetings during the Reporting Period. For the year ended 31 December 2016, the Board has no disagreement with the Audit Committee on the selection, appointment, designation or removal of the external auditor.

(2) Remuneration committee

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

The main duties of the Remuneration Committee are: establishing, reviewing and making recommendations to the Directors on the policy and structure concerning remuneration of the Directors and senior management, determining the terms of the specific remuneration package of each Director and member of senior management, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors, 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 2016, the Remuneration Committee comprises three members, including two independent non-executive Directors, namely Mr. Zhang Hongfa (chairman) and Mr. Li Xindan, as well as one non-executive Director, Mr. Sun Changyu (who has resigned on 23 March 2017).

Details of the Directors' remuneration are set out in Note 8 of the consolidated financial statements of this Annual Report.

The Remuneration Committee held three meetings during the Reporting Period.

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

(3) Nomination committee

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

The main duties of the Nomination Committee are: reviewing the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes, identifying, selecting or making recommendations to the Board on the selection of individuals to be nominated for directorships, assessing the independence of the independent non-executive Directors, making recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of the Directors, and other duties conferred by the Board. As of 31 December 2016, the Nomination Committee comprises three members, including one executive Director Mr. Zhou Yong (chairman) and two independent non-executive Directors, namely Mr. Li Xindan and Mr. Zhang Hongfa.

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 Rule 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.

(4) Risk management committee

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

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

As at 31 December 2016, the Risk Management Committee comprises four Directors, including executive Director Ms. Zhou Jianqiu, two non-executive Directors Mr. Xue Binghai and Mr. Zhang Ke and one independent non-executive Director Mr. Li Xindan (chairman).

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

(5) Meetings of the special committees

On 29 February 2016, the Remuneration Committee considered and approved the "Resolutions on Remuneration Proposal for Independent Directors", on that day, relevant members and chairman of the committee all participated in the meeting.

On 29 March 2016, the Remuneration Committee considered and approved the "2016 Remuneration Proposal for Directors, Supervisors and Senior Management of Holly Futures Co., Ltd." and the "Resolution on Appointing Mr. Zhang Hongfa as Chairman of Remuneration Committee of the Board", on that day, relevant members and chairman of the committee all participated in the meeting.

On 7 June 2016, the Remuneration Committee approved the resolution in relation to application for distribution of partial bonus specific to the listing of the Company, on that day, relevant members and chairman of the committee all participated in the meeting.

On 29 March 2016, the Nomination Committee considered and approved the "Resolution on Appointing Mr. Zhang Ke as Non-executive Director of Second Session of the Board of Holly Futures Co., Ltd.", on that day, relevant members and chairman of the committee all participated in the meeting.

On 29 March 2016, the Audit Committee considered and approved the "Resolution on Audited Consolidated Financial Statement (Draft) of Holly Futures Co., Ltd. for the Year Ended 31 December 2015 prepared under the Hong Kong Accounting Standards", "Resolution on Audited Consolidated Financial Statement (Draft) of Holly Futures Co., Ltd. for the Year Ended 31 December 2015 prepared under China Accounting Standards", "Resolution on Audited Annual Results Announcement (Draft) of Holly Futures Co., Ltd. for the Year Ended 31 December 2015", "Resolution on H Shares 2015 Annual Report (Draft) of Holly Futures Co., Ltd.", "Resolution on 2015 Annual Report of Holly Futures Co., Ltd. Pursuant to Requirements of CSRC", "Resolution on 2015 Final Account Report of Holly Futures Co., Ltd." and "Resolution on Re-appointment of Accounting Firm of Holly Futures Co., Ltd. for 2015", on that day, relevant members and chairman of the committee all participated in the meeting.

On 23 August 2016, the Audit Committee passed resolutions in relation to approving and passing announcement of unaudited interim result (draft) of the Group for the six months ended 30 June 2016 prepared under the Hong Kong Accounting Standards, and approving and passing interim report (draft) of the Group for the six months ended 30 June 2016, on that day, relevant members and chairman of the committee all participated in the meeting.

On 29 March 2016, the Risk Management Committee considered and approved the "Resolution on Risk Management and Internal Control System of Holly Futures Co., Ltd.", on that day, relevant members and chairman of the committee all participated in the meeting.

V. Chairman and general manager

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

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

As at the end of the Reporting Period, the Company had three non-executive Directors and three independent non-executive Directors. During the Reporting Period, the Company has been in compliance with the requirement of the Listing Rules in relation to appointment of at least three independent non-executive directors, including one who has appropriate professional qualifications or majors in accounting or related financial management. The Company has signed a letter of appointment with each non-executive Director, specifying a term of three years. Their positions are specified in Section X "I. Basic Information about Current and Resigned Directors, Supervisors and Senior management during the Reporting Period"of this Report. Ms. Zhang Jie, an independent non-executive Director, and Mr. Zhang Fasong, a non-executive Director, both resigned on 29 March 2016 effective on the same date.

VII. Supervisory Committee and duty performance

(1) Duties of the Supervisory Committee

The Supervisory Committee shall be accountable to the general meetings. Its main duties and authorities are: to monitor the financial activities of the Company; to supervise the performance of duties of Directors, general manager and senior management; 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 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 two meetings during the Reporting Period, which are summarized as follows:

On 30 March 2016, the Company convened the 2nd meeting of the second session of the Supervisory Committee, at which it passed Resolution on 2015 Annual Working Report of the Supervisory Committee of Holly Futures Co., Ltd., Resolution on Election of Mr. Zhao Yajun as a Supervisor of the Second Supervisory Committee of Holly Futures Co., Ltd., Resolution on H Shares 2015 Annual Report (Draft) of Holly Futures Co., Ltd, Resolution on 2015 Annual Report of Holly Futures Co., Ltd. Pursuant to Requirements of CSRC, Resolution on 2015 Profit Distribution Plan of Holly Futures Co., Ltd, Resolution on Audited Consolidated Financial Statement (Draft) of Holly Futures Co., Ltd. for the Year Ended 31 December 2015 Prepared under the International Accounting Standards, Resolution on Audited Consolidated Financial Statement (Draft) of Holly Futures Co., Ltd. for the Year Ended 31 December 2015 Prepared under China Accounting Standards, and Resolution on 2015 Final Account Report of Holly Futures Co., Ltd.

On 25 August 2016, the Company convened the 3rd meeting of the second session of the Supervisory Committee, at which it passed the Resolution on Approving and Passing the Interim Report (Draft) of the Group for the Six Months Ended 30 June 2016.

Name	Number of meeting to be attended	Number of meeting attended	Remarks
Xu Yingying	2	2	
Wang Jianying	2	2	
Zhao Yajun	1	1	
Pu Xuenian	1	1	Resigned on 31 May 2016

VIII. Other related matters

(1) Shareholders' right

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

(2) Compliance with Model Code

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

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

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

(3) Responsibilities of Directors concerning financial statements

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

All the Directors of the Company confirmed their responsibility of preparing the financial statements that can truly reflect the Company's operating results for each financial year. 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 2016, the Company appointed KPMG Huazhen LLP and KPMG as its external audit firms for 2016 to respectively provide related audit and review services based on the China Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards. The expenses related to the audit service are set out in Section VIII "VIII. Engagement of accounting firm" of this Report.

(5) Review of the Audit Committee

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the Company's consolidated financial statement for the year ended 31 December 2016.

(6) Company Secretary

Ms. Yu Hong, the Board secretary and one of the joint company secretaries, is responsible for making proposals to the Board on corporate governance and ensuring the policies and procedures of the Board, applicable laws, rules and regulations are observed. In order to maintain sound corporate governance and comply with the Listing Rules and applicable Hong Kong laws, the Company appointed Ms. Leung Wing Han Sharon, vice president of SW Corporate Services Group Limited, as the other joint company secretary of the Company to assist Ms. Yu Hong in fulfilling his duties as the Board secretary and a joint company secretary of the Company. The Company's main contact person is Ms. Yu Hong, the Board secretary and the joint company secretary of the Company. For the year ended 31 December 2016, Ms. Yu Hong and Ms. Leung Wing Han Sharon accepted no less than 15 hours of professional trainings in accordance with Rule 3.29 of the Listing Rules.

(7) Communications with Shareholders

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

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

Where the Company convenes a general meeting, the Board, the Supervisory Committee and Shareholder(s) severally or jointly holding 3.0% 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 3.0% Shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting to other Shareholders within two days after receipt of a proposal, and announce the contents of provisional proposals.

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

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

1. To exercise the said Shareholder's right to speak at the general meeting;

2. To severally or jointly request to vote by ballot; and

3. To exercise the right to vote by a show of hand or ballot; where there are more than one proxy, the said proxies shall only vote by ballot, unless otherwise prescribed by applicable securities listing rules or other securities laws and regulations.

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

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

1. Two or more than two Shareholders who separately or jointly hold 10.0% or more of the Shares carrying voting rights may request the Board to convene an extraordinary general meeting or class meeting by signing a written requirement or several copies with the same format and to illustrate the subject of the meetings. The Board shall convene an extraordinary general meeting or class meeting as soon as practicable upon receipt of the aforesaid written requirement. The aforesaid number of shareholding is calculated as at the date of the submission of the written requirement by the Shareholders; and

2. If the Board fails to issue the notice to convene the meeting within 30 days after it received the aforesaid request, the Shareholders proposing the request may convene the meeting at its own discretion within four months after the Board has received the request. The meeting shall be convened in a manner which is as similar as possible to that of general meeting convened by the Board.

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

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

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

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

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

(8) Investor relation activities

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

(9) Board diversity policy

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

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

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

(10) Articles of Association

On 31 March 2016, the Company convened the 2016 first extraordinary general meeting, at which amendment to Article 11 and Article 154 of its Articles of Association was made.

On 31 May 2016, the Company convened the 2015 annual general meeting, at which amendment to Article 100, Article 101 and Article 127 of its Articles of Association was made.

(11) Internal control

1. Building of internal control system

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

The Company has always attached great importance to compliance and risk management and has set up a sound internal control system in strict accordance with the requirements of the regulatory authorities and the relevant laws and regulations, including the Rules for Administration of Futures Trading and the Measures for Administration of 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 at the end of the Reporting Period, the Company has built an internal control system suitable for its business nature, scale and complexity, guaranteed the legitimacy and compliance of operation management, the safety of assets and authenticity and integrity of financial reporting and relevant information, and improved operating efficiency and performance.

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

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

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

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

Meanwhile, the Company has established the Discipline Inspection and Audit Department internally to conduct independent review on the sufficiency and efficiency of the internal control and risk management system of the Group. It formulates the annual internal review plan every year based on the major risks identified in the latest risk review by measuring the effectiveness of internal review of the Company in all aspects including financial revenue and expenditure, process of implementation of the management system and business, performance assessment management as well as special audit, and it is responsible for the concrete implementation of the internal review plan. The internal review plan may be modified according to the results of the continuous review process and any proposed changes regarding the internal review plan will be reported to the General Manage Office or the Board. Currently, the structure of internal review of the Company has been constructed and during the year ended 31 December 2016, daily internal reviews including compliance review and resignation audit have been orderly conducted, while its specific operation and process are still being optimized.

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 at the date of this Report, the Risk Management Committee under the Board has conducted a review on the management and internal control of the Company and its subsidiaries during the reporting period, which covered a review on the risk management and internal control systems over the past 12 months and considered the risk management and internal control systems of the same are sufficient and effective. The Board was of the view that the said systems were designed to manage, instead of eliminating, the risk of failing to meet the business goals, and therefore can only offer a reasonable, but not absolute, guarantee on the absence of significant false statements or significant loss.

2. Report of other matters

(1) Building of compliance system

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

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

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

a. In 2016, the Legal Department took the lead to formulate and revise a series of internal control system, including internal control measures against money laundering of 2016 edition, management measures on printing business cards of employees, review and management measures on release of company news and publicity, management measures on risk incidents, management measures on chops of operation units, and three legal review and management measures. Such amendments formed the Internal Control Handbook of the Company of 2016 edition. Meanwhile, the Company facilitated amendment and optimization of its whole asset management system, internal audit standards and management system on subsidiaries.

b. The Company enhanced ideological and moral education and business training for risk prevention at the source. Since the second half of 2016, the Company conducted a focused education for its party members to learn and practice the morality of the socialism through various forms of compliance-themed training and party member activities. The minds of our party members can be directed with the correct global view, philosophy of life and value so as to influence all employees to act righteously and comply with code of practice and ethnics of the practitioners.

c. The supervision and control system was strengthened and optimized. In October 2016, the Company released an Implementation Plan of Joint Work Inspection. Accordingly, a joint work inspection team was formed by finance department, operation department, disciplinary supervision and audit department, compliance and risk control department, information technology department. The purpose of the team is to inspect the subject of investigation of our subsidiaries without prior knowledge of being investigated against each standard of our relevant system by way of secret inspection and write inspection report based on fact findings and identify the source of problems and hidden risks strictly.

Report of Supervisory Committee

In 2016, 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 second session of the Supervisory Committee convened a total of two meetings for 2016, specifically:

Date	Session	Attendance	Agenda	Results
30 March 2016	the 2nd meeting of the second session of the Supervisory Committee	Xu Yingying, Pu Xuenian and Wang Jianying	1. Resolution on the 2015 Annual Working Report of the Supervisory Committee of Holly Futures Co., Ltd. 2. Resolution on Election of Mr. Zhao Yajun as a Supervisor of the Second Supervisory Committee of Holly Futures Co., Ltd. 3. Resolution on H Shares 2015 Annual Report (Draft) of Holly Futures Co., Ltd. 4. Resolution on 2015 Annual Report of Holly Futures Co., Ltd. Pursuant to Requirements of CSRC 5. Resolution on 2015 Profit Distribution Plan of Holly Futures Co., Ltd. 6. Resolution on audited consolidated financial Statement (Draft) of Holly Futures Co., Ltd. for the Year Ended 31 December 2015 Prepared under the International Accounting Standards 7. Resolution on Audited Consolidated Financial Statement (draft) of Holly Futures Co., Ltd. for the Year Ended 31 December 2015 Prepared under China Accounting Standards 8. Resolution on 2015 Final Account Report of Holly Futures Co., Ltd.	Passed
25 August 2016	the 3rd meeting of the second session of the Supervisory Committee	Xu Yingying, Wang Jianying and Zhao Yajun	Resolution on approving and passing the interim report (draft) of the Group for the six months ended 30 June 2016	Passed

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

In the opinion of the Supervisory Committee:

1. in 2016, with solicitude and support from all its Shareholders and the diligent work of all the staff, the Company operated in compliance with the Company Law and the Articles of Association, and its procedures for making decisions on operation are lawful and up to standard, thus making satisfactory results.

2. the Board was able to operate in accordance with the Company Law, the Regulations for the Administration of Futures Trading (《期貨交易管理條例》), the Listing Rules and other relevant laws and regulations and the Articles of Association and the Company had in place lawful decision-making procedures, where the Directors, managers and other senior management were able to perform their duties in accordance with laws and regulations and the Articles of Association and exercise their powers in a proper and diligent manner without any act in violation of laws, regulations or the Articles of Association or contrary to the interest of the Company or the Shareholders.

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

In 2016, 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. A domestic and an international audit reports with standard unqualified opinion were issued by each of KPMG Huazhen LLP and KPMG respectively.

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

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

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

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

VI. Implementation of resolutions adopted at General Meetings

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

On behalf of the Supervisory Committee
Xu Yingying
Chairman

Nanjing, China, 28 March 2017

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of Holly Futures Co., Ltd.

(Incorporated in the People's Republic of China with joint stock limited liability)

Opinion

We have audited the consolidated financial statements of Holly Futures Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 118 to 194, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China ("PRC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

<table>
<tr><td colspan="2">Revenue recognition: commission and fee income</td></tr>
<tr><td colspan="2">Refer to note 3(a) to the consolidated financial statements and the accounting policies on page 136.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Commission and fee income represented 65.58% of the total revenue of the Group for the year ended 31 December 2016.

Commission and fee income principally comprises futures brokerage commission income and asset management fees.

Futures brokerage commission income arising from brokerage services in respect of futures contracts is recognised on a trade date basis.

Asset management fees are recognised when the corresponding services are provided in accordance with the terms of the related client service agreements.

We identified the recognition of commission and fee income as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk that revenue could be subject to manipulation to meet targets or expectations.</td><td>Our audit procedures to assess the recognition of commission and fee income included the following:

• assessing the design, implementation and operating effectiveness of key internal controls which govern revenue recognition;

• reading client service agreements, on a sample basis, and considering the Group's revenue recognition policies with reference to the terms of the client service agreements and the requirements of the prevailing accounting standards;

• assessing, on a sample basis, whether revenue transactions around the financial year end had been recognised in the appropriate accounting period by inspection the trade date of contracts for futures brokerage commission income and by evaluating whether the services had been performed for asset management fees through reading relevant client service agreements and making enquiries of relevant business teams;

• performing analytical procedures on futures brokerage commission income, which included forming an expectation of futures brokerage commission income for the current year, with reference to trading volumes and commission rates, and comparing our expectations with the actual brokerage commission income recognised for the year;

• performing a recalculation of asset management fees recognised during the current year with reference to the value of assets under management and the relevant management fee rates;

• inspecting all manual adjustments to revenue during and after the reporting period, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation;

• for key underlying systems used for the processing of transactions in relation to commission and fee income utilising our information technology specialists to assess the design, implementation and operating effectiveness of a selection of relevant automated controls within these systems. We also assessed the design, implementation and operating effectiveness of the key internal controls over these underlying systems, including controls over access to these systems and controls over data and change management.</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><td colspan="2">Assessing potential impairment of goodwill</td></tr>
<tr><td colspan="2">Refer to note 13 to the consolidated financial statements and the accounting policies on page 126 and 133.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group acquired the futures brokerage business together with the relevant assets and liabilities of Huazheng Futures Co., Ltd ("Huazheng Futures") in 2013 which resulted in the recognition of goodwill.

Management assesses goodwill for potential impairment on an annual basis. The impairment assessment of goodwill is carried out by management with reference to a valuation report prepared by an external appraiser appointed by management.

The impairment assessment is performed by estimating the value in use of goodwill by preparing a discounted cash flow forecast. The preparation of a discounted cash flow forecast involves the exercise of significant judgement and estimation, in particular in determining the revenue growth rate, the perpetual growth rate, cost inflation and in determining the risk-adjusted discount rate applied, all of which can be inherently uncertain and could be subject to management bias.

We identified assessing potential impairment of goodwill as a key audit matter because of the inherent uncertainty involved in forecasting and discounting future cash flows and because of the risk of management bias in the selection of assumptions and estimates.</td><td>Our audit procedures to assess the potential impairment of goodwill included the following:

• assessing the design, implementation and operating effectiveness of key internal controls over preparation of the discounted cash flow forecast on which the estimation of the recoverable amount of goodwill is based;

• assessing the independence, objectivity, experience and capabilities of the external appraiser appointed by management;

• involving our internal valuation specialists to assist us in evaluating the methodology used in the preparation of the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards;

• challenging the key assumptions and critical judgements made in the preparation of the discounted cash flow forecast by comparing key inputs, which included the revenue growth rate, the perpetual growth rate and cost inflation, with historical performance, management's budgets and forecasts and industry reports;

• evaluating the risk-adjusted discount rate applied in the discounted cash flow forecast by benchmarking the discount rate against the discount rates of similar companies in the same industry;

• obtaining management's sensitivity analyses for the key assumptions, including the revenue growth rate and the risk-adjusted discount rate, adopted in the discounted cash flow forecast and assessing the impact of changes in the key assumptions to the conclusions reached by management in its impairment assessment and whether there were any indicators of management bias;

• performing a retrospective review by comparing the prior year's forecast with the current year's results to assess the reliability and historical accuracy of management's forecasting process.</td></tr>
</table>

Key audit matters (continued)

Assessing the fair value of financial instruments	
Refer to note 33(g) to the consolidated financial statements and the accounting policies on page 129.	
The Key Audit Matter	**How the matter was addressed in our audit**
At 31 December 2016, the fair value of the Group's financial instruments totalled RMB264 million of which RMB42 million, nil and RMB222 million were classified under the fair value hierarchy as level 1, 2 and 3 financial instruments respectively. The valuation of the Group's financial instrument is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant judgement. In addition, the fair values of certain level 2 financial instruments are determined using valuation methods which also involves significant judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation methods.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office/back office reconciliations and model approval; • assessing the fair values of all financial instruments traded in active markets by comparing the fair values applied by the Group with publicly available market data; • reading investment agreements, on a sample basis, to understand the relevant investment terms and identifying any conditions that were relevant to the valuation of financial instruments; • engaging our internal valuation specialists to assist us in evaluating the valuation methods used by the Group to value certain level 2 and level 3 financial instruments and to perform, on a sample basis, independent valuations for level 2 and 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation methods with our knowledge of current market practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations; • assessing whether the disclosures in the consolidated financial statements appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Key audit matters (continued)

<table>
<tr><td colspan="2">Consolidation of structured entities</td></tr>
<tr><td colspan="2">Refer to note 38 to the consolidated financial statements and the accounting policies on page 139.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group 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.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and the Group's ability to influence its own returns from the entity.

The factors which management needs to consider when determining whether a structured entity should be consolidated or not are not purely quantitative and need to be considered collectively.

As at 31 December 2016, the carrying amount of the Group's interests in structured entities sponsored by third party institutions was RMB66 million whilst the amounts of assets held by structured entities sponsored by the Group which the Group did and did not consolidate but in which it held an interest were RMB30 million and RMB831 million, respectively.

We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement in determining whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant.</td><td>Our audit procedures to assess the consolidation of structured entities included the following:

• making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not;

• performing the following procedures for all new structured entities:

– 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 the Group has with the structured entities and to assess management's judgement over whether the Group has the ability to exercise power over the structured entities;

– reviewing the risk and reward structure of the structured entities to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such entities;

– reviewing management's analyses of the structured entities including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entities to assess management's judgement over the Group's ability to influence its own returns from the structured entities;

– assessing management's judgement over whether the structured entities should be consolidated or not;

• assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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. This report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements

Auditor's responsibility for the audit of the consolidated financial statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 the Group's 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 consolidated 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 the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 the Audit Committee 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.

Auditor's responsibility for the audit of the consolidated financial statements (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is PANG, Shing Chor, Eric.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2017

Consolidated statement of profit or loss

for the year ended 31 December 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2016	2015
Revenue	3	311,380	292,583
Net investment gains	4	6,105	26,606
Operating income		317,485	319,189
Other income	5	20,351	4,190
Operating expenses		(231,546)	(233,362)
Profit from operations		106,290	90,017
Share of losses of associates		(1,031)	(541)
Profit before taxation	6	105,259	89,476
Income tax expense	7	(26,356)	(19,306)
Profit for the year		78,903	70,170
Earnings per share	10		
Basic		0.0870	0.1031
Diluted		0.0870	0.1031

The notes on pages 124 to 194 form part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2016	2015
Profit for the year		78,903	70,170
Other comprehensive income for the year (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
Net change in fair value reserve		1,361	(9,583)
Reclassified to profit or loss		63	4,117
Exchange differences on translation of financial statements in foreign currencies		5,318	829
Other comprehensive income for the year, net of tax	11	6,742	(4,637)
Total comprehensive income for the year		85,645	65,533

The notes on pages 124 to 194 form part of these financial statements.

Consolidated statements of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2016	31 December 2015
Non-current assets			
Property, plant and equipment	12	7,898	11,922
Goodwill	13	43,322	43,322
Intangible assets	14	22,536	24,099
Interest in associates	16	11,743	12,775
Deferred tax assets	31(c)	4,595	2,552
Other non-current assets	17	1,436	1,257
Total non-current assets		91,530	95,927
Current assets			
Refundable deposits	18	1,046,750	734,597
Other receivables	19	45,259	482,456
Other current assets	20	5,432	4,428
Available-for-sale financial assets	21	256,613	8,925
Financial assets at fair value through profit or loss	22	35,481	61,372
Derivative financial assets	23	25	294
Cash held on behalf of brokerage clients	24	2,178,936	2,985,146
Cash and bank balances	25	1,172,487	1,155,620
Total current assets		4,740,983	5,432,838
Current liabilities			
Accounts payable to brokerage clients	27	3,040,791	3,663,459
Trade payables	28	–	199
Other payables	29	43,536	154,096
Financial liabilities at fair value through profit or loss	30	26,351	34,090
Derivative financial liabilities	23	1,430	–
Current taxation	31(a)	4,719	1,101
Total current liabilities		3,116,827	3,852,945
NET CURRENT ASSETS		1,624,156	1,579,893

The notes on pages 124 to 194 form part of these financial statements.

	Note	31 December 2016	31 December 2015
TOTAL ASSETS LESS CURRENT LIABILITIES		1,715,686	1,675,820
Non-current liabilities			
Deferred tax liabilities	31(c)	–	429
Total non-current liabilities		–	429
NET ASSETS		1,715,686	1,675,391
Capital and reserves			
Share capital	32(c)	907,000	907,000
Reserves	32(d)	808,686	768,391
TOTAL EQUITY		1,715,686	1,675,391

Approved and authorised for issue by the board of directors on 28 March 2017.

Zhou Yong *Directors*
Zhou Jianqiu

The notes on pages 124 to 194 form part of these financial statements.

Consolidated statements of changes in equity

for the year ended 31 December 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Share capital (Note 32)	Reserves						Total
			Capital reserve (Note 32)	Surplus reserve (Note 32)	General reserve (Note 32)	Fair value reserve (Note 32)	Translation reserve (Note 32)	Distributable profits (Note 32)	
Balance at 1 January 2016		907,000	533,125	23,581	146,568	2,946	542	61,629	1,675,391
Changes in equity for 2016									
Profit for the year		–	–	–	–	–	–	78,903	78,903
Other comprehensive income	11	–	–	–	–	1,424	5,318	–	6,742
Total comprehensive income		–	–	–	–	1,424	5,318	78,903	85,645
Appropriation of profits									
Appropriation to surplus reserve		–	–	7,834	–	–	–	(7,834)	–
Appropriation to general reserve		–	–	–	17,547	–	–	(17,547)	–
Dividends approved in respect of the previous year	32(b)(ii)	–	–	–	–	–	–	(45,350)	(45,350)
Balance at 31 December 2016		907,000	533,125	31,415	164,115	4,370	5,860	69,801	1,715,686
Balance at 1 January 2015		680,000	370,246	18,151	133,040	8,412	(287)	44,417	1,253,979
Changes in equity for 2015									
Profit for the year		–	–	–	–	–	–	70,170	70,170
Other comprehensive income	11	–	–	–	–	(5,466)	829	–	(4,637)
Total comprehensive income		–	–	–	–	(5,466)	829	70,170	65,533
Issuance of shares upon public offering, net of issuing expenses		227,000	185,943	–	–	–	–	–	412,943
Deemed capital distribution arising from the acquisition of a subsidiary under common control		–	(23,064)	–	–	–	–	–	(23,064)
Appropriation of profits									
Appropriation to surplus reserve		–	–	5,430	–	–	–	(5,430)	–
Appropriation to general reserve		–	–	–	13,528	–	–	(13,528)	–
Dividends approved in respect of the previous year	32(b)(ii)	–	–	–	–	–	–	(34,000)	(34,000)
Balance at 31 December 2015		907,000	533,125	23,581	146,568	2,946	542	61,629	1,675,391

The notes on pages 124 to 194 form part of these financial statements.

Consolidated cash flow statements

for the year ended 31 December 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2016	2015
Operating activities			
Cash generated from operations	26(b)	37,134	279,196
Income tax paid	31(a)	(25,684)	(23,802)
Net cash generated from operating activities		11,450	255,394
Investing activities			
Proceeds from sales of investments classified as receivables		–	205,240
Payment for purchases of investments classified as receivables		–	(200,000)
Proceeds from sales of available-for-sale financial assets		141,429	296,612
Payment for purchases of available-for-sale financial assets		(384,700)	(283,720)
Proceeds from sales of financial assets under resale agreements		643,493	–
Payment for purchases of financial assets under resale agreements		(643,400)	–
Proceeds from sales of financial assets held for trading		816,454	416,255
Payment for purchases of financial assets held for trading		(777,521)	(462,902)
Proceeds from disposal of property, plant and equipment and intangible assets		171	49
Payment for purchases of property, plant and equipment		(739)	(3,894)
Payment for purchases of intangible assets		(819)	–
Dividends received from investments in securities	4	10,196	563
Net cash used in from investing activities		(195,436)	(31,797)
Financing activities			
Proceeds from issuance of shares upon public offering, net of issuing expenses		382,225	35,541
Repayment of bank loans		–	(70,580)
Deemed capital distribution arising from the acquisition of a subsidiary under common control		–	(23,064)
Interest paid		–	(2,391)
Dividends paid to equity shareholders of the Company	32(b)	(45,350)	(34,000)
Net cash generated from/(used in) financing activities		336,875	(94,494)
Net increase in cash and cash equivalents		152,889	129,103
Effect of foreign exchange rate changes		16,153	794
Cash and cash equivalents at 1 January	26(a)	361,930	232,033
Cash and cash equivalents at 31 December	26(a)	530,972	361,930

The notes on pages 124 to 194 form part of these financial statements.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). Significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interest in associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– financial assets and financial liabilities at fair value through profit or loss (Note 1(i)(ii));

– available-for-sale financial assets (Note 1(i)(ii)); and

– derivative financial instruments (Note 1(i)(vii)).

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 2.

1 Significant accounting policies (continued)

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousands, which is the functional currency of the Company and its subsidiary established in the People's Republic of China ("PRC"). The functional currency of the Company's subsidiary in Hong Kong is Hong Kong Dollar ("HKD"). The Group translates the financial statements of the Company's subsidiary in Hong Kong from HKD into RMB.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(i)(i)) or, when appropriate, the cost on initial recognition of an interest in an associate (see Note 1(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(n)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 Significant accounting policies (continued)

(f) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(n)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised as other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term investments that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained investment is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(i)(i)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see Note 1(n)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 1(n)).

On disposal of a cash-generating unit ("CGU") during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 Significant accounting policies (continued)

(h) Foreign currency

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

A spot exchange rate is an exchange rate quoted by the People's Bank of China (the "PBOC"), the State Administrative of Foreign Exchange (the "SAFE") or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale financial assets, which are recognised as other comprehensive income in capital reserve.

The assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the end of the reporting period. The equity items, excluding "distributable profits", are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operations are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

(i) Financial instruments

(i) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the statements of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, trade and other receivables, available-for-sale financial assets and other financial liabilities.

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

Financial assets and financial liabilities are categorised as follows:

Financial assets and financial liabilities at fair value through profit or loss (including financial assets held for trading)

A financial asset or financial liability is classified at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

1 Significant accounting policies (continued)

(i) Financial instruments (continued)

(i) Recognition and measurement of financial assets and financial liabilities (continued)

Financial assets and financial liabilities at fair value through profit or loss (including financial assets held for trading) (continued)

Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition in either of the following circumstances:

– the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;

– the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;

– the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

– the separation of the embedded derivatives from the financial instruments is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transactions costs that may occur on sale, and changes therein are recognised in profit or loss.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 1(i)(iii)).

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments mainly comprise equity securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend (see Note 1(s)(iii)). Impairment losses are recognised in profit or loss (see Note 1(i)(iii)).

Other fair value changes, other than impairment losses (see Note 1(i)(iii)), are recognised in other comprehensive income and presented in the fair value reserve within equity. When the investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

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

1 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, price risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(iii) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of the reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial assets and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes, but not limited to:

- significant financial difficulty of the borrower or issuer;
- a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of financial difficulties of the issuer;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 Significant accounting policies (continued)

(i) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

Receivables

The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayment and amortisation and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

For the available-for-sale equity investment, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgment. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. A significant or prolonged decline in the fair value of an equity investment is an indicator of impairment in such investments where a decline in the fair value of equity investment below its initial cost by 20% or more, or fair value below cost for nine months or longer, upon which impairment loss is recognised.

If, in a subsequent period, the fair value of an impaired available-for-sale debt investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised in other comprehensive income.

(iv) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

– the contractual rights to the cash flows from the financial asset expire; or

– the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

1 Significant accounting policies (continued)

(i) Financial instruments (continued)

(iv) Derecognition of financial assets and financial liabilities (continued)

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(vi) Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Group. Considerations received from issuance of equity instruments net of transaction costs are recognised in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

(vii) Derivative financial instruments

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designed as hedge instrument are recognised in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative embedded in non-derivative host contracts are treated as separate derivative when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in profit or loss.

(j) Financial assets held under resale agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements.

The cash advanced is recognised as amounts held under resale agreements in the statements of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items.

The difference between the purchase and resale consideration is amortised over the period of the transaction using the effective interest method and is included in interest income.

1 Significant accounting policies (continued)

(k) Property, plant and equipment

The items of property, plant and equipment are stated at cost less accumulated depreciation and impairment loss (see Note 1(n)).

The cost of the purchased property, plant and equipment comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to distributable profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful lives	Estimated residual rates	Depreciation rates
Motor vehicles	10 years	5%	9.5%
Office equipment	4-5 years	0%-5%	19%-25%
Electronic equipment	3-5 years	0%-5%	19%-31.66%

Where parts of items of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(l) Intangible assets (other than goodwill)

The intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Note 1(n)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful lives
Computer software	2-4 years
Customer relationship	3.5 years

Both the period and method of amortisation are reviewed annually.

Futures exchanges membership comprise the trading rights in futures and commodity exchanges in the PRC and Hong Kong. These rights allow the Group to trade financial and commodity futures contracts through these exchanges.

Futures exchanges membership are not amortised as their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

1 Significant accounting policies (continued)

(m) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(n) Impairment of non-financial assets

Internal and external sources of statements are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– goodwill;

– intangible assets;

– investments in subsidiaries in the Company's statement of financial position;

– interest in associates; and

– other current assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment loss

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment loss

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 Significant accounting policies (continued)

(o) Cash and bank balances

Cash and bank balances comprise cash and cash equivalents and bank deposits with original maturity over three months. Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax loss and unused tax credits.

1 Significant accounting policies (continued)

(q) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax loss and credit, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 Significant accounting policies (continued)

(r) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Commission and fee income

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed.

Exchange refund is recognised when the Group receives the refunds from futures exchanges.

Asset management fees are recognised when the Group is entitled to receive the income under the asset management agreement.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Investment gain

Trading gains from financial assets at fair value through profit or loss is recognised on a trade date basis whilst the unrealized profits or losses are recognised from valuation at the end of reporting period.

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity investments.

(iv) Other income

Other income is recognised on an accrual basis.

1 Significant accounting policies (continued)

(t) Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the reporting period, are not recognised as a liability at the end of the reporting period but disclosed in the notes to the financial statements separately.

(u) Government grants

Government grants are recognised in the financial statements initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 Significant accounting policies (continued)

(w) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial statements regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and services, the nature of production processes, the type or class 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.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

2 Accounting judgment and estimates

In the process of applying the Group's accounting policies, management has made the following accounting judgments:

– Impairment of available-for-sale financial assets

  In determining whether there is any objective evidence that impairment has occurred on available-for-sale financial assets, the Group assess periodically whether there has been a significant or prolonged decline in the fair value of the investments below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry outlook, technological changes as well as operating and financing cash flows. This requires a significant level of management judgment which would affect the amount of impairment losses.

– Impairment of receivables

  Receivables that are measured at amortised cost are reviewed at each end of the reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor and other factors. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed.

– Impairment of non-financial assets

  Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided. Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgments are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

2 Accounting judgment and estimates (continued)

– Fair value of financial instruments

There are no quoted prices from an active market for certain financial instruments. The fair value for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis and option pricing models. The Group has established a work flow to ensure that the valuation techniques are constructed by qualified personnel and are validated and reviewed by independent personnel. Valuation techniques are certified and calibrated before implementation to ensure the valuation result reflects the actual market conditions. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

– Classification of financial asset and liability

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Group has determined that it meets the definition of trading assets and liabilities set out in Note 1(i)(i).
- In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in Note 1(i)(i).

– Depreciation and amortisation

Property, plant and equipment and intangible assets with definite useful life are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual value, if any. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation or amortisation expenses to be recorded in each of the reporting period. The useful lives and residual values are determined based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation or amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

– Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For asset management plans where the Group involves as the manager, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the asset management plans that is of such significance indicating that the Group is a principal. The asset management plans shall be consolidated if the Group acts in the role of principal.

2 Accounting judgment and estimates (continued)

– Income tax

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and sets up tax provisions accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

3 Revenue

The Group is principally engaged in futures brokerage business, asset management business and commodity trading and risk management business. The amount of each significant category of revenue is as follows:

	Note	2016	2015
Commission and fee income	(a)	**204,209**	179,883
Interest income	(b)	**107,171**	112,700
Total		**311,380**	292,583

(a) Commission and fee income

	2016	2015
Commission and fee income		
– Futures and options brokerage business	**132,256**	142,934
– Refund from futures exchanges	**68,318**	22,213
– Asset management business	**3,635**	3,066
– Commodity trading and risk management business	**–**	11,670
Total	**204,209**	179,883

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's commission and fee income during the reporting period. The Group's single largest customer accounted for 2% of the Group's commission and fee income for the year ended 31 December 2016 (31 December 2015: 1%); while the Group's top 5 customers accounted for 4% of the Group's commission and fee income for the year ended 31 December 2016 (31 December 2015: 4%).

3 Revenue (continued)

(b) Interest income

	2016	2015
Interest income		
– Bank deposits	92,589	96,750
– Asset management plans and trust schemes	8,450	–
– Futures exchanges	6,039	5,586
– Resale agreements	93	1,623
– Wealth management products	–	5,240
– Other interest-bearing financial assets	–	3,501
Total	107,171	112,700

4 Net investment gains

	2016	2015
Net realized gains from:		
Disposal of financial assets at fair value through profit or loss		
– Trading securities	5,690	(2,310)
– Funds	(9,856)	177
– Receivables	224	(192)
Disposal of financial liabilities at fair value through profit or loss		
– Payables	(1,569)	(1,919)
Disposal of derivative financial instruments	(1,627)	21,647
Disposal of available-for-sale financial assets		
– Listed securities	–	4,406
– Unlisted funds	–	5,418
– Wealth management products issued by banks	1,470	1,486
– Asset management plans	1,049	(122)
Subtotal	(4,619)	28,591
Net unrealized fair value changes of:		
Financial assets at fair value through profit or loss:		
– Trading securities	(1,653)	2,949
– Funds	(212)	64
Financial assets designated at fair value through profit or loss	(280)	1,395
Financial liabilities designated at fair value through profit or loss	879	1,250
Derivative financial assets	(823)	(9,745)
Derivative financial liabilities	2,617	1,539
Subtotal	528	(2,548)
Dividend income from:		
Financial assets at fair value through profit or loss	10,156	422
Available-for-sale financial assets	40	141
Subtotal	10,196	563
Total	6,105	26,606

5 Other income

	2016	2015
Exchange gains or losses	10,872	–
Government grants	1,270	2,500
Others	8,209	1,690
Total	20,351	4,190

The government grants were received unconditionally by the Company and its subsidiaries from the local government of those cities where they reside.

6 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Staff cost

	2016	2015
Salaries, bonuses and allowances	96,397	81,253
Contributions to pension schemes	11,702	9,998
Other social welfare	28,453	24,245
Total	136,552	115,496

The domestic employees of the Group in the PRC participate in social plans, including pension, medical, housing, and other welfare benefits, organized and administered by the governmental authorities. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labor and social welfare authorities. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred.

(b) Commission expenses

	2016	2015
Commissions paid to brokers	23,050	22,458

Brokers are responsible to attract and refer customers to the Group. The Group pays commission expenses to the brokers based on a certain percentage of the commission income from these customers on a monthly basis.

6 Profit before taxation (continued)

(c) Other items

	2016	2015
Office expenses	24,084	23,388
Operating lease charges	19,075	23,018
Depreciation and amortisation	7,012	8,025
Business tax and surcharges	4,219	10,047
Utilities	2,464	2,149
Repair and maintenance expenses	1,984	1,810
Investors protection funds	1,928	3,184
Auditors' remuneration	1,925	1,500
Property management expenses	1,310	2,393
Interest expenses	–	7,837
IPO expenses	–	2,855
Other expenses	8,057	9,202
Total	71,944	95,408

7 Income tax expense

(a) Taxation in the consolidated statement of profit or loss represents:

	Note	2016	2015
Current tax – PRC corporate income tax			
Provision for the year		25,077	18,838
Under/(over)-provision in respect of prior years		4,225	(779)
Subtotal		29,302	18,059
Current tax – Hong Kong profits tax			
Provision for the year		–	–
Subtotal	31(a)	29,302	18,059
Deferred tax			
Origination and reversal of temporary differences		(1,887)	587
Effect on deferred tax balances at 1 January resulting from a change in tax rate (i)		(1,059)	660
Subtotal	31(b)	(2,946)	1,247
Total		26,356	19,306

(i) According to the PRC Corporate Income Tax Law ("CIT") that took effect on 1 January 2008, the Company and its PRC subsidiary are subject to CIT at the statutory tax rate of 25%. In 2015, the PRC subsidiary is entitled to enjoy a preferential tax rate of 15% according to relevant regulations in the PRC CIT. Pursuant to the notice issued by the Qianhai Authority on 24 August 2016, the PRC subsidiary adjusted its tax rate from 15% to 25%.

(ii) Pursuant to the income tax rules and regulations of Hong Kong, the Group's Hong Kong subsidiary is subject to the Hong Kong profits tax at the rate of 16.5%.

7 Income tax expense (continued)

(b) Reconciliations between income tax expenses and accounting profit at applicable tax rates:

	2016	2015
Profit before taxation	105,259	89,476
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	26,247	22,401
Tax effect of non-deductible expenses	1,711	1,051
Tax effect of non-taxable income	(4,944)	(2,160)
Unrecognised deductible temporary differences	258	135
Tax effect of unused tax losses not recognised	–	137
Utilisation of previously unrecognised tax losses	(82)	–
Statutory tax concession	–	(2,139)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	(1,059)	660
Under/(over)-provision in respect of prior years	4,225	(779)
Actual income tax expense	26,356	19,306

8 Directors' and supervisors' remuneration

The remuneration of directors and supervisors who held office during the reporting period is as follows:

	2016				
Name	Director's fees	Salaries, allowances and benefits	Discretionary bonuses	Pension scheme contributions	Total
Directors					
Zhou Yong	–	–	–	–	–
Zhou Jianqiu	–	471	319	38	828
Xue Binghai	–	–	–	–	–
Zhang Fasong(1)	–	–	–	–	–
Sun Changyu	–	–	–	–	–
Zhang Ke(2)	–	–	–	–	–
Independent directors					
Li Xindan	99	–	–	–	99
Zhang Jie(3)	24	–	–	–	24
Zhang Hongfa	99	–	–	–	99
Lam Kai Yeung	123	–	–	–	123
Supervisors					
Xu Yingying	–	131	128	34	293
Pu Xuenian(4)	–	–	–	–	–
Zhao Yajun(5)	–	–	–	–	–
Wang Jianying	–	–	–	–	–
Total	345	602	447	72	1,466

8 Directors' and supervisors' remuneration (continued)

	2015				
Name	Director's fees	Salaries, allowances and benefits	Discretionary bonuses	Pension scheme contributions	Total
Directors					
Zhou Yong	–	–	–	–	–
Zhou Jianqiu	–	435	820	39	1,294
Xue Binghai	–	–	–	–	–
Zhang Fasong	–	–	–	–	–
Guo Wen(6)	–	–	–	–	–
Chen Shuai(7)	–	–	–	–	–
Sun Changyu	–	–	–	–	–
Independent directors					
Li Xindan	71	–	–	–	71
Zhang Jie	71	–	–	–	71
Zhang Hongfa	71	–	–	–	71
Lam Kai Yeung	68	–	–	–	68
Supervisors					
Xu Yingying	–	116	124	26	266
Pu Xuenian	–	–	–	–	–
Wang Jianying	–	–	–	–	–
Total	281	551	944	65	1,841

(1) Resigned on 29 March 2016.

(2) Appointed as director on 31 May 2016.

(3) Resigned on 29 March 2016.

(4) Resigned on 31 May 2016.

(5) Appointed as supervisor on 31 May 2016.

(6) Resigned on 9 June 2015.

(7) Resigned on 12 November 2015.

None of the non-independent directors or supervisors (except Xu Yingying and Zhou Jianqiu) received any fees or emoluments in respect of their services to the Group during the reporting period as they were paid by the Group's ultimate holding company Jiangsu SOHO Holding Group Co., Ltd. ("SOHO Holding").

There were no amounts paid during the reporting period to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join. There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the reporting period.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, none of them is a director whose emoluments are disclosed in Note 8. The aggregate of the emoluments is as follows:

	2016	2015
Salaries, allowances and benefits	1,580	1,478
Discretionary bonuses	5,706	3,327
Pension scheme contributions	191	184
Total	7,477	4,989

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

	2016 Number of Individuals	2015 Number of individuals
HK$ Nil to HK$1,000,000	–	3
HK$1,000,001 to HK$1,500,000	2	–
HK$1,500,001 to HK$2,000,000	3	2
Total	5	5

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

10 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

(a) Weighted average number of ordinary shares

	2016	2015
Issued ordinary shares at 1 January (thousands)	907,000	680,000
Effect of issuance of shares (thousands)	–	622
Weighted average number of ordinary shares at 31 December (thousands)	907,000	680,622

On 30 December 2015, the Company was listed on the Main Board of the Hong Kong Stock Exchange ("HKSE"), pursuant to which 227,000 thousands ordinary shares were issued. The weighted average number of ordinary shares in issue for 2015 is adjusted to reflect the effect of shares issued upon public offerings.

10 Earnings per share (continued)

(b) Calculations of basic and diluted earnings per share

	2016	2015
Profit attributable to shareholders of the Company	78,903	70,170
Weighted average number of ordinary shares issued (thousands)	907,000	680,622
Basic and diluted earnings per share attributable to equity shareholders (in RMB per share)	0.0870	0.1031

During the reporting period, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

11 Other comprehensive income for the year, net of tax

	2016		
	Before tax	Tax (expense)/ benefit	Net of tax
Available-for-sale financial assets			
– Net changes in fair value	1,814	(453)	1,361
– Reclassified to profit or loss	84	(21)	63
Exchange differences on translation of financial statements in foreign currencies	5,318	–	5,318
Total	7,216	(474)	6,742

	2015		
	Before tax	Tax (expense)/ benefit	Net of tax
Available-for-sale financial assets			
– Net changes in fair value	(12,777)	3,194	(9,583)
– Reclassified to profit or loss	5,489	(1,372)	4,117
Exchange differences on translation of financial statements in foreign currencies	829	–	829
Total	(6,459)	1,822	(4,637)

12 Property, plant and equipment

	Motor vehicles	Office equipment	Electronic equipment	Total
Cost:				
As at 1 January 2015	5,821	3,656	25,928	35,405
Additions	–	90	3,875	3,965
Disposal	–	(91)	(1,159)	(1,250)
Translation reserve	–	2	29	31
As at 31 December 2015	5,821	3,657	28,673	38,151
As at 1 January 2016	5,821	3,657	28,673	38,151
Additions	–	9	730	739
Disposal	(416)	–	(63)	(479)
Translation reserve	–	2	34	36
As at 31 December 2016	5,405	3,668	29,374	38,447
Accumulated depreciation:				
As at 1 January 2015	(2,581)	(2,010)	(17,368)	(21,959)
Charge for the year	(561)	(862)	(4,026)	(5,449)
Written back on disposal	–	89	1,112	1,201
Translation reserve	–	(2)	(20)	(22)
As at 31 December 2015	(3,142)	(2,785)	(20,302)	(26,229)
As at 1 January 2016	(3,142)	(2,785)	(20,302)	(26,229)
Charge for the year	(530)	(329)	(3,741)	(4,600)
Written back on disposal	247	–	61	308
Translation reserve	–	(2)	(26)	(28)
As at 31 December 2016	(3,425)	(3,116)	(24,008)	(30,549)
Net book value:				
As at 31 December 2015	2,679	872	8,371	11,922
As at 31 December 2016	1,980	552	5,366	7,898

13 Goodwill

	31 December 2016	31 December 2015
Cost:	53,167	53,167
Accumulated impairment losses:		
As at 1 January	(9,845)	(9,845)
Impairment loss for the year	–	–
As at 31 December	(9,845)	(9,845)
Carrying amount:	43,322	43,322

Impairment testing for CGU containing goodwill.

Goodwill is allocated to the Group's CGU as follows:

	31 December 2016	31 December 2015
Futures brokerage	43,322	43,322

The Group acquired the futures brokerage business together with the relevant assets and liabilities of Huazheng Futures Co., Ltd (華證期貨有限公司) ("Huazheng Futures") in 2013. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

The recoverable amount of the futures brokerage CGU is determined based on value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash-flows beyond the five-year period are extrapolated using an estimated annual growth rate of 3% based on industry growth forecasts. Management determined the budgeted gross margin based on past performance and its expectation for market development. The cashflows are discounted using a discount rate of 16%. The discount rate used is the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

As at 31 December, the Group performed its annual goodwill impairment test. No impairment was recognised for the goodwill related to futures brokerage CGU since the value-in-use was greater than its carrying amount.

14 Intangible assets

	Computer software	Futures exchanges membership	Customer relationship	Total
Cost:				
As at 1 January 2015	4,670	21,794	6,100	32,564
Additions	–	–	–	–
Translation reserve	5	25	–	30
As at 31 December 2015	4,675	21,819	6,100	32,594
As at 1 January 2016	**4,675**	**21,819**	**6,100**	**32,594**
Additions	**819**	**–**	**–**	**819**
Translation reserve	**7**	**28**	**–**	**35**
As at 31 December 2016	**5,501**	**21,847**	**6,100**	**33,448**
Accumulated amortisation:				
As at 1 January 2015	(3,301)	–	(2,614)	(5,915)
Charge for the year	(833)	–	(1,743)	(2,576)
Translation reserve	(4)	–	–	(4)
As at 31 December 2015	(4,138)	–	(4,357)	(8,495)
As at 1 January 2016	**(4,138)**	**–**	**(4,357)**	**(8,495)**
Charge for the year	**(669)**	**–**	**(1,743)**	**(2,412)**
Translation reserve	**(5)**	**–**	**–**	**(5)**
As at 31 December 2016	**(4,812)**	**–**	**(6,100)**	**(10,912)**
Net book value:				
As at 31 December 2015	537	21,819	1,743	24,099
As at 31 December 2016	**689**	**21,847**	**–**	**22,536**

Futures exchanges membership comprise the trading rights in Shanghai Futures Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange, China Financial Futures Exchange and Hong Kong Futures Exchange (the "HKFE"). These rights allow the Group to trade financial and commodity futures contracts through these exchanges. Futures exchanges membership are not amortised as their useful lives are assessed to be indefinite.

15 Investment in subsidiaries

The following list contains all the subsidiaries of the Group. The class of shares hold is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Type of legal entity	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Holly Capital Management Co., Ltd.* 弘業資本管理有限公司	PRC	Limited company	RMB240 million(i)	100%	100%	–	Commodity trading and risk management business.
Holly Su Futures (Hongkong) Co., Ltd. 弘蘇期貨（香港）有限公司	Hong Kong	Limited company	HK$100 million(ii)	100%	100%	–	Futures brokerage business.
Holly Capital (Hongkong) Co., Ltd. 弘業資本（香港）有限公司(iii)	Hong Kong	Limited company	–	100%	–	100%	Commodity trading and risk management business.
Holly Su Asset Management Co., Ltd. 弘蘇資產管理有限公司(iv)	Hong Kong	Limited company	HK$20 million	100%	–	100%	Asset management business

* The English translation of the name of the company is for reference only. The official name of the company is in Chinese.

(i) In July 2016, the Company increased its capital injection to Holly Capital Management Co., Ltd. ("Holly Capital") by RMB90 million.

(ii) In April 2016, the Company increased its capital injection to Holly Su Futures (Hongkong) Co., Ltd. ("Holly Su Futures") by HK$75 million.

(iii) Holly Capital (Hongkong) Co., Ltd. was established by Holly Capital in May 2016. The registered capital is HK$5 million. As at 31 December 2016, the capital has not been paid.

(iv) Holly Su Asset Management Co., Ltd. was established by Holly Su Futures in July 2016. The registered capital amounting to HK$20 million which has been fully paid by 31 December 2016.

16 Interest in associates

	31 December 2016	31 December 2015
Share of net assets	**11,743**	12,775

The following list contains all the associates, all of which are unlisted corporate entities whose quoted market prices are not available.

Name of associate	Form of business structure	Place of incorporation and business	Registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activities
Jiangsu Hong Rui New Era Venture Investment Co., Ltd.* 江蘇弘瑞新時代創業投資有限公司	Limited liability company	PRC	RMB100 million	22%	22%	Venture investment, etc.
Jiangsu Hong Rui Growth Venture Investment Co., Ltd.* 江蘇弘瑞成長創業投資有限公司	Limited liability company	PRC	RMB121.2 million	9.901%	9.901%	Venture investment, etc.

* The English translations of the names of the associates are for reference only. The official names of the associates are in Chinese.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

During the reporting period, the Group and the Company hold 9.901% interest in Jiangsu Hong Rui Growth Venture Investment Co., Ltd ("Hong Rui Growth"). According to the articles of association of Hong Rui Growth, the Group and the Company can appoint a representative in the Board of Directors. As the Group and the Company have a representative in the Board of Directors and participate in all the decision-making processes, the Group and the Company have significant influence over Hong Rui Growth, even though the effective interest is less than 20%. Accordingly, Hong Rui Growth has been accounted for as an associate.

16 Interest in associates (continued)

Summarised financial statements of the Group's material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	Jiangsu Hong Rui New Era Venture Investment Co., Ltd.	
	31 December 2016	31 December 2015
Gross amounts of the associate:		
Current assets	20,941	13,579
Non-current assets	3,710	14,500
Current liabilities	–	(2,763)
Equity	24,651	25,316
Revenue	–	–
Loss for the year	(665)	(572)
Total comprehensive income	(665)	(572)
Dividend received from the associate	–	–
Reconciled to the Group's interests in the associate:		
Gross amounts of net assets of the associate	24,651	25,316
Group's effective interest	22%	22%
Group's share of net assets of the associate	5,423	5,570
Carrying amount in the consolidated financial statements:	5,423	5,570

	Jiangsu Hong Rui Growth Venture Investment Co., Ltd.	
	31 December 2016	31 December 2015
Gross amounts of the associate:		
Current assets	17,171	23,950
Non-current assets	60,523	62,734
Current liabilities	(13,862)	(13,911)
Equity	63,832	72,773
Revenue	–	–
Loss for the year	(8,941)	(4,194)
Total comprehensive income	(8,941)	(4,194)
Dividend received from the associate	–	–
Reconciled to the Group's interests in the associate:		
Gross amounts of net assets of the associate	63,832	72,773
Group's effective interest	9.901%	9.901%
Group's share of net assets of the associate	6,320	7,205
Carrying amount in the consolidated financial statements:	6,320	7,205

17 Other non-current assets

	31 December 2016	31 December 2015
Deposits with Hong Kong Futures Exchange Limited	1,436	1,257

18 Refundable deposits

Refundable deposits arising from futures brokerage business:

	31 December 2016	31 December 2015
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	349,578	269,440
– Dalian Commodity Exchange	308,319	174,119
– China Financial Futures Exchange	144,014	151,276
– Zhengzhou Commodity Exchange	133,009	92,241
Other futures brokers	111,830	47,521
Total	1,046,750	734,597

19 Other receivables

	31 December 2016	31 December 2015
Receivable of proceeds from issuance of international placing shares upon public offering	–	444,994
Interest receivables	31,727	25,909
Rental deposits	2,284	3,006
Others	11,248	8,547
Total	45,259	482,456

20 Other current assets

	31 December 2016	31 December 2015
Deductible value added tax	1,839	131
Prepaid rentals	1,268	2,233
Others	2,325	2,064
Total	5,432	4,428

21 Available-for-sale financial assets

	31 December 2016	31 December 2015
At fair value:		
– Listed equity securities	6,618	5,937
– Less: Impairment losses for listed equity securities	(338)	(338)
Subtotal	6,280	5,599
– Unlisted funds	–	1,000
– Asset management plans	184,333	2,326
– Trust schemes	66,000	–
Total	256,613	8,925
Analysed as:		
Listed outside Hong Kong	6,280	5,599
Unlisted	250,333	3,326
Total	256,613	8,925

As at 31 December, certain of the Group's listed available-for-sale equity securities were individually determined to be impaired on the basis of a material decline in their fair value below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses on these investments were recognised in profit or loss in accordance with the policy set out in Note 1(i)(iii).

22 Financial assets at fair value through profit or loss

(i) Analysed by type

	31 December 2016	31 December 2015
Held for trading		
– Equity securities	35,481	16,882
– Funds	–	37,210
	35,481	54,092
Financial assets designated at fair value through profit or loss		
– Asset management plans	–	7,280
Total	35,481	61,372

Asset management plans held by the Group have been designated at fair value through profit or loss because they are managed, evaluated and reported internally on a fair value basis in accordance with its documented investment strategy.

(ii) Analysed as

	31 December 2016	31 December 2015
Listed outside Hong Kong	35,481	54,092
Unlisted	–	7,280
Total	35,481	61,372

23 Derivative financial assets/liabilities

	31 December 2016		
	Notional amount	Fair value	
		Assets	Liabilities
Commodity derivatives			
– Futures	51,736	947	(337)
– Options	29,532	25	(1,430)
Total	81,268	972	(1,767)
Less: settlement		(947)	337
Net position		25	(1,430)

	31 December 2015		
	Notional amount	Fair value	
		Assets	Liabilities
Commodity derivatives			
– Futures	352,782	1,501	(4,384)
– Forward	2,042	294	–
Total	354,824	1,795	(4,384)
Less: settlement		(1,501)	4,384
Net position		294	–

24 Cash held on behalf of brokerage clients

	31 December 2016	31 December 2015
Cash held on behalf of brokerage clients	**2,178,936**	2,985,146

The Group maintains segregated deposit accounts with banks to hold clients' monies arising from its normal course of brokerage business. The Group has classified their brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statement of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. In the PRC, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the China Securities Regulatory Commission (the "CSRC"). In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

25 Cash and bank balances

	Note	31 December 2016	31 December 2015
Bank deposits with original maturity over 3 months		**632,193**	670,000
Restricted bank deposits		**9,322**	123,690
Cash and cash equivalents	26	**530,972**	361,930
		1,172,487	1,155,620

As at 31 December 2016, deposits amounting to RMB9,322 thousands (31 December 2015: RMB123,690 thousands), which were collected during the fund raising period of the collective asset management plans, are required to place at designated bank accounts.

26 Cash and cash equivalents

(a) Cash and cash equivalents comprise

	31 December 2016	31 December 2015
Deposits with banks and other financial institutions	530,970	361,915
Cash on hand	2	15
	530,972	361,930

Cash and cash equivalents exclude bank deposits with original maturity of more than three months and restricted bank deposits.

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2016	2015
Profit before taxation		105,259	89,476
Adjustments for:			
Depreciation and amortisation	6(c)	7,012	8,025
Net unrealised fair value changes		1,865	(3,615)
Share of losses of associates		1,031	541
Dividend income from investments	4	(10,196)	(563)
Net realised losses/(gains) from financial instruments		1,647	(6,564)
Interest income from wealth management products, asset management plans and trust schemes	3(b)	(8,450)	(5,240)
Interest Income from financial assets under resale agreements	3(b)	(93)	–
Exchange gains and losses	5	(10,872)	–
Interest expenses for bank loans		–	2,020
Operating cash flows before movements in working capital		87,203	84,080

26 Cash and cash equivalents (continued)

	2016	2015
Operating cash flows before movements in working capital	87,203	84,080
(Increase)/decrease in refundable deposits	(312,153)	71,070
Decrease in trade receivables	–	17,719
Decrease/(increase) in other receivables	652	(19,295)
(Increase)/decrease in other current assets and non-current assets	(1,183)	13,497
Decrease in financial assets held under resale agreements	–	39,678
Decrease in financial assets at fair value through profit or loss	7,280	11,746
Decrease in derivative financial assets	269	2,121
Decrease/(increase) in cash held on behalf of brokerage clients	806,210	(1,674,927)
Decrease in term deposits with original maturity over three months	37,807	97,889
Decrease/(increase) in restricted bank deposits	114,368	(113,103)
(Decrease)/increase in accounts payable to brokerage clients	(622,668)	1,700,619
Decrease in trade payables	(199)	(26,292)
(Decrease)/increase in other payables	(47,792)	57,370
Increase/(decrease) in derivative financial liabilities	1,430	(4,926)
(Decrease)/increase in financial liabilities designated at fair value through profit or loss	(34,090)	21,950
Cash generated from operations	37,134	279,196

27 Accounts payable to brokerage clients

	31 December 2016	31 December 2015
Clients' deposits for brokerage business	3,040,791	3,663,459

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are held at banks and at futures and commodity exchanges by the Group.

The majority of the accounts payable balance are repayable on demand except for certain balances relating to margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

28 Trade payables

	31 December 2016	31 December 2015
Prepayments for agency services	–	199

29 Other payables

	31 December 2016	31 December 2015
Employee benefits payables	23,377	17,860
Payable to investors of collective asset management plans	9,000	52,140
Commission payable to brokers	3,780	2,481
Payable to investors protection funds	437	419
Tax and surcharges payables (i)	126	2,130
Amount due to National Council for Social Security Fund of the PRC (ii)	–	46,184
IPO service fees payable	–	23,057
Interest expenses payable	–	5,815
Others	6,816	4,010
Total	43,536	154,096

(i) On 23 March 2016, the Ministry of Finance ("MOF") and the State Administration of Taxation ("SAT") jointly issued the Notice on Full Implementation of the Pilot Scheme on Switching from Business Tax to Value Added Tax (Cai Shui [2016] No.36, the "Notice"), which is effective from 1 May 2016. The Company is mainly engaged in the financial services industry and subject to business tax at 5% on taxable income before 30 April 2016. According to the Notice, the Company is subject to value added tax ("VAT") starting on 1 May 2016. The basis for VAT payable is to deduct input VAT from the output VAT calculated at 6% on taxable income for the period.

(ii) In accordance with relevant PRC rules regarding disposal of state-owned shares, the state-owned shareholders are required to transfer to the National Social Security Fund ("NSSF") a number of shares in aggregate equal to 10% of the number of the offer shares issued by the Company. Pursuant to a letter issued by the NSSF (Shebaojijinfa [2015] No.133) on 14 August 2015, the NSSF instructed the Company to arrange for the sale of such shares and remit the proceeds from the sale of such shares to an account designated by the NSSF. The proceeds have been paid to NSSF on 3 February 2016.

30 Financial liabilities at fair value through profit or loss

	31 December 2016	31 December 2015
Financial liabilities designated at fair value through profit or loss – Payables	26,351	34,090

Payables held by the Group have been designated at fair value through profit or loss because these payables are managed, evaluated and reported internally on a fair value basis in accordance with its documented investment strategy.

31 Income tax

(a) Current taxation

	Note	31 December 2016	31 December 2015
At the beginning of the year		1,101	6,844
Provision for the year	7(a)		
– PRC corporate income tax		29,302	18,059
– Hong Kong profits tax		–	–
Tax paid			
– PRC corporate income tax		(25,684)	(23,802)
– Hong Kong profits tax		–	–
At the end of the year		4,719	1,101

(b) Deferred tax assets/liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year are as follows:

Deferred tax arising from:	Employee benefits payable	Accrued expenses	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of derivative financial instruments	Impairment of available-for-sale financial assets	Changes in fair value of available for-sale financial assets	Intangible assets arising from business combination	Total
As at 1 January 2015	4,332	888	1,104	(1,404)	304	(2,805)	(871)	1,548
Credited/(charged) to profit or loss	(525)	108	(2,057)	1,010	(219)	–	436	(1,247)
Credited/(charged) to reserves	–	–	–	–	–	1,822	–	1,822
As at 31 December 2015	3,807	996	(953)	(394)	85	(983)	(435)	2,123
As at 1 January 2016	3,807	996	(953)	(394)	85	(983)	(435)	2,123
Credited/(charged) to profit or loss	1,943	(970)	945	593	–	–	435	2,946
Credited/(charged) to reserves	–	–	–	–	–	(474)	–	(474)
As at 31 December 2016	5,750	26	(8)	199	85	(1,457)	–	4,595

(c) Reconciliation to the consolidated statements of financial position

	31 December 2016	31 December 2015
Net deferred tax assets recognised in the consolidated statement of financial position	4,595	2,552
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	(429)
Total	4,595	2,123

31 Income tax (continued)

(d) Recognised in other comprehensive income

	2016		
	Before tax	Tax (expense)/ benefit	Net of tax
Available-for-sale financial assets			
– Net changes in fair value	1,814	(453)	1,361
– Reclassified to profit or loss	84	(21)	63
Total	1,898	(474)	1,424

	2015		
	Before tax	Tax (expense)/ benefit	Net of tax
Available-for-sale financial assets			
– Net changes in fair value	(12,777)	3,194	(9,583)
– Reclassified to profit or loss	5,489	(1,372)	4,117
Total	(7,288)	1,822	(5,466)

(e) Deferred tax assets not recognised

As at 31 December, temporary difference relating to the goodwill impairment of RMB9,845 thousands is not recognised. According to Implementation Regulations for the Corporate Income Tax Law of the People's Republic of China, the expenditure incurred in externally purchased goodwill shall be deductible at the time of whole transfer or liquidation of the acquired assets and liabilities. As the Group is operating on the going concern basis and there is no plan of transfer or liquidation of the acquired assets and liabilities, the deferred tax assets arising from the goodwill impairment is not recognised.

As at 31 December 2016 in accordance with the accounting policy set out in Note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB5,883 thousands (31 December 2015: RMB6,377 thousands), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

32 Share capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

		Reserves					
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Distributable profits	Total
As at 1 January 2016	907,000	526,722	23,581	146,568	3,010	52,681	1,659,562
Change in equity for 2016							
Profit for the year	–	–	–	–	–	88,050	88,050
Other comprehensive income	–	–	–	–	1,374	–	1,374
Total comprehensive income	–	–	–	–	1,374	88,050	89,424
Appropriation of profits							
Appropriation to surplus reserve	–	–	7,834	–	–	(7,834)	–
Appropriation to general reserve	–	–	–	17,547	–	(17,547)	–
Dividends approved in respect of the previous year	–	–	–	–	–	(45,350)	(45,350)
As at 31 December 2016	907,000	526,722	31,415	164,115	4,384	70,000	1,703,636
As at 1 January 2015	680,000	350,125	18,151	133,040	8,412	43,229	1,232,957
Change in equity for 2015							
Profit for the year	–	–	–	–	–	62,410	62,410
Other comprehensive income	–	–	–	–	(5,402)	–	(5,402)
Total comprehensive income	–	–	–	–	(5,402)	62,410	57,008
Issuance of shares upon public offering, net of issuing expenses	227,000	185,943	–	–	–	–	412,943
The acquisition of a subsidiary under common control	–	(9,346)	–	–	–	–	(9,346)
Appropriation of profits							
Appropriation to surplus reserve	–	–	5,430	–	–	(5,430)	–
Appropriation to general reserve	–	–	–	13,528	–	(13,528)	–
Dividends approved in respect of the previous year	–	–	–	–	–	(34,000)	(34,000)
As at 31 December 2015	907,000	526,722	23,581	146,568	3,010	52,681	1,659,562

32 Share capital and reserves (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	31 December 2016	31 December 2015
Final dividend proposed after the end of the reporting period	**54,420**	45,350

Pursuant to the Board meeting held on 28 March 2017, the Company propose to pay a total cash dividend of RMB54,420 thousands to all shareholders based on 907,000,000 shares issued as at 31 December 2016, which is RMB0.06 per share (inclusive of applicable tax). The actual total cash dividend shall be determined based on total shares issued at the equity registration date on 7 June 2017. The proposed final dividend is subject to shareholders' approval at the 2016 annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	31 December 2016	31 December 2015
Final dividend in respect of the previous financial year, approved and paid during the year	**45,350**	34,000

(c) Share capital

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	2016	2015
Number of shares registered, issued and fully paid (at RMB1 per share)		
At 1 January	**907,000**	680,000
Issuance of shares upon public offering	**–**	227,000
At 31 December	**907,000**	907,000

On 30 December 2015, the Company was listed on the Main Board of the HKSE, pursuant to which 227,000 thousands ordinary shares of RMB1.00 each were issued at the price of HK$2.43 per share by the Company. The gross proceeds from the issue of these shares amounted HK$551,610 thousands (equivalent to approximately RMB461,880 thousands). The premium arising from the issuance of shares upon public offering amounted RMB185,943 thousands was recorded in capital reserve.

(d) Reserves

(i) Capital reserve

Capital reserve mainly includes share premium arising from investors' capital injection and the issuance of shares at prices in excess of par value.

The Group has made the decision to acquire Holly Su Futures (Hongkong) Co., Ltd. ("Holly Su Futures") in 2015. Holly Su Futures, a company incorporated in Hong Kong, had remained as a subsidiary of SOHO Holding from its incorporation up to the completion of the acquisition of the subsidiary under common control. There was a continuation of risk and benefits to SOHO Holding as the Company and Holly Su Futures were controlled by SOHO Holding during the reporting period both before and after the acquisition of the subsidiary. The acquisition of the subsidiary under common control was completed on 30 September 2015.

32 Share capital and reserves (continued)

(d) Reserves (continued)

(ii) Surplus reserve

The surplus reserve represents statutory surplus reserve fund. The entities established in the PRC are required to appropriate 10% of its net profit as determined under the People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP") issued by the MOF, to the statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

Subject to the approval of equity holders of the entities established in the PRC, statutory surplus reserve may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

(iii) General reserve

General reserve includes general risk reserve and futures risk reserve.

In accordance with the requirements of the MOF Circular regarding the Implementation Guidance of Rules on the Accounting by Financial Enterprises (Caijin [2007] No. 23) issued on 30 March 2007, the Company appropriates 10% of its annual net profit as determined under PRC GAAP to the general risk reserve.

In accordance with the requirements of the Notice of the MOF on Issuing the Tentative Provisions for the Financial Management of Commodities Futures Trading (Caishang [1997] No. 44) issued on 3 March 1997, the Company appropriates the futures risk reserve based on 5% of the commission and fee income from futures brokerage services net of relevant expenses payable to futures exchanges, for the purpose of covering potential losses from futures brokerage service. When actual losses occur, the loss amount is charged to the current profit or loss, with the same amount being transferred from futures risk reserve to distributable earnings simultaneously. Appropriation for futures risk reserve is recorded as profit distribution, whilst the utilization of futures risk reserve is recorded as the opposite type of transaction.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net changes in fair values of available-for-sale financial assets until the assets are derecognised or impaired.

(v) Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign currencies.

(vi) Distributable profits

The Company's distributable profits for equity shareholders are based on the distributable profits of the Company as determined under the PRC GAAP and HKFRS, whichever is lower.

33 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate risk and currency risk arises in the normal course of the Group's business. The Group is also exposed to price risk arising from equity securities and commodities. The Group also needs to comply with some risk control indicators under the PRC regulatory requirements in relation to capital management.

The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described as below:

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

The Group's credit risk is primarily attributable to other non-current assets, refundable deposits, other receivables, available-for-sale financial assets, financial assets at fair value through profit or loss, derivative financial assets, cash held on behalf of brokerage clients and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Other non-current assets are deposits with HKFE required as the condition to provide brokerage service in Hong Kong. Refundable deposits are mainly deposits with futures and commodity exchanges in the PRC for the purpose of settlement on behalf of customers. The futures and commodity exchanges are supervised by relevant regulators and considered to have minimal credit risk.

Other receivables are mainly receivable of proceeds from issuance of shares upon public offering, rental deposits and interest receivables, which management assessed the credit risk to be low.

Available-for-sale financial assets and financial assets at fair value through profit or loss are mainly investments into trust schemes and asset management plans. As the Group invested the priority tier of asset management plans and trust schemes issued by the financial institutions with good reputation, the credit risk is considered to be low.

Derivative financial assets are futures, options and forward agreements signed with clients traded through over-the-counter market. As the counterparties for the agreements have no recent history of default, the credit risk is considered to be low.

Substantially all of the Group's cash held on behalf of brokerage clients and bank balances are deposited in PRC and HK banks with good reputation which management assessed the credit risk to be insignificant.

The Group do not provide any guarantees which would expose the Group to any credit risk.

33 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Without taking into account of collaterals or other credit enhancements, the maximum credit exposure of the Group, which is net of impairment allowance, is listed as follows:

	31 December 2016	31 December 2015
Non-current assets		
Other non-current assets	1,436	1,257
Current assets		
Refundable deposits	1,046,750	734,597
Other receivables	45,259	482,456
Available-for-sale financial assets	250,333	2,326
Derivative financial assets	25	294
Cash held on behalf of brokerage clients	2,178,936	2,985,146
Bank balances	1,172,485	1,155,605
Total	4,693,788	5,360,424

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Board when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirement and its compliance with lending covenants if any, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

33 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk (continued)

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group, as applicable, can be required to pay:

	2016 Contractual undiscounted cash flow			
	On demand	Within 1 year	Total	Carrying amount at 31 December
Accounts payable to brokerage clients	3,040,791	–	3,040,791	3,040,791
Other payables	–	43,536	43,536	43,536
Financial liabilities at fair value through profit or loss	–	26,351	26,351	26,351
Derivative financial liabilities	–	1,430	1,430	1,430
Total	3,040,791	71,317	3,112,108	3,112,108

	2015 Contractual undiscounted cash flow			
	On demand	Within 1 year	Total	Carrying amount at 31 December
Accounts payable to brokerage clients	3,670,262	–	3,670,262	3,663,459
Trade payables	–	199	199	199
Other payables	–	148,281	148,281	148,281
Financial liabilities at fair value through profit or loss	–	34,090	34,090	34,090
Total	3,670,262	182,570	3,852,832	3,846,029

(c) Interest rate risk

Interest rate risk refers to the likelihood of loss that may arise from adverse movements in the market interest rate. The Group's interest rate risk mainly arises from interest rate policy changes and the mismatch of interest-sensitive assets and liabilities.

The Group mainly manages interest rate risk through structuring and adjusting its asset portfolio. The Group's asset portfolio management aims at mitigating risks and improving profitability by diversification of assets.

33 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing financial instruments at the end of the reporting period:

	31 December 2016		31 December 2015	
	Effective interest rate	Amount	Effective interest rate	Amount
Fixed rate instrument				
Refundable deposits	1.95%-2.4%	931,661	2.4%	687,076
Cash held on behalf of brokerage clients	3.00%-6.20%	2,010,000	2.45%-4%	2,140,000
Bank balances	0.965%-4.05%	671,138	2.1%-3.95%	798,419
Accounts payable to brokerage clients	N/A	–	3.95%	(1,000,000)
Variable rate instrument				
Cash held on behalf of brokerage clients	0.001%-3.20%	168,936	0.001%-2.7%	845,146
Bank balances	0.001%-1.98%	501,347	0.001%-1.98%	357,186

(ii) Sensitivity analysis

– *Fair value sensitivity analysis for fixed rate financial instruments*

The Group do not hold for any fixed rate financial instruments measured at fair value. Therefore a change in interest rate at the end of the reporting period would not affect the Group's net profit or equity.

– *Cash flow sensitivity analysis for variable rate financial instruments*

Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit and equity	
	31 December 2016	31 December 2015
Change in basis points		
Increase 100 basis points	7,333	9,234
Decrease 100 basis points	(2,564)	(7,255)

In respect of the exposure to cash flow interest rate risk arising from variable rate instruments held by the Group at the end of the reporting period, the impact on the Group's net profit and equity is estimated as an annualized impact on interest income of such a change in interest rates. The analysis is performed on the same basis at the end of the reporting period.

33 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk

Except for the receivable and cash at bank of proceeds from issuance of shares upon public offering, there is no material currency risk for the Group as the majority of the business activities are within mainland China and settle in RMB. The currency giving rise to this risk is primarily Hongkong Dollars. As most of the proceeds from issuance of shares upon public offering are converted into RMB by the Company during the reporting period and the remaining proceeds will be used to develop the Group's Hong Kong and global futures business, the currency risk is assessed to be low.

(i) Exposure to currency risk

	Exposure to foreign currencies (expressed in RMB thousand)	
	31 December 2016 (Hongkong Dollars)	31 December 2015 (Hongkong Dollars)
Other receivables	–	444,994
Cash and bank balances	174,690	50,594
Total	174,690	495,588

(ii) Sensitivity analysis

The following tables indicates the instantaneous change in the Group's net profit and equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	Sensitivity of net profit and equity	
	31 December 2016	31 December 2015
Changes in the Hong Kong dollars exchange rate		
Increase by 10%	13,102	37,169
Decrease by 10%	(13,102)	(37,169)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the Group's net profit and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2015.

33 Financial risk management and fair values of financial instruments (continued)

(e) Price risk

The Group is exposed to equity price changes and commodity price changes arising from the investments concluded in available-for-sale financial assets (see Note 21), financial assets/liabilities at fair value through profit or loss (see Note 22 and 30) and derivative financial assets/liabilities (see Note 23). Price risk the Group facing is mainly the proportionate fluctuation in the Group's net profit and equity due to the price fluctuation of the available-for-sale financial assets, financial assets/liabilities at fair value through profit or loss and derivative financial assets/liabilities.

Sensitivity analysis

The analysis below is performed to show the impact on the Group's net profit and equity due to change in the prices of equity securities by 10% and the commodity prices by 10% with all other variables held constant.

	Sensitivity of net profit	
	31 December 2016	31 December 2015
Changes in the equity price risk variable		
Increase by 10%	**2,661**	4,459
Decrease by 10%	**(2,686)**	(4,493)
Changes in the commodity price risk variable		
Increase by 10%	**(1,342)**	(1,362)
Decrease by 10%	**1,342**	2,043

	Sensitivity of equity	
	31 December 2016	31 December 2015
Changes in the equity price risk variable		
Increase by 10%	**3,157**	5,119
Decrease by 10%	**(3,157)**	(5,119)
Changes in the commodity price risk variable		
Increase by 10%	**(507)**	(1,129)
Decrease by 10%	**507**	1,810

The sensitivity analysis indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the changes in the stock market index and commodity futures market had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity and commodity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments and hedging investments would change in accordance with the historical correlation with the relevant stock market index and commodity futures price with all other variables remain constant. The analysis is performed on the same basis for 2015.

33 Financial risk management and fair values of financial instruments (continued)

(f) Capital management

The Group's objectives of capital management are:

(i) To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Group's stability and growth;

(iii) To maintain a strong capital base to support the development of their business; and

(iv) To comply with the capital requirements under the PRC regulations.

According to the Notice of "Decision on Revising <Futures company's regulatory risk management index pilot scheme>"《關於修改<期貨公司風險監管指標管理試行辦法>的決定》("Administrative Measures") issued by the CSRC on 21 February 2013, the Company is required to meet the following standards for risk control indicators on a continual basis:

(i) The Net Capital shall not be less than RMB15 million;

(ii) The ratio between Net Capital and the company's risk capital provision shall not be less than 100%;

(iii) The ratio between Net Capital and net assets shall not be less than 40%;

(iv) The ratio between current assets and current liabilities shall not be less than 100%; and

(v) The ratio between liabilities and net assets shall not be higher than 150%.

Net Capital refers to net assets minus risk adjustments on certain types of assets and liabilities as defined in the Administrative Measures.

During the reporting period, the Company has taken sufficient measures to maintain the above ratios in compliance with the relevant capital requirements.

The subsidiaries of the Group are not subject to capital requirements under the PRC and Hong Kong regulatory requirements. The subsidiaries do not need to comply with the relevant capital requirements during the reporting period.

33 Financial risk management and fair values of financial instruments (continued)

(g) Fair value measurement

Financial assets and liabilities measured at fair value – Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

The table below analyses financial instruments, measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

33 Financial risk management and fair values of financial instruments (continued)

(g) Fair value measurement (continued)

	Fair value as at 31 December 2016	Fair value measurements 31 December 2016 categorized into			Fair value as at 31 December 2015	Fair value measurements 31 December 2015 categorized into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets:								
Available-for-sale financial assets:								
Equity instruments								
– Listed equity securities	6,280	6,280	–	–	5,599	5,599	–	–
Unlisted funds	–	–	–	–	1,000	–	–	1,000
Asset management plans	184,333	–	–	184,333	2,326	–	–	2,326
Trust schemes	66,000	–	–	66,000	–	–	–	–
Financial assets at fair value through profit or loss:								
Equity securities	35,481	35,481	–	–	16,882	16,882	–	–
Listed funds	–	–	–	–	37,210	37,210	–	–
Asset management plans	–	–	–	–	7,280	–	–	7,280
Derivative financial assets	25	25	–	–	294	–	294	–
Liabilities:								
Financial liabilities at fair value through profit or loss:								
Payables	(26,351)	–	–	(26,351)	(34,090)	–	–	(34,090)
Derivative financial liabilities	(1,430)	(72)	–	(1,358)	–	–	–	–
Total	264,338	41,714	–	222,624	36,501	59,691	294	(23,484)

33 Financial risk management and fair values of financial instruments (continued)

(g) Fair value measurement (continued)

There were transfers between Level 1 and Level 3 during the year ended 31 December 2015. The Group held the stock named 'Chang Hang You Yun' (code: 600087), an A-share listed company, and it was suspended on May 2013 and officially delisted from the Shanghai Stock Exchange on 5 June 2014 because the company had been loss making for more than four years. On 20 April 2015, the stock was relisted on the National Equities Exchange and Quotations (code: 400061) after the completion of its restructuring. Thus, the Group transferred the stock amounting to a total of RMB1,121 thousands from Level 3 to Level 1 as at 31 December 2015.

Other than the above, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 during the reporting period. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level 1. Instruments mainly included in Level 1 comprise securities traded on exchanges and funds investments traded through exchanges.

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise 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 instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(iii) Valuation methods

As at 31 December, the Group's valuation methods for specific investments are as follows:

(1) 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 reporting date 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.

(2) 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.

(3) For futures and options traded through exchanges, fair value is determined based on the closing price of the commodity futures and options as at the end of the reporting period.

(4) For futures traded through over-the-counter market, fair values are determined using valuation techniques based on observable commodity futures market data with similar characteristics.

33 Financial risk management and fair values of financial instruments (continued)

(g) Fair value measurement (continued)

(iv) Financial instruments in Level 3

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 1 January 2016	3,326	7,280	(34,090)	–	(23,484)
Purchases	384,700	–	(26,340)	–	358,360
Changes in fair value recognised in other comprehensive income	1,217	–	–	–	1,217
Gains or losses for the year	2,519	–	(690)	(1,358)	471
Sales and settlements	(141,429)	(7,280)	34,769	–	(113,940)
As at 31 December 2016	250,333	–	(26,351)	(1,358)	222,624
Total gains or losses for the year reclassified from other comprehensive income on disposal	2,519	–	–	–	2,519
Total gains or losses for the year included in profit or loss for assets held at the end of reporting period	–	–	(11)	(1,358)	(1,369)

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Total
As at 1 January 2015	1,000	20,147	(12,140)	9,007
Purchases	286,120	7,000	(46,200)	246,920
Transfer out of level 3	–	(1,121)	–	(1,121)
Changes in fair value recognised in other comprehensive income	(74)	–	–	(74)
Gains or losses for the year	1,364	1,203	(669)	1,898
Sales and settlements	(285,084)	(19,949)	24,919	(280,114)
As at 31 December 2015	3,326	7,280	(34,090)	(23,484)
Total gains or losses for the year reclassified from other comprehensive income on disposal	1,364	–	–	1,364
Total gains or losses for the year included in profit or loss for assets held at the end of reporting period	–	280	(890)	(610)

33 Financial risk management and fair values of financial instruments (continued)

(g) Fair value measurement (continued)

(iv) Financial instruments in Level 3 (continued)

For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level 3.

Financial instruments	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Asset management plans, trust schemes and funds	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Options	Bloomberg OVML function, with Black-Scholes PDE solved using Crank-Nicholson finite-difference scheme	Implied volatility	The higher the implied volatility, the higher the fair value
Receivables and payables	Futures price of comparable commodity futures which will mature within one month as at 31 December	Risk free discount rate	The higher the risk free discount rate, the lower the fair value

Fair value of financial assets and liabilities carried at other than fair value

For those financial assets and liabilities that are due within one year, their carrying amounts are close to their fair values. The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values during the reporting period.

34 Commitments

(a) Capital commitments

	As at 31 December 2016	As at 31 December 2015
Contracted but not provided for	42,000	42,000

(b) Operating lease commitments

At 31 December, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	31 December 2016	31 December 2015
Within 1 year	15,713	16,830
After 1 year but not more than 2 years	7,222	13,868
After 2 years but not more than 3 years	3,341	6,020
After 3 years	2,620	1,118
Total	28,896	37,836

35 Contingencies

(a) On 18 July 2016, the Company became aware that one of its employees was involved with alleged forgeries to enter into asset management agreements with several customers during the years ended 31 December 2015 and 2016. The funds collected from these customers were deposited directly into the employee's personal account. On 21 July 2016, the Company reported the case to the public security authority.

On 22 September 2016, one of the customers filed a lawsuit against the Company with the People's Court of Qin Huai District of Nanjing City. The customer claimed for: (1) the repayment of RMB9.86 million investment together with expected return of RMB0.87 million; and (2) the cost of proceedings. As at the date of this report, the legal proceedings are still ongoing.

Based on all facts and circumstances and legal advices, the directors consider no provision in the consolidated financial statements is required.

35 Contingencies (continued)

(b) On 17 July 2016, one of the Company's employees (same employee as stated in Note 35(a)) and his wife, entered into personal lending agreements with three individual customers, whereby the three customers agreed to lend them money with the Company being appointed as the guarantor without its approval.

On 25 July 2016, two of the customers filed lawsuits against the employee and his wife as well as the Company with the People's Court of Jing Hai District of Tianjin City (the "Jing Hai Court"). One customer claimed for: (1) the repayment of RMB3 million loan together with interests at a monthly interest rate of 2% for the period starting from 17 July 2016 to the date of actual settlement of loan; and (2) the cost of proceedings. Another customer claimed for: (1) the repayment of RMB1.7 million loan; and (2) the cost of proceedings.

On 19 August 2016, the third customer filed lawsuits against the employee and his wife as well as the Company and another third party entity owned by the employee with the Jing Hai Court. The customer claimed for: (1) the repayment of RMB3.71 million loan together with interests at a monthly interest rate of 2% for the period starting from 18 July 2016 to the date of actual settlement of loan; and (2) the cost of proceedings. In December 2016, the Jing Hai Court dismissed the lawsuit of this customer.

The directors are of opinion that as these lawsuits are at the preliminary stage it is not possible to estimate with reasonable certainty the outcome of the lawsuits at this stage and no provision has been made in the consolidated financial statements in respect of the claims.

Except for the above, as at 31 December 2016, the Group were not involved in any material legal, arbitration or administrative proceedings which the Group expect would have significant adverse impact on the financial position and financial performance.

36 Material related party transactions

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership.

Share percentage in the Company

	31 December 2016	31 December 2015
Jiangsu SOHO Holding Group Co., Ltd.	30.37%	30.37%
Jiangsu Holly Corporation *(江蘇弘業股份有限公司)	16.31%	16.31%
Jiangsu Holly Su Industrial Co., Ltd. *(江蘇弘蘇實業有限公司)	15.83%	15.83%
Jiangsu High Hope International Group Co., Ltd. * (江蘇匯鴻國際集團股份有限公司)	7.05%	7.05%

* The English translation of the name of the company is for reference only. The official name of the company is in Chinese.

SOHO Holding is the parent of the Group during the reporting period.

(ii) Subsidiaries of the Company

Details of the Company's subsidiaries are disclosed in Note 15.

(iii) Associates

Details of the Group's associates are disclosed in Note 16.

36 Material related party transactions (continued)

(a) Relationship of related parties (continued)

(iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

(b) Related party transactions and balances

(i) Transactions between the Group and shareholders

	31 December 2016	31 December 2015
Accounts payable to brokerage clients	2,972	16,825
Other payables	–	118

	2016	2015
Transactions during the year		
Commission and fee income	19	7
Operating lease charges	5,041	5,041
Office expenses	5	1
Other expenses	141	189
Receipt arising from compensation for financial assets held under resale agreements	–	26,148

(ii) Transactions between the Group and associates

	31 December 2016	31 December 2015
Balances at the end of the year		
Other payables	227	85

36 Material related party transactions (continued)

(b) Related party transactions and balances (continued)

(iii) Transactions between the Group and other related parties

	31 December 2016	31 December 2015
Balances at the end of the year		
Other receivables	18	18
Accounts payable to brokerage clients	3,337	68,032

	2016	2015
Transactions during the year		
Commission and fee income	306	993
Operating lease charges	565	586
Repair and maintenance expenses	82	430
Property management expenses	605	622

(iv) Transactions between the Company and subsidiaries

	31 December 2016	31 December 2015
Balances at the end of the year		
Accounts payable to brokerage clients	169,441	28,459

	2016	2015
Transactions during the year		
Commission and fee income	82	139
Dividend received by the Company from the PRC subsidiary	10,000	10,000

36 Material related party transactions (continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 8 and certain of the five highest paid individuals as disclosed in Note 9, are as follows:

	2016	2015
Short-term employee benefits		
Fees, salaries, allowances and bonuses	7,099	4,899
Post-employment benefits		
Contributions to pension scheme	349	307
Total	7,448	5,206

Total remuneration is included in "staff costs" (see note 6(a)).

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of Note 36(b)(i) and Note 36(b)(iii) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in Section VIII "Other Material Matters".

37 Segment reporting

The Group manages and conducts its business activities by business segments. In a manner consistent with the way in which statements is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following segments:

– The futures brokerage and asset management business segment engages in the trading of commodity futures and financial futures on behalf of clients, and also developing and selling asset management products and services based on the asset scale and clients' needs. In addition, the activities of investing in asset management plans, wealth management products issued by banks, listed and unlisted securities, trust schemes, funds, derivative financial instruments are included in this segment.

– The commodity trading and risk management business segment engages in providing the services of purchase and resale of commodities, futures arbitrage and hedging.

37 Segment reporting (continued)

(a) Business segments

For the year ended 31 December 2016

	Futures brokerage and asset management business	Commodity trading and risk management business	Total
Revenue			
– External	311,380	–	311,380
– Inter-segment	82	–	82
Other income and gains			
– External	17,762	8,694	26,456
– Inter-segment	10,000	(82)	9,918
Segment revenue and other income	339,224	8,612	347,836
Segment expenses	(226,842)	(4,704)	(231,546)
Segment operating profit	112,382	3,908	116,290
Share of losses of associates	(1,031)	–	(1,031)
Profit before taxation	111,351	3,908	115,259
Interest income	107,171	–	107,171
Depreciation and amortisation	(6,975)	(37)	(7,012)
Segment assets	4,753,502	248,452	5,001,954
Additions to non-current segment assets during the year	1,554	4	1,558
Segment liabilities	(3,283,762)	(2,506)	(3,286,268)

37 Segment reporting (continued)

(a) Business segments (continued)

For the year ended 31 December 2015

	Futures brokerage and asset management business	Commodity trading and risk management business	Total
Revenue			
– External	275,789	16,794	292,583
– Inter-segment	139	–	139
Other income and gains			
– External	14,960	15,836	30,796
– Inter-segment	10,000	–	10,000
Segment revenue and other income	300,888	32,630	333,518
Segment expenses	(222,121)	(11,241)	(233,362)
Segment operating profit	78,767	21,389	100,156
Share of losses of associates	(541)	–	(541)
Profit before taxation	78,226	21,389	99,615
Interest income	107,576	5,124	112,700
Interest expenses	(5,813)	(2,024)	(7,837)
Depreciation and amortisation	(8,001)	(24)	(8,025)
Segment assets	5,372,698	182,248	5,554,946
Additions to non-current segment assets during the year	3,910	55	3,965
Segment liabilities	(3,862,866)	(16,689)	(3,879,555)

37 Segment reporting (continued)

(a) Business segments (continued)

Reconciliations of segment revenues, profit or loss, assets and liabilities:

	2016	2015
Revenue and other income		
Total revenue and other income for segments	347,836	333,518
Elimination of inter-segment revenue	(82)	(139)
Elimination of inter-segment other income and gains	(9,918)	(10,000)
Consolidated revenue and other income	337,836	323,379
Profit		
Total profit before tax for segments	115,259	99,615
Elimination of inter-segment profit	(10,000)	(10,139)
Consolidated profit before income tax	105,259	89,476

	31 December 2016	31 December 2015
Assets		
Total assets for segments	5,001,954	5,554,946
Elimination of inter-segment assets	(169,441)	(26,181)
Consolidated total assets	4,832,513	5,528,765
Liabilities		
Total liabilities for segments	(3,286,268)	(3,879,555)
Elimination of inter-segment liabilities	169,441	26,181
Consolidated total liabilities	(3,116,827)	(3,853,374)

37 Segment reporting (continued)

(b) Geographical segments

The following table sets out statements about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in associates.

	2016			2015		
	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total
Segment revenue						
Revenue from external customers	304,506	6,874	311,380	289,227	3,356	292,583
Other income and gains	26,434	22	26,456	30,796	–	30,796
Total	330,940	6,896	337,836	320,023	3,356	323,379

	31 December 2016			31 December 2015		
	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total
Specified non-current assets	84,713	786	85,499	91,554	564	92,118

38 Interest in structured entities

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group stand for the asset management plans where the Group involves as manager and also as investor. The Group assesses whether the investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management product to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2016, the total assets of the consolidated asset management plans are RMB29,611 thousands (31 December 2015: RMB46,149 thousands), and the carrying amount of interests held by the Group in the consolidated asset management plans are RMB3,260 thousands (31 December 2015: RMB17,729 thousands), which are accounted for available-for-sale financial assets, interest receivables and cash held on behalf of brokerage clients.

(b) Structured entities sponsored by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include trust schemes, funds and asset management plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 31 December, which are listed as below:

	31 December 2016		
	Available for-sale financial assets	Financial assets at fair value through profit or loss	Total
Trust schemes	66,000	–	66,000

38 Interest in structured entities (continued)

(b) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)

	31 December 2015		
	Available for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	1,000	37,210	38,210
Asset management plans	–	7,280	7,280
Total	1,000	44,490	45,490

During the reporting periods, the comprehensive income from the unconsolidated structured entities held by the Group was as follows:

	2016	2015
Revenue	698	5,240
Net investment gains		
– Net realized gains	(8,200)	6,959
– Net unrealized fair value changes	(212)	64
– Dividend income	10,017	141
Total	2,303	12,404

The maximum exposure to loss for trust schemes, funds and asset management plans are the fair value as at 31 December.

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include asset management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interest held by the Group includes fees charged by providing asset management services and interest income generated by investing into asset management plans.

As at 31 December 2016, the amount of assets held by the unconsolidated asset management products, which are sponsored by the Group is RMB831,259 thousands (31 December 2015: RMB166,473 thousands).

During the reporting period, the comprehensive income from the abovementioned structured entities was as follows:

	2016	2015
Revenue		
– Commission and fee income	3,635	3,066
– Interest income	7,752	–
Total	11,387	3,066

39 Company-level statement of financial position

		31 December 2016	31 December 2015
Non-current assets			
Property, plant and equipment		7,597	11,718
Goodwill		43,322	43,322
Intangible assets		21,552	23,655
Investment in subsidiaries		316,457	163,719
Interest in associates		11,743	12,775
Deferred tax assets		4,277	2,568
Total non-current assets		404,948	257,757
Current assets			
Refundable deposits		934,921	687,076
Other receivables		36,004	483,828
Other current assets		5,432	4,297
Available-for-sale financial assets		234,291	6,599
Financial assets at fair value through profit or loss		6,418	44,594
Cash held on behalf of brokerage clients		2,059,927	2,937,017
Cash and bank balances		1,054,818	1,003,427
Total current assets		4,331,811	5,166,838
Current liabilities			
Accounts payable to brokerage clients		2,986,199	3,596,342
Other payables		42,769	152,991
Financial liabilities at fair value through profit or loss		–	15,643
Current taxation		4,155	57
Total current liabilities		3,033,123	3,765,033
NET CURRENT ASSET		1,298,688	1,401,805
TOTAL ASSETS LESS CURRENT LIABILITIES		1,703,636	1,659,562
NET ASSETS		1,703,636	1,659,562
Capital and reserves			
Share capital	32(a)	907,000	907,000
Reserves	32(a)	796,636	752,562
TOTAL EQUITY		1,703,636	1,659,562

Approved and authorised for issue by the board of directors on 28 March 2017.

Zhou Yong Directors
Zhou Jianqiu

40 Non-adjusting events after the reporting period

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in Note 32(b).

Except for the above, the Group has no other significant non-adjusted events subsequent to the end of the reporting period as at the date of approval to the financial statements.

41 Immediate and ultimate controlling party

At 31 December 2016, the directors consider the immediate parent and ultimate controlling party of the Group to be SOHO Holding, which is incorporated in PRC. This entity does not produce financial statements available for public use.

42 Possible impact of amendments, new standards and interpretations issued but not yet effective for year ended 31 December 2016

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

42 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016 (continued)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) *Classification and measurement*

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9. The Group also expects its debt instruments currently classified as "available-for-sale" to be classified as FVTPL.

With respect to the Group's equity securities currently classified as "available-for-sale", the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in Note 1(i). This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). Based on the preliminary assessment, the Group expects that the new requirement will not have any significant impact on its financial liabilities designated at FVTPL on adoption of HKFRS 9.

42 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016 (continued)

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's financial assets. However, a more detailed analysis is required to determine the extent of the impact.

(c) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group currently does not adopt hedge accounting and therefore this may not have any impact on the Group.

HKFRS 16, Leases

Once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in Note 34(b), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amounted to RMB28,896 thousands of which RMB5,961 thousands is payable 2 years after the reporting date and may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.