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

ANNUAL REPORT 2017

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 twentieth meeting of the second session of the Board and the seventh 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 2017 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

The national economy advanced into a new normal period and the quality of economic improved amid the stability of 2017. These developments laid a solid foundation for the continuing development of the futures and financial industry. After more than 20 years of exploration and development, China's futures market has gradually evolved from disorder into maturity, and toward a course of sound, stable development and greater economic function. The international influence of China's futures market has also significantly improved, as it has grown to become the largest commodity futures and agricultural products futures market in the world. With the deepening and advance of supply-side structural reform, the futures industry has focused on serving the sources of the real economy, though its development focus has shifted from supporting expansion to supporting quality improvement. It is currently under the critical period of transformation and innovation.

Looking back at 2017, the management provided firm leadership to the Company's officers and employees, maintained a course of making progress amidst stability and seeking improvement amid progress, and held their focus on improving development quality and benefit. It regarded as its duty to enrich people and strengthen the Company, and to this end, worked diligently to overcome challenges, focus on key tasks, shore up weaknesses, strengthen risk prevention, and speed transformation and upgrade. Outstanding achievements were made in various areas. The Company's business development has maintained a good upward trend; operating revenues, total profits and net profits recorded year-on-year increases of 8%, 23% and 29%, respectively. The daily average client balance saw a year-on-year increase of 11%, and market share remained stable. The Company's public image and brand influence also improved. Notably, the Company received the honourary title "Best Futures Firm in China" (中國最佳期貨公司), and was awarded 10 major prizes including the "Best Commodity Futures Industry Service Prize" (最佳商品期貨產業服務獎), "Best Brand Establishment and Promotion Prize" (最佳品牌建設推廣獎), "Best Asset Management Business Award" (最佳資產管理業務獎), "Excellent Futures Asset Management Product Prize" (優秀期貨資產管理產品獎), and the "Gold Futures Institute in China" (中國金牌期貨研究所). It was recognised as a national model company for consecutive years. The Company was also named an "Outstanding Member" of the DCE and an "Outstanding Member in Market Growth" (市場成長優秀會員).

In many respects, 2017 was a year of 'reaping the harvest' and realising ambitions. Among other significant events, the Company's application for issuing A shares was officially accepted by the CSRC on 26 December 2017. All Company employees will carry the Holly spirit of "braving hardship, keeping on fighting and marching" as we rapidly prepare materials for our application for an IPO of A shares. Meanwhile, the Company continues building new points of profit growth. Considering innovation to be the primary driver in leading development, it focused on asset, risk and wealth management, as well as other industries as its spearheads of internationalised development. It accelerated the fostering of new drivers and the creation of new development advantages. The Company also upheld its commitment to service innovation and improving development of its principal businesses. Service capacities in particular have been increasingly enhanced.

Looking forward to 2018, the new year brings us new hope and the prospect of a new journey. The Company will stay true to its mission, keeping its goals in mind and gathering the strength needed to advance reform and innovation. We will strive to achieve more, confident in the knowledge that we are a vigorous, courageous and practical firm of high morale and high purpose.

Zhou Yong
Chairman

Nanjing, the PRC
27 March 2018

Definitions

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

Artall Culture Group	Artall Culture Group Company Limited (愛濤文化集團有限公司, formerly known as Jiangsu Holly International Group Company Limited (江蘇弘業國際集團有限公司)), a limited liability company established under the laws of the PRC on 20 January 1999 and a wholly-owned subsidiary of our Controlling Shareholder
Articles of Association	the Articles of Association of Holly Futures Co., Ltd. currently in force
AUM	the amount of assets under management
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
Board	the board of directors of our Company
CFA	China Futures Association (中國期貨業協會)
CFFE	China Financial Futures Exchange
Chairman	the chairman of the Company
Chief Risk Officer	the chief risk officer of the Company
client balances	cash and cash equivalents deposited by the brokerage clients with us for trading purpose, consisting of client margin deposits and settlement reserve funds
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
Company Law or PRC Company Law	Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented and otherwise modified from time to time
Company, our Company, we or Holly Futures	Holly Futures Co., Ltd. (弘業期貨股份有限公司), a joint stock limited company established in Jiangsu, the PRC under the laws of the PRC on 29 November 2012 and carrying on business in Hong Kong as "Holly Futures", its H Shares of which are listed on Hong Kong Stock Exchange

Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Controlling Shareholder	SOHO Holdings unless the context requires otherwise
Corporate Governance Code	the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
DCE	Dalian Commodity Exchange
Director(s)	director(s) of the Company
Domestic Share(s)	issued ordinary share(s) of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid up in RMB
end of Reporting Period	31 December 2017
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
Group, our Group, us or we	our Company and its subsidiaries
High Hope Corporation	Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司) (formerly known as Jiangsu High Hope Corporation) (江蘇匯鴻股份有限公司)), a limited liability company established in the PRC on 13 October 1992 which was subsequently converted to a joint stock limited company in 1994
High Hope International	Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團有限公司), a limited liability company established under the laws of the PRC on 18 December 1996 and one of the promoters of the Company, which was de-registered on 23 September 2015 as a result of the merger with High Hope Corporation by way of absorption
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 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

Holly Corporation	Jiangsu Holly Corporation (江蘇弘業股份有限公司) (formerly known as Jiangsu Crafts Import & Export Trading Group Co., Ltd. (江蘇省工藝品進出口集團股份有限公司)), a limited liability company established under the laws of the PRC on 30 June 1994 and one of the promoters and a Shareholder of the Company
Holly Logistics	Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司) (formerly known as Jiangsu Pengcheng International Storage & Transportation Company Limited (江蘇鵬程國際儲運有限公司)), a limited liability company established under the laws of the PRC on 12 February 1996 and one of the promoters and a Shareholder of the Company
Holly Su Asset	Holly Su Asset Management Company Limited (弘蘇資產管理有限公司), a company incorporated under the laws of Hong Kong with limited liability on 7 July 2016 and a wholly– owned subsidiary of our Company
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 Industrial	Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司), a limited liability company established under the laws of the PRC on 23 February 2011 and one of the promoters and a Shareholder of the Company
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hongrui Venture Capital	Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司), a limited liability company established under the laws of the PRC on 29 September 2002 and one of the promoters and a Shareholder of the Company
H Share(s)	overseas listed foreign ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each listed on the Main Board of Hong Kong Stock Exchange
Introducing Broker(s)	a business partner of our Company who introduces clients to our Company for commission

Jiangsu AIC	Jiangsu Administration of Industry and Commerce (江蘇省工商行政管理局)
Jiangsu Chemical Fertilizer	Jiangsu Chemical Fertilizer Co., Ltd., a limited liability company incorporated in the PRC. Holly Capital entered into the Thermal Coal Basis Trading Cooperation Agreement with Jiangsu Chemical Fertilizer in August 2017, which is a connected person of the Company. Details are set out in the announcement of the Company dated 31 August 2017 in relation to the "Connected transaction – Thermal coal basis trading cooperation agreement"
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)
Jiangsu Holly	Jiangsu Holly Futures Brokerage Company Limited (江蘇弘業期貨經紀有限公司) (formerly known as Jiangsu Jinling Futures Brokerage Company Limited (江蘇金陵期貨經紀有限公司), Jiangsu Holly Futures Brokerage Company Limited (江蘇弘業期貨經紀有限公司) and Jiangsu Holly Futures Company Limited (江蘇弘業期貨有限公司)), a limited liability company established under the laws of the PRC on 31 July 1995 and the predecessor of the Company and, where the context refers to any time prior to its establishment, the business which its predecessors were engaged in
Jiangsu SASAC	State-owned Assets Supervision and Administration Commission of the Jiangsu People's Government (江蘇省人民政府國有資產監督管理委員會)
Jiangsu Securities Bureau	Jiangsu Securities Bureau of the China Securities Regulatory Commission (中國證券監督管理委員會江蘇監管局)
Listing Date	the date, being 30 December 2015, on which the H Shares were listed and from which dealings therein were permitted to take place on the Main Board of the Hong Kong Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
lot	the standardized quantity of futures as set out by the PRC Futures Exchange, and represents the minimum quantity of that futures that may be traded
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
MOF	Ministry of Finance of the PRC (中華人民共和國財政部)
MOFCOM	Ministry of Commerce of the PRC (中華人民共和國商務部)

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
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)
Net Capital	equals net assets minus asset adjustment value plus liability adjustment value minus the deposits which the clients fail to fully replenish minus/plus other adjustment items recognised or approved by the CSRC
PRC Futures Exchanges	China Financial Futures Exchange (中國金融期貨交易所), Dalian Commodity Exchange (大連商品交易所), Shanghai Futures Exchange (上海期貨交易所) and Zhengzhou Commodity Exchange (鄭州商品交易所)
PRC or China	the People's Republic of China which, for the purpose of this report, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
Prospectus	the prospectus in relation to H Shares of the Company dated 16 December 2015
PTA	pure terephthalic acid
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
Report	this annual report for 2017 of the Company
Reporting Period	the year ended 31 December 2017
Rules of Procedure for Meeting of the Board	the Rules of Procedure for Meeting of the Board of Holly Futures Co., Ltd. currently in force
R&D	research and development

SAT	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
settlement reserve funds	unrestricted and unutilised cash balances reserved for the settlement and clearing of the futures trading, which are deposited with the futures exchanges and commercial banks. Settlement reserve funds include client settlement reserve funds and our own settlement reserve funds
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Shanghai Mingda	Shanghai Mingda Industrial (Group) Company Limited (上海銘大實業(集團)有限公司), a limited liability company established under the laws of the PRC on 26 December 2002 and one of the promoters and a Shareholder of the Company
Share(s)	Domestic Share(s) and H Share(s)
Shareholder(s)	holder(s) of the shares of the Company
SHFE	Shanghai Futures Exchange
SOHO Holdings	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) (formerly known as Jiangsu Silk Group Company Limited (江蘇省絲綢集團有限公司), a wholly state– owned limited liability company established under the laws of the PRC on 29 April 1994, which is the Controlling Shareholder and one of the promoters of the Company
State Council	State Council of the PRC (中華人民共和國國務院)
Supervisor(s)	supervisor(s) of our Company
Supervisory Committee	the supervisory committee of our Company
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
ZCE	Zhengzhou Commodity Exchange

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. Shan Bing

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 Mr. Shan Bing
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
Ms. Yu Hong

4. LEGAL REPRESENTATIVE

Ms. Zhou Jianqiu

5. REGISTERED CAPITAL

RMB907 million

6. QUALIFICATIONS FOR BUSINESSES IN CHINA

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

7. HEAD OFFICE IN CHINA

Registered address of the Company: No.50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (postcode: 210001)
Office address of the Company: Holly Tower, No.50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (postcode: 210001)
Website of the Company: www.ftol.com.cn
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: Mr. Jia Guorong
Address: 10/F, Holly Tower, No.50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (postcode: 210001)
Tel: 025-52278980
Email: jiaguohong@ftol.com.cn

10. JOINT COMPANY SECRETARIES

Mr. Jia Guorong and Ms. Leung Wing Han Sharon

11. AUTHORIZED REPRESENTATIVES OF THE COMPANY

Ms. Zhou Jianqiu and Mr. Jia Guorong

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. LEGAL ADVISERS

As to Hong Kong Law: Li & Partners
As to PRC Law: Allbright Law Offices

14. PRINCIPAL BANKERS

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

15. H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

16. STOCK CODE

03678

II. DEVELOPMENT HISTORY

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

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

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

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

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

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

In 2009, the registered capital of Jiangsu Holly increased to RMB138.00 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.

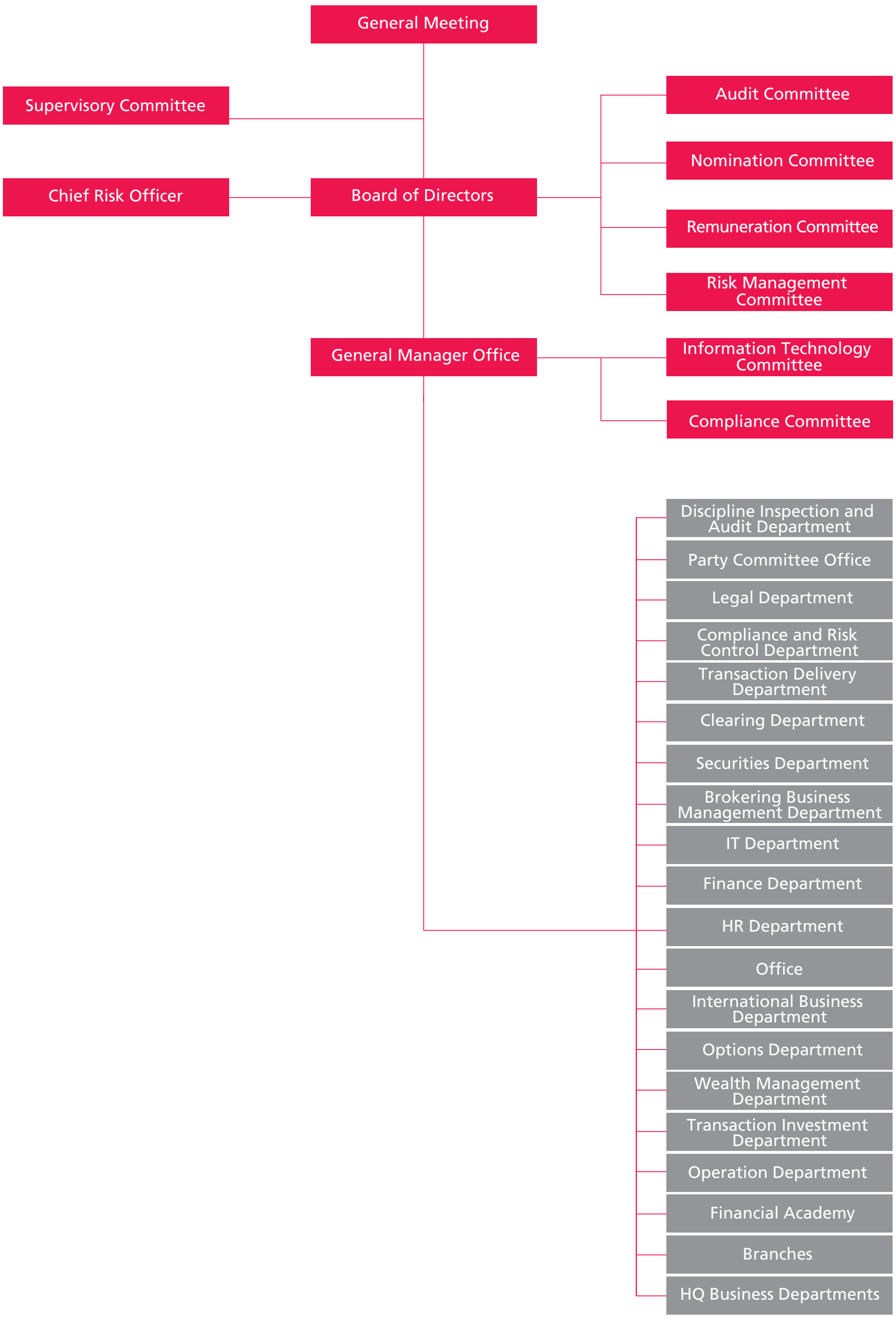
In 2011, the registered capital of Jiangsu Holly increased to RMB380 million. After the completion of the capital increase, 21.75% of the registered capital of Jiangsu Holly or RMB82.65 million was contributed by Holly Investment; 21.75% or RMB82.65 million by Holly Corporation; 21.34% or RMB81.0812 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 2011, Jiangsu Holly changed its name into Jiangsu Holly Futures Company Limited (江蘇弘業期貨有限公司), where its registered capital and shareholding structure remained unchanged.

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

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

On 18 August 2015, the CSRC issued the Reply on Approving Holly Futures Co., Ltd.'s Offering of Overseas Listed Foreign Shares (Zheng Jian Xu Ke [2015] No.1963) (《關於核准弘業期貨股份有限公司發行境外上市外資股的批覆》(證監許可[2015]1963號)) to approve the Company's offering of no more than 261,050,000 overseas listed foreign shares, all of which are ordinary shares of a nominal value of RMB1 each. On 30 December 2015, the shares issued by the Company overseas were listed on the Main Board of Hong Kong Stock Exchange (stock abbreviation: Holly Futures; and stock code: 03678). According to the Reply Concerning Transfer of State-owned Equities of Holly Futures Co., Ltd. (Guo Zi Chan Quan [2015] No. 411) (《關於弘業期貨股份有限公司國有股轉持有關問題的批覆》(國資產權[2015]411號)) by State-owned Assets Supervision and Administration Commission of the State Council, after the completion of such offering of the Company, the state-owned shareholders Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司), Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司), Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司) and Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司) transferred their respective 17,535,897 shares, 4,069,866 shares, 566,782 shares and 527,455 shares (22,700,000 shares in total) to National Council for Social Security Fund. Upon the listing, the total share capital of the Company amounted to 907,000,000 shares, which were held by Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) as to 275,456,777 shares or 30.37%, by Jiangsu Holly Corporation (江蘇弘業股份有限公司) as to 147,900,000 shares or 16.31%, by Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司) as to 143,548,000 shares or 15.83%, by Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司) as to 63,930,134 shares or 7.05%, by Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司) as to 8,903,113 shares or 0.98%, by Shanghai Mingda Industrial (Group) Company Limited (上海銘大實業(集團)有限公司) as to 9,276,631 shares or 1.02%, by Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司) as to 8,285,345 shares or 0.91% 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 and securities trading	Hong Kong	20 October 2011	HKD190 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	HKD5 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	HKD20 million	100%	Established and wholly owned by Holly Su Futures

V. DISTRIBUTION OF FUTURES BRANCHES AND SUB-BRANCHES

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

Serial No.	Branch/Sub-branch	Business Address	Date of Establishment
1	Beijing Branch	9/F, Block B, No.88 Andingmenwai Dajie Ding (Jiangsu Building), Dongcheng District, Beijing City	2 February 2005
2	Changshu Branch	Room A617, A618, A620, No.45 Haiyu North Road (Changshu World Trade Center), Changshu City, Jiangsu Province	23 July 2013
3	Changzhou Branch	Room 6032, 6053, Jiaye Building, Yanlin West Road, Zhonglou District, Changzhou City	24 September 2002
4	Chengdu Branch	Unit 4, 19/F, Section 2, Block 1, No. 88 Shujin Road, Chengdu City	25 January 2013
5	Changsha Branch	Room 1701, 17/F, Cultural Building, No.139 Shaoshan North Road, Furong District, Changsha City	11 December 2008
6	Chongqing Branch	6-15#, No.388 Xinhua Road, Yuzhong District, Chongqing City	30 December 2011
7	Fuzhou Branch	Unit 2504, 25th Floor of Lippo Tianma Plaza,1 Wuyibei Road, Gulou District, Fuzhou City, Fujian Province	10 November 2008
8	Guangzhou Branch	Room 1201, No 138 Tiyu East Road, Tianhe District, Guangzhou City	8 March 2011
9	Haikou Branch	Room 1809, Fortune Centre, No.38 Datong Road, Longhua District, Haikou City, Hainan Province	25 March 2010
10	Hangzhou Branch	Room 1401, Block B, New Oriental Building, No.18 Xihu Avenue, Hangzhou City	20 February 2008
11	Hefei Branch	Room 707, Block 1, Wucai Commercial Plaza, No.129 Wangjiang West Road, Shushan District, Hefei City	26 December 2007
12	Huaian Branch	Room 1111, 1112, office building of Huaihai City One, Qinghe District, Huaian City	8 May 2012
13	Jinan Branch	Room 901, 5/F, Zhong Run Century Square, No.13777 Jingshi Road, Lixia District, Jinan City, Shandong Province	7 August 2009
14	Jiangyin Branch	Unit A, Hailan International Trade Building, No. 118 Chengjiang Middle Road, Jiangyin City	23 July 2013
15	Kunshan Branch	No.199 Huaqiao Commerce Avenue, Kunshan City, Jiangsu Province	24 September 2014
16	Lianyungang Branch	Unit 1101, 1102, 1103, 1105-1, Longhe Mansion Phase II Construction, No.6 Cangwu Road, Lianyungang City, Jiangsu Province	16 September 2011

Serial No.	Branch/Sub-branch	Business Address	Date of Establishment
17	Nanning Branch	Room 2205, 2206, 22/F, Block A, Pacific Century Plaza, No.25 Jinzhou Road, Qingxiu District, Nanning City	19 September 2008
18	Nantong Branch	No. 6 Yaogang Road, Nantong City	6 September 2007
19	Ningbo Branch	No. 267 Gaoxing District, Ningbo City	7 September 2011
20	Qingdao Branch	Room 2301, Building No.1, No.10 Xianggang Zhong Road, Shinan District, Qingdao City	26 November 2007
21	Shanghai Branch	Room 1210, 1211, No. 1589 Century Avenue, China (Shanghai) Pilot Free Trade Zone	15 August 2007
22	Shenzhen Branch	Unit 808A, Modern Commercial Building, intersection between Jintian Road and Fuhua Road, Futian Sub-district, Futian District, Shenzhen City	22 February 2013
23	Shenyang Branch	Room 707, Jiarun Building, No.161 Nanjing North Street, Heping District, Shenyang City	11 October 2010
24	Suzhou Branch	Room 1203-1304, 1305-1306, 13/F, No. 9 Aiheqiao Road, Gusu District, Suzhou City	18 December 2001
25	Suqian Branch	Unit 2401, 2402, 2403, 2404, 2418, office building of Zhejiang Building, Suqian City, Jiangsu Province	5 May 2010
26	Taiyuan Branch	Unit A, 5/F, Block A, Building 1, No.9 Fuxi Street, Xinghualing District, Taiyuan City	2 February 2012
27	Taizhou Branch	Room 1303, Wanda office building, No.220 East Jichuan Road, Hailing District, Taizhou City	3 July 2008
28	Tianjin Branch	Room 2212-2214, Jinzuo Plaza, No.5 Meiyuan Road, Huayuan Industrial Park, Binhai High-tech Zone Tianjin City	19 August 2009
29	Wuxi Branch	Room 531-1706, 1707, 1708, 1709, Zhongshan Road, Wuxi City	12 December 2003
30	Wuhu Branch	Room 1004, 1005, Weixing Times Financial Centre (偉星時代金融中心), Wuhu City, Anhui Province	28 June 2012
31	Xiamen Branch	Room 1304, No.820 Xiahe Road, Siming District, Xiamen City, Fujian Province	18 November 2013
32	Xi'an Branch	Room G, 13/F, New Times Plaza, No. 55 Beida Street, Lianhu District, Xi'an City	10 April 2009
33	Xuzhou Branch	Room 2206-2207, Didou Building, Heping Road, Yunlong District, Xuzhou City	4 January 2008
34	Yancheng Branch	Room 3A07, 3A08, 4/F, Huabangdong Mansion, No.1 Renmin South Road, Yancheng City	16 June 2009

Serial No.	Branch/Sub-branch	Business Address	Date of Establishment
35	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
36	Yixing Branch	Room 201-A, 2/F, Yixing International Trade Building, No.21 Jiao Yu West Road, Yicheng Street, Yixing City	23 August 2013
37	Zhangjiagang Branch	No. 178 Chengbei Road, Zhangjiagang City	6 September 2013
38	Liyang Branch	Room 2507, office building of Futian Center, No. 28 Yanshan Middle Road, Licheng Town, Liyang City	29 August 2017
39	Zhenjiang Branch	17/F, Workers Building, No.8 Guang Cheng Road, Runzhou District, Zhenjiang City	31 October 2008
40	Beijing Sub-branch	Room 914-919, Block B, No. 88 Andingmenwai Dajie Ding, Dongcheng District, Beijing City	24 January 2017
41	Northeast Sub-branch	Room 2302, Dalian Futures Building, Block A, Dalian International Finance Center, No.129 Exhibition Road, Sha He Kou District, Dalian City	26 November 2008
42	Jiangnan Sub-branch	No.21 Jiao Yu West Road, Yicheng Street, Yixing City	6 December 2016
43	Shanghai Sub-branch	Room 1208, 1209, No. 1589 Century Avenue, China (Shanghai) Pilot Free Trade Zone	15 October 2016
44	Shenzhen Sub-branch	Unit 808B, Modern Commercial Building, intersection between Jintian Road and Fuhua Road, Futian Sub-district, Futian District, Shenzhen City	13 July 2016
45	Zhengzhou Sub-branch	Room 1006, Futures Building, No.30 Business Outer Ring Road, Zheng Dong New District, Zhengzhou City	1 July 2008

Financial Summary

1. Major accounting data and financial indicators

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

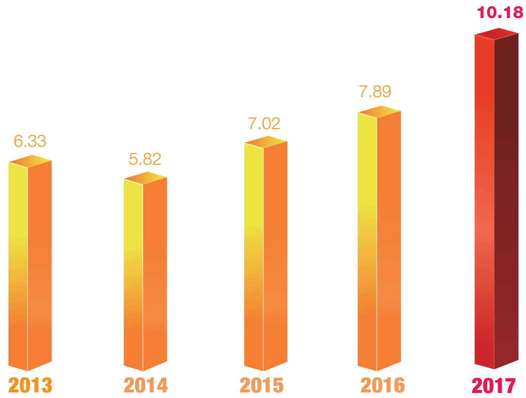
Major accounting data and financial indices for the past five years

In RMB'000	2017	2016	Increase in 2017 as compared to 2016 Amount	Increase in 2017 as compared to 2016 %	2015	2014	2013
Operating income	336,267	311,380	24,887	8%	292,583	273,875	325,398
Profit before taxation	129,548	105,259	24,289	23%	89,476	76,382	89,032
Profit after taxation – attributable to shareholders of the Company	101,764	78,903	22,861	29%	70,170	58,204	63,279
Net cash generated from operating activities Inflows/(outflows)	81,155	11,450	69,705	608.78%	255,394	160,588	71,008
Earnings per share (RMB/share)							
Basic earnings per share	0.1122	0.0870			0.1031	0.0856	0.0931
Diluted earnings per share	0.1122	0.0870			0.1031	0.0856	0.0931
Profitability indicators							
Weighted average return on net assets (%)	5.86%	4.65%			4.79%	4.67%	5.24%

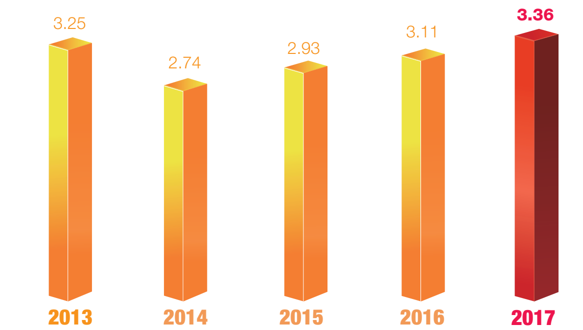
Scale indicators (RMB'000)	As at 31 December 2017	As at 31 December 2016	Increase in 2017 as compared to 2016 Amount	Increase in 2017 as compared to 2016 %	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Total assets	5,829,042	4,832,513	996,529	21%	5,528,765	3,367,640	3,300,696
Total liabilities	4,070,617	3,116,827	953,790	31%	3,853,374	2,113,661	2,060,555
Accounts payable to brokerage clients	3,566,121	3,040,791	525,330	17%	3,663,459	1,962,840	2,033,065
Equity attributable to shareholders of the Company	1,758,425	1,715,686	42,739	2%	1,675,391	1,253,979	1,240,141
Total share capital ('000)	907,000	907,000			907,000	680,000	680,000
Net assets value per share attributable to shareholders of the Company (RMB per share)	1.94	1.89			1.85	1.84	1.82
Gearing ratio (%) Note 1	22%	4%			10%	11%	2%

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

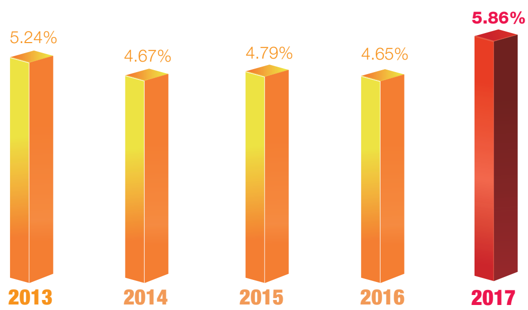
Profit after taxation-attributable to shareholders of the Company
(RMB10 million)



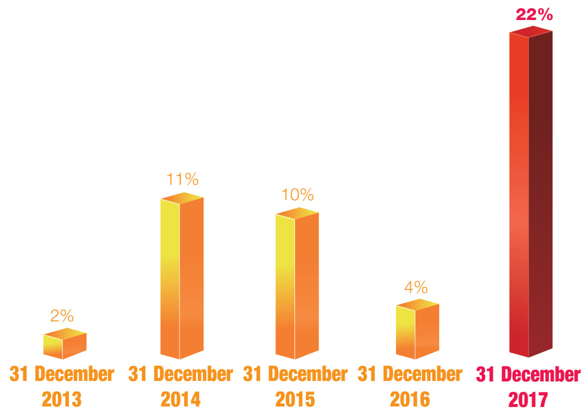
Operating income
(RMB100 million)



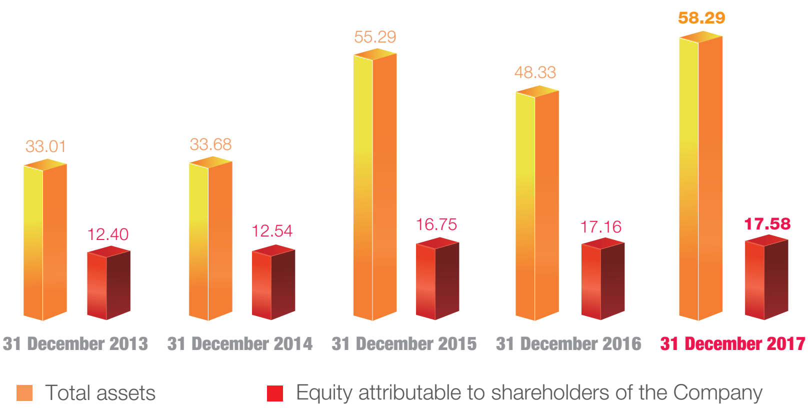
Weighted average return on net assets



Gearing ratio



Scale indicators
(RMB100 million)



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

The Net capital of the Company as at 31 December 2017 amounted to RMB1.093 billion, representing a decrease of RMB102 million as compared with RMB1,195 million as at the end of 2016. 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 2017	As at 31 December 2016	Warning level	Supervision level
Net capital (RMB million)	**1,093**	1,195	36	≥30
Net capital/total risk capital reserves (%)	**989%**	1326%	120%	≥100%
Net capital/net assets (%)	**67%**	75%	24%	≥20%
Current assets/current liabilities (%)	**532%**	732%	120%	≥100%
Total liabilities/net assets (%)	**12%**	10%	120%	≤150%
Proprietary settlement reserve funds (RMB million)	**345**	250	–	≥8

Management Discussion and Analysis

I. Industry review

For the global economy, 2017 was a year of continuing recovery. China's own economy showed resilience as it undertook a phase of orderly but profound transformation and adjustment, with growth shifting from a high-speed mode to one of high-quality development, structural upgrade and medium growth. It is under this critical period of transforming the development model, optimising the economic structure and converting the growth momentum that national economy advanced into a new normal period, with the quality of economic growth improving amid stability. In 2017, national per capita disposable income was RMB25,974, representing a year-on-year increase of 7.3% in real terms. Resident consumption structure was further improved and the profitability of enterprises was enhanced. The economic structure continued to be improved and employment trends remained favourable, with the unemployment rate hitting a new five-year low.

After more than 20 years of exploration and development, China's futures market has gradually evolved from disorder into maturity, and toward a course of sound, stable development and greater economic function. The international influence of China's futures market has also significantly improved, as it has grown to become the largest commodity futures and agricultural products futures market in the world. With the deepening and advance of supply-side structural reform, the futures industry has focused on serving the sources of the real economy, though its development focus has shifted from supporting expansion to supporting quality improvement. It is currently under the critical period of transformation and innovation. China's futures market saw stable development in 2017, playing a key role in stabilising and improving the operational results of enterprises, promoting the benign integration of core enterprises and upstream and downstream firms, and achieving industrial optimisation and upgrading. With the deep advance of supply-side structural reform – and based on serving national strategies and the general picture of the real economy – the futures market firmly focused on serving the real economy, preventing financial risks, perpetuating financial reform and other working requirements, and advancing industrial transformation and upgrading, all toward the greater purpose of making progress while maintaining stability. To this end, achievements have already been made in promoting supply-side structural reform and serving "agriculture, rural areas and farmers" and national strategies on poverty alleviation. It has preliminarily formed a new pattern with the diversified and inclusive development of futures and options, on-site and off-site, international and domestic, futures and spot.

The CPC Central Committee No. 1 document issued on 5 February 2017 proposed the stable expansion of the pilot programme for "insurance + futures" again. On 18 April and 5 May 2017, the ZCE and the DCE accordingly issued circulars on initiating the pilot programme for "insurance plus futures". Subsequently, the number of programmes approved in 2017 increased by over 100% compared with 2016. The SHFE signed cooperative agreements with 23 futures companies on 26 May 2017 and initiated a targeted poverty alleviation pilot programme on natural rubber "insurance plus futures". The number and size of "insurance plus futures" pilot programmes expanded further and the innovative revenue insurance, "order plus insurance plus futures" and other models were introduced. Some pilot programmes have since closed and completed compensation. On 1 July 2017 the Measures for Administration of Securities and Futures Investors Appropriateness were officially implemented, with the appropriateness system applied from the financial futures market to the whole capital market. To guide and encourage futures operators to effectively implement appropriateness management requirements, the CFA issued the Guideline on the Implementation of Appropriateness Management by Institutional Investors with Futures Operation (For Trial Implementation) on 28 June 2017. The document sets the obligations and responsibilities of futures operation agencies and provides investors with corresponding options as well as protections.

The commodity market, including metal, energy, chemical and agricultural products, showed signs of recovery, and certain sectors even experienced a bullish run in 2017. Many sectors represented by black products focused on the megatrend of supply-side structural reform and driven by the guiding themes of "de-capacity" and "production restriction under environmental protection pressures", soared one after another. Fibreboard and plywood commodities ranked high in terms of growth over the whole year, while deformed steel bars saw a 30% hike during the same period. Coke, SHFE copper, SHFE zinc, thermal coal and glass all recorded an increase of over 20% during the year. In terms of financial futures, restrictions on the trading of stock index futures were relaxed from 17 February 2017, which effectively boosted their trade.

During the Reporting Period, the PRC futures market achieved a trading volume of 3,076,149,758 lots with an accumulated trading amount of RMB187,896.41 billion, representing a year-on-year decrease of 25.66% and 3.95% respectively. Individually, the Shanghai Futures Exchange achieved a trading volume of 1,364,243,528 lots with an accumulated turnover of RMB89,931.034 billion; the Zhengzhou Commodity Exchange achieved a trading volume of 586,030,140 lots with an accumulated turnover of RMB21,366.115 billion; the Dalian Commodity Exchange achieved a trading volume of 1,101,280,152 lots with an accumulated turnover of RMB52,007.06 billion; and the China Financial Futures Exchange achieved a trading volume of 24,595,938 lots with an accumulated turnover of RMB24,592.202 billion.

II. Business review

Amidst a complicated economic situation and a fiercely competitive market environment, the Company intensified its existing businesses and successfully overcame the challenges. By taking various measures, the Company consolidated its business advantages to compensate for business shortcomings and to strengthen its business synergies. Its vigorous consolidation of the traditional brokerage business helped to maintain a good momentum of development. Driven by innovation, development was focused on areas such as asset, risk and wealth management. Impetus in international development helped the Company to create new advantages with an increased momentum. As of 31 December 2017, our total assets amounted to RMB5,829 million, representing a year-on-year increase of 21%. Net assets attributable to the Company were RMB1,758 million, representing a 2% increase over 2016. while net profits attributable to the Company grew by 29% over 2016's figure, reaching RMB102 million. Our total operating income amounted to RMB336 million, or 8% more than in 2016. Our key financial indicators such as total assets, net assets and profit after tax has reached a new high in five years.

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

(1) The futures brokerage business

The Company's futures brokerage business includes the provision of brokerage services in respect to commodity and financial futures available at all futures exchanges in the PRC, and receiving handling fees from clients. As of 31 December 2017, the Company had 45 branches located in several municipalities, in Jiangsu Province, and in other economically developed cities in the PRC.

In 2017, the Company's futures brokerage business maintained at a fairly good level. As of 31 December 2017, the Group's client balance amounted to RMB3,566 million, representing a growth of 17% as compared with RMB3,041 million as at the end of 2016. The Group's handling fees interest income generated from the futures brokerage business amounted RMB291 million, representing an increase of 9% compared to RMB267 million for the same period in 2016. Turnover from brokerage (bilateral statistics, the same below) amounted to RMB2.9935 trillion. The Company's market share was 0.80%. Turnover from commodity futures brokerage amounted to RMB2.83519 trillion. Turnover from financial futures brokerage amounted to RMB0.1583 trillion. The increase was attributable to the decrease of refundable deposits and handling free of the stock index sector of China Financial Futures Exchange. The Company's trading volume was 59.01 million lots. In 2017, the Company's handling fee rate for futures transactions was 0.6301 bps, representing an increase of 15% compared to the 0.5474 bps for the same period in 2016.

In 2018, the Company will continue to optimise its business network structure, explore the pilot business department, integrate resources, improve key areas of service capacity, strengthen its marketing promotion, and expand customer coverage.

(2) The asset management business

As of 31 December 2017, the Company's AUM amounted to RMB1,505 million, an increase of 74.8% compared to RMB861 million at the end of 2016. The client balance for futures and options amounted to RMB189 million, representing a year-on-year increase of 25.99%. The asset management business achieved a handling fee income of RMB2.22 million. There were 47 trading asset management accounts in aggregate. All were operated smoothly, with outstanding performance of individual accounts helping it to rank in the industry's top 10 in terms of filed number of new collective asset management scheme(s).

The Company further optimised its asset management centre and established an improved big asset management system which integrates product design, investment transaction, risk control and operational management. A number of breakthroughs were also made, including maintaining its direction toward enhancing active management capabilities and expanding the scale of proactive management, innovating product design modes, diversifying strategic product lines, and successfully launching management products and safety pad products. The Company also made efforts to improve the "gold content" of its asset management products and enhance the asset returns to clients. Another point of focus was on the key aspects of investment managers and investment capacity. In these areas, the Company emphasised incubation fund managers and optimised trading strategies to accelerate the establishment of an active management team. These measures are intended to enhance self-management product research and operation levels. Finally, the Company continued to deepen its cooperation with peers and established "win-win" modes of cooperation with the private banking departments of large commercial banks. At the same time, it effectively broadened the scope of investment, conducting the first inter-bank bond transactions in the asset management business.

(3) The commodity trading and risk management business

In 2017, the commodity trading and risk management business entered a new stage. Hongye Capital determined to adopt the "variation basis trading" strategy as the developments direction of its futures and spot commodity business. Taking the high-end futures and spot business exchange meetings with renowned enterprises as an opportunity, the Company has made remarkable achievements in expanding the trading of iron ore, thermal coal, cotton and other commodities. It also entered into strategic cooperation with large central government-owned enterprises and state-owned enterprises. As of the end of 2017, Holly Capital had total assets of RMB255 million, net assets of RMB248 million, and had achieved sales revenue of RMB183.8725 million for the year. Net profit amounted to RMB1.74 million, representing a 174.06% year-on-year increase. At the same time, Holly Capital engaged in strengthening internal management, continued the construction of an internal control system, and revised and promulgated the Measures for the Administration of Project Declaration and Assessment, the Financial Management System and the Administrative Measures on Over-The-Counter Options Business. During 2017, Holly Capital became a trader in the Dalian Commodity Exchange for corn and iron ore futures, and a special trader in the China Coal Trading Center and the National Cotton Exchange Market.

The year of 2017 marked a start of China's commodity futures and options. The launch of soy meal options in DCE and white sugar options in ZCE has brought great significance to the structure of derivative markets in China. As one of the first batch of futures companies obtaining qualification for the stock options brokerage business in the SSE, the Company made remarkable achievements in on-the-field options, over-the-counter options, product design and "insurance + futures". Its market share in terms of number of clients and trading volume in the stock option business ranked among the industry's top 10. The over-the-counter business has also developed rapidly, with the system process, pricing arithmetics and risk hedges becoming more mature. The notional principal amount of transactions was nearly RMB200 million and turnover of premiums exceeded RMB6 million. The Company exploration of the "futures + insurance" sector included undertaking a "futures + insurance" corn project in Zhenlai, Jilin, in which a positive social effect was obtained when insured farmers received claimed compensation amounting to RMB1.05 million. The Company independently developed active options products in asset management with a scale of RMB24.00 million, archiving a good return while maintaining stable operations. Additionally, the Company signed over-the-counter option agreements with a number of financial institutions to create a solid foundation for the continuing development of the option business.

(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 2017, the Group achieved gains of RMB15.78 million from financial assets investment business, representing an increase of 8.44% as compared to RMB14.56 million for the same period in 2016, which was mainly due to the fact that Group increased its efforts in the investment of financial assets.

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 overall operation kept on developing steadily with growing profitability. The Group achieved total operating income of RMB336 million with a year-on-year increase of 8%. The net profit attributable to Shareholders of the Company amounted to RMB102 million with a year-on-year increase of 29%. The earnings per share amounted to RMB0.1122 and the weighted average return on net assets was 5.86% with a year-on-year increase of 1.21 percentage point.

2. *Asset structure and asset quality*

As at the end of 2017, the total assets of the Group amounted to RMB5,829 million, representing a year-on-year increase of 21% as compared with RMB4,833 million at the end of 2016; the total liabilities amounted to RMB4,071 million, representing a year-on-year increase of 31% as compared with RMB3,117 million at the end of 2016; and the net assets attributable to the shares of the Company increased by 2% as compared with RMB1,716 million at the end of 2016 to RMB1,758 million.

The asset structure remained stable while the quality and liquidity of assets were well maintained. At the end of 2017, the Group's total assets saw a year-on-year growth, mainly due to the increase of customers' equity. As at the end of 2017, the total assets of the Group consisted of: current assets of RMB5,697 million, accounting for 97.74% of the total assets and mainly including cash held on behalf of clients of RMB2,290 million (accounting for 39.29%), retentions deposited into exchange clearing house of RMB1,416 million (accounting for 24.29%), cash and bank deposits of RMB913 million (accounting for 15.66%), assets for financial investment of RMB965 million (accounting for 16.55%), receivables of RMB58 million (accounting for 1%), inventories of RMB38 million (accounting for 0.65%) and other current assets of RMB18 million (accounting for 0.3%). There was no indicator for material impairment of the assets of the Company in 2017.

As at the end of 2017, the liabilities deducting accounts payable to brokerage clients amounted to RMB504 million, representing an increase of 563.50% as compared with RMB76 million at the end of 2016. The increase was mainly attributable to the significant increase in the financial assets at fair value through the profit or loss of the current period. The gearing ratio of the Group was 22%, representing an increase of 18 percentage points as compared to 4% at the end of 2016 (Note: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)). The operating leverage was 1.29 times, representing an increase of 23.23% as compared with 1.04 times at the end of 2016 (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 2017 complied with the regulatory requirements of the CSRC.

4. *Cash flows*

The net increase in cash and cash equivalents amounted to RMB-38 million in 2017.

Net cash generated from operating activities of the Group amounted to RMB81 million in 2017, representing a year-on-year increase of RMB70 million as compared with RMB11 million for 2016; net cash used in investing activities amounted to RMB-63 million in 2017, representing a year-on-year increase of RMB132 million as compared with RMB-195 million used in 2016; net cash generated from financing activities amounted to RMB-56 million in 2017, representing a year-on-year decrease of RMB393 million as compared with RMB337 million used in 2016; net increase in cash and cash equivalents amounted to RMB-38 million in 2017, representing a year-on-year decrease of RMB191 million as compared with RMB153 million for 2016.

(2) Income statement items

In 2017, the Group's profit before income tax amounted to RMB129.548 million, representing a year-on-year increase of RMB24.289 million or 23%. The key financial results are as follows:

In RMB'000	2017	2016	Change in 2017 as compared to 2016 Amount	%
Revenue	**336,267**	311,380	24,887	8%
Net investment gains	**10,020**	6,105	3,915	64%
Net income from other business activities	**6,467**	–	6,467	N/A
Operating income	**352,754**	317,485	35,269	11%
Other income	**(738)**	20,351	(21,089)	-104%
Operating and management expenses	**220,803**	231,546	(10,743)	-5%
Profit from operations	**131,213**	106,290	24,923	23%
Share of losses of associates	**1,665**	1,031	634	61%
Profit before taxation	**129,548**	105,259	24,289	23%
Income tax expense	**27,784**	26,356	1,428	5%
Profit after taxation	**101,764**	78,903	22,861	29%
Basic and diluted earnings per share	**0.1122**	0.0870	–	–
Other comprehensive income				
Share of other comprehensive income of the investee accounted for using the equity method that will be reclassified to profit or loss	**9,854**	–	9,854	N/A
Other comprehensive income that maybe reclassified to income statement	**(4,470)**	1,424	(5,894)	-414%
Exchange differences on translation of financial statements in foreign currencies	**(9,989)**	5,318	(15,307)	-288%
Comprehensive income	**97,159**	85,645	11,514	13%

1. *Revenue*

In 2017, the Group achieved revenue of RMB336.267 million, representing a year-on-year increase of RMB24.887 million or 8%. For 2017 and 2016, the Group's proportion of fee income were 59% and 66% respectively while the proportion of interest income were 41% and 34%, respectively. Breakdown is set out in the following table:

	2017		2016		Change in 2017 as compared to 2016	
In RMB'000	Amount	Proportio	Amount	Proportio	Amount	%
Fee income	197,910	59%	204,209	66%	(6,299)	-3%
Interest income	138,357	41%	107,171	34%	31,186	29%
Total	336,267	100%	311,380	100%	24,887	8%

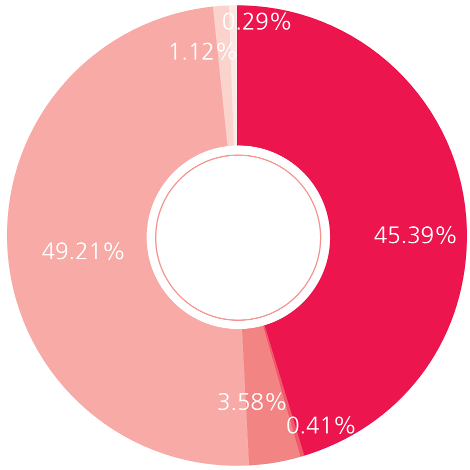
(1) *Fee income*

The Group achieved fee income of RMB197.910 million, representing a year-on-year decrease of RMB6.299 million or 3%. Breakdown is set out in the following table:

	2017		2016		Change in 2017 as compared to 2016	
In RMB'000	Amount	Proportio	Amount	Proportio	Amount	%
Commodity futures brokerage business	89,827	45.39%	124,895	61.16%	(35,068)	-28%
Financial futures brokerage business	808	0.41%	845	0.41%	(37)	-4%
Overseas futures business	7,081	3.58%	6,389	3.13%	692	11%
Fee refund	97,388	49.21%	68,318	33.46%	29,070	43%
Asset management business	2,224	1.12%	3,635	1.78%	(1,411)	-39%
Options brokerage business	582	0.29%	127	0.06%	455	358%
Total fee income	197,910	100.00%	204,209	100.00%	(6,299)	-3%

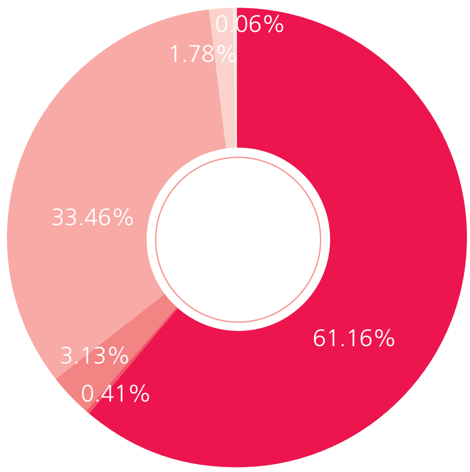
2017 Fee Income

- Commodity futures brokerage business
- Financial futures brokerage business
- Overseas futures business
- Fee refund
- Asset management business
- Options brokerage business



2016 Fee Income

- Commodity futures brokerage business
- Financial futures brokerage business
- Overseas futures business
- Fee refund
- Asset management business
- Options brokerage business



Total Fee Income Chart of the Group

① The income from futures business amounted to RMB195.104 million, representing a year-on-year decrease of RMB5.343 million or 3%, 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 RMB89.827 million, representing a year-on-year decrease of RMB35.068 million; and fee income from financial futures amounted to RMB0.808 million, representing a year-on-year decrease of RMB0.037 million; the income from overseas futures business amounted to RMB7.081 million, representing a year-on-year increase of RMB0.692 million or 11%, 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 rising fee income; refunds of handling fees amounted to RMB97.388 million, representing a year-on-year increase of RMB29.070 million or 43%, which was main attributable to the fact that the stock exchange increases its efforts in the refund of handling fees.

② The income from asset management business amounted to RMB2.224 million, representing a year-on-year decrease of RMB1.411 million or 39%. 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 of 31 December 2017, the net value of asset management plans amounted to RMB1,505 million, representing a year-on-year growth of 74.8% as compared to RMB861 million on 31 December 2016. Number of asset management plans increased from 45 in 2016 to 47 in 2017.

③ Income from option brokerage business amounted to RMB0.582 million, representing a year-on-year increase of RMB0.455 million or 358%, which was mainly due to the year-on-year increase in income from share options handling fees.

(2) Interest income

Interest income of the Group amounted to RMB138.357 million, representing a year-on-year increase of RMB31.186 million or 29%. Breakdown is set out in the following table:

			Change in 2017 as compared to 2016	
In RMB'000	**2017**	**2016**	**Amount**	**%**
Bank deposits	**126,752**	92,589	34,163	37%
Futures exchanges	**5,743**	6,039	(296)	-5%
Asset management plans	**2,960**	7,752	(4,792)	-62%
Trust schemes	**2,803**	698	2,105	302%
Resale agreements	**99**	93	6	6%
Total	**138,357**	107,171	31,186	29%

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: the interest income from the bank deposits increased by RMB34.16 million or 37% as compared to 2016. Interest generated was mainly from deposit interest of the Company's own fund and interest generated from cash held on behalf of clients, which was mainly due to the increase in average daily balance and the increase in the level of deposit rate as compared to the same period of last year.

2. *Net investment gains*

In 2017, the Group achieved net investment gains of RMB10.020 million, representing a year-on-year increase of RMB3.915 million or 64%, which was mainly attributable to the increase in proceeds from disposal of financial assets. Breakdown is set out in the following table:

			Change in 2017 as compared to 2016	
In RMB'000	2017	2016	Amount	%
Investment gains	928	(4,619)	5,547	120%
Gain or loss on fair value changes	(585)	528	(1,113)	-211%
Dividends from securities and funds	9,677	10,196	(519)	-5%
Total	**10,020**	6,105	3,915	64%

(1) *Investment gains*

Investment gains of the Group amounted to RMB0.928 million, representing a year-on-year increase of RMB5.547 million or 120%. Breakdown is set out in the following table:

In RMB'000	2017	2016	Change in 2017 as compared to 2016 Amount	%
Disposal of financial assets at fair value through profit or loss				
– Trading securities	2,370	5,690	(3,320)	-58%
– Funds	(6,073)	(9,856)	3,783	38%
– Receivables	–	224	(224)	-100%
Disposal of financial liabilities at fair value through profit or loss	–	–	–	–
– Payables	–	74	(74)	-100%
– Asset management plans	249	(1,643)	1,892	115%
Disposal of financial assets designated at fair value through profit or loss				
– Variation basis trading business	1.861	–	1,861	N/A
Disposal of derivative financial instruments	(4,208)	(1,627)	(2,581)	-159%
Disposal of available-for-sale financial assets				
– Listed securities	6,220	–	(6,220)	N/A
– Wealth management products	235	1,470	(1,235)	-84%
– Asset management plans	262	1,049	(787)	-75%
– Bonds	12	–	12	N/A
Total	928	(4,619)	5,547	120%

In RMB'000	2017	2016	Increase in 2017 as compared to 2016 Amount	%
Proceeds from disposal of financial assets	3,026	(1,647)	4,673	284%
Futures and other risk management business	(2,098)	(2,972)	874	29%
Total	928	(4,619)	5,547	120%

The investment gains of the Group mainly generated from proceeds from disposal of financial assets and futures and other risk management business. The increase of investment gains was relatively higher as compared to 2016, of which proceeds from disposal of financial assets and futures and other risk management business both recorded growth. Proceeds from disposal of financial assets and futures and other risk management business increased RMB4.673 million and RMB0.874 million respectively.

Proceeds from disposal of financial assets mainly comprised proceeds from disposal of securities, funds, wealth management products, asset management plans and bonds. In 2017, the proceeds from disposal of financial assets increased year on year by RMB4.673 million or 284%, which was mainly due to the fact that the Group disposed part of its previously purchased and long-held securities in the time of strong stock market in 2017, so the income from disposal of listed securities under available-for-sale financial assets recorded a year-on-year increase of approximately RMB6.220 million.

(2) Gain or loss on fair value changes

In 2017, gain or loss on fair value changes of the Group amounted to RMB-0.585 million, representing a year-on-year decrease of RMB1.113 million or 211%. Breakdown is set out in the following table:

			Increase in 2017 as compared to 2016	
In RMB'000	**2017**	**2016**	**Amount**	**%**
Trading securities	**(2,795)**	(1,653)	(1,142)	-69%
Funds	**1,078**	(212)	1,290	608%
Financial assets designated at fair value through profit or loss	**–**	(280)	280	100%
Financial liabilities designated at fair value through profit or loss	**268**	879	(611)	-70%
Derivative financial assets	**(646)**	(823)	177	22%
Derivative financial liabilities	**1,510**	2,617	(1,107)	-42%
Subtotal	**(585)**	528	(1,113)	-211%

(3) Dividends from securities and funds

In 2017, dividends from securities and funds of the Group amounted to RMB9.677 million, representing a year-on-year decrease of RMB0.519 million, which was mainly contributed by the dividend income generated from funds held by the Group since 2017.

3. Other net operating income

In 2017, the Group achieved other net operating income of RMB6.467 million, representing a year-on-year increase of RMB6.467 million or 100%, which was mainly attributable to our subsidiary Holly Capital started to carry out variation basis trading business.

			Increase in 2017 as compared to 2016	
In RMB'000	**2017**	**2016**	**Amount**	**%**
Other operating income	**184,025**	–	184,025	N/A
Other operating cost	**177,558**	–	177,558	N/A
Total	**6,467**	–	6,467	N/A

4. Other income

In 2017, the Group recorded other income of RMB-0.738 million, representing a year-on-year decrease of RMB21.098 million or 104%, which was mainly attributable to the decrease in foreign exchange gains and losses. Breakdown is set out in the following table:

			Change in 2017 as compared to 2016	
In RMB'000	**2017**	**2016**	**Amount**	**%**
Government grants	**2,215**	1,270	945	74%
Subsidies from China Financial Future Exchange	**1,749**	664	1,085	163%
Exchange gains or losses	**(6,622)**	10,872	(17,494)	-161%
Others	**1,920**	7,545	(5,625)	-75%
Other income	**(738)**	20,351	(21,089)	-104%

(1) Government grants

The government grants of the Group amounted to RMB2.215 million with a year-on-year increase of RMB0.945 million or 74%. Government grants mainly comprised: (i) the subsidies for corporate listing of RMB1 million received by Holly Futures from the Financial Development Office of Qinhuai District, Nanjing in May 2017; and (ii) the employment subsides of RMB0.215 million received by Holly Futures from the Finance Bureau of Nanjing Municipality in May 2017; and (iii) incentive for setting up subsidiary of RMB0.5 million was received from Zhengzhou Zhengdong New District Management Committee by our Zhengzhou subsidiary in August 2017, and incentive for setting up subsidiary of RMB0.50 million was received from Financial Industry Development and Service Office of the Shenzhen Municipal by our Shenzhen subsidiary.

(2) Subsidies from China Financial Futures Exchange

The subsidies from China Financial Futures Exchange of the Group amounted to RMB1.749 million with a year-on-year increase of RMB1.085 million or 163%, which mainly comprised certain amount of subsidies from China Financial Futures Exchange 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 RMB-6.622 million, which was mainly attributable to the listing of the Company in late 2015. The receipt date of the proceeds was on 5 January 2016. As at 31 December 2017, the unutilized proceeds amounted to HKD107.92 million. As, exchange rates of Hong Kong dollar against Renminbi climbed from 0.8945 on 31 December 2016 to 0.8359 on 31 December 2017, foreign exchange gains and losses were incurred.

5. *Operating and management expenses*

The operating and management expenses of the Group amounted to RMB220.803 million in 2017, representing a year-on-year decrease of RMB10.743 million or 5%. Breakdown is set out in the following table:

In RMB'000	2017	2016	Change in 2017 as compared to 2016 Amount	%
Staff costs	**137,297**	136,552	745	1%
Office expenses	**28,964**	24,084	4,880	20%
Lease charges	**21,070**	19,075	1,995	10%
Taxes and surcharges	**974**	4,219	(3,245)	-77%
Audit fees	**2,038**	1,925	113	6%
Others	**30,460**	45,691	(15,231)	-33%
Total	**220,803**	231,546	(10,743)	-5%

(1) Staff costs

Staff costs mainly comprised salaries, bonuses and allowances, pension and other social welfare such as "5 insurances and 1 pension". In 2017, the staff costs of the Group amounted to RMB137.297 million with a year-on-year increase of RMB0.745 million or 1%, which was mainly attributable to the improvement in business development and results in 2017, and the growth in the number of employees, leading to the increase in staff costs.

(2) Office expenses

Office expenses mainly comprised office supplies fees, information fees, promotion and business development expenses, postal and communication expenses, business travel expenses and operation and maintenance costs for electronic equipment. In 2017, the office expenses of the Group amounted to RMB28.964 million with a year-on-year increase of RMB4.880 million or 20%.

(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 2017, the lease charges of the Group amounted to RMB21.070 million with a year-on-year increase of RMB1.995 million or 10%, which was mainly due to the leasing of additional data rooms for enhancing technical support, resulting in the increase of lease charges.

(4) Taxes and surcharges

In 2017, the taxes and surcharges of the Group amounted to RMB0.974 million with a year-on-year decrease of RMB3.245 million or 77%, 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.

6. Share of losses of investment in associates

In 2017, the share of losses of associates of the Group amounted to RMB1.665 million with a year-on-year increase of RMB0.634 million or 61%, which was mainly attributable to the increase in the net losses of the associates invested by the Group.

(3) Asset items

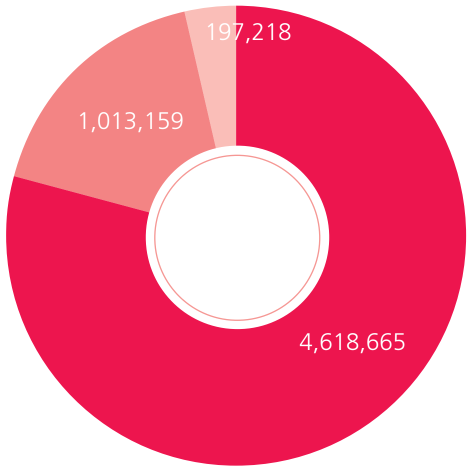
As at 31 December 2017, the total assets of the Group increased year on year by RMB997 million or 21% to RMB5,829 million, including cash assets amounting to RMB4,619 million with a year-on-year increase of 5%, financial investment assets amounting to RMB1,013 million with a year-on-year increase of 233%, and other operating assets such as property and equipment amounting to RMB197 million with a year-on-year increase of 51%. The change in the total amount of principal assets of the Group is set out as follows:

In RMB'000	As at 31 December 2017	As at 31 December 2016	Increase as at 31 December 2017 as compared to 31 December 2016 Amount	%
Cash assets	**4,618,665**	4,398,173	220,492	5%
Financial investment assets	**1,013,159**	303,862	709,297	233%
Other operating assets such as property and equipment	**197,218**	130,478	66,740	51%
Total	**5,829,042**	4,832,513	996,529	21%

The composition of the total assets of the Group:

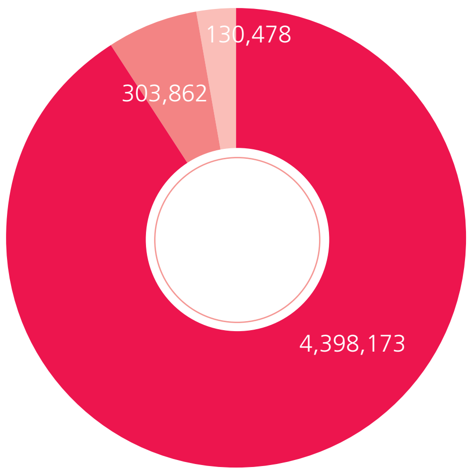
Asset distribution as at 31 December 2017

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



Asset distribution as at 31 December 2016

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



1. *Cash assets*

As at 31 December 2017, the cash assets of the Group amounted to RMB4,619 million, accounting for 79.24% of the total assets of the Group, with a year-on-year increase of RMB220 million or 5%. The composition of the cash assets of the Group is set out as follows:

In RMB'000	As at 31 December 2017	As at 31 December 2016	Change as at 31 December 2017 as compared to 31 December 2016 Amount	%
Retentions deposited into exchange clearing house	**1,415,746**	1,046,750	368,996	35%
Cash held on behalf of clients	**2,290,147**	2,178,936	111,211	5%
Cash and bank balances	**912,772**	1,172,487	(259,715)	-22%
Total	**4,618,665**	4,398,173	220,492	5%

The change in cash assets was mainly reflected in the retentions deposited into exchange clearing house, which mainly comprised RMB1,408 million of currency deposits receivable and RMB8 million of pledged deposits receivable, amounted to RMB1,416 million, accounting for 24.29% of the total assets of the Group, representing an increase of RMB369 million or 35% as compared to 2016.

2. *Financial investment assets*

As at 31 December 2017, the financial investment assets of the Group amounted to RMB1,013 million, accounting for 17.38% of the total assets of the Group, with a year-on-year increase of RMB709 million or 233%. The composition of the financial investment assets of the Group is set out as follows:

In RMB'000	As at 31 December 2017	As at 31 December 2016	Change as at 31 December 2017 as compared to 31 December 2016 Amount	%
Investment in associates	**19,932**	11,743	8,189	70%
Available-for-sale financial assets	**131,035**	256,613	(125,578)	-49%
Financial assets at fair value through profit or loss	**862,143**	35,481	826,662	2330%
Derivative financial assets	**49**	25	24	96%
Total	**1,013,159**	303,862	709,297	233%

As of 31 December 2017, the available-for-sale financial assets of the Group amounted to RMB131 million, accounting for 2.25% of the total assets of the Group, with a year-on-year decrease of RMB126 million or 49%, which was mainly attributable to the decrease in the investment on asset management plans. The composition of the available-for-sale financial assets of the Group is set out as follows:

In RMB'000	As at 31 December 2017	As at 31 December 2016	Change as at 31 December 2017 as compared to 31 December 2016 Amount	%
Equity instruments	2,184	6,280	(4,096)	-65%
Funds	18,102	–	18,102	N/A
Asset management plans	62,359	184,333	(121,974)	-66%
Trusts	28,000	66,000	(38,000)	-58%
Bonds	10,209	–	10,209	N/A
Wealth Management	10,181	–	10,181	N/A
Total	**131,035**	256,613	(125,578)	-49%

As at 31 December 2017, the financial assets at fair value through profit or loss of the Group amounted to RMB862 million, accounted for 14.79% of the Group's total amount of assets, representing a year-on-year increase of RMB827 million or 2330%, which was mainly due to the increase in asset management plans that were included in the scope of the consolidated statements. The composition of the financial assets at fair value through profit or loss of the Group are set out in the table below:

In RMB'000	As at 31 December 2017	As at 31 December 2016	Increase as at 31 December 2017 as compared to 31 December 2016 Amount	%
Financial assets held for trading				
Equity instruments	37,244	35,481	1,763	5%
Funds	210,899	–	210,899	N/A
Subtotal	248,143	35,481	212,662	599%
Financial assets at fair value through profit or loss				
Asset management plans	614,000	–	614,000	N/A
Subtotal	614,000	–	614,000	N/A
Total	**862,143**	35,481	826,662	2330%

3. *Other operating assets such as property and equipment*

As at 31 December 2017, the other operating assets such as property and equipment of the Group amounted to RMB197 million, accounting for 3.38% of the total assets of the Group, and representing a year-on-year increase of RMB67 million or 51%. The composition of other operating assets such as property and equipment of the Group is set out in the table below:

In RMB'000	As at 31 December 2017	As at 31 December 2016	Increase as at 31 December 2017 as compared to 31 December 2016	
			Amount	%
Property, plant and equipment	7,959	7,898	61	1%
Goodwill	43,322	43,322	–	0%
Intangible assets	22,692	22,536	156	1%
Deferred income tax assets	7,887	4,595	3,292	72%
Other current assets, non-current assets	115,358	52,127	63,231	121%
Total	**197,218**	130,478	66,740	51%

(4) Liabilities items

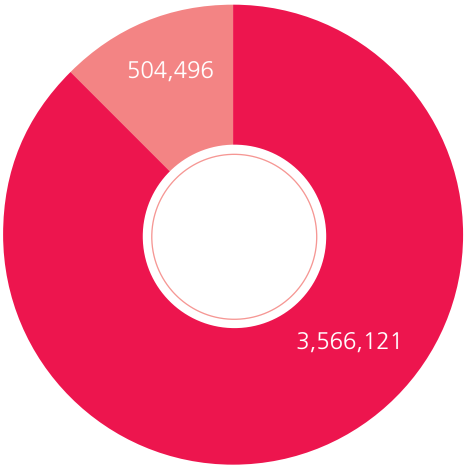
As at 31 December 2017, the total liabilities of the Group increased year on year by RMB954 million or 31% to RMB4,071 million, in which accounts payable to brokerage clients amounted to RMB3,566 million with a year-on-year increase of 17%, which was mainly attributable to the increase in the deposits contributed by clients. The change in the total amount of principal liabilities of the Group is set out as follows:

In RMB'000	As at 31 December 2017	As at 31 December 2016	Increase as at 31 December 2017 as compared to 31 December 2016	
			Amount	%
Accounts payable to brokerage clients	3,566,121	3,040,791	525,330	17%
Other operating liabilities	504,496	76,036	428,460	563%
Total	**4,070,617**	3,116,827	953,790	31%

The composition of the total liabilities of the Group:

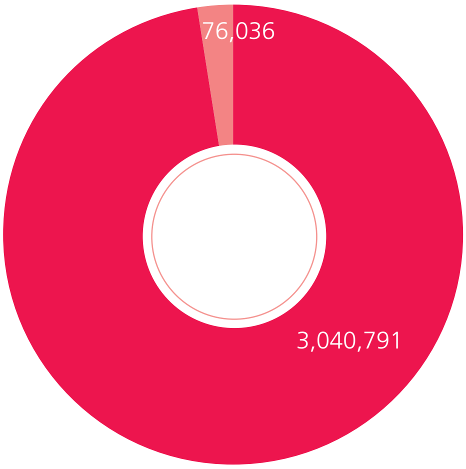
Liability distribution as at 31 December 2017

- Accounts payable to brokerage clients
- Other operating liabilities



Liability distribution as at 31 December 2016

- Accounts payable to brokerage clients
- Other operating liabilities



1. *Accounts payable to brokerage clients*

As at 31 December 2017, the accounts payable to brokerage clients of the Group amounted to RMB3,566 million, accounting for 87.61% of the total liabilities of the Group, with a year-on-year increase of RMB525 million or 17%, which was mainly attributable to the increase in the deposits contributed by clients. Of which, currency deposits payable and pledged deposits payable amounted to RMB3,558 million and RMB8 million respectively. The composition of the accounts payable to brokerage clients of the Group is set out as follows:

In RMB'000	As at 31 December 2017	As at 31 December 2016	Increase as at 31 December 2017 as compared to 31 December 2016 Amount	%
Natural person clients	2,228,830	2,080,189	148,641	7%
Corporate clients	1,337,291	960,602	376,689	39%
Total	3,566,121	3,040,791	525,330	17%

2. *Other operating liabilities*

As at 31 December 2017, the other operating liabilities of the Group amounted to RMB504 million, accounting for 12.39% of the total liabilities of the Group, with a year-on-year increase of RMB428 million or 563%. The composition of the other operating liabilities of the Group is set out as follows:

In RMB'000	As at 31 December 2017	As at 31 December 2016	Increase as at 31 December 2017 as compared to 31 December 2016 Amount	%
Other current liabilities	79,613	48,255	31,358	65%
Financial liabilities and derivative financial liabilities at fair value through profit or loss	424,883	27,781	397,102	1429%
Total	504,496	76,036	428,460	563%

The change in the other operating liabilities was mainly reflected in the financial liabilities and derivative financial liabilities at fair value through profit or loss, representing a year-on-year increase of RMB397 million or 1429%, which were mainly the assets plans included in the consolidated statements.

(5) Equity

As at 31 December 2017, the total equity of the Group amounted to RMB1,758 million, representing a year-on-year increase of RMB43 million or 2%. The composition of the equity of the Group as of the dates indicated is set out as follows:

In RMB'000	As at 31 December 2017	As at 31 December 2016	Increase as at 31 December 2017 as compared to 31 December 2016	
			Amount	%
Share capital	907,000	907,000	0	0%
Reserve	851,425	808,686	42,739	5%
Total equity	1,758,425	1,715,686	42,739	2%

(6) Contingent liability and assets pledge

As at 31 December 2017, the Group had no asset pledge and 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 established Liyang Branch. During the Reporting Period, the Company closed its Nanchang Branch and Wuhan Branch.

(2) Relocation

The Company constantly adjusted and optimized its branch network. During the Reporting Period, 7 branches, namely the branches at Shenzhen, Wuhu, Nanning, Guangzhou, Jiangyin, Chongqing and Chengdu were relocated.

2. Establishment of and changes in sub-branch offices

During the Reporting Period, the Company established Beijing Sub-branch, while 1 sub-branch, namely Shenzhen Sub-branch, was relocated.

(2) Subsidiaries

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.

On 23 March 2017, the Company contributed capital of HKD90 million into Holly Su Futures.

(3) Impact on results

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. As of the end of 2017, Holly Su Futures recorded total assets of RMB330 million and net assets of RMB153 million. For 2017, Holly Su Futures achieved total profit of RMB841,900, representing a year-on-year increase of approximately 71%. Meanwhile, Holly Su Futures has obtained a license for securities dealing and conducted the follow-up work in an orderly manner.

V. Major investment and financing

(1) Equity financing

Nil.

(2) Debt financing

Nil.

(3) Equity investments

The Company completed one equity investments throughout the year.

On 23 March 2017, the Company contributed capital of HKD90 million into Holly Su Futures.

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 2017, the Company has no material acquisition or disposal of subsidiaries, associates and joint ventures.

VII. Business innovation, its impact, and controlling risk

(1) Business innovation and its impact

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

1. *A new stage of international development*

As of 31 December 2017, Holly Su Futures, a wholly-owned subsidary of the Company in Hong Kong, achieved a client balance amounting to HKD210 million, a year-on-year increase of 11% in fee income, 7% in agency trading volume, and 71% in total profit. Implementing business mode innovation based on the Hong Kong market, Holly Su Futures applied for securities trading and asset management licences, for membership of the Hong Kong and Tokyo Stock Exchanges, and entered into a strategic cooperation agreement with the Tokyo Commodity Exchange. As the designated trader for the 4th Global Derivatives Firm Offer Contest, Holly Su Futures was awarded the "Excellent Innovation Service Award". In the gold simulation contest organised by Hong Kong Stock Exchange, Holly Su Futures ranked fifth among brokers.

2. *A new situation for the risk management business*

The year 2017 marked a start in the development of China's commodity options. As one of the first batch of futures companies obtaining qualification for the stock options brokerage business in the SSE, the Company made remarkable achievements in on-the-field options, over-the-counter options, product design and "insurance + futures". Its market share in terms of number of clients and trading volume in the stock option business ranked among the industry's top 10. The over-the-counter business has also developed rapidly, with the system process, pricing arithmetics and risk hedges becoming more mature. The notional principal amount of transactions was nearly RMB200 million and turnover of premiums exceeded RMB6 million. The Company exploration of the "futures + insurance" sector included undertaking a "futures + insurance" corn project in Zhenlai, Jilin, in which a positive social effect was obtained when insured farmers received claimed compensation amounting to RMB1.05 million. The Company independently developed active options products in asset management with a scale of RMB24 million, archiving a good return while maintaining stable operations. Additionally, the Company signed over-the-counter option agreements with a number of financial institutions to create a solid foundation for the continuing development of the option business.

3. *A new step for the wealth management business*

In 2017, the Company began cooperation with several renamed public fund companies. In total, there were approximately 141 new fund products and 500 agency fund products, with fund sales of RMB70 million achieved. To enlarge and strengthen the Company's wealth management business, it established a Beijing branch of its Wealth Management Centre and submitted application materials to the CSRC for the Holly Fund Management Company.

(2) Controlling risk in innovative business

1. *Enhancing prior system construction and staff training*

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

2. *Strengthening ongoing monitoring*

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

3. *Implementing post-inspections*

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

(3) Prospects

The variety and systems of futures and options will become further diversified and improved in 2018, and futures companies will experience a new round of reshuffling as they develop. The internationalisation of the futures market has accelerated. Crude futures will be listed soon, providing a hedge instrument to domestic oil refining enterprises. This will be significant to the internationalisation of RMB, the construction of energy markets in countries along the "one belt and one road", the internationalisation of the futures market, and seeking pricing rights over bulk commodities. On 2 February 2018, CSRC issued an announcement stating that it was determined that DCE would introduce foreign traders to participate in domestic iron ore futures trading, which implied that the internationalisation of the Chinese futures market is officially breaking ice. Commodity and financial futures will advance shoulder-to-shoulder. Paper pulp, red jujube, live pigs, urea and other commodity futures, two-year national debt futures and foreign exchange futures are also expected to be introduced in 2018. Finally, commodity options will continue to expand and derivative instruments will become increasingly diversified. In the wake of the introduction of bean pulp options and white sugar options in 2017, the options market will see rapid development in 2018. Copper options, gold options, PTA options and other varieties are expected to be introduced.

Facing this new development trend, the Company will maximise its opportunities as the industry develops, using its advantages to the fullest extent to conduct efficient, practical, professional businesses. Crude futures, as China's first futures variety for global investors, is a milestone in the opening up of the capital market. The introduction of crude futures will bring in new opportunities for cross-market arbitrage and bring new hedging channels to a wide range of international oil companies. The opening up of the futures market will introduce foreign investors to participate in domestic commodity futures trading. The Company can take advantage of this to strengthen the communication with related companies and propel the Company's brokerage business to become bigger and stronger. Crude futures is expected to become a major asset allocation tool for investment institutions. The Company should actively contact institutions such as public and private placement agencies, insurance agencies, and banks to make investments in asset management. At the same time, the promotion of international varieties will benefit the clearing of the market and allow investors to understand the regular futures market and its characteristics, which will help the Company further enhance its market image and expand its brand influence. At present, the Company's crude futures team has issued the guidance on strengthening the marketing of crude markets. Each business unit must strengthen communication with local oil refining enterprises, and at the same time reinforce the communication with and visits to local logistics groups (companies), port companies, transportation companies, and petrol and diesel end users enterprises. Also, major efforts are required on iron ore futures. On the one hand, Holly Su Futures' overseas financial service platform is fully utilized to cooperate with overseas banks and brokerage agencies so as to jointly develop overseas iron ore futures-related customer bases and work on market cultivation work; on the other hand, market research should be conducted as soon as possible, while the Company should carry out in-depth exchanges with domestic traders and steel mills which have engaged in cross-border transactions, and accumulate early customer resources.

1. Focus on improvement and upgrading of traditional businesses: The innovative businesses of investment consulting, asset management and risk management shall be combined with the objectives of professional practitioners, precise customer management and maximum income scale to enhance service quality, enlarge customer asset size and consolidate market share. A new model for the integration of futures brokerage business and the internet shall be built to explore the Online to Offline (O2O) marketing model, realise the online aggregation of information, and complete the offline customisation of products and personalisation of services. The "product + industry", "industry + finance", industrial funds and other new service models shall be explored to improve the service capacity of industrial clients. Personalised customisation for customers and differentiated marketing shall be achieved based on customer classification, and classified management analysed by big data to establish a multi-level, multi-dimensional service model.

2. Focus on size expansion of asset management business: The advantages of futures companies in derivatives research and development, risk control and other aspects shall be fully noticed to focus on creating active management products with special feature of commodity futures, options and other derivatives. The innovation in products form shall also be emphasised by continuing to exploring and issuing the products of FOF, MOM, QDII. A "seed programme" shall be established with a focus on incubating medium and small private equity institutes with outstanding performance, rich experience and excellent growth. The research and exploration of industries – emerging industries in particular – shall be promoted in a shift from "product-centric" to "customer-centric", and design products to be based on particular demands of clients. Meanwhile, we shall focus on the establishment of a corresponding risk management system to create value for clients.

3. Focus on risk management and professional development: The risk management business will establish a multilayered "business department-service team-Holly Capital" service system. It will promote the development of an over-the-counter futures business, deepen strategic collaboration with large enterprises, and engaging in bringing risk management plans to enterprises. It will further improve the platform for quotation for options, improve efficiency in quotation for options, and actively conduct the "futures + insurance" programme.

4. Focus on operation of the wealth management brand: We will develop wealth management business with fully serving private funds as the core, establish equity and other private fund management companies, and apply for equity investment, industrial funds and other business licences. Guided by "financial supermarket" principles, we will actively seek outstanding partners and act as the agent for more high-quality public funds, private funds and other wealth management products. We will conduct product sales and training and promote development of the futures brokerage business driven by the sale of products. We will focus on the implementation of national strategies such as "one road, one belt" and the integrated development of a Yangtze River economic zone, press ahead with the establishment of the Holly Fund Management Company, and apply for a public fund licence. Meanwhile, cooperation with banks, securities companies and other large financial institutions will be further explored to effectively expand and foster high net worth clients and expand the size of our wealth management business.

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

The risks entailed by the Company's business activities include those inherent to management and risks of internal control, professional conduct, markets, credit and investment. In 2017, the Company put into place measures to effectively deal with these risks and safeguard the efficiency of its business activities.

(1) Risk management and internal control risk

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

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

(2) Professional conduct risk

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

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

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

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

(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 are a large number of futures companies, the price war of handling charges has become fierce year after year for traditional brokerage business whose development prospect is not optimistic. Meanwhile, investors enter the futures market without adequate investment experience and skills nor good risk control capability but simply emphasize speculative trading 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 nine 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. Qiu Xiangjun is the Chief Risk Officer of the Company and has approximately 10 years of experience in the financial industry.

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

X. Industry competition, market position and core competitiveness

(1) Industry competition

The year of 2017 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 2017, it was achieved an accumulated volume of 3,076,149,758 lots with an accumulated turnover of RMB187.89641 trillion for the national futures market, representing year-on-year decrease of 25.66% and 3.95% 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 2017, there was a total of 129 futures companies qualified for asset management business, which together offered 3,319 asset management products in an amount of RMB245.84 billion with the industry's asset management income amounted to RMB1,131 million.

In terms of risk management business, as at 31 December 2017, there was a total of 70 risk management subsidiaries in the industry passed the association filing and 65 companies completed the filing of carrying out pilot business with total assets of RMB26.671 billion, net assets of RMB13.558 billion, accumulated operating income of RMB84.392 billion and accumulated net profit of RMB900 million.

(2) Market position

In 2017, the Company continued to maintain a development edge. Leveraging various advantages of its platforms, network distribution and qualification of comprehensive license and fully integrating with Internet services, the Company consolidated the scale of traditional business. In 2017, the turnover was RMB2.9935 trillion (bilateral statistics), accounting for 0.80% of the market share. At the same time, the Company actively developed innovative business with significant growth in risk management and asset management business.

In 2017, the Company has been rated "Class A of the A Category" for the ninth consecutive year.

(3) Core competitiveness

1. Superior geographical location

The Company's headquarters is located in Nanjing, capital of Jiangsu Province, where it boasts an exceptionally solid presence. At the end of the Reporting Period, the Company had a total of 45 branches (39 futures branches and six sub-branches), of which 19 were located in Jiangsu. Jiangsu Province is located in the eastern coastal area of the PRC with advanced economic developement. In the first half of 2017, Jiangsu's GDP reached RMB4,082.1 billion, ranking second only to Guangdong among the country's provinces. Driven by China's steady economic growth and its superior location, the province has served as an important manufacturing centre in east China. These advantages enable it to capitalise on a wide range of economic and industrial opportunities. In recent years, the People's Government of Jiangsu Province issued a series of new policies to stimulate its economic development, and especially that of the financial services industry. At the provincial finance work conference on 1 September 2017, it was proposed that Jiangsu Province thoroughly implement the spirit of the National Financial Work Conference by achieving the three tasks of serving the real economy, preventing and controlling financial risks and deepening financial reform, and making efforts to create a new situation in financial reform and development. Thus, Jiangsu is now geared to become a province with tremendous progress in financial business. The People's Government of Jiangsu Province issued the Opinions on Speeding up the Innovation of Financial Reform, promoting the development of a financial holding platform in Jiangsu Province, enhancing the overall investment capability of futures companies, banks, securities companies, insurance companies and trust companies, and further raising the securitisation rate of Jiangsu Province. Under continuing favourable policy conditions, the Company will gain more market opportunities.

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

2. Widely distributed business network

The Company has a total of 45 branches (39 futures branches and six sub-branches), of which 19 are located in Jiangsu Province. The rest are mainly located in economically developed and financially prosperous areas such as Beijing, Shanghai and Shenzhen, giving coverage of financially developed areas and other major areas. In addition, Holly Su Futures, a subsidiary of the Company, provides securities and futures brokerage services at the Hong Kong Stock Exchange, the Hong Kong Futures Exchange, and other major futures exchanges around the world.

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

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

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

4. Efficient, comprehensive and stable online trading platform

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

The Company's ability to maintain a stable trading platform – supplemented by a backup system – is a key factor in gaining and fostering customer loyalty and attracting new customers. There have been no major incidents affecting the activities of clients since the platform went into operation. To ensure the smooth execution of clients' trading activities, the Company established three independent data centres, two of which are located in Nanjing and one in Shanghai. These can back up the daily records of the online trading platform. Failure of any one of the Company's three independent data centres will not result in an interruption of services.

5. *Strong customer service capabilities*

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

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

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

6. *Experienced and stable senior management team*

Members of the Company's senior management team boast an average of 17 years' experience in the futures industry. The Company was awarded the title of a state-owned enterprise in Jiangsu Province with an advanced team in building the "four good (四好)" leading group. The Company believes the strength and experience of its senior management team to be a vital key to realising its long-term growth strategies.

7. *Comprehensive business qualifications*

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

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

Holly Capital, another Company subsidiary, is principally engaged in commodity trading and risk management, including variation basis trading, cooperative hedging, pricing services, market making business and warehouse receipt services. It is a trader on the Dalian Commodity Exchange in corn and iron ore futures, and is a special trader on the National Cotton Exchange Market and the China Coal Trading Center.

XI. Company prospects

Looking forward, the Company will heed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly implement the spirit of the 19th CPC National Congress and the congress of party representatives of the Holdings Group, firmly establish new development ideas and follow the fundamental requirements on high-quality development. It will follow the paths of enterprise internationalisation and capital securitisation with asset management and risk management as two wings and overseas businesses and funds management as reinforcements, focus strengths, resources and policies to seek practical results amid the continuously improved high-quality development of "four centres and two platforms". It will mull practical measures of focusing on innovation and enriching people and strive to become a comprehensive financial group with "more outstanding advantages on the platform of the listed company, more improved mixed ownership system, more flexible organisations and mechanisms and more effective risk management and control".

Major expected operational targets in 2018 are to achieve improvements in profit, client balance and other major operational indicators on the basis of consolidating traditional businesses, adapting to strong regulation and standardising the operation.

Firstly, it will promote the reform of organisations and mechanisms with the issues and the market as the orientation. It will endeavour to make substantial progress in the listing of A shares. Based on the external policy environment and the actual operational conditions of the enterprise, during the process of returning to the A-share market, it will attempt to conduct the divisional system in subsidiaries or subordinate companies and introduce outstanding teams to jointly establish subsidiaries with the nature of division when appropriate. Meanwhile, it will also establish the new model with innovative technicians making share contributions by converting their skills into consideration.

Secondly, it will effectively release vitality in the operation of the enterprise on the basis of strengthening the competitiveness of the institute. It will continue to promote the transformation of two subsidiaries, namely Holly Capital and Holly Su Futures, into business operation centres with "perfect governance structure, outstanding principal operation, strong core competitiveness, lean and efficient management and risk prevention under control". Meanwhile, the two subsidiaries seek innovation and breakthroughs in business models while focusing on their respective features and strive to make qualitative leaps in the overall size and benefit in 2018. They will fully establish the overseas business expansion model with "four centres and two platforms" and achieve integrated development of the domestic "four centres and two platforms" to build comprehensive cross-border financial service platforms. They will explore the construction of the "headquarters-branch-sales department" multilevel network system based on the development goals of "bigger and stronger" and "fine and intensive", continue to study and introduce assistance measures, follow the guidance of typical cases and create a competitive atmosphere. Meanwhile, all innovative business divisions and departments of the Company should support and assist branches in conducting innovative businesses. All branches should build new profit growth points with the expansion of innovation businesses as the driver.

Thirdly, it will focus on improving the operational efficiency of the enterprise with the target of expanding the business. The variety and systems of futures and options will become further diversified and improved in 2018, and futures companies will experience a new round of reshuffling as they develop. The internationalisation of the futures market has accelerated. Crude futures will be listed soon, providing a hedge instrument to domestic oil refining enterprises. This will be significant to the internationalisation of RMB, the construction of energy markets in countries along the “one belt and one road”, the internationalisation of the futures market, and seeking pricing rights over bulk commodities. On 2 February 2018, CSRC issued an announcement stating that it was determined that DCE would introduce foreign traders to participate in domestic iron ore futures trading, which implied that the internationalization of the Chinese futures market is officially breaking ice. Commodity and financial futures will advance shoulder-to-shoulder. Paper pulp, red jujube, live pigs, urea and other commodity futures, two-year national debt futures and foreign exchange futures are also expected to be introduced in 2018. Finally, commodity options will continue to expand and derivative instruments will become increasingly diversified. In the wake of the introduction of bean pulp options and white sugar options in 2017, the options market will see rapid development in 2018. Copper options, gold options, PTA options and other varieties are expected to be introduced.

Facing this new development trend, the Company will maximise its opportunities as the industry develops, using its advantages to the fullest extent to conduct efficient, practical, professional businesses. Crude futures, as China’s first futures variety for global investors, is a milestone in the opening up of the capital market. The introduction of crude futures will bring new opportunities for cross-market arbitrage and bring new hedging channels to a wide range of international oil companies. The opening up of the futures market will introduce foreign investors to participate in domestic commodity futures trading. The Company can take advantage of this to strengthen the communication with related companies and propel the Company’s brokerage business to become bigger and stronger. Crude futures is expected to become a major asset allocation tool for investment institutions. The Company should actively contact institutions such as public and private placement agencies, insurance agencies, and banks to make investments in asset management. At the same time, the promotion of international varieties will benefit the clearing of the market and allow investors to understand the regular futures market and its characteristics, which will help the Company further enhance its market image and expand its brand influence. At present, the Company’s crude futures team has issued the guidance on strengthening the marketing of crude markets. Each business unit must strengthen communication with local oil refining enterprises, and at the same time reinforce the communication with and visits to local logistics groups (companies), port companies, transportation companies, and petrol and diesel end users enterprises. Also, major efforts are required on iron ore futures. On the one hand, Holly Su Futures’ overseas financial service platform is fully utilized to cooperate with overseas banks and brokerage agencies so as to jointly develop overseas iron ore futures-related customer bases and work on market cultivation work; on the other hand, market research should be conducted as soon as possible, while the Company should carry out in-depth exchanges with domestic traders and steel mills which have engaged in cross-border transactions, and accumulate early customer resources. Under the new development situation, the Company will make the best of opportunities in the development of the industry, give full display to the advantages of the Company and focus on the improvement and upgrading of traditional businesses, expansion of the asset management business, and the professional and new development of risk management.

Fourthly, it emphasises the improvement of the soft power of the enterprise and highlights a more influential brand effect. The Company will constantly advance towards construction platforms for the integration of investment and research, master new trends, explore new industries and study the new normal. It will focus on customers' demand and establish a full business chain of financial derivatives with investment and research integration as the core competitiveness, so as to cover services from the macro economy, industries, bulk commodities, financial futures, on-site and off-site options to investment, risk management, international businesses and other industries. On the basis of understanding, analysing and matching customers' demands, it will give active play to big data in futures research, utilise internet concepts and technology and build up a well arranged, on-line and off-line three dimensional and all-around customer service system. Meanwhile, it will establish a good customer service system and continue to improve the construction of an online platform with the integration of trading, marketing and services. It will promote the upgrading and transformation of the trading client, effectively improve the trading speed, reduce the delays in trading, provide clients with convenient and safe trading channels for futures and further satisfy the trading demand of professional investors.

XII. Business overview

(1) Key financial ratios

	2017	2016
Net assets per Share attributable to shareholders of the Company (RMB/share)	**1.94**	1.89

The Group's net assets per Share attributable to shareholders of the Company increased in 2017, which was mainly attributable to the significant increase of 29% in profit after tax in 2017.

Gearing ratio

	2017	2016
Gearing ratio (%)Note	**22%**	4%

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

Gearing ratio of the Group increased during the year of 2017, which was mainly attributable to the year-on-year increase in the balance of financial liabilities designated at fair value through profit or loss.

Weighted average return on net assets

	2017	2016
Weighted average return on net assets	**5.86%**	4.65%

Weighted average return on net assets of the Group slightly decreased in 2017, which was mainly attributable to the significant increase of 29% in profit after tax in 2017.

(2) Corporate social responsibility

1. *Relationship with employees*

Staff is the Company's most valuable asset and the foundation of its continuing 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 continues to expand its recruitment channels while optimising staff training systems and staff deployment. The Company pays close attention to the interests of staff members, and has made an effort to foster a harmonious and healthy corporate culture. This is done firstly by creating an environment that will attract talent. With the objective of "respecting talent, cultivating talent, making good use of talent", the Company places great emphasis on attracting competitive talent and supporting them to fully engage in their roles. The Company strives to be fair and reasonable in the selection and appointment of key personnel. At the same time, it has continuously innovated to create a mechanism that brings the most educated, knowledgeable, skilled personnel quickly to the fore. Secondly, the Company maintains an innovative incentive mechanism to encourage retention of talent. Under the premise of profit-making, the Company strives to provide steady increases in staff annual salaries, to foster staff members' growth and development, to listen to and address the concerns and ideas of staff members, and encourage them to share in the Company's achievements. For high-end talent and key personnel who make outstanding contributions, the Company has considered implementing a policy of "annual salary, agreeing wages and project wages" on a case-by-case basis. The Company has also explored the establishment of a fault-tolerant error and correction mechanism, and has improved the mechanism by which the employment or dismissal of an employee, the promotion or demotion of management, and/or an increase or decrease of their income is determined on the basis of performance. The Company supports and encourages those personnel who are fully committed, hardworking, without pursuance of personal interest at the expense of the Company, and it establishes a firm direction of serving innovators, persons with devotion and a mindset to succeed, so that those talents with ability and goof performance are rewarded. At the same time, the Company adheres to the employee-oriented policy to enable its staff to share the wealth generated, and establishes an improved protection mechanism to further enhance employees' sense of achievement, joyfulness and safety. Thirdly, the Company has established a diversified personnel training system for talent cultivation. Under its annual employee training programme, the Company carries out regular training targeted on specific subjects, improves the training management system which covers induction courses for new recruits, cultivation of backup staff, training fort the middle management, and develops career advancement paths for the middle management as well as interchange of work duties. It also actively facilitates the mobility of human resources to the benefit of both the Company and its staff. Fourthly, it creates a platform for its staff to demonstrate their ability so that their potentials are fully utitised. The Company relies on its employees to carry out its business, and the well-being of the business will in turn benefit the employees, so that a win-win situation will be attained which forms the logical starting point in building the value system of the enterprise to fully mobilise the enthusiasm and creativity of its employees. Based on the design of career development path of employees, the Company evaluates the qualifications of different talents at various levels on their goals of achievement in the enterprise to establish a comprehensive and systematic career plan to cater for the employees. At the same time, staff with better performance and having greater ability and potential are provided with the opportunity to take up more important roles in the Company, creating a work platform for employees to realise their self-value, truly achieving the idea of "retaining people by career, job satisfaction and competitive compensation".

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;

(4) an office automatic online management system to promote electronic office work and reduce paper consumption; and

(5) encourage employees to bring their own cups to save the use of disposable cups and so on.

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

Nil.

(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 2017.

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

V. Profit distribution and profit distribution plan

The audit institution confirmed through audit in accordance with the accounting standards of the PRC that, the Company generated net profit of RMB89,621,692.6 for 2017. According to relevant regulations such as the Company Law, Securities Law, Financial Rules for Financial Enterprises and Articles of Association, and Proposal on Distribution Plan of Accumulated Profits before Issue of H Shares of Holly Futures Co., Ltd. (《關於弘業期貨股份有限公司發行H股之前滾存利潤分配方案的議案》) (which stipulated that "the proceeds from the current issue of H Shares and accumulated undistributed profits before listing shall be shared by existing and new shareholders in proportion to their shareholding after H Shares are offered") considered and passed at the 2015 first extraordinary general meeting, the Company plans to distribute its undistributed profits in 2017 according to the following order: 1. Withdraw 10% of such sum as statutory surplus reserve, amounting RMB8,962,169.26; 2. Withdraw 10% as general risk reserve, amounting RMB8,962,169.26; 3. After deducting the above two items, the net profit of the Company in 2017 was RMB71,697,354.08, and the undistributed profit at the beginning of 2017 was RMB69,999,854.38, hence the accumulated distributable profits for 2017 was RMB87,277,208.46 (excluding the distributed profit of RMB54,420,000 for last year).

In view of the long-term development and interests of investors, the Company is expected to make the following profit distribution plan: the Board proposed distribution of cash final dividend for the year ended 31 December 2017 ("2017 Final Dividend") of RMB0.08 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 2017, namely Monday, 11 June 2018, and who are entitled to such distribution. Based on the total equity of the Company as of 31 December 2017, the aggregate amount to be distributed will be RMB72,560,000. The proposed 2017 Final Dividend is subject to approval at the 2017 annual general meeting of the Company. The 2017 Final Dividend of the Company is intended to be paid on Monday, 23 July 2018. Please refer to the circular of the 2017 annual general meeting to be published by the Company in due course for details and the actual arrangement regarding the distribution of dividend. The dividend payable to holders of Domestic Shares of the Company will be in RMB while those payable to holders of H Shares of the Company will be in Hong Kong Dollars. The exchange rate shall be calculated on the basis of the average benchmark exchange rate between RMB and Hong Kong Dollars as announced by the People's Bank of China for the five working days prior to the date of the 2017 annual general meeting of the Company.

The Company is intended to hold its 2017 annual general meeting on Wednesday, 30 May 2018. In order to determine the shareholders eligible to attend and vote at the 2017 annual general meeting, the share registrar of the Company will be closed from Monday, 30 April 2018 to Wednesday, 30 May 2018 (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 Friday, 27 April 2018 are entitled to attend and vote at the 2017 annual general meeting. In order to qualify for attending and voting at the 2017 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 Friday, 27 April 2018.

Subject to the approval of the resolution regarding the declaration of 2017 Final Dividend at the 2017 annual general meeting, 2017 Final Dividend will be paid to the Shareholders whose names appear on the register of members of the Company on Monday, 11 June 2018, and who are entitled to such distribution. The share registrar of the Company will be closed from Wednesday, 6 June 2018 to Monday, 11 June 2018 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for receiving 2017 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 Tuesday, 5 June 2018. 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 HKD2.43 per Share, raising total proceeds of approximately HKD607 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 2017, 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 2017)		
Description	Usable amount HKD'000	Used amount HKD'000	Balance HKD'000
Development of the future business in Hong Kong and throughout world	171,567	165,000	6,567
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	0	53,615
Acquisition of IT equipment and software	26,807	1,174	25,633
General working capital	42,892	42,865	27
Total	**536,148**	**428,233**	**107,915**

VII. Directors

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

VIII. The service contracts of Directors and Supervisors

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

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

As of 31 December 2017, 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 2017, none of the Directors of the Company had any interest in businesses directly or indirectly competing with the Company.

XI. Directors' right to purchase shares or debentures

As of 31 December 2017, 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 2017, based on the information obtained by the Company and the knowledge of the Directors, the Directors, Supervisors and chief executive of the Company have no (i) interests and short positions that shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) shall be entered in the register maintained pursuant to Section 352 of the SFO, or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code in the Shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO).

XIII. Purchase, sale and redemption of securities

During the year ended 31 December 2017, 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 2017 are set out in Note 34(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 approximately 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 21 August 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax shall not exceed 10.0% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds at least 25.0% equity interest in a PRC company, such tax shall not exceed 5.0% of the gross amount of dividends payable by the PRC company.

Enterprise

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

(6) Reserves and reserves of profits available for distribution

Details of changes in reserve of the Group for the year ended 31 December 2017 are set out in Note 34(d) to the financial statement of this annual report.

(7) Charity donation

During the Reporting Period, the Group made donations of approximately RMB465,259 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 1.4754% of the income and other gains, while the five largest customers accounted for 4.1345% 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 2017 are set out in Note 13 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. Firstly, the Company vigorously carried out poverty alleviation by a professional way. The Company attaches great importance to poverty alleviation work, for which it set up a precise poverty alleviation work committee, and it signed the poverty alleviation service memorandum with Yanchang County, Shaanxi Province and Zhenlai County, Jilin Province, which both are the national key poverty counties, pursuant to which, the Company carried out its professional and feature poverty alleviation by various measures, such as sending training and information to countryside and benefits in kind to farmers, "futures + insurance " to help farmers to achieve the insured price and income increase for their agricultural products. Secondly, the Company actively participated in the public welfare undertakings. The Company designed the personnel to carry out the condolences activities at Nanjing Social Welfare Institute. It also participated in the public welfare activity of thousands of people's blood donation under the theme of "carry forward the spirit of the May Fourth Movement, dedication of young blood" sponsored by the provincial state-owned assets supervision commission, and donated RMB30,000 to humanitarian aid projects of Jiangsu through the provincial Red Cross.

By order of the Board
Mr. Zhou Yong
Chairman

Nanjing, the PRC
27 March 2018

Other Material Matters

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

Nil.

II. Material litigations and arbitrations

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

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

   (1) On 1 August 2017, a customer ("Company I") filed a lawsuit to the People's Court of Qinhuai District, Nanjing ("Qinhuai District Court") for requesting the Company for repayment of the principal of wealth products of RMB21 million with interest of RMB5.04 million; and the Company shall bear the cost of litigation. Two meetings for the case before hearing were held on 29 August and 12 September 2017. The case was heard on 8 February 2018. On 21 March 2018, the Company received a civil ruling from Qinhuai District Court, dismissing the claims against Company I. the case was transferred to the public security organ for handling.

   (2) On 28 August 2017, a customer ("Mr. J") filed a lawsuit to Qinhuai District Court for requesting the Company for repayment of the principal of wealth products of RMB0.4 million with gain of RMB75,000; and the Company shall bear the cost of litigation. On 22 September 2017, the Company received summon, petition and other materials for such case. On 17 October 2017, the case was discussed before hearing. The case was heard on 5 February 2018. On 20 March 2018, the Company received a civil ruling from Qinhuai District Court, dismissing the claims against Mr. J. The case was transferred to the public security organ for handling.

   (3) On 28 August 2017, a customer ("Mr. K") filed a lawsuit to Qinhuai District Court for requesting the Company for repayment of the principal of wealth products of RMB1.0 million with gain of RMB0.28 million; and the Company shall bear the cost of litigation. On 17 October 2017, the Company received summon, petition and other materials for such case, and the case was discussed before hearing. The case was heard on 5 February 2018. On 16 March 2018, the Company received a civil ruling from Qinhuai District Court, dismissing the claims against Mr. K. The case was transferred to the public security organ for handling.

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

   The dissent of jurisdiction for the case was discussed on 21 November and 14 December 2017, respectively. On 15 January 2018, the Company received a civil ruling on dissent of jurisdiction and the case was transferred to the jurisdiction of the Second Intermediate People's Court of Beijing. The case is currently in the first instance trial.

(II) Material legal litigation concluded in 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. On 1 September 2017, the Company received the civil judgement sent by the Third Circuit Court of the Supreme People's Court that it was judged and dismissed the application for retrial of two clients.

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. On 9 June 2017, Holly Capital received the civil judgment from Nanjing Intermediate People's Court: such case was deemed to be automatically withdrawn by Customer X as the appellant as Customer X failed to pay the appeal fees for such case after receiving the calling notice for the appeal fees.

   As disclosed in the 2015 Annual Report of the Company, 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.

3. In July 2016, the Company found that an employee (the same person as the aforesaid "Mr. A") and his wife entered into the personal borrowing contracts with 3 clients under which they took the Company as the guarantor without informing the Company and its authorization (litigation of one of the clients was dismissed by the People's Court of Jing Hai District of Tianjin City of China (中國天津市靜海區人民法院) (the"Jing Hai Court") in December 2016).

   On 25 July 2016, two customers ("Customer Y" and "Customer Z") filed a lawsuit against Mr. A and his wife and the Company the Jing Hai District Court. The claims of Customer Y include: (1) requesting Mr. A and his wife to jointly repay 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 to jointly repay 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 announcements of the Company dated 26 July 2016 and 8 August 2016. On 26 July 2017, the Company received the first trial civil judgment concerning Customer Y dispatched by the Jing Hai District Court, with the trial judging that Mr. A and his wife shall jointly repay the loan principal of RMB3 million to Customer Y within 3 days upon the effective date of the judgment; Mr. A and his wife shall pay interest to Customer Y within 3 days upon the effective date of the judgment, with a rate of 24% annually based on the amount of RMB3 million for the period starting from 17 July 2016 to the date of settlement of the loan principal; and the Company shall hold a 50% compensation liability for such unsettled loans that Mr. A and his wife shall pay to Customer Y. On 16 October 2017, the Company received the second trial civil judgment dispatched by the First Intermediate People's Court of Tianjin City (天津市第一中級人民法院) revealing that the appeal was dismissed in the judgment of second instance with the original judgment sustained and it was the final judgment. On 4 August 2017, the Company received the first trial civil judgment concerning Customer Z dispatched by the Jing Hai District Court with a judgement that Mr. A and his wife shall jointly repay the loan principal of RMB1,418,365.02 to Customer Z within 3 days upon the effective date of the judgment; the Company shall hold a 50% compensation liability for such unsettled loans that Mr. A and his wife shall pay to Customer Z. On 15 November 2017, the Company received the second trial civil judgment dispatched by the First Intermediate People's Court of Tianjin City revealing that the appeal was dismissed in the judgment of second instance with the original judgment sustained and it was the final judgment.

   In November 2017, the two cases mentioned above entered into execution process and the Company has submitted written explanatory document to the Jing Hai Court regarding the situation. On 25 July 2016, the Jing Hai Court sealed up two properties located at Hexi District of Tianjin City owned by the wife of Mr. A and one small vehicle registered to each of Mr. A and his wife. The aforesaid preserved financial assets are expected to cover the compensations for both cases.

(III) Outstanding material legal litigations during the Reporting Period

On 22 September 2016, a customer ("Company B") filed a lawsuit to Qinhuai District Court against Mr. A 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, 16 March, 27 April and 26 July 2017. On 23 March 2018, the Company received a civil ruling from Qinhuai District Court, dismissing the claims against Customer B. The case was transferred to the public security organ for handling.

The 4 cases mentioned in (I) that involved Company I, Mr. J, Mr. K and Beijing Futures Branch were also regarded as unconcluded material legal litigations during the Reporting Period.

(IV) New material legal litigations after the Reporting Period

Nil.

III. Material contracts and fulfillment

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

IV. Connected parties and connected transactions

Connected Transactions

During the Reporting Period, the Group conducted its connected transactions in strict compliance with the Hong Kong Listing Rules and the Administrative Measures on Connected Transactions. The connected transactions of the Group were mainly entered into with the controlling shareholder, SOHO Holdings, and the substantial shareholder, Holly Corporation, of the Company. See Note 38 to the 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 14A 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.

In August 2017, considering the effects of the nation-wide supply-side structural reform policies, the Group believed that Jiangsu Chemical Fertilizer's extensive experience in thermal coal trading, its state-owned enterprises background, its well-established credibility and reliability, and its possession of a wide range of customers, would bring new business opportunities to the Company's thermal coal trading business. As such, Holly Capital has entered into the Thermal Coal Basis Trading Cooperation Agreement with Jiangsu Chemical Fertilizer and has set the annual caps for connected transactions from 2017 to 2019, respectively.

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 was 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 2017 amounted to RMB2.35 million, with an actual amount of RMB0.245 million in 2017.

(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 2017 amounted to RMB0.745 million, with an actual amount of RMB0 million in 2017.

(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 2017 amounted to RMB5.663 million, with an actual amount of RMB5.621 million in 2017.

(4) *Thermal Coal Basis Trading Cooperation Agreement between the Group and Jiangsu Chemical Fertilizer*

Holly Capital entered into the Thermal Coal Basis Trading Cooperation Agreement with Jiangsu Chemical Fertilizer on 31 August 2017. Pursuant to the agreement, Holly Capital and Jiangsu Chemical Fertilizer agreed to make capital contribution in the proportion of 1:1 to engage in the basis trading regarding thermal coal futures contract and spot rates. The annual cap for 2017 amounted to RMB13 million, with an actual amount of RMB0 in 2017.

The following table sets out the annual caps for continuing connected transactions of the Group in 2017 and actual transaction amount of the continuing connected transactions of the Group for the twelve months ended 31 December 2017, as defined in Chapter 14A of the Listing Rules were as follows:

	2017	
	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	**245**	**2,350**
2 SOHO Property Lease Framework Agreement		
Expense incurred by leasing properties by the Group from SOHO Holdings and its subsidiaries	**0**	**745**
3 Holly Property Lease and Management Services Agreement		
Expenses incurred by leasing properties by the Group from Holly Corporation	**5,621**	**5,663**
4 Jiangsu Chemical Fertilizer Thermal Coal Basis Trading Cooperation Agreement		
Contribution from Holly Capital for the development of thermal coal basis trading	**0**	**13,000**

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

(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 are as follow:

To maintain consistency and completeness of the audit work of the Company, as approved by the 2016 annual general meeting of the Company on 26 May 2017, the Company appointed KPMG Huazhen LLP and KPMG as its external audit firms for 2017 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 2017 annual general meeting.

Remunerations for accounting firm: Pursuant to the related authorization of the Board, the external auditing fees of the Company for 2017 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 2017, the Company paid RMB1.925 million for the audit services and RMB0 for non-audit service for 2017.

For the past three years ended 31 December 2017, 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 May 2017, Ms. Yu Hong no longer served as a director of Holly Capital and Mr. Huang Xingming served as a director of Holly Capital; at the same day, Mr. Ding Jiunian no longer served as a supervisor of Holly Capital and Ms. Yu Hong served as a supervisor of Holly Capital.

3. *Holly Su Futures*
On 31 August 2017, Mr. Chu Kairong no longer served as a director of Holly Su Futures, and Mr. Jia Guorong served as a director of Holly Su Futures.

4. *Holly Su Asset*
On 21 February 2017, Mr. Shan Guoliang served as a director of Holly Su Asset. On 6 December 2017, Mr. Li Guochang served as a director of Holly Su Asset.

(2) Annual profit distribution plan of the Company

The profit distribution plan for 2017 is set out in Section VII "V. Profit distribution and profit distribution plan" of this Report.

(3) Profit distribution of subsidiaries

Nil.

(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

The shareholding structure of the Company as of 31 December 2017 is as follows:

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 Shares	275,456,777	30.37%
Jiangsu Holly Corporation	Domestic Shares	147,900,000	16.31%
Jiangsu Holly Su Industrial Co., Ltd.	Domestic Shares	143,548,000	15.83%
Jiangsu High Hope International Group Corporation	Domestic Shares	63,930,134	7.05%
Shanghai Mingda Industrial (Group) Company Limited	Domestic Shares	9,276,631	1.02%
Jiangsu Hongrui Venture Capital Co., Ltd.	Domestic Shares	8,903,113	0.98%
Jiangsu Holly International Logistics Corporation	Domestic Shares	8,285,345	0.91%
Public shareholders	H Shares	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 2017.

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 2017, 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%
Artall Culture Group Company Limited [(4)]	Domestic Shares	Interest in controlled	156,185,345 (long position)	17.22%	23.76%
Jiangsu Holly Corporation	Domestic Shares	Beneficial owner	147,900,000 (long position)	16.31%	22.50%
Jiangsu Holly Su Industrial Co., Ltd.	Domestic Shares	Beneficial owner	143,548,000 (long position)	15.83%	21.84%
Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥))[(5)]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥))[(5)]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司)[(5)]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Huang Jieping [(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%
Success Indicator Investments Limited	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 2017.

(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 2017.

(3) On 31 December 2017, Jiangsu SOHO Holdings Group Co., Ltd. (i) directly held 275,456,777 Domestic Shares; and (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 2017, 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 2017 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) According to the current information available to the Company, on 30 June 2017, (i) Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)) held 99.446% equity interests in Jiangsu Holly Su Industrial Co., Ltd.; (ii) Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)) held 99.71% equity interests in Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)); (iii) Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) held 79.5% equity interests in Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)); (iv) Ms. Huang Jieping was the beneficial owner of 100% equity interests in Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司). Accordingly, under the SFO, each of Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)), Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)), Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) and Ms. Huang Jieping is deemed to be interested in the 143,548,000 Domestic Shares directly held by Holly Su Industrial.

Save as disclosed above, the Directors, Supervisors and chief executives of the Company are not aware that, as at 31 December 2017, any other person (other than the Directors, Supervisors or chief executives of the Company) had an interest or short position in the Shares or underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are required to be entered into the register of the Company pursuant to Section 336 of the SFO.

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

Directors, Supervisors, Senior Management and Staff

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

(1) Directors

Name	Age	Gender	Position(s)	Date of appointment	Time of joining the Company	Remunerations received during the Reporting Period (RMB'0,000)	Relationship with other Directors, Supervisors or members of senior management	Remarks
Zhou Yong	51	Male	Chairman and Executive Director	15 January 2001	May 1998	–	N/A	
Zhou Jianqiu	48	Female	Executive Director and general manager	9 June 2015	March 1999	73.58	N/A	
Xue Binghai	47	Male	Non-executive Director	30 June 2012	June 2012	–	N/A	
Shan Bing	50	Male	Non-executive Director	26 May 2017	May 2017	–	N/A	
Zhang Ke	45	Male	Non-executive Director	31 May 2016	May 2016	–	N/A	
Li Xindan	51	Male	Independent non-executive Director	30 June 2012	June 2012	11.90	N/A	
Zhang Hongfa	53	Male	Independent non-executive Director	8 July 2013	July 2013	11.90	N/A	
Lam Kai Yeung	48	Male	Independent non-executive Director	9 June 2015	June 2015	12.36	N/A	
Sun Changyu	47	Male	Non-executive Director	27 November 2015	November 2015	–	N/A	Resigned on 23 March 2017

(2) Supervisors

Name	Age	Gender	Position(s)	Date of appointment	Time of joining the Company	Remunerations received during the Reporting Period (RMB'0,000)	Relationship with other Directors, Supervisors or members of senior management	Remarks
Xu Yingying	33	Female	Chairlady of the Supervisory Committee and employee representative	22 November 2012	July 2007	20.41	N/A	
Wang Jianying	51	Female	Supervisor	25 December 2014	December 2014	–	N/A	
Yu Hong	42	Female	Supervisor	20 November 2017	July 2016	32.38	N/A	
Zhao Yajun	43	Male	Supervisor	31 May 2016	May 2016	–	N/A	Resigned on 20 November 2017

(3) Senior management

Name	Age	Gender	Position(s)	Date of appointment	Relationship with other Directors, Supervisors or members of senior management	Remarks
Zhou Jianqiu	48	Female	Excutive Director and general manager	General manager since May 2015.	N/A	
Zheng Peiguang	52	Male	Deputy general manager	Deputy general manager since May 2002.	N/A	
Jia Guorong	47	Male	Deputy general manager	Deputy general manager since August 2017.	N/A	Appointed as deputy general manager at the seventeenth meeting of the second session of the Board on 24 August 2017
			Board secetary and joint company secretary	Board secetary and joint company secretary since June 2017.		Appointed as Board secetary at the sixteenth meeting of the second session of the Board on 23 June 2017
			Chief Risk Officer	Chief Risk Officer from March 2009 to July 2017.		Resigned as Chief Risk Officer on 23 June 2017 and effective from August 2017
Zhao Dong	48	Male	Deputy general manager	Deputy general manager since March 2014.	N/A	
Chu Kairong	43	Male	Deputy general manager	Deputy general manager since June 2016.	N/A	
Wang Min	40	Female	Supervisor of finance	Supervisor of finance since July 2015.	N/A	
Qiu Xiangjun	37	Male	Chief Risk Officer	Chief Risk Officer since August 2017.	N/A	Appointed as Chief Risk Officer at the sixteenth meeting of the second session of the Board on 23 June 2017 and effective from August 2017
Ding Jiunian	51	Male	Deputy general manager	Deputy general manager since September 2010 to April 2017	N/A	Resigned on 27 April 2017
Yu Hong	42	Female	Board secretary and joint company secretary	Board secretary and joint company secretary from October 2016 to June 2017.	N/A	Resigned as Board secretary and joint company secretary on 23 June 2017

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

(1) Directors

Name	Position(s) at the Company	Employment in other companies	Position(s) at other companies
Zhou Yong	Chairman and Executive Director	SOHO Holding	Director and CEO
		Huatai Securities Co., Ltd.	Director
		Chengdu Holly Su Investment Management Co., Ltd. (成都弘蘇投資管理有限公司)	Director
		Jiangsu Gaohong Inestment Management Co., Ltd. (江蘇高弘投資管理有限公司)	Director
		Zking Property & Casualty Insurance Co., Ltd.	Director
Zhou Jianqiu	Executive Director and general manager	Holly Capital	Director
Xue Binghai	Non-executive Director	SOHO Holding	Assistant to CEO
		Jiangsu SOHO Investment Group Company Limited	Director, general manager
		Hong Rui Growth	Chairman
		Jiangsu Soho Belt and Road Capital Management (江蘇蘇豪一帶一路資本管理有限公司)	Chairman
		Jiangsu Soho Venture Capital Investment Co., Ltd. (江蘇蘇豪創業投資有限公司)	Chairman, general manager
		Jiangsu Jin Su Zheng Investment Development Co., Ltd. (江蘇金蘇證投資發展有限公司)	Chairman
		Jiangsu Zhonghe Venture Investment Co., Ltd. (江蘇眾合創業投資有限公司)	Chairman, general manager
		Nanjing City Soho Technology Micro-loan Co., Ltd. (南京市蘇豪科技小額貸款有限公司)	Chairman
		Jiangsu Kaimi Membrane Technology Co., Ltd	Director
		Jiangsu SOHO Jisheng Investment Management Co., Ltd. (江蘇蘇豪基盛投資管理有限公司)	Chairman
		Jiangsu Jingshen Salt & Chemical Industry Co., Ltd.	Supervisor
		Nanjing Zijin Technology Microfinance Co., Ltd. (南京市紫金科技小額貸款有限公司)	Director
		Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司)	Director
Zhang Ke	Non-executive Director	Holly Corporation	General manager, Director

Name	Position(s) at the Company	Employment in other companies	Position(s) at other companies
		Jiangsu Artall Cultural Industrial Co., Ltd. (江蘇愛濤文化產業有限公司)	Chairman
		Nantong Holly Import and Export Co., Ltd. (南通弘業進出口有限公)	Chairman
		Jiangsu Holly Taizhou Import and Export Co., Ltd. (江蘇弘業泰州進出口有限公司)	Chairman
		Jiangsu Holly (Myanmar) Industrial Co., Ltd. (江蘇弘業(緬甸)實業有限公司)	Chairman
		Jiangsu Soho Finance Leasing Co., Ltd. (江蘇蘇豪融資租賃有限公司)	Director
Shan Bing	Non-executive Director	Shanghai Beiyuan Investment Management Co., Ltd. (上海貝元投資管理有限公司)	Executive Director and general manager
		Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司)	Non-executive Director
Li Xindan	Independent non-executive Director	Nanjing University	Professor, PHD supervisor
		C. banner International Holdings Limited	Independent Director
		Nanjing Securities Co., Ltd.	Independent Director
		China Southern Asset Management Co., Ltd.	Independent Director
		Bank of Jiangsu Co., Ltd.	External supervisor
		Bank SinoPac (China) Ltd. (永豐銀行（中國）有限公司)	Director
		Shanjin Jinkong Capital Management Co., Ltd (山金金控資本管理有限公司)	Director
		Leader Technology Co., Ltd. (利得科技有限公司)	Director
Zhang Hongfa	Independent non-executive Director	Jiangsu Province Appraisal Society	Executive deputy secretary-general
		Guolian Futures Co., Ltd.	Independent Director
		Nanjing Kangni Mechanical & Electrical Co., Ltd. (南京康尼機電股份有限公司)	Director
		Jiangsu Equity Exchange Center Co., Ltd. (江蘇股權交易中心有限責任公司)	Director
		Chongyi Zhangyuan Tungsten Co., Ltd	Independent Director
Lam Kai Yeung	Independent non-executive Director	Starrise Media Holdings Limited	Independent non-executive Director
		Highlight China IoT International Limited	Executive Director and CEO and company secretary
		Sunway International Holdings Limited	Independent non-executive Director
		Finsoft Financial Investment Holdings Limited	Independent non-executive Director
		Kong Shum Union Property Management (Holding) Limited	Independent non-executive Director
		Kin Shing Holdings Limited	Independent non-executive Director

(2) Supervisors

Name	Position(s) at the Company	Employment in other companies	Position(s) at other companies
Xu Yingying	Chairlady of the Supervisory Committee and employee representative	–	–
Wang Jianying	Supervisor	High Hope International	General manager of Corporate Management Department
		Jiangsu High Hope International Group Zhongding Co., Ltd. (江蘇匯鴻國際集團中鼎控股份有限公司)	Director
		Jiangsu High Hope International Group Lander Co., Ltd. (江蘇匯鴻國際集團萊茵達有限公司)	Director
		Zhongrong Xinjia Investment Guaranty Co., Ltd. (中融信佳投資擔保有限公司)	Chairman
		Jiangsu Jingshen Salt & Chemical Industry Co., Ltd.	Director
		Jiangsu Huihong Baby Products Co., Ltd. (江蘇匯鴻寶貝嬰童用品有限公司)	Director
		Lian Life Insurance Co., Ltd. (利安人壽保險股份有限公司)	Director
Yu Hong	Supervisor	Holly Capital	Director

(3) Senior management

Name	Position(s) of the Company	Employment in other companies	Position(s) at other companies
Zhou Jianqiu	Executive Director and general manager	Please refer to the above subsection "Appointment of Directors, Supervisors and Senior Management in Companies of Shareholders and Other Companies-Directors"	
Zheng Peiguang	Deputy general manager	Holly Capital	Chairman
		Hong Rui Growth	Director
Jia Guorong	Deputy general manager	Holly Capital	Director
		Holly Su Futures	Director
Zhao Dong	Deputy general manager	–	–
Chu Kairong	Deputy general manager	–	–
Wang Min	Supervisor of finance	Hong Rui New Era	Director
Qiu Xiangjun	Chief Risk Officer	–	–

III. Biographies of Directors, Supervisors and senior management

Particulars in relation to the positions held by Directors, Supervisors and Senior Management at other companies are set out in "II. Appointment of Directors, Supervisors and Senior Management in Companies of Shareholders and other Companies" of this section.

(1) Directors

Executive Directors

Mr. Zhou Yong (周勇), with Chinese nationality but without permanent residency abroad, was born in December 1966 and holds a doctor's degree. Mr. Zhou is a senior economist (正高級經濟師) and a senior international commerce economist (高級國際商務師) as credentialed by the Human Resources Department of Jiangsu Province (江蘇省人事廳) (now known as the Department of Human Resources and Social Security of Jiangsu Province (江蘇省人力資源和社會保障廳)). He is also a research fellow as credentialed by the Department of Human Resources and Social Security of Jiangsu Province.

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

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

Ms. Zhou Jianqiu was appointed as an executive Director in June 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.

Non-executive Directors

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

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

Mr. Zhang Ke (張柯), with Chinese nationality but without permanent residency abroad, was born in February 1973, holds a master's degree and is a senior international business executive.

Mr. Zhang Ke worked as a financial manager at the financial department of Jiangsu Silk Import & Export Group Co., Ltd. (江蘇省絲綢進出口集團股份有限公司) from August 1995 to December 1998. He served as a salesman at the knitwear department of Jiangsu SOHO International Group Garment Co., Ltd. (江蘇蘇豪國際集團服裝有限公司) from January 1999 to December 1999. He was the deputy general manager of the brand development department of Jiangsu SOHO International Group Garment Co., Ltd. from December 1999 to August 2000. He served as the assistant to the general manager of Jiangsu SOHO International Group Garment Co., Ltd. from August 2000 to July 2002. He was the deputy general manager of Jiangsu SOHO International Group Garment Co., Ltd. from July 2002 to January 2003. He was the deputy general manager of the garment branch of Jiangsu SOHO International Group Co., Ltd. from January 2003 to December 2004. He worked as the general manager of the garment branch of Jiangsu SOHO International Group Co., Ltd. from December 2004 to August 2005. He served as the assistant to the general manager of Jiangsu SOHO International Group Co., Ltd. from March 2005 to April 2008. He was the deputy general manager of Jiangsu SOHO International Group Co., Ltd. from April 2008 to August 2010. He served as the general manager of Jiangsu Suho Garment Co., Ltd. (江蘇蘇豪服裝有限公司) from August 2005 to August 2013. He was as a member of the Party committee of Jiangsu Suho International Group Co., Ltd. from August 2010 to May 2015. He served as the chairman of Jiangsu Suho Garment Co., Ltd. from May 2011 to June 2015. Mr. Zhang has been a deputy secretary of the Party committee, general manager and a director of Jiangsu Hongye Company Limited (江蘇弘業股份有限公司) since April 2015.

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

Mr. Shan Bing was the board secretary of Nantong Machine Tool Co., Ltd. (南通機床股份有限公司) from July 1990 to April 2000. He had been a fund manager and the head of the research department of Shanghai research department of Guosen Securities Co., Ltd. (國信證券有限責任公司) from April 2000 to April 2002. He served as the chief researcher of the asset management division and the head of portfolio investment department of Xing'an Securities Co., Ltd. (興安證券有限責任公司) from May 2002 to January 2006. From April 2006 to June 2007, he was the vice-president and investment director of Shanghai Yuanji Investment Co., Ltd. (上海源吉投資有限

公司). From April 2006 to June 2007, he was also the investment director of Shanghai Junding Investment Co., Ltd. (上海駿鼎投資有限公司). He had been the deputy general manager and research director of Jiangsu Winfast Investment Holding Group Co., Ltd. (江蘇瑞華投資控股集團有限公司) from June 2007 to March 2013. He was a partner and the investment director of Shanghai Vstone Capital Co., Ltd. (上海凱石益正資產管理有限公司) from March 2013 to February 2017. He has been a non-executive director of Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司) since February 2017. He has been an executive director and the general manager of Shanghai Beiyuan Investment Management Co., Ltd. (上海貝元投資管理有限公司) since February 2017. He has been a non-executive director of the Company since May 2017.

Independent non-executive Directors

Mr. Li Xindan (李心丹), with Chinese nationality but without permanent residency abroad, was born in April 1966 and holds a doctor's degree. He was recognised as a Zhao Shiliang Chair Professor (趙士良講座教授) by Nanjing University (南京大學) in 2014.

Mr. Li Xindan worked as a lecturer, associate professor, professor and department head of the School of Economics & Management of Southeast University from July 1988 to December 2000. He served as the vice president and president of the School of Management and Engineering of Nanjing University from January 2001 to April 2016. He has served as a professor and a doctoral supervisor in Nanjing University since April 2016.

Mr. Zhang Hongfa (張洪發), with Chinese nationality but without permanent residency abroad, was born in September 1964, holds a bachelor's degree and is a senior accountant and a Certified Public Accountant.

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 August 1993 and performed social audit work for Jiangsu Provincial Firm of Accountants (江蘇省會計師事務所) from September 1993 to May 1998. He has worked in the Jiangsu Institute of Certified Public Accountants (江蘇省註冊會計師協會) from June 1998 to August 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. Lam Kai Yeung (林繼陽), with Chinese nationality and permanent residency in Hong Kong, was born in July 1969 and holds a master's degree. Mr. Lam Kai Yeung is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants and also a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

(2) Supervisors

Ms. Xu Yingying (徐瑩瑩), with Chinese nationality but without permanent residency abroad, was born in November 1984 and holds a bachelor's degree.

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

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

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

Ms. Yu Hong was appointed as a supervisor, primarily responsible for supervising the performance of duties by the Directors and members of the senior management. 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. She has worked at Holly Futures Co., Ltd. since July 2016, where she served as the secretary of the board of directors and she is currently the deputy secretary of the Party Committee and the secretary of the Disciplinary Committee. Since May 2017, she has also become a supervisor of Holly Capital, a wholly-owned subsidiary of the Company.

(3) Senior management

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

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

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

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

Mr. Jia Guorong was appointed as the vice general manager of the Company in August 2017, and as the secretary of the Board of the Company and joint company secretary in June 2017. He is mainly responsible for several integrated departments in the Company's headquarters and the labor union. Mr. Jia Guorong has been engaged with Jiangsu Holly, the predecessor company of the Company (that is, the Company) since February 1999, working at various times as the deputy manager and manager of the settlement department, risk director, deputy general manager and Chief Risk Officer. He has also been a director of Holly Capital, the wholly-owned subsidiary of the Company, since November 2013. He has been a director of Holly Su Futures, a wholly-owned subsidiary of the Company, since July 2017.

Mr. Zhao Dong (趙東), with Chinese nationality but without permanent residency abroad, was born in December 1969 and holds an associate degree.

Mr. Zhao Dong 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 April 2000 and the manager of marketing division of Yixing Huazheng Futures Brokerage Co., Ltd. (宜興華證期貨經紀有限公司) from May 2000 to 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 February 2014, working at various times as its manager of marketing department, deputy general manager and general manager.

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

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

Ms. Wang Min (王敏), with Chinese nationality but without permanent residency abroad, was born in June 1977 and holds a bachelor's degree. She holds the professional certificates of accounting, statistics, funds and futures and is an intermediate accountant.

Ms. Wang Min 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. Currently, she is also a director of Jiangsu Hong Rui New Era Venture Investment Co., Ltd. (江蘇弘瑞新時代創業投資有限公司).

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

Mr. Qiu Xiangjun was appointed as the Chief Risk Officer of the Company in August 2017, primarily responsible for compliance and risk management of the Company. Since January 2018, Mr. Qiu Xiangjun has worked for the Company as the head of the audit department, the compliance and audit department, the audit and legal department and the trading settlement department of the Company and the assistant to general manager of the Company.

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

(1) Changes of Directors

On 23 March 2017, Mr. Sun Changyu resigned as a Director due to personal work reasons.

On 26 May 2017, Mr. Shan Bing was elected as a Non-executive Director at the 2016 annual general meeting of the Company.

On 23 June 2017, Mr. Shan Bing was appointed as a member of the Remuneration Committee.

(2) Changes of Supervisors

On 20 November 2017, the Company held the 2017 first extraordinary general meeting, at which approved resignation of Mr. Zhao Yajun as a Supervisor of the Company and elected Ms. Yu Hong as a Supervisor of the Company.

(3) Changes of senior management

On 27 April 2017, Mr. Ding Jiunian resigned as deputy general manager of the Company due to work re-designation.

On 23 June 2017, the Company held the sixteenth meeting of the second session of the Board at which approved resignation of Ms. Yu Hong as the Board secretary due to work re-designation and appointed Mr. Jia Guorong as the Board secretary of the Company; appointed Mr. Qiu Xiangjun as Chief Risk Officer of the Company, and Mr. Jia Guorong no longer served as Chief Risk Officer of the Company.

On 24 August 2017, the Company held the seventeenth meeting of the second session of the Board at which appointed Mr. Jia Guorong as deputy general manager of the Company.

V. Remuneration Management of Directors, Supervisors and senior management

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

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

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

The remunerations of internal Directors and Supervisors shall be determined according to the general meeting resolutions on the remunerations of Directors and Supervisors and 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 2017, the total remunerations of Directors, Supervisors and senior management of the Company amounted to RMB4,767.70 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 2017, the remuneration of the Directors and Supervisors fell within the following bands:

Bands (RMB)	Number of Directors, Supervisors
0-500,000	5
500,001-1,000,000	1

For the year ended 31 December 2017, the remuneration of senior management fell within the following bands:

Bands (RMB)	Number of senior management
0-500,000	5
500,001-1,000,000	4
Above 1,000,000	0

VI. Employees and remuneration

(1) Headcount and composition

As at the end of the Reporting Period, the Company has a total of 674 full-time and part-time employees while its subsidiaries have a total of 38 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)		**712**	
Type of employment		**Full-time and part-time**	
Category	**Sub-category**	**Number**	**Percentage**
Academic background	Ph.D.	2	0.28%
	Master	105	14.75%
	Undergraduate	457	64.19%
	Diploma and below	148	20.79%
Position	Futures brokerage	416	58.43%
	Asset management	27	3.79%
	Commodity trading and risk management	22	3.09%
	Stock option business	8	1.12%
	Overseas business	16	2.25%
	Research	23	3.23%
	Audit and legal department and risk management	10	1.40%
	IT	34	4.78%
	Accounting and Finance	51	7.16%
	Administration	105	14.75%
Age	35 and below	542	76.12%
	36 to 40	88	12.36%
	41 to 50	67	9.41%
	51 and above	15	2.11%

(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 2017, the total remuneration of employees, including remuneration of Directors, amounted to approximately RMB137 million. Details of which are set out in Note 7 to the financial statement of this Report.

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

(3) Retirement benefits

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

(4) Training schemes

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

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

(5) The five highest paid individuals

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

(Unit: RMB'000)

	2017	2016
Salaries, allowances and benefits	908	1,580
Discretionary bonuses	6,344	5,706
Pension scheme contributions	199	191
Total	7,451	7,477

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

	2017 Number of Individuals	2016 Number of individuals
HKD0 to HKD1,000,000	—	—
HKD1,000,001 to HKD1,500,000	2	2
HKD1,500,001 to HKD2,000,000	1	3
HKD2,000,001 to HKD2,500,000	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 2017, the Company convened 2 general meetings (extraordinary general meeting, domestic shareholders' class meeting and H shareholders' class meeting were convened on 20 November 2017 concerning different shareholders, which counted as one meeting), answered in detail the questions of Shareholders, and carefully listened to the opinions and suggestions of the Shareholders on the Company's development.

(2) General meetings

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

On 26 May 2017, the Company convened the 2016 annual general meeting, at which were the following resolutions considered and approved: the reolution on considering and approving the 2016 annual report (including (i) the H Shares annual report of the Company for the year ended 31 December 2016; and (ii) the annual report of the Company for the year ended 31 December 2016 prepared in accordance with the relevant regulations and requirements of the China Securities Regulatory Commission); the resolution on considering and approving the report of the board of directors of the Company for the year ended 31 December 2016; the resolution on considering and approving the report of the supervisory committee of the Company for the year ended 31 December 2016; the resolution on considering and approving the final financial report of the Company for the year ended 31 December 2016; the resolution on considering and approving the profit distribution plan of the Company for the year ended 31 December 2016; the resolution on the re-appointment of KPMG Huazhen LLP as the PRC auditor and KPMG as the Hong Kong auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company, and to authorise the general manager's office of the Company to fix their remuneration at its meetings; the resolution on authorising the Board to fix the remuneration package of the Directors and Supervisors for the year ended 31 December 2016; the resolution on considering and approving the appointment of Mr. Shan Bing as an additional non-executive director of the Company; the resolution on giving a general mandate to the Board to allot, issue and deal with additional Domestic Shares not exceeding 20% of the Domestic Shares of the Company in issue and additional H Shares not exceeding 20% of the H Shares of the Company in issue and authorise the Board to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares pursuant to such mandate.

On 20 November 2017, the Company convened the 2017 first extraordinary general meeting, at which were the following resolutions considered and approved: the resolution on the initial public offering and the listing of A Shares of the Company; the resolution on the authorization to the Board at general meeting of the Company to deal with at its full discretion matters relating to the initial public offering and the listing of A Shares of the Company; the resolution on feasibility analysis report on the investment projects using the proceeds from the initial public offering of A Shares of the Company; the resolution on impacts and remedial measures on dilution of immediate return from A Shares offering of the Company; the resolution on price stabilising plan for the A Shares within three years after the A Share Offering of the Company; the resolution on dividend return plan for three years after the initial public offering and listing of A Shares of the Company; the resolution on public undertakings in the A Share offering documents of the Company; the resolution on formulating the applicable Articles of Association after the listing of A Shares of the Comapny; the resolution on formulating the rules of procedures of the general meetings after the listing of A Shares of the Company; the resolution on formulating the rules of procedures of the Board after the listing of A Shares of the Company; the resolution on formulating the rules of procedures of the supervisory committee after the listing of A Shares of the Company; the resolution on amendments to existing Articles of Association of the Company; the resolution on amendments to existing rules of procedures of the Board of the Company; the resolution on report of use of raised funds from the previous offering of the Company; the resolution on formulating related party transaction management system of the Company; the resolution on formulating the system concerining the independent Directors of the Company; the resolution on formulating the administration system of raised funds of the Company; the resolution on approving continuing connected transaction in respect of thermal coal variation basis trading between Holly Capital Management Co., Ltd. and Jiangsu Chemical Fertilizer Co., Ltd.; the resolution on election of Ms. Yu Hong as a supervisor of the Second Session of the Supervisory Committee.

On 20 November 2017, the Company convened the 2017 first domestic shareholders' class meeting, at which were the following resolutions considered and approved: the resolution on the initial public offering and the listing of A Shares of the Company; the resolution on the authorization to the Board at general meeting of the Company to deal with at its full discretion matters relating to the initial public offering and the listing of A Shares of the Company; the resolution on feasibility analysis report on the investment projects using the proceeds from the initial public offering of A Shares of the Company; the resolution on impacts and remedial measures on dilution of immediate return from A Shares offering of the Company; the resolution on price stabilising plan for the A Shares within three years after the A Share Offering of the Company; the resolution on dividend return plan for three years after the initial public offering and listing of A Shares of the Company; the resolution on public undertakings in the A Share offering documents of the Company.

On 20 November 2017, the Company convened the 2017 first H shareholders' class meeting, at which were the following resolutions considered and approved: the resolution on the initial public offering and the listing of A Shares of the Company; the resolution on the authorization to the Board at general meeting of the Company to deal with at its full discretion matters relating to the initial public offering and the listing of A Shares of the Company; the resolution on feasibility analysis report on the investment projects using the proceeds from the initial public offering of A Shares of the Company; the resolution on impacts and remedial measures on dilution of immediate return from A Shares offering of the Company; the resolution on price stabilising plan for the A Shares within three years after the A Share Offering of the Company; the resolution on dividend return plan for three years after the initial public offering and listing of A Shares of the Company; the resolution on public undertakings in the A Share offering documents of the Company.

III. Performance of duties of Board

(1) Respective duties of the Board and the management

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

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

(2) Composition of the Board

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

At present, the Board comprised of eight Directors, of which two are Executive Directors (Mr. Zhou Yong (Chairman) and Ms. Zhou Jianqiu), three are Non-executive Directors (Mr. Xue Binghai, Mr. Zhang Ke and Mr. Shan Bing) 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. Mr. Sun Changyu, a former Independent non-executive Director, resigned from the positions of independent Non-executive Director and member of the remuneration committee on 23 March 2017. On 26 May 2017, Mr. Shan Bing was elected as a Non-executive Director at the 2016 annual general meeting of the Company.

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 10 meetings as follows:

On 24 January 2017, the Company convened the 10th meeting of the 2017 second session of the Board, at which considered and approved the following resolution: the resolution on subscription of SOHO selected private placemet No. 1 private fund of Jiangsu SOHO Investment Group Company Limited

On 15 February 2017, the Company convened the 11th meeting of the 2017 second session of the Board, at which considered and approved the following resolutions: the resolution on authorizing the general manager's office to consider the use of the Company's own funds for investment, the resolution on authorizing the general manager's office to consider related party transactions for the year 2017 between the Company and Jiangsu SOHO Holding Group Co., Ltd. and its subsidaries; the resolution on authorizing the general manager's office to consider related party transactions for the year 2017 between the Company and Jiangsu High Hope International Group Corporation; the resolution on authorizing the general manager's office to consider the use of the Company's own funds for allocation of asset management plan; the resolution on adjustment to members of the investment decision-making committee of the Company in asset management business; the resolution on establishing Liyang Futures Branch and terminating Wuhan Futures Branch of the Company; the resolution on application for distribution of partial bonus specific to the listing of the Company

On 1 March 2017, the Company convened the 12th meeting of the 2017 second session of the Board, at which considered and approved the following resolution: the resolution on non-public issue of domestic shares of the Company.

On 28 March 2017, the Company convened the 13th meeting of the 2017 second session of the Board, at which considered and approved the following resolutions: the resolution on the announcement of annual results for the year ended 31 December 2016 and 2016 Annual Report (Draft) of the Company; the resolution on 2016 Directors' Report of Holly Futures Co., Ltd.; the resolution on 2016 final account report of Holly Futures Co., Ltd.; the resolution on 2016 profit distribution plan of the Company; the resolution on net capital and other risk regulatory indicators report of the Company for 2016; the resolution on renewal appointment of certified public accountants of Holly Futures Co., Ltd. for 2017; the resolution on remuneration of directors, supervisors and senior management of Holly Futures Co., Ltd. for 2016; the resolution on election of Mr. Shan Bing as non-executive director of the second session of the board of directors of Holly Futures Co., Ltd.; the resolution on the "13th Five-Year" strategic development plan of the Company; the resolution on 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; the resolution on convening the 2016 annual general meeting of the Company.

On 13 April 2017, the Company convened the 14th meeting of the 2017 second session of the Board, at which considered and approved the following resolution: the resolution on terminating the agreement between the Company and Credit Suisse Founder.

On 26 May 2017, the Company convened the 15th meeting of the 2017 second session of the Board, at which considered and approved the following resolutions: the resolution on terminating execution of the resolution on non-public issue of domestic shares of the Company at the 12th meeting of the second session of the Board; the resolution on non-public issue of domestic shares of the Company; the resolution on terminating Kunshan Futures Branch; the resolution on applying for precision supporting activities.

On 23 June 2017, the Company convened the 16th meeting of the 2017 second session of the Board, at which considered and approved the following resolutions: the resolution on the 2016 environmental, social and governance report of Holly Futures Co., Ltd.; the resolution on appointment of the Chief Risk Officer of the Company; the resolution on 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; the resolution on composition of the Remuneartion Committee of the Board.

On 24 August 2017, the Company convened the 17th meeting of the 2017 second session of the Board, at which considered and approved the following resolutions: the resolution on considering and approving the announcement of unaudited interim results (draft) and the interim report (draft) of the Company for the six months ended 30 June 2017 prepared under the Hong Kong Accounting Standards; the resolution on considerting and paying the interim dividend for the six month ended 30 June 2017; the resolution on net capital and other risk regulatory indicators report of the Company for the first half of 2017; the resolution on proposed amendments to the Articles of Association of Holly Futures Co., Ltd.; the resolution on proposed amendments to the rules of procedures of the Board of Holly Futures Co., Ltd.; the resolution on appointment of deputy general manager of the Company; the resolution on carrying out the "urban and rural areas to build a civilization together" activities by the Company; the resolution on connected transaction for carrying out thermal coal cooperation between Holly Capital Management Co., Ltd. and Jiangsu Chemical Fertilizer Co., Ltd.; the resolution on amendments to the remuneration management system of Holly Futures Co., Ltd.; the resolution on incentive measures for margin of the Company; the resolution on change of sharesholder and contriubtion of Holly Fund Management Company; the resolution on convening the 2017 first extraordinary general meeting of the Company;

On 29 September 2017, the Company convened the 18th meeting of the 2017 second session of the Board, at which considered and approved the following resolutions: the resolution on the initial public offering and the listing of A Shares of the Company; the resolution on the authorization to the Board at general meeting of the Company to deal with at its full discretion matters relating to the initial public offering and the listing of A Shares of the Company; the resolution on feasibility analysis report on the investment projects using the proceeds from the initial public offering of A Shares of the Company; the resolution on impacts and remedial measures on dilution of immediate return from A Shares offering of the Company; the resolution on price stabilising plan for the A Shares within three years after the A Share Offering of the Company; the resolution on dividend return plan for three years after the initial public offering and listing of A Shares of the Company; the resolution on public undertakings in the A Share offering documents of the Company; the resolution on formulating the applicable Articles of Association and its annexes after the listing of A Shares of the Comapny; the resolution on formulating related party transaction management system of the Company; the resolution on formulating the system concerining the independent Directors of the Company; the resolution on formulating the administration system of raised funds of the Company; the resolution on terminating execution of non-public issue of domestic shares under the resolution of the 15th meeting of the second session of the Board of the Company; the resolution on considering continuing connected transaction in respect of property lease between the Company and Jiangsu Holly Corporation; the resolution on considering continuing connected transaction in respect of financial services between the Company and Jiangsu SOHO Holdings Group Co., Ltd.; the resolution on considering continuing connected transaction in respect of thermal coal variation basis trading between Holly Capital Management Co., Ltd. and Jiangsu Chemical Fertilizer Co., Ltd.; the resolution on amendments to existing Articles of Association of the Company; the resolution on amendments to existing rules of procedures of the Board of the Company; the resolution on convening the 2017 first extraordinary general meeting, the 2017 first domestic shareholders' class meeting and the 2017 first H shareholders' class meeting.

On 11 December 2017, the Company convened the 19th meeting of the 2017 second session of the Board, at which considered and approved the following resolutions: the resolution on reviewing and approving the audit report (draft) of the Company for 2014, 2015, 2016 and the six months period ended 30 June 2017 under the China Accounting Standards; the resolution on establishing small Haimen Futures Branch of the Company.

(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	10	10	0	0	57	57	
Zhou Jianqiu	10	10	0	0	61	61	
Xue Binghai	10	10	0	0	58	57	
Zhang Ke	10	9	1	0	59	59	
Shan Bing	5	5	0	0	41	41	Appointed as a Non-executive Director on 26 May 2017
Li Xindan	10	7	3	0	62	62	
Zhang Hongfa	10	10	0	0	62	62	
Lam Kai Yeung	10	9	1	0	62	62	
Sun Changyu	3	2	1	0	9	9	Resigned on 23 March 2017

* 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 Board meeting to be attended	Number of Board meeting attended in person	Number of Board meeting attended by proxy	Number of absences
Zhou Yong	2	2	0	
Zhou Jianqiu	2	2	0	
Xue Binghai	2	2	0	
Zhang Ke	2	2	0	
Shan Bing	2	2	0	Appointed as a Non-executive Director on 26 May 2017
Li Xindan	2	2	0	
Zhang Hongfa	2	2	0	
Lam Kai Yeung	2	2	0	
Sun Changyu	0	0	0	Resigned on 23 March 2017

(7) Training for Directors

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

According to information provided by the Directors, for the year ended 31 December 2017, all Directors have received training provided by Li & Partners regarding the main responsibilities of listed companies on Main Board of the Hong Kong Stock Exchange and read the training plan for directors, supervisors and management regarding the Listing Rules and other materials on 18 October 2017.

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)	Lam Kai Yeung (chairman)
	Xue Binghai	Xue Binghai
	Zhang Hongfa	Zhang Hongfa
Remuneration Committee	Zhang Hongfa (chairman)	Zhang Hongfa (chairman)
	Li Xindan	Li Xindan
	Shan Bing (the former member of the remuneration committee, being Sun Changyu, resigned on 23 March 2017)	Shan Bing
Nomination Committee	Zhou Yong (chairman)	Zhou Yong (chairman)
	Li Xindan	Li Xindan
	Zhang Hongfa	Zhang Hongfa
Risk Management Committee	Li Xindan (chairman)	Li Xindan (chairman)
	Zhou Jianqiu	Zhou Jianqiu
	Xue Binghai	Xue Binghai
	Zhang Ke	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 Rules 3.21 and 3.22 of the Listing Rules, with written terms of reference. The written terms of reference of the Audit Committee were adopted in compliance with Code Provision C.3.3 and C.3.7 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 2017, 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 2017, the Board has no disagreement with the Audit Committee on the selection, appointment, designation or removal of the external auditor.

(2) Remuneration Committee

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

The main duties of the Remuneration Committee are: establishing, reviewing and making recommendations to the Board on the policy and structure concerning remuneration of the Directors and senior management, determining the terms of the specific remuneration package of each Director and member of senior management, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board, and other duties conferred by the Board. The remuneration of executive Directors is determined based on their skills, knowledge, individual performance and contribution, duties and responsibilities, with reference to the performance of the Company and the prevailing market conditions. The remuneration policy of independent non-executive Directors aims to providing sufficient compensation to the independent non-executive Directors for their efforts and time for participating the Company's affairs, including attending the meetings of Board committees. The remuneration of independent non-executive Directors is based on their skills, experience, knowledge, responsibility and market conditions. As of 31 December 2017, 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. Shan Bing (appointed as a committee member on 23 June 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 two meetings during the Reporting Period.

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

(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 2017, 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 two meetings during the Reporting Period.

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

(4) Risk Management Committee

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

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

As at 31 December 2017, the Risk Management Committee comprises four Directors, including an 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 23 March 2017, the Remuneration Committee considered and approved the "Resolution on 2016 Remuneration Package for Directors, Supervisors and Senior Management of Holly Futures Co., Ltd.", and on that day, relevant members and chairman of the committee all participated in the meeting.

On 22 August 2017, the Remuneration Committee considered and approved the "Resolution on Amendments to the Remuneration Management System of Holly Futures Co., Ltd.", and on that day, relevant members and chairman of the committee all participated in the meeting.

On 27 March 2017, the Nomination Committee considered and approved the "Resolution on Appointing Mr. Shan Bing as Non-executive Director of Second Session of the Board of Holly Futures Co., Ltd.", and on that day, relevant members and chairman of the committee all participated in the meeting.

On 22 August 2017, the Nomination Committee considered and approved the "Resolution on Appointing Deputy General Manager of the Company", and on that day, relevant members and chairman of the committee all participated in the meeting

On 27 March 2017, the Audit Committee considered and approved the "Resolution on the Announcement of Annual Results for the Year Ended 31 December 2016 and 2016 Annual Report (Draft) of the Company", the "Resolution on 2016 Final Account Report of Holly Futures Co., Ltd." and the "Resolution on Re-appointment of Accounting Firm of the Company and its Remuneration for 2017", and on that day, relevant members and chairman of the committee all participated in the meeting.

On 22 August 2017, the Audit Committee considered and approved the "Resolution on considering and approving the announcement of unaudited interim results (draft) and the interim report (draft) of the Company for the six months ended 30 June 2017 prepared under the Hong Kong Accounting Standards", and on that day, relevant members and chairman of the committee all participated in the meeting.

On 27 March 2017, the Risk Management Committee considered and approved the "Resolution on Risk Management and Internal Control System of Holly Futures Co., Ltd.", and on that day, relevant members and chairman of the committee all participated in the meeting.

V. Chairman and general manager

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

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

As 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. Mr. Sun Changyu, a Non-executive Director, resigned on 23 March 2017 with effective.

VII. Supervisory Committee and duty performance

(1) Duties of the Supervisory Committee

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

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

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

On 28 March 2017, the Company convened the 4th meeting of the 2017 second session of the Supervisory Committee, at which considered and approved the following resolutions: the resolution on the 2016 Annual Working Report of the Supervisory Committee of Holly Futures Co., Ltd.; the resolution on the Announcement of Annual Results for the Year Ended 31 December 2016 and 2016 Annual Report (Draft) of the Company; the resolution on 2016 Profit Distribution Plan of the Company; the resolution on 2016 Final Account Report of Holly Futures Co., Ltd..

On 24 August 2017, the Company convened the 5th meeting of the 2017 second session of the Supervisory Committee, at which considered and approved the following resolutions: the resolution on considering and approving the announcement of unaudited interim results (draft) and the interim report (draft) of the Company for the six months ended 30 June 2017 prepared under the Hong Kong Accounting Standards; the resolution on considerting and paying the interim dividend for the six month ended 30 June 2017; the resolution on Election of Ms. Yu Hong as a Supervisor of the Second Session of the Supervisory Committee.

On 29 September 2017, the Company convened the 6th meeting of the 2017 second session of the Supervisory Committee, at which considered and approved the following resolutions: the resolution on the initial public offering and the listing of A Shares of the Company; the resolution on the authorization to the Board at general meeting of the Company to deal with at its full discretion matters relating to the initial public offering and the listing of A Shares of the Company; the resolution on feasibility analysis report on the investment projects using the proceeds from the initial public offering of A Shares of the Company; the resolution on impacts and remedial measures on dilution of immediate return from A Shares offering of the Company; the resolution on price stabilising plan for the A Shares within three years after the A Share Offering of the Company; the resolution on dividend return plan for three years after the initial public offering and listing of A Shares of the Company; the resolution on report of use of raised funds from the previous offering of the Company; the resolution on public undertakings in the A Share offering documents of the Company; the resolution on formulating the applicable Articles of Association and its annexes after the listing of A Shares of the Comapny; the resolution on considering continuing connected transaction in respect of property lease between the Company and Jiangsu Holly Corporation; the resolution on considering continuing connected transaction in respect of financial services between the Company and Jiangsu SOHO Holdings Group Co., Ltd.; the resolution on considering continuing connected transaction in respect of thermal coal variation basis trading between Holly Capital Management Co., Ltd. and Jiangsu Chemical Fertilizer Co., Ltd.; the resolution on amendments to existing Articles of Association of the Company.

Name	Number of meeting to be attended	Number of meeting attended	Remarks
Xu Yingying	3	3	
Wang Jianying	3	3	
Yu Hong	0	0	Ms. Yu Hong was elected as a Supervisor on 20 November 2017.
Zhao Yajun	3	3	Mr. Zhao Yajun resigned on 20 November 2017 with effective.

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 2017, the Company appointed KPMG Huazhen LLP and KPMG as its external audit firms for 2017 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 consolidated financial statement of the Company for the year ended 31 December 2017.

(6) Company Secretary

Mr. Jia Guorong, 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 Mr. Jia Guorong in fulfilling his duties as the Board secretary and a joint company secretary of the Company. The Company's main contact person is Mr. Jia Guorong, the Board secretary and the joint company secretary of the Company. For the year ended 31 December 2017, Mr. Jia Guorong and Ms. Leung Wing Han Sharon accepted no less than 15 hours of professional trainings in accordance with Rule 3.29 of the Listing Rules.

(7) Communications with Shareholders

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

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

Where the Company convenes a general meeting, the Board, the Supervisory Committee and Shareholder(s) severally or jointly holding 3.0% 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 the Shareholder(s) as his proxies to attend and vote on his behalf. The said proxy may exercise the following rights as granted by the said Shareholder:

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

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

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

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

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

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

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

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

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 20 November 2017, the Company convened the 2017 first extraordinary general meeting, at which amendments to Article 2, Article 101, Article 127, the heading of Chapter XVIII and Article 204 of its Articles of Association were made, and Article 10, Article 99, Article 100, Chapter XIII and Article 142 were added, and the applicable Articles of Association were formulated after the listing of A Shares.

(11) Internal control

1. Building of internal control system

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

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

As 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 supervision 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 according to the requirements of relevant systems of the Company.

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

As 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 as of 30 June 2017 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.

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

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

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

(I) Continuously strengthening the role of internal audit supervision

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

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

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

   In 2017, the internal audit department of the Company continued to deepen the construction of the internal audit management system and fully performed and implemented its audit supervision function. It adhered to the supervision and evaluation of risk management and the enhancement of internal control as its main tasks, strengthened the effort, frequency and depth of audit in actual audit work, Depth, expanded the coverage and fineness of internal audit, innovated audit ideas, improved audit methods and intensified the implementation efforts in the follow-up rectification and continued to enhance the quality and effectiveness of audit work, which provided a safeguard for healthy and sound operation of the Company.

(II) Continuously improving the internal control evaluation system

1. Continuously strengthening the evaluation of internal control. The Company established a more effective internal control evaluation system in accordance with the relevant rules and regulations, and determined the evaluation method and operation flow of internal control. In the meantime, the Company continued to carry out internal control self-evaluation and implemented rectification on it. The Company formulated the evaluation criteria for internal control defects and carried out the internal control evaluation annually within the Company. The scope of evaluation covered the Company's headquarters, its branches and business segments of the Company with its business scope and key business management activities. In 2017, according to the requirements of the basic rules, evaluation guidelines and other relevant laws and regulations, the Company conducted a self-evaluation on the effectiveness of the Company's internal control design and operation as of 31 December 2017. It engaged KPMG Huazhen LLP to review the Company's internal control related to the financial statements and rectify the existing issues, so that the effectiveness of internal control was further enhanced.

2. Further improving the internal control evaluation mechanism and broadening the evaluation coverage. In 2017, the Company continuously improved internal control evaluation mechanism, improved evaluation method, enhanced technical means and fully leveraged on internationally advanced methods to carry out evaluation. The Company also continued to improve its internal control management and continuously raised its management standard on various risks.

Report of Supervisory Committee

In 2017, 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 three meetings for 2017, specifically:

Date	Session	Attendance	Agenda	Results
28 March 2017	The fourth meeting of the second of the Supervisory Committee	Xu Yingying, Wang Jianying and Zhao Yajun	1. Resolution on the 2016 Annual Working Report of the Supervisory Committee of Holly Futures Co., Ltd. 2. Resolution on the Announcement of Annual Results for the Year Ended 31 December 2016 and 2016 Annual Report (Draft) of the Company 3. Resolution on 2016 Profit Distribution Plan of the Company 4. Resolution on 2016 Final Account Report of Holly Futures Co., Ltd.	Passed
24 August 2017	The fifth meeting of the second of the Supervisory Committee	Xu Yingying, Wang Jianying and Zhao Yajun	1. Resolution on considering and approving the announcement of unaudited interim results (draft) and the interim report (draft) of the Company for the six months ended 30 June 2017 prepared under the Hong Kong Accounting Standards 2. Resolution on considerting and paying the interim dividend for the six month ended 30 June 2017 3. Resolution on Election of Ms. Yu Hong as a Supervisor of the Second Session of the Supervisory Committee	Passed

Date	Session	Attendance	Agenda		Results
29 September 2017	The sixth meeting of the second of the Supervisory Committee	Xu Yingying, Wang Jianying and Zhao Yajun	1.	Resolution on the initial public offering and the listing of A Shares of the Company	Passed
			2.	Resolution on the authorization to the Board at general meeting of the Company to deal with at its full discretion matters relating to the initial public offering and the listing of A Shares of the Company	
			3.	Resolution on feasibility analysis report on the investment projects using the proceeds from the initial public offering of A Shares of the Company	
			4.	Resolution on impacts and remedial measures on dilution of immediate return from A Shares offering of the Company	
			5.	Resolution on price stabilising plan for the A Shares within three years after the A Share Offering of the Company	
			6.	Resolution on dividend return plan for three years after the initial public offering and listing of A Shares of the Company	
			7.	Resolution on report of use of raised funds from the previous offering of the Company	
			8.	Resolution on public undertakings in the A Share offering documents of the Company	
			9.	Resolution on formulating the applicable Articles of Association and its annexes after the listing of A Shares of the Comapny	
			10.	Resolution on considering continuing connected transaction in respect of property lease between the Company and Jiangsu Holly Corporation	
			11.	Resolution on considering continuing connected transaction in respect of financial services between the Company and Jiangsu SOHO Holdings Group Co., Ltd.	
			12.	Resolution on considering continuing connected transaction in respect of thermal coal variation basis trading between Holly Capital Management Co., Ltd. and Jiangsu Chemical Fertilizer Co., Ltd.	
			13.	Resolution on amendments to existing Articles of Association of the Company	

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

In the opinion of the Supervisory Committee:

1. in 2017, 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 2017, 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
Chairlady

Nanjing, China, 27 March 2018

Independent Auditor's Report

(Expressed in thousands of Renminbi, unless otherwise stated)

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 147 to 230, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017 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.

Assessing potential impairment of goodwill	
Refer to note 14 to the consolidated financial statements and the accounting policies on pages 156 and 164.	
The Key Audit Matter	**How the matter was addressed in our audit**
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.	Our audit procedures to assess the potential impairment of goodwill included the following: • understanding and 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 competency, objectivity, experience and capabilities of the external appraiser appointed by management; • involving our valuation specialists to evaluate 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;

Key audit matters (continued)

Assessing potential impairment of goodwill (continued)	
Refer to note 14 to the consolidated financial statements and the accounting policies on pages 156 and 164.	
The Key Audit Matter	**How the matter was addressed in our audit**
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.	• 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, the perpetual growth rate, cost inflation 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 historical accuracy of management's forecasting process and if any management bias.

Key audit matters (continued)

Assessing the fair value of financial instruments

Refer to note 35(g) to the consolidated financial statements and the accounting policies on page 159.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2017, the fair value of the Group's financial assets and liabilities totaled RMB993 million and RMB425 million respectively. Financial assets amounted to RMB233 million, RMB46 million and RMB714 million and financial liabilities amounted to RMB0.03 million, RMB0 million and RMB425 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: • understanding and assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office/back office reconciliations and model approval; • assessing the fair value of all financial instruments traded in active markets by comparing the fair value 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 valuation specialists to evaluate the valuation methods used by the Group to value certain level 2 and level 3 financial instruments and to perform, on sample basis, independent valuations for level 2 and 3 financial instruments and compare these valuations with 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)

Consolidation of structured entities	
Refer to note 40 to the consolidated financial statements and the accounting policies on page 172.	
The Key Audit Matter	**How the matter was addressed in our audit**
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, the exposure to variable returns and 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 2017, the carrying amount of the Group's interests in structured entities sponsored by third party institutions was RMB290 million whilst the amounts of assets held by structured entities sponsored by the Group which the Group did and did not consolidate were RMB640 million and RMB864 million, respectively.	Our audit procedures to assess the consolidation of structured entities included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls over consolidation of structured entities; • 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;

Key audit matters (continued)

Consolidation of structured entities (continued)	
Refer to note 40 to the consolidated financial statements and the accounting policies on page 172.	
The Key Audit Matter	**How the matter was addressed in our audit**
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.	– assessing management's judgement over whether the structured entities should be consolidated or not; • making enquiries of management if there have been any changes to related contracts and internal documents for structured entities brought forward from previous years and obtaining and reviewing these contracts and internal documents on a sample basis to determine if the existing accounting treatment of those structured entities brought forward is still relevant; • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

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

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.

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

- 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.

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

27 March 2018

Consolidated statement of profit or loss

(Expressed in thousands of Renminbi, unless otherwise stated)
For the year ended 31 December 2017

	Note	2017	2016
Revenue	3	**336,267**	311,380
Net investment gains	4	**10,020**	6,105
Other operating income	5	**6,467**	–
Operating income		**352,754**	317,485
Other net (losses)/income	6	**(738)**	20,351
Operating expenses		**(220,803)**	(231,546)
Profit from operations		**131,213**	106,290
Share of losses of associates		**(1,665)**	(1,031)
Profit before taxation	7	**129,548**	105,259
Income tax expense	8	**(27,784)**	(26,356)
Profit for the year		**101,764**	78,903
Earnings per share	11		
Basic (RMB/per share)		**0.1122**	0.0870
Diluted (RMB/per share)		**0.1122**	0.0870

The notes on pages 153 to 230 form part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)
For the year ended 31 December 2017

	Note	2017	2016
Profit for the year		**101,764**	78,903
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		**(8,920)**	1,361
Reclassified to profit or loss		**4,450**	63
Share of other comprehensive income of associates		**9,854**	–
Exchange differences on translation of financial statements in foreign currencies		**(9,989)**	5,318
Other comprehensive income for the year, net of tax	12	**(4,605)**	6,742
Total comprehensive income for the year		**97,159**	85,645

The notes on pages 153 to 230 form part of these financial statements.

Consolidated statement of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)
For the year ended 31 December 2017

	Note	31 December 2017	31 December 2016
Non-current assets			
Property, plant and equipment	13	**7,959**	7,898
Goodwill	14	**43,322**	43,322
Intangible assets	15	**22,692**	22,536
Interest in associates	17	**19,932**	11,743
Available-for-sale financial assets	24	**28,283**	–
Deferred tax assets	33(c)	**7,887**	4,595
Other non-current assets	18	**1,632**	1,436
Total non-current assets		**131,707**	91,530
Current assets			
Refundable deposits	19	**1,415,746**	1,046,750
Trade receivables	20	**3,077**	–
Inventories	21	**37,606**	–
Other receivables	22	**55,348**	45,259
Other current assets	23	**17,695**	5,432
Available-for-sale financial assets	24	**102,752**	256,613
Financial assets at fair value through profit or loss	25	**862,143**	35,481
Derivative financial assets	26	**49**	25
Cash held on behalf of brokerage clients	27	**2,290,147**	2,178,936
Cash and bank balances	28	**912,772**	1,172,487
Total current assets		**5,697,335**	4,740,983

The notes on pages 153 to 230 form part of these financial statements.

	Note	31 December 2017	31 December 2016
Current liabilities			
Accounts payable to brokerage clients	30	**3,566,121**	3,040,791
Other payables	31	**70,045**	43,536
Financial liabilities at fair value through profit or loss	32	**424,857**	26,351
Derivative financial liabilities	26	**26**	1,430
Current taxation	33(a)	**9,568**	4,719
Total current liabilities		**4,070,617**	3,116,827
Net current assets		**1,626,718**	1,624,156
Total assets less current liabilities		**1,758,425**	1,715,686
NET ASSETS		**1,758,425**	1,715,686
CAPITAL AND RESERVES			
Share capital	34(c)	**907,000**	907,000
Reserves	34(d)	**851,425**	808,686
TOTAL EQUITY		**1,758,425**	1,715,686

Approved and authorised for issue by the board of directors on 27 March 2018.

Zhou Yong *Directors*
Zhou Jianqiu

The notes on pages 153 to 230 form part of these financial statements.

Consolidated statement of changes in equity

(Expressed in thousands of Renminbi, unless otherwise stated)

For the year ended 31 December 2017

	Note	Share capital (Note 34)	Reserves: Capital reserve (Note 34)	Surplus reserve (Note 34)	General reserve (Note 34)	Fair value reserve (Note 34)	Translation reserve (Note 34)	Distributable profits (Note 34)	Total
Balance at 1 January 2017		907,000	533,125	31,415	164,115	4,370	5,860	69,801	1,715,686
Changes in equity for 2017									
Profit for the year		-	-	-	-	-	-	101,764	101,764
Other comprehensive income	12	-	-	-	-	5,384	(9,989)	-	(4,605)
Total comprehensive income		-	-	-	-	5,384	(9,989)	101,764	97,159
Appropriation of profits									
Appropriation to surplus reserve		-	-	8,962	-	-	-	(8,962)	-
Appropriation to general reserve		-	-	-	18,394	-	-	(18,394)	-
Dividends approved in respect of the previous year	34(b)(ii)	-	-	-	-	-	-	(54,420)	(54,420)
Balance at 31 December 2017		907,000	533,125	40,377	182,509	9,754	(4,129)	89,789	1,758,425

	Note	Share capital (Note 34)	Reserves: Capital reserve (Note 34)	Surplus reserve (Note 34)	General reserve (Note 34)	Fair value reserve (Note 34)	Translation reserve (Note 34)	Distributable profits (Note 34)	Total
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	12	–	–	–	–	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	34(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

The notes on pages 153 to 230 form part of these financial statements.

Consolidated cash flow statement

(Expressed in thousands of Renminbi, unless otherwise stated)
For the year ended 31 December 2017

	Note	2017	2016
Operating activities			
Cash generated from operations	29(b)	**105,892**	37,134
Income tax paid	33(a)	**(24,737)**	(25,684)
Net cash generated from operating activities		**81,155**	11,450
Investing activities			
Proceeds from sales of available–for-sale financial assets		**251,278**	141,429
Payment for purchases of available–for-sale financial assets		**(119,169)**	(384,700)
Proceeds from sales of financial assets held under resale agreements		**517,443**	643,493
Payment for purchases of financial assets held under resale agreements		**(517,344)**	(643,400)
Proceeds from sales of financial assets held for trading		**945,175**	816,454
Payment for purchases of financial assets held for trading		**(1,145,643)**	(777,521)
Proceeds from disposal of property, plant and equipment		**38**	171
Payment for purchases of property, plant and equipment		**(3,883)**	(739)
Payment for purchases of intangible assets		**(383)**	(819)
Dividends received from investments in securities	4	**9,677**	10,196
Net cash used in from investing activities		**(62,811)**	(195,436)
Financing activities			
Proceeds from issuance of shares upon public offering, net of issuing expenses		**–**	382,225
Payment of expenses related to initial public offering		**(1,549)**	–
Dividends paid to equity shareholders of the Company	34(b)	**(54,420)**	(45,350)
Net cash (used in)/generated from financing activities		**(55,969)**	336,875
Net (decrease)/increase in cash and cash equivalents		**(37,625)**	152,889
Effect of foreign exchange rate changes		**(16,530)**	16,153
Cash and cash equivalents at 1 January	29(a)	**530,972**	361,930
Cash and cash equivalents at 31 December	29(a)	**476,817**	530,972

The notes on pages 153 to 230 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 2017 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.

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

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.

(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.

1 Significant accounting policies (continued)

(e) Subsidiaries and non-controlling interests (continued)

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(o)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(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(o)). 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.

1 Significant accounting policies (continued)

(f) Associates (continued)

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(o)), 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(o)).

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.

(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.

1 Significant accounting policies (continued)

(h) Foreign currency (continued)

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)

1 Significant accounting policies (continued)

(i) Financial instruments (continued)

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

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.

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(t)(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.

1 Significant accounting policies (continued)

(i) Financial instruments (continued)

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

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.

(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.

1 Significant accounting policies (continued)

(i) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

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.

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.

1 Significant accounting policies (continued)

(i) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

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.

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.

1 Significant accounting policies (continued)

(i) Financial instruments (continued)

(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.

(k) Inventories

The Group's inventories comprised of physical commodities. These inventories are in initially measured at cost. Cost is determined using the first-in, first-out (FIFO) method, including purchase cost and other variable purchase expenses.

1 Significant accounting policies (continued)

(k) Inventories (continued)

At the end of each Reporting Period, inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Any excess of the cost over the net realizable value of each inventories is recognized as an impairment provision for diminution in the value of inventories in the consolidated statement of financial position and impairment charge within gains/(losses) on physical commodities trading.

If, in a subsequent period, the net realizable value of the impaired inventories increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

(l) Property, plant and equipment

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

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%	9.50%
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.

(m) 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(o)).

1 Significant accounting policies (continued)

(m) Intangible assets (other than goodwill) (continued)

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.

(n) 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.

(o) 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;

1 Significant accounting policies (continued)

(o) Impairment of non-financial assets (continued)

– 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.

(p) 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.

1 Significant accounting policies (continued)

(q) 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.

(r) 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.

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.

1 Significant accounting policies (continued)

(r) Income tax (continued)

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.

(s) 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.

1 Significant accounting policies (continued)

(s) Provisions and contingent liabilities (continued)

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.

(t) 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) Sales of commodities

Revenue is recognised when commodities are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the commodities and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(v) Other income

Other income is recognised on an accruals basis.

1 Significant accounting policies (continued)

(u) 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.

(v) 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.

(w) 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);

1 Significant accounting policies (continued)

(w) Related parties (continued)

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

(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.

(x) 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.

2 Accounting judgment and estimatess (continued)

– 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.

– 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).

2 Accounting judgment and estimates (continued)

– 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.

– 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 and asset management business. The amount of each significant category of revenue is as follows:

	Note	2017	2016
Commission and fee income	(a)	197,910	204,209
Interest income	(b)	138,357	107,171
Total		336,267	311,380

(a) Commission and fee income

	2017	2016
Commission and fee income		
– Futures and options brokerage business	98,298	132,256
– Refund from futures exchanges	97,388	68,318
– Asset management business	2,224	3,635
Total	197,910	204,209

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 1% of the Group's commission and fee income for the year ended 31 December 2017 (31 December 2016: 2%); while the Group's top 5 customers accounted for 2% of the Group's commission and fee income for the year ended 31 December 2017 (31 December 2016: 4%).

(b) Interest income

	2017	2016
Interest income		
– Bank deposits	126,752	92,589
– Asset management plans and trust schemes	5,763	8,450
– Futures exchanges	5,743	6,039
– Financial assets held under resale agreements	99	93
Total	138,357	107,171

4 Net investment gains

	2017	2016
Net realized gains from:		
Disposal of financial assets at fair value through profit or loss		
– Trading securities	2,371	5,690
– Funds	(6,073)	(9,856)
– Receivables	–	224
Disposal of financial assets designated at fair value through profit or loss		
– Physical commodities	1,861	–
Disposal of financial liabilities at fair value through profit or loss		
– Payables	249	(1,569)
Disposal of derivative financial instruments	(4,209)	(1,627)
Disposal of available-for-sale financial assets		
– Listed securities	6,220	–
– Wealth management products issued by banks	235	1,470
– Asset management plans	262	1,049
– Bonds	12	–
Subtotal	928	(4,619)

	2017	2016
Net unrealized fair value changes of:		
Financial assets at fair value through profit or loss:		
– Trading securities	(2,795)	(1,653)
– Funds	1,078	(212)
Financial assets designated at fair value through profit or loss	–	(280)
Financial liabilities designated at fair value through profit or loss	268	879
Derivative financial assets	(646)	(823)
Derivative financial liabilities	1,510	2,617
Subtotal	(585)	528
Dividend income from:		
Financial assets at fair value through profit or loss	9,365	10,156
Available-for-sale financial assets	312	40
Subtotal	9,677	10,196
Total	10,020	6,105

5 Other operating income

	2017	2016
Sales of commodities	**183,872**	–
Others	**153**	–
Subtotal	**184,025**	–
Cost of commodities	**(177,558)**	–
Total	**6,467**	–

6 Other net (losses)/income

	2017	2016
Exchange (losses)/gains	**(6,622)**	10,872
Government grants	**2,215**	1,270
Exchange sponsorship	**1,749**	664
Others	**1,920**	7,545
Total	**(738)**	20,351

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

7 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Staff costs

	2017	2016
Salaries, bonuses and allowances	**97,910**	96,397
Contributions to pension schemes	**12,860**	11,702
Other social welfare	**26,527**	28,453
Total	**137,297**	136,552

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.

7 Profit before taxation (continued)

(b) Commission expenses

	2017	2016
Commissions paid to brokers	**10,582**	23,050

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.

(c) Other items

	2017	2016
Office expenses	**28,964**	24,084
Operating lease charges	**21,070**	19,075
Depreciation and amortisation	**3,863**	7,012
Consulting fee	**3,600**	2,765
Auditors' remuneration	**2,038**	1,925
Utilities	**1,964**	2,464
Property management expenses	**1,930**	1,984
Business tax and surcharges	**974**	4,219
Repair and maintenance expenses	**523**	1,310
Investors protection funds	**170**	1,928
Other expenses	**7,828**	5,178
Total	**72,924**	71,944

8 Income tax expense

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

	Note	2017	2016
Current tax-PRC corporate income tax			
Provision for the year		30,545	25,077
(Over)/under-provision in respect of prior years		(959)	4,225
Subtotal		29,586	29,302
Current tax – Hong Kong profits tax			
Provision for the year		–	–
Subtotal	33(a)	29,586	29,302
Deferred tax			
Origination and reversal of temporary differences		(1,802)	(1,887)
Effect on deferred tax balances at 1 January resulting from a change in tax rate (i)		–	(1,059)
Subtotal	33(b)	(1,802)	(2,946)
Total		27,784	26,356

(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%.

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

	2017	2016
Profit before taxation	129,548	105,259
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	32,283	26,247
Tax effect of non-deductible expenses	654	1,711
Tax effect of non-taxable income	(4,471)	(4,944)
Unrecognised deductible temporary differences	416	258
Utilisation of previously unrecognised tax losses	(139)	(82)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	–	(1,059)
(Over)/under-provision in respect of prior years	(959)	4,225
Actual income tax expense	27,784	26,356

9 Directors' and supervisors' remuneration

The remuneration of directors and supervisors who held office during the Reporting Period is as follows:

	2017				
Name	Director's fees	Salaries, allowances and benefits	Discretionary bonuses	Pension scheme contributions	Total
Directors					
Zhou Yong	–	–	–	–	–
Zhou Jianqiu	–	309	387	40	736
Xue Binghai	–	–	–	–	–
Zhang Ke(1)	–	–	–	–	–
Shan Bing(2)	–	–	–	–	–
Sun Changyu(3)	–	–	–	–	–
Independent directors					
Li Xindan	119	–	–	–	119
Zhang Hongfa	119	–	–	–	119
Lam Kai Yeung	124	–	–	–	124
Supervisors					
Xu Yingying	–	42	124	38	204
Wang Jianying	–	–	–	–	–
Zhao Yajun(4)	–	–	–	–	–
Yu Hong(5)	–	243	41	40	324
Total	362	594	552	118	1,626

9 Directors' and supervisors' remuneration (continued)

	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[(6)]	–	–	–	–	–
Sun Changyu	–	–	–	–	–
Zhang Ke[(1)]	–	–	–	–	–
Independent directors					
Li Xindan	99	–	–	–	99
Zhang Jie[(7)]	24	–	–	–	24
Zhang Hongfa	99	–	–	–	99
Lam Kai Yeung	123	–	–	–	123
Supervisors					
Xu Yingying	–	131	128	34	293
Pu Xuenian[(8)]	–	–	–	–	–
Zhao Yajun[(4)]	–	–	–	–	–
Wang Jianying	–	–	–	–	–
Total	345	602	447	72	1,466

(1) Appointed as director on 31 May 2016.

(2) Appointed as director on 26 May 2017.

(3) Resigned on 23 March 2017.

(4) Appointed as supervisor on 31 May 2016 and resigned on 20 November 2017.

(5) Appointed as supervisor on 20 November 2017.

(6) Resigned on 29 March 2016.

(7) Resigned on 29 March 2016.

(8) Resigned on 31 May 2016.

None of the non-independent directors or supervisors (except Zhou Jianqiu, Xu Yingying and Yu Hong) 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.

10 Individuals with highest emoluments

Of the five individuals with the highest emoluments, none of them is a director whose emoluments is disclosed in Note 9. The aggregate of the emoluments are as follows:

	2017	2016
Salaries, allowances and benefits	908	1,580
Discretionary bonuses	6,344	5,706
Pension scheme contributions	199	191
Total	7,451	7,477

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

	2017 Number of Individuals	2016 Number of Individuals
HKD Nil to HKD1,000,000	–	–
HKD1,000,001 to HKD1,500,000	2	2
HKD1,500,001 to HKD2,000,000	1	3
HKD2,000,001 to HKD2,500,000	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.

11 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

	2017	2016
Issued ordinary shares at 1 January (thousands)	907,000	907,000
Weighted average number of ordinary shares at 31 December (thousands)	907,000	907,000

11 Earnings per share (continued)

(b) Calculations of basic and diluted earnings per share

	2017	2016
Profit attributable to shareholders of the Company	101,764	78,903
Weighted average number of ordinary shares issued (thousands)	907,000	907,000
Basic and diluted earnings per share attributable to equity shareholders (in RMB per share)	0.1122	0.0870

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.

12 Other comprehensive income for the year, net of tax

	2017		
	Before tax	Tax benefit/ (expense)	Net of tax
Available-for-sale financial assets			
– Net changes in fair value	(11,893)	2,973	(8,920)
– Reclassified to profit or loss	5,933	(1,483)	4,450
Share of other comprehensive income of associates	9,854	–	9,854
Exchange differences on translation of financial statements in foreign currencies	(9,989)	–	(9,989)
Total	(6,095)	1,490	(4,605)

	2016		
	Before tax	Tax expense	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

13 Property, plant and equipment

	Motor vehicles	Office equipment	Electronic equipment	Total
Cost:				
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
As at 1 January 2017	**5,405**	**3,668**	**29,374**	**38,447**
Additions	**–**	**55**	**3,828**	**3,883**
Disposal	**–**	**(236)**	**(1,497)**	**(1,733)**
Translation reserve	**–**	**(3)**	**(55)**	**(58)**
As at 31 December 2017	**5,405**	**3,484**	**31,650**	**40,539**
Accumulated depreciation:				
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)
As at 1 January 2017	**(3,425)**	**(3,116)**	**(24,008)**	**(30,549)**
Charge for the year	**(487)**	**(181)**	**(3,034)**	**(3,702)**
Written back on disposal	**–**	**226**	**1,402**	**1,628**
Translation reserve	**–**	**2**	**41**	**43**
As at 31 December 2017	**(3,912)**	**(3,069)**	**(25,599)**	**(32,580)**
Net book value:				
As at 31 December 2016	1,980	552	5,366	7,898
As at 31 December 2017	**1,493**	**415**	**6,051**	**7,959**

14 Goodwill

	31 December 2017	31 December 2016
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 2017	31 December 2016
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.

15 Intangible assets

	Computer software	Futures exchanges membership	Customer relationship	Total
Cost:				
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
As at 1 January 2017	**5,501**	**21,847**	**6,100**	**33,448**
Additions	**383**	**–**	**–**	**383**
Translation reserve	**(43)**	**(30)**	**–**	**(73)**
As at 31 December 2017	**5,841**	**21,817**	**6,100**	**33,758**
Accumulated amortisation:				
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)
As at 1 January 2017	**(4,812)**	**–**	**(6,100)**	**(10,912)**
Charge for the year	**(161)**	**–**	**–**	**(161)**
Translation reserve	**7**	**–**	**–**	**7**
As at 31 December 2017	**(4,966)**	**–**	**(6,100)**	**(11,066)**
Net book value:				
As at 31 December 2016	689	21,847	–	22,536
As at 31 December 2017	**875**	**21,817**	**–**	**22,692**

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.

16 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	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: 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	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	HKD190 million(i)	100%	100%	–	Futures brokerage business
Holly Capital (Hongkong) Co., Ltd. 弘業資本(香港)有限公司(ii)	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	Hong Kong	Limited company	HKD20 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 March 2017, the Company increased its capital injection to Holly Su Futures (Hongkong) Co., Ltd. ("Holly Su Futures") by HKD90 million.

(ii) Holly Capital (Hongkong) Co., Ltd. was established by Holly Capital in May 2016. The registered capital is HKD5 million. As at 31 December 2017, the capital has not been paid.

17 Interest in associates

	31 December 2017	31 December 2016
Share of net assets	19,932	11,743

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 have appointed 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.

17 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 2017	31 December 2016
Gross amounts of the associate:		
Current assets	12,306	20,941
Non-current assets	34,568	3,710
Current liabilities	–	–
Non-current liabilities	(6,561)	–
Equity	40,313	24,651
Loss for the year	(3,635)	(665)
Total comprehensive income	(3,635)	(665)
Reconciled to the Group's interests in the associate:		
Gross amounts of net assets of the associate	40,313	24,651
Group's effective interest	22%	22%
Group's share of net assets of the associate	8,869	5,423
Carrying amount in the consolidated financial statements	8,869	5,423

	Jiangsu Hong Rui Growth Venture Investment Co., Ltd.	
	31 December 2017	31 December 2016
Gross amounts of the associate:		
Current assets	8,432	17,171
Non-current assets	136,051	60,523
Current liabilities	(13,861)	(13,862)
Non-current liabilities	(18,882)	–
Equity	111,740	63,832
Loss for the year	(8,738)	(8,941)
Total comprehensive income	(8,738)	(8,941)
Reconciled to the Group's interests in the associate:		
Gross amounts of net assets of the associate	111,740	63,832
Group's effective interest	9.901%	9.901%
Group's share of net assets of the associate	11,063	6,320
Carrying amount in the consolidated financial statements	11,063	6,320

18 Other non-current assets

	31 December 2017	31 December 2016
Deposits with Hong Kong Futures Exchange Limited	**1,632**	1,436

19 Refundable deposits

Refundable deposits arising from futures brokerage business:

	31 December 2017	31 December 2016
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	**594,738**	349,578
– Dalian Commodity Exchange	**302,178**	308,319
– Zhengzhou Commodity Exchange	**235,484**	133,009
– China Securities Depository and Clearing	**114,201**	–
– China Financial Futures Exchange	**106,916**	144,014
Other futures brokers	**62,229**	111,830
Total	**1,415,746**	1,046,750

20 Trade receivables

Trade receivables arising from physical commodities trading business:

	31 December 2017	31 December 2016
Physical commodities trading	**3,077**	–

The aging analysis of trade receivables are as follows:

	31 December 2017	31 December 2016
Within 1 year	**3,077**	–

21 Inventories

Inventories held due to physical commodities trading business:

	31 December 2017	31 December 2016
Trading commodities	37,606	–
Less: impairment	–	–
	37,606	–

22 Other receivables

	31 December 2017	31 December 2016
Interest receivables	32,766	31,727
Prepayments	16,642	–
Rental deposits	2,128	2,284
Others	3,812	11,248
Total	55,348	45,259

23 Other current assets

	31 December 2017	31 December 2016
Prepaid rentals	1,654	1,268
Deductible value added tax	–	1,839
Others	16,041	2,325
Total	17,695	5,432

24 Available-for-sale financial assets

	31 December 2017	31 December 2016
Non-current		
At fair value:		
Unlisted funds	**18,102**	–
Wealth management products	**10,181**	–
Total	**28,283**	–
Current		
At fair value:		
– Listed equity securities	**2,522**	6,618
– Less: Impairment losses for listed equity securities	**(338)**	(338)
Subtotal	**2,184**	6,280
– Asset management plans	**62,359**	184,333
– Trust schemes	**28,000**	66,000
– Bonds	**10,209**	–
Total	**102,752**	256,613
Analysed as:		
Listed outside Hong Kong	**2,184**	6,280
Unlisted	**128,851**	250,333
Total	**131,035**	256,613

As at 31 December, one of the Group's listed available-for-sale equity security was individually determined to be impaired on the basis of a material decline in its fair value below cost and adverse changes in the market in which the investees operated which indicated that the cost of the Group's investment in it may not be recovered. Impairment loss on this investment was recognised in profit or loss in accordance with the policy set out in Note 1(i)(iii).

25 Financial assets at fair value through profit or loss

(i) Analysed by type

	31 December 2017	31 December 2016
Held for trading		
– Equity securities	37,244	35,481
– Unlisted funds	210,899	–
	248,143	35,481
Financial assets designated at fair value through profit or loss		
– Asset backed securities	614,000	–
Total	862,143	35,481

Asset backed securities 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 2017	31 December 2016
Listed outside Hong Kong	37,244	35,481
Unlisted	824,899	–
Total	862,143	35,481

26 Derivative financial assets/liabilities

	31 December 2017		
		Fair value	
	Notional amount	Assets	Liabilities
Commodity derivatives			
– Futures	**24,252**	**277**	**(231)**
– Options	**5,802**	**49**	**(26)**
Total	**30,054**	**326**	**(257)**
Less: settlement		**(277)**	**231**
Net position		**49**	**(26)**

	31 December 2016		
		Fair value	
	Notional amount	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)

27 Cash held on behalf of brokerage clients

	31 December 2017	31 December 2016
Cash held on behalf of brokerage clients	**2,290,147**	2,178,936

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.

28 Cash and bank balances

	Note	31 December 2017	31 December 2016
Bank deposits with original maturity over 3 months		**398,949**	632,193
Restricted bank deposits		**37,006**	9,322
Cash and cash equivalents	29(a)	**476,817**	530,972
		912,772	1,172,487

As at 31 December 2017, deposits amounting to RMB37,006 thousands (31 December 2016: RMB9,322 thousands), which were collected during the fund raising period of the collective asset management plans or collected from the consolidation of management plans, are required to place at designated bank accounts.

29 Cash and cash equivalents

(a) Cash and cash equivalents comprise

	31 December 2017	31 December 2016
Deposits with banks and other financial institutions	**476,816**	530,970
Cash on hand	**1**	2
	476,817	530,972

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	2017	2016
Profit before taxation		**129,548**	105,259
Adjustments for:			
Depreciation and amortisation	7(c)	**3,863**	7,012
Net unrealised fair value changes		**1,717**	1,865
Share of losses of associates		**1,665**	1,031
Dividend income from investments	4	**(9,677)**	(10,196)
Net realised (gains)/losses from financial instruments		**(3,026)**	1,647
Interest income from asset management plans and trust schemes	3(b)	**(5,763)**	(8,450)
Interest income from financial assets held under resale agreements	3(b)	**(99)**	(93)
Loss on disposal of property, plant and equipment		**67**	–
Exchange losses/(gains)	6	**6,622**	(10,872)
Operating cash flows before movements in working capital		**124,917**	87,203

29 Cash and cash equivalents

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2017	2016
Operating cash flows before movements in working capital		**124,917**	87,203
Increase in refundable deposits		**(368,996)**	(312,153)
Increase in trade receivables		**(3,077)**	–
(Increase)/decrease in other receivables		**(10,088)**	652
Increase in inventories		**(37,606)**	–
Decrease/(increase) in other current assets and non-current assets		**(8,353)**	(1,183)
(Increase)/decrease in financial assets at fair value through profit or loss		**(631,613)**	7,280
(Increase)/decrease in derivative financial assets		**(24)**	269
(Increase)/decrease in cash held on behalf of brokerage clients		**(111,211)**	806,210
Decrease in term deposits with original maturity over three months		**233,244**	37,807
(Increase)/decrease in restricted bank deposits		**(27,684)**	114,368
Increase/(decrease) in accounts payable to brokerage clients		**525,330**	(622,668)
Decrease in trade payables		**–**	(199)
Increase/(decrease) in other payables		**23,951**	(47,792)
(Decrease)/increase in derivative financial liabilities		**(1,404)**	1,430
Increase/(decrease) in financial liabilities designated at fair value through profit or loss		**398,506**	(34,090)
Cash generated from operations		**105,892**	37,134

30 Accounts payable to brokerage clients

	31 December 2017	31 December 2016
Clients' deposits for brokerage business	3,566,121	3,040,791

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.

31 Other payables

	31 December 2017	31 December 2016
Payable to investors of collective asset management plans	26,210	9,000
Employee benefits payables	24,953	23,377
Tax and surcharges payables (i)	5,282	126
Commission payable to brokers	2,621	3,780
IPO service fees payable	2,558	–
Payable to investors protection funds	180	437
Others	8,241	6,816
Total	70,045	43,536

(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.

32 Financial liabilities at fair value through profit or loss

	31 December 2017	31 December 2016
Financial liabilities designated at fair value through profit or loss		
– Payables	**424,857**	26,351

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.

33 Income tax

(a) Current taxation

	Note	31 December 2017	31 December 2016
At the beginning of the year		**4,719**	1,101
Provision for the year	8(a)		
— PRC corporate income tax		**29,586**	29,302
— Hong Kong profits tax		**–**	–
Tax paid			
— PRC corporate income tax		**(24,737)**	(25,684)
— Hong Kong profits tax		**–**	–
At the end of the year		**9,568**	4,719

33 Income tax (continued)

(b) Deferred tax assets/liabilities recognised

The components of deferred tax assets 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 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
Charged to reserves	–	–	–	–	–	(474)	–	(474)
As at 31 December 2016	5,750	26	(8)	199	85	(1,457)	–	4,595
As at 1 January 2017	**5,750**	**26**	**(8)**	**199**	**85**	**(1,457)**	**-**	**4,595**
Credited/(charged) to profit or loss	**352**	**966**	**699**	**(215)**	**-**	**-**	**-**	**1,802**
Credited to reserves	**-**	**-**	**-**	**-**	**-**	**1,490**	**-**	**1,490**
As at 31 December 2017	**6,102**	**992**	**691**	**(16)**	**85**	**33**	**-**	**7,887**

(c) Reconciliation to the consolidated statements of financial position

	31 December 2017	31 December 2016
Net deferred tax assets recognised in the consolidated statement of financial position	**7,887**	4,595

33 Income tax (continued)

(d) Recognised in other comprehensive income

	2017		
	Before tax	Tax benefit/(expense)	Net of tax
Available-for-sale financial assets			
– Net changes in fair value	(11,893)	2,973	(8,920)
– Reclassified to profit or loss	5,933	(1,483)	4,450
Total	(5,960)	1,490	(4,470)

	2016		
	Before tax	Tax expense	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

(e) Deferred tax assets not recognised

As at 31 December, temporary difference relating to the goodwill impairment of RMB9,845 thousands (31 December 2016: 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 2017, in accordance with the accounting policy set out in Note 1(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB5,041 thousands (31 December 2016: RMB5,883 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.

34 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 2017	907,000	526,722	31,415	164,115	4,384	70,000	1,703,636
Changes in equity for 2017							
Profit for the year	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	5,234	99,053	104,287
Total comprehensive income	–	–	–	–	5,234	99,053	104,287
Appropriation of profits							
Appropriation to surplus reserve	–	–	8,962	–	–	(8,962)	–
Appropriation to general reserve	–	–	–	18,394	–	(18,394)	–
Dividends approved in respect of the previous year	–	–	–	–	–	(54,420)	(54,420)
As at 31 December 2017	907,000	526,722	40,377	182,509	9,618	87,277	1,753,503
As at 1 January 2016	907,000	526,722	23,581	146,568	3,010	52,681	1,659,562
Changes 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

34 Share capital and reserves (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	31 December 2017	31 December 2016
Final dividend proposed after the end of the Reporting Period	**72,560**	54,420

Pursuant to the Board meeting held on 27 March 2018, the Company propose to pay a total cash dividend of RMB72,560 thousands to all shareholders based on 907,000,000 shares issued as at 31 December 2017, which is RMB0.08 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 11 June 2018. The proposed final dividend is subject to shareholders' approval at the 2017 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 2017	31 December 2016
Final dividend in respect of the previous financial year, approved and paid during the year	**54,420**	45,350

(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:

	2017	2016
Number of shares registered, issued and fully paid (at RMB1 per share)		
At 1 January	**907,000**	907,000
At 31 December	**907,000**	907,000

34 Share capital and reserves (continued)

(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.

(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 and share of other comprehensive income from associates.

34 Share capital and reserves (continued)

(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.

35 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, trade receivables, other receivables, available-for-sale financial assets, 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.

Trade receivables are receivables of proceeds from selling commodities to reputable enterprise which management considered to have minimal credit risk.

Other receivables are mainly receivable of proceeds from interest receivables and rental deposits, which management assessed the credit risk to be low.

Available-for-sale financial assets are mainly investments into asset management plans, trust schemes, bonds and wealth management products. As the Group mainly invested in asset management plans, trust schemes, bonds and wealth management products issued by financial institutions with good reputation, the credit risk is considered to be low.

35 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Derivative financial assets are futures and options mainly signed with clients traded through over-the-counter market. As the counterparties 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.

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 2017	31 December 2016
Non-current assets		
Other non-current assets	**1,632**	1,436
Available-for-sale financial assets	**10,181**	–
Total	**11,813**	1,436
Current assets		
Refundable deposits	**1,415,746**	1,046,750
Trade receivables	**3,077**	–
Other receivables	**38,706**	45,259
Available-for-sale financial assets	**100,568**	250,333
Derivative financial assets	**49**	25
Cash held on behalf of brokerage clients	**2,290,147**	2,178,936
Bank balances	**912,771**	1,172,485
Total	**4,761,064**	4,693,788

35 Financial risk management and fair values of financial instruments (continued)

(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.

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:

	2017 Contractual undiscounted cash flow			
	On demand	Within 1 year	Total	Carrying amount at 31 December
Accounts payable to brokerage clients	3,566,121	–	3,566,121	3,566,121
Other payables	–	64,740	64,740	64,740
Financial liabilities at fair value through profit or loss	–	424,857	424,857	424,857
Derivative financial liabilities	–	26	26	26
Total	3,566,121	489,623	4,055,744	4,055,744

	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

35 Financial risk management and fair values of financial instruments (continued)

(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.

(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 2017		31 December 2016	
	Effective interest rate	Amount	Effective interest rate	Amount
Fixed rate instruments				
Refundable deposits	1.95%	1,345,851	1.95%-2.40%	931,661
Cash held on behalf of brokerage clients	0.85%-7.00%	2,236,420	3.00%-6.20%	2,010,000
Bank balances	1.62%-5.70%	698,949	0.965%-4.05%	671,138
Variable rate instruments				
Available-for-sale financial assets	5.02%-5.30%	38,209	4.00%-7.00%	189,860
Cash held on behalf of brokerage clients	0.001%-3.50%	53,727	0.001%-3.20%	168,936
Bank balances	0.001%-1.98%	213,822	0.001%-1.98%	501,347

35 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk (continued)

(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 2017	**31 December 2016**
Changes in basis points		
Increase 100 basis points	**2,293**	**7,333**
Decrease 100 basis points	**(1,205)**	**(2,564)**

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.

35 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk

Except for 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, the currency risk is assessed to be low.

(i) Exposure to currency risk

	Exposure to foreign currencies (expressed in RMB thousand)	
	31 December 2017 (Hong Kong Dollars)	**31 December 2016 (Hong Kong Dollars)**
Cash and bank balances	**88,307**	**174,690**

(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 2017	**31 December 2016**
Changes in the Hong Kong dollars exchange rate		
Increase by 10%	**6,623**	**13,102**
Decrease by 10%	**(6,623)**	**(13,102)**

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 2016.

35 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 24), financial assets/liabilities at fair value through profit or loss (see Notes 25 and 32) and derivative financial assets/liabilities (see Note 26). 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 2017	**31 December 2016**
Changes in the equity price risk variable		
Increase by 10%	**2,793**	2,661
Decrease by 10%	**(2,817)**	(2,686)
Changes in the commodity price risk variable		
Increase by 10%	**(464)**	(1,342)
Decrease by 10%	**464**	1,342

	Sensitivity of equity	
	31 December 2017	**31 December 2016**
Changes in the equity price risk variable		
Increase by 10%	**2,982**	3,157
Decrease by 10%	**(2,982)**	(3,157)
Changes in the commodity price risk variable		
Increase by 10%	**(464)**	(507)
Decrease by 10%	**464**	507

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 2016.

35 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>" 《期貨公司風險監管指標管理辦法》 ("Administrative Measures") issued by the CSRC on 7 February 2017, 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 RMB30 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 20%;

(iv) The ratio between current assets and current liabilities shall not be less than 100%;

(v) The ratio between liabilities and net assets shall not be higher than 150%; and

(vi) The requirements of minimum settlement provision.

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.

35 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:

35 Financial risk management and fair values of financial instruments (continued)

(g) Fair value measurement (continued)

	Fair value as at 31 December 2017	Fair value measurements 31 December 2017 categorized into			Fair value as at 31 December 2016	Fair value measurements 31 December 2016 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	2,184	2,184	-	-	6,280	6,280	-	-
Asset management plans	62,359	-	-	62,359	184,333	-	-	184,333
Trust schemes	28,000	-	-	28,000	66,000	-	-	66,000
Unlisted funds	18,102	-	18,102	-	-	-	-	-
Bonds	10,209	-	10,209	-	-	-	-	-
Wealth management products	10,181	-	-	10,181	-	-	-	-
Financial assets at fair value through profit or loss:								
Equity securities	37,244	35,919	1,325	-	35,481	35,481	-	-
Unlisted funds	210,899	194,701	16,198	-	-	-	-	-
Asset backed securities	614,000	-	-	614,000	-	-	-	-
Derivative financial assets	49	17	-	32	25	25	-	-
Liabilities:								
Financial liabilities at fair value through profit or loss:								
Payables	(424,857)	-	-	(424,857)	(26,351)	-	-	(26,351)
Derivative financial liabilities	(26)	(26)	-	-	(1,430)	(72)	-	(1,358)
Total	568,344	232,795	45,834	289,715	264,338	41,714	-	222,624

There were transfers between Level 1 and Level 2 during the year ended 31 December 2017. The Group held A-share listed stock named 'Chang You 5' (code: 400061) which was suspended for trading on 27 February 2017. As this stock was still suspended on 31 December 2017, the Group transferred the stock amounting to a total of RMB1,325 thousands from Level 1 to Level 2 as the quoted price of the above mentioned stock was no longer regularly available at 31 December 2017.

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.

35 Financial risk management and fair values of financial instruments (continued)

(g) Fair value measurement (continued)

(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 open-ended 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 options traded through over-the-counter market, fair values are determined using valuation techniques based on observable commodity futures market data with similar characteristics.

(5) For debt securities traded through the inter-bank bond market and OTC market, fair values are determined using valuation techniques.

(6) For asset management plans, trust schemes, asset backed securities, unlisted funds and wealth management products, fair value is determined based on the net asset value as at the reporting date.

35 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	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 1 January 2017	250,333	–	–	(26,351)	(1,358)	222,624
Purchases	100,300	614,000	–	(425,000)	–	289,300
Changes in fair value recognised in other comprehensive income	(952)	–	–	–	–	(952)
Gains or losses for the year	497	–	32	(19)	1,358	1,868
Sales and settlements	(249,638)	–	–	26,513	–	(223,125)
As at 31 December 2017	100,540	614,000	32	(424,857)	–	289,715
Total gains or losses for the year reclassified from other comprehensive income on disposal	497	–	–	–	–	497
Total gains or losses for the year included in profit or loss for assets held at the end of Reporting Period	–	–	32	143	–	175

	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)

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.

35 Financial risk management and fair values of financial instruments (continued)

(g) Fair value measurement (continued)

(iv) 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, unlisted funds, wealth management products and asset backed securities	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Over-the-counter options	Bloomberg OVML function, with Black-Scholes PDE solved using Crank-Nicholson finite-difference scheme	Implied volatility	The higher the implied volatility, the higher the fair value
Payables	Underlying financial instruments valuation and contract distribution method	Contract distribution method	The higher the distribution rate, the higher 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.

36 Commitments

(a) Capital commitments not provided for in the consolidated financial statements were as follows:

	As at 31 December 2017	As at 31 December 2016
Contracted for	**42,000**	42,000
Authorised but not contracted for	**30,000**	–
Total	**72,000**	42,000

36 Commitments (continued)

(b) Operating lease commitments

At 31 December, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	31 December 2017	31 December 2016
Within 1 year	**16,043**	15,713
After 1 year but not more than 2 years	**4,722**	7,222
After 2 years but not more than 3 years	**3,631**	3,341
After 3 years	**3,726**	2,620
Total	**28,122**	28,896

37 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 five 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 "Qin Huai Court"). 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. On 23 March 2018, the company received the judgment from the Qin Huai Court which dismissed the lawsuit and transferred to the police for handling.

On 1 August 2017, the second customer filed a lawsuit against the Company with the Qin Huai Court. The customer claimed for: (1) the repayment of RMB21 million investment together with expected return of RMB5.04 million; and (2) the cost of proceedings. On 21 March 2018, the company received the judgment from the Qin Huai Court which dismissed the lawsuit and transferred to the police for handling.

On 28 August 2017, the third customer filed a lawsuit against the Company with the Qin Huai Court. The customer claimed for: (1) the repayment of RMB0.4 million investment together with expected return of RMB0.075 million; and (2) the cost of proceedings. On 20 March 2018, the company received the judgment from the Qin Huai Court which dismissed the lawsuit and transferred to the police for handling.

On 28 August 2017, the fourth customer filed a lawsuit against the Company with the Qin Huai Court. The customer claimed for: (1) the repayment of RMB1 million investment together with expected return of RMB0.28 million; and (2) the cost of proceedings. On 16 March 2018, the company received the judgment from the Qin Huai Court which dismissed the lawsuit and transferred to the police for handling.

Based on facts, circumstances and legal advices at this juncture, the directors consider no provision in the consolidated financial statements is required.

37 Contingencies (continued)

(b) On 17 July 2016, one of the Company's employees (same employee as stated in Note 37(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. The Company became aware of such personal lending agreements on 18 July 2016 and reported it to the public security authority on 21 July 2016.

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 (the "first lawsuit"). Another customer claimed for: (1) the repayment of RMB1.7 million loan; and (2) the cost of proceedings (the "second lawsuit").

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.

On 26 July 2017, the Jing Hai Court delivered its first trial judgement of the first lawsuit and held that the former employee and his wife should repay the 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 the Company should undertake to repay 50% of any unsettled amount. On 16 October 2017, the Jing Hai Court delivered its second trial judgement of the first lawsuit and dismissed the appeal.

On 4 August 2017, the Jing Hai Court delivered its first trial judgement of the second lawsuit and held that the former employee and his wife should repay the RMB1.4 million loan and the Company should undertake to repay 50% of any unsettled amount. On 15 November 2017, the Jing Hai Court delivered its second trial judgement of the second lawsuit and dismissed the appeal.

Based on facts, pledged assets available for compensation and legal advices at this juncture, the directors consider no provision in the consolidated financial statements is required.

37 Contingencies (continued)

(c) On 3 November 2017, two individual customers filed lawsuits against the Company with the People's Court of Dongcheng District of Beijing City (the "Dongcheng Court"), alleging that one of the Company's former employees had used their funds for investment in wealth management product to carry out unauthorised futures trading which resulted in losses.

One customer claimed for: (1) the repayment of RMB1.5 million investment together with interest; and (2) the cost of proceedings. Another customer claimed for: (1) the repayment of RMB8.35 million investment together with interest; and (2) the cost of proceedings. As at the date of this report, the legal proceedings are still ongoing.

Based on facts, circumstances and legal advices at this juncture, the directors consider no provision in the consolidated financial statements is required.

Except for the above, as at 31 December 2017, the Group was 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.

38 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 2017	31 December 2016
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.

38 Material related party transactions (continued)

(a) Relationship of related parties (continued)

(ii) Subsidiaries of the Company

Details of the Company's subsidiaries are disclosed in Note 16.

(iii) Associates

Details of the Group's associates are disclosed in Note 17.

(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 2017	31 December 2016
Accounts payable to brokerage clients	**259**	2,972

	2017	2016
Transactions during the year		
Commission and fee income	–	19
Operating lease charges	**5,041**	5,041
Office expenses	–	5
Other expenses	–	141

(ii) Transactions between the Group and associates

	31 December 2017	31 December 2016
Balances at the end of the year		
Other payables	**227**	227

38 Material related party transactions (continued)

(b) Related party transactions and balances (continued)

(iii) Transactions between the Group and other related parties

	31 December 2017	31 December 2016
Balances at the end of the year		
Other receivables	–	18
Accounts payable to brokerage clients	2,920	3,337
Available-for-sale financial assets	28,283	–

	2017	2016
Transactions during the year		
Commission and fee income	270	306
Operating lease charges	–	565
Repair and maintenance expenses	30	82
Property management expenses	579	605
Others	76	–

(iv) Transactions between the Company and subsidiaries

	31 December 2017	31 December 2016
Balances at the end of the year		
Accounts payable to brokerage clients	136,035	169,441

	2017	2016
Transactions during the year		
Commission and fee income	59	82
Dividend received by the Company from the PRC subsidiary	–	10,000

38 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 9 and certain of the five highest paid individuals as disclosed in Note 10, are as follows:

	2017	2016
Short-term employee benefits		
— Fees, salaries, allowances and bonuses	**4,396**	7,099
Post-employment benefits		
— Contributions to pension scheme	**372**	349
Total	**4,768**	7,448

Total remuneration is included in "staff costs" (see Note 7(a)).

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of Note 38(b)(i) and Note 38(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".

39 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.

39 Segment reporting (continued)

(a) Business segments

For the year ended 31 December 2017

	Futures brokerage and asset management business	Commodity trading and risk management business	Total
Revenue			
– External	335,540	7,194	342,734
– Inter-segment	59	–	59
Other income and gains			
– External	9,265	17	9,282
– Inter-segment	–	(59)	(59)
Segment revenue and other income	344,864	7,152	352,016
Segment expenses	(214,948)	(5,855)	(220,803)
Segment operating profit	129,916	1,297	131,213
Share of losses of associates	(1,665)	–	(1,665)
Profit before taxation	128,251	1,297	129,548
Interest income	137,478	879	138,357
Depreciation and amortisation	(3,837)	(26)	(3,863)
Segment assets	5,710,952	254,125	5,965,077
Additions to non-current segment assets during the year	4,262	4	4,266
Segment liabilities	(4,200,164)	(6,488)	(4,206,652)

39 Segment reporting (continued)

(a) Business segments (continued)

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)

39 Segment reporting (continued)

(a) Business segments (continued)

Reconciliations of segment revenues, profit or loss, assets and liabilities:

	2017	2016
Revenue and other income		
Total revenue and other income for segments	352,016	347,836
Elimination of inter-segment revenue	(59)	(82)
Elimination of inter-segment other income and gains	59	(9,918)
Consolidated revenue and other income	352,016	337,836
Profit		
Total profit before tax for segments	129,548	115,259
Elimination of inter-segment profit	–	(10,000)
Consolidated profit before income tax	129,548	105,259

	31 December 2017	31 December 2016
Assets		
Total assets for segments	5,965,077	5,001,954
Elimination of inter-segment assets	(136,035)	(169,441)
Consolidated total assets	5,829,042	4,832,513
Liabilities		
Total liabilities for segments	(4,206,652)	(3,286,268)
Elimination of inter-segment liabilities	136,035	169,441
Consolidated total liabilities	(4,070,617)	(3,116,827)

39 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.

	2017			2016		
	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total
Segment revenue						
Revenue from external customers	332,727	10,007	342,734	304,506	6,874	311,380
Other income and gains	8,928	354	9,282	26,434	22	26,456
Total	341,655	10,361	352,016	330,940	6,896	337,836

	31 December 2017			31 December 2016		
	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total
Specified non-current assets	93,128	777	93,905	84,713	786	85,499

40 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 2017, the total assets of the consolidated asset management plans are RMB639,774 thousands (31 December 2016: RMB29,611 thousands), and the carrying amount of interests held by the Group in the consolidated asset management plans are RMB214,917 thousands (31 December 2016: RMB3,260 thousands), which are accounted for financial assets at fair value through profit or loss, cash and bank balances and other payables.

40 Interest in structured entities (continued)

(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 asset management plans, trust schemes, funds, bonds and wealth management products. 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 2017		
	Available for-sale financial assets	**Financial assets at fair value through profit or loss**	**Total**
Asset management plans	**38,800**	**–**	**38,800**
Trust schemes	**28,000**	**–**	**28,000**
Unlisted funds	**18,102**	**194,701**	**212,803**
Wealth management products	**10,181**	**–**	**10,181**
Total	**95,083**	**194,701**	**289,784**

	31 December 2016		
	Available for-sale financial assets	**Financial assets at fair value through profit or loss**	**Total**
Trust schemes	66,000	–	66,000

During the Reporting Periods, the comprehensive income from the unconsolidated structured entities held by the Group was as follows:

	2017	**2016**
Revenue	**2,803**	698
Net investment gains		
– Net realized gains	**(5,826)**	(8,200)
– Net unrealized fair value changes	**1,078**	(212)
– Dividend income	**9,199**	10,017
Other comprehensive income	**(1,717)**	–
Total	**5,537**	2,303

The maximum exposure to loss for asset management plans, trust schemes, funds and wealth management products are the fair value as at 31 December.

40 Interest in structured entities (continued)

(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, interest income and investment income generated by investing into asset management plans.

As at 31 December 2017, the amount of assets held by the unconsolidated asset management products, which are sponsored by the Group is RMB864,372 thousands (31 December 2016: RMB831,259 thousands).

During the Reporting Period, the comprehensive income from the above mentioned structured entities was as follows:

	2017	2016
Revenue		
– Commission and fee income	2,224	3,635
– Interest income	2,960	7,752
Net investment gains	262	352
Total	5,446	11,739

41 Company-level statement of financial position

	31 December 2017	31 December 2016
Non-current assets		
Property, plant and equipment	7,653	7,597
Goodwill	43,322	43,322
Intangible assets	21,773	21,552
Investment in subsidiaries	396,242	316,457
Interest in associates	19,932	11,743
Available-for-sale financial assets	18,102	–
Deferred tax assets	7,135	4,277
Total non-current assets	514,159	404,948
Current assets		
Refundable deposits	1,353,518	934,921
Other receivables	36,843	36,004
Other current assets	6,908	5,432
Available-for-sale financial assets	315,652	234,291
Financial assets at fair value through profit or loss	157,127	6,418
Cash held on behalf of brokerage clients	2,173,142	2,059,927
Cash and bank balances	796,337	1,054,818
Total current assets	4,839,527	4,331,811

41 Company-level statement of financial position

		31 December 2017	31 December 2016
Current liabilities			
Accounts payable to brokerage clients		**3,526,660**	2,986,199
Other payables		**63,496**	42,769
Current taxation		**10,027**	4,155
Total current liabilities		**3,600,183**	3,033,123
Net current assets		**1,239,344**	1,298,688
Total assets less current liabilities		**1,753,503**	1,703,636
NET ASSETS		**1,753,503**	1,703,636
CAPITAL AND RESERVES			
Share capital	34(a)	**907,000**	907,000
Reserves	34(a)	**846,503**	796,636
TOTAL EQUITY		**1,753,503**	1,703,636

Approved and authorised for issue by the board of directors on 27 March 2018.

Zhou Yong Directors
Zhou Jianqiu

42 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 34(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.

43 Immediate and ultimate controlling party

At 31 December 2017, 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.

44 Possible impact of amendments, new standards and interpretations issued but not yet effective for year ended 31 December 2017

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 2017 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
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
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	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, new standards and interpretations 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. While the assessment has been substantially completed for HKFRS 9, the actual impact upon the initial adoption of the standards may differ as the assessment completed to date is based on information currently available to the Group, and further impact may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

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, including the measurement of impairment for 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 and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

44 Possible impact of amendments, new standards and interpretations issued but not yet effective for year ended 31 December 2017 (continued)

HKFRS 9, Financial instruments (continued)

(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):

– 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 interest revenue, impairment 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.

The Group has assessed 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.

With respect to the Group's investments in equity securities currently classified as "available-for-sale", these are investments which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group plans not to elect this designation option for any of the investments held on 1 January 2018 and will recognise any fair value changes in respect of these investments in profit or loss as they arise. This will give rise to a change in accounting policy as currently the Group recognises the fair value changes of available-for-sale equity investments 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 Notes 1(i). This change in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss. The Group also expects its debt instruments currently classified as "available-for-sale" to be classified as FVTPL and will recognise any fair value changes in respect of those debt instruments in profit or loss as they arise, which will give rise to a change in accounting policy as above.

Upon the initial adoption of HKFRS 9, fair value losses of RMB100 thousands related to available-for-sale investments will be transferred from the fair value reserve to distributable profits at 1 January 2018.

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 credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). With respect to the Group's financial instruments currently classified as financial liabilities designated at FVTPL, there will have no impact on the Group on adoption of HKFRS 9.

44 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (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 either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, there will be no significant impact on the impairment as compared with that recognised under HKAS 39.

(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. As the Group currently does not adopt hedge accounting, this will have no 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 36(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amounted to RMB28,122 thousands of which RMB12,079 thousands is payable one year 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.