



# 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: 03678.HK ; 001236.SZ



2022  
ANNUAL REPORT

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

# 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 eleventh meeting of the fourth session of the Board and the sixth meeting of the fourth session of the Supervisory Committee. All Directors and Supervisors were present at the respective meetings. No Directors, Supervisors or the senior management declared that they could not guarantee nor had any objection to the truthfulness, accuracy and completeness of this report.

The annual financial report for the year ended 31 December 2022 prepared by the Company in accordance with PRC Accounting Standard for Business Enterprises was audited by ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥)), and an auditor's report without reservation opinions was issued by them. All amounts set out in this report are expressed in Renminbi (RMB) unless otherwise indicated.

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

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

# Chairlady's Statement

The past year has been a difficult one. The turbulent international situation, and triple pressure of contracting domestic demand, supply shock and weakening expectations have had a huge impact on the economic operation and the development of the Company. Facing the stormy international environment and the daunting task of reform, development and stability, all staff of Holly Futures have risen to the challenge and forged ahead, gathering the spark into a torch and demonstrating the power of Holly Futures.

2022 was an extraordinary year. During the year, we were steadfast and courageous, effectively dealt with the impact of unexpected factors and successfully completed the listing of A Shares. During the year, we adhered to the theme of quality development to continuously promote the Company's strategic planning of "14th Five-year". During the year, we served the real economy by focusing on "maintaining supply and price stability" and enhancing our overall service capability. We have made strong strides in fulfilling our social responsibility by contributing to common prosperity, with our "Insurance + Futures" footprint covering 14 provinces across China. During the year, we launched a payroll reform and carried out the relocation to Nanjing Financial City to enhance the sense of well-being and happiness of our staff.

In 2022, the Company achieved a year-on-year decrease of 6.84% in operating income, 84.56% in net profit, 24.62% in turnover from brokerage, 27.65% in average daily customer equity and 36.14% in closing customer equity. The Company was awarded more than 30 honors, including "Civilized Unit of Jiangsu Province", "Best Futures Company in China" and "Excellent Member Award" of the Exchange.

2022 was a tough year, yet we have written a magnificent chapter, and it is destined to be a remarkable chapter in the history of the Company. Development is only a matter of time, and the struggle begins at the moment. We strive for progress amid stability and seek improvement while making progress. We will work hard to deepen reform, transform and upgrade to contribute to the prosperity of people as well as the Company while making its effort to stay at the forefront. In 2023, standing at the new historical starting point of the Company, let us take the listing of A Shares as an opportunity to make good use of the "A+H" business card to set our sights on the development goal of creating a first-class enterprise while working hard to achieve better operating results and create greater social value, repaying the trust and support given to Holly Futures by our customers, investors and the society.

**Zhou Jianqiu**  
*Chairlady*

Nanjing, the PRC  
29 March 2023

About Us

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# Definitions

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

Artall Culture Group	Artall Culture Group Company Limited (愛濤文化集團有限公司, formerly known as Jiangsu Holly International Group Company Limited (江蘇弘業國際集團有限公司)), a limited liability company established under the laws of the PRC on 20 January 1999 and a wholly-owned subsidiary of the Company's Controlling Shareholder
Articles of Association	the Articles of Association of the Company currently in force, as amended, supplemented and otherwise modified from time to time
A Share(s)	domestic listed ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the Shenzhen Stock Exchange (Stock Code: 001236). As at the end of the Reporting Period, the Company has issued a total of 758,077,778 A Shares
A Share Offering	initial public offering of 100,777,778 A Shares of the Company which are listed on the Main Board of the Shenzhen Stock Exchange on 5 August 2022. The Company has completed the A Share Offering and of which all of its 657,300,000 Domestic Shares have been converted into A Shares, please refer to the Company's announcement dated 4 August 2022 for details
A Shareholder(s)	holders of A Shares
A Shares Prospectus	the prospectus in relation to the A Share Offering published on 5 July 2022
AUM	the amount of assets under management
Board	the board of directors of the Company
CFA or China Futures Association	China Futures Association (中國期貨業協會)
CFFE	China Financial Futures Exchange (中國金融期貨交易所)
Chairlady	the chairlady of the Company
Chief Risk Officer	the chief risk officer of the Company
Company Law or PRC Company Law	Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented and otherwise modified from time to time

Company, our Company, we or Holly Futures	Holly Futures Co., Ltd. (弘業期貨股份有限公司), a joint stock limited company established in Jiangsu, the PRC under the laws of the PRC on 29 November 2012 and carrying on business in Hong Kong as “Holly Futures”, its H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and its A Shares of which are listed on the Main Board of the Shenzhen Stock Exchange
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 contained in Appendix 14 of the Listing Rules
CSRC	China Securities Regulatory Commission
DCE	Dalian Commodity Exchange (大連商品交易所)
Director(s)	director(s) of the Company
Domestic Share(s)	issued ordinary share(s) of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid up in RMB. As mentioned in the announcement of the Company dated 4 August 2022, the Company completed the A Share Offering, all of its 657,300,000 domestic shares were converted into the same number of A Shares
FOF	a fund specially invests in other investment funds. It does not directly invest in stocks or bonds. With its investment limited to other funds only, it holds securitized assets such as stocks and bonds indirectly by holding other securities investment funds, becoming a new type of fund that combines fund product innovation with sales channel innovation
GFE	the Guangzhou Futures Exchange
Group, our Group, us or we	the Company and its subsidiaries
High Hope Corporation	Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司) (formerly known as Jiangsu High Hope Corporation) (江蘇匯鴻股份有限公司)), a limited liability company established in the PRC on 13 October 1992 which was subsequently converted to a joint stock limited company in 1994
High Hope International	Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團有限公司), a limited liability company established under the laws of the PRC on 18 December 1996 and one of the promoters of the Company, which was de-registered on 23 September 2015 as a result of the merger with High Hope Corporation by way of absorption

HK\$ or HKD or Hong Kong dollars	the lawful currency of Hong Kong
Holly Capital	Holly Capital Management Co., Ltd. (弘業資本管理有限公司), a limited liability company established under the laws of the PRC on 25 June 2013 and a wholly-owned subsidiary of the Company
Holly Corporation	Jiangsu Holly Corporation (江蘇弘業股份有限公司) (formerly known as Jiangsu Crafts Import & Export Trading Group Co., Ltd. (江蘇省工藝品進出口集團股份有限公司)), a limited liability company established under the laws of the PRC on 30 June 1994 and one of the promoters and a Shareholder of the Company
Holly Logistics	Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司) (formerly known as Jiangsu Pengcheng International Storage & Transportation Company Limited (江蘇鵬程國際儲運有限公司)), a limited liability company established under the laws of the PRC on 12 February 1996 and one of the promoters and a Shareholder of the Company
Holly International Asset Management	Holly International Asset Management Company Limited (弘業國際資產管理有限公司) (formerly known as Holly Su Asset Management Company Limited (弘蘇資產管理有限公司)), a company incorporated under the laws of Hong Kong with limited liability on 7 July 2016 and a wholly-owned subsidiary of Holly International Financial, which is licensed to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, and changed its name in December 2019
Holly International Financial	Holly International Financial Holdings Limited (弘業國際金融控股有限公司) (formerly known as Holly Su Futures (Hongkong) Co., Limited (弘蘇期貨(香港)有限公司)), a company incorporated under the laws of Hong Kong with limited liability on 20 October 2011 and a wholly-owned subsidiary of the Company which is licensed to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO, and changed its name in December 2019
Holly Su Industrial	Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司), a limited liability company established under the laws of the PRC on 23 February 2011 and one of the promoters and a Shareholder of the Company
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited

Hongrui Venture Capital	Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司), a limited liability company established under the laws of the PRC on 29 September 2002 and one of the promoters and a Shareholder of the Company
Hong Rui Growth	Jiangsu Hong Rui Growth Venture Investment Co., Ltd. (江蘇弘瑞成長創業投資有限公司), a joint stock company of the Company
Hong Rui New Era	Jiangsu Hong Rui New Era Venture Investment Co., Ltd. (江蘇弘瑞新時代創業投資有限公司), a joint stock company of the Company
H Share(s)	overseas listed foreign ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each listed on the Main Board of the Hong Kong Stock Exchange. As at the end of the Reporting Period, the Company has issued a total of 249,700,000 H Shares
H Share Offering	the global offering of 227,000,000 H Shares offered by the Company and 22,700,000 H Shares offering by the selling shareholders which are listed on the Hong Kong Stock Exchange on 30 December 2015
H Shares Prospectus	the prospectus in relation to the H Share Offering published on 16 December 2015
H Shareholder(s)	holders of H Shares
Jiangsu AIC	Jiangsu Administration of Industry and Commerce (江蘇省工商行政管理局)
Jiangsu Holly	Jiangsu Holly Futures Brokerage Company Limited (江蘇弘業期貨經紀有限公司) (formerly known as Jiangsu Jinling Futures Brokerage Company Limited (江蘇金陵期貨經紀有限公司), Jiangsu Holly Futures Brokerage Company Limited (江蘇弘業期貨經紀有限公司) and Jiangsu Holly Futures Company Limited (江蘇弘業期貨有限公司)), a limited liability company established under the laws of the PRC on 31 July 1995 and the predecessor of the Company and, where the context refers to any time prior to its establishment, the business which its predecessors were engaged in
Jiangsu SASAC	State-owned Assets Supervision and Administration Commission of the Jiangsu People's Government (江蘇省人民政府國有資產監督管理委員會)
Jiangsu Securities Bureau	Jiangsu Securities Bureau of the China Securities Regulatory Commission (中國證券監督管理委員會江蘇監管局)
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time



lot	the standardized quantity of futures as set out by the PRC Futures Exchange, and represents the minimum quantity of that futures that may be traded
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
MOF	Ministry of Finance of the PRC (中華人民共和國財政部)
MOFCOM	Ministry of Commerce of the PRC (中華人民共和國商務部)
Net Capital	equals net assets minus asset adjustment value plus liability adjustment value minus the deposits which the clients fail to fully replenish minus/plus other adjustment items recognised or approved by the CSRC
PRC Futures Exchanges	China Financial Futures Exchange (中國金融期貨交易所), Dalian Commodity Exchange (大連商品交易所), Shanghai Futures Exchange (上海期貨交易所), Zhengzhou Commodity Exchange (鄭州商品交易所), Shanghai International Energy Exchange (上海國際能源交易中心) and Guangzhou Futures Exchange (廣州期貨交易所)
PRC or China	the People's Republic of China which, for the purpose of this report, excludes Hong Kong, Macau Special Administrative Region and Taiwan
PTA	pure terephthalic acid
Report	this annual report for 2022 of the Company
Reporting Period	the year ended 31 December 2022
RMB or Renminbi	the lawful currency of the PRC
Rules of Procedure for Meeting of the Board	the Rules of Procedure for Meeting of the Board of Holly Futures Co., Ltd. currently in force, as amended, supplemented and otherwise modified from time to time
R&D	research and development
SAT	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)

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

CTA	commodity trading advisory fund, also known as managed futures fund, refers to a fund organization in which professional fund managers use funds entrusted by clients to independently decide to invest in global futures markets and options markets for profit and charge corresponding management fees
Fixed income+	an investment strategy that consists of two types of investments, namely fixed income and floating income. Fixed income refers to the fixed income part, which is mainly invested in fixed income investment such as bonds, generally accounting for approximately 80% of the investment ratio. "+" means to increase income, which is mainly invested in funds, stocks, etc., generally not exceeding 20%
Futures and Derivatives Law	the Futures and Derivatives Law of the People's Republic of China, implemented on 1 August 2022

# Company Profile

## I. BASIC INFORMATION ABOUT THE COMPANY

### (1) NAME OF COMPANY

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

Chinese abbreviation (in the PRC): 弘業期貨

English name: Holly Futures Co., Ltd.

### (2) LEGAL REPRESENTATIVE

Ms. Zhou Jianqiu

### (3) AUTHORIZED REPRESENTATIVES OF THE COMPANY

Ms. Zhou Jianqiu and Mr. Huang Haiqing

### (4) REGISTERED CAPITAL

RMB1,007.777778 million

### (5) QUALIFICATIONS FOR BUSINESSES IN CHINA

Commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management, sales of funds, trading participant for stock options, inter-bank bond transactions

### (6) HEAD OFFICE IN CHINA

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

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

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

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

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

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

## II. LIST OF BOARD, SUPERVISORY COMMITTEE AND SPECIAL COMMITTEES

### (8) BOARD

Executive Directors	Ms. Zhou Jianqiu (Chairlady) Mr. Chu Kairong
Non-executive Directors	Mr. Xue Binghai Mr. Shan Bing Mr. Jiang Lin
Independent non-executive Directors	Mr. Wang Yuetang Mr. Huang Dechun Mr. Lo Wah Wai

### (9) SPECIAL COMMITTEES OF THE BOARD

Audit Committee	Mr. Lo Wah Wai (Chairman) Mr. Xue Binghai Mr. Huang Dechun
Remuneration Committee	Mr. Huang Dechun (Chairman) Mr. Shan Bing Mr. Wang Yuetang
Nomination Committee	Ms. Zhou Jianqiu (Chairlady) Mr. Wang Yuetang Mr. Huang Dechun
Risk Management Committee	Mr. Wang Yuetang (Chairman) Mr. Chu Kairong Mr. Xue Binghai Mr. Jiang Lin
Strategic Committee	Ms. Zhou Jianqiu (Chairlady) Mr. Xue Binghai Mr. Wang Yuetang

## (10) SUPERVISORY COMMITTEE

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

## III. CONTACT INFORMATION

### (11) SECRETARY TO THE BOARD

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

### (12) JOINT COMPANY SECRETARIES

Mr. Huang Haiqing and Ms. Chan Yin Wah

## IV. OTHER INFORMATION

### (13) STATUTORY AUDIT INSTITUTIONS OF THE COMPANY

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

### (14) LEGAL ADVISERS OF THE COMPANY

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

**(15) PRINCIPAL BANKERS**

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

**V. BRIEF DESCRIPTION OF THE COMPANY'S SHARES**

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

## VI. DEVELOPMENT HISTORY

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

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

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

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

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



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

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

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

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

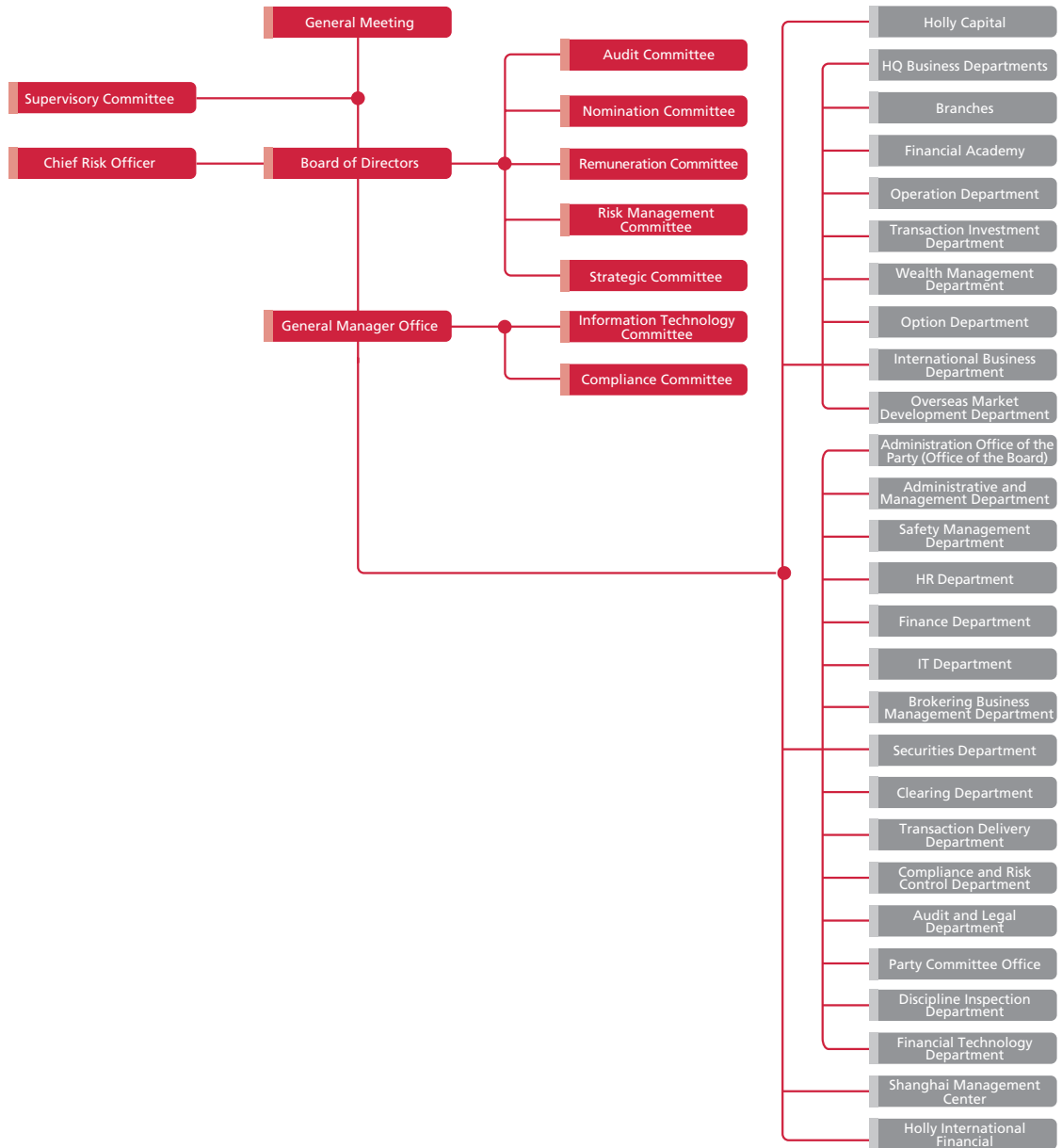
On 29 November 2012, the whole of Jiangsu Holly was transformed into Holly Futures Co., Ltd. After the overall transformation, the total share capital of the new company amounted to 680,000,000 shares, of which 292,992,674 shares or 43.09% were held by SOHO Holdings; 147,900,000 shares or 21.75% were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

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

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

On 23 June 2022, according to the "Approval of the Initial Public Offering of Shares by Holly Futures Co., Limited" (Securities Regulatory Permit No. [2022] 1135) approved by the CSRC, the Company was permitted to issue up to 100,777,778 A Shares. On 5 August 2022, the A Shares of the Company were officially listed and trading on the Main Board of the Shenzhen Stock Exchange with the stock code 001236. Upon completion of the issuance, the registered capital and share capital of the Company are RMB1,007,777,778, with a total of 758,077,778 A Shares and 249,700,000 H Shares were issued, which were held by Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) as to 275,456,777 A Shares or 27.33%; by Jiangsu Holly Corporation (江蘇弘業股份有限公司) as to 147,900,000 A Shares or 14.68%; by Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司) as to 143,548,000 A Shares or 14.24%; by Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司) as to 63,930,134 A Shares or 6.34%; by Shanghai Mingda Industrial (Group) Company Limited (上海銘大實業(集團)有限公司) as to 9,276,631 A Shares or 0.92%; by Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司) as to 8,903,113 A Shares or 0.88%; by Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司) as to 8,285,345 A Shares or 0.82%; and by public shareholders of H Shares as to a total of 249,700,000 H Shares or 24.78%.

## VII. ORGANIZATIONAL STRUCTURE



## VIII. SUBSIDIARIES

Name	Registered and office address	Principal activities	Place of incorporation and principal place of operation	Date of incorporation	Registered capital	Shareholding ratio	Remarks
Holly Capital <sup>(1)</sup>	Room 201, Block A, No. 1 Qianwan Road 1, Qianhai Shenzhen Hong Kong Cooperative District, Shenzhen, the PRC	Basis trading, cooperation hedging, warehouse receipts services, OTC derivatives business, market making business	PRC	25 June 2013	RMB500 million	100%	In December 2022 and January 2023, the Company increased its capital by RMB10 million and RMB100 million, respectively, after the completion of capital injection, the registered capital was changed from RMB390 million to RMB500 million
Holly International Financial	Room 03-05, 20/F, Jubilee Centre, No. 42-46 Gloucester Road, Wanchai, Hong Kong	Provisions of futures trading and securities trading	Hong Kong	20 October 2011	HKD240 million	100%	In September 2022, the Company increased its capital by HKD50 million and the registered capital was changed from RMB190 million to RMB240 million
Holly International Asset Management	Room 03-05, 20/F, Jubilee Centre, No. 42-46 Gloucester Road, Wanchai, Hong Kong	Asset management, securities investment consulting	Hong Kong	7 July 2016	HKD20 million	100%	Established and wholly owned by Holly International Financial

Note:

- Holly Capital is registered as domestic enterprise under PRC law.

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

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

Serial No.	Branch/Sub-branch	Business Address	Date of Establishment
1	Beijing Branch	Unit B2, 901, 9th Floor, 118 Jianguo Road, Chaoyang District, Beijing City	2 February 2005
2	Changshu Branch	Room A617, A618, A620, No. 45 Haiyu North Road (Changshu World Trade Center), Changshu City, Jiangsu Province	23 July 2013
3	Changzhou Branch	Room 1003, Building 2, Tianning Times Square, 19 Zhulin West Road, Changzhou City	24 September 2002
4	Chengdu Branch	Unit 4, 19/F, Section 2, Block 1, No. 88 Shujin Road, Chengdu Hi-Tech Zone, Chengdu	25 January 2013
5	Changsha Branch	1405, Changfang Dongjun Building, 99 Renmin East Road, Furong District, Changsha City	11 December 2008
6	Chongqing Branch	Unit 5, 18/F, 1 Qingyun Road, Jiangbei District, Chongqing City	30 December 2011
7	Fuzhou Branch	Unit 1907-1908, 19th Floor of Lippo Tianma Plaza, 1 Wuyibei Road, Gulou District, Fuzhou City, Fujian Province	10 November 2008
8	Guangzhou Branch	Room 1201, No. 138 Tiyu East Road, Tianhe District, Guangzhou City	8 March 2011
9	Haikou Branch	Room 1809, Fortune Centre, No. 38 Datong Road, Longhua District, Haikou City, Hainan Province	25 March 2010
10	Hangzhou Branch	Unit 1007, Block 1, Shipping International Administration Mansion, Shangcheng District, Hangzhou City	20 February 2008
11	Hefei Branch	Room 707, Block 1, Wucai Commercial Plaza, No. 129 Wangjiang West Road, Shushan District, Hefei City	26 December 2007
12	Huai'an Branch	Room 1111, 1112, office building of Huaihai City One, Qinghe District, Huai'an City	8 May 2012
13	Jinan Branch	910, 904, Tower C, Shimao International Plaza, Lixia District, Jinan City	7 August 2009
14	Jiangyin Branch	Unit A, 14/F, Hailan International Trade Building, No. 118 Chengjiang Middle Road, Jiangyin City	23 July 2013

Serial No.	Branch/Sub-branch	Business Address	Date of Establishment
15	Lianyungang Branch	Room 907 & 908, No. 26. Hailian East Road, Haizhou District, Lianyungang City, Jiangsu Province	16 September 2011
16	Nanning Branch	No. 2518, No. 2519, No. 2520, Building 1 Nanning Qingxiu Wanda Plaza West, No. 118 Dongge Road, Qingxiu District, Nanning City	19 September 2008
17	Nantong Branch	No. 6 Yaogang Road, Nantong City	6 September 2007
18	Ningbo Branch	Building 1, Wante Business Center, High-tech Zone, Ningbo City, Zhejiang Province	7 July 2011
19	Qingdao Branch	Room 2301, Building No. 1, No. 10 Xianggang Zhong Road, Shinan District, Qingdao City	26 November 2007
20	Shanghai Branch	Room 1210, 1211, No. 1589 Century Avenue, China (Shanghai) Pilot Free Trade Zone	15 August 2007
21	Shenzhen Branch	Unit 808A, Modern Commercial Building, intersection between Jintian Road and Fuhua Road, Futian Sub-district, Futian District, Shenzhen City	22 February 2013
22	Shenyang Branch	Room 707, Jiarun Building, No. 161 Nanjing North Street, Heping District, Shenyang City	11 October 2010
23	Suzhou Branch	Room 2160, Bojin Building, No. 1338 Sanxiang Road, Gusu District, Suzhou City	18 December 2001
24	Suqian Branch	Nos. 2401, 2402, 2403, 2404, 2418, Zhejiang Building Commercial Office, Suqian City, Jiangsu Province	5 May 2010
25	Taiyuan Branch	Unit A, 5/F, Block A, Building 1, No. 9 Fuxi Street, Xinghualing District, Taiyuan City	2 February 2012
26	Taizhou Branch	Room 205, Room 106, No.607, Gulou South Road, Hailing District, Taizhou City	3 July 2008
27	Zhangjiagang Free Trade Zone Branch	Room 2406A, Grain and Oil Market, Binjiang Building, Zhangjiagang Free Trade Zone	2 August 2019
28	Wuxi Branch	Room 1706, 1707, No. 531 Zhongshan Road, Wuxi City	12 December 2003
29	Wuhu Branch	Room 1004, 1005, Weixing Times Financial Centre, Wuhu City, Anhui Province	28 June 2012
30	Xiamen Branch	Room 1304, No. 820 Xiahe Road, Siming District, Xiamen City, Fujian Province	18 November 2013

Serial No.	Branch/Sub-branch	Business Address	Date of Establishment
31	Xi'an Branch	Room G, 13/F, New Times Plaza, No. 55 Beida Street, Lianhu District, Xi'an City	10 April 2009
32	Xuzhou Branch	Room 1-3903, 3904, 3905, Podium Building A, Suning Plaza, 29 Huaihai East Road, Gulou District, Xuzhou City	4 January 2008
33	Yancheng Branch	Room 3A07, 3A08, 4/F, Huabangdong Mansion, No. 1 Renmin South Road, Yancheng City	16 June 2009
34	Yangzhou Branch	Room 803, Zijin Plaza, No. 10 Wenchang West Road, Yangzhou City	25 October 2002
35	Yixing Branch	Room 201-A, 2/F, Yixing International Trade Building, No. 21 Jiao Yu West Road, Yicheng Street, Yixing City	23 August 2013
36	Zhangjiagang Branch	No. 178 Chengbei Road, Zhangjiagang City	6 September 2013
37	Liyang Branch	Room 2507, office building of Futian Center, No. 28 Yanshan Middle Road, Licheng Town, Liyang City	29 August 2017
38	Haimen Branch	Room 507, Block A Guanghua Building, No. 965 Nanhai Road, Haimen Sub-district, Haimen City, Nantong City	30 October 2018
39	Zhenjiang Branch	17/F, No. 8 Guan Cheng Road, Runzhou District, Zhenjiang City	31 October 2008
40	Beijing Sub-branch	Unit C1, 901, 9th Floor, 118 Jianguo Road, Chaoyang District, Beijing City	24 January 2017
41	Northeast Sub-branch	Room 2302, Dalian Futures Building, Block A, Dalian International Finance Center, No. 129 Exhibition Road, Sha He Kou District, Dalian City, Liaoning Province	26 November 2008
42	Nanjing Sub-branch	4th Floor, Holly Tower, No. 50 Zhonghua Road, Nanjing	6 December 2016
43	Shanghai Sub-branch	Unit 01, 20/F, Tower 1, No. 1788, 1800, Century Avenue, China (Shanghai) Pilot Free Trade Zone	15 October 2016
44	Shenzhen Sub-branch	Unit 808B, Modern Commercial Building, intersection between Jintian Road and Fuhua Road, Futian Sub-district, Futian District, Shenzhen City	13 July 2016
45	Zhengzhou Sub-branch	Room 1006, Futures Building, No. 30 Business Outer Ring Road, Zheng Dong New District, Zhengzhou City	1 July 2008

# Financial Summary

## 1. Major accounting data and financial indicators

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

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

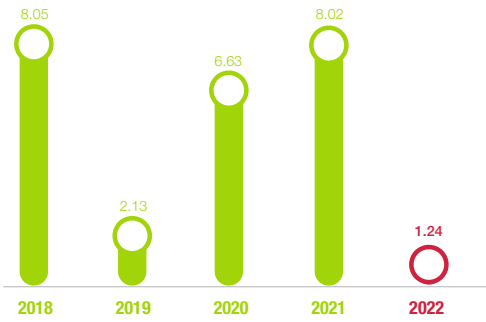
In RMB'0,000	2022 as compared to 2021						
	2022	2021	Change in amount	Change	2020	2019	2018
Operating income	152,775	163,986	-11,211	-6.84%	156,138	64,524	61,617
Total profit	1,591	10,921	-9,330	-85.43%	9,270	4,158	10,561
Net profit – attributable to shareholders of the Company	1,238	8,021	-6,783	-84.56%	6,632	2,127	8,051
Net cash generated from operating activities inflows/(outflows)	192,509	123,561	68,948	55.80%	80,307	11,192	-11,791
<b>Earnings per share (RMB/share)</b>							
Basic earnings per share	0.0132	0.0884			0.0731	0.0234	0.0888
Diluted earnings per share	0.0132	0.0884			0.0731	0.0234	0.0888
<b>Profitability indicators</b>							
Weighted average return on net assets	0.71%	4.84%			4.07%	1.31%	4.91%

Scale indicators (RMB'0,000)	2022 as compared to 2021						
	As of 31 December 2022	As of 31 December 2021	Change in amount	Change	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Total assets	1,048,393	808,310	240,083	29.70%	634,916	451,077	429,675
Total liabilities	864,660	640,093	224,567	35.08%	470,249	291,180	264,926
Customers' equity payable	807,393	593,063	214,330	36.14%	428,784	265,955	246,532
Equity attributable to shareholders of the Company	183,732	168,217	15,515	9.22%	164,667	159,897	164,749
<b>Total share capital ('000)</b>	<b>1,007,778</b>	<b>907,000</b>			<b>907,000</b>	<b>907,000</b>	<b>907,000</b>
<b>Net assets value per share attributable to shareholders of the Company (RMB per share)</b>	<b>1.82</b>	1.85			1.82	1.76	1.82
<b>Gearing ratio <sup>Note 1</sup></b>	<b>24%</b>	22%			20%	14%	10%

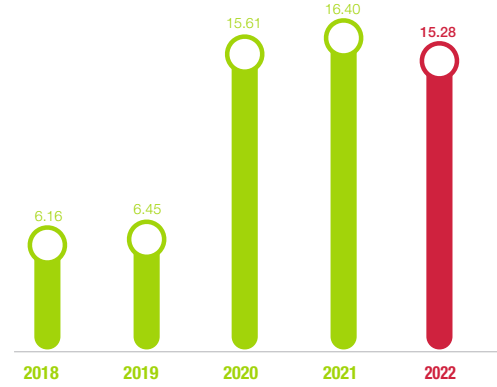
Note 1: Gearing ratio = (Total liabilities – Customers' equity payable)/(Total assets – Customers' equity payable)



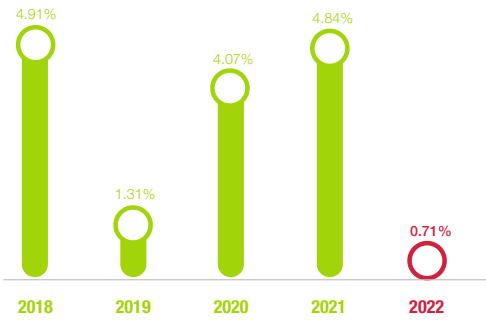
Net profit – attributable to shareholders of the Company (RMB10 million)



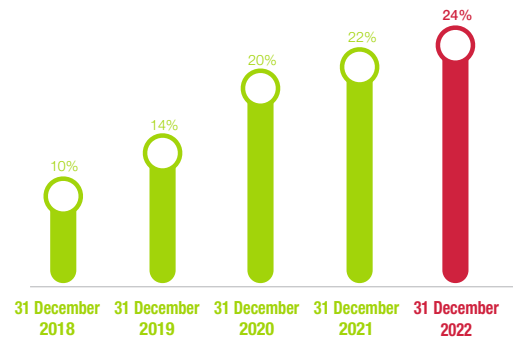
Operating income (RMB100 million)



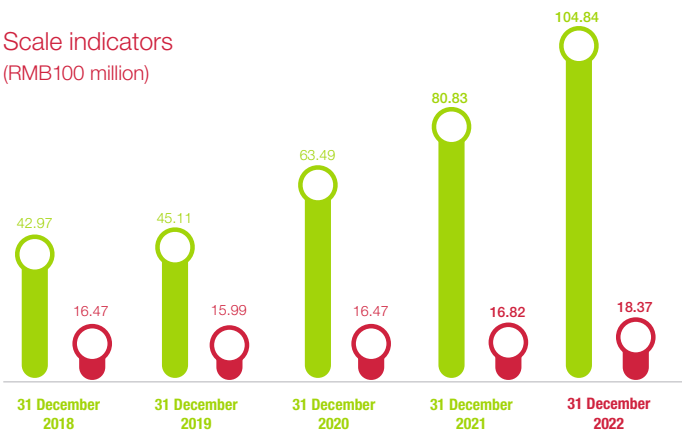
Weighted average return on net assets



Gearing ratio



Scale indicators (RMB100 million)



■ Total assets

■ Equity attributable to shareholders of the Company

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

The Net capital of the Company as at 31 December 2022 amounted to RMB914 million, representing an increase of RMB205 million as compared with RMB709 million as at the end of 2021. During the Reporting Period, various risk control indicators of the Company including the net capital met regulatory requirements. The following table sets out the net capital and the major risk control indicators prepared by the Company in accordance with PRC Accounting Standards and the regulatory requirements in the PRC.

	<b>As of 31 December 2022</b>	<b>As of 31 December 2021</b>	<b>Warning level</b>	<b>Supervision level</b>
Net capital (RMB million)	<b>914</b>	709	36	30
Net capital/total risk capital reserves (%)	<b>244%</b>	209%	120%	100%
Net capital/net assets (%)	<b>49%</b>	42%	24%	20%
Current assets/current liabilities (%)	<b>440%</b>	526%	120%	100%
Total liabilities/net assets (%)	<b>20%</b>	21%	120%	150%
Proprietary settlement reserve funds (RMB million)	<b>623</b>	386	–	10

# Management Discussion and Analysis

## I. Market review

According to preliminary estimates of the National Statistics Bureau, the gross domestic product (GDP) for the year was RMB121,020.7 billion, an increase of 3.0% over last year at constant prices. By industries, the value added of the primary industry was RMB8,834.5 billion, up by 4.1% over last year, that of the secondary industry was RMB48,316.4 billion, up by 3.8% and that of the tertiary industry was RMB63,869.8 billion, up by 2.3%. By quarter, the GDP for the first quarter went up by 4.8% year-on-year, up by 0.4% for the second quarter, 3.9% for the third quarter and 2.9% for the fourth quarter. The quarter-on-quarter growth of GDP for the fourth quarter stayed the same as that for the third quarter.

### (1) The Grain Output Increased and Harvested and Production of Animal Husbandry Grew Steadily

The total output of grain for the year was 686.53 million tons, an increase of 3.68 million tons over the previous year, or up by 0.5%. Of this total, the output of summer grain was 147.40 million tons, up by 1.0%, and that of early rice was 28.12 million tons, up by 0.4%. The output of autumn grain reached 511.00 million tons, up by 0.4%. By species, the output of rice was 208.49 million tons, down by 2.0%; wheat, 137.72 million tons, up by 0.6%; corn, 277.20 million tons, up by 1.7%; soybean, 20.28 million tons, up by 23.7%. The output of oil-bearing crops was 36.53 million tons, up by 1.1%. The total output of pork, beef, mutton and poultry for the year was 92.27 million tons, up by 3.8% over the previous year. Of this total, the output of pork was 55.41 million tons, up by 4.6%; beef, 7.18 million tons, up by 3.0%; mutton, 5.25 million tons, up by 2.0%; poultry, 24.43 million tons, up by 2.6%. The production of milk reached 39.32 million tons, up by 6.8% and that of eggs stood at 34.56 million tons, up by 1.4%. At the end of the year, 452.56 million pigs were registered in stock, up by 0.7% and 699.95 million pigs were slaughtered in 2022, up by 4.3%.

### (2) Industrial Production Experienced Sustained Development and High-tech Manufacturing and Equipment Manufacturing Grew Fast

The total value added of industrial enterprises above the designated size increased by 3.6% over the previous year. In terms of sectors, the value added of mining was up by 7.3%, that of manufacturing up by 3.0% and that of production and supply of electricity, thermal power, gas and water up by 5.0%. The value added of the high-tech manufacturing and equipment manufacturing went up by 7.4% and 5.6% respectively, or 3.8 percentage points and 2.0 percentage points faster than that of the industrial enterprises above the designated size. In terms of ownership, the value added of the state-holding enterprises grew by 3.3%, that of the share-holding enterprises up by 4.8%, that of the enterprises funded by foreign investors and investors from Hong Kong, Macao and Taiwan down by 1.0% and that of private enterprises up by 2.9%. By products, the production of new energy vehicles, mobile communication base stations, and industrial control computers and systems grew by 97.5%, 16.3% and 15.0% respectively. In December, the total value added of the industrial enterprises above the designated size grew by 1.3% year-on-year, up by 0.06% month-on-month. In the first eleven months, the total profits made by industrial enterprises above the designated size were RMB7,718.0 billion, down by 3.6% year-on-year.

### (3) Service Sector Sustained Recovery with Modern Service Industry Demonstrating Sound Momentum of Growth

The value added of services for the year went up by 2.3% year-on-year. The value added the information transmission, software and information technology services and that of financial services grew by 9.1% and 5.6% respectively. In December, the Index of Services Production went down by 0.8% year-on-year, and the decline narrowed by 1.1 percentage points compared with that of the previous month. In the first eleven months, the business revenue of service enterprises above the designated size grew by 3.9% year-on-year, of which that of the information transmission, software and information technology services, that of scientific research and technology services and that of health and social services went up by 8.3%, 8.3% and 8.1% respectively.

### (4) Scale of Market Sales Was Basically Stable with Sales of Basic Living Goods and Online Retail Sales Growing Fast

In 2022, the total retail sales of consumer goods reached RMB43,973.3 billion, down by 0.2% over the previous year. Analyzed by different areas, the retail sales in urban areas reached RMB38,044.8 billion, down by 0.3%; and the retail sales in rural areas stood at RMB5,928.5 billion, the same as that of the previous year. Grouped by consumption patterns, the retail sales of goods were RMB39,579.2 billion, up by 0.5%; and the income from catering was RMB4,394.1 billion, down by 6.3%. The basic living consumption increased steadily, with the retail sales of grain, oil and food and that of beverages by enterprises above the designated size growing by 8.7% and 5.3% respectively over the previous year. The national online retail sales reached RMB13,785.3 billion, growing by 4.0% over the previous year. Specifically, the online retail sales of physical goods were RMB11,964.2 billion, up by 6.2%, accounting for 27.2% of the total retail sales of consumer goods. In December, the total retail sales of consumer goods went down by 1.8% year-on-year, a decline narrowed by 4.1 percentage points than that of the previous month; or a month-on-month decline of 0.14%.

### (5) Investment in Fixed Assets Increased Steadily and Investment in High-tech Industries Maintained a Good Momentum of Growth

During the year, the investment in fixed assets (excluding rural households) reached RMB57,213.8 billion, up by 5.1% over the previous year. Specifically, the investment in infrastructure went up by 9.4%, manufacturing up by 9.1% and real estate development down by 10.0%. The floor space of commercial buildings sold reached 1,358.37 million square meters, down by 24.3%. The total sales of commercial buildings were RMB13,330.8 billion, down by 26.7%. By industries, the investment in the primary industry went up by 0.2%; that in the secondary industry up by 10.3%; and that in the tertiary industry up by 3.0%. The private investment went up by 0.9%. The investment in high-tech industries grew by 18.9%, 13.8 percentage points faster than the total investment. Specifically, the investment in high-tech manufacturing and high-tech services grew by 22.2% and 12.1% respectively. In terms of high-tech manufacturing, the investment in the manufacturing of medical equipment, measuring instruments and meters and in electronics and communication equipment manufacturing grew by 27.6% and 27.2% respectively. In terms of high-tech services, the investment in services for transformation of scientific and technological achievements and in research, development and design services went up by 26.4% and 19.8% respectively. The investment in the social sector went up by 10.9%. Specifically, the investment in health and education went up by 27.3% and 5.4% respectively. In December, the investment in fixed assets (excluding rural households) grew by 0.49% month-on-month.

## **(6) Imports and Exports of Goods Grew Fast and the Trade Structure Continued to Optimize**

During the year, the total value of imports and exports of goods was RMB42,067.8 billion, an increase of 7.7% over last year. The total value of exports was RMB23,965.4 billion, up by 10.5%; the total value of imports was RMB18,102.4 billion, up by 4.3%. The trade balance was RMB5,863.0 billion in surplus. The imports and exports of general trade increased by 11.5%, accounting for 63.7% of the total value of imports and exports, an increase of 2.2 percentage points compared with last year. The imports and exports by private enterprises grew by 12.9%, accounting for 50.9% of the total value of imports and exports, 2.3 percentage points higher than that of last year. The imports and exports of mechanical and electrical products grew by 2.5%, accounting for 49.1% of the total value of imports and exports. In December, the total value of imports and exports of goods was RMB3,771.3 billion, up by 0.6% year-on-year. Specifically, the total value of exports was RMB2,160.7 billion, down by 0.5%; the total value of imports was RMB1,610.6 billion, up by 2.2%.

## **(7) Consumer Price Saw Mild Growth and Growth of Producer Prices for Industrial Products Slowed Down**

During the year, the consumer price went up by 2.0% over last year. Grouped by commodity categories, prices for food, tobacco and alcohol went up by 2.4%; clothing up by 0.5%; housing up by 0.7%; articles and services for daily use up by 1.2%; transportation and communication up by 5.2%; education, culture and recreation up by 1.8%; medical services and health care up by 0.6%; and other articles and services up by 1.6%. In terms of food, tobacco and alcohol prices, pork prices went down by 6.8%, grain up by 2.8%, fresh vegetables up by 2.8% and fresh fruits up by 12.9%. Core CPI excluding the prices of food and energy went up by 0.9%. In December, the consumer price went up by 1.8% year-on-year, and maintained the same level of growth month-on-month. In 2022, the producer prices for industrial products went up by 4.1% over last year and in December, it went down by 0.7% year-on-year and down by 0.5% month-on-month. The purchasing prices for industrial producers went up by 6.1% over last year, and in December, it went up by 0.3% year-on-year, or down by 0.4% month-on-month.

## **(8) Employment Was Generally Stable and Surveyed Unemployment Rate in Urban Areas Eased Slightly**

During the year, the newly increased employed people in urban areas totaled 12.06 million, exceeding the expected annual goal of 11.00 million. In December, the surveyed unemployment rate in urban areas was 5.5%, 0.2 percentage point lower than the previous month. The surveyed unemployment rate of the population with local household registration was 5.4% and that of the population with non-local household registration was 5.7%, of which that of the population with non-local agricultural household registration stood at 5.4%. Specifically, the surveyed unemployment rate of the population aged from 16 to 24 was 16.7%, 0.4 percentage point lower than that of the previous month; that for the population aged from 25 to 59 was 4.8%, 0.2 percentage point lower than that of the previous month. The urban surveyed unemployment rate in 31 major cities was 6.1%, 0.6 percentage point lower than that of the previous month. The employees of enterprises worked 47.9 hours per week on average. During the year, the number of rural migrant workers totaled 295.62 million, 3.11 million more than that of last year or up by 1.1%. Specifically, local migrant workers totaled 123.72 million, up by 2.4%; outside migrant workers totaled 171.90 million, up by 0.1%. The average monthly income of migrant workers was RMB4,615, up by 4.1% over last year.

## (9) Resident Income Grew Generally at the Same Pace as the Economic Growth and the Income of Rural Residents Grew Faster than that of Urban Residents

During the year, the nationwide per capita disposable income of residents was RMB36,883, a nominal increase of 5.0% over that of last year, and a real increase of 2.9% after deducting price factors, which was generally at the same pace as the growth of the economy. In terms of permanent residence, the per capita disposable income of urban households was RMB49,283, a nominal growth of 3.9% and a real growth of 1.9% after deducting the price factors. The per capita disposable income of rural households was RMB20,133, a nominal growth of 6.3% and a real growth of 4.2% after deducting price factors. The median of the nationwide per capita disposable income was RMB31,370, a nominal increase of 4.7% over that of last year. Taking the per capita disposable income of nationwide households by income quintile, that of the low-income group reached RMB8,601, the lower-middle-income group RMB19,303, the middle-income group RMB30,598, the upper-middle-income group RMB47,397, and the high-income group RMB90,116. During the year, the nationwide per capita consumption expenditure was RMB24,538, a nominal growth of 1.8%, or a real decline of 0.2% after deducting price factors.

## (10) Total Population Declined and Urbanization Rate Continued to Grow

By the end of the year, the national population was 1,411.75 million (including the population of 31 provinces, autonomous regions and municipalities and servicemen, but excluding residents of Hong Kong, Macao and Taiwan and foreigners living in the 31 provinces, autonomous regions and municipalities), a decrease of 0.85 million over that at the end of 2021. In 2022, the number of births was 9.56 million with a birth rate of 6.77%; the number of deaths was 10.41 million with a mortality rate of 7.37%; the natural population growth rate was minus 0.60%. In terms of gender, the male population was 722.06 million, and the female population was 689.69 million; the sex ratio of the total population was 104.69 (the female is 100). In terms of age structure, population at the working age from 16 to 59 was 875.56 million, accounting for 62.0% of the total population; the population aged 60 and over was 280.04 million, accounting for 19.8% of the total population; the population aged 65 and over was 209.78 million, accounting for 14.9% of the total population. In terms of urban-rural structure, the permanent residents in urban areas were 920.71 million, an increase of 6.46 million over the end of the previous year; and the permanent residents in rural areas were 491.04 million, a decrease of 7.31 million. The share of the urban population in the total population (urbanization rate) was 65.22%, 0.50 percentage point higher than that at the end of the previous year.

Generally speaking, positive results have been achieved in effectively coordinating the COVID-19 prevention and control and the economic and social development in 2022, with stabilized macroeconomic performance, continuously expanded economic output and steadily improved development quality. However, the foundation of domestic economic recovery is not solid as the international situation is still complicated and severe while the domestic triple pressure of demand contraction, supply shock and weakening expectations is still looming.

The Central Economic Work Conference held in December 2022 made plans for economic work in 2023. The conference called for making economic stability our top priority and pursuing progress while ensuring stability, better coordinating epidemic prevention and control with economic and social development, ensuring better coordination in pursuing development and upholding security, deepening reform and opening-up in all respects, boosting market confidence and stabilize growth, employment and prices so as to promote the overall improvement in economic performance, achieving effective enhancement of quality and reasonable growth of quantity.

## II. Industry review

The futures market <sup>(1)</sup> ran stably in 2022, with trading volume declining from the previous year and continuing the larger volumes seen since 2020, of which, commodity futures and options accounted for 72.3% of the total global trading volume. Four domestic futures exchanges <sup>(3)</sup> are ranked in the top 25 in terms of global exchange volume <sup>(2)</sup>. In the global volume rankings of three categories – agriculture, metals <sup>(4)</sup> and energy, domestic futures and options accounted for 16, 14 and 5 of the top 20 global positions in the corresponding categories respectively. The number of new varieties has increased steadily with enhanced derivatives systems and continuous growth in the capital strength of futures companies.

### (1) Futures market continued to run steadily

In 2022, the domestic futures market traded 6.768 billion lots (unilateral, same below) and RMB534.9 trillion, down by 9.93% and 7.96% year-on-year respectively (Figure 1). With 83.848 billion lots traded in the global futures market <sup>(5)</sup>, the domestic futures market accounted for 8.07% of total global volume, down by approximately 4 percentage points from 12% in 2021. Of which, the trading volume of domestic commodity futures and options was 6.616 billion lots, accounting for 72.3% of the total global commodity futures and options trading volume of 9.153 billion lots, up 2.5% from 69.8% in the same period in 2021.

By exchanges, SHFE <sup>(6)</sup> traded 1.82 billion lots and RMB141.3 trillion, down by 23.09% and 26.85% year-on-year respectively, with market shares of 26.94% and 26.41% respectively. Shanghai International Energy Exchange traded 120 million lots and RMB40.04 trillion, up by 59.73% and 86.51% year-on-year respectively, accounting for 1.78% and 7.49% of the national market respectively. ZCE traded 2.398 billion lots and RMB96.85 trillion, down by 7.14% and 10.33% year-on-year respectively, accounting for 35.42% and 18.10% of the national market respectively. DCE traded 2.275 billion lots and RMB123.73 trillion, down by 3.77% and 11.91% year-on-year respectively, accounting for 33.62% and 23.13% of the national market respectively. CFFE traded 152 million lots and RMB133.04 trillion, up by 24.44% and 12.58% year-on-year respectively, accounting for 2.24% and 24.87% of the national market respectively. Guangzhou Futures Exchange traded 193,636 lots and RMB15.84 billion.

## (2) Good global ranking for exchanges and commodity class turnover

According to global volume data compiled by the Futures Industry Association (FIA), ZCE, DCE, SHFE and CFFE ranked 8th, 9th, 12th and 25th respectively in global exchange futures and options volume in 2022. CFFE moved up 2 places from 2021, DCE remained unchanged, and ZCE and SHFE dropped 1 and 4 places respectively from 2021.

In the 2022 global volume rankings for the agriculture, metals and energy categories, agriculture was the standout performer, with domestic varieties rounding out the top 10 spots and holding 16 of the top 20 spots, including soybean meal futures, palm oil futures, soybean oil futures, canola meal futures, corn futures, cotton futures, canola oil futures, sugar futures, pulp futures, rubber futures, soybean meal options, apple futures, corn starch futures, yellow soybean futures no. 1, peanut futures, and corn options. In terms of metals, domestic varieties took up 9 of the top 10 spots and 14 of the top 20 spots, including spiral steel futures, iron ore futures, hot rolled coil futures, aluminum futures, ferrosilicon futures, zinc futures, nickel futures, copper futures, manganese silicon futures, iron ore options, stainless steel futures, tin futures, lead futures, and copper options. In terms of energy, domestic varieties took up 5 of the top 20 spots, including fuel oil futures, oil bitumen futures, intermediate sulfur crude oil futures, liquefied petroleum gas futures, and low sulfur fuel oil futures.

## (3) Variety innovation continued to advance with improved futures options product system

A total of 16 new varieties of futures and options (Table 1) were listed throughout 2022, including 2 futures and 14 options. Among them, SHFE listed spiral steel options and silver options; ZCE listed canola oil options and peanut options; DCE listed yellow soybean futures no. 1, yellow soybean futures no. 2 and soybean oil options; CFFE listed CSI 1000 Index Futures, CSI 1000 Stock Index Options and SSE 50 Stock Index Options; GFE listed industrial silicon futures and industrial silicon options; SSE listed CSI 500 ETF options; SZSE listed GEM ETF Options, CSI 500 ETF Options and SZSE 100 ETF Options.

As of the end of 2022, the number of listed futures options reached 110, including 93 in the commodity category (65 futures and 28 options) and 17 in the financial category (7 futures and 10 options).



Table 1: New variety of futures and options listed in 2022

No.	Stock Exchange	Listing varieties	Listing time
1	SHFE	Spiral steel options	26 December
2		Silver options	26 December
3	ZCE	Canola oil options	26 August
4		Peanut options	26 August
5	DCE	Yellow soybean futures no. 1	8 August
6		Yellow soybean futures no. 2	8 August
7		Soybean oil options	8 August
8	CFFE	CSI 1000 Index Futures	22 July
9		CSI 1000 Stock Index Options	22 July
10		SSE 50 Stock Index Options	19 December
11	GFE	Industrial silicon futures	22 December
12		Industrial silicon options	23 December
13	SSE	CSI 500 ETF Options	19 September
14	SZSE	GEM ETF Options	19 September
15		CSI 500 ETF Options	19 September
16		SZSE 100 ETF Options	12 December

Source: Compiled from information on the official websites of the stock exchanges

#### (4) Capital strength of futures companies continued to be strengthened

As of the end of 2022, futures companies in China had total assets of approximately RMB1.7 trillion and net assets of RMB184.165 billion, up by 23.06% and 14.07% year-on-year respectively, continuously strengthening its capital strength<sup>(7)</sup>. Income from the brokerage business amounted to RMB23.375 billion, down by 25.79% year-on-year. Income from the transaction advisory business amounted to RMB115 million, down by 34.66% year-on-year. Income from the asset management business amounted to RMB995 million, down by 18.04% year-on-year. Income from risk management amounted to RMB241.381 billion, down by 8.17% year-on-year<sup>(8)</sup>. (Table 2)

Table 2: Income of Chinese futures companies derived from principal businesses in 2019 to 2022

Business income (RMB100 million)	2019	2020	2021	2022
Brokerage business	129.00	192.30	314.98	<b>233.75</b>
Transaction advisory business	1.42	1.26	1.76	<b>1.15</b>
Asset management business	7.73	8.97	12.14	<b>9.95</b>
Risk management	1,780.04	2,083.50	2,628.59	<b>2,413.81</b>

Data source: China Futures Association

- (1) The term “China futures market” in above refers to the futures and options markets in the PRC, excluding Hong Kong, Macau and Taiwan in the PRC.
- (2) The global rankings referred to above are mainly quoted from data from the Futures Industry Association (FIA) and are compiled and ranked in terms of the number of lots of derivatives traded on the market.
- (3) The data above does not include the Guangzhou Futures Exchange (GFE) as the GFE will only publish futures options contracts in late December 2022.
- (4) Precious metals are not included.
- (5) The term “global futures market” in above refers to the global futures and options market.
- (6) All references to SHFE in above include its subsidiary, the Shanghai International Energy Exchange.
- (7) Data source: China Futures Association.
- (8) Unaudited data.

### III. Business review

Since 2022, in view of the complex and severe international environment and triple pressure of contracting domestic demand, supply shock and weakening expectations have posed unprecedented challenges to the business development of the Company. Faced with an exceptionally complex and difficult situation, under the strong leadership of the Board, the Company insisted on taking the lead in stability and seeking progress amid stability, strengthened its responsibility, withstood tremendous pressure, overcame numerous difficulties, strived hard and forged ahead, achieved growth in all main businesses and successfully landed on the A-share market and achieved a smooth listing in both H+A markets.

The Group engages in the futures industry. The operating results of futures companies are correlated with the trend of the securities and futures market, and the operating income and profit level of the futures industry is strongly cyclical due to the macroeconomic impact. The Company’s futures business is also dependent on and benefits from China’s economic growth and the development and performance of China’s capital markets, which are affected by various factors such as the economic environment, regulatory policies, investors’ risk appetite and international markets. In 2022, due to the impact of macro factors such as financial market conditions, the Group experienced a certain decline in its operating results. As of 31 December 2022, total assets of the Group amounted to RMB10,484 million, representing an increase of 29.70% as compared to the beginning of the period. Net assets attributable to the Group amounted to RMB1,837 million, representing an increase of 9.22% as compared to the beginning of the period. In 2022, the Company achieved a 0.61% share in market turnover. Our operating income decreased 6.84% year-on-year; net profit decreased 84.56% year-on-year; total profit decreased 85.43% year-on-year; and the average daily customer equity increased 27.65% year-on-year. As at the end of the period, customer equity increased by 36.14% as compared to the beginning of the period. Turnover from brokerage and brokerage transaction volume decreased by 24.62% and 20.68% year-on-year respectively. The Company was awarded the “Civilized Unit of Jiangsu Province” (江蘇省文明單位), the “Excellent Member Prize” (優秀會員獎) by the Shanghai Futures Exchange, and the “Excellent Member Prize” (優秀會員獎) by Dalian Commodity Exchange. Holly Asset Management, a subsidiary of the Company was awarded the “Excellent Futures Market Maker” (優秀期貨做市商) by Zhengzhou Commodity Exchange.

The Group is mainly engaged in futures brokerage, asset management, commodity trading and risk management, and financial asset investment. During the Reporting Period, there was no significant change in the nature of the Group’s principal business.

## (1) The futures brokerage business

The Company's futures brokerage business includes the provision of brokerage services in respect to commodity and financial futures available at all futures exchanges in the PRC, and receiving handling fees from clients. As of 31 December 2022, the Company had 45 branches and sub-branches located in several municipalities, in Jiangsu Province, and in other economically developed cities in the PRC.

In 2022, the Group's handling fees and interest income generated from the futures brokerage business amounted to RMB317 million, representing a decrease of 9.13% compared to RMB349 million for 2021. Turnover from brokerage (bilateral statistics, the same below) amounted to RMB6,570.012 billion, representing a decrease of 24.62% from RMB8,715.393 billion in 2021. The Company's market share was 0.61%. Turnover from commodity futures brokerage amounted to RMB6,034.922 billion, representing a growth of 26.62% from RMB8,224.463 billion in 2021. Turnover from financial futures brokerage amounted to RMB535.090 billion, representing a growth of 9% from RMB490.930 billion in 2021. The Company's trading volume was 911.268 million lots, representing a decrease of 20.68% from 114.8799 million lots in 2021. In 2022, the commission rate of the Company's domestic comprehensive futures and options brokerage business was 0.0036%, representing an increase of 16.13% from 0.0031% for the same period in 2021.

In 2023, the Company will focus on the core objective of "strengthening the main business and promoting transformation", and take the whole process of serving the high-quality development of the real economy as its main responsibility, and continuously improve the soft power of the Company in serving real enterprises to fully utilize the advantages of the Company's various license business and provide more value-added services to customers.

## (2) The asset management business

As of 31 December 2022, the Company's AUM amounted to RMB20.184 billion, representing a decrease of 14.45% compared to RMB23.593 billion at the end of 2021, ranked among the top three in the industry. The asset management business achieved a handling fee income (excluding fee income generated by the structured entity included in the consolidation) of RMB7.7659 million, representing a decrease of 30.76% from RMB11.2162 million for 2021. There were 35 trading asset management accounts in aggregate. We have filed 12 new asset management schemes, 5 collective products and 7 individual products for directional products, which demonstrated our stable development.

In face of high market volatility in 2022, the Company strengthened its bond investment research and stabilized its scale of management. Based on the refined management of existing products, newly registered products include FOF, CTA series, mixed and Fixed income + products, which helped asset management businesses to seek development opportunities in the transformation. First of all, the Company continuously deepened its cooperation with financial institutions, expanded its cooperation with agency sales channels, and enhanced customer stickiness. Second, the Company strengthened its cooperation with securities companies and famous three-party wealth management agencies to complement each other's advantages, and explored excellent private placement institutions with different strategies and styles to jointly launch the Fixed income + products. Third, the Company gave full play to the advantages of the Company's platform, deepened exchanges with banks and financial institutions, and issued equity block arbitrage strategies products to bring stable returns for bank customers.

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

The risk management business of the Company was orderly developed. Holly Capital achieved operating income amounted to RMB1.279 billion for the year, representing an increase of 0.17% year-on-year. By introducing professional teams and optimizing the organizational structure, the business scope covers the four major sectors of non-ferrous, black, energy efficient and agricultural products, involving varieties such as aluminum, nickel iron, silver, corn, cotton, etc. The Company strove to create an equity-based trading model to provide personalized risk management services for physical enterprises. The futures market-making business continues to grow steadily with optimized teams, and has achieved full coverage of 3 commodity exchanges. The total number of market-making varieties increased to 9.

A breakthrough was achieved in the development of the OTC derivatives business, with an annual trading volume of RMB11.639 billion, up by 93.63% year-on-year. The Company focused on the national strategy, responded to the call of the central government and the industry, and steadily promoted the "Insurance + Futures" project. In 2022, the Company carried out 143 "insurance + futures" projects in 14 provinces across China, underwriting 10 agricultural products worth over RMB1.2 billion, such as soybeans, corn, cotton, live pigs and eggs, with a compensation amount of over RMB30 million. It has achieved several breakthroughs in the last year: the Company promoted the implementation of the policy-based "Insurance + Futures" projects in Jiangsu Province, covering 3 cities and 9 districts and counties in Jiangsu Province with the highest compensation rate of 248%, which effectively releasing the "price stabilization and supply assurance" of the industrial chain of live pigs. Throughout the year, four new provinces and three new varieties were added, further expanding the regions covered and the varieties of agricultural products protected. Progress was made in the exploration of innovative models. The first "Insurance + futures + bank + order" model trial in Jiangsu Province was carried out, a live pig farming income insurance was successfully piloted in Jiangsu, with a compensation rate of 136% and significant protective effects.

#### (4) Financial assets investment

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

In 2022, the domestic securities market as a whole was on a downward trend, with major indices falling by a relatively large margin, with the Shanghai Stock Exchange Composite Index, Shenzhen Stock Exchange Component Index, CSI 300 Index and Hang Seng Index falling by 15.13%, 25.85%, 21.63% and 15.46% per annum respectively. As a result, the Company incurred certain losses on its investments in financial assets. In 2022, the Company's investment income (excluding investment income on associates and derivative financial instruments of risk management operations) was RMB-38.4242 million and gain on change in fair value (excluding gain on change in fair value of derivative financial instruments of risk management operations and investment properties) was RMB-17.0026 million.

#### (5) Overseas financial services business

In 2022, the equity of the futures business of Holly International Financial grew by 14.80% year-on-year. Holly International Financial officially connected with the Hong Kong Stock Exchange, which will reduce handling costs and improve the stability of the system connection. Throughout the year, 8 futures varieties were added to effectively satisfy investors' needs. It was invited to be the Official Foreign Exchange Dealer for the 9th Global Derivatives Trading Competition, further raising the Company's profile.

The equity of the securities business of Holly International Financial grew by 383.37% year-on-year. Through the introduction of a quality business team, Holly International Financial's securities business has improved across the board in terms of equity, turnover and fee income. The Company will continue to deepen its corporative relationship with existing clients and further expand its business scale by focusing on clients' needs, providing differentiated services and helping clients grow and develop their businesses. In addition, the US stock trading function of Holly International Financial was also successfully launched.

The scale of Holly International Asset Management grew 6.22% year-on-year. In terms of business expansion, Holly International Asset Management has maintained diversified investment channels such as QFII, Stock Connect, eligible investors for bonds, and cross-border new investment, and has responded to the policy adjustment of QFII commodity futures trading by bridging the QFII futures trading with its shareholder company, Holly Futures.

## IV. Financial statement analysis

### (1) Financial statement analysis

#### 1. Profitability analysis

During the Reporting Period, the Company consolidated its main business of brokerage, while further developing its innovative business and enhancing its comprehensive strength. However, overall operating results declined against the backdrop of a more complex macroeconomic situation and greater volatility in the capital markets. The Group achieved total operating income of RMB1.528 billion with a year-on-year decrease of 6.84%. The net profit attributable to Shareholders of the Company amounted to RMB12.38 million with a year-on-year decrease of 84.56%. The earnings per share amounted to RMB0.0132 and the weighted average return on net assets was 0.71%.

#### 2. Asset structure and asset quality

As at the end of 2022, the total assets of the Group amounted to RMB10,484 million, representing a year-on-year increase of 29.70% as compared with RMB8,083 million of the end of 2021; the total liabilities amounted to RMB8,647 million, representing a year-on-year increase of 35.08% as compared with RMB6,401 million at the end of 2021; and the equity attributable to shareholders of the Company amounted to RMB1,838 million, representing a year-on-year increase of 9.22% as compared with RMB1,682 million at the end of 2021.

The asset structure remained stable while the quality and liquidity of assets were well maintained. At the end of 2022, the Group's total assets recorded a year-on-year rise, mainly due to the increase of customers' equity. As at the end of 2022, in the total assets of the Group, current assets of RMB10,034 million, accounting for 95.71%, non-current assets of RMB450 million, accounting for 4.29%. Total assets mainly include cash assets of RMB9,385 million (accounting for 89.52%), assets for financial investment of RMB586 million (accounting for 5.59%), receivables of RMB72 million (accounting for 0.68%), and other assets of RMB441 million (accounting for 4.21%). There is an reversal of credit impairment loss of the Company in 2022 which amounted to RMB3.01 million.

As at the end of 2022, the liabilities deducting accounts payable to customers' equity amounted to RMB573 million, representing an increase of 21.91% as compared with RMB470 million at the end of 2021. The increase was mainly attributable to the significant increase in guarantee deposits payable for over-the-counter option business, the additional amount payable for the renovation and construction in the Financial City and interim dividends payable. The gearing ratio of the Group was 24%, representing an increase of 2 percentage points as compared to 22% at the end of 2021 (Note: Gearing ratio = (Total liabilities – Accounts payable to customers' equity)/(Total assets – Accounts payable to customers' equity)). The operating leverage was 1.31 times, representing an increase of 2.51% as compared with 1.28 times at the end of 2021 (Note: Operating leverage = (Total assets – Accounts payable to customers' equity)/Equity attributable to the Shareholders of the Company).

As at the end of 2022, the Group's total borrowings amounted to RMB89.1746 million (end of 2021: RMB117.1980 million), of which RMB28.1906 million was repayable within one year, RMB27.9710 million was repayable within one to two years and RMB33.0130 million was repayable within two to five years. The interest rate for all the above borrowings is 4.50% per annum. Details of the Group's borrowings are set out in Note VI, 29 to the financial statements of the annual report and the liquidity risk profile is set out in Note IX, 3, (III) to the financial statements of the annual report.

### 3. *Liquidity level management*

The Company places great emphasis on liquidity management based on the principle of "comprehensive, prudent and predictability" while focusing on the organic combination of the security, liquidity and profitability of capital. The liquidity monitoring index of the Company in each month throughout 2022 complied with the regulatory requirements of the CSRC.

### 4. *Cash flows*

The net increase in cash and cash equivalents amounted to RMB2,210 million in 2022.

Net cash generated from operating activities of the Group amounted to RMB1,925 million in 2022, representing a year-on-year increase of RMB689 million as compared with RMB1,236 million for 2021; net cash generated from investing activities amounted to RMB149 million in 2022, representing a year-on-year increase of RMB174 million as compared with RMB-25 million for 2021; net cash generated from financing activities amounted to RMB106 million in 2022, representing a year-on-year decrease of RMB94 million as compared with RMB200 million for 2021; effect of change in foreign exchange rate amounted to RMB16 million in 2022, representing a year-on-year increase of RMB20 million as compared with RMB-4 million for 2021; net increase in cash and cash equivalents amounted to RMB2,210 million in 2022, representing a year-on-year increase of RMB959 million as compared with RMB1,251 million for 2021.

## (2) Income statement items

In 2022, the Group's net profit amounted to RMB12.38 million, representing a year-on-year decrease of RMB67.83 million or 84.56%. The key financial results are as follows:

In RMB'0,000	2022 as compared to 2021			
	2022	2021	Change in amount	Change
Fee income	24,585	28,583	-3,998	-13.99%
Net interest income	9,222	8,412	810	9.63%
Investment gains	-3,945	2,498	-6,443	-257.93%
Gains from changes in fair value	-1,973	-1,801	-172	-9.55%
Foreign exchange gains	482	-146	628	430.14%
Income from other business activities	124,310	126,132	-1,822	-1.44%
Profit from disposal of assets	-10	-16	6	37.50%
Other gains	104	325	-221	-68.00%
<b>Revenue</b>	<b>152,775</b>	163,986	-11,211	-6.84%
Futures risk reserve	964	1,099	-135	-12.28%
Other operating cost	126,016	124,870	1,146	0.92%
Taxes and surcharges	255	297	-42	-14.14%
Operating and management expenses	24,245	26,702	-2,457	-9.20%
Credit impairment loss	-301	27	-328	-1,214.81%
<b>Operating expenses</b>	<b>151,177</b>	152,995	-1,818	-1.19%
Non-operating income	124	177	-53	-29.94%
Non-operating expense	131	247	-116	-46.96%
<b>Total profit</b>	<b>1,591</b>	10,921	-9,330	-85.43%
Income tax expense	353	2,900	-2,547	-87.83%
<b>Net profit</b>	<b>1,238</b>	8,021	-6,783	-84.56%
<b>Basic and diluted earnings per share</b>	<b>0.0132</b>	0.0884		
<b>Other comprehensive income, net of tax</b>	<b>1,165</b>	-406	1,571	386.95%
<b>Total comprehensive income</b>	<b>2,404</b>	7,615	-5,211	-68.43%



### 1. *Net fee income and interest income*

In 2022, the Group achieved net fee and commission income and net interest income of RMB338.07 million, representing a year-on-year decrease of RMB31.88 million or 8.62%.

For 2022 and 2021, the Group's proportion of net fee and commission income were 72.72% and 77.26%, respectively, while the proportion of net interest income were 27.28% and 22.74%, respectively. Breakdown is set out in the following table:

In RMB'0,000	2022		2021		2022 as compared to 2021	
	Amount	Proportion	Amount	Proportion	Change in amount	Change
Net fee and commission income	24,585	72.72%	28,583	77.26%	-3,998	-13.99%
Net interest income	9,222	27.28%	8,412	22.74%	810	9.63%
<b>Total</b>	<b>33,807</b>	<b>100.00%</b>	<b>36,995</b>	<b>100.00%</b>	<b>-3,188</b>	<b>-8.62%</b>

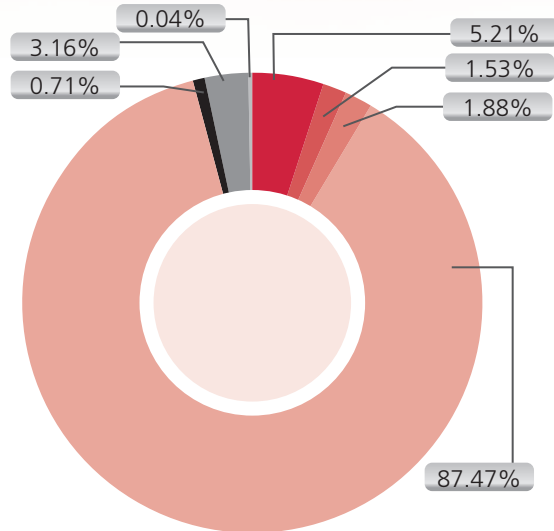
- ***Net fee and commission income***

The Group achieved net fee and commission income of RMB245.85 million, representing a year-on-year decrease of RMB39.98 million or 13.99%. Breakdown is set out in the following table:

In RMB'0,000	2022		2021		2022 as compared to 2021	
	Amount	Proportion	Amount	Proportion	Change in amount	Change
Commodity futures brokerage business	1,282	5.21%	2,581	9.03%	-1,299	-50.33%
Financial futures brokerage business	377	1.53%	294	1.03%	83	28.23%
Overseas futures business	463	1.88%	194	0.68%	269	138.66%
Refund and reduction of handling fees from futures exchanges	21,500	87.47%	24,294	84.99%	-2,794	-11.50%
Options brokerage business	175	0.71%	93	0.33%	82	88.17%
Asset management business	777	3.16%	1,122	3.92%	-345	-30.75%
Agency sales fund business	11	0.04%	6	0.02%	5	83.33%
<b>Net fee and commission income</b>	<b>24,585</b>	<b>100%</b>	<b>28,583</b>	<b>100%</b>	<b>-3,998</b>	<b>-13.99%</b>

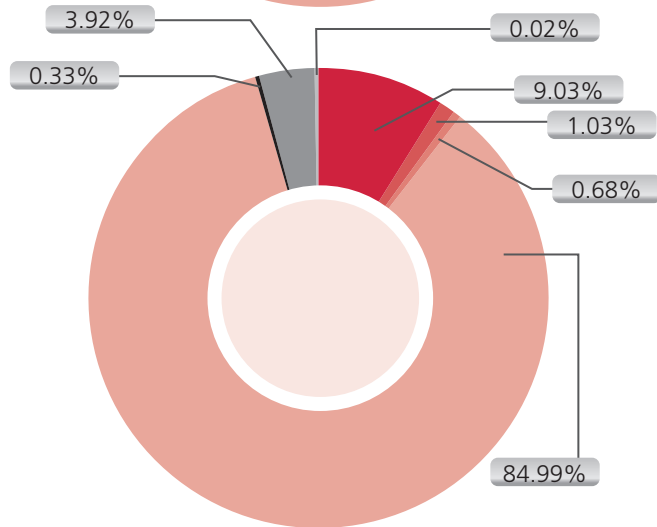
## 2022 Fee Income

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



## 2021 Fee Income

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



Total Fee Income Chart of the Group

- ① The income from futures business amounted to RMB236.22 million, representing a year-on-year decrease of RMB37.41 million or 13.67%, 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 RMB12.82 million, representing a year-on-year decrease of RMB12.99 million; and fee income from financial futures amounted to RMB3.77 million, representing a year-on-year increase of RMB0.83 million; the income from overseas futures business amounted to RMB4.63 million, representing a year-on-year increase of RMB2.69 million, which was mainly due to the refunds of handling fees from the exchanges amounted to RMB215.00 million, representing a year-on-year decrease of RMB27.94 million, as a result of the stock exchange decreased its efforts in the refund of handling fees as compared with the previous year.
- ② The income from asset management business amounted to RMB7.77 million, representing a year-on-year decrease of RMB3.45 million or 30.75%. Income from asset management business mainly consisted of management fees and performance-based commissions. Management fees are accrued based on the net value of asset management plans, while performance-based commissions are accrued based on the operational efficiency of asset management plans. As of 31 December 2022, the net value of asset management plans amounted to RMB20.184 billion, representing a year-on-year decrease of 14.45% as compared to RMB23.593 billion as at the end of 2021. There were 35 trading asset management accounts in aggregate. We have filed 12 new asset management schemes, 5 collective products and 7 individual products for directional products, which demonstrated our stable development.
- ③ Income from option brokerage business amounted to RMB1.75 million, representing a year-on-year increase of RMB0.82 million or 88.17%. Income from agency sales fund business amounted to RMB0.11 million, representing a year-on-year increase of RMB0.05 million or 83.33%. Such businesses are new business of the Group in recent years and currently accounted for a relatively small proportion of fee income.

- **Net interest income**

Net interest income of the Group amounted to RMB92.22 million, representing a year-on-year increase of RMB8.10 million or 9.63%. Breakdown is set out in the following table:

In RMB'0,000	2022	2021	2022 as compared to 2021	
			Change in amount	Change
Deposit of client's fund	7,920	7,454	466	6.25%
Deposit of own fund	1,332	1,026	306	29.82%
Resale agreements	37	19	18	94.74%
Interests expense	68	87	-19	-21.84%
<b>Total</b>	<b>9,222</b>	<b>8,412</b>	<b>810</b>	<b>9.63%</b>

Interest income is mainly attributable to: ① the interest income derived from the demand and time deposits of the Company's own funds and client deposits placed in financial institutions; ② Interest income derived from reverse repurchase agreements. The interest income increased mainly because the client deposits has increased.

## 2. *Financial assets gains*

In 2022, the Group achieved financial assets gains of RMB-59.18 million, representing a year-on-year decrease of RMB66.15 million, which was mainly attributable to the decrease in the fair value of financial assets affected by the conditions of securities markets. Breakdown is set out in the following table:

In RMB'0,000	2022	2021	2022 as compared to 2021	
			Change in amount	Change
Investment gains	-3,945	2,498	-6,443	-257.93%
Gain or loss on fair value changes	-1,973	-1,801	-172	-9.55%
<b>Total</b>	<b>-5,918</b>	<b>697</b>	<b>-6,615</b>	<b>-949.07%</b>

**(1) Investment gains**

Investment gains of the Group amounted to RMB-39.45 million, representing a year-on-year decrease of RMB64.43 million. Breakdown is set out in the following table:

In RMB'0,000	2022	2021	Change in 2022 as compared to 2021	
			Change in amount	Change
Grains on financial instrument during holding period				
– Financial instrument held for trading	1,666	3,106	-1,440	-46.36%
Gains from disposal of financial instruments				
– Financial instrument held for trading	-5,508	2,894	-8,402	-290.32%
– Financial derivatives	-224	-3,456	3,232	93.52%
Long term equity investment gains calculated with equity method	122	-45	167	371.11%
<b>Total</b>	<b>-3,945</b>	<b>2,498</b>	<b>-6,443</b>	<b>-257.93%</b>

In RMB'0,000	2022	2021	2022 as compared to 2021	
			Change in amount	Change
Disposal of financial assets held for trading	-5,508	2,894	-8,402	-290.32%
Futures and risk management business of subsidiaries	-224	-3,456	3,232	93.52%
Gains on financial instrument during holding period	1,666	3,106	-1,440	-46.36%
Gain on long-term equity investments accounted for using the equity method	122	-45	167	371.11%
<b>Total</b>	<b>-3,945</b>	<b>2,498</b>	<b>-6,443</b>	<b>-257.93%</b>

In 2022, the investment gains of the Group were mainly generated from the proceeds from the gains on disposal of financial assets during holding period and futures and risk management business of subsidiaries. The decrease of investment gains was relatively higher as compared to 2021. Proceeds from disposal of financial assets held for trading and futures and risk management business of subsidiaries decreased RMB84.02 million and increased RMB32.32 million, respectively.

Financial assets investment business mainly comprised of proceeds from disposal of securities, funds, trust schemes, asset management plans and bonds. In 2022, the proceeds from disposal of financial assets held for trading of financial assets investment business decreased year-on-year by RMB84.02 million or 290.32%, mainly due to the downward trend of the domestic securities market during the year, leading to losses on some of the equity-type investments of the Company.

In 2022, gains on financial instrument during holding period of the Group amounted to RMB16.66 million, representing a year-on-year decrease of RMB14.40 million, which was mainly contributed by the dividend income generated from the funds.

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

In 2022, gain or loss on fair value changes of the Group amounted to RMB-19.73 million, representing a year-on-year decrease of RMB1.72 million or 9.55%. Breakdown is set out in the following table:

In RMB'0,000	2022 as compared to 2021			
	2022	2021	Change in amount	Change
Financial assets held for trading	<b>-3,194</b>	-1,263	-1,931	-152.89%
Financial liabilities held for trading	<b>1,493</b>	-422	1,915	453.79%
Derivative financial assets	<b>8,333</b>	1,713	6,620	386.46%
Derivative financial liabilities	<b>-9,111</b>	-1,829	-7,282	-398.14%
Investment properties	<b>505</b>	–	505	N/A
<b>Total</b>	<b>-1,973</b>	-1,801	-172	-9.55%

### 3. *Other operating income*

In 2022, the Group achieved other operating income of RMB1,243 million, which was mainly due to a year-on-year decrease of RMB18.22 million or 1.44% in revenue from spot sales of Holly Capital's forward and spot basis trading business.

### 4. *Other income*

In 2022, the Group recorded other income of RMB5.76 million, representing a year-on-year increase of RMB4.13 million or 253.37%, which was mainly attributable to the increase in foreign exchange gains. Breakdown is set out in the following table:

In RMB'0,000	2022	2021	2022 as compared to 2021	
			Change in amount	Change
Other gains	104	325	-221	-68.00%
Foreign exchange gains or losses	482	-146	628	430.14%
Profit or loss from disposal of assets	-10	-16	6	37.50%
<b>Other income</b>	<b>576</b>	163	413	253.37%

#### (1) *Other gains*

Other gains represent government subsidies and personal tax refunds received by the Group totaling RMB1.04 million, representing a year-on-year decrease of RMB2.21 million or 68.15%. Of which, government subsidies amounted to RMB0.90 million and personal tax refunds amounted to RMB0.13 million.

#### (2) *Foreign exchange gains*

In 2022, foreign exchange gains of the Group amounted to RMB4.82 million, which was mainly attributable to the increase of exchange rates of Hong Kong dollar against Renminbi from 0.81760 on 31 December 2021 to 0.89327 on 31 December 2022. In 2022, the Group did not use financial instruments to hedge our exposure to exchange rate fluctuations.

## 5. Operating and management expenses

The operating and management expenses of the Group amounted to RMB242.45 million in 2022, representing a year-on-year decrease of RMB24.57 million or 9.20%. Breakdown is set out in the following table:

In RMB'0,000	2022 as compared to 2021			
	2022	2021	Change in amount	Change
Staff benefits	15,882	16,704	-822	-4.92%
Office expenses	3,185	3,771	-586	-15.54%
Depreciation and amortisation	1,896	2,081	-185	-8.89%
Lease charges	722	1,076	-354	-32.90%
Finance costs	737	836	-99	-11.84%
Insurance, brokerage and consulting services fees	714	682	32	4.69%
Investor Protection Fund	37	49	-12	-24.49%
Maintenance fees	254	287	-33	-11.50%
R&D costs	165	85	80	94.12%
Others	653	1,130	-477	-42.21%
<b>Total</b>	<b>24,245</b>	<b>26,702</b>	<b>-2,457</b>	<b>-9.20%</b>

### (1) Staff benefits

Staff costs mainly comprised of salaries, bonuses and allowances, enterprise annuity and other social welfare such as “5 insurances and 1 pension”. In 2022, the staff costs of the Group amounted to RMB158.82 million with a year-on-year decrease of RMB8.22 million or 4.92%, which was mainly due to the reduction in bonus expenses in 2022.

### (2) Office expenses

Office expenses mainly comprised of office supplies fees, information fees, promotion and business development expenses, postal and communication expenses, business travel expenses and electronic equipment.

In 2022, the office expenses of the Group amounted to RMB31.85 million with a year-on-year decrease of RMB5.86 million or 15.54%, which was mainly due to the decrease in travel expenses and business entertainment expenses.



**(3) Finance costs**

Finance costs mainly included interest on loans and bank charges, among which interest on mortgage loans for the purchase of office premises in Financial City accounted for a relatively large portion. Finance costs of the Group for the year 2022 amounted to RMB7.37 million, representing a year-on-year decrease of RMB0.99 million or 11.84%, mainly due to the reduction in interest payment related for mortgage loans applied by the Group for the purchase of office premises in Financial City.

**6. Other operating costs**

In 2022, the Group's other operating costs was RMB1.260 billion, which were mainly attributable to the cost of sales of Holly Capital's variation basis trading business, which increased by RMB11.46 million or 0.92% year-on-year.

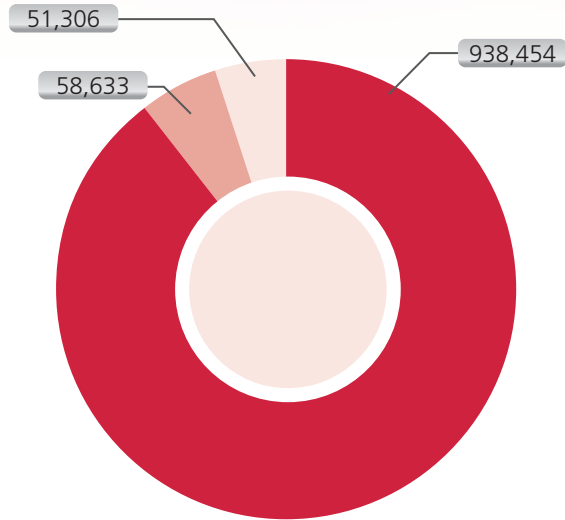
**(3) Asset items**

As of 31 December 2022, the total assets of the Group increased year-on-year by RMB2,401 million or 29.70% to RMB10,484 million, including cash assets amounting to RMB9,385 million with a year-on-year increase of 37.23%, financial investment assets amounting to RMB586 million with a year-on-year decrease of 31.39%, and other assets including receivables amounting to RMB513 million with a year-on-year increase of 31.51%. The change in the total amount of principal assets of the Group is set out as follows:

In RMB'0,000	2022	2021	Change as at 31 December 2022 as compared to 31 December 2021	
			Change in amount	Change
Cash assets	938,454	683,832	254,622	37.23%
Financial investment assets	58,633	85,464	-26,831	-31.39%
Other assets	51,306	39,014	12,292	31.51%
<b>Total</b>	<b>1,048,393</b>	808,310	240,083	29.70%

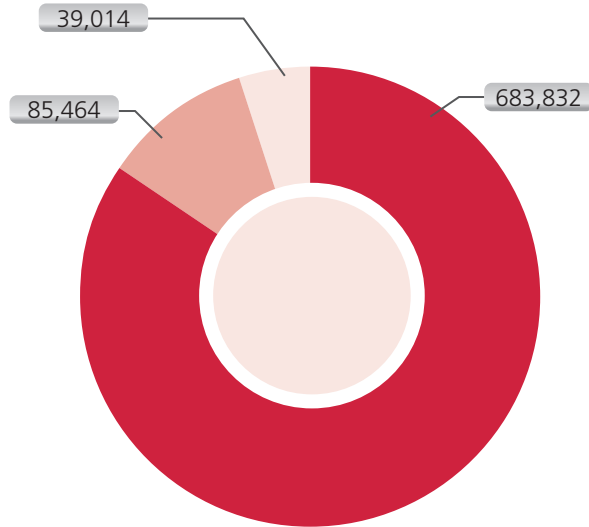
## Asset distribution as at 31 December 2022

- Cash assets
- Financial investment assets
- Other assets



## Asset distribution as at 31 December 2021

- Cash assets
- Financial investment assets
- Other assets



### 1. Cash assets

As of 31 December 2022, the cash assets of the Group amounted to RMB9,385 million, accounting for 89.52% of the total assets of the Group, with a year-on-year increase of RMB2,546 million or 37.23%. The composition of the cash assets of the Group is set out as follows:

In RMB'0,000	As of 31 December 2022	As of 31 December 2021	Change as at 31 December 2022 as compared to 31 December 2021	
			Change in amount	Change
Monetary fund	634,867	414,364	220,503	53.21%
Currency deposits receivable	205,467	202,586	2,881	1.42%
Pledged deposits receivable	98,121	66,882	31,239	46.71%
<b>Total</b>	<b>938,454</b>	<b>683,832</b>	<b>254,622</b>	<b>37.23%</b>

The change in cash assets was mainly reflected in the monetary fund, currency deposits receivable and pledged deposits receivable. Monetary fund amounted to RMB6.349 billion, accounting for 60.56% of the total assets of the Group, representing an increase of RMB2.205 billion or 53.21% as compared to 2021. Currency deposits receivable of RMB2.055 billion, accounting for 19.60% of the total assets of the Group, representing an increase of RMB29 million or 1.42% as compared to 2021. Pledge deposits receivable amounted to RMB981 million, accounting for 9.36% of the total assets of the Group, representing an increase of RMB312 million or 46.71% as compared to 2021.

## 2. Financial investment assets

As of 31 December 2022, the financial investment assets of the Group amounted to RMB586 million, accounting for 5.59% of the total assets of the Group, with a year-on-year decrease of RMB268 million or 31.39%. The composition of the financial investment assets of the Group is set out as follows:

In RMB'0,000	As of 31 December 2022	As of 31 December 2021	Change as at 31 December 2022 as compared to 31 December 2021	
			Change in amount	Change
Long-term equity investment	825	704	121	17.19%
Financial assets held for trading	55,885	84,042	-28,157	-33.50%
Financial assets held under resale agreements	–	672	-672	-100.00%
Derivative financial assets	1,922	47	1,875	3,989.36%
<b>Total</b>	<b>58,633</b>	<b>85,464</b>	<b>-26,831</b>	<b>-31.39%</b>

## 3. Other assets

As of 31 December 2022, the other assets of the Group amounted to RMB513 million, accounting for 4.89% of the total assets of the Group, and representing a year-on-year increase of RMB123 million or 31.51%. The composition of other operating assets such as property and equipment of the Group is set out in the table below:

In RMB'0,000	As of 31 December 2022	As of 31 December 2021	Change as at 31 December 2022 as compared to 31 December 2021	
			Change in amount	Change
Receivables	6,556	4,495	2,061	45.85%
Financing capital	595	–	595	N/A
Inventories	–	1	-1	-100.00%
Fixed, intangible and right-to-use assets	34,734	4,058	30,676	755.94%
Investment properties	4,842	–	4,842	N/A
Deferred tax assets	1,664	739	925	125.17%
Futures membership investment	185	181	4	2.21%
Other assets	2,731	29,540	-26,809	-90.75%
<b>Total</b>	<b>51,306</b>	<b>39,014</b>	<b>12,292</b>	<b>31.51%</b>

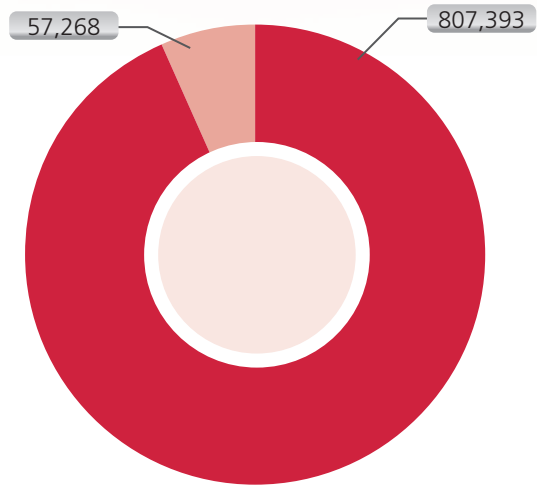
#### (4) Liabilities items

As of 31 December 2022, the total liabilities of the Group increased year-on-year by RM2,246 million or 35.08% to RMB8,647 million, in which accounts payable to customers amounted to RMB8,074 million with a year-on-year increase of 36.14%, which was mainly attributable to the increase in the deposits contributed by clients. The change in the total amount of principal liabilities of the Group is set out as follows:

In RMB'0,000	As of 31 December 2022	As of 31 December 2021	Change as at 31 December 2022 as compared to 31 December 2021	
			Change in amount	Change
Accounts payable to customers	807,393	593,063	214,330	36.14%
Other operating liabilities	57,268	47,030	10,238	21.77%
<b>Total</b>	<b>864,660</b>	<b>640,093</b>	<b>224,567</b>	<b>35.08%</b>

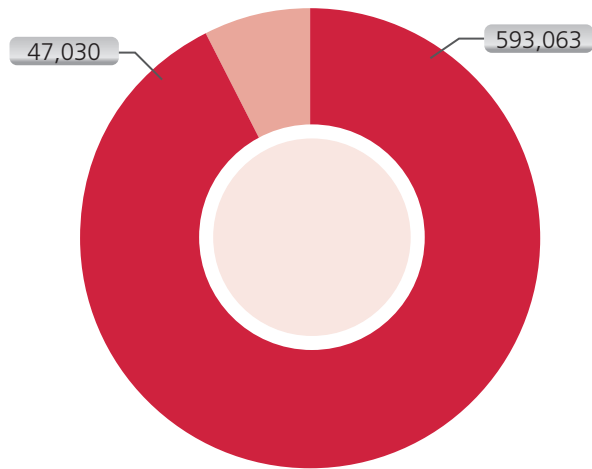
## Liability distribution as at 31 December 2022

- Accounts payable to customers
- Other operating liabilities



## Liability distribution as at 31 December 2021

- Accounts payable to customers
- Other operating liabilities



### 1. Accounts payable to customers

As of 31 December 2022, the accounts payable to customers of the Group amounted to RMB8,074 million, accounting for 93.38% of the total liabilities of the Group, with a year-on-year increase of RMB2,143 million or 36.14%, which was mainly attributable to the increase in the deposits contributed by customers. Of which, currency deposits payable and pledged deposits payable amounted to RMB7,093 million and RMB981 million respectively. The composition of the accounts payable to customers of the Group is set out as follows:

In RMB'0,000	As of 31 December 2022	As of 31 December 2021	Change as at 31 December 2022 as compared to 31 December 2021	
			Change in amount	Change
Corporate clients	451,302	268,611	182,691	68.01%
Natural person clients	356,091	324,452	31,639	9.75%
<b>Total</b>	<b>807,393</b>	<b>593,063</b>	<b>214,330</b>	<b>36.14%</b>

### 2. Other operating liabilities

As of 31 December 2022, the other operating liabilities of the Group amounted to RMB573 million, accounting for 6.62% of the total liabilities of the Group, with a year-on-year increase of RMB102 million or 21.77%. The composition of the other operating liabilities of the Group is set out as follows:

In RMB'0,000	As of 31 December 2022	As of 31 December 2021	Change as at 31 December 2022 as compared to 31 December 2021	
			Change in amount	Change
Financial liabilities	14,422	12,061	2,360	19.57%
Other liabilities	42,846	34,969	7,877	22.52%
<b>Total</b>	<b>57,268</b>	<b>47,030</b>	<b>10,238</b>	<b>21.77%</b>

## (1) Equity

As of 31 December 2022, the total equity of the Group amounted to RMB1,837 million, representing a year-on-year increase of RMB155 million or 9.22%. The changes in major equity items of the Group is set out as follows:

In RMB'0,000	As of 31 December 2022	As of 31 December 2021	Change as at 31 December 2022 as compared to 31 December 2021	
			Change of amount	Change
Share capital	100,778	90,700	10,078	11.11%
Reserve	82,955	77,517	5,438	7.02%
<b>Total shareholders' equity</b>	<b>183,732</b>	<b>168,217</b>	<b>15,516</b>	<b>9.22%</b>

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

### • Branches

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

##### • Establishment and closing of futures branches

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

##### • Relocation

The Company constantly adjusted and optimized its branch network. During the Reporting Period, 1 branch, namely the Jinan branch was relocated.

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

During the Reporting Period, there were no establishment, while Jiangnan Sub-branch was renamed as Nanjing Sub-branch and relocated.



- **Subsidiaries**

In December 2022 and January 2023, the Company increased its capital to Holly Capital by RMB10 million and RMB100 million, respectively, totaling RMB110 million, and the registered capital of Holly Capital was increased from RMB390 million to RMB500 million;

In September 2022, the Company increased its capital to Holly International Financial by HKD50 million, and the registered capital of Holly International Financial was increased from HKD190 million to HKD240 million.

- **Impact on results**

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

## VI. Major investment and financing

### (i) Equity financing

On 17 March 2022, the 31st working meeting in 2022 of the 18th Issuance Review Committee of the CSRC reviewed the application of the A Share Offering, and the Company's application for the issuance of A Shares was passed. On 23 June 2022, the A Share Offering of the Company has been officially approved by the CSRC with the permission to issue up to 100,777,778 A Shares for a period of 12 months from the date of approval. On 2 August 2022, the Company received net proceeds of RMB161,354,358.20 from the offering, of which the increased share capital was RMB100,777,778.00 and the increased capital reserve was RMB60,576,580.20. The registered capital and share capital after the change are RMB1,007,777,778.00. On 5 August 2022, the A Shares of the Company were officially listed and trading on the Main Board of the Shenzhen Stock Exchange with the stock code 001236.

### (ii) Debt financing

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

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

### (iii) Equity investments

In December 2022 and January 2023, the Company increased its capital to Holly Capital by RMB10 million and RMB100 million, respectively, totaling RMB110 million, and the registered capital of Holly Capital was increased from RMB390 million to RMB500 million;

In September 2022, the Company increased its capital to Holly International Financial by HKD50 million, and the registered capital of Holly International Financial was increased from HKD190 million to HKD240 million.

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

For the year ended 31 December 2022, the Company had no material acquisition or disposal of subsidiaries, associates and joint ventures.

## VIII. 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. *Upgrading the international business function structure*

Trading volume and trading turnover grew more than double year-on-year. Assets of the securities business amounted to HKD422 million, up by 3.62 times year-on-year, with handling fees growing over 10 times year-on-year. The Company has officially launched a margin financing business and a US stock trading business, expanding the coverage of securities business. The scale of the offshore asset management business remained above HK\$100 million, up by 6% year-on-year. The Company has also completed QFII account opening and became one of the first Hong Kong futures companies to support QFII participation in the domestic commodity futures market. The Company was re-elected as Vice President and Secretary General of the Hong Kong Chinese Futures Association.

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

Focusing on the three principal businesses of spot and futures trading business, market making business, and OTC derivatives business, in 2022, Holly Capital achieved an operating income of RMB1.279 billion, up by 0.17% year-on-year. The team of spot and futures trading business continued to focus on nickel iron, silver and corn. The market-making business team was optimised, and profit contribution rate of the market-making and intra-day reversal businesses was steadily increasing. A breakthrough was achieved in the development of OTC derivatives business, with an annual turnover of RMB11.639 billion, up by 93.63% year-on-year. In addition, in order to support the development of the cotton industry in Xinjiang, the Company also donated RMB1 million to launch the Xinjiang Cotton “Order + Futures” project.

### 3. *Steadily improving wealth management business*

Guided by the concept of building a “financial supermarket”, A total of 1,900 public fund products were listed by 16 fund companies, of which 376 were added during the year. 74 new fund clients were added, up by 49% year-on-year, and the scale of public fund sales was RMB300 million, up by 65% year-on-year. The official launch of the online account opening and redemption module for institutional clients and special accounts has improved the client experience and efficiency and has complemented the private placement distribution work. Interbank bond trading was launched, and the trading system was upgraded to achieve an annualized yield of 8%. At the same time, the Company has been steadily carrying out the application process for public fund companies as planned.

## (2) **Controlling risk in innovative business**

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

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

### 2. *Strengthening ongoing monitoring*

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

### 3. *Implementing post-inspections*

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

## (3) **Business innovation prospects**

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

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

We will continue to improve our asset management product portfolio and steadily introduce a wide range of products with different risk-return profiles. With low-volatility, robust product lines as an opportunity to expand business cooperation with commercial banks, wealth management subsidiaries, securities companies, third-party agencies and high-quality private equity institutions. We will also enhance the brand effect of Holly Asset Management by expanding the sales channels of the Company's pool of products. With quantitative hedging, low-risk arbitrage, multi-strategy FOF and equity block arbitrage strategies as the entry point for cooperation, the Company increases marketing to large institutions such as commercial banks' financial subsidiaries and state-owned enterprises, striving to obtain more sufficient and stable sources of entrusted funds. We will strengthen our product cooperation with companies within the Group, focusing on investment research and trading of BSE, stock arbitrage and high credit rating bonds. Focusing on CTA and active management, the Company insists on training and recruiting talents to enhance its independent management capability and build an asset management team with its own characteristics.

(II) *Continuously refining risk management business*

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

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

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

(IV) *Stabilize the international business*

The Company will increase our operating profit by building up our direct business team and strengthening the development of key industries and key customers, while nurturing the "livid force" for the development of our main business and enhancing our ability to "make a profit" on our own. The Company will also adjust the structure of proprietary investments by reducing risky investments, increasing the proportion of stable investments and strengthening risk control. On the basis of a strong management team, the Company will expand the recruitment of staff and improve the staffing of key positions to achieve stable operations. The Company will also launch IPO underwriting, US dollar bond issuance and underwriting, corporate bond financing and other investment banking businesses in a timely manner, laying the foundation for our transformation and upgrade. Relying on the QFII and RQFII channels, the Company will actively promote the development of mutual exchange business and realize the development of domestic and overseas connectivity.

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

The risks entailed by the Company's business activities include those inherent to management and risks of internal control, professional conduct, markets, credit, information technology and ESG (environmental, social and governance) risk. In 2022, the Company put into place measures to effectively deal with these risks and safeguard the efficiency of its business activities.

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

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

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

### (ii) Professional conduct risk

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

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

### (iii) Market risk

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

During the Reporting Period, in view of the complex and severe international environment and under the triple pressure of contracting domestic demand, supply shock and weakening expectations, the Company's main business and financial asset investment business were both challenged by the highly unusual economic development and unexpected factors that have had a severe impact. In respect of investments in equity securities, the Company continued to promote investment transformation towards diminishing orientation, flexibly adjusted hedging positions according to market changes, and ensured the downside risks of investment portfolios, while actively exploring market opportunities. The Company adhered to the concept of controlling risks through hedging in controlling risk exposures, and managed the market risk of holding assets through various risk control measures.

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

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

#### **(iv) Credit risk**

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

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

In order to control credit risk, the Company will control the account opening process strictly. The Company has established a strict investor suitability management system and takes investor suitability seriously by thoroughly assessing the identity and creditworthiness of each new customer, and the adequacy of the funds that they will be using in the futures trading. The Company will also conduct investor education and training programmes to ensure that the customers understand the risks involved in futures trading adequately and will continue to enhance customers' ability to resist risks.

#### **(v) Information technology risk**

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

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

## (vi) ESG (Environmental, Social and Governance) risks

### 1. *Compliance risks*

ESG information disclosure requirements for companies listed on the “A+H” stock exchange are gradually becoming more stringent. For example, in June 2021, the Ministry of Ecology and Environment issued the “Reform Plan for the Legal Disclosure System of Environmental Information”, which sets the basic formation of a mandatory environmental information disclosure system by 2025 as the main work target and requires the CSRC to further revise the file format for information disclosure of listed enterprises; in November 2022, the Hong Kong Stock Exchange issued the “Review of Environmental, Social and Governance Disclosure Practices in 2022”, which sets out the requirements that companies should review their progress against various ESG targets, and should disclose their supply chain risk management and green procurement practices, among other enhancements. The Company should continue to optimize our ESG reporting to demonstrate the initiatives to meet environmental commitments, social responsibility and strengthen internal governance.

### 2. *Environmental pollution risks*

The impact of financial institutions on the environment is not only in the form of emissions of waste and water, but also in the form of indirect environmental pollution through financial practices such as investment and credit, which can lead to more serious environmental problems. The financial risks associated with environmental issues can be minimized by channeling capital into the development and use of energy efficient and environmentally friendly products through financial behavior.



The integration of ESG factors into asset management and the ability of companies to take advantage of green finance-related opportunities is a concern for mainstream international ESG rating agencies in the financial sector, while the United Nations Principles for Responsible Investment (UNPRI) encourages all investment companies to adhere to and practice ESG requirements, incorporating ESG issues into the investment analysis and decision-making process. In September 2022, Fang Xinghai mentioned at the 2022 China (Zhengzhou) International Futures Forum that the launch of new products such as carbon emissions should be actively explored to enhance the breadth and depth of services to the real economy. Futures companies have taken on the more practical function of serving the real economy – building a bridge between the green industry and the application of financial instruments (including futures hedging, optimizing risk management, stabilizing corporate operations, providing management advice, etc.), contributing to the realization of the “dual carbon” objective and serving the green industry with futures power.

At present, the Company has undertaken the development of green financial derivatives to help the green industry to hedge risks and operate soundly. The Company plans to incorporate ESG factors into the decision-making process in the development of green financial derivatives to promote the adjustment of the business model towards sustainable development. At the same time, the Company will actively promote social responsibility in asset management and incorporate ESG factors into our investment process and decision-making.

### 3. *Data security risks*

Privacy and data security issues are part of the ESG disclosure requirements of the Hong Kong Stock Exchange and are of interest to mainstream international ESG rating agencies. For example, in MSCI ratings, the performance of financial sector privacy and data security issues will affect the overall rating outcome of a company. Companies should assess the amount of personal data they collect, the vulnerability of potential data breaches and their personal data protection systems.

At present, the Company has established a number of information security and privacy protection systems and adopted a number of security measures to ensure the safety of customer information, and the employees of the Company have 100% coverage of network privacy and security training. The Company will carry out an information security audit to assess internal and external information security risks. At the same time, the Company will strengthen the management of IT suppliers, incorporate ESG factors into the code of conduct for suppliers and introduce an ESG evaluation system in the management of suppliers.

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

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

### (1) Risk management principles

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

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

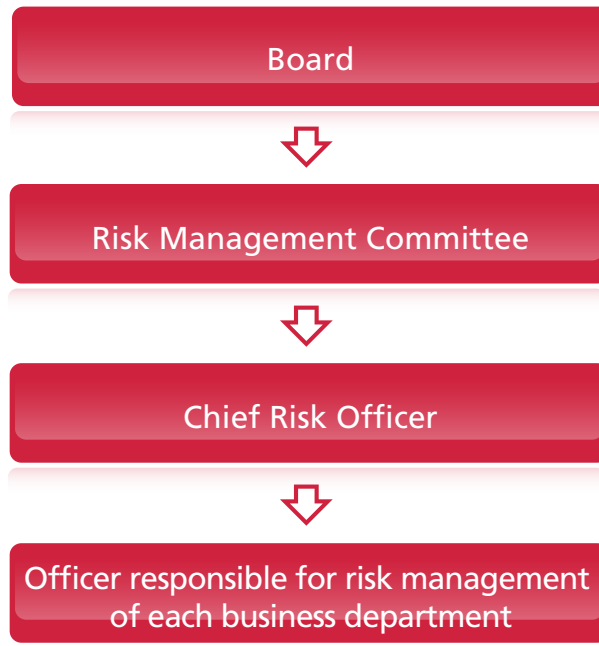
The risk management and internal control system of the Company has been designed based on the following principles:

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

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

## (2) Risk management system

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



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

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

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

The Chief Risk Officer of the Company is responsible for ensuring the effective implementation of the internal policies of the Company and compliance with the business policies of the Company; evaluating and advising on the risks and compliance by the management of the Company in and regarding the major decisions making and main business activities of the Company; inspecting and investigating possible regulatory violations and risk concerns in the operation of the Company, reporting to the Board, the Shareholders and the regulatory authority independently on any non-compliance and enhancing the risk management of the Company through training, inspection and supervision. Ms. Zhan Jieying is currently acting as the Chief Risk Officer of the Company and has approximately 10 years of experience in the financial industry.

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

## **XI. Industry competition, market position and core competitiveness**

### **(1) Industry competition**

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

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

In recent years, with the continuous improvement and development of China's capital markets, the profitability of China's futures industry and futures companies have continued to improve. In 2022, China's futures companies achieved a total net profit of RMB10.989 billion, down by 19.82% from RMB13.705 billion in 2021. The total market management size (total customers' equity) of futures companies was nearly RMB1.5 trillion, up 0.91% on a sequential basis and up 25% year-on-year from RMB1.18 trillion in 2021.

CSRC announced the 2022 classification results of domestic futures companies, in which the number of Category A, B, C, D and E futures companies were 54, 76, 17, 3 and 0 respectively, with a significant increase in the number of Class A companies, indicating a further increase in the competitiveness of the futures industry.

## (2) Market position

After years of development, the Company has continuously improved its competitiveness, and all indicators continue to comply with the relevant requirements of the CSRC, and is in a good financial position with strong market competitiveness. The overall level of the Company ranks among the top 150 futures companies in China, with strong overall strength. As of 31 December 2022, the Company had 39 sales departments and 6 sub-branches in the territory, ranking among the top in the industry in terms of the number of network locations.

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

Unit: RMB100 million

Stock exchanges	2022		2021		2020	
	Turnover	Market share	Turnover	Market share	Turnover	Market share
SHFE	23,656.83	0.84%	45,222.79	1.17%	28,548.93	1.02%
ZCE	12,891.55	0.67%	15,803.63	0.73%	9,541.32	0.79%
DCE	15,883.60	0.64%	18,023.00	0.64%	17,429.64	0.80%
CFFE	5,350.90	0.20%	4,909.30	0.21%	5,273.27	0.23%
Energy Exchange	7,915.03	0.99%	3,195.20	0.74%	835.82	0.33%
GFE	2.21	0.70%	–	–	–	–
<b>Total</b>	<b>65,700.12</b>	<b>0.61%</b>	<b>87,153.93</b>	<b>0.75%</b>	<b>61,628.98</b>	<b>0.70%</b>

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

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

In the classification evaluation of futures companies conducted by the CSRC, the Company has been awarded Class A of the A Category in the futures industry for 14 consecutive years from 2009 to 2022.

### (3) Core competitiveness

#### 1. *Superior geographical location*

The Company's headquarters is located in Nanjing, capital of Jiangsu Province, where it boasts an exceptionally solid presence. As of the end of the Reporting Period, the Company had a total of 45 branches (including 39 futures branches and 6 sub-branches), of which 20 were located in Jiangsu Province.

Jiangsu Province is located in the eastern coastal areas of China and is developed in economy. In 2022, Jiangsu Province's GDP reached RMB12.29 trillion, up by 2.8% year-on-year. In 2022, the per capita disposable income of Jiangsu residents was RMB49,862, up by 5.0% year-on-year. In recent years, the People's Government of Jiangsu Province issued a series of new policies to stimulate its economic development, and especially that of the financial services industry. The People's Government of Jiangsu Province issued the Opinions on Speeding up the Innovation of Financial Reform, promoting the development of a financial holding platform in Jiangsu Province, enhancing the overall investment capability of futures companies, banks, securities companies, insurance companies and trust companies, and further raising the securitisation rate of Jiangsu Province. Under continuing favourable policy conditions, the Company will gain more market opportunities.

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

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

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

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

With competition intensifying in China's futures industry, the Company has worked to identify and seize new opportunities created by the industry's reform. These actions have broadened the Company's futures business, its revenue channels and customer base. In July 2012, the CSRC issued its Pilot Measures on Asset Management Business of Futures Companies and granted qualifications for asset management business to futures companies. In December 2014, the China Futures Association issued the Rules for the Administration of Asset Management Business of Futures Companies (Trial), which allowed futures companies to provide asset management services to multiple clients. In August 2014, the China Futures Association issued the Guidelines on Pilot Work for Establishment of a Subsidiary by Futures Company to Commence the Business Mainly Focusing on Risk Management Services (Revised), enabling futures companies to engage in commodity trading and risk management businesses through risk management subsidiaries. In September 2014, the CSRC issued its Opinions on Further Promoting the Innovative Development of Futures Business Institutions to further expand the pilot scope of futures companies' establishment of risk management subsidiaries. The Company seized the opportunity to commence various businesses, including assets management, commodities trading and risk management. The restriction on the proportion of foreign ownership in futures companies was removed from 1 January 2020, which is a specific measure by the futures industry to implement the deployment of the Central Committee of the Communist Party and the State Council to further expand the opening up of the financial sector to the overseas. The entry of foreign financial institutions with great international reputation and business performance will continue to enrich the participating entities in China's futures market, stimulate market competition, help the futures industry to accelerate the building of core competitiveness and further enhance its ability to serve the real economy.

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

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

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



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

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

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

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

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

The company has a stable and experienced senior management team with many years of experience in the futures industry. The Company was awarded the title of a state-owned enterprise in Jiangsu Province with an advanced team in building the "four good (四好)" leading group, which has led Holly Futures to be awarded the title of "National Civilized Unit". The Company believes the strength and experience of its senior management team to be a vital key to realising its long-term growth strategies.

#### 7. *Comprehensive business qualifications*

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

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

Holly Capital, a subsidiary of the Company, is principally engaged in commodity trading and risk management, including variation basis trading, cooperative hedging, OTC derivatives business, market making business and warehouse receipt services. It is a trader on the Dalian Commodity Exchange, Zhengzhou Commodity Exchange and Shanghai Futures Exchange market makers for 11 futures varieties, and is a special trader on the National Cotton Exchange Market and the China Coal Trading Center, standard warehouse receipt trading platform dealer of Shanghai Futures Exchange.

#### 8. *Good market reputation*

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

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

<b>Time</b>	<b>Honours and qualifications</b>	<b>Awarding institutions</b>
2022	Outstanding unit in Ideological and Political Work in the National Financial System	Research Association of Ideological and Political Work of China Financial Institutions
	Civilization Unit in Jiangsu Province	Guidance Commission on Building Spiritual Civilization of Jiangsu Province
	Nanjing Daily Brand Value List	Nanjing Daily News
	Outstanding Membership Award	Dalian Commodity Exchange
	Second prize for improving the quality of options operations to serve the real economy, Outstanding Membership Award	Shanghai Futures Exchange
	Outstanding Futures Market Maker	Zhengzhou Commodity Exchange
	Advanced Unit of Ideological Propaganda Work in Provincial Enterprises	Party committee of the Jiangsu Province

Time	Honours and qualifications	Awarding institutions
	Best Futures Company in China, China Futures' Helmsman of the Year (Zhou Jianqiu, Chairlady and Secretary of the Party Committee), Best Capital Operation Development Award, Best Commodity Futures Industry Service Award, Best Financial Futures Service Award, Best Rural Revitalization Service and Social Responsibility Public Welfare Award, Best Corporate Culture Brand Construction Award, Best Asset Management Leadership Award, Most Popular Futures Operator Self-Media Award for Innovation in Investor Education Model of the Year, Best Risk Management Subsidiary Service Innovation Award, Best Advancement in Technology Finance, International Progress Award, Best Innovation in Integrated Derivatives Services, Outstanding Asset Management Product of the Year (Holly Jingxin Phase I FOF Collective Asset Management Plan), Best Futures Operation Branch in China (Yixing Sales Department), Gold Management Team of China Futures Company, Best Futures Talent Training Institution Contribution Award, Best Silver Term Partnership Innovation and Development Award, China Gold Futures Institute, Best Industrial Futures Analyst, Best Agricultural Commodity Futures Analyst	Futures Daily, Securities Times
	2022 Social Responsibility Award, 2022 Brand Influence Futures Company	Hexun.com
	Egg's "Insurance + Futures" Precise Poverty Alleviation Project won the Second Prize for Outstanding Financial Innovation Project in Nanjing	Nanjing Local Financial Supervision Authority, Nanjing Finance Bureau
	Rural Revitalization Innovation Unit	China Rural Credit Cooperation News
	Outstanding Unit for Cultural Construction in the National Financial System	Research Association of Ideological and Political Work of China Financial Institutions

Time	Honours and qualifications	Awarding institutions
	Synergistic Futures Management Aimed at Serving the Real Economy won the Second Prize in the 29th Jiangsu Provincial Enterprise Management Modernization Innovation Achievement	Jiangsu Provincial Enterprise Modernization Management Innovation Achievement Validation Committee
	The Party Committee of the Company: Party Building Leads the Way in Exploring New Modes of Serving the Real Economy won the Third Prize for 2022 Outstanding Achievement in “New Research on Party Building of State-owned Enterprises” of the Provincial State-owned Capital System	Party Committee of Jiangsu Provincial State-owned Assets Supervision and Administration Commission

## XII. Prospects for the Company’s future development

The Company’s overall development strategy is to become an integrated derivatives service provider with “better mixed ownership system, more flexible institutional mechanisms, more effective risk management and control and more prominent advantages of as a listed platform”.

In 2023, the Company will adhere to stability and seek progress amid stability. Taking the listing of A Shares as an opportunity, the Company will make good use of the domestic and overseas listing platform to achieve “overtaking” on the new racetrack, building core competitiveness and realizing several “billion businesses”. In order to take up the great responsibility of “taking the lead”, the Company will strive to build a responsible derivatives and commodities service provider with on and off-market synergy, domestic and international connectivity, and futures and spot linkage, and accelerate its transformation into an integrated professional investment banking provider and a technology-empowered financial technology enterprise, showcasing a new vision and realizing new achievements in the new journey. In the new year, the Company will focus on key tasks and concentrate on its main responsibilities and principal businesses, which will be manifested in the following areas.

## (I) Implementing national development strategies and serving the high-quality development of the real economy

In recent years, the futures market has been adhering to its original mission of serving the real economy by focusing on the three major tasks of “serving the real economy, preventing and controlling financial risks, and deepening financial reform”, a series of achievements have been made in terms of enriching varieties and instruments, building a rule of the legal system and an international market, serving the real economy and national strategies, and enhancing the comprehensive strength of industry institutions, etc., establishing a path of development with Chinese characteristics. Through the “Insurance + Futures” model, the Company will bring the futures knowledge “to the countryside” by spreading the basic knowledge of agricultural futures hedging and risk management to the rural community to raise awareness of risk management among farmers and enterprises continuously. The Company will also strive to promote the continuous innovation of the “Insurance + Futures” model by giving full play to its role in promoting the structural adjustment of farming, optimizing the allocation of agricultural resources and guiding the rational flow of agricultural factors to provide quality financial services to agriculture, villages and farmers.

Enhancing innovation in serving the “village revitalization” strategy. The Company will focus on key areas of support and form an all-around support system of “industry support + village support + education support + public welfare support + consumer support”. By summarizing our experience, the Company will keep on innovating the forms and methods of “Insurance + Futures” and continue to explore the “Insurance + Futures + Banks + Orders” model so as to promote it. The Company will also strengthen its corporation with the government and leverage external powers to continuously develop the policy-based “Insurance + Futures” projects. A multi-pronged and comprehensive approach is adopted to serve the “three rural areas” and help revitalize the countryside.

Focusing on green development. “Dual carbon” and “green development” are extensive and profound economic and social systemic changes. In recent years, the price of some of the raw materials involved in “green” and “carbon” has been highly volatile, bringing uncertainty to risk management in the industry. Guangzhou Futures Exchange has been targeting the objective of serving green transformation and development by focusing on new varieties that serve the green development such as silicon, lithium, platinum, palladium, rare earth and other “new energy metals” as well as carbon emission rights to provide an effective price signal and risk management tool for the relevant strategic emerging industries, supporting the improvement of the resilience and security of related industry and supply chains. The Company will seize the market opportunity by strengthening the study of carbon emission rights futures and electricity futures and enhancing the customer development from industrial silicon and other industries, so as to steadily promote the cultivation of green bulk markets and provide strong financial support for the goal of “dual carbon” and “green development”. By combining the advantages of cooperation and service with the government and enterprises, the Company will make good use of local policies and give full play to its professional advantages in product innovation so as to develop deeper and deeper in the regional economy, gradually build a green financial service system to serve the country, and promote the green development in the field of green infrastructure and green energy.

## (II) Laying out the “One Core, Two Wings” route to strengthen integrated service capacity

Leveraging its various license advantage, the Company will build a business model driven by asset securitization and financial technology empowerment, with a focus on serving the real industry and institutional clients. Against the backdrop of a new dual-loop development pattern, the full implementation of the registration system and increased demand for specialized business, the Company will focus on building an innovation-driven futures business ecology, strengthen our customer-centric service concept and have a deep understanding of diversified customer needs in order to provide customers with a full range of integrated financial services. The Company will adhere to the strategy of a high-quality integrated financial services platform, led by the “Digital SOHO” strategy of the controlling shareholder, SOHO Holdings, driven by innovation and development, and with the mission of serving the real economy, to become stronger as one core and fly on two wings to provide customers with higher quality and more efficient financial services.

The Company will continuously improve the profit contribution of each business segment as well as the “professional investment research + accurate service” capability. Firstly, we will continue to improve the profit contribution of our business segments. The brokerage business is the most important business of the Company. The Company will focus on targeted marketing and expansion, increase the development of institutional and industrial clients, strengthen the attraction of funds from public funds, banks and other financial institutions, continuously consolidating our competitive advantage in the market. The asset management business will demonstrate its own characteristics, focus on futures and derivatives, innovate business models and expand business directions, focus on the competition in the large capital management industry, growing and strengthening the scale of asset management. The risk management business will provide customized risk management services in line with the needs of industrial clients, and strive to grow into a “specialized and new” small giant enterprise by increasing revenue through services. To enhance its core competitiveness, Holly International Financial will rely on the QFII and RQFII channels to actively promote the development of mutual exchange business and realize domestic and overseas connectivity. Secondly, we will continue to enhance our “professional investment research + precision service” capability. Relying on the “Five-in-One” model in serving the real economy, we break down business barriers and bring in market liquidity. The Company will coordinate the development of services for the real economy and work with the business departments to increase marketing and promotional efforts. We will combine accurate investment research analysis with customized program design to form an integrated investment research system with multiple services such as spot price guidance, market view tracking and order-following strategy tips, so as to launch a series of high-quality thematic studies. We will continue to strengthen our business capabilities, accelerate the enhancement of our professional quality, maintain a sense of crisis and urgency at all times, accelerate the updating of our knowledge, and take the initiative to develop new horizons and familiarize ourselves with new areas, so as to better serve the real economy with our own quality development.

### **(III) Strengthening technology empowerment to comprehensively promote digital transformation and upgrading**

In recent years, financial technology and digital transformation have become a fundamental force driving the evolution of the financial ecology and a strategic high point for financial institutions to build their competitive advantage, which will profoundly change the business model, business structure and operation system of financial institutions, and will be the core driver of the development of the financial industry in the next strategic cycle, the further deepened demand for online financial services has brought the integration of fintech with business scenarios even closer. The Company will adhere to its customer-oriented business policy by responding to customer feedback in a timely manner, and continuously enriching its marketing and service model to innovate customer experience and improve service efficiency, as well as enhance its differentiation and professionalism, improving its risk management system continuously and consolidating its business competitive edge.

The Company will continue to invest high resources in information technology and promote digital transformation. It is committed to transforming its business and management model with a digital platform by stepping up forward-looking research and application exploration of key technologies such as artificial intelligence, blockchain, cloud computing and big data to lead the transformation and development of business with technology and promote efficiency improvement in trading and operation management. The Company will also strengthen intelligent construction to continuously improve data governance and data application, and use data to make customer service and business management even smarter. The Company will also increase the resource allocation for information technology and promote the digitization, online and cloud-based operation of various functional units so as to implement the integration of internal and external big data and orderly resourcefulness. Through a full range of technology empowerment, technology and business co-creation, the Company will take data elements as its core resources, financial technology as its core engine, and financial services as its core scene to create a platform company and financial technology company dual attributes, transforming from a platform services provider to an integrated professional investment banking provider.

## XIII. Business overview

### (1) Key financial ratios

	<b>As at 31 December 2022</b>	As at 31 December 2021
Net assets per Share attributable to shareholders of the Company (RMB/share)	<b>1.82</b>	1.85

The Group's net assets per Share attributable to shareholders of the Company as at 31 December 2022 decreased by 1.70% as compared to 31 December 2021.

#### Gearing ratio

	<b>As at 31 December 2022</b>	As at 31 December 2021
Gearing ratio (%) <sup>Note</sup>	<b>24%</b>	22%

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

Gearing ratio of the Group as at 31 December 2022 increased compared to 31 December 2021, which was mainly attributable to the significant increase in guarantee deposits payable for over-the-counter option business in other payables, the additional amount payable for the renovation and construction in the Financial City and interim dividends payable.

#### Weighted average return on net assets

	<b>2022</b>	2021
Weighted average return on net assets	<b>0.71%</b>	4.84%

Weighted average return on net assets of the Group in 2022 decreased compared to 2021, which was mainly attributable to the decrease in profit for the year and the impact of the A Share Offering.



## (2) Corporate social responsibility

### 1. Relationship with employees

The employees are the valuable wealth for the Company, the foundation of the survival and development for the Company. The Company treats employees with fairness and respect. The talents are the base of strong company, the foundation of development and the requirement of transition. The Company endeavours to be employee centered, and strives to create a people oriented and caring working environment, and is sparing no effort to build “enrichment platform”, “entrepreneurial platform” and “career platform” for employees. A total of 59 people were employed during 2022, and the total number of employees was 661 as of 31 December 2022.

The Company attaches great importance to talents, further broaden the channel of attracting talents, improve the system of talent cultivation, optimize the employment mechanism, provide more favorable environment for excellent talents, and finally make the enterprise strong relying on talents. First, professional training of “nurturing talent”. The Company will adhere to the nurturing of the soul in the first place, the establishment of diversified talent training system, take education and training, study and research, talent exchange and other ways, and strive to improve the comprehensive quality and ability of the talent in each position. Insist on the combination of fixed-term training and rotation forging, and guide the business backbone to grow in the training. The Company has continuously improved the timeliness, relevance and effectiveness of training work, carried out more than 80 internal and external training sessions, and selected outstanding young people to participate in the holding group training courses for young and middle-aged cadres. The Company actively advocates the continuous strategic cooperation with Nanjing University, Hohai University, Nanjing Audit University and other outstanding universities, and vigorously implement the “quality improvement” project. Second, building the stage “with talents”. The Company will adhere to the principle of “appointment is the best training”, focus on increasing the training and selection of outstanding young cadres, and build a perfect training and selection chain of “selection, training, management and appointment” of young cadres. The Human Resources Department is guided to reasonably formulate assessment methods for business departments, measures to increase revenue and reduce expenditure, and rules for profit distribution to stimulate the enthusiasm of officers and entrepreneurs from the assessment. The Company and its subsidiaries implement the contractual management under tenure system. The Company has launched the reform of salary system, introduced functional, technical and research sequences to link remuneration to vocational skills, workability and performance, and implemented differentiated management to promote the common development of employees and enterprises. Third, we care for the employees and encourage them to be “talented”. The Company organized group activities such as hiking and spring excursions to enrich the lives of our staff and enhance communication among them. The Company has also completed the move to Nanjing Financial City and made full use of its quality facilities, including the staff reading room, the activity center of the Party, and the sports and fitness gymnasium, to launch colorful cultural and sports activities to enrich the spare time of our staff, thereby enhancing corporate cohesion and creating a corporate cultural atmosphere of “unity, excellence, gratitude and happiness”.

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

## 2. *Environmental protection*

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

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

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

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

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

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

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

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

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

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

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

Nil.

# Report of the Board

The Board of the Company are pleased to present the audited combined financial statements (the “Financial Statements”) of the Company for the year ended 31 December 2022.

## I. The principal business lines of the Company

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

## II. Business overview

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

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

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

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

As set out in Section II “Management Discussion and Analysis” – “XII. Prospects of the Company” and “XIV. Event subsequent to the Reporting Period” of this Report.

## V. Profit distribution and profit distribution plan

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

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

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

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

## VI. Issue of Shares and use of proceeds

### (1) Use of proceeds

#### *H Shares*

As approved by CSRC Zheng Jian Xu Ke [2015] No. 1963, the Company was listed on the Main Board of the Hong Kong Stock Exchange on 30 December 2015 and it issued 249,700,000 H Shares (comprising 227,000,000 H Shares offered by the Company and 22,700,000 H Shares offered by the selling Shareholders) under the global offering. The numbers offer shares under the H Share Offering was 24,970,000 H Shares, representing 10% of total number of offer shares offered under the global offering. The numbers of offer shares under the international placing was 224,730,000 H Shares, representing 90% of total number of offer shares offered under global offering, with an offer price of HKD2.43 per Share, raising total proceeds of approximately HKD607 million. The net proceeds of the Company amounted to approximately HKD536 million (after deducting the Group's underwriting fees and all related expenses).

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

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

The Company held the 2018 annual general meeting on 6 June 2019 and passed to transfer the remaining fund of HKD50 million which originally intended to be used for "developing and strengthening the existing futures brokerage business" to "developing the Hong Kong and global futures business". The change must be approved by the State Administration of Foreign Exchange and the National Development and Reform Commission and other relevant regulatory authorities before implementation. As of 31 December 2022, the Company has obtained approval from the relevant regulatory authorities for the above application for changing the use of proceeds, and completed the implementation.

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

### A Shares

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

The Company’s proceeds of RMB161,354,358.20 have been fully utilized for capital replenishment. As of 31 December 2022, the proceeds have been fully utilized and the designated accounts for the proceeds have been cancelled.

## (2) Use of proceeds for committed items

### H Shares

As of 31 December 2022, the abovementioned proceeds raised from H Share Offering, for the purposes as set out in the H Shares Prospectus, were used as follows:

Description	Consolidated usage of the proceeds raised (as of 31 December 2022)		
	Usable amount HKD’0,000	Used amount HKD’0,000	Balance HKD’0,000
Development of the future business in Hong Kong and throughout world <sup>1,2</sup>	21,500	21,500	–
Development of the asset management business	13,404	13,404	–
Development of the commodity trading and risk management business <sup>2</sup>	9,784	9,784	–
Development and enhancement of the existing futures brokerage business <sup>2</sup>	52	52	–
Purchasing IT equipment and software <sup>2</sup>	4,586	2,681	1,905
General working capital	4,289	4,289	–
<b>Total</b>	<b>53,615</b>	<b>51,710</b>	<b>1,905</b>

Note 1: The Company held the 2018 annual general meeting on 6 June 2019 and transferred the remaining fund of HKD50 million which originally intended to be used for “developing and strengthening the existing futures brokerage business” to “developing the Hong Kong and global futures business”. It has been approved by the regulatory authorities and completed the implementation.

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

In order to enhance the efficiency of the utilisation of the proceeds, as of 31 December 2022, the Company’s remaining proceeds were deposited into large commercial banks as bank deposits. The Company intends to utilise the net proceeds in the amount and usages as prescribed in the H Shares Prospectus and as amended in the 2022 first extraordinary general meeting of the Company in due course in 2023.

#### *A Shares*

As of 31 December 2022, the above proceeds from the A Shares Offering have been fully utilized for capital replenishment and the designated accounts for the proceeds have been cancelled.

## VII. Directors

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

## VIII. Service contracts of Directors and Supervisors

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

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

As of 31 December 2022, 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 2022, 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 2022, the Company has not given Directors or their respective spouse or children under the age of 18 the rights to purchase the Shares or debentures of the Company to obtain benefit, nor did they exercise any such rights; nor have any arrangements been made by the Company or any of its subsidiaries to entitle such rights to the Directors or their respective spouse or children under the age of 18 in any other body corporate.

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

As at 31 December 2022, 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 2022, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.



## XIV. Controlling shareholders' interests in contracts

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

## XV. Permitted indemnity provision

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

## XVI. Share scheme

The Company and its subsidiaries have no share scheme.

## XVII. Compliance with non-competition undertakings

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

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

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

Save as disclosed, no other non-competition agreements or arrangements have been provided by the controlling shareholder as of 31 December 2022 or during the Reporting Period.

## XVIII. Other disclosures

### (1) Equity

Details of changes in equity of the Group for the year ended 31 December 2022 are set out in Note VI, 32 to the financial statement of this annual report.

### (2) Pre-emptive rights arrangements

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

### (3) Sufficiency of public float

Based on the information obtained by the Company and to the knowledge of the Directors, during the Reporting Period, the public float of the H Shares of the Company was approximately 24.78% and the public float of the A Shares was 10%, which was in compliance with the relevant requirements of Rule 8.08 and Rule 13.32 of the Listing Rules.

### (4) Management contract

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

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

#### *Individual investors*

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

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

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

### *Enterprise*

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

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

Details of changes in reserve of the Group for the year ended 31 December 2022 are set out in Note VI, 33 to 37 to the financial statement of this annual report.

## (7) Charity donation

During the Reporting Period, the staff of the Group carried out a one-day donation charity campaign and raised approximately RMB38,000; In addition, in order to support the development of the cotton industry in Xinjiang, the Company also donated RMB1 million to launch the Xinjiang Cotton “Order + Futures” project.

## (8) Major customers and suppliers

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

During the Reporting Period, income and other gains generated by the five largest customers was RMB7,606,324.73 (futures handling fee net income tax price inclusive), accounting for less than 30%.

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

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

## (9) Property and equipment

Details of changes in property, plants and equipment of the Group for the year ended 31 December 2022 are set out in Note VI, 14 to the financial statement of this annual report.

## (10) Social responsibilities

The Company carried out 143 “insurance + futures” projects in 14 provinces across China, underwriting over 10 agricultural products worth over RMB1.23 billion, such as soybeans, corn and live pigs, with a compensation amount of over RMB30 million. The Company also innovated its projects by implementing the first policy-based live pig “Insurance + Futures” project in Jiangsu Province, with 62 insurance orders issued throughout the year, with a premium size of RMB15 million, a maximum compensation rate of 248% and an average compensation rate of over 123%. The project sites were innovated – for the first time, projects were launched in Xinjiang, Hainan, Fujian and Zhejiang provinces, further expanding the coverage area. The project nature was innovated – the Company launched its first commercial insurance project, successfully exploring new business development directions. The project model was innovated – the Company launched its first “Insurance + futures + bank + order” model trial in Jiangsu Province, a live pig farming income insurance was successfully piloted in Jiangsu, with a compensation rate of 136% and significant protective effects. The Company’s “Insurance + Futures” project won the second prize in the Nanjing Financial Innovation Project and was also awarded the “Model Unit of Futures Supporting Rural Revitalization”. The Company launched public welfare and voluntary activities such as summer cooling, “one-day donation charity” and blood donation, raising a total of RMB38,000 and donating RMB1 million to support the launch of the Xinjiang Cotton “Order + Futures” project.

## (11) Change of auditors

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

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

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

## (12) Amendments to the Articles of Association

On 29 August 2022, the Company authorized the Board to amend the Articles of Association of the Company in light of its issuance of A Shares at its 2021 Annual General Meeting. The Company considered and approved the amendment to the Articles of Association at the seventh meeting of the fourth session of the Board.

The amendment to the Articles of Association was approved at the first extraordinary general meeting of 2022 of the Company held on 22 November 2022.

The amendment to the Articles of Association was approved at the first extraordinary general meeting of 2023 of the Company held on 15 February 2023.

## (13) Charges on the Group's assets

Charges and other restrictions on the use of the Group's assets at the end of 2022 are set out in Note VI, 55 to the financial statements of this annual report.

By order of the Board  
**Ms. Zhou Jianqiu**  
*Chairlady*

Nanjing, the PRC  
29 March 2023

# Material Matters

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

On 22 November 2022, the Jiangsu Securities Bureau issued a Decision Letter on Administrative Supervisory Measures of Decision on the Imposition of Corrective Regulatory Measures on Holly Futures Co., Ltd. ([2022] No. 107).

## II. Material litigations and arbitrations

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

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

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

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

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

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

Nil.

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

Nil.

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

Nil.

## III. Material contracts and fulfillment

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

## IV. Connected parties and connected transactions

### Connected Transactions

#### (1) *Connected Transactions*

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

#### (II) *Connected persons*

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

#### ***SOHO Holdings***

SOHO Holdings, a state-owned enterprise owned as to wholly-owned by Jiangsu SASAC, was established as a limited liability company under the laws of the PRC in April 1994 and is one of the promoters of the Company. As at the date of this Report, SOHO Holdings holds approximately 42.83% of equity interest in the Company, and hence is a Controlling Shareholder of the Company.

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



### **Holly Corporation**

Holly Corporation, one of the Company's promoters, is a joint stock limited company established under the laws of the PRC on 30 June 1994 and was listed on the Shanghai Stock Exchange in September 1997 (stock code: 600128). As at the date of this Report, Holly Corporation directly holds approximately 14.68% of the equity interest of the Company and hence is a Substantial Shareholder of the Company.

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

### **(III) Continuing connected transactions**

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

As the Original SOHO Financial Services Framework Agreement expired on 31 December 2020 and the Group continued to provide similar transactions contemplated under the Original SOHO Financial Services Framework Agreement with SOHO Holdings, the Group entered into the New SOHO Financial Services Framework Agreement with SOHO Holdings on 22 April 2021 (after trading hours of the Hong Kong Stock Exchange). Pursuant to the agreement, the Group provided a variety of financial services to SOHO Holdings and its subsidiaries, including futures brokerage services, asset management services and commodity trading and risk management services. The annual cap for 2022 amounted to RMB2.6 million, with an actual amount of RMB650,000 in 2022.

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

On 29 December 2021 (after trading hours of the Hong Kong Stock Exchange), the Group entered into the Holly Property Lease and Management Services Agreement with Holly Corporation for a term of one year. For further details, please refer to the Company's announcement dated 29 December 2021. Upon expiry of the lease, the agreement will not be renewed due to the Group's change of business address.

The following table set out the annual caps for continuing connected transactions of the Group in 2022 and the actual amounts recognized for connected transactions of the Group in 2022. For the twelve months ended 31 December 2022, the continuing connected transactions of the Group were aggregated as follows:

	2022	
	Actual Amount (RMB'000)	Annual Cap (RMB'000)
<b>1 SOHO Financial Services Framework Agreement</b>		
Income generated from the provision of services from the Group to SOHO Holdings and its subsidiaries	650	2,600
<b>2 Holly Property Lease and Management Services Agreement</b>		
Expenses incurred by leasing properties by the Group from Holly Corporation	3,185	6,644

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

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

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

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

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

Nil.

## **VI. Attained qualifications for single business during the Reporting Period**

Nil.

## **VII. Major off-balance sheet items**

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

## VIII. Engagement of accounting firm

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

Pursuant to the Administrative Measures for the Appointment of Accounting Firms by State-owned Financial Enterprises (《國有金融企業選聘會計師事務所管理辦法》) (Cai [2020] No. 6) issued by the Ministry of Finance of the People's Republic of China, the term of consecutive engagement of the same accounting firm by a financial enterprise shall in principle not exceed five years and the consecutive engagement shall not exceed eight years. KPMG has been engaged by the Company to provide audit services in relation to domestic financial statements for approximately six consecutive years. In order to comply with above requirement, the Company has reached a mutual understanding with KPMG on the non-renewal of its appointment. As approved by the 2020 annual general meeting of the Company held on 14 May 2021, the Company appointed ShineWing Certified Public Accountants as its external audit firm to provide related audit and review services based on the China Accounting Standards for Business Enterprises with a term ending at the date of the conclusion of the 2021 annual general meeting of the Company. As considered and approved at the 2021 annual general meeting of the Company held on 11 May 2022, ShineWing Certified Public Accountants were re-appointed as auditors of the Company, with the term of office until the conclusion of the next annual general meeting.

Remunerations for accounting firm: Pursuant to the related authorization at the general meeting, the external auditing fees of the Company for 2022 was RMB1.48 million, including the fees for annual audit of H Share and annual statutory audit in the country and internal control audit fee in the amount of RMB1.10 million, internal audit fee in the amount of RMB380,000 and no non-audit service fee was paid.

## IX. Other important particulars and subsequent events

### 1. Change of Directors, Supervisors and senior management of the subsidiaries

#### 1. *Holly International Financial*

On 12 April 2022, Mr. Huang Haiqing was appointed to serve as a director of Holly International Financial.

On 21 October 2022, Ms. Zhou Jianqiu ceased to serve as a director.

On 21 October 2022, Mr. Li Changying ceased to serve as a director.

On 21 October 2022, Ms. Zhan Jieying was appointed to serve as a supervisor.

#### 2. *Holly International Asset Management*

On 10 February 2023, Mr. Li Changying ceased to serve as a director.

#### 3. *Holly Capital*

On 12 May 2022, Ms. Zhou Jianqiu resigned as a director of Holly Capital.

On 12 May 2022, Mr. Huang Xingming resigned as a director of Holly Capital.

On 12 May 2022, Mr. Chu Kairong was appointed as the chairman and general manager of Holly Capital.

On 12 May 2022, Mr. Huang Haiqing was appointed as a director of Holly Capital.

On 12 May 2022, Mr. Wu Jiufeng resigned as the chairman and general manager of Holly Capital and is a director of Holly Capital.

### 2. Annual profit distribution plan of the Company

The profit distribution plan for 2022 is set out in Section II Report of the Board – “V. Profit distribution and profit distribution plan” of this Report.

### 3. Profit distribution of subsidiaries

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

#### 4. Major investment and financing

- *Major investment and financing of the Company*

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

- *Major investment and financing of subsidiaries*

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

#### 5. Major legal proceedings and arbitration

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

#### 6. Merger or disposal of subsidiaries

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

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

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

#### 8. Changes to the Articles of Association and relevant Rules of Procedures for Meetings during the Reporting Period

Certain amendments were made to the Articles of Association, the Rules of Procedures of the Board of Directors, the Rules of Procedures of the Board of Supervisors, and the Rules of Procedures of the General Meetings on 9 August 2022, 29 August 2022 and 22 November 2022, respectively. Please refer to the Company’s announcements dated 4 August 2022, 29 August 2022, 27 October 2022 and 22 November 2022; the Company’s circular dated 2 November 2022; and the overseas regulatory announcements dated 9 August 2022, 29 August 2022 and 27 October 2022 for details.

#### 9. Amendments to the Articles of Association after the Reporting Period

On 29 December 2022, in view of the change of registered address and address of head office of the Company in China, the Board proposes to make corresponding amendment to the Articles of Association. The amendment to the Articles of Association has been approved by the Shareholders at the first extraordinary general meeting of the Company in 2023 which was held on 15 February 2023. Please refer to the Company’s announcements dated 29 December 2022 and 15 February 2023; circular dated 20 January 2023; and the overseas regulatory announcement dated 29 December 2022 for details.

# Changes in Share and Substantial Shareholders

## I. Shareholding structure

The shareholding structure of the Company as of 31 December 2022 is as follows:

Shareholdings of the Shareholders holding more than 5% of the shares or the top ten Shareholders

Nature of shareholders	Nature of shareholder	Proportion	Number of shares held as at the end of the Reporting Period	Changes during the Reporting Period	Number of shares subject to selling restriction	Number of shares not subject to selling restriction
Jiangsu SOHO Holdings Group Co., Ltd.	State-owned legal-person	27.33%	275,456,777	0	275,456,777	0
HKSCC NOMINEES LIMITED	Foreign legal-person	24.78%	249,684,949	0	0	249,684,949
Jiangsu Holly Corporation	State-owned legal-person	14.68%	147,900,000	0	147,900,000	0
Jiangsu Holly Su Industrial Co., Ltd.	Domestic non-state-owned legal-person	14.24%	143,548,000	0	143,548,000	0
Jiangsu High Hope International Group Corporation	State-owned legal-person	6.34%	63,930,134	0	63,930,134	0
Shanghai Mingda Industrial (Group) Company Limited	Domestic non-state-owned legal-person	0.92%	9,276,631	0	9,276,631	0
Jiangsu Hongrui Venture Capital Co., Ltd.	State-owned legal-person	0.88%	8,903,113	0	8,903,113	0
Jiangsu Holly International Logistics Corporation	State-owned legal-person	0.82%	8,285,345	0	8,285,345	0
Hong Kong Securities Clearing Company Limited	Foreign legal-person	0.10%	1,012,751	1,012,751	0	1,012,751
China International Capital Corporation Hong Kong Asset Management Limited	Foreign legal-person	0.09%	924,104	924,104	0	924,104

## Shareholding of Top Ten Shareholders Not Subject to Trading Moratorium

Name of shareholder	Number of circulating shares not subject to trading moratorium	Type of shares	
		Type	Number of shares
HKSCC NOMINEES LIMITED	249,684,949	Foreign shares listed overseas	249,684,949
Hong Kong Securities Clearing Company Limited	1,012,751	RMB ordinary shares	1,012,751
China International Capital Corporation Hong Kong Asset Management Limited	924,104	RMB ordinary shares	924,104
Li Fenghui	615,800	RMB ordinary shares	615,800
Xu Shiyin	330,623	RMB ordinary shares	330,623
Pan Wei	274,475	RMB ordinary shares	274,475
Dong Kai	242,900	RMB ordinary shares	242,900
CITIC Securities Co., Ltd.	225,677	RMB ordinary shares	225,677
Yan Huizhong	193,300	RMB ordinary shares	193,300
Huang Caixia	192,000	RMB ordinary shares	192,000

## Notes:

1. The calculation is based on a total of 1,007,777,778 issued Shares of the Company as at 31 December 2022.
2. The type of shareholders of ordinary shares in RMB (A Shares) represents the type of accounts held by shareholders registered with Shanghai Branch of China Securities Depository and Clearing Corporation Limited.
3. Among shareholders of overseas listed foreign shares (H Shares) of the Company, shares of non-registered shareholders are held by HKSCC Nominees Limited on their behalf.
4. Hong Kong Securities Clearing Company Limited is a nominal holder of A Shares of the Company held by the investors in Northbound Trading under Shenzhen-Hong Kong Stock Connect.

## II. Changes in Shares

The Company was listed on the Main Board of the Shenzhen Stock Exchange on 5 August 2022 with 100,777,778 new A Shares issued and 657,300,000 Domestic Shares were converted into the same number of A Shares, after which the total number of shares of the Company was 1,007,777,778 (758,077,778 A Shares and 249,700,000 H Shares respectively).



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

As at 31 December 2022, to the knowledge of the Directors, Supervisors and the chief executives of the Company, the interests or short positions of substantial shareholders (except the Directors, Supervisors and chief executives of the Company) in Share or underlying shares of the Company which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which are required to be entered into the register of the Company pursuant to section 336 of the SFO are as follows:

Name of shareholders	Class of Shares	Capacity	Number of shares held	Approximate percentage to total issued Shares <sup>(1)</sup>	Approximate percentage to relevant Share class <sup>(2)</sup>
SOHO Holdings <sup>(3)</sup>	A Shares	Beneficial owner and interest in controlled corporation	431,642,122 (long position)	42.83%	56.94%
Holly Corporation	A Shares	Beneficial owner	147,900,000 (long position)	14.68%	19.51%
Holly Su Industrial <sup>(4)</sup>	A Shares	Beneficial owner	143,548,000 (long position)	14.24%	18.94%
Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)) <sup>(4)</sup>	A Shares	Interest in controlled corporation	143,548,000 (long position)	14.24%	18.94%
Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)) <sup>(4)</sup>	A Shares	Interest in controlled corporation	143,548,000 (long position)	14.24%	18.94%
Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) <sup>(4)</sup>	A Shares	Interest in controlled corporation	143,548,000 (long position)	14.24%	18.94%
Huang Jieping <sup>(4)</sup>	A Shares	Interest in controlled corporation	143,548,000	14.24%	18.94%
High Hope International <sup>(5)</sup>	A Shares	Beneficial owner	63,930,134	6.34%	8.43%
Jiangsu Suhui Asset Management Co., Ltd. (江蘇蘇匯資產管理有限公司) <sup>(6)</sup>	A Shares	Interest in controlled corporation	63,930,134	6.34%	8.43%
Xu Xiping	H Shares	Beneficial owner	15,234,000 (long position)	1.51%	6.10%

## Notes:

- (1) The calculation is based on the total number of 1,007,777,778 Shares in issue of the Company as at 31 December 2022.
- (2) The calculation is based on the 758,077,778 A Shares in issue and 249,700,000 H Shares in issue of the Company as at 31 December 2022.
- (3) On 31 December 2022, SOHO Holdings (i) directly held 275,456,777 A Shares; (ii) was the beneficial owner of 22.46% equity interest in Holly Corporation (directly holding 147,900,000 A Shares of the Company); and (iii) was the beneficial owner of the entire equity interests of Artall Culture Group (deemed to be interested in the 8,285,345 A Shares directly held by Holly Logistics). As disclosed in the 2022 interim report of Holly Corporation, according to relevant Chinese laws, SOHO Holdings is deemed to be the controlling shareholder of Holly Corporation. Accordingly, SOHO Holdings is deemed to be interested in the 147,900,000 A Shares of the Company directly held by Holly Corporation and 8,285,345 A Shares of the Company directly held by Artall Culture Group, and hence directly and indirectly interested in 431,642,122 A Shares.
- (4) According to the current information available to the Company, on 31 December 2022, (i) Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)) held 99% equity interests in Holly Su Industrial.; (ii) Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)) held 99.71% equity interests in Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)); (iii) Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) held 79.5% equity interests in Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)); (iv) Ms. Huang Jieping was the beneficial owner of 100% equity interests in Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司). Accordingly, under the SFO, each of Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)), Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)), Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) and Ms. Huang Jieping is deemed to be interested in the 143,548,000 A Shares directly held by Holly Su Industrial.
- (5) According to the current information available to the Company, on 31 December 2022, Jiangsu Suhui Asset Management Co., Ltd. (江蘇蘇匯資產管理有限公司) held 67.41% equity interests in High Hope International. Accordingly, under the SFO, Jiangsu Suhui Asset Management Co., Ltd. (江蘇蘇匯資產管理有限公司) is deemed to be interested in the 63,930,134 A Shares directly held by High Hope International.

Save as disclosed above, the Directors, Supervisors and chief executives of the Company are not aware that, as at 31 December 2022, 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 42.83% of the total issued Shares of the Company. SOHO Holdings was established in April 1994 with a registered capital of RMB2,000 million. It is a state-owned enterprise wholly-owned by the State-owned Assets Supervision and Administration Commission of Jiangsu. SOHO Holdings is an investment holding company and its business scope includes finance, industrial investment, operation and management of state-owned assets as authorised, international trading, rental housing, and manufacturing, R&D and sales of mulberry silk, textile and clothing.

# Directors, Supervisors, Senior Management and Staff

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

### (1) Directors

Name	Age	Gender	Position(s)	Date of appointment	Time of joining the group company	Remunerations received during the Reporting Period (RMB'0,000)	Relationship with other Directors, Supervisors or members of senior management	Remarks
Zhou Yong	56	Male	Chairman and Executive Director	15 January 2001	May 1998		N/A	Resigned on 18 September 2022
Zhou Jianqiu	53	Female	Chairlady and Executive Director	9 June 2015	March 1999	68.70	N/A	Appointed as the Chairlady on 18 September 2022
Chu Kairong	48	Male	Executive Director and general manager	22 November 2022	September 2004	64.91	N/A	
Xue Binghai	52	Male	Non-executive Director	30 June 2012	June 2012		N/A	
Jiang Lin	57	Male	Non-executive Director	15 November 2019	November 2019		N/A	
Shan Bing	55	Male	Non-executive Director	26 May 2017	May 2017		N/A	
Wang Yuetang	59	Male	Independent non-executive Director	15 November 2018	November 2018	11.97	N/A	
Huang Dechun	57	Male	Independent non-executive Director	15 November 2019	November 2019	11.97	N/A	
Lo Wah Wai	59	Male	Independent non-executive Director	23 December 2021	23 December 2021	12.36	N/A	

### (2) Supervisors

Name	Age	Gender	Position(s)	Date of appointment	Time of joining the Company	Remunerations received during the Reporting Period (RMB'0,000)	Relationship with other Directors, Supervisors or members of senior management	Remarks
Yu Hong	47	Female	Chairlady of the Supervisory Committee	13 June 2019	July 2016	42.20	N/A	
Chen Liang	42	Male	Supervisor	23 December 2021	23 December 2021		N/A	
Yao Aili	38	Female	Supervisor	13 June 2019	June 2010	30.91	N/A	Resigned on 20 March 2023
Zhang Lei	45	Female	Supervisor	20 March 2023	August 2018		N/A	

**(3) Senior management**

Name	Age	Gender	Position(s)	Date of appointment	Relationship with other Directors, Supervisors or members of senior management	Remarks
Zhou Jianqiu	53	Female	General manager	General manager from May 2015 to September 2022	N/A	Resigned on 18 September 2022
Chu Kairong	48	Male	Executive deputy general manager and general manager	General manager since October 2022	N/A	Appointed as the general manager on 27 October 2022
Zhao Dong	53	Male	Deputy general manager	Deputy general manager since March 2014	N/A	
Chen Rongping	54	Female	Supervisor of finance	Supervisor of finance since June 2019	N/A	
Huang Haiqing	40	Male	Deputy general manager Board secretary and joint company secretary	Deputy general manager since October 2020 Board secretary and joint company secretary since December 2020	N/A	
Wu Jiufeng	41	Male	Deputy general manager	Deputy general manager since October 2020	N/A	
Qiu Xiangjun	42	Male	Chief Risk Officer	Chief Risk Officer from August 2017 to September 2022	N/A	Resigned on 18 September 2022
Zhan Jieying	41	Female	Acting Chief Risk Officer	Acting Chief Risk Officer since September 2022	N/A	

Note: The above ages are based on the disclosure date of the reporting date of this annual report (i.e., 29 March 2023).

## II. Directors, Supervisors and Senior Management in Companies of Shareholders and Position(s) at Other Companies During the Reporting Period

### (1) Directors

Name	Position(s) at the Company	Employment in other companies	Position(s) at other companies
Zhou Jianqiu	Chairlady and executive Director	SOHO Holdings	Assistant to CEO
Chu Kairong	Executive Director and general manager	Holly Capital	Chairman and general manager
Xue Binghai	Non-executive Director	SOHO Holdings	Assistant to CEO
		Jiangsu SOHO Investment Group Company Limited (江蘇蘇豪投資集團有限公司)	Chairman
		Jiangsu Jin Su Zheng Investment Development Co., Ltd. (江蘇金蘇證投資發展有限公司)	Chairman
		Jiangsu Zhonghe Venture Investment Co., Ltd. (江蘇眾合創業投資有限公司)	Chairman, general manager
		Jiangsu Zijin Rural Commercial Bank Co., Ltd. (江蘇紫金農村商業銀行股份有限公司)	Director
		Jiangsu SOHO Jisheng Investment Management Co., Ltd. (江蘇蘇豪基盛投資管理有限公司)	Chairman
Jiang Lin	Non-executive Director	Holly Corporation	Secretary to the board of directors
		Jiangsu Holly Environmental Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司)	Chairman
Shan Bing	Non-executive Director	Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司)	Non-executive director
Wang Yuetang	Independent non-executive Director	Shanghai Pudong Development Bank (上海浦東發展銀行)	External supervisor
		Nanjing Emporium (Group) Co. Ltd (南京中央商場(集團)股份有限公司)	Independent director
		Zhuhai Huafa Industrial Co., Ltd. (珠海華發實業股份有限公司)	Independent director
Huang Dechun	Independent non-executive Director	Suzhou Sushi Test Group Co., Ltd. (蘇州蘇試試驗集團股份有限公司)	Independent non-executive director
		World Shuigu (Nanjing) Academy Culture Co., Ltd. (世界水谷(南京)書院文化有限公司)	Supervisor
Lo Wah Wai	Independent non-executive Director	BMI Consultants Limited (邦盟匯駿顧問有限公司)	Chairman and executive director
		Shandong Xinhua Pharmaceutical Company Limited (山東新華製藥股份有限公司)	Independent non-executive director
		Chongqing Machinery & Electric Co., Ltd. (重慶機電股份有限公司)	Independent non-executive director
		Tenfu (Cayman) Holdings Company Limited (天福(開曼)控股有限公司)	Independent non-executive director

**(2) Supervisors**

Name	Position(s) at the Company	Employment in other companies	Position(s) at other companies
Yu Hong	Chairlady of the Supervisory Committee and shareholder representative Supervisor	SOHO Holdings	Deputy director of the inspection office of the Party committee
Chen Liang	Shareholder representative Supervisor	Lian Life Insurance Co., Ltd. (利安人壽保險股份有限公司) Jiangsu High Hope International Group Corporation (江蘇滙鴻國際集團股份有限公司)	Supervisor Deputy general manager of the strategic development department
Zheng Lei	Employee representative Supervisor	-	

**(3) Senior management**

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

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

Particulars in relation to the positions held by Directors, Supervisors and Senior Management at other companies are set out in Section III “II. Directors, Supervisors and Senior Management in Companies of Shareholders and Position(s) at Other Companies During the Reporting Period” of this report.

#### (1) Directors

##### *Executive Directors*

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

From July 1990 to March 1999, Ms. Zhou worked at Nanjing Higher Finance College. From March 1999 to May 2015, she successively served as the person in charge of the finance department, chief financial officer, chief executive officer, deputy general manager and executive deputy general manager of Holly Futures Co., Ltd. (弘業期貨股份有限公司). From May 2015 to September 2022, she has successively served as the secretary of the Party Committee, general manager and executive director of Holly Futures Co., Ltd. and the assistant to the president of Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司). From September 2022 until now, she has been serving as the assistant to the president of Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司), and the secretary of the Party Committee, chairlady and executive Director of Holly Futures Co., Ltd.. Ms. Zhou is currently the chairlady of the Nomination Committee and the Strategic Committee of the Board.

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

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

### *Non-executive Directors*

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

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

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

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

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



Mr. Shan Bing was the board secretary head, officer of Securities Office and head of Audit Department of Nantong Machine Tool (Group) Co., Ltd. (南通機床股份有限公司(集團)), the head of Research, Shanghai Asset Management Headquarters and a fund manager, 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), 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), the vice-president and investment director of Shanghai Yuanji Investment Co., Ltd. (上海源吉投資有限公司), the investment director of Shanghai Junding Investment Co., Ltd. (上海駿鼎投資有限公司), 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), a partner, deputy general manager and the investment director of Shanghai Vstone Capital Co., Ltd. (上海凱石益正資產管理有限公司), 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), and a chairman of the board of supervisors of Jiahe Fund Management Co., Ltd. (嘉合基金管理有限公司). He is currently a non-executive director of Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司). Mr. Shan has been serving as a non-executive Director of the Company since 26 May 2017. He is also a member of the Remuneration Committee of the Board.

#### *Independent non-executive Directors*

**Mr. Wang Yuetang** (王躍堂), former name: Wang Yaotang (王耀堂), with Chinese nationality, was born in June 1963, and holds a doctor's degree.

Mr. Wang Yuetang worked as a teacher in the Department of Mathematics at Yangzhou Normal University, a teacher in the Department of Accounting at Yangzhou University, as a researcher of Hong Kong Lingnan University, a visiting scholar at Cornell University in the United States, and a director of Jiangsu Guoxin Group Co., Ltd. (江蘇省國信集團有限公司). He is currently a professor in the Department of Accounting at Nanjing University, an independent director of Zhuhai Huafa Industrial Co., Ltd. (珠海華發實業股份有限公司), an independent director of Nanjing Emporium (Group) Co. Ltd. (南京中央商場(集團)股份有限公司), and an external supervisor of Shanghai Pudong Development Bank (上海浦東發展銀行). Mr. Wang has been serving as an independent non-executive Director of the Company since 15 November 2018. He is also currently the chairman of the Risk Management Committee, and a member of the Remuneration Committee, the Nomination Committee and the Strategic Committee of the Board.

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

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

**Mr. Lo Wah Wai (盧華威)**, with Chinese (Hong Kong) nationality and permanent residency in the United Kingdom, was born in September 1963, and holds a master's degree.

Mr. Lo Wah Wai graduated with a bachelor's degree in business administration from The Chinese University of Hong Kong in 1986 and a master's degree in management science from New Jersey Institute of Technology in the United States in 1992. Mr. Lo is a practicing member of the Hong Kong Institute of Certified Public Accountants and is a member of the American Institute of Certified Public Accountants. Mr. Lo has more than 20 years' service experience in auditing and business consulting services. Mr. Lo Wah Wai is also the chairman and an executive director of BMI Consultants Limited (邦盟匯駿顧問有限公司), an independent non-executive director of Shangdong Xinhua Pharmaceutical Company Limited (山東新華製藥股份有限公司), Chongqing Machinery & Electric Co., Ltd. (重慶機電股份有限公司), and Tenfu (Cayman) Holdings Company Limited (天福(開曼)控股有限公司). Mr. Lo has been serving as an independent non-executive Director of the Company since 23 December 2021. He is also currently the chairman of the Audit Committee under the Board.

## (2) Supervisors

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

Ms. Yu Hong worked in the Party Committee and General Division of the Office of Science and Technology for National Defense of Jiangsu Province as a section member from July 1997 to June 1999. From June 1999 to December 2000, she worked in the Human Resource Department and General Department of Jiangsu National Defense Asset Management Co., Ltd (江蘇省國防資產管理有限公司) as a section member. From December 2000 to May 2006, Ms. Yu worked in Jiangsu National Defense Industry Asset Management Co., Ltd. (江蘇省國防工業資產管理有限公司), and served as deputy section chief and section chief. From May 2006 to August 2010, Ms. Yu worked in Jiangsu Silk Group Co., Ltd. (江蘇省絲綢集團有限公司), as the chief of the Office Secretary and assistant to the general manager of the Human Resources Department. From August 2010 to May 2015, she worked in Jiangsu Soho International Group Co., Ltd. (江蘇蘇豪國際集團股份有限公司), and served as the deputy general manager of Human Resources Department, general manager of the Human Resources Department, director of the General Manager Office and director of the Party Office. From May 2015 to July 2016, Ms. Yu worked in Jiangsu Soho Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) as the deputy general manager of the Legal Department (presided over the work). From July 2016 to June 2022, she worked in Holly Futures Co., Ltd., and used to serve as the secretary of the Board, the deputy secretary of the Party committee and the secretary of the Disciplinary Committee successively. She has been worked in SOHO Holdings and served as deputy director of the inspection office of the Party committee since December 2021.

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

Mr. Chen Liang worked at Jiangsu High-Tech Investment Group (江蘇省高科技投資集團) as an investment manager from August 2008 to February 2013; worked at Shanghai Fosun Kailei Equity Fund (上海復星凱雷股權投資基金) as a vice president from March 2013 to May 2015; worked at CEB International Asset Management (China) Co., Ltd. (光銀國際資產管理(中國)有限公司) from July 2018 to October 2019 as an investment director; and worked at Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司) as the deputy general manager of the strategic development department since November 2019.

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

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

### (3) Senior management

**Mr. Chu Kairong** (儲開榮), for details of Chu Kairong, please see the sub-section headed “Directors – Executive Directors” above.

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

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

**Ms. Chen Rongping** (陳蓉平), with Chinese nationality, without permanent residency abroad, was born in March 1969, holds a bachelor's degree and a senior accountant.

Ms. Chen Rongping served as assistant to the manager of finance department of Jiangsu Holly Corporation from August 1990 to April 2009. She served as manager of asset and finance department of Jiangsu Holly International Group Company Limited from April 2009 to June 2013. She successively served as section level disciplinary inspector and manager of inspection room of Jiangsu SOHO Holdings Group Co., Ltd. from June 2013 to June 2015. She served as supervisor of finance department and general manager of asset and finance department of Jiangsu SOHO Investment Group Co., Ltd. from June 2015 to January 2019. She served as member of the Party committee and supervisor of finance department of Jiangsu SOHO International Group Co., Ltd. from January 2019 to May 2019. She has been served as a member of the Party committee and supervisor of finance of Holly Futures Co., Ltd. since June 2019, and the general manager of finance department of Holly Futures Co., Ltd. since May 2022. Ms. Chen Rongping also serves as a director of Holly International Financial, Hong Rui Growth and Hong Rui New Era.

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

Mr. Huang Haiqing was appointed as the Company's deputy general manager in October 2020 and mainly in charge of several Integrated Departments, Operating Department and Business Department. Mr. Huang Haiqing was an employee of Jiangsu Holly International Group Garment Trading Co., Ltd. (江蘇弘業國際集團服務貿易有限公司) from June 2009 to October 2009. From November 2009 to December 2014, he was an employee of the market headquarters of Holly Futures Co., Ltd. From January 2015 to June 2015, he served as the head of the Internet Business Department of Holly Futures Co., Ltd. He served as the general manager of the Internet Business Department of Holly Futures Co., Ltd. from July 2015 to June 2020. He served as the general manager of the Internet Business Department of Holly Futures Co., Ltd. from June 2020 to July 2020 (contribution as the assistant to the general manager). From July 2020 to November 2020, he served as the head of the financial industry headquarters of Holly Futures Co., Ltd. (contribution as the assistant to the general manager) Since October 2020, he has been serving as the deputy general manager of Holly Futures Co., Ltd. He has been serving as Secretary of the Board of Holly Futures Co., Ltd. since December 2020, a member of the Party committee of Holly Futures Co., Ltd. since January 2022, and a director of Holly Capital and Holly International Financial.

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

Mr. Wu Jiufeng was appointed as the Company's deputy general manager in October 2020 and mainly in charge of the Company's asset management center, several business departments of the headquarters and operating departments. From October 2007 to March 2008, Mr. Wu Jiufeng served as an employee of the Financial Futures Division I of Jiangsu Holly International Group Services Trading Co., Ltd. From April 2008 to August 2008, he served as the customer manager of the Financial Futures Division I of Jiangsu Holly Futures Company Limited. From September 2008 to September 2009, he served as the senior customer manager of the Financial Futures Division I of Jiangsu Holly Futures Company Limited. From October 2009 to July 2010, he served as the manager assistant of the Financial Futures Headquarters of Jiangsu Holly Futures Company Limited. From August 2010 to February 2012, he served as the deputy manager of the Financial Futures Headquarters of Jiangsu Holly Futures Company Limited. From February 2012 to July 2015, he served as the deputy general manager of the Financial Futures Headquarters of Holly Futures Co., Ltd. From July 2015 to November 2020, he served as the general manager of the Financial Futures Headquarters of Holly Futures Co., Ltd. From June 2016 to October 2020, he was the general manager assistant of Holly Futures Co., Ltd. Since October 2020, he has been serving as the deputy general manager of Holly Futures Co., Ltd., a member of the Party committee of Holly Futures Co., Ltd. since January 2022, and a director of Holly Capital and Holly International Financial.

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

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

## IV. Changes of Directors, Supervisors and senior management

### (1) Changes of Directors and Board committees members

On 18 September 2022, Mr. Zhou Yong ceased to serve as the Chairman of the Company, an executive Director and chairman of the nomination committee of the Board.

On 18 September 2022, Ms. Zhou Jianqiu was appointed as the Chairlady of the Company and the chairlady of the nomination committee of the Board; appointed as the Chairlady of the strategic committee of the Board on 27 October 2022; resigned as a member of the risk management committee of the Board on 29 December 2022.

On 27 October 2022, Mr. Xue Binghai was appointed as a member of the strategic committee of the Board.

On 27 October 2022, Mr. Wang Yuetang was appointed as a member of the strategic committee of the Board.

On 22 November 2022, Mr. Chu Kairong was appointed as an executive Director of the Company; and appointed as a member of the risk management committee of the Board on 29 December 2022.

### (2) Changes of Supervisors

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

### (3) Changes of senior management

On 18 September 2022, Ms. Zhou Jianqiu was appointed as the Chairlady of the Company and ceased to serve as the general manager of the Company;

On 27 October 2022, Mr. Chu Kairong was appointed as the general manager of the Company, and ceased to serve as the executive deputy general manager of the Company;

On 18 September 2022, Mr. Qiu Xiangjun ceased to serve as the chief risk officer of the Company and Ms. Zhan Jieying took over the role of acting chief risk officer.

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

- **Remuneration system and decision-making procedures of Directors, Supervisors and senior management**

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

- **Basis of remunerations of Directors, Supervisors and senior management**

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

- **Non-cash remuneration**

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

- **Payment of remuneration to Directors, Supervisors and senior management**

In 2022, the total remunerations of Directors, Supervisors and senior management of the Company amounted to RMB5,193.07 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 2022, the remuneration of the Directors and Supervisors fell within the following bands:

<b>Bands (RMB)</b>	<b>Number of Directors, Supervisors</b>
Nil to 500,000	5
500,001-1,000,000	2

For the year ended 31 December 2022, the remuneration of senior management of the Company fell within the following bands:

Bands (RMB)	Number of senior management
Nil to 500,000	3
500,001-1,000,000	4
Above 1,000,000	0

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## VI. Employees and remuneration

### (1) Headcount and composition

As at the end of the Reporting Period, the Company has a total of 596 full-time and part-time employees while its subsidiaries have a total of 65 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)	661
Type of employment	Full-time and part-time

Category	Sub-category	Number	Percentage
Academic background	Ph.D.	4	0.61%
	Master	140	21.18%
	Undergraduate	438	66.26%
	Diploma and below	79	11.95%
Position	Futures brokerage	368	55.67%
	Asset management	31	4.69%
	Commodity trading and risk management	43	6.51%
	Stock option business	3	0.45%
	Overseas business	29	4.39%
	Research	26	3.93%
	Audit and legal department and risk management	13	1.97%
	IT	32	4.84%
	Accounting and Finance	48	7.26%
	Administration	68	10.29%
Age	35 and below	368	55.67%
	36 to 40	160	24.21%
	41 to 50	102	15.43%
	51 and above	31	4.69%



## (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 2022, the total remuneration of employees, including remuneration of Directors, amounted to approximately RMB160 million. Details of which are set out in Note VI, 25 to the financial statement of this Report.

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

## (3) Retirement benefits

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

## (4) Training schemes

Firstly, the Company focused on professional training to consolidate the foundation of skills. Through a combination of internal and external training, the Company made its efforts in organizing and participating in training for external organizations such as associations, stock exchanges and holding groups. The Company focused on specialized skills training in compliance, finance and innovative business to build a foundation of vocational skills for our employees and increase the depth of their specialized skills. Throughout the year, the Company conducted a total of 47 internal training sessions and 33 external specialized training sessions, covering areas such as audit, law, anti-money laundering compliance, information technology, innovative business and futures knowledge. Secondly, the Company organized thematic training to enhance professional skills. In 2022, the Company organized its employees to participate in follow-up training for futures practitioners, follow-up training for fund practitioners, continuing education training for accountants, training on the interpretation of the key points of the Futures Derivatives Law of the People's Republic of China by the Futures Industry Association, training on the series of regulations such as the Futures and Derivatives Law by the "CFFE Member Express", and the GFE Clearing and Settlement Officer Examination. In 2022, the Company achieved an overall training coverage rate of 100% and an average training time per employee of 116 hours, fully enhancing the overall competence and performance of the employees in the areas of leadership, management and professionalism.

**(5) The five highest paid individuals**

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

	2022	2021
	(Unit: RMB'000)	
Salaries, allowances and benefits	1,077.16	1,742.42
Discretionary bonuses	4,808.82	5,384.58
Pension scheme contributions	208.31	191.62
<b>Total</b>	<b>6,094.29</b>	<b>7,318.63</b>

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

	2022 Number of Individuals	2021 Number of individuals
Nil to HKD1,000,000	0	0
HKD1,000,001 to HKD1,500,000	4	0
HKD1,500,001 to HKD2,000,000	1	5
HKD2,000,001 to HKD2,500,000	0	0
<b>Total</b>	<b>5</b>	<b>5</b>

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

# Corporate Governance Report

## I. Overview of corporate governance

As a public company listed both domestically and overseas, the Company has been operating business in a standard manner and in strict compliance with the requirements outlined in the laws, regulations and regulatory documents of the PRC and the overseas jurisdiction where the shares of the Company are listed, and has made continuous efforts to maintain and enhance the good image of the Company in the market. During the Reporting Period, the Company keeps improving its corporate governance structure, compliance risk control and internal control system according to the requirements under the Company Law, the Securities Law, the Futures and Derivatives Law, the Measures for the Supervision and Administration of Futures Companies, the Rules for Corporate Governance of Listed Companies, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of Hong Kong Stock Exchange and other relevant laws and regulations as well as the Articles of Association, in order to establish a modern corporate system, and shape a corporate governance structure where checks and balances among the general meeting, the Board, the Supervisory Committee and the operation management are maintained, with each of them being separated from the other and performing its own functions and responsibilities corresponding to its position within the specified terms of reference, thereby ensuring all the operational activities of the Company are carried out smoothly and in accordance with relevant laws and regulations. The convening and voting procedures for general meetings and meetings of the Board and Supervisory Committee are legal and valid; the information disclosed by the Company is true, accurate and complete and is disclosed in time; management of investor relations is efficient and practical; and corporate governance is based on scientific, rigorous and normative procedures.

During the Reporting Period, the Company has complied with the code provisions set out in Part 2 of Appendix 14 to the Listing Rules.

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

Corporate governance can be considered as the framework within which the Board forms their decisions and build their business. The entire Board should be focusing on creating long-term sustainable growth for Shareholders and delivering long-term values to all stakeholders. An effective corporate governance structure allows the Company to have a better understanding of, evaluate and manage, risks and opportunities (including environmental and social risks and opportunities). The Board is responsible for setting strategic objectives for risk management, implementing risk management values, evaluating and approving risk management policies, ensuring effective implementation of the risk management system and providing feedback on the effectiveness of the risk management system. For the principal risks faced by the Group's business, please refer to "IX. Risk factors and uncertainties faced by the Company and its risk strategy" set out in Section II Operating Conditions "Management Discussion and Analysis" of this Report. For details of environmental, social and governance matters for the year ended 31 December 2022, please refer to the separate ESG Report of the Company.

### III. Corporate strategy, business models and culture

1. Development strategy: striving to become an integrated derivatives service provider with “more improved mixed ownership system, more flexible organizations and mechanisms and more effective risk management and control”.
2. Development goal: focusing on five cores of brokerage business, risk management, wealth management, asset management and international business on the premise of well-managed and well-controlled of risks and continue on its expansion of both online and offline “platforms” to leverage the Company’s licensing advantages in risk management, asset management and international business, accelerate innovation development and explore the development of futures derivatives investment banking business. The Company will also continue to expand the breadth and depth of the Company’s “five in one” service model for the real economy, make full use of the “horse racing” mechanism for win-win cooperation, and strive to build a comprehensive derivatives service system that meets the needs of futures options, OTC, spot futures, domestic and overseas market, facilitating the transformation of the Company from a platform service provider to an integrated professional investment business provider.
3. Corporate culture: unity, excellence, gratitude and happiness.
4. Mission and social responsibility: creating development opportunities for employees, providing quality services to customers, assuming greater responsibility for the society and writing a bright future for the futures industry in China.

## IV. Shareholders and general meetings

- **Rights of general meetings**

The general meeting is the supreme authority of the Company and exercises its power according to laws, Articles of Association and Rules of 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 2022, the Company convened a total of 2 general meetings, answered in detail the questions of Shareholders, and carefully listened to the opinions and suggestions of the Shareholders on the Company's development.

- **General meetings**

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

1. On 11 May 2022, the Company held the 2021 annual general meeting, at which considered and approved the following resolutions: the resolution on the further extension of the validity period of the resolutions relating to application of initial public offering and listing of A Shares; the resolution on the further extension of the validity period of the authorisation granted to the Board to apply for the A Share Offering and listing of A Shares; the resolution on the approval of audited annual report of the Company for the year ended 31 December 2021; the resolution on the approval of 2021 directors' report of Holly Futures Co., Ltd.; the resolution on the approval of the 2021 report of the supervisory committee of Holly Futures Co., Ltd.; the resolution on the approval of the 2021 final financial report of Holly Futures Co., Ltd.; the resolution on the re-appointment of certified public accountants of the Company for 2022 and its remuneration; the resolution on the determination of remuneration package of the directors and supervisors of the Company for 2021; and the resolution on the approval of the profit distribution plan of the Company for 2021.
2. On 22 November 2022, the Company held the first extraordinary general meeting of 2022, at which considered and approved the following resolutions: the resolution on the approval of the interim profit distribution plan of the Company for 2022; the election of an executive Director of the fourth session of the Board of the Company; the resolution on the approval of the change of use of proceeds from the H Shares global offering; and the resolution on the amendments to the Articles of Association of Holly Futures Co., Ltd.; the resolution on the amendment to the Rules of Procedures of the Board of Directors of Holly Futures Co., Ltd.; and the resolution on the amendment to the Rules of Procedures of the Board of Supervisors of Holly Futures Co., Ltd..

## V. Performance of duties of Board

### • Respective duties of the Board and the management

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

In addition, the Board is responsible for the performance of corporate governance functions, which includes developing and reviewing the Company's policies and practices on corporate governance; reviewing and monitoring the training and continuous professional development of directors and senior management; developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

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

## • Composition of the Board

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

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

Directors shall be elected at general meetings. A Director shall serve a term of three years, and may seek re-election upon expiry of the said term. For the year ended 31 December 2022, the Company confirmed that it had received annual confirmations issued by each independent non-executive Director in respect of their independence according to Rule 3.13 of the Listing Rules. The Company further confirmed the independent non-executive Directors' respective independence from the Company.

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

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

## • Insurance arrangements for Directors

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



## • Board meetings

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

Session	Convening date	Meeting contents	Adoption
2nd meeting of the fourth session of the Board	24 January 2022	The resolution on the election and appointment of the members of the fourth session of the management of the Company	Considered and approved
3rd meeting of the fourth session of the Board	21 February 2022	The resolution on the nomination of Chu Kairong as the executive deputy general manager of Holly Futures The resolution on the change of joint company secretary and an authorized representative of the Hong Kong Stock Exchange	Considered and approved
4th meeting of the fourth session of the Board	29 March 2022	The resolution on the extension of the validity period of the resolutions relating to application for initial public offering and listing of A shares of the Company The resolution on the proposed extension of the validity period of the authorization granted to the board of the directors of the Company to apply for public offering and listing of A shares at its sole discretion The resolution on considering and confirming connected transactions of the Company during the reporting period The resolution on the announcement of audited annual results for the year ended 31 December 2021 and 2021 Annual Report (Draft) of the Company The resolution on the Company's Draft A-Share IPO Reporting Accountant's Report under the PRC Accounting Standards for the years ended 31 December 2019, 2020 and 2021 The resolution on 2021 Directors' Report of Holly Futures Co., Ltd. The resolution on 2021 final financial report of Holly Futures Co., Ltd. The resolution on the profit distribution plan of the Company for 2021 The resolution on net capital and other risk regulatory indicators report of the Company for 2021 The resolution on the report on the use of proceeds previous raised by the Company The resolution on the 2021 Internal Review Reporting and the 2022 Internal Review Plan of Holly Futures The resolution on the appointment of certified public accountants of the Company for 2022 and its remuneration The resolution on the authorization to the general manager's office meeting to consider the use of Company's own funds for investment The resolution on the remuneration packages of the directors and supervisors of the Company for 2021 The resolution on the reform of the remuneration management system of Holly Futures Co., Ltd. The resolution on the consideration of the settlement option of the restructuring plan of Hanbang Petrochemical The resolution on consideration of the "14th Five-Year Plan" development strategy of Holly Futures The resolution on convening 2021 annual general meeting, 2022 first domestic shareholders' class meeting and 2022 first H shareholders' class meeting	Considered and approved

Session	Convening date	Meeting contents	Adoption
5th meeting of the fourth session of the Board	11 May 2022	<p>The resolution on the review of the 2021 ESG report of Holly Futures Co., Ltd.</p> <p>The resolution on the consideration of the Rules Governing the Delegation of Authority to the Management by the Board of Directors of Holly Futures Co., Ltd.</p> <p>The resolution on the consideration of the Work Plan for the Implementation of the Terms of Reference of the Board of Directors of Holly Futures Co., Ltd.</p> <p>The resolution on the consideration of the application by Holly Capital Management Co., Ltd. for renewal of loan from Jiangsu SOHO Holdings Group Co., Ltd.</p>	Considered and approved
6th meeting of the fourth session of the Board	28 June 2022	<p>The resolution on the opening of a dedicated fund-raising account and the signing of a tripartite supervision agreement on fundraising</p> <p>The resolution on the consideration of the reporting system from the general manager to the board of directors of holly futures co., ltd.</p> <p>The resolution on the appointment of a securities representative</p> <p>The resolution on the formulation of the 2022 position description for members of the management</p> <p>The resolution on the authorization to the chairman to sign the "two letters" by the board of directors</p>	Considered and approved
7th meeting of the fourth session of the Board	29 August 2022	<p>The resolution on the Interim Report (A Shares) and its summary of the Company for 2022</p> <p>The resolution on the announcement of interim results and the interim report (H Shares) for 2022</p> <p>The resolution on the interim profit distribution plan of the Company for 2022</p> <p>The resolution on the change of the registered capital and type of company and the amendments to the Articles of Association of the Company</p> <p>The resolution on the proposed amendments to the Articles of Association of Holly Futures Co., Ltd.</p> <p>The resolution on net capital and other risk regulatory indicators report of the Company for the half-year 2022</p> <p>The resolution on the Company's contribution of RMB1 million to the "Order + Futures" Xinjiang Cotton public welfare project of China Futures Association</p> <p>The resolution on the Internal Review Reporting for the first half of 2022 and the Internal Review Plan for the second half of Holly Futures</p> <p>The resolution on the relocation of the Jiangnan sub-branch and the establishment of the Nanjing sub-branch</p> <p>The resolution on convening 2022 first extraordinary general meeting of the Company</p>	Considered and approved

Session	Convening date	Meeting contents	Adoption
8th meeting of the fourth session of the Board	18 September 2022	<p>The resolution on the election of Ms. Zhou Jianqiu as the chairlady and the acting general manager of the Company</p> <p>The resolution on the adjustment on the composition of members of the nomination committee of the fourth session of the Board of Directors of the Company</p> <p>The resolution on the adjustment on the chief risk officer of the Company</p>	Considered and approved
9th meeting of the fourth session of the Board	27 October 2022	<p>The resolution on the amendments to the Articles of Association of Holly Futures Co., Ltd. And its appendices</p> <p>The resolution on the establishment of the strategic committee of the Company</p> <p>The resolution on the formulation of the working rules of the strategic committee of the Board of Directors of the Company</p> <p>The resolution on the election of an executive Director of the fourth session of the Board of Directors of the Company</p> <p>The resolution on the appointment of general manager of the Company</p> <p>The resolution on the third quarterly report for 2022 of the Company</p> <p>The resolution on the formulation of the Information Disclosure System of Holly Futures Co., Ltd.</p> <p>The resolution on the formulation of the Management System for Registration of Persons with Inside Information of Holly Futures Co., Ltd.</p> <p>The resolution on the change of use of proceeds from the H Shares listing</p>	Considered and approved
10th meeting of the fourth session of the Board	29 December 2022	<p>The resolution on the relocation and change of registered address of the Company</p> <p>The resolution on the amendment to the Articles of Association of Holly Futures Co., Ltd.</p> <p>The resolution on the adjustment on the composition of members of the risk management committee of the fourth session of the Board of Directors of the Company</p> <p>The resolution on the amendment to some of the Company's systems</p> <p>The resolution on determining the annual salary distribution coefficient of the deputy directors of the Holly Futures' leadership team in 2021</p> <p>The resolution on date selection for convening 2023 first extraordinary general meeting of the Company</p>	Considered and approved

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

Nil.

- **Attendances of Directors at Board meetings and general meetings**

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

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

Name	Number of Board meeting to be attended	Number of Board meeting attended in person	Number of Board meeting attended by proxy	Number of absences	*Number of proposals to be voted on	Number of proposals voted on	Remarks
Zhou Yong	6	6	0	0	39	39	Abstain from voting on resolutions regarding transactions with related parties; resigned on 18 September 2022
Zhou Jianqiu	9	9	0	0	59	59	
Chu Kairong	1	1	0	0	7	7	Appointed on 22 November 2022
Xue Binghai	9	9	0	0	57	57	Abstain from voting on resolutions regarding transactions with related parties
Jiang Lin	9	9	0	0	57	57	Abstain from voting on resolutions regarding transactions with related parties
Shan Bing	9	9	0	0	59	59	
Wang Yuetang	9	9	0	0	59	59	
Huang Dechun	9	9	0	0	59	59	
Lo Wah Wai	9	9	0	0	59	59	

\* 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:

<b>Name</b>	<b>Number of general meeting to be attended</b>	<b>Number of general meeting attended in person</b>	<b>Number of absences</b>	<b>Remarks</b>
Zhou Yong	1	1	0	Resigned on 18 September 2022
Zhou Jianqiu	2	2	0	
Chu Kairong	0	0	0	Appointed on 22 November 2022
Xue Binghai	2	2	0	
Jiang Lin	2	2	0	
Shan Bing	2	2	0	
Wang Yuetang	2	2	0	
Huang Dechun	2	2	0	
Lo Wah Wai	2	2	0	

### • **Training for Directors**

All Directors have provided training attendance records. The Company has arranged or provided the relevant trainings in accordance with the requirements of code provision C.1.4 of the Corporate Governance Code.

For the year ended 31 December 2022, Ms. Zhou Jianqiu, Mr. Chu Kairong, Mr. Xue Binghai, Mr. Jiang Lin, Mr. Shan Bing, Mr. Wang Yuetang, Mr. Huang Dechun and Mr. Lo Wah Wai participated in the training on the responsibilities of listed companies on the main board of the Hong Kong Stock Exchange conducted by DeHeng Law Offices (Hong Kong) LLP, and learned about recent law enforcement cases, updates to Listing Rules and other materials.

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

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

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

Name of Committee	Members (as of the end of the Reporting Period)	Members (as of the date of this Report)
<b>Audit Committee</b>	Lo Wah Wai (chairman) Xue Binghai Huang Dechun	Lo Wah Wai (chairman) Xue Binghai Huang Dechun
<b>Remuneration Committee</b>	Huang Dechun (chairman) Wang Yuetang Shan Bing	Huang Dechun (chairman) Wang Yuetang Shan Bing
<b>Nomination Committee</b>	Zhou Jianqiu (chairlady) Wang Yuetang Huang Dechun	Zhou Jianqiu (chairlady) Wang Yuetang Huang Dechun
<b>Risk Management Committee</b>	Wang Yuetang (chairman) Chu Kairong Xue Binghai Jiang Lin	Wang Yuetang (chairman) Chu Kairong Xue Binghai Jiang Lin
<b>Strategic Committee</b>	Zhou Jianqiu (chairlady) Xue Binghai Wang Yuetang	Zhou Jianqiu (chairlady) Xue Binghai Wang Yuetang

## (1) Audit Committee

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

The main duties of the Audit Committee include: proposing to the Board the appointment and replacement of external audit firms, approving the remuneration and terms of appointment of external auditors, supervising the implementation of the internal audit system and its implementation, liaising between the internal audit and external auditors, reviewing financial information and related disclosures, reviewing and supervising the internal control and risk management systems for financial monitoring of the Company; assessing the mechanism for reporting internal control or other improprieties by the Company’s employees, and the mechanism for conducting independent and impartial investigations into reported matters and taking appropriate action; and other duties conferred by the Board. As of 31 December 2022, the Audit Committee comprises three members, including two independent non-executive Directors, namely Mr. Lo Wah Wai (chairman) and Mr. Huang Dechun, as well as a non-executive Director Mr. Xue Binghai.

The Audit Committee held four meetings during the Reporting Period. For the year ended 31 December 2022, the Board has no disagreement with the Audit Committee on the selection, appointment, designation or removal of the external auditor.

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

Session	Convening date	Meeting contents	Adoption
18th meeting of the Audit Committee	28 March 2022	The resolution on the announcement of audited annual results for the year ended 31 December 2021 and the 2021 Annual Report (Draft) of the Company	Considered and approved
19th meeting of the Audit Committee	26 August 2022	The resolution on the Interim Report (A Shares) for 2022 and its summary of the Company The resolution on the Interim Results Announcement and the Interim Report (H Shares) for 2022 of the Company The resolution on the Internal Review Reporting for the first half of 2022 and the Internal Review Plan for the second half of Holly Futures	Considered and approved
20th meeting of the Audit Committee	27 October 2022	The resolution on the third quarterly report for 2022 of the Company	Considered and approved
21st meeting of the Audit Committee	29 December 2022	The resolution on the recognition of certain accounting policies and accounting estimates	Considered and approved

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

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

## (2) Remuneration Committee

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

The main duties of the Remuneration Committee include: studying, reviewing and making recommendations to the Board on the policy, structure and proposal concerning remuneration of Directors, supervisors and senior management of the Company, determining the terms of the specific remuneration package of each Director and member of senior management, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board, and other duties conferred by the Board. The remuneration of executive Directors is determined based on their skills, knowledge, individual performance and contribution, duties and responsibilities, with reference to the performance of the Company and the prevailing market conditions. The remuneration policy of independent non-executive Directors aims to providing sufficient compensation to the independent non-executive Directors for their efforts and time for participating the Company’s affairs, including attending the meetings of Board committees. The remuneration of independent non-executive Directors is based on their skills, experience, knowledge, responsibility and market conditions. As of 31 December 2022, the Remuneration Committee comprises three members, including two independent non-executive Directors, namely Mr. Huang Dechun (chairman), Mr. Wang Yuetang as well as one non-executive Director, Mr. Shan Bing.

Details of the Directors’ remuneration are set out in Note XV, (II) of the consolidated financial statements of this Annual Report. The Remuneration Committee held 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.



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

Session	Convening date	Meeting contents	Adoption
16th meeting of the Remuneration Committee	29 March 2022	The resolution on the remuneration package of the directors and supervisors of the Company for 2021 The resolution on the reform of the remuneration management system of Holly Futures Co., Ltd.,	Considered and approved
17th meeting of the Remuneration Committee	28 December 2022	The resolution on determining the annual salary distribution coefficient of the deputy directors of Holly Futures's leadership team in 2021	Considered and approved

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

Name	Position	Attendance in person/ Number of meetings requiring attendance
Huang Dechun (chairman)	Independent non-executive Director	2/2
Wang Yuetang	Independent non-executive Director	2/2
Shan Bing	Non-executive Director	2/2

### (3) Nomination Committee

The Company has established the Nomination Committee (the “**Nomination Committee**”) on 19 May 2015 with written terms of reference in accordance with code provision B.3.1 of the Corporate Governance Code. The written terms of reference are available on the websites of the Company and the Hong Kong Stock Exchange.

The main duties of the Nomination Committee include: reviewing the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and make recommendations to the Board regarding the Company’s business activities, corporate strategy, asset size and shareholding structure in light of the operating activities of the Company, identifying, selecting or making recommendations to the Board on the selection of individuals to be nominated for directorships, assessing the independence of the independent non-executive Directors, making recommendations to the Board on relevant matters relating to the appointment and re-appointment of the Directors, succession planning for Directors, and other duties conferred by the Board. As of 31 December 2022, the Nomination Committee comprises three members, including one executive Director Ms. Zhou Jianqin (chairlady) and two independent non-executive Directors, namely Mr. Huang Dechun and Mr. Wang Yuetang.

The Nomination Committee held four meetings during the Reporting Period.

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

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

According to articles 140 and 141 of Articles of Association, Director of the Company shall meet the following conditions:

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

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

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

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

According to the terms of reference of Nomination Committee, the Nomination Committee studies the selection criteria, procedures and methods of proposed directors and senior management of the Company and makes recommendations to the Board. The Nomination Committee also searches for qualified candidates to be nominated as directors and senior management and conduct preliminary review on candidates of directors and senior management and make recommendations to the Board. In 2022, the Company proposed Mr. Chu Kairong to serve as an executive Director of the Company, whom have been nominated by the Nomination Committee in accordance with the above standard procedures and methods, also Nominating Committee meeting was held for consideration and approval, as well as has been proposed to the Board for consideration and approval.

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

Session	Convening date	Meeting contents	Adoption
11th meeting of the Nomination Committee	21 February 2022	The resolution on the nomination of Chu Kairong as the executive deputy general manager of Holly Futures	Considered and approved
12th meeting of the Nomination Committee	18 September 2022	The resolution on the election of Ms. Zhou Jianqiu as the chairlady and the acting general manager of the Company The resolution on the election of the chairman of the nomination committee of the fourth session of the Board of Directors of the Company The resolution on the adjustment on the chief risk officer of the Company	Considered and approved
13th meeting of the Nomination Committee	26 October 2022	The resolution on the appointment of Mr. Chu Kairong as the general manager and executive director of the Company	Considered and approved
14th meeting of the Nomination Committee	28 December 2022	The resolution on the adjustment of the composition of members of the risk management committee of the fourth session of the Board of Directors of the Company	Considered and approved

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

Name	Position	Attendance in person/ Number of meetings requiring attendance
Zhou Jianqiu (chairlady)	Executive Director	4/4
Wang Yuetang	Independent non-executive Director	4/4
Huang Dechun	Independent non-executive Director	4/4

#### (4) Risk Management Committee

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

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

On 29 December 2022, the Chairlady and executive Director, Ms. Zhou Jianqui resigned as a member of the Risk Management Committee of the Board due to other job arrangements and the executive Director, Mr. Chu Kairong was appointed as a member of the Risk Management Committee. As of 31 December 2022, the Risk Management Committee comprises four Directors, including an executive Director Mr. Chu Kairong, two non-executive Directors Mr. Xue Binghai and Mr. Jiang Lin and one independent non-executive Director Mr. Wang Yuetang (chairman).

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

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

Session	Convening date	Meeting contents	Adoption
9th meeting of the Risk Management Committee	28 March 2022	The resolution on net capital and other risk regulatory indicators report of the Company for 2021	Considered and approved
10th meeting of the Risk Management Committee	26 August 2022	The resolution on net capital and other risk regulatory indicators report of the Company for the half-year 2022	Considered and approved

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

Name	Position	Attendance in person/ Number of meetings requiring attendance
Wang Yuetang (chairman)	Independent non-executive Director	2/2
Xue Binghai	Non-executive Director	2/2
Shan Bing	Non-executive Director	2/2
Zhou Jianqiu <sup>Note</sup>	Executive Director	2/2
Chu Kairong <sup>Note</sup>	Executive Director	0/0

Note: On 29 December 2022, Ms. Zhou Jianqiu resigned, and Mr. Chu Kairong was appointed as a member of the Risk Management Committee of the Board.

## (5) Strategic Committee

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

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

As of 31 December 2022, the Strategic Committee comprises three Directors, including the Chairlady and executive Director Ms. Zhou Jianqiu (chairlady), one non-executive Director Mr. Xue Binghai and one independent non-executive Director Mr. Wang Yuetang.

The Strategic Committee did not hold any meeting during the Reporting Period.

## VII. Chairlady and general manager

The positions of the Chairlady and general manager of the Company are taken by different persons, so as to guarantee the independence of their duties and balance of authorization. Ms. Zhou Jianqiu served as the Chairlady of the Board and Mr. Chu Kairong served as the general manager. Their duties and authorities are clearly divided and specified in the Articles of Association. The Chairlady is responsible for leading the Board in determining the Company’s development strategy to guarantee the effective operation and duties fulfilment of the Board, and fully discusses the issues within the scope of the Board’s duties, so as to ensure that the Directors can acquire true, accurate and complete information for making decisions in time, the Company can comply with well-established corporate governance procedures and the decisions of the Board are in the best interest of the Company and its Shareholders as a whole. Ms. Zhou Jianqiu, the Chairlady, also acts as the legal representative.

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

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

The Company has established the “Independent Directors’ Work System”, which enables the independent directors to protect the legitimate interests of the Company and its shareholders independently and objectively, and to act as a check and balance in the Board’s decision-making process. All directors of the Company were able to perform their duties diligently and conscientiously in accordance with the relevant regulations to safeguard the interests of the Company and all Shareholders.

During the Reporting Period, all independent non-executive Directors of the Company issued independent opinions on the appropriation of funds by the controlling shareholder, the de facto controller and other related parties, on the accumulated and current external guarantees of the Company, on the interim profit distribution plan of the Company for 2022, on the resignation of the Chairman and the general manager of the Company, on the election of the Chairman and the acting general manager of the Company, on the adjustment of the position of chief risk officer, on the appointment of the general manager, on the election of the executive Directors of the fourth session of the Board, on the change of use of proceeds from the H Shares listing, on determining the annual salary distribution coefficient of the deputy directors of the Holly Futures’s leadership team in 2021, and on the recognition of certain accounting policies and accounting estimates.

## IX. Supervisory Committee and duty performance

### (1) Duties of the Supervisory Committee

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

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

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



## X. Other related matters

### (1) Shareholders' right

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

### (2) Compliance with Model Code

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

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

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

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

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

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

### (4) Appointment and remuneration of auditors

In 2022, the Company appointed ShineWing Certified Public Accountants as its external audit firm for 2022 to provide related audit and review services based on the China Accounting Standards for Business Enterprises. The expenses related to the audit service are set out in Section III Corporate Governance "Material Matters" – "VIII. Engagement of accounting firm" of this Report.

## (5) Review of the Audit Committee

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the consolidated financial statement of the Company for the year ended 31 December 2021.

## (6) Company Secretaries

Mr. Huang Haiqing, the Board secretary and one of the joint company secretaries, is responsible for making proposals to the Board on corporate governance and ensuring the policies and procedures of the Board, applicable laws, rules and regulations are observed. In order to maintain sound corporate governance and comply with the Listing Rules and applicable Hong Kong laws, the Company appointed Ms. Chan Yin Wah, an associate director of SWCS Corporate Services Group (Hong Kong) Limited, as the other joint company secretary of the Company to assist Mr. Huang Haiqing in fulfilling his duties as the Board secretary and a joint company secretary of the Company. The Company's main contact person is Mr. Huang Haiqing, the Board secretary and joint company secretary of the Company. For the year ended 31 December 2022, Mr. Huang Haiqing and Ms. Chan Yin Wah took no less than 15 hours of professional trainings in accordance with Rule 3.29 of the Listing Rules.

## (7) Communications with Shareholders

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

Where the Company convenes an annual general meeting in accordance with the Articles of Association, a written notice shall be given at least 20 business days prior to the date of the meeting; where the Company convenes an extraordinary general meeting, Shareholders shall be notified by way of announcement not less than 10 business days or 15 days (whichever is longer) prior to the date of the meeting. All the Shareholders in the Shareholders' register will be notified with the issues to be considered at the meeting, and the date and venue of the meeting. Any Shareholder who intends to attend the general meeting shall deliver to the Company a written reply stating his or her intention to attend within the period specified in the notice of meeting.

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

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

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

Shareholder(s) severally or jointly holding more than 3% Shares may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within 2 days after receipt of a proposal, and announce the contents of provisional proposals.

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

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

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

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

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

- two or more than two Shareholders who separately or jointly hold 10% or more of the Shares carrying voting rights may request the Board to convene an extraordinary general meeting or class meeting by signing one or more counterpart written request(s) and to illustrate the subject of the meetings. The Board shall convene an extraordinary general meeting or class meeting as soon as practicable upon receipt of the aforesaid written requirement. The aforesaid number of shareholding is calculated as at the date of the submission of the written requirement by the Shareholders; and
- if the Board fails to issue the notice to convene the meeting within 30 days after it received the aforesaid request, the Shareholders proposing the request may convene the meeting at its own discretion within 4 months after the Board has received the request. The meeting shall be convened in a manner which is as similar as possible to that of general meeting convened by the Board.

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

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

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

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

- (2) General meeting is convened to consider proposals on nomination of director candidate(s), and to elect director(s). Pursuant to article 66 of Articles of Association, the shareholders' general meeting shall exercise the following functions and powers:
- (1) to decide the Company's operational guidelines and investment schemes;
  - (2) to elect and remove Directors not being staff representatives and to determine matters relating to the Directors' remunerations;
  - (3) to elect and remove Shareholders' representative Supervisors and to determine matters relating to the Supervisors' remunerations;
  - .....
  - (13) to consider proposals put forward by any Shareholder representing 3% or more of the Company's shares with voting rights;
  - .....
  - (19) to consider any other matters to be resolved by Shareholders' general meeting as required by the laws, administrative regulations, departmental rules, the listing rules of the place where the Company's shares are listed and the Articles of Association.
- (3) Directors shall be elected at general meetings, and a Director shall serve a term of three years.

Pursuant to article 141 of Articles of Association, Director shall be elected at general meetings. A director shall serve a term of three years, and may seek re-election upon expiry of the said term.

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

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

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

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

On 9 September 2022, the Company received a targeted survey from fund companies and securities companies, as detailed in the Investor Relations Activities Record Sheet published by the Company on 13 September 2022.

## (9) Board diversity policy

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

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

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

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

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

As at the date of this Annual Report, the Board comprises eight Directors. One of them is female and three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Nomination Committee is satisfied with the current composition of the Board of Directors. The Company has no plans to increase the number of female directors for the time being and will make further adjustments or improvements in due course in the light of future market conditions and the Company's circumstances.

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

- contribution to the Board;
- reputation;
- the ability to commit sufficient time to perform the duties of a member of the Board;

- whether there is a potential conflict of interest for the Company; and
- whether the independence requirements of the Listing Rules are met in respect of the candidates who are independent non-executive directors.

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

- there are three independent non-executive Directors on the Board (representing more than one-third of the Board), all of whom can continue to devote sufficient time to the Company;
- site visits have been arranged from time to time for the independent non-executive Directors to enhance their understanding of the old and new projects of the Company;
- the Chairman/Chairlady has conducted annual meeting with all independent non-executive Directors without the presence of other Directors to provide an effective platform for the Chairman/Chairlady to receive independent advice on various issues of the Company; and
- independent professional advices are provided to the independent non-executive Directors at their reasonable request to assist them in discharging their duties to the Company.

The Nomination Committee held four meetings during the year, among others, to review the Board Diversity Policy and Nomination Policy and concluded that the said policies were still valid and appropriate for the Company.

## (10) Gender diversity

In the course of introducing and cultivating staff, the Company adheres to the principle of equal employment, fair promotion to resist discrimination, harassment and defamation due to age, sex, marital status, disability, family status, race, skin colour, descent, nationality, ethnicity, or religion. As of 31 December 2022, the total number of employees of the Company was 661, of which 304 or approximately 46% were female employees. The proportion of female among the Company's Directors, Supervisors and senior management is shown in the table below. A separate ESG Report provides details of the Company's gender diversity principles, governance approach and initiatives.

### Proportion of female among Directors, Supervisors and senior management

	Director	Supervisor	Senior management
Proportion of female	12.5%	66.7%	33.3%



## (11) Articles of Association

On 29 August 2022, the Company's 2021 Annual General Meeting authorized the Board to amend the Articles of Association of the Company in light of its issuance of A Shares. The Company considered and approved the amendment to the Articles of Association at the seventh meeting of the fourth session of the Board.

On 22 November 2022, the amendment to the Articles of Association was considered and approved at the first extraordinary general meeting of 2022 of the Company.

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

## (12) Risk management and internal control

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

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

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

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

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

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

Based on the principles of comprehensiveness, sustainability, 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 II Operating Conditions – “Management Discussion and Analysis” – X. Constructing the Risk Management System of the Company” of this Report.

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

Meanwhile, the Company has established the discipline inspection department internally to conduct independent supervision on the sufficiency and efficiency of the internal control and risk management system of the Company. The Audit and Legal Department formulates the internal audit plan on an annual basis and conducts internal audits in accordance with the requirements of the Company’s relevant systems. By providing independent and objective supervision, evaluation and recommendations on the internal control, risk management, financial income and expenditure and related economic activities of the audited entity, the Company promotes the improvement of governance and the achievement of objectives. Any proposed changes regarding the internal review plan will be reported according to the requirements of relevant systems of the Company.

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

As of the date of this Report, the Risk Management Committee under the Board has conducted a review on the 2022 working report of the Chief Risk Officer, and reviewed the legal compliance and risk management of the Company’s operation and management of the same are sufficient and effective. The Board was of the view that the said systems were designed to manage, instead of eliminating, the risk of failing to meet the business goals, and therefore can only offer a reasonable, but not absolute, guarantee on the absence of significant false statements or significant loss.

## 2. *Report of other matters*

### (1) *Building of compliance system*

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

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

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

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

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

**(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. The Company has formulated the internal audit work plan, after which is reviewed in accordance with the requirements of relevant systems of the company, it will carry out internal audit work and strengthen audit supervision.

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

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

In 2022, the internal audit department of the Company continued to deepen the construction of the internal audit management system and fully performed and implemented its audit supervision function. It adhered to the supervision and evaluation of risk management and the enhancement of internal control as its main tasks, strengthened the effort, frequency and depth of audit in actual audit work, depth, expanded the coverage and fineness of internal audit, innovated audit ideas, and improved audit methods. It intensified the implementation efforts in the follow-up rectification and continued to enhance the quality and effectiveness of audit work, which provided a safeguard for the healthy and sound operation of the Company. In order to improve the construction of the Company's audit system, the Company revised the "Internal Audit Regulations of Holly Futures Co., Ltd." and formulated the "Audit of Rectification Work of Holly Futures Co., Ltd.", further refining and standardizing the duties and authority of the internal audit organization and the audit procedures.

**(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 2022, 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 2022. It engaged ShineWing Certified Public Accountants to review the Company's internal control related to the financial statements and rectify the existing issues, so that the effectiveness of internal control was further enhanced.
2. Further improving the internal control evaluation mechanism and broadening the evaluation coverage. In 2022, the Company continuously improved internal control evaluation mechanism, improved evaluation method, enhanced technical means and fully leveraged on internationally advanced methods to carry out evaluation. The Company also continued to improve its internal control management and continuously raised its management standard on various risks.

### (III) Whistleblowing and anti-corruption policy

1. The Company has established a top-down mechanism for working with integrity to establish an anti-corruption management system covering the Rules of Procedure for Meeting of the Board, the Rules of Procedures of the Supervisory Committee, the Financial Management System, the Regulations on Punishment for Non-Compliance by Employees of Holly Futures Co., Ltd. and the Anti-fraud Management Rules of Holly Futures Co., Ltd.. To systematically eliminate the occurrence of corruption, misappropriation and embezzlement of the assets of the Company or its customers, it is stipulated in the Financial Management System that relevant certificates are audited and strictly examined by dedicated personnel to prevent misappropriation and embezzlement of funds and to eliminate illegal, corrupt and other criminal acts. The Company has entrusted the Audit and Legal Department with the corresponding departmental responsibilities, which is responsible for overseeing the implementation of various financial rules and systems by all departments and subordinate units, and investigating and dealing with acts of corruption and misappropriation of property, leakage of secrets and bribery, either alone or in conjunction with other relevant departments, so as to ensure the effective operation of the Company's integrity and employment work mechanism. If an employee has engaged in prohibited conduct, he/she is prohibited from acting as a Director, Supervisor and senior management of the Company. In addition to terminating the employment contract, the Company will also refer the problematic leads to the judicial authorities in accordance with the law.
2. Departments of the Company have established a parallel whistleblowing and complaint mechanism covering all business segments of the Company, realizing a dual-chain passage of internal control and external supervision and prevention. Complaints involving investors will be handled in accordance with the Rules for Handling Customer Complaints of the Company, clearing the customer complaint channel. After preliminary classification of the complaints, the complaints will be resolved through legal channels such as negotiation, mediation, arbitration and litigation in accordance with the handling process. For complaints reported within the Company, a distinction is made according to whether the subject of the report is a member of the Party, a cadre or a general employee. Depending on the nature of the identity of the subject of the report, the Company adopts a different mechanism for handling the report, with the disciplinary, compliance and legal departments taking the lead or forming a joint working group to investigate and handle the matter in accordance with the procedures stipulated in the system.

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

# Report of Supervisory Committee

In 2022, the Supervisory Committee comprehensively fulfilled its supervision duties over members of the Board, managers and other senior management of the Company as authorized at the general meetings in accordance with the Company Law and the Articles of Association.

## I. Performance of Supervisory Committee

The fourth session of the Supervisory Committee convened a total of four meetings for 2022, specifically:

Date	Session	Attendance	Agenda
2022	The fourth session of the Supervisory Committee	Yu Hong, Chen Liang, Yao Aili	<ol style="list-style-type: none"> <li>The resolution on the extension of the validity period of the resolutions relating to the application for initial public offering and listing of A shares of the Company</li> <li>The resolution on the proposed extension of the validity period of the authorization granted to the board of the directors of the Company to apply for public offering and listing of A shares at its sole discretion</li> <li>The resolution on considering and confirming connected transactions of the Company during the reporting period</li> <li>The resolution on the report on the use of proceeds previously raised by Holly Futures Co., Ltd.</li> <li>The resolution on the 2021 Annual Working Report of the Supervisory Committee of Holly Futures Co., Ltd.</li> <li>The resolution on the announcement of audited annual results for the year ended 31 December 2021 and the 2021 Annual Report (Draft) of the Company</li> <li>The resolution on the profit distribution plan of the Company for 2021</li> <li>The resolution on the 2021 final financial report of Holly Futures Co., Ltd.</li> </ol>
29 March 2022	The second meeting of the fourth session of the Supervisory Committee	Yu Hong, Chen Liang, Yao Aili	<p>The resolution on the extension of the validity period of the resolutions relating to the application for initial public offering and listing of A shares of the Company</p> <p>The resolution on the proposed extension of the validity period of the authorization granted to the board of the directors of the Company to apply for public offering and listing of A shares at its sole discretion</p> <p>The resolution on considering and confirming connected transactions of the Company during the reporting period</p> <p>The resolution on the report on the use of proceeds previously raised by Holly Futures Co., Ltd.</p> <p>The resolution on the 2021 Annual Working Report of the Supervisory Committee of Holly Futures Co., Ltd.</p> <p>The resolution on the announcement of audited annual results for the year ended 31 December 2021 and the 2021 Annual Report (Draft) of the Company</p> <p>The resolution on the profit distribution plan of the Company for 2021</p> <p>The resolution on the 2021 final financial report of Holly Futures Co., Ltd.</p>

Date	Session	Attendance	Agenda
29 August 2022	The third meeting of the fourth session of the Supervisory Committee	Yu Hong, Chen Liang, Yao Aili	<p>The resolution on the Interim Report (A Shares) for 2022 and its summary of the Company</p> <p>The resolution on the Interim Results Announcement and the Interim Report (H Shares) for 2022 of the Company</p> <p>The resolution on the interim profit distribution plan of the Company for 2022</p> <p>The resolution on net capital and other risk regulatory indicators report of the Company for the half-year 2022</p> <p>The resolution on the Internal Review Reporting for the first half of 2022 and the Internal Review Plan for the second half of Holly Futures</p>
27 October 2022	The fourth meeting of the fourth session of the Supervisory Committee	Yu Hong, Chen Liang, Yao Aili	<p>The resolution on the amendments to the Articles of Association of Holly Futures Co., Ltd. And its appendices</p> <p>The resolution on the third quarterly report for 2022 of the Company</p> <p>The resolution on the formulation of the Information Disclosure System of Holly Futures Co., Ltd.</p> <p>The resolution on the formulation of the Management System for Registration of Persons with Inside Information of Holly Futures Co., Ltd.</p> <p>The resolution on the change of use of proceeds from the H Shares listing</p>
29 December 2022	The fifth meeting of the fourth session of the Supervisory Committee	Yu Hong, Chen Liang, Yao Aili	<p>The resolution on the relocation and change of registered address of the Company</p> <p>The resolution on the proposed amendments to the Articles of Association of Holly Futures Co., Ltd.</p> <p>The resolution on the recognition of certain accounting policies and accounting estimates</p>



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

In the opinion of the Supervisory Committee:

1. In 2022, with solicitude and support from all its Shareholders and the diligent work of all the staff, the Company operated in compliance with the Company Law and the Articles of Association, and its procedures for making decisions on operation are lawful and up to standard, thus making satisfactory results.
2. The Board was able to operate in accordance with the Company Law, the Futures and Derivatives Law, the Regulations for the Administration of Futures Trading (《期貨交易管理條例》), the Listing Rules and other relevant laws and regulations and the Articles of Association and the Company had in place lawful decision-making procedures, where the Directors, managers and other senior management were able to perform their duties in accordance with laws and regulations and the Articles of Association and exercise their powers in a proper and diligent manner without any act in violation of laws, regulations or the Articles of Association or contrary to the interest of the Company or the Shareholders.

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

In 2022, the Company prudently and conscientiously observed the accounting principles based on their importance. During the Reporting Period, the Company's financial structure was reasonable and assets were in good condition, and the annual financial report was able to give a true and accurate reflection of the Company's financial position and operating results. Audit reports with standard unqualified opinion were issued by ShineWing Certified Public Accountants.

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

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

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

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

## VI. Implementation of resolutions adopted at General Meetings

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

On behalf of the Supervisory Committee

**Yu Hong**  
*Chairlady*

Nanjing, China, 29 March 2023

# Auditor's Report

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

## I. AUDIT OPINION

We have audited the financial statements of Holly Futures Co., Ltd. ("Holly Futures" or the "Company"), which comprise the consolidated and company balance sheets as at 31 December 2022, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of Holly Futures as at 31 December 2022, and the consolidated and company financial performance and cash flows of Holly Futures for the year then ended in accordance with Accounting Standards for Business Enterprises.

## II. BASIS FOR OPINION

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

### III. KEY AUDIT MATTERS

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

<b>1. Recognition of fee income</b>	
<b>Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>As stated in Note IV,26 and Note VI,38 to the financial statements, Holly Futures recorded fee income of RMB245,849,357 in 2022. Fee income is one of the Company's key performance indicators.</p> <p>Holly Futures's Fee income mainly consists of futures brokerage income, investment advisory income and asset management income.</p> <p>Revenue from futures brokerage business is recognized on the date of occurrence of agency transactions; revenue from investment advisory business and asset management business is recognised when the Group is entitled to receive the revenue under the agreement.</p> <p>As fee income is one of the Company's key performance indicators, and there is an inherent risk that the timing of revenue recognition may be manipulated to meet specific targets or expectations. The determination of the timing of the recognition of fee income involves management judgment and could have a material impact on the Company's net profit. Therefore, we identified the recognition of fee income as a critical audit issue.</p>	<p>Our audit procedures to assess the fee income included the following:</p> <ol style="list-style-type: none"> <li>(1) Understanding the key internal controls related to the recognition of fee income, evaluating the design of these controls, determining whether they are implemented, and testing the operating effectiveness of the related internal controls.</li> <li>(2) For the critical information technology system that processes transactions related to fee income, we evaluate and test the design and operational effectiveness of critical internal controls of the system over the application of the information system, using the work of the Firm's in-house information technology experts.</li> <li>(3) For revenue from futures brokerage business, checking retained handling fee details from the Company's trade settlement system against book data; obtaining national futures market transaction data and comparing the Company's futures transaction data and fee income trends with national market trends; comparing book data with settlement data and conducts cut-off tests on futures brokerage fee income.</li> <li>(4) For the revenue from asset management business, taking samples and checking whether the rates of management fees and performance-based compensation were consistent with the contractual agreements, obtaining a list of all the Company's asset management plans, and calculate the related income according to different fee standards.</li> <li>(5) For the revenue from investment consulting business, taking samples of business items, checking the contracts signed between Holly Futures and the customers to verify whether the relevant revenue recognition was consistent with the terms of the contracts, and evaluating whether the relevant revenue recognition was in compliance with the Company's accounting policies on revenue recognition.</li> </ol>

<b>2. Assessing financial instruments measured at fair value</b>	
<b>Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>As described in Note IV,19, Note VI,5,9,21 and Note X to the financial statements, As at 31 December 2022, out of the financial instruments of Holly Futures, financial assets and financial liabilities measured at fair value amounted to RMB578,074,773 and RMB109,018,572 respectively.</p> <p>Since the valuation of the Company's financial instruments is based on a combination of market data and valuation models, a large number of variables are usually required to be entered. Of these inputs, the majority are derived from data available in liquid markets. Where observable market data is not available for Level 3 financial instruments, significant judgment and estimates are involved.</p> <p>We identified the valuation of financial instruments measured at fair value as a key audit matter due to the significant amounts involved and given the complexity involved in assessing the value of a particular financial instrument and the degree of reliance placed on management's judgment in determining the inputs to be used in the valuation methodology.</p>	<p>Our audit procedures to assess the financial instruments measured at fair value included the following:</p> <ol style="list-style-type: none"> <li>(1) understanding the key internal controls relevant to the valuation of the fair value of financial instruments, evaluating the design of those controls, and determining whether they are being performed;</li> <li>(2) assessing the fair value of all financial instruments of Holly Futures traded in active markets by comparing the fair value applied by Holly Futures with publicly available market data;</li> <li>(3) For financial instruments whose fair value is within Level 2 and Level 3, selecting a sample through a reasonable audit sampling method, obtaining the underlying information of the sample relevant to the valuation and identifying the conditions relevant to the valuation of the financial instruments, and evaluating the appropriateness of the valuation methods, valuation models and inputs used by management. On this basis, an independent valuation is performed and our valuation results are compared with those of Holly Futures. Specific procedures include: evaluating the valuation methods and valuation models used by Holly Futures against those typically used in the market, testing the inputs used in the valuation process, and applying the valuation methods and valuation models to re-measure the fair value of financial instruments;</li> <li>(4) assessing whether the disclosures in the consolidated financial statements appropriately reflected Holly Futures' exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.</li> </ol>

<b>3. Consolidation of structured entities</b>	
<b>Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>Please refer to the accounting policies set out in Note “IV.6 Preparation of consolidated financial statements” and Note “IV.34 Significant accounting estimates and judgments” to the financial statements and Note “VIII.1 Interests in subsidiaries” and Note “VIII.3 Interests in structured entities not included in the scope of consolidated financial statements” to the financial statements. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Holly Futures may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing or purchasing an asset management plan, a trust product or a wealth management product.</p> <p>In determining whether a structured entity is required to be consolidated by Holly Futures, management is required to consider the power Holly Futures is able to exercise over the activities of the entity, the exposure to variable returns and ability to influence its own returns from the entity.</p> <p>We identified the consolidation of structured entities of Holly Futures as a key audit matter because it involves significant management judgment in determining whether a structured entity is required to be consolidated by Holly Futures or not and because the impact of consolidating a structured entity on the consolidated balance sheet could be significant.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ol style="list-style-type: none"> <li>(1) understanding and assessing the design and operation of key internal controls over consolidation of structured entities;</li> <li>(2) performing the following procedures for all new structured entities; <ol style="list-style-type: none"> <li>1) inspecting the related contracts, internal documents and information disclosed to the investors to understand the purpose of the establishment of the structured entities and the involvement Holly Futures has with the structured entities and to assess management’s judgment over whether Holly Futures has the ability to exercise power over the structured entities;</li> <li>2) evaluating the risk and reward structure of the structured entity to assess management’s judgment as to exposure, or rights, to variable returns from Holly Futures’s involvement in such entity;</li> <li>3) reviewing management’s analyses of the structured entities including qualitative analyses and calculations of the magnitude and variability associated with Holly Futures’ economic interests in the structured entities to assess management’s judgment over Holly Futures’ ability to influence its own returns from the structured entities;</li> <li>4) assessing management’s judgment over whether the structured entities should be consolidated or not;</li> </ol> </li> <li>(3) making enquiries of management if there have been any changes to related contracts and internal documents for structured entities established in previous years and obtaining and reviewing these contracts and internal documents on a sample basis to determine if the existing accounting treatment of those structured entities brought forward is still relevant;</li> <li>(4) assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.</li> </ol>

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

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

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

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

## V. AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Holly Futures' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Holly Futures to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Holly Futures to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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

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

ShineWing Certified Public Accountants

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

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

Beijing, China

29 March 2023



# Consolidated Balance Sheet

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	31-Dec-22	1-Jan-22
<b>Assets:</b>			
Monetary funds	VI, 1	<b>6,348,666,153.74</b>	4,143,641,973.33
Including: Futures margin deposits		<b>6,026,696,688.51</b>	3,959,706,206.55
Currency deposits receivable	VI, 2	<b>2,054,665,070.53</b>	2,025,860,140.16
Pledged deposits receivable	VI, 3	<b>981,207,968.00</b>	668,817,393.60
Advance to customers	VI, 4	<b>5,953,971.21</b>	
Derivative financial assets	VI, 5	<b>19,223,235.33</b>	465,835.77
Settlement deposits receivable	VI, 6	<b>20,000,000.00</b>	20,000,000.00
Trade receivables			
Other receivables	VI, 7	<b>45,557,381.12</b>	24,951,725.11
Financial assets held under resale agreements	VI, 8	<b>–</b>	6,719,000.00
Financial investment:			
Financial assets held for trading	VI, 9	<b>558,851,538.15</b>	840,419,634.46
Inventories	VI, 10	<b>–</b>	9,531.74
Long-term equity investments	VI, 11	<b>8,252,386.71</b>	7,036,127.76
Investment in futures membership	VI, 12	<b>1,846,635.00</b>	1,808,800.00
Investment properties	VI, 13	<b>48,420,728.00</b>	
Fixed assets	VI, 14	<b>324,646,521.40</b>	14,899,414.00
Work in progress		<b>–</b>	
Right-of-use assets	VI, 15	<b>22,154,853.76</b>	24,655,989.58
Intangible assets	VI, 16	<b>535,962.00</b>	1,025,204.63
Goodwill			
Deferred tax assets	VI, 17	<b>16,637,688.15</b>	7,394,041.07
Other assets	VI, 18	<b>27,308,606.63</b>	295,396,263.71
<b>Total assets</b>		<b>10,483,928,699.73</b>	8,083,101,074.92

Item	Note	31-Dec-22	1-Jan-22
<b>Liabilities:</b>			
Short-term borrowings			
Currency deposits payable	VI, 19	<b>7,092,720,613.41</b>	5,261,811,881.42
Pledged deposits payable	VI, 20	<b>981,207,968.00</b>	668,817,393.60
Financial liabilities held for trading	VI, 21	<b>86,445,401.37</b>	86,471,254.16
Derivative financial liabilities	VI, 5	<b>22,573,170.18</b>	1,514,054.34
Financial assets sold under agreements to repurchase	VI, 22	<b>35,197,232.68</b>	32,625,838.11
Futures risk reserve	VI, 23	<b>160,851,377.70</b>	151,215,411.17
Futures investors protection funds payable	VI, 24	<b>394,274.29</b>	522,926.88
Employee benefits payable	VI, 25	<b>2,882,801.23</b>	20,659,015.94
Taxes payable	VI, 26	<b>3,148,586.05</b>	6,015,879.24
Trade Payable			
Contract liabilities	VI, 27		1,000,000.00
Other payables	VI, 28	<b>149,435,444.94</b>	26,281,420.68
Long-term borrowings	VI, 29	<b>89,174,605.23</b>	117,197,967.93
Lease liabilities	VI, 30	<b>22,573,315.47</b>	24,831,103.80
Estimated liabilities	VI, 31		1,969,920.97
Deferred income tax liabilities			
Other liabilities			
<b>Total liabilities</b>		<b>8,646,604,790.55</b>	6,400,934,068.24
<b>Shareholders' equity</b>			
Share capital	VI, 32	<b>1,007,777,778.00</b>	907,000,000.00
Other equity instruments investment			
Incl.: Preference shares			
Perpetual bond			
Capital reserve	VI, 33	<b>598,402,999.72</b>	537,826,419.52
Less: Treasury shares			
Other comprehensive income	VI, 34	<b>4,268,800.09</b>	-7,385,168.45
Surplus reserve	VI, 35	<b>70,228,670.53</b>	66,606,194.62
General risk reserve	VI, 36	<b>96,108,247.90</b>	92,485,771.99
Retained earnings	VI, 37	<b>60,537,412.94</b>	85,633,789.00
Total equity attributable to owners of the parent company		<b>1,837,323,909.18</b>	1,682,167,006.68
Minority interests			
<b>Total owners' equity</b>		<b>1,837,323,909.18</b>	1,682,167,006.68
<b>Total liabilities and shareholders' equity</b>		<b>10,483,928,699.73</b>	8,083,101,074.92

**Legal representative:**

Zhou Jianqiu

**Person in charge of accounting:**

Chu Kairong

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

Chen Rongping

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# Balance Sheet of the Parent Company

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	31-Dec-22	1-Jan-22
<b>Assets:</b>			
Monetary funds		<b>6,071,853,272.01</b>	4,038,043,781.83
Including: Futures margin deposits		<b>5,914,339,091.99</b>	3,933,237,738.95
Currency deposits receivable		<b>1,986,377,918.29</b>	1,963,110,837.41
Pledged deposits receivable		<b>981,207,968.00</b>	668,817,393.60
Advance to customers			
Derivative financial assets			
Settlement deposits receivable		<b>20,000,000.00</b>	20,000,000.00
Trade receivables			
Other receivables		<b>22,464,271.03</b>	12,925,889.39
Financial assets held under resale agreements			6,719,000.00
Financial investment:			
Financial assets held for trading		<b>433,016,584.46</b>	672,947,193.56
Inventories			
Long-term equity investments	XVI, 1	<b>608,700,966.52</b>	553,278,207.57
Investment in futures membership		<b>1,400,000.00</b>	1,400,000.00
Investment properties		<b>48,420,728.00</b>	
Fixed assets		<b>279,614,122.00</b>	14,621,800.48
Work in progress			
Right-of-use assets		<b>18,370,226.33</b>	23,052,131.01
Intangible assets		-	534,644.63
Goodwill			
Deferred tax assets		<b>1,961,581.02</b>	4,412,785.28
Other assets		<b>25,435,796.37</b>	245,798,360.21
<b>Total assets</b>		<b>10,498,823,434.03</b>	8,225,662,024.97

Item	Note	31-Dec-22	1-Jan-22
<b>Liabilities:</b>			
Short-term borrowings			
Currency deposits payable		<b>7,276,989,317.85</b>	5,510,697,950.46
Pledged deposits payable		<b>981,207,968.00</b>	668,817,393.60
Financial liabilities held for trading			
Derivative financial liabilities			
Financial assets sold under agreements to repurchase		<b>31,188,220.04</b>	32,625,838.11
Futures risk reserve		<b>160,851,377.70</b>	151,215,411.17
Futures investors protection funds payable		<b>394,274.29</b>	522,926.88
Employee benefits payable		<b>1,909,766.03</b>	20,160,381.89
Taxes payable		<b>1,312,561.62</b>	4,763,065.21
Trade Payable			
Contract liabilities			
Other payables		<b>90,026,407.83</b>	19,411,278.81
Long-term borrowings		<b>74,324,912.29</b>	97,775,228.50
Lease liabilities		<b>18,794,178.16</b>	23,223,933.96
Estimated liabilities			1,969,920.97
Deferred income tax liabilities			
Other liabilities			
<b>Total liabilities</b>		<b>8,636,998,983.81</b>	6,531,183,329.56
<b>Shareholders' equity</b>			
Share capital		<b>1,007,777,778.00</b>	907,000,000.00
Other equity instruments investment			
Incl.: Preference shares			
Perpetual bond			
Capital reserve		<b>592,000,959.53</b>	531,424,379.33
Less: Treasury shares			
Other comprehensive income		<b>41.21</b>	70.39
Surplus reserve		<b>70,228,670.53</b>	66,606,194.62
General risk reserve		<b>96,108,247.90</b>	92,485,771.99
Retained earnings		<b>95,708,753.05</b>	96,962,279.08
<b>Total equity attributed to owners</b>		<b>1,861,824,450.22</b>	1,694,478,695.41
<b>Total liabilities and shareholders' equity</b>		<b>10,498,823,434.03</b>	8,225,662,024.97

Legal representative:

Zhou Jianqiu

Person in charge of accounting:

Chu Kairong

Person in charge of the  
accounting firm:

Chen Rongping

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# Consolidated Income Statement

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	2022	2021
<b>I. Total income from operation</b>		<b>1,527,746,679.22</b>	1,639,864,789.14
Net fee and commission income	VI.38	<b>245,849,356.56</b>	285,829,444.17
Including: Net fee income from brokerage operations		<b>238,083,450.93</b>	274,613,207.74
Net fee income from assets management operations		<b>7,765,905.63</b>	11,216,236.43
Net interest income	VI.39	<b>92,221,690.44</b>	84,118,225.19
Including: interest income		<b>92,903,109.73</b>	84,984,002.21
Interest expense		<b>681,419.29</b>	865,777.02
Investment gain (loss denoted by "-")	VI.40	<b>-39,449,269.72</b>	24,976,761.56
Including: investment gain of associate and joint venture		<b>1,216,288.13</b>	-451,723.98
Derecognised income of financial assets measured at amortised cost (loss denoted by "-")			
Other income	VI.41	<b>1,036,589.06</b>	3,254,738.51
Gains on change in fair value (loss denoted by "-")	VI.42	<b>-19,733,135.96</b>	-18,008,681.86
Exchange gains (loss denoted by "-")	VI.43	<b>4,822,830.11</b>	-1,458,080.09
Income from other business activities	VI.44	<b>1,243,101,005.06</b>	1,261,316,136.31
Asset disposal gain (loss denoted by "-")	VI.45	<b>-102,386.33</b>	-163,754.65
<b>II. Total operating expense</b>		<b>1,511,774,929.07</b>	1,529,950,777.86
Appropriation for futures risk reserve	VI.46	<b>9,635,966.53</b>	10,993,812.94
Taxes and surcharges	VI.47	<b>2,548,827.38</b>	2,971,314.32
General and administrative expenses	VI.48	<b>242,448,508.88</b>	267,024,622.37
Credit impairment loss	VI.49	<b>-3,014,282.88</b>	265,097.38
Other assets impairment loss			
Other operating costs	VI.50	<b>1,260,155,909.16</b>	1,248,695,930.85
<b>III. Profit from operations (loss denoted by "-")</b>		<b>15,971,750.15</b>	109,914,011.28
Add: Non-operating income	VI.51	<b>1,242,953.42</b>	1,765,121.69
Less: Non-operating expenses	VI.52	<b>1,307,594.20</b>	2,466,949.47
<b>IV. Total profit (loss denoted by "-")</b>		<b>15,907,109.37</b>	109,212,183.50
Less: Income tax expense	VI.53	<b>3,525,200.27</b>	29,000,712.03
<b>V. Net profit (loss denoted by "-")</b>		<b>12,381,909.10</b>	80,211,471.47
(I) Classification by continuity of operations			
1. Net profit of operation on a going concern basis (Net loss denoted by "-")		<b>12,381,909.10</b>	80,211,471.47
2. Net profit of operation on a terminated operation (Net loss denoted by "-")			
(II) Classification by ownership			
1. Net income attributable to owners of the parent company (Net loss denoted by "-")		<b>12,381,909.10</b>	80,211,471.47
2. Profit and loss of minority shareholders (Net loss denoted by "-")			

Item	Note	2022	2021
<b>VI. Other comprehensive income, net of tax</b>		<b>11,653,968.54</b>	-4,064,082.29
Net comprehensive income after tax attributable to owners of the parent company			
(I) Other comprehensive income that cannot be reclassified into profits/losses			
1. Changes arising from re-measurement of defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profits/losses under the equity method			
3. Changes in fair value of other equity instruments investment			
4. Change in fair value of the Enterprise's own credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified into profit or loss		<b>11,653,968.54</b>	-4,064,082.29
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		<b>-29.18</b>	-6.24
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Credit impairment provisions for other debt investments			
5. Reserve for cash flow hedging			
6. Exchange rate differences of financial statements denominated in foreign currency		<b>11,653,997.72</b>	-4,064,076.05
7. Others			
Net comprehensive income after tax attributable to minority shareholders			
<b>VII. Total comprehensive income</b>		<b>24,035,877.64</b>	76,147,389.18
Total comprehensive income attributable to owners of the parent company		<b>24,035,877.64</b>	76,147,389.18
Total comprehensive income attributable to minority shareholders			
<b>VIII. Earnings per share:</b>			
(1) Basic earnings per share		<b>0.0132</b>	0.0884
(2) Diluted earning per share		<b>0.0132</b>	0.0884

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Information**Legal representative:**

Zhou Jianqiu

**Person in charge of accounting:**

Chu Kairong

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

Chen Rongping

# Income Statement of the Parent Company

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	2022	2021
<b>I. Total income from operation</b>		<b>270,316,856.78</b>	352,036,845.50
Net fee and commission income	XVI, 2	<b>207,113,682.51</b>	232,114,496.99
Including: Net fee income from brokerage operations		<b>197,392,831.34</b>	219,932,010.59
Net fee income from assets management operations		<b>9,172,085.90</b>	12,182,486.40
Net interest income	XVI, 3	<b>90,060,204.63</b>	82,986,347.83
Including: interest income		<b>90,741,623.92</b>	83,852,124.85
Interest expense		<b>681,419.29</b>	865,777.02
Investment gain (loss denoted by "-")	XVI, 4	<b>-15,591,904.77</b>	43,018,315.81
Including: investment gain of associate and joint venture		<b>1,216,288.13</b>	-451,723.98
Derecognised income of financial assets measured at amortised cost (loss denoted by "-")			
Other income		<b>1,028,630.85</b>	631,333.55
Gains on change in fair value (loss denoted by "-")	XVI, 5	<b>-17,548,036.91</b>	-6,835,739.24
Exchange gains (loss denoted by "-")		<b>4,664,384.72</b>	-1,793,647.68
Income from other business activities		<b>690,623.94</b>	2,079,492.89
Asset disposal gain (loss denoted by "-")		<b>-100,728.19</b>	-163,754.65
<b>II. Total operating expense</b>		<b>221,862,990.25</b>	242,822,657.31
Appropriation for futures risk reserve		<b>9,635,966.53</b>	10,993,812.94
Taxes and surcharges		<b>1,892,191.35</b>	1,290,582.70
General and administrative expenses		<b>210,548,127.22</b>	230,257,780.00
Credit impairment loss		<b>-213,294.85</b>	280,481.67
Other assets impairment loss			
Other operating costs			

Item	Note	2022	2021
<b>III. Profit from operations (loss denoted by "-")</b>		<b>48,453,866.53</b>	109,214,188.19
Add: Non-operating income		<b>844,854.94</b>	1,604,440.41
Less: Non-operating expenses		<b>1,307,594.20</b>	2,416,949.47
<b>IV. Total profit (loss denoted by "-")</b>		<b>47,991,127.27</b>	108,401,679.13
Less: Income tax expense		<b>11,766,368.14</b>	26,602,877.57
<b>V. Net profit (loss denoted by "-")</b>		<b>36,224,759.13</b>	81,798,801.56
(I) Net profit of operation on a going concern basis (Net loss denoted by "-")		<b>36,224,759.13</b>	81,798,801.56
(II) Net profit of operation on a terminated operation (Net loss denoted by "-")			
<b>VI. Other comprehensive income, net of tax</b>		<b>-29.18</b>	-6.24
(I) Other comprehensive income that cannot be reclassified into profits/losses			
1. Changes arising from re-measurement of defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profits/losses under the equity method			
3. Changes in fair value of other equity instruments investment			
4. Change in fair value of the Enterprise's own credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified into profit or loss		<b>-29.18</b>	-6.24
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		<b>-29.18</b>	-6.24
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Credit impairment provisions for other debt investments			
5. Reserve for cash flow hedging			
6. Exchange rate differences of financial statements denominated in foreign currency			
7. Others			
<b>VII. Total comprehensive income</b>		<b>36,224,729.95</b>	81,798,795.32
<b>VIII. Earnings per Share</b>			
(I) Basic earnings per Share		<b>0.0385</b>	0.0902
(II) Diluted earnings per Share		<b>0.0385</b>	0.0902

**Legal representative:**

Zhou Jianqiu

**Person in charge of accounting:**

Chu Kairong

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

Chen Rongping

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# Consolidated Statement of Cash Flows

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	2022	2021
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		<b>1,401,380,148.96</b>	1,420,813,014.24
Cash received from interest, fees and commissions		<b>396,594,953.36</b>	364,515,103.25
Net decrease in currency deposits receivable and pledged deposits receivable		—	—
Net increase in currency deposits payable and pledged deposits payable		<b>2,143,299,306.39</b>	1,642,788,192.94
Net decrease in restricted monetary funds		<b>3,999,919.73</b>	19,622,205.54
Net decrease in term deposits with original maturity over three months		—	—
Cash received from other operating activities	VI, 54	<b>218,160,081.13</b>	105,262,388.22
<b>Subtotal of cash inflows from operating activities</b>		<b>4,163,434,409.57</b>	3,553,000,904.19
Cash paid for goods and services		<b>1,413,767,703.26</b>	1,355,853,953.58
Cash paid for interest, fee and commissions		<b>406,322.56</b>	538,731.14
Net increase in currency deposits receivable and pledged deposits receivable		<b>338,582,679.10</b>	499,820,816.29
Net decrease in currency deposits payable and pledged deposit payable		—	—
Net decrease from disposal of financial assets relating to risk management business		<b>7,717,257.05</b>	31,755,179.85
Net increase in restricted monetary funds		—	—
Cash paid to and for employees		<b>178,094,228.49</b>	173,504,332.86
Cash paid for general and administrative expenses		<b>67,578,288.55</b>	65,923,485.57
Payments of various taxes		<b>62,816,527.36</b>	66,241,905.00
Cash paid for other operating activities	VI, 54	<b>169,384,466.60</b>	123,755,513.90
<b>Subtotal of cash outflows from operating activities</b>		<b>2,238,347,472.97</b>	2,317,393,918.19
<b>Net cash flow from operating activities</b>		<b>1,925,086,936.60</b>	1,235,606,986.00

Item	Note	2022	2021
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments		<b>6,034,708,063.72</b>	3,307,423,310.44
Cash received from investment income		<b>17,034,407.73</b>	29,124,530.92
Cash received from disposal of associates		-	2,560.77
Cash received from dividend distribution from associates		-	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>5,915.93</b>	125,716.71
Other cash received relating to investing activities			
<b>Subtotal of cash inflows form investing activities</b>		<b>6,051,748,387.38</b>	3,336,676,118.84
Cash paid for investment		<b>5,833,440,625.37</b>	3,118,059,490.75
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		<b>69,373,731.92</b>	243,341,303.65
Cash paid for investment on associates			
Other cash paid for relating to investing activities			
<b>Subtotal of cash outflows from investing activities</b>		<b>5,902,814,357.29</b>	3,361,400,794.40
<b>Net cash flow from investing activities</b>		<b>148,934,030.09</b>	-24,724,675.56
<b>III. Cash flow from financing activities:</b>			
Cash received from introducing investment		<b>174,183,931.20</b>	
Cash received from borrowings		<b>50,000,000.00</b>	239,854,840.00
Net cash received from sales of repurchase business		<b>1,892,195.32</b>	
Other cash received relating to financing activities		-	4,701,890.00
<b>Subtotal of cash inflows from financing activities</b>		<b>226,076,126.52</b>	244,556,730.00
Cash paid for repayment of debts		<b>77,970,968.00</b>	124,980,914.00
Cash paid for distribution of dividend and profit or repayment of interest		<b>5,984,768.20</b>	51,845,151.76
Cash paid for repayment of principal and interest of lease liabilities		<b>13,405,928.51</b>	15,312,755.80
Net cash paid for sales of repurchase business			4,059,143.19
Other cash paid relating to financial activities	VI, 54	<b>8,897,420.61</b>	3,535,000.00
Subtotal of cash outflows from financing activities		<b>106,259,085.32</b>	199,732,964.75
Net cash flow from financing activities		<b>119,817,041.20</b>	44,823,765.25
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalent</b>		<b>16,422,634.98</b>	-4,376,690.34
<b>V. Net increase in cash and cash equivalents</b>		<b>2,210,260,642.87</b>	1,251,329,385.35
Add: Opening balance of cash and cash equivalents		<b>4,106,185,249.67</b>	2,854,855,864.32
<b>VI. Ending balance of cash and cash equivalents</b>	VI, 54	<b>6,316,445,892.54</b>	4,106,185,249.67

**Legal representative:**

Zhou Jianqiu

**Person in charge of accounting:**

Chu Kairong

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

Chen Rongping

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# Statement of Cash Flows of the Parent Company

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	Note	2022	2021
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services			
Cash received from interest, fees and commissions		<b>351,928,729.87</b>	311,468,093.22
Net decrease in currency deposits receivable and pledged deposits receivable			
Net increase in currency deposits payable and pledged deposits payable		<b>2,078,681,941.79</b>	1,768,014,213.71
Net decrease in restricted monetary funds		<b>540,298.72</b>	23,638,399.93
Net decrease in term deposits with original maturity over three months			
Cash received from other operating activities		<b>54,501,514.78</b>	9,242,626.67
<b>Subtotal of cash inflows from operating activities</b>		<b>2,485,652,485.16</b>	2,112,363,333.53
Cash paid for goods and services			
Cash paid for interest, fee and commissions		<b>406,322.56</b>	538,731.14
Net increase in currency deposits receivable and pledged deposits receivable		<b>335,657,655.28</b>	487,250,215.77
Net decrease in currency deposits payable and pledged deposit payable			
Net decrease from disposal of financial assets relating to risk management business			
Net increase in restricted monetary funds			
Cash paid to and for employees		<b>161,244,918.84</b>	153,937,959.41
Cash paid for general and administrative expenses		<b>57,295,239.03</b>	52,515,201.22
Payments of various taxes		<b>55,728,412.82</b>	56,106,832.51
Cash paid for other operating activities		<b>54,778,405.82</b>	78,067,095.03
<b>Subtotal of cash outflows from operating activities</b>		<b>665,110,954.35</b>	828,416,035.08
<b>Net cash flow from operating activities</b>		<b>1,820,541,530.81</b>	1,283,947,298.45

Item	Note	2022	2021
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments		<b>5,962,744,387.03</b>	3,244,085,630.62
Cash received from investment income		<b>11,095,760.57</b>	27,909,922.32
Cash received from disposal of associates		-	2,560.77
Cash received from dividend distribution from associates		-	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>5,915.93</b>	125,721.76
Other cash received relating to investing activities			
<b>Subtotal of cash inflows form investing activities</b>		<b>5,973,846,063.53</b>	3,272,123,835.47
Cash paid for investment		<b>5,766,219,488.30</b>	3,029,781,223.64
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		<b>67,399,119.91</b>	197,676,553.87
Net cash paid for acquisition of subsidiaries and other business units		<b>54,206,500.00</b>	150,000,000.00
Other cash paid for relating to investing activities			
<b>Subtotal of cash outflows from investing activities</b>		<b>5,887,825,108.21</b>	3,377,457,777.51
<b>Net cash flow from investing activities</b>		<b>86,020,955.32</b>	-105,333,942.04
<b>III. Cash flow from financing activities:</b>			
Cash received from introducing investment		<b>174,183,931.20</b>	
Cash received from borrowings		-	117,037,680.00
Net cash received from sales of repurchase business			
Other cash received relating to financing activities			4,701,890.00
<b>Subtotal of cash inflows from financing activities</b>		<b>174,183,931.20</b>	121,739,570.00
Cash paid for repayment of debts		<b>23,407,536.00</b>	19,506,280.00
Cash paid for distribution of dividend and profit or repayment of interest		<b>3,906,132.60</b>	49,409,744.55
Cash paid for repayment of principal and interest of lease liabilities		<b>11,496,563.89</b>	12,824,465.20
Net cash paid for sales of repurchase business		<b>2,116,817.32</b>	2,436,938.91
Other cash paid relating to financial activities		<b>8,897,420.61</b>	3,535,000.00
<b>Subtotal of cash outflows from financing activities</b>		<b>49,824,470.42</b>	87,712,428.66
<b>Net cash flow from financing activities</b>		<b>124,359,460.78</b>	34,027,141.34
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalent</b>			
		<b>4,664,384.72</b>	-1,793,647.68
<b>V. Net increase in cash and cash equivalents</b>			
		<b>2,035,586,331.63</b>	1,210,846,850.07
Add: Opening balance of cash and cash equivalents		<b>4,004,872,501.63</b>	2,794,025,651.56
<b>VI. Ending balance of cash and cash equivalents</b>			
		<b>6,040,458,833.26</b>	4,004,872,501.63

Legal representative:

Zhou Jianqiu

Person in charge of accounting:

Chu Kairong

Person in charge of the  
accounting firm:

Chen Rongping

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# Consolidated Statement of Changes in Owners' Equity

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	2022								Total owners' equity
	Equity attributable to owners of the parent company							Minority shareholders' equity	
	Capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings		
<b>I. Ending balance of last year</b>	907,000,000.00	537,826,419.52	-	-7,385,168.45	66,606,194.62	92,485,771.99	85,633,789.00		1,682,167,006.68
Add: Changes in accounting policies							-		-
Correction of previous error									-
Business combination under common control									
Other									
<b>II. Opening balance of the current year</b>	907,000,000.00	537,826,419.52	-	-7,385,168.45	66,606,194.62	92,485,771.99	85,633,789.00		1,682,167,006.68
<b>III. Increase/decrease of the current period (loss denoted by "-")</b>	100,777,778.00	60,576,580.20	-	11,653,968.54	3,622,475.91	3,622,475.91	-25,096,376.06		155,156,902.50
(I) Total comprehensive income				11,653,968.54			12,381,909.10		24,035,877.64
(II) Owners' capital injected and reduced	100,777,778.00	60,576,580.20							161,354,358.20
1. Ordinary shares invested by owners	100,777,778.00	60,576,580.20							161,354,358.20
2. Capital invested by holders of other equity instruments									-
3. Amounts of share-based payments included in owners' equity		-							-
4. Others									-
(III) Profit distribution					3,622,475.91	3,622,475.91	-37,478,285.16		-30,233,333.34
1. Withdrawal of surplus reserve					3,622,475.91		-3,622,475.91		-
2. Withdrawal of general risk provisions						3,622,475.91	-3,622,475.91		-
3. Distribution to owners							-30,233,333.34		-30,233,333.34
4. Others									-
(IV) Internal carryover of owners' equity									-
1. Transfer of capital reserves into paid-in capital (or share capital)									-
2. Transfer of surplus reserves into paid-in capital (or share capital)									-
3. Surplus reserves for making up losses									-
4. Carry-Forward of Retained Earnings by Changes in Defined Benefit Plan									-
5. Other comprehensive income transferred to retained earnings									-
6. Others									-
(V) Others									-
<b>IV. Ending balance of the current period</b>	1,007,777,778.00	598,402,999.72	-	4,268,800.09	70,228,670.53	96,108,247.90	60,537,412.94		1,837,323,909.18

Item	2021								
	Equity attributable to owners of the parent company								
	Capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Minority shareholders' equity	Total owners' equity
<b>I. Ending balance of last year</b>	907,000,000.00	533,124,529.52	-	-3,692,964.07	58,426,314.46	84,305,891.83	67,503,955.76		1,646,667,727.50
Add: Changes in accounting policies									-
Correction of previous error									-
Business combination under common control									-
Other				371,877.91			-371,877.91		-
<b>II. Opening balance of the current year</b>	907,000,000.00	533,124,529.52	-	-3,321,086.16	58,426,314.46	84,305,891.83	67,132,077.85		1,646,667,727.50
<b>III. Increase/decrease of the current period (loss denoted by "-")</b>									
(I) Total comprehensive income				-4,064,082.29	8,179,880.16	8,179,880.16	18,501,711.15		35,499,279.18
(II) Owners' capital injected and reduced		4,701,890.00							4,701,890.00
1. Ordinary shares invested by owners									-
2. Capital invested by holders of other equity instruments									-
3. Amounts of share-based payments included in owners' equity									-
4. Others		4,701,890.00							4,701,890.00
(III) Profit distribution					8,179,880.16	8,179,880.16	-61,709,760.32		-45,350,000.00
1. Withdrawal of surplus reserve					8,179,880.16		-8,179,880.16		-
2. Withdrawal of general risk provisions						8,179,880.16	-8,179,880.16		-
3. Distribution to owners							-45,350,000.00		-45,350,000.00
4. Others									-
(IV) Internal carryover of owners' equity									-
1. Transfer of capital reserves into paid-in capital (or share capital)									-
2. Transfer of surplus reserves into paid-in capital (or share capital)									-
3. Surplus reserves for making up losses									-
4. Carry-Forward of Retained Earnings by Changes in Defined Benefit Plan									-
5. Other comprehensive income transferred to retained earnings									-
6. Others									-
(V) Others									-
<b>IV. Ending balance of the current period</b>	907,000,000.00	537,826,419.52	-	-7,385,168.45	66,606,194.62	92,485,771.99	85,633,789.00		1,682,167,006.68

**Legal representative:**

Zhou Jianqiu

**Person in charge of accounting:**

Chu Kairong

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

Chen Rongping

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# Statement of Changes in owners' Equity of the Parent Company

(All amounts in RMB unless otherwise stated)

Prepared by: Holly Futures Co., Ltd.

Unit: RMB

Item	2022							Total owners' equity
	Capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	
<b>I. Ending balance of last year</b>	907,000,000.00	531,424,379.33	-	70.39	66,606,194.62	92,485,771.99	96,962,279.08	1,694,478,695.41
Add: Changes in accounting policies							-	-
Correction of previous error								-
Other								
<b>II. Opening balance of the current year</b>	907,000,000.00	531,424,379.33	-	70.39	66,606,194.62	92,485,771.99	96,962,279.08	1,694,478,695.41
<b>III. Increase/decrease of the current period (loss denoted by "-")</b>	100,777,778.00	60,576,580.20	-	-29.18	3,622,475.91	3,622,475.91	-1,253,526.03	167,345,754.81
(I) Total comprehensive income				-29.18			36,224,759.13	36,224,729.95
(II) Owners' capital injected and reduced	100,777,778.00	60,576,580.20						161,354,358.20
1. Ordinary shares invested by owners	100,777,778.00	60,576,580.20						161,354,358.20
2. Capital invested by holders of other equity instruments								-
3. Amounts of share-based payments included in owners' equity		-						-
4. Others								-
(III) Profit distribution	-	-			3,622,475.91	3,622,475.91	-37,478,285.16	-30,233,333.34
1. Withdrawal of surplus reserve					3,622,475.91		-3,622,475.91	-
2. Withdrawal of general risk provisions						3,622,475.91	-3,622,475.91	-
3. Distribution to owners							-30,233,333.34	-30,233,333.34
4. Others								-
(IV) Internal carryover of owners' equity	-	-						-
1. Transfer of capital reserves into paid-in capital (or share capital)								-
2. Transfer of surplus reserves into paid-in capital (or share capital)								-
3. Surplus reserves for making up losses								-
4. Carry-Forward of Retained Earnings by Changes in Defined Benefit Plan								-
5. Other comprehensive income transferred to retained earnings								-
6. Others								-
(V) Others								-
<b>IV. Ending balance of the current period</b>	1,007,777,778.00	592,000,959.53	-	41.21	70,228,670.53	96,108,247.90	95,708,753.05	1,861,824,450.22

Item	2021							
	Capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Total owners' equity
<b>I. Ending balance of last year</b>	907,000,000.00	526,722,489.33	-	-371,801.28	58,426,314.46	84,305,891.83	77,245,115.75	1,653,328,010.09
Add: Changes in accounting policies								-
Correction of previous error								-
Other				371,877.91			-371,877.91	
<b>II. Opening balance of the current year</b>	907,000,000.00	526,722,489.33	-	76.63	58,426,314.46	84,305,891.83	76,873,237.84	1,653,328,010.09
<b>III. Increase/decrease of the current period (loss denoted by "-")</b>	-	4,701,890.00	-	-6.24	8,179,880.16	8,179,880.16	20,089,041.24	41,150,685.32
(I) Total comprehensive income				-6.24			81,798,801.56	81,798,795.32
(II) Owners' capital injected and reduced	-	4,701,890.00						4,701,890.00
1. Ordinary shares invested by owners								-
2. Capital invested by holders of other equity instruments								-
3. Amounts of share-based payments included in owners' equity		-						-
4. Others		4,701,890.00						4,701,890.00
(III) Profit distribution	-	-			8,179,880.16	8,179,880.16	-61,709,760.32	-45,350,000.00
1. Withdrawal of surplus reserve					8,179,880.16		-8,179,880.16	-
2. Withdrawal of general risk provisions						8,179,880.16	-8,179,880.16	-
3. Distribution to owners							-45,350,000.00	-45,350,000.00
4. Others								-
(IV) Internal carryover of owners' equity	-	-						-
1. Transfer of capital reserves into paid-in capital (or share capital)								-
2. Transfer of surplus reserves into paid-in capital (or share capital)								-
3. Surplus reserves for making up losses								-
4. Carry-Forward of Retained Earnings by Changes in Defined Benefit Plan								-
5. Other comprehensive income transferred to retained earnings								-
6. Others								-
(V) Others								-
<b>IV. Ending balance of the current period</b>	907,000,000.00	531,424,379.33	-	70.39	66,606,194.62	92,485,771.99	96,962,279.08	1,694,478,695.41

**Legal representative:**

Zhou Jianqiu

**Person in charge of accounting:**

Chu Kairong

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

Chen Rongping

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# Notes to the financial statements

(All amounts in RMB unless otherwise stated)

## I. General information of the Company

Holly Futures Co., Ltd. (the “Company”, together with its subsidiaries, the “Group”) is a joint stock company with limited liability with registered address at Building 3, No. 399 Jiang Dong Zhong Road, Jianye District, Nanjing City. The Company has a registered capital of RMB1,008 million and legal representative of Zhou Jianqiu. The Company’s unified social credit code is 91320000100022362N, and its futures business permit number is 30870000. The Company’s predecessor was Jiangsu Jinling Futures Brokerage Company Limited (江蘇金陵期貨經紀有限公司), a company established in July 1995.

In December 1999, the Company changed its name to Jiangsu Holly Futures Brokerage Company Limited (江蘇弘業期貨經紀有限公司) (“Jiangsu Holly”) from Jiangsu Jinling Futures Brokerage Company Limited (江蘇金陵期貨有限公司) on 14 December 1999. Its original registered capital was RMB30 million, of which Jiangsu Holly Corporation (江蘇弘業股份有限公司) (formerly known as Jiangsu Crafts Import & Export Trading Group Co., Ltd. (江蘇省工藝品進出口集團股份有限公司)) contributed RMB28.2 million, representing 94% of the registered capital; Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司) (formerly known as Jiangsu Pengcheng International Storage & Transportation Company Limited (江蘇鵬程國際儲運有限公司)) contributed RMB1.8 million, representing 6% of the registered capital.

In 2001, Jiangsu Holly Corporation transferred 48% of its equity interest in Jiangsu Holly to Jiangsu Holly International Group Investment Management Company Limited (江蘇弘業國際集團投資管理有限公司) in accordance with a resolution passed at a general meeting of Jiangsu Holly and a relevant equity transfer agreement. Upon the equity transfer, Jiangsu Holly International Group Investment Management Company Limited contributed RMB14.4 million, representing 48% of the registered capital; Jiangsu Holly Corporation contributed RMB13.8 million, representing 46% of the registered capital; Jiangsu Holly International Logistics Corporation contributed RMB1.8 million, representing 6% of the registered capital.

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

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

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

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

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

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

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

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

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

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

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

On 5 August 2022, according to “the Approval of the Initial Public Offering of Shares by Holly Futures Co., Limited” (Securities Regulatory Permit No. [2022] No. 1135) approved by the CSRC, the Company was permitted to make a public offering to the public of RMB100,777,778 ordinary shares of RMB1 each. Upon completion of the share issuance, the total number of Shares of the Company was changed to 1,007,777,778 shares with a nominal value of RMB1 per share, and the total number of share capital was RMB1,007,777,778.

The Company is headquartered in Nanjing. As of 31 December 2022, it had a total of 6 sub-branches and 39 branches in the PRC. The scope of business of the Company is commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management, fund sales (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws).

## II. Scope of consolidated financial statements

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

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

### III. Basis for preparation of financial statements

#### (I) Basis of preparation

The financial statements of the Group have been prepared on the going-concern basis and transactions and events actually occurred in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance and relevant provisions, and the relevant disclosures required by the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange and based on the accounting policies and estimates stated in "Note IV. Significant accounting policies and accounting estimates".

#### (II) Going concern

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

### IV. Significant accounting policies and accounting estimates

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

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

#### 2. Accounting year

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

#### 3. Operating cycle

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

#### 4. Functional currency

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and the subsidiaries of the Group on the basis of the currency in which major income and costs are denominated and settled. Some of the Group's subsidiaries have functional currencies that are different from the Company's functional currency. In the preparation of these financial statements, their financial statements in foreign currency have been translated based on the accounting policy set out in Note IV.8.

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

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

#### (1) *Business combination under common control*

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

#### (2) *Business combination not under common control*

The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in the business combination not under common control are measured at fair value on the acquisition date. The combination cost is the sum of fair value of cash or noncash assets paid, liabilities issued or assumed, equity securities issued, etc. for obtaining the control right of the acquiree and various direct expenses in business combination (in the business combination realized step by step through several transactions, the combination cost is the sum of the cost for each single transaction). Positive balance between the combination cost and the fair value of the identifiable net assets of the acquiree obtained by the Group on the acquisition date shall be recognized as goodwill; if the combination cost is less than the fair value of the identifiable net assets of the acquiree obtained, the fair value of various identifiable assets, liabilities and contingent liabilities obtained in the business combination and the fair value of non-cash assets or equity security issued in the consideration of combination shall be re-checked first. If the rechecked combination cost is still less than the fair value of identifiable net assets of the acquiree obtained, the balance shall be included in current non-operating revenue.

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

### 6. Preparation method of consolidated financial statements

#### (1) *Determination principles of consolidation scope*

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

#### (2) *Accounting methods of consolidated financial statements*

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

When the accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's accounting policies in preparing the consolidated financial statements.

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

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

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

### 6. Preparation method of consolidated financial statements (continued)

#### (2) Accounting methods of consolidated financial statements (continued)

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

### 7. Cash and cash equivalents

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

### 8. Foreign currency transactions and foreign currency translation

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

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

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

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

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

### 10. Customer futures deposits

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

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

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

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

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

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

##### 1) *Customer currency deposits*

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

##### 2) *Pledged deposits of customers*

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



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

### 11. Collateral management

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

### 12. Accounting for physical settlement

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

### 13. Inventories

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

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

The Group maintains a perpetual inventory system.

### 14. Long-term equity investments

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

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

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

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

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

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

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

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

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

##### 1) *Investments in subsidiaries*

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

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

For the impairment test and provisioning of the investments in subsidiaries, please refer to Note IV.20.

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

##### 2) *Investments in associates*

An associate is an enterprise over which the Group can exert significant influence (see Note IV.14(3)).

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

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

- ① Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

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

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

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

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

- ② After the acquisition of investment in an associate, the Group recognises its share of the investee's net profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the long-term equity investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. The Group recognises its share of other changes in owners' equity of an associate other than net gains or losses, other comprehensive income or profit distribution ("other changes in owners' equity") in shareholders' equity, and adjusts the carrying amount of the long-term equity investment accordingly.
- ③ In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates under the equity method. Unrealised losses resulting from transactions between the Group and its associates are recognised in full if there is evidence that the losses are the relevant asset impairment losses.
- ④ The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

For description of the Group's impairment testing method and provision for impairment method for its investments in associates, please refer to Note IV.20.

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

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

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

### 15. Investment properties

Investment properties of the Group include plants and buildings and are measured by fair value model.

#### *Adoption of fair value measurement model*

The Group adopts fair value model to subsequently measure investment properties and don't provide depreciation or amortization. The carrying amount of investment properties is adjusted based on their fair value at the balance sheet date, and the difference between the fair value and the original carrying amount is recognized in profit or loss for the current period.

When fair value mode is adopted for the measurement of investment properties, a change to the cost mode from the fair value mode is not allowed. When the use of an investment property measured using the fair value model is changed to owner-occupied, the fair value of the property at the date of transfer is used as the carrying value of the owner-occupied property, with the difference between the fair value and the original carrying value included in profit or loss for the period. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to investment properties with the carrying amount determined at the fair value at the date of the transfer. If the fair value at the date of the transfer is less than the original carrying amount of the fixed asset or the intangible asset, the difference is recognized in profit or loss for the current period; otherwise, it is included in other comprehensive income. An investment property is derecognized on disposal or when the investment properties is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment properties net of its carrying amount and related taxes and expenses is recognized in profit or loss for the current period. Amounts previously included in other comprehensive income at the original date of transfer, if any, are also carried forward to profit or loss for the period.

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

### 16. Fixed assets

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

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

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

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

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

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

#### (2) Depreciation of fixed assets

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

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

Fixed assets	Useful life	Residual value ratio	Depreciation
Plants and buildings	10-33 years	5%	2.88%-9.5%
Motor vehicles	10 years	5%	9.5%
Office equipment	4-5 years	0%-5%	19%-25%
Electronic equipment	3-5 years	0%-5%	19%-33%

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

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

### 16. Fixed assets (continued)

#### (3) Impairment test and provisioning

For the impairment test and provisioning, please refer to Note IV.20.

#### (4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- ① when the fixed assets is held for disposal; or
- ② when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

### 17. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note IV.20). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset meets the conditions for holding for sale.

The respective amortisation periods for intangible assets are as follows:

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

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

### 18. Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment provision (see Note IV.20). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

### 19. Financial instruments

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

#### (1) *Recognition and initial measurement of financial assets and financial liabilities*

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

A financial asset (unless it is a trade receivable without a significant financing component) and financial liability is measured at fair value on initial recognition. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable without a significant financing component is initially measured at the transaction price determined according to the accounting policies in Note IV.26.

#### (2) *Classification and subsequent measurement of financial assets*

##### 1) *Classification of financial assets of the Group*

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), and at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

### 19. Financial instruments (continued)

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

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

The Group classifies financial assets not designated as at FVTPL that meet both of the following conditions into financial assets at amortised cost:

- ① The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows;
- ② The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

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

- ① The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows and to sell the financial assets;
- ② The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

For investments in equity instruments not held for trading, the Group may irrevocably designate them as financial assets at FVOCI at initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer's perspective.

Except for the above-mentioned financial assets measured at amortised cost and at FVOCI, the Group classifies all other financial assets into financial assets at FVTPL. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should be measured at amortised cost or FVOCI as financial assets at FVTPL.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the sources of cash flows for financial assets managed by the Group is contractual cash flows, the sale of financial assets or both. The Group determines the business model for managing financial assets based on objective facts and specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely for payment of the principal and the interest based on the amount of principal outstanding. Of which, the principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. In addition, the Group assesses the contractual terms that may result in a change in the time distribution or amount of contractual cash flows generated by the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.



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

### 19. Financial instruments (continued)

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

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

###### ① Financial assets at FVTPL

Subsequent to initial recognition, such financial assets are measured at fair value, and the resulting gains or losses (including interest and dividend income) are included in profit or loss, unless the financial asset is a component of hedges.

###### ② Financial assets measured at amortised cost

Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortised cost and are not a component of any hedges are recognised in profit or loss at the time of derecognition or amortization using the effective interest method or recognition of impairment.

###### ③ Debt investments at FVOCI

Subsequent to initial recognition, such financial assets are measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss, and other gains or losses are included in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously recognised in other comprehensive income are transferred to profit or loss.

###### ④ Investments in equity instruments at FVOCI

Subsequent to initial recognition, such financial assets are measured at fair value. Dividend income is recognised in profit or loss, and other gains or losses are recognised in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred to retained earnings.

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

### 19. Financial instruments (continued)

#### (3) *Classification and subsequent measurement of financial liabilities*

The Group classifies financial liabilities into financial liabilities at FVTPL and financial liabilities measured at amortised cost.

① Financial liabilities at FVTPL

Such financial liabilities include financial liabilities held for trading (including derivatives which fall under financial liabilities) and financial liabilities designated as at FVTPL.

Subsequent to initial recognition, financial liabilities at FVTPL are subsequently measured at fair value and gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

② Financial liabilities measured at amortised cost

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

#### (4) *Offsetting*

Financial assets and financial liabilities are presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset, and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- ① the Group currently has a legally enforceable right to set off the recognised amounts;
- ② the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

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

### 19. Financial instruments (continued)

#### (5) *Derecognition of financial assets and financial liabilities*

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

- ① the Group's contractual rights to the cash flows from the financial asset expire;
- ② the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;
- ③ the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- ① the carrying amount of the financial asset transferred at the date of derecognition;
- ② the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) when its contractual obligation (or part of it) is extinguished.

#### (6) *Impairment*

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

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

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

### 19. Financial instruments (continued)

#### (6) Impairment (continued)

The expected credit loss model is not applicable to other financial assets measured at fair value held by the Group, including debt investments or investments in equity instruments at FVTPL, investments in equity instruments designated as at FVOCI and derivative financial assets.

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating expected credit losses is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime expected credit losses are the expected credit losses of a financial instrument that result from all possible default events over the expected life.

12-month expected credit losses are the portion of expected credit losses of a financial instrument that result from default events that are possible within 12 months after the balance sheet date (or a shorter period if the expected life of the financial instrument is less than 12 months).

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss. Expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

Except for trade receivables, the Group measures loss allowance at an amount equal to 12-month expected credit loss for the following financial instruments, and at an amount equal to lifetime expected credit loss for all other financial instruments:

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

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

### 19. Financial instruments (continued)

#### (6) Impairment (continued)

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- ① failure to make payments of principal or interest on their contractually due dates;
- ② an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- ③ an actual or expected significant deterioration in the operating results of the debtor;
- ④ existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be in default when:

- ① the counterparty is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- ② the financial asset is over 90 days past due.

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

### 19. Financial instruments (continued)

#### (6) Impairment (continued)

At each balance sheet date, the Group assesses whether financial assets measured at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- ① significant financial difficulty of the borrower or issuer;
- ② a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- ③ for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- ④ it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- ⑤ the disappearance of an active market for that financial asset because of financial difficulties of the issuer or borrower.

Expected credit losses are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the expected credit loss amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortised cost, provision is offset against their carrying amounts in the balance sheet. The Group recognises provision for debt investments at FVOCI in other comprehensive income and does not deduct the carrying amount of the financial assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition of the relevant financial asset. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of a financial asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

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

### 20. Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

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

The Group conducts impairment tests on assets with signs of impairment and estimates the recoverable amount of the assets. In addition, the Group estimates the recoverable amounts of goodwill at least annually at each year end, irrespective of whether there is any indication of impairment. The carrying amount of goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note IV.21) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash-generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

If the estimation results of the recoverable amount indicate that the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is written down to the recoverable amount, and an impairment loss is recognised in profit or loss. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups, are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

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

### 21. Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

### 22. Employee benefits

#### (1) Short-term benefits

The Group recognises employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

#### (2) Post-employment benefits – defined contribution plans

The defined contribution plans participated by the Group include:

- ① Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government.
- ② Pursuant to the relevant provisions of the Trial Measures for Enterprise Annuity, the Group's employees participate in the enterprise annuity plans considered and approved at the employee representative meeting and filed with the labour security administrative departments. The contribution amount of enterprise annuity is calculated according to the annuity plan.

Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or include in the cost of assets where appropriate.



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

### 22. Employee benefits (continued)

#### (3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- ① When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- ② When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### 23. Futures risk reserve

#### (1) Methods and uses of provision

In accordance with the requirements of the Notice of the Tentative Provisions for the Financial Management of Commodities Futures Trading (Cai Shang [1997] No. 44), the Company appropriates the futures risk reserve based on 5% of the fee income net of relevant expenses payable to futures exchanges. Futures risk reserve is specially used to make up for the loss caused by wrong single transactions of the Company, etc. The appropriation for futures risk reserve ceases when it reaches 10 times the registered capital of the Company.

In case of the following, risk loss is recognised and futures risk reserve is reduced: (1) loss on liquidation of wrong single contracts; (2) unaccountable risk loss due to the Company's own reasons; (3) unrecoverable risk loss due to customers' reasons.

#### (2) Accounting

The Company sets aside 5% of net agency fee income after deducting futures exchange fees payable as futures risk reserve, which is included in profit or loss and the "futures risk reserve" item at the same time. If futures risk reserve is utilised for intended uses, the balance of futures risk reserve is reduced to the extent of zero, and any excess is included in profit or loss.

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

### 24. Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- ① the taxable entity has a legally enforceable right to offset current tax assets and current tax liabilities;
- ② they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

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

### 25. Provision

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. If there is a continuous range of required expenditure and the probability of various results within the range is the same, the best estimate shall be determined according to the middle value within the range. In other cases, the best estimates are treated as follows:

- ① If the contingency involves a single item, it shall be determined according to the most likely amount;
- ② If the contingency involves multiple projects, it shall be determined according to various possible results and relevant probability calculation.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

### 26. Revenue

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation.

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

### 26. Revenue (continued)

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Group expects to refund to the customer is recognised as refund liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- ① the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- ② the customer can control the asset created or enhanced during the Group's performance;
- ③ the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- ① the Group has a present right to payment for the goods or services;
- ② the Group has transferred physical possession of the goods to the customer;
- ③ the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- ④ the customer has accepted the goods or services.

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

### 26. Revenue (continued)

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on factors other than the passage of time. The Group recognises loss allowances for expected credit loss on contract assets. Receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

The following is the details of the accounting policies regarding revenue from the Group's principal activities:

#### (1) *Fee income*

Fee income from futures and options brokerage is recognised on the date of agency transaction. According to futures and options agency contracts, the Group recognises the fee income based on the fee charged to customers and the net amount after deducting the collected fee paid to the exchange.

Refund and reduction of handling fees from futures exchanges are recognised by the Group on the basis of the amount of exchange reimbursement reductions received when the settlement of exchange funds is completed.

The handling fee for asset management business is recognised when the Group has the right to receive income in accordance with the asset management agreement.

The Group recognises income from risk management business in accordance with the risk management business contracts.

#### (2) *Interest income*

Interest income is calculated and determined according to the time of money lending and the effective interest rate.

#### (3) *Investment income*

Gains or losses on disposal of financial instruments and dividends received are recognised as investment income on the date of transaction.

#### (4) *Gains or losses on fair value changes*

Gains and losses arising from changes in the fair values of financial instruments are recognised on the balance sheet date at the difference between the fair value and the carrying amount.

#### (5) *Income from other business activities*

Income from other business activities is mainly from sales of goods and rendering of advisory services. The Group recognises income from sales of goods when the Group has transferred the right to spot goods to the customer after receiving goods payment according to the contract and the customer has obtained control over the goods. The Group recognises income from advisory services according to the performance progress of advisory services.

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

### 27. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group. Special government grants including investment grants that shall be treated as capital reserve as required by the relevant national documents, are capital investments rather than government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to revenue are grants other than those related to assets. A government grant related to assets is recognised as deferred income and amortised over the useful life of the related asset in a reasonable and systematic manner as other income or non-operating income. A government grant related to revenue that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or nonoperating income in the periods in which the expenses or losses are recognised, otherwise, the grant is included in other income or non-operating income directly.

### 28. Commission fees

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

### 29. General risk reserve

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

### 30. Lease

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

At inception of a contract, the Group assesses whether the contract is a lease or contains a lease. If one party under the contract transfers one or more of the right to use of the identified asset within a period of time in exchange for consideration, the contract shall be considered as a lease or containing lease.

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

### 30. Lease (continued)

To assess whether a contract conveys the one or more of rights to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:

- ① Whether an asset is typically identified by being explicitly specified in a contract. An identified asset may be specified by the contract or implicitly specified when the asset is available to the customer to use, and the asset is physically distinguishable. A capacity or other portion of an asset that is not physically distinct is not an identified asset, unless it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from use of the asset. If the supplier has the substantive right to substitute the asset throughout the period of use, the asset is not an identified asset;
- ② Whether the lessee is entitled to the right to obtain substantially all of the economic benefits from use of the identified asset during the period of use;
- ③ Whether the lessee has the right to direct the use of the identified asset during the period of use.

Where the contract contains multiple lease components, the lessee and the lessor shall separate the lease components and account for each individual lease component separately. Where the contract includes both the lease and the non-lease component, the lessee and the lessor shall separate the lease and non-lease components. For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### 1) *The Group as a lessee*

On the commencement date of lease period, the Group recognises right-of-use assets and lease liabilities on leases. The right-of-use assets are initially measured at cost, including the initial measurement amount of lease liability, the lease payment amount paid on or before the commencement date of lease period, net of the relevant amount of lease incentives enjoyed, initial direct costs incurred and the estimate cost of dismantling and removing leased assets, restoring the leased assets or restoring the leased assets to the agreed conditions of the lease term.

The Group depreciates the right-of-use assets using the straight-line method. If it is reasonably certain that the lease will transfer ownership of the underlying asset to the lessee by the end of the lease term, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses are recognised in accordance with the accounting policy described in Note IV.20.

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

### 30. Lease (continued)

#### 1) *The Group as a lessee (continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group calculates interest expenses in each period during the lease term based on a constant periodic rate of interest, and recognizes the interest expenses in profit or loss of such period or part of the cost of other related assets. Variable lease payments not included in the measurement of the lease liability are recognised in profit or loss or part of the cost of another related asset as incurred.

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

- ① there is a change in the amounts expected to be payable under a residual value guarantee;
- ② there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- ③ there is a change in the assessment of an option to purchase the underlying asset, to extend or terminate the lease, or the exercise of the option to extend or terminate the lease is different from the previous assessment.

When the lease liability is re-measured, the Group recognises the carrying amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss of such period .

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases (leases that have a lease term of 12 months or less) and leases of low-value assets, and recognised the lease payments associated with these leases in profit or loss of such period or part of the cost of another related assets on a straight-line basis over the lease term.

### 31. Profit distribution

Profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.



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

### 32. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

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

### 33. Segment reporting

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

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

### 34. Significant accounting estimates and judgments

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

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

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

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

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

### 34. Significant accounting estimates and judgments (continued)

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

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

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

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

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

#### (3) *Fair value of financial instruments*

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

#### (4) *Income tax and deferred income tax*

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

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

### 34. Significant accounting estimates and judgments (continued)

#### (5) *Determination of the consolidated scope*

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

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

### 35. Significant changes in accounting policies and accounting estimates

#### (1) *Significant changes in accounting policies*

Changes in accounting policies arising from changes in ASBEs

- 1) The Company has implemented the provisions of the Interpretation of Accounting Standards for Business Enterprises No. 15 "Judgement on Loss-making Contracts" issued by the MOF since 1 January 2022, and the change in accounting policy has no impact on the Company's financial statements.
- 2) The Company has implemented the provisions of the Interpretation of Accounting Standards for Business Enterprises No. 16 "Accounting for the Income Tax Effects of Dividends on Financial Instruments Classified as Equity Instruments by the Issuer" issued by the MOF since 30 November 2022, and the change in accounting policy has no impact on the Company's financial statements.
- 3) The Company has implemented the provisions of the Interpretation of Accounting Standards for Business Enterprises No. 16 "Accounting for the Modification of Accounting Treatment for Share-based Payment Settled in Cash by an Enterprise to Share-based Payment Settled in Equity" issued by the MOF since 30 November 2022, and the change in accounting policy has no impact on the Company's financial statements.

#### (2) *Significant changes in accounting estimates*

Nil

## V. Taxation

### Main types of taxes and corresponding tax rates

The main types of taxes and corresponding tax rates applicable to the Company and its subsidiaries are as follows:

Types of tax	Tax base	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue according to taxation laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable	6%, 9%, 13%
City maintenance and construction tax	Based on VAT effectively paid	7%
Educational surcharges	Based on VAT effectively paid	3%
Local education surcharges	Based on VAT effectively paid	2%
Property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12%	1.2%, 12%

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

## VI. Notes to Financial Statements

Unless otherwise stated, in respect of the following data disclosed in the financial statements, “beginning of the year”, “end of the year”, “the year” and “last year” refer to 1 January 2022, 31 December 2022, 1 January 2022 to 31 December 2022, and 1 January 2021 to 31 December 2021, respectively, while the currency unit is RMB yuan.

### 1. Monetary funds

Item	Closing balance	Opening balance
Cash		
Bank deposit	<b>6,226,000,243.63</b>	4,073,372,703.29
Incl.: Futures margin	<b>6,026,696,688.51</b>	3,959,706,206.55
Own funds	<b>199,303,555.12</b>	113,666,496.74
Other monetary funds	<b>91,518,213.95</b>	37,885,031.15
Accrued interest on monetary funds	<b>31,147,696.16</b>	32,384,238.89
<b>Total</b>	<b>6,348,666,153.74</b>	4,143,641,973.33
Incl.: Total amount deposited overseas	<b>212,073,061.56</b>	66,665,380.23

#### (1) Futures margin deposit breakdown

Item	Closing balance	Opening balance
CITIC Bank	<b>1,641,737,333.30</b>	1,054,078,895.82
Minsheng Bank	<b>1,002,716,318.51</b>	883,884,376.49
Industrial Bank Co., Ltd	<b>355,889,793.46</b>	1,157,480,298.10
SPD Bank	<b>980,427,016.13</b>	115,589,915.20
Bank of Communications	<b>232,686,326.14</b>	678,396,184.79
China Guangfa Bank	<b>385,816.19</b>	185,620.99
Bank of China	<b>81,242,122.61</b>	32,236,681.18
Agricultural Bank of China	<b>1,554,521,626.16</b>	8,220,606.60
China Construction Bank	<b>6,385,809.20</b>	8,958,007.41
China Merchants Bank	<b>6,168,207.97</b>	5,155,922.79
ICBC	<b>13,659,975.74</b>	10,389,858.47
Ping An Bank	<b>145,813,017.03</b>	1,572,620.46
China Everbright Bank	<b>5,062,612.82</b>	3,557,218.25
HSBC	<b>713.25</b>	
<b>Total</b>	<b>6,026,696,688.51</b>	3,959,706,206.55

#### (2) Use of restricted funds

See Note VI.55.

## VI. Notes to Financial Statements (continued)

### 2. Currency deposits receivable

#### (1) By exchange/clearer

Item	Closing balance	Opening balance
Shanghai Futures Exchange	<b>228,120,232.44</b>	186,376,259.43
Dalian Commodity Exchange	<b>422,598,170.31</b>	654,164,795.52
Zhengzhou Commodity Exchange	<b>584,716,058.68</b>	498,143,426.63
China Financial Futures Exchange	<b>571,590,270.69</b>	399,286,033.93
China Securities Depository and Clearing Corporation Limited	<b>106,353,948.02</b>	103,385,291.13
Shanghai International Energy Exchange	<b>41,354,277.79</b>	121,755,030.77
Guangzhou Futures Exchange	<b>31,644,960.36</b>	
R.J.O'Brien & Associates LLC	<b>699,278.77</b>	640,197.99
PHILLIP FUTURES PTE LTD	<b>15,165,647.12</b>	27,200,217.85
Phillip Commodities (HK) Limited	<b>6,455,946.14</b>	8,854,413.76
Marex Financial	<b>17,378,180.64</b>	11,734,143.13
G.H. Financials (Hong Kong) Limited	<b>28,280,131.35</b>	17,614,078.04
PHILLIP SECURITIES PTE LTD	<b>30,971.06</b>	8,846.86
Phillip Securities Ltd	<b>28,763.86</b>	
Hong Kong Exchanges and Clearing Limited	<b>938,002.51</b>	
Subtotal	<b>2,055,354,839.74</b>	2,029,162,735.04
Less: Provision for impairment	<b>689,769.21</b>	3,302,594.88
Total	<b>2,054,665,070.53</b>	2,025,860,140.16

#### (2) By category

Item	Closing balance	Opening balance
Settlement reserve	<b>325,732,190.49</b>	343,966,861.36
Trading margin	<b>1,660,645,727.80</b>	1,619,143,976.05
Offshore futures brokers	<b>68,976,921.45</b>	66,051,897.63
Subtotal	<b>2,055,354,839.74</b>	2,029,162,735.04
Less: Provision for impairment	<b>689,769.21</b>	3,302,594.88
Total	<b>2,054,665,070.53</b>	2,025,860,140.16

## VI. Notes to Financial Statements (continued)

### 3. Pledges deposits receivable

#### (1) Exchanges breakdown

Item	Closing balance	Opening balance
Shanghai Futures Exchange	<b>779,930,288.00</b>	428,672,112.00
Zhengzhou Commodity Exchange	–	79,350,321.60
Dalian Commodity Exchange	<b>161,125,680.00</b>	160,794,960.00
Shanghai International Energy Exchange	<b>40,152,000.00</b>	
Total	<b>981,207,968.00</b>	668,817,393.60

#### (2) Pledges breakdown

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

## VI. Notes to Financial Statements (continued)

### 3. Pledges deposits receivable (continued)

#### (2) Pledges breakdown (continued)

(continued)

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

### 4. Advance to customers

#### (1) Category of advance to customers

Item	Closing balance	Opening balance
Domestic		
Incl.: Individual		
Institutional		
Less: Provision for impairment		
Subtotal of book value		
Overseas	<b>6,014,112.34</b>	
Incl.: Individual	<b>1,926,442.29</b>	
Institutional	<b>4,087,670.04</b>	
Less: Provision for impairment	<b>60,141.13</b>	
Subtotal of book value	<b>5,953,971.21</b>	
<b>Total</b>	<b>5,953,971.21</b>	



## VI. Notes to Financial Statements (continued)

### 4. Advance to customers (continued)

#### (2) Collateral information

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

Item	Closing balance	Opening balance
Stock	<b>82,575,118.78</b>	
Total	<b>82,575,118.78</b>	

#### (3) Provision for impairment

	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss for future 12 months	Expected credit loss for the lifetime (No credit Impairment)	Expected credit loss for the lifetime (Credit impaired)	
Bad debt provision				
Balance as at 1 January 2022				
Other receivables as at 1 January 2022	-	-	-	-
Book balance for the year				
– transfer to Stage 2				
– transfer to Stage 3				
– back to Stage 2				
– back to Stage 1				
Provision in the current year	<b>60,141.13</b>			<b>60,141.13</b>
Reversal in the current year				
Write-off in the current year				
Cancellation in the current year				
Other changes				
Balance as at 31 December 2022	<b>60,141.13</b>			<b>60,141.13</b>

## VI. Notes to Financial Statements (continued)

### 5. Derivative financial instruments

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

(continued)

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

## VI. Notes to Financial Statements (continued)

### 6. Settlement currency deposits receivable

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

### 7. Other receivables

Item	Closing balance	Opening balance
Interest receivables		
Dividend receivables		
Other receivables	45,557,381.12	24,951,725.11
Total	45,557,381.12	24,951,725.11

#### 7.1 Other receivables

##### (1) Other receivables by category

Category	Closing book balance	Opening book balance
Refundable payment for PTA spot transactions	10,713,048.00	10,713,048.00
Dividends and redemptions receivable from funds and asset management plans	18,651,131.86	1,471,741.45
Securities settlement accounts receivable	8,147,335.09	3,408,975.36
OTC option margin receivable	5,868,816.88	6,849,475.86
Deposit	4,466,565.74	4,424,366.35
Others	7,823,247.48	8,458,457.81
Total	55,670,145.05	35,326,064.83

## VI. Notes to Financial Statements (continued)

### 7. Other receivables (continued)

#### 7.1 Other receivables (continued)

##### (2) Provision for bad debts on other receivables

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss for future 12 months	Expected credit loss for the lifetime (No credit Impairment)	Expected credit loss for the lifetime (Credit impaired)	
Balance as at 1 January 2022	1,268,248.92		9,106,090.80	10,374,339.72
Other receivables as at 1 January 2022	-	-	-	-
Book balance for the year				
– transfer to Stage 2	-23,516.45	23,516.45		0.00
– transfer to Stage 3				
– back to Stage 2				
– back to Stage 1				
Provision in the current year	-283,341.90	21,766.11		-261,575.79
Reversal in the current year				
Write-off in the current year				
Cancellation in the current year				
Other changes				
Balance as at 31 December 2022	961,390.57	45,282.56	9,106,090.80	10,112,763.93

##### (3) Other receivables by aging

Aging	Closing book balance
Within 1 year (Inclusive)	38,705,564.24
1 to 2 years	1,742,068.67
2 to 3 years	11,943,855.56
Over 3 years	3,278,656.58
Total	55,670,145.05

Note: As of 31 December 2022, there were no other receivables aged over three years with significant individual amounts.

## VI. Notes to Financial Statements (continued)

### 7. Other receivables (continued)

#### 7.1 Other receivables (continued)

##### (4) Provision for bad debts on other receivables

Category	Opening balance	Change for the year			Closing balance
		Provision	Recovery or reversal	Amounts charged or written off Others	
Other receivables	10,374,339.72	-261,575.79			<b>10,112,763.93</b>
Total	10,374,339.72	-261,575.79			<b>10,112,763.93</b>

##### (5) Top five other receivables categorized by debtors

Name	Category	Closing book balance	Aging	Proportion to closing balance of other receivables as at the end of the year (%)	Closing balance of bad debt provision
China Universal Asset Management (Hong Kong) Company Limited (匯添富資產管理(香港)有限公司)	Dividends and redemptions receivable from funds and asset management plans	<b>12,807,124.91</b>	Within 1 year	23.01%	
Hanbang (Jiangyin) Petrochemical Co., Ltd. (漢邦(江陰)石化有限公司)	Refundable payment for PTA spot transactions	<b>10,713,048.00</b>	2 to 3 years	19.24%	<b>9,106,090.80</b>
Shanghai Baixi Private Equity Fund Management Co., Ltd.* (上海白溪私募基金管理有限公司)	Dividends and redemptions receivable from funds and asset management plans	<b>4,231,715.73</b>	Within 1 year	7.60%	
People's Insurance Company of China Limited, Xuzhou Branch (中國人民財產保險股份有限公司徐州市分公司)	OTC option margin receivable	<b>2,738,069.85</b>	Within 1 year	4.92%	<b>136,903.49</b>
Dalian Commodity Exchange	Liquidation receivables	<b>2,588,162.61</b>	Within 1 year	4.65%	-
Total	—	<b>33,078,121.10</b>	-	59.42%	<b>9,242,994.29</b>

##### (6) Borrowings due from employees

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

## VI. Notes to Financial Statements (continued)

### 8. Financial assets purchased under resale agreements

Item	Closing balance	Opening balance
Treasury bond reverse repurchase	-	6,719,000.00
Total	-	6,719,000.00

### 9. Financial assets held for trading

#### (1) Breakdown

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss		
Incl.: Investments in debt instruments	<b>154,224,643.74</b>	223,644,052.46
Investments in equity instruments	<b>404,626,894.41</b>	616,775,582.00
Total	<b>558,851,538.15</b>	840,419,634.46

- (2) For details of the financial assets held for trading with commitment conditions or restrictions, see Note VI. 55 Assets with restricted ownership or use rights.

### 10. Inventory

#### (1) Category

Item	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories/impairment provision of contract performance costs	Book value	Book balance	Provision for decline in value of inventories/impairment provision of contract performance costs	Book value
Inventory goods	-		-	9,531.74		9,531.74
Total	-		-	9,531.74		9,531.74

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

## VI. Notes to Financial Statements (continued)

### 11. Long term equity investment

Investees	Opening balance (Book value)	Change for this year								Closing balance (Book value)	Provision for impairment Closing balance
		Additional investment	Investment reduction	Investment gain/loss recognised with equity method	Other comprehensive income adjustment	Other equity change	Declared cash dividend or profit	Provision for impairment	Others		
I. Joint ventures											
II. Associates											
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	4,787,111.14			1,318,777.13							6,105,888.27
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	2,249,016.62			-102,489.00	-29.18						2,146,498.44
Total	7,036,127.76			1,216,288.13	-29.18						8,252,386.71

### 12. Futures membership investment

#### (1) Breakdown

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

(continued)

Item	Opening balance		
	Book balance	Provision for impairment	Book value
Futures membership investment	1,808,800.00		1,808,800.00
Total	1,808,800.00		1,808,800.00

## VI. Notes to Financial Statements (continued)

### 12. Futures membership investment (continued)

#### (2) Classified by exchange

Item	Closing balance	Opening balance
Shanghai Futures Exchange	500,000.00	500,000.00
Dalian Commodity Exchange	500,000.00	500,000.00
Zhengzhou Commodity Exchange	400,000.00	400,000.00
Hong Kong Futures Exchange	446,635.00	408,800.00
<b>Total</b>	<b>1,846,635.00</b>	1,808,800.00

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

### 13. Investment properties

#### (1) Investment properties measured by fair value model

Item	Plants and buildings	Total
I. Opening balance		
II. Change for the year	48,420,728.00	48,420,728.00
Add: Purchases	43,373,555.17	43,373,555.17
Transfer from inventories/fixed assets/work in progress		
Increase in business combinations		
Less: Disposal		
Other transfers		
Add: Changes in fair value	5,047,172.83	5,047,172.83
III. Closing balance	48,420,728.00	48,420,728.00

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



## VI. Notes to Financial Statements (continued)

### 14. Fixed assets

Item	Closing book value	Opening book value
Fixed assets	<b>324,646,521.40</b>	14,899,414.00
Disposal of fixed assets		
<b>Total</b>	<b>324,646,521.40</b>	14,899,414.00

#### 14.1 Fixed assets

##### (1) Details of fixed assets

Item	Plants and buildings	Vehicles	Office furniture	Electronic equipment	Total
I. Book cost					
1. Opening balance		4,530,441.60	647,047.14	50,321,958.08	55,499,446.82
2. Current increase	308,986,925.21		5,990,556.63	706,152.10	315,683,633.94
(1) Purchase	35,000,000.00		5,990,556.63	706,152.10	41,696,708.73
(2) Transfer from work in progress	273,986,925.21				273,986,925.21
(3) Increase in business combinations					
3. Current decrease				2,169,454.31	2,169,454.31
(1) Disposal or scrap				2,169,454.31	2,169,454.31
(2) Transfer to work in process					
4. Exchange difference			7,860.41	142,116.83	149,977.24
5. Closing balance	308,986,925.21	4,530,441.60	6,645,464.18	49,000,772.70	369,163,603.69
II. Cumulative depreciation					
1. Opening balance		3,819,348.80	231,810.63	36,548,873.39	40,600,032.82
2. Current increase		75,130.21	180,614.29	5,595,117.89	5,850,862.39
(1) Provision		75,130.21	180,614.29	5,595,117.89	5,850,862.39
3. Current decrease				2,061,152.05	2,061,152.05
(1) Disposal or scrap				2,061,152.05	2,061,152.05
(2) Transfer to work in process					
4. Exchange difference			6,756.93	120,582.20	127,339.13
5. Closing balance		3,894,479.01	419,181.85	40,203,421.43	44,517,082.29
III. Provision for impairment					
IV. Book value					
1. Closing book value	308,986,925.21	635,962.59	6,226,282.33	8,797,351.27	324,646,521.40
2. Opening book value		711,092.80	415,236.51	13,773,084.69	14,899,414.00

##### (2) Fixed assets without registered title certificates

Item	Book value	Reasons for not obtained certificates
Underground parking space in Hexi Financial City	35,000,000.00	Housing Authority has not yet surveyed and mapped

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

## VI. Notes to Financial Statements (continued)

### 15. Right-of-use assets

#### (1) Right-of-use assets breakdown

Item	Lease housing	Total
I. Book cost		
1. Opening balance	74,881,707.35	74,881,707.35
2. Current increase	9,943,529.38	9,943,529.38
(1) Rent	9,943,529.38	9,943,529.38
(2) Business merger increase		
3. Current decrease		
(1) Disposal		
4. Exchange difference	458,323.71	458,323.71
5. Closing balance	85,283,560.44	85,283,560.44
II. Cumulative depreciation		
1. Opening balance	50,225,717.77	50,225,717.77
2. Current increase	12,593,104.51	12,593,104.51
(1) Provision	12,593,104.51	12,593,104.51
3. Current decrease		
(1) Disposal		
4. Exchange difference	309,884.40	309,884.40
5. Closing balance	63,128,706.68	63,128,706.68
III. Provision for impairment		
IV. Book value		
1. Closing book value	22,154,853.76	22,154,853.76
2. Opening book value	24,655,989.58	24,655,989.58

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

## VI. Notes to Financial Statements (continued)

### 16. Intangible assets

#### (1) Intangible assets breakdown

Item	Software	Customer relations	Total
I. Book cost			
1. Opening balance	7,726,476.75	6,100,000.00	13,826,476.75
2. Current increase			
(1) Purchase			
3. Current decrease			
(1) Disposal or scrap			
4. Exchange difference	54,861.41		54,861.41
5. Closing balance	7,781,338.16	6,100,000.00	13,881,338.16
II. Cumulative amortisation			
1. Opening balance	6,701,272.12	6,100,000.00	12,801,272.12
2. Current increase	534,644.63		534,644.63
(1) Provision	534,644.63		534,644.63
3. Current decrease			
(1) Disposal or scrap			
4. Exchange difference	9,459.41		9,459.41
5. Closing balance	7,245,376.16	6,100,000.00	13,345,376.16
III. Provision for impairment			
IV. Book value			
1. Closing book value	535,962.00		535,962.00
2. Opening book value	1,025,204.63		1,025,204.63

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

## VI. Notes to Financial Statements (continued)

### 17. Deferred income tax assets

#### (1) Deferred income tax assets without offset

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Employee compensation payable	1,283,424.23	320,856.06	19,655,122.19	4,913,780.55
Credit impairment loss	10,064,006.47	2,516,001.62	10,326,151.10	2,581,537.78
Accrued expenses	562,731.13	140,682.78	3,300,766.11	825,191.53
Changes in the fair value of derivative financial instruments	11,209,129.87	2,802,282.47	3,305,416.91	826,354.23
Changes in the fair value of financial assets/liabilities held for trading	14,210,940.30	3,552,735.08		
Unrealized profit of internal transactions	19,080,531.24	4,770,132.81		
Others	25,094,200.61	3,796,790.54	2,141,723.92	535,430.98
Total	81,504,963.85	17,899,481.36	38,729,180.23	9,682,295.07

#### (2) Deferred income tax liabilities without offset

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in the fair value of investment properties	5,047,172.83	1,261,793.21		
Changes in the fair value of financial assets/liabilities held for trading	-	-	9,153,015.98	2,288,254.00
Total	5,047,172.83	1,261,793.21	9,153,015.98	2,288,254.00

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

Item	Deferred income tax assets and liabilities offset closing amount	Deferred income tax asset or liability balance after offset closing amount	Deferred income tax assets and liabilities offset opening amount	Deferred income tax asset or liability balance after offset opening amount
Deferred income tax assets	-1,261,793.21	16,637,688.15	-2,288,254.00	7,394,041.07
Deferred income tax liabilities	-1,261,793.21		-2,288,254.00	

## VI. Notes to Financial Statements (continued)

### 17. Deferred income tax assets (continued)

#### (4) Unrecognised deferred income tax assets breakdown

Item	Closing balance	Opening balance
Provision for goodwill impairment	<b>53,167,251.21</b>	53,167,251.21
Deductible losses	<b>60,503,354.48</b>	58,466,875.71
Total	<b>113,670,605.69</b>	111,634,126.92

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

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

### 18. Other assets

#### (1) Breakdown

Item	Closing balance	Opening balance
Advance payments	<b>11,477,128.44</b>	281,485,696.70
Prepaid expenses	<b>4,149,603.18</b>	6,995,142.68
Taxes to be refunded, deducted and settled	<b>10,186,154.63</b>	1,960,559.20
Overseas futures exchange deposit	<b>1,495,720.38</b>	1,369,016.07
Others	–	3,585,849.06
Total	<b>27,308,606.63</b>	295,396,263.71

## VI. Notes to Financial Statements (continued)

### 19. Currency deposits payable

#### (1) By customer category

Customer category	Closing balance		Opening balance	
	QTY	Amount	QTY	Amount
Natural persons	86,124	3,560,910,941.04	85,991	3,244,516,564.70
Legal persons	2,767	3,531,809,672.37	3,070	2,017,295,316.72
<b>Total</b>	<b>88,891.00</b>	<b>7,092,720,613.41</b>	89,061	5,261,811,881.42

#### (2) By exchange

Exchange	Closing balance		Opening balance	
	QTY	Amount	QTY	Amount
Domestic futures exchanges				
Incl.: Shanghai Futures Exchange	1,921	792,479,712.60	2,062	520,554,746.95
Dalian Commodity Exchange	2,644	405,381,873.13	2,590	507,598,638.10
China Financial Futures Exchange	385	552,803,803.08	330	362,963,783.28
Zhengzhou Commodity Exchange	2,704	345,014,968.25	2,819	419,692,429.65
Shanghai International Energy Exchange	73	14,668,889.00	106	35,442,258.80
China Securities Depository and Clearing Corporation Limited	17	6,421,198.50	16	7,519,835.67
Guangzhou Futures Exchange	9	325,260.00		
<b>Subtotal</b>	<b>7,753</b>	<b>2,117,095,704.56</b>	7,923	1,853,771,692.45
Overseas futures brokers	4,917	181,548,922.60	2,095	89,679,035.34
<b>Total</b>	<b>12,670</b>	<b>2,298,644,627.16</b>	10,018	1,943,450,727.79

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

## VI. Notes to Financial Statements (continued)

### 20. Pledged deposits payable

#### (1) By customer category

Customer category	Closing balance		Opening balance	
	QTY	Amount	QTY	Amount
Legal persons	9	981,207,968.00	5	668,817,393.60
Total	9	981,207,968.00	5	668,817,393.60

#### (2) By exchange

Exchange	Closing balance	Opening balance
Shanghai Futures Exchange	779,930,288.00	428,672,112.00
Dalian Commodity Exchange	161,125,680.00	160,794,960.00
Zhengzhou Commodity Exchange	-	79,350,321.60
Shanghai International Energy Exchange	40,152,000.00	
Total	981,207,968.00	668,817,393.60

### 21. Financial liabilities held for trading

Item	Closing balance	Opening balance
Financial liabilities at fair value through profit or loss	86,445,401.37	86,471,254.16
Incl.: Accounts payable	86,445,401.37	86,471,254.16

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

Item	Changes of fair value at the end of year	Cumulative changes of fair values due to changes of their own credit risks
Accounts payable	-10,708,270.70	Nil

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

## VI. Notes to Financial Statements (continued)

### 22. Financial assets sold under repurchase agreements

#### (1) By business category

Item	Closing balance	Opening balance
Bonds	<b>35,197,232.68</b>	32,625,838.11
Total	<b>35,197,232.68</b>	32,625,838.11

#### (2) Security information

Item	Closing balance	Opening balance
Bonds	<b>54,624,177.03</b>	54,775,333.50
Total	<b>54,624,177.03</b>	54,775,333.50

### 23. Futures risk provision

#### (1) Breakdown

Item	Opening balance	Current increase	Current decrease	Closing balance
Futures risk provision	151,215,411.17	9,635,966.53		<b>160,851,377.70</b>
Total	151,215,411.17	9,635,966.53		<b>160,851,377.70</b>

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

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

### 24. Payable to futures investors protection fund

#### (1) Breakdown

Item	Opening balance	Current increase	Current decrease	Closing balance
Payable to futures investors protection fund	522,926.88	394,202.72	522,855.31	<b>394,274.29</b>
Total	522,926.88	394,202.72	522,855.31	<b>394,274.29</b>

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

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



## VI. Notes to Financial Statements (continued)

### 25. Employee compensation payable

#### (1) Employee compensation payable by category

Item	Opening balance	Current increase	Current decrease	Closing balance
Short-term compensation	20,659,015.94	138,806,391.24	156,583,504.22	<b>2,881,902.96</b>
Post-employment benefits-setting up a contribution plan	-	21,493,334.80	21,492,436.53	<b>898.27</b>
Dismissal benefits		18,000.00	18,000.00	-
<b>Total</b>	<b>20,659,015.94</b>	<b>160,317,726.04</b>	<b>178,093,940.75</b>	<b>2,882,801.23</b>

#### (2) Short term compensation

Item	Opening balance	Current increase	Current decrease	Closing balance
Salary, bonus, subsidy and allowance	20,121,777.68	113,037,553.31	130,933,753.60	<b>2,225,577.39</b>
Workers benefits	-	2,931,869.04	2,931,869.04	-
Social insurance premiums		10,461,140.81	10,358,329.75	<b>102,811.06</b>
Incl.: Medical insurance premiums		9,628,836.82	9,531,462.76	<b>97,374.06</b>
Work injury insurance premiums		191,536.36	191,536.36	-
Maternity insurance premiums		640,767.63	635,330.63	<b>5,437.00</b>
Housing reserve fund		9,776,419.54	9,776,419.54	-
Labour union funding and employee education funding	537,238.26	2,599,408.54	2,583,132.29	<b>553,514.51</b>
<b>Total</b>	<b>20,659,015.94</b>	<b>138,806,391.24</b>	<b>156,583,504.22</b>	<b>2,881,902.96</b>

#### (3) Contribution plan

Item	Opening balance	Current increase	Current decrease	Closing balance
Basic pension		15,375,658.47	15,375,658.47	
Unemployment insurance		475,891.80	475,891.80	
Corporate annuity		5,641,784.53	5,640,886.26	<b>898.27</b>
<b>Total</b>		<b>21,493,334.80</b>	<b>21,492,436.53</b>	<b>898.27</b>

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

For each of the two financial years ended 31 December 2021 and 2022, there were no forfeited contributions under the Group's defined contribution schemes (represented by employees who left the schemes before the contributions were fully vested) available to the Group to reduce the existing level of contributions.

## VI. Notes to Financial Statements (continued)

### 26. Taxes payable

Item	Closing balance	Opening balance
Enterprise income tax	<b>1,576,337.09</b>	4,087,590.83
VAT	<b>1,085,254.21</b>	1,771,663.92
Taxes and surcharges	<b>479,247.64</b>	148,589.64
Withholding of personal income tax	<b>7,747.11</b>	8,034.85
Total	<b>3,148,586.05</b>	6,015,879.24

### 27. Contract liabilities

Item	Closing balance	Opening balance
Receipts in advance	–	1,000,000.00
Total	–	1,000,000.00

### 28. Other payables

Item	Closing balance	Opening balance
Interest payable		
Dividend payable	<b>30,233,333.34</b>	
Other payables	<b>119,202,111.60</b>	26,281,420.68
Total	<b>149,435,444.94</b>	26,281,420.68

#### 28.1 Dividend payable

Item	Closing balance	Opening balance
Dividend on ordinary shares	<b>30,233,333.34</b>	–
Total	<b>30,233,333.34</b>	–

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

#### 28.2 Other payables

Item	Closing balance	Opening balance
Margins payable	<b>51,782,717.89</b>	2,034,551.68
Construction payable	<b>33,069,190.75</b>	
Pending settlement of asset management plan	<b>9,485,656.83</b>	1,085,141.20
Risk guarantee payable	<b>4,055,950.48</b>	4,247,710.09
Auditor's fee payable	<b>3,440,000.00</b>	1,641,219.20
Settlement payable	<b>2,535,772.56</b>	
Others	<b>14,832,823.09</b>	17,272,798.51
Total	<b>119,202,111.60</b>	26,281,420.68

## VI. Notes to Financial Statements (continued)

### 29. Long term borrowings

#### (1) Category of long-term borrowings

Item	Closing balance	Opening balance
Mortgage borrowings	89,174,605.23	117,197,967.93
Total	89,174,605.23	117,197,967.93

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

Type of borrowings	Closing balance	Opening balance
Mortgage borrowings	89,174,605.23	117,197,967.93
Total	89,174,605.23	117,197,967.93

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

Within one year	28,190,555.23	28,242,949.93
After one year from the balance sheet date but within two years	27,970,968.00	27,970,968.00
After two years from the balance sheet date but within five years	33,013,082.00	60,984,050.00
Total	89,174,605.23	117,197,967.93

### 30. Lease liability

Item	Closing balance	Opening balance
Within 1 year	13,339,653.56	11,051,398.16
1-2 yrs	8,179,382.17	7,408,033.43
2-5 yrs	1,054,279.74	6,371,672.21
Book value of lease liability	22,573,315.47	24,831,103.80

### 31. Provisions

Item	Closing balance	Opening balance
Expected litigation losses	-	1,969,920.97
Total	-	1,969,920.97

Note: The Group accrued an expected litigation loss of RMB1,969,920.97 in 2021 for the litigation case against Mr./Ms. JIAO and Mr./Ms. XING, which was ruled on 2 April 2022 and the relevant compensation was settled.

## VI. Notes to Financial Statements (continued)

### 32. Share capital

Shareholders	Opening balance	Current change (+/-)					Subtotal	Closing balance
		New issue	Bonus issue	Provident fund conversion	Others			
Shares with trading moratorium:	657,300,000.00						<b>657,300,000.00</b>	
Incl.: Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	275,456,777.00						<b>275,456,777.00</b>	
Jiangsu Holly Corporation (Jiangsu Holly Corporation (江蘇弘業股份有限公司))	147,900,000.00						<b>147,900,000.00</b>	
Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司)	143,548,000.00						<b>143,548,000.00</b>	
Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司)	63,930,134.00						<b>63,930,134.00</b>	
Shanghai Mingda Industrial (Group) Company Limited (上海銘大實業(集團)有限公司)	9,276,631.00						<b>9,276,631.00</b>	
Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司)	8,903,113.00						<b>8,903,113.00</b>	
Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司)	8,285,345.00						<b>8,285,345.00</b>	
Shares without trading moratorium:	249,700,000.00	100,777,778.00					<b>350,477,778.00</b>	
Incl.: HK stocks tradable	249,700,000.00						<b>249,700,000.00</b>	
Renminbi ordinary shares		100,777,778.00					<b>100,777,778.00</b>	
<b>Total</b>	<b>907,000,000.00</b>	<b>100,777,778.00</b>					<b>1,007,777,778.00</b>	

### 33. Capital reserve

Item	Opening balance	Current increase	Current decrease	Closing balance
Share premium	533,124,529.52	60,576,580.20		<b>593,701,109.72</b>
Others	4,701,890.00			<b>4,701,890.00</b>
<b>Total</b>	<b>537,826,419.52</b>	<b>60,576,580.20</b>		<b>598,402,999.72</b>

Note: According to "the Approval of the Initial Public Offering of Shares by Holly Futures Co., Limited" (Securities Regulatory Permit No. [2022] 1135) approved by the CSRC, the Company was permitted to make a public offering to the public of RMB100,777,778 ordinary shares ("A" shares) of RMB1 each. The issue price was RMB1.86, raising total proceeds of RMB187,446,667.08, after deduction of underwriting fees, sponsorship fees and other related issuance expenses incurred, net proceeds raised amounted to RMB161,354,358.20, of which the increase in share capital was RMB100,777,778.00, and the increase in capital reserve was RMB60,576,580.20.

## VI. Notes to Financial Statements (continued)

### 34. Other comprehensive income

Item	Opening balance	Amount incurred in the year					After tax attributable to minority shareholders	Closing balance
		Before current income tax	Less: Transfer from previous other comprehensive income to current profit or loss	Less: Transfer from previous other comprehensive income to current retained earnings	Less: Income tax expense	After tax attributable to the parent		
I. Other comprehensive income that cannot be reclassified into profit or loss								
II. Other comprehensive income to be reclassified into profit and loss								
Incl.: Other comprehensive income that can be converted to profit or loss with equity method	70.39	-29.18				-29.18	41.21	
Translation difference of foreign currency financial statements	-7,385,238.84	11,653,997.72				11,653,997.72	4,268,758.88	
Others								
<b>Total of other comprehensive income</b>	<b>-7,385,168.45</b>	<b>11,653,968.54</b>				<b>11,653,968.54</b>	<b>4,268,800.09</b>	

## VI. Notes to Financial Statements (continued)

### 35. Surplus reserve

Item	Opening balance	Current increase	Current decrease	Closing balance
Statutory surplus reserve	66,606,194.62	<b>3,622,475.91</b>		<b>70,228,670.53</b>
Total	66,606,194.62	<b>3,622,475.91</b>		<b>70,228,670.53</b>

### 36. General risk provision

Item	Opening balance	Current increase	Current decrease	Closing balance
General risk provision	92,485,771.99	<b>3,622,475.91</b>		<b>96,108,247.90</b>
Total	92,485,771.99	<b>3,622,475.91</b>		<b>96,108,247.90</b>

### 37. Undistributed profit

Item	Current year	Last year
Balance at the end of previous year	<b>85,633,789.00</b>	67,503,955.76
Add: Others		-371,877.91
Balance at the beginning of current year	<b>85,633,789.00</b>	67,132,077.85
Add: Current net profit attributable to shareholders of parent company	<b>12,381,909.10</b>	80,211,471.47
Less: Statutory surplus reserve	<b>3,622,475.91</b>	8,179,880.16
Appropriation for general risk reserve	<b>3,622,475.91</b>	8,179,880.16
Dividend payable on ordinary shares	<b>30,233,333.34</b>	45,350,000.00
Balance at the end of current year	<b>60,537,412.94</b>	85,633,789.00

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

## VI. Notes to Financial Statements (continued)

### 38. Net handling fee and commission income

#### (1) Net handling fee and commission income breakdown

Item	Amount incurred in the year	Amount incurred in last year
Net brokerage fee income	<b>23,083,351.45</b>	31,677,823.64
Exchange fee reduction deemed as income	<b>215,000,099.48</b>	242,935,384.10
Net brokerage fee income subtotal	<b>238,083,450.93</b>	274,613,207.74
Asset management business income	<b>7,765,905.63</b>	11,216,236.43
Total	<b>245,849,356.56</b>	285,829,444.17

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

Administrative regions	Amount incurred in the year		Amount incurred in last year	
	Number of branches	Net handling fee and commission income	Number of branches	Net handling fee and commission income
Jiangsu Province	<b>22</b>	<b>201,756,745.10</b>	22	228,254,395.16
Fujian Province	<b>2</b>	<b>6,823,089.89</b>	2	8,142,191.25
Shanghai	<b>2</b>	<b>3,436,009.88</b>	2	5,969,734.05
Zhejiang Province	<b>2</b>	<b>5,668,178.01</b>	2	7,355,252.53
Henan Province	<b>1</b>	<b>2,234,018.05</b>	1	4,326,767.65
Guangdong Province	<b>3</b>	<b>2,245,537.25</b>	3	3,219,301.20
Beijing	<b>2</b>	<b>1,492,148.28</b>	2	2,287,775.74
Hong Kong, China	<b>1</b>	<b>4,633,688.15</b>	1	1,940,420.31
Shandong Province	<b>2</b>	<b>5,097,976.28</b>	2	5,538,829.87
Shaanxi Province	<b>1</b>	<b>1,576,289.96</b>	1	4,001,717.60
Anhui Province	<b>2</b>	<b>1,525,205.96</b>	2	2,968,667.91
Liaoning Province	<b>2</b>	<b>2,074,476.12</b>	2	2,767,997.90
Guangxi Province	<b>1</b>	<b>1,256,849.65</b>	1	2,267,712.72
Hunan Province	<b>1</b>	<b>1,183,770.14</b>	1	2,482,675.78
Chongqing	<b>1</b>	<b>3,622,258.08</b>	1	1,649,449.92
Sichuan Province	<b>1</b>	<b>325,975.58</b>	1	691,652.07
Shanxi Province	<b>1</b>	<b>613,955.76</b>	1	1,272,397.79
Hainan Province	<b>1</b>	<b>283,184.42</b>	1	692,504.72
Total	<b>48</b>	<b>245,849,356.56</b>	48	285,829,444.17

## VI. Notes to Financial Statements (continued)

### 39. Net interest income

Item	Amount incurred in the year	Amount incurred in last year
Interest income		
Incl.: Interest income from customer deposit	<b>79,204,806.88</b>	74,536,722.34
Interest income from own funds deposit	<b>13,323,850.01</b>	10,260,687.14
Interest income from repurchase agreements	<b>374,452.84</b>	186,592.73
Total interest income	<b>92,903,109.73</b>	84,984,002.21
Interest expense		
Incl.: Interest expense on sale and repurchase	<b>681,419.29</b>	865,777.02
Total interest expenses	<b>681,419.29</b>	865,777.02
Net interest income	<b>92,221,690.44</b>	84,118,225.19

### 40. Investment gains

#### (1) Investment gains breakdown

Item	Amount incurred in the year	Amount incurred in last year
Long term equity investment gains calculated with cost method		
Long term equity investment gains calculated with equity method	<b>1,216,288.13</b>	-451,723.98
Incl.: Gains on investment in associates	<b>1,216,288.13</b>	-451,723.98
Gains on investment in joint ventures		
Investment gains from disposal of long term equity investment		
Financial instrument investment gains	<b>-40,665,557.85</b>	25,428,485.54
Incl.: Grains on financial instrument during holding period	<b>16,659,954.89</b>	31,055,469.27
– Financial instrument held for trading	<b>16,659,954.89</b>	31,055,469.27
Proceeds from disposal	<b>-57,325,512.74</b>	-5,626,983.73
– Financial derivatives	<b>-2,241,308.35</b>	-34,564,921.92
– Financial instrument held for trading	<b>-55,084,204.39</b>	28,937,938.19
Others		
Total	<b>-39,449,269.72</b>	24,976,761.56



## VI. Notes to Financial Statements (continued)

### 40. Investment gains (continued)

#### (2) Gains of investment in associates

Item	Amount incurred in the year	Amount incurred in last year
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	1,318,777.13	-592,738.57
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	-102,489.00	141,014.59
Total	1,216,288.13	-451,723.98

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

### 41. Other incomes

Item	Amount incurred in the year	Amount incurred in last year
Government subsidies	904,765.09	3,197,691.90
Individual income tax refund	131,823.97	57,046.61
Total	1,036,589.06	3,254,738.51

#### (1) Government subsidies included in profit or loss for the year

Subsidy	Amount	Related to assets/gains	Issuing authority	Approval document
Job stabilization subsidy	1,754.60	Related to income	Development and Reform Commission of Sichuan Province	Notice on the Publication of the Implementation Plan for the Implementation of Certain Policies to Promote the Resumption and Development of Difficult Industries in the Service Sector in Sichuan Province
Job stabilization subsidy	5,464.58	Related to income	Department of Human Resources and Social Security, Guangxi Zhuang Autonomous Region	Notice of the Department of Human Resources and Social Security of Guangxi Zhuang Autonomous Region, Department of Finance of Guangxi Zhuang Autonomous Region, State Administration of Taxation of Guangxi Zhuang Autonomous Region on the Work of Stabilizing Jobs and Enhancing Skills to Prevent Unemployment by Unemployment Insurance
Job stabilization subsidy	7,673.81	Related to income	Hefei Human Resources and Social Security Bureau	Notice on the Implementation of the Policy on Supporting Enterprises to Stabilize Jobs
Job stabilization subsidy	8,300.00	Related to income	Department of Human Resources and Social Security of Shanxi Province	Notice on Forwarding the Circular of the Ministry of Human Resources and Social Security, Ministry of Finance, State Administration of Taxation on the Work of Stabilizing Jobs and Enhancing Skills to Prevent Unemployment

## VI. Notes to Financial Statements (continued)

### 41. Other incomes (continued)

#### (1) Government subsidies included in profit or loss for the year (continued)

Subsidy	Amount	Related to assets/gains	Issuing authority	Approval document
Job stabilization subsidy	2,366.00	Related to income	Lianyungang Municipal People's Government	Circular of the Municipal Government on Certain Policies and Measures to Further Assist Market Entities in Relieving Their Difficulties and Promoting the Real Economy to Accelerate Recovery and Stabilize Economic Growth
Job stabilization subsidy	14,364.00	Related to income	Department of Human Resources and Social Security of Liaoning Province, Department of Finance of Liaoning Province, State Administration of Taxation, Liaoning Provincial Taxation Bureau	Notice on Further Improving the Relief Work for Enterprises and Protection of People's Livelihood
Job stabilization subsidy	4,841.06	Related to income	Department of Human Resources and Social Security of Shandong Province, Department of Finance of Shandong Province, State Administration of Taxation, Shandong Provincial Taxation Bureau	Notice from the Shandong Provincial Department of Finance, State Administration of Taxation, Shandong Provincial Taxation Bureau on the Implementation of the Policy of Stabilizing Jobs and Enhancing Skills to Prevent Unemployment
Job stabilization subsidy	8,945.28	Related to income	Department of Human Resources and Social Security of Fujian Province	Circular of Fujian Provincial Department of Human Resources and Social Security, Fujian Provincial Department of Finance, State Administration of Taxation, Fujian Provincial Bureau of Taxation on the Work of Stabilizing Jobs and Enhancing Skills to Prevent Unemployment
Job stabilization subsidy	7,678.00	Related to income	Ministry of Human Resources and Social Security Ministry of Finance, State Administration of Taxation	Circular of the Ministry of Human Resources and Social Security, Ministry of Finance and State Administration of Taxation on the Work of Stabilizing Jobs and Enhancing Skills to Prevent Unemployment
Job stabilization subsidy	4,872.96	Related to income	Office of Shaanxi Provincial People's Government	Measures to Further Increase Relief and Assistance to Small and Medium Enterprises in Shaanxi Province
Job stabilization subsidy	3,410.36	Related to income	Shenzhen Municipal People's Government	Shenzhen Municipality's Measures to Further Assist Market Entities to Alleviate their Difficulties in Response to the New Coronary Pneumonia Epidemic
Job stabilization subsidy	19,026.00	Related to income	Suzhou Municipal People's Government	Notice on Certain Policy Measures to Further Help Market Entities to Relieve Difficulties and Stabilize Economic Growth Issued by the Municipal Government

## VI. Notes to Financial Statements (continued)

### 41. Other incomes (continued)

#### (1) Government subsidies included in profit or loss for the year (continued)

Subsidy	Amount	Related to assets/gains	Issuing authority	Approval document
Job stabilization subsidy	14,495.93	Related to income	Department of Human Resources and Social Security of Jiangsu Province	Notice on the Continuation of Some Policy Measures to Reduce Burdens and Stabilize Employment by the Provincial Department of Human Resources and Social Security Provincial Development and Reform Commission Provincial Department of Education Provincial Department of Finance Provincial Military Mobilization Bureau
Job stabilization subsidy	77,213.00	Related to income	Department of Human Resources and Social Security of Jiangsu Province	Notice from the Department of Human Resources and Social Security on Actively Responding to the Epidemic and Further Improving Work to Protect Enterprises and Stabilize Employment for the People's Livelihood
Job stabilization subsidy	20,192.00	Related to income	Department of Human Resources and Social Security of Jiangsu Province, State Administration of Taxation, Department of Finance of Jiangsu Province, Taxation Bureau of Jiangsu Province	Notice from the Provincial Department of Human Resources and Social Security, Provincial Department of Finance and Provincial Taxation Bureau on the Work of Stabilizing Jobs and Enhancing Skills to Prevent Unemployment
Job stabilization subsidy	10,994.00	Related to income	Jiangsu Provincial People's Government	Circular on Certain Policy Measures to Further Assist Market Entities to Relieve Difficulties and Stabilize Economic Growth issued by the Provincial Government
Job stabilization subsidy	1,987.00	Related to income	Nantong Municipal Bureau of Human Resources and Social Security	The Implementation Opinions of the Municipal Bureau of Human Resources and Social Security and the Municipal Bureau of Finance on the Implementation of the Policy of Stabilization and Expansion of Unemployment Insurance in Nantong City
Job stabilization subsidy	1,544.56	Related to income	Department of Human Resources and Social Security of Anhui Province	Notice on the Implementation of the Policy on Assisting Enterprises to Stabilize Their Jobs
Job stabilization subsidy	2,605.00	Related to income	Chongqing Municipal Bureau of Human Resources and Social Security	Notice on the Work of Unemployment Insurance to Support Job Stabilization in Difficult Industries
Job stabilization subsidy	315.92	Related to income	Department of Human Resources and Social Security of Guangdong Province	Notice of the Department of Human Resources and Social Security of Guangdong Province on the Continuation of the Policy of Job Stabilization and Expansion
Job stabilization subsidy	9,289.22	Related to income	Department of Human Resources and Social Security of Guangdong Province	Notice on the Work of Unemployment Insurance to Stabilize Positions and Enhance Skills to Prevent Unemployment

## VI. Notes to Financial Statements (continued)

### 41. Other incomes (continued)

#### (1) Government subsidies included in profit or loss for the year (continued)

Subsidy	Amount	Related to assets/gains	Issuing authority	Approval document
Job stabilization subsidy	15,116.35	Related to income	Department of Human Resources and Social Security of Zhejiang Province	Notice of the Department of Human Resources and Social Security of Zhejiang Province, Department of Finance of Zhejiang Province, State Administration of Taxation of Zhejiang Province on the Work of Stabilizing Jobs and Enhancing Skills to Prevent Unemployment
Job stabilization subsidy	18,615.46	Related to income	Zhengzhou Municipal Bureau of Human Resources and Social Security, Zhengzhou Municipal Bureau of Finance, State Administration of Taxation, Zhengzhou Municipal Bureau of Taxation	Zhengzhou Human Resources and Social Security Bureau, Zhengzhou Municipal Finance Bureau, State Administration of Taxation, Zhengzhou Municipal Taxation Bureau on the Work of Stabilizing Jobs and Enhancing Skills to Prevent Unemployment in 2022
Subsidy for work retention	900.00	Related to income	Department of Human Resources and Social Security of Hainan Province, Department of Finance of Hainan Province	Notice from the Department of Human Resources and Social Security of Hainan Province and the Department of Finance of Hainan Province on the work related to the one-off training subsidy for work retention
Financial innovation award	500,000.00	Related to income	Nanjing Local Financial Supervisory Authority	Announcement on the Recognition of Nanjing's Outstanding Financial Innovation Projects in 2021
Financial subsidies for pilot operations	142,800.00	Related to income	Dalian Financial Development Authority	Notice of Redemption of Financial Awards for 2021
Total	904,765.09			

### 42. Gains on changes of fair value

Item	Amount incurred in the year	Amount incurred in last year
Financial assets held for trading	<b>-31,935,453.57</b>	-12,627,523.44
Incl.: Financial assets at fair value through profit or loss	<b>-31,935,453.57</b>	-12,627,523.44
Investment properties	<b>5,047,172.83</b>	
Financial liabilities held for trading	<b>14,932,809.76</b>	-4,224,539.06
Incl.: Financial liabilities at fair value through profit or loss	<b>14,932,809.76</b>	-4,224,539.06
Derivative financial instruments	<b>-7,777,664.98</b>	-1,156,619.36
Total	<b>-19,733,135.96</b>	-18,008,681.86

## VI. Notes to Financial Statements (continued)

### 43. Exchange gains

Item	Amount incurred in the year	Amount incurred in last year
Exchange gains	4,822,830.11	-1,458,080.09
Total	4,822,830.11	-1,458,080.09

### 44. Other operating income

Item	Amount incurred in the year	Amount incurred in last year
Spot sales revenue	1,242,410,381.12	1,259,236,643.42
Consulting fee income and others		2,079,492.89
Leasing income	690,623.94	
Total	1,243,101,005.06	1,261,316,136.31

### 45. Proceeds from disposal of assets

Item	Amount incurred in the year	Amount incurred in last year
Proceeds from disposal of fixed assets	-102,386.33	-163,754.65
Total	-102,386.33	-163,754.65

### 46. Futures risk provision

Item	Amount incurred in the year	Amount incurred in last year
Futures risk provision	9,635,966.53	10,993,812.94
Total	9,635,966.53	10,993,812.94

### 47. Taxes and surcharges

Item	Amount incurred in the year	Amount incurred in last year
Urban maintenance and construction tax	309,182.84	1,222,988.07
Education surcharge	131,961.91	523,689.81
Local education surcharge	87,974.66	349,126.64
Property tax	1,471,070.20	
Others	548,637.77	875,509.80
Total	2,548,827.38	2,971,314.32

## VI. Notes to Financial Statements (continued)

### 48. Operating and management expenses

Item	Amount incurred in the year	Amount incurred in last year
Employees' compensation	<b>158,816,727.47</b>	167,041,955.13
Office expenses	<b>31,849,264.94</b>	37,710,646.16
Depreciation & amortization	<b>18,962,918.31</b>	20,814,612.10
Rent	<b>7,215,024.45</b>	10,761,540.27
Financial expenses	<b>7,371,116.61</b>	8,363,233.47
Insurance, intermediary and consulting service fees	<b>7,141,597.57</b>	6,816,602.73
Investors Protection Fund	<b>371,893.53</b>	493,308.90
Maintenance cost	<b>2,537,623.47</b>	2,874,383.51
R&D expenses	<b>1,648,318.92</b>	851,347.96
Others	<b>6,534,023.61</b>	11,296,992.14
Total	<b>242,448,508.88</b>	267,024,622.37

### 49. Credit impairment loss

Item	Amount incurred in the year	Amount incurred in last year
Currency deposits receivable impairment loss	<b>-2,806,224.60</b>	715,601.00
Accounts receivable bad debt loss		-360,092.25
Other receivables bad debt loss	<b>-265,886.06</b>	-90,411.37
Advance to customers bad debt loss	<b>57,827.78</b>	
Total	<b>-3,014,282.88</b>	265,097.38

### 50. Other operating costs

Item	Amount incurred in the year	Amount incurred in last year
Cost of spot sales	<b>1,260,155,909.16</b>	1,248,695,930.85
Total	<b>1,260,155,909.16</b>	1,248,695,930.85

## VI. Notes to Financial Statements (continued)

### 51. Non-operating income

#### (1) Non-operating income breakdown

Item	Amount incurred in the year	Amount incurred in last year	Amount included in non-recurring profit or loss for the year
Government subsidy	<b>390,975.83</b>	58,100.00	390,975.83
Exchange subsidy	<b>654,366.52</b>	1,565,262.96	654,366.52
Others	<b>197,611.07</b>	141,758.73	197,611.07
Total	<b>1,242,953.42</b>	1,765,121.69	1,242,953.42

#### (2) Government subsidies included in profit or loss for the year

Subsidy	Amount	Related to assets/income	Issuing authority	Approval document
Anti-epidemic Fund subsidy from the Government of the Hong Kong Special Administrative Region	390,975.83	Related to income	The Government of the Hong Kong Special Administrative Region	Anti-epidemic Fund from the Government of the Hong Kong Special Administrative Region
Total	390,975.83			

### 52. Non-operating expenses

Item	Amount incurred in the year	Amount incurred in last year	Amount included in non-recurring profit or loss for the year
Donations and sponsorship expenditures	<b>1,020,000.00</b>	50,000.00	1,020,000.00
Provisions	–	1,969,920.97	–
Litigation compensation	–	234,314.11	–
Others	<b>287,594.20</b>	212,714.39	287,594.20
Total	<b>1,307,594.20</b>	2,466,949.47	1,307,594.20

## VI. Notes to Financial Statements (continued)

### 53. Income tax expense

#### (1) Income tax expense breakdown

Item	Amount incurred in the year	Amount incurred in last year
Current income tax expense	<b>12,583,912.26</b>	28,166,032.89
Deferred income tax expense	<b>-9,058,711.99</b>	834,679.14
Total	<b>3,525,200.27</b>	29,000,712.03

#### (2) Accounting profit and income tax expense adjustments

Item	Amount incurred in the year
Total profit of the current period	<b>15,907,109.37</b>
Income tax expense calculated at the statutory/ applicable tax rate	<b>3,976,777.34</b>
Impact of different tax rates applied to subsidiaries	<b>2,147,448.03</b>
Impact of accelerated deduction on R&D expenses	<b>-334,814.78</b>
Impact of non-taxable income	<b>-2,656,337.32</b>
Impact of non-deductible costs, expenses and losses	<b>392,127.00</b>
Income tax expense	<b>3,525,200.27</b>

### 54. Additional information on cash flow statement

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

##### 1) Other cash received related to operating activities

Item	Amount incurred in the year	Amount incurred in last year
Securities settlement or redemption payments received	<b>40,525,516.04</b>	5,222,491.57
Pending settlement payments received	<b>20,000,000.00</b>	
Standard warranty pledge cash received	<b>33,962,810.01</b>	
Margin and commission received	<b>51,050,640.87</b>	
Funds received from other holders of structured entity	<b>46,647,114.35</b>	82,246,715.10
Non-operating income and other income	<b>2,279,542.48</b>	5,019,860.20
Others	<b>23,694,457.38</b>	12,773,321.35
Total	<b>218,160,081.13</b>	105,262,388.22



## VI. Notes to Financial Statements (continued)

### 54. Additional information on cash flow statement (continued)

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

##### 2) Other cash paid related to operating activities

Item	Amount incurred in the year	Amount incurred in last year
Funds paid by other holders of structured entity	<b>31,740,157.38</b>	
Payment of amount to be settled	<b>74,642,749.83</b>	57,600,687.10
Standard warrant pledge payment	<b>33,962,810.01</b>	37,271,225.33
Margin and commission paid		16,753,570.18
Donations and sponsorship expenditures	<b>1,020,000.00</b>	50,000.00
Litigation compensation	<b>1,934,720.97</b>	4,467,575.89
Others	<b>26,084,028.41</b>	7,612,455.40
Total	<b>169,384,466.60</b>	123,755,513.90

##### 3) Other cash received related to financing activities

Item	Amount incurred in the year	Amount incurred in last year
Compensation for loss due to litigation		4,701,890.00
Total		4,701,890.00

##### 4) Other cash paid related to financing activities

Item	Amount incurred in the year	Amount incurred in last year
Expenses related to financing	<b>8,897,420.61</b>	3,535,000.00
Total	<b>8,897,420.61</b>	3,535,000.00

## VI. Notes to Financial Statements (continued)

### 54. Additional information on cash flow statement (continued)

#### (2) Additional information on consolidated cash flow statement

Item	Amount incurred in the year	Amount incurred in last year
<b>1. Adjustment of net profit to cash flow from operating activities:</b>		
Net profit	<b>12,381,909.10</b>	80,211,471.47
Add: Asset impairment provision		
Credit impairment loss	<b>-3,014,282.88</b>	265,097.38
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	<b>5,850,862.39</b>	6,493,367.15
Depreciation of right-of-use assets	<b>12,593,104.51</b>	13,614,762.05
Amortization of intangible assets	<b>534,644.63</b>	706,482.90
Amortization of long-term deferred expenses		
Loss ("-" for gain) from disposal of fixed assets, intangible assets and other long term assets	<b>102,386.33</b>	163,754.65
Fixed assets scrap loss ("-" for gain)		
Loss ("-" for gain) from changes in fair value	<b>11,955,470.98</b>	16,852,062.50
Financial expense ("-" for income)	<b>6,998,614.21</b>	7,399,920.29
Exchange losses	<b>-4,822,830.11</b>	1,458,080.09
Investment loss ("-" for gain)	<b>37,207,961.37</b>	-55,248,950.22
Decrease ("-" for increase) of deferred income tax assets	<b>-9,058,711.99</b>	834,679.11
Increase ("-" for decrease) of deferred income tax liabilities		
Decrease ("-" for increase) of inventory	<b>9,531.74</b>	48,667,182.30
Decrease ("-" for increase) of operating receivables	<b>-408,554,678.15</b>	-504,711,405.70
Increase ("-" for decrease) of operating payables	<b>2,252,962,241.53</b>	1,607,227,484.80
Net interest income	<b>304,746.41</b>	679,184.29
Futures risk provision	<b>9,635,966.53</b>	10,993,812.94
Others		
<b>Net cash flow from operating activities</b>	<b>1,925,086,936.60</b>	1,235,606,986.00
<b>2. Major investment and financing activities that do not involve cash receipts and expenditures:</b>		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Finance lease fixed assets		
<b>3. Net changes in cash and cash equivalents:</b>		
Cash balance at the end of period	<b>6,316,445,892.54</b>	4,106,185,249.67
Less: Cash balance at the beginning of period	<b>4,106,185,249.67</b>	2,854,855,864.32
Add: Cash equivalent balance at the end of period		
Less: Cash equivalent balance at the beginning of period		
Net increase of cash and cash equivalents	<b>2,210,260,642.87</b>	1,251,329,385.35

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## VI. Notes to Financial Statements (continued)

### 54. Additional information on cash flow statement (continued)

#### (3) Cash and cash equivalents

Item	Amount incurred in the year	Amount incurred in last year
Cash		
Incl.: Cash in hand		
Bank deposit immediately available	<b>6,224,927,678.59</b>	4,068,300,218.52
Other monetary funds immediately available	<b>91,518,213.95</b>	37,885,031.15
Cash equivalents		
Closing balance of cash and cash equivalents	<b>6,316,445,892.54</b>	4,106,185,249.67

### 55. Assets with restricted ownership or use rights

Item	Closing book value	Reason
Monetary fund	<b>246,742.59</b>	Product raised funds account
Monetary fund	<b>517,262.23</b>	OTC option margin
Monetary fund	<b>308,560.22</b>	Freezing of long-term inactive account
Financial assets held for trading	<b>54,624,177.03</b>	Pledge for sale and repurchase
Fixed assets	<b>273,986,925.21</b>	Mortgage of long-term borrowings
Investment properties	<b>48,420,728.00</b>	Mortgage of long-term borrowings

### 56. Foreign currency monetary funds

#### (1) Foreign currency monetary funds

Item	Foreign currency balance at the end of the year	Exchange rate	RMB balance converted at the end of the year
Monetary fund			
Incl.: USD	<b>12,737,128.28</b>	<b>6.9646</b>	<b>88,709,003.64</b>
HKD	<b>137,225,059.65</b>	<b>0.89327</b>	<b>122,579,029.03</b>
JPY	<b>187,664.00</b>	<b>0.052358</b>	<b>9,825.71</b>
Advance to customers			
Incl.: HKD	<b>6,732,692.62</b>	<b>0.89327</b>	<b>6,014,112.34</b>
Currency deposits receivable			
Incl.: USD			
HKD	<b>77,218,446.21</b>	<b>0.89327</b>	<b>68,976,921.45</b>

#### (2) Important overseas business entity

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

## VII. Changes in the scope of consolidated statements

### (I) Business combination not under the same control

In 2022, the Group has no subsidiary acquired through business combination not under the same control.

### (II) Business combination under the same control

In 2022, the Group has no subsidiary acquired through business combination under the same control.

### (III) Reverse takeover

In 2022, the Group had no subsidiary acquired through reverse takeover.

### (IV) Disposal of subsidiary

In 2022, the Group had no disposal of subsidiary.

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

#### 1. *New subsidiary*

In 2022, there was no new subsidiary or entity to be consolidated.

#### 2. *Reduction of subsidiaries by deregistration or otherwise*

In 2022, there was no reduction of subsidiaries by deregistration or other means.

#### 3. *Structured entities*

In 2022, the Group consolidated 1 structured entity, namely, "Holly Junrong Xiangyu CTA2 Collective Asset Management Plan (弘業珺容翔宇CTA2號集合資產管理計劃)", however, such consolidation did not have significant impact on the financial conditions, operating results and cash flow of the Group in 2022.

## VIII. Interests in Other Entities

### (I) Interests in subsidiaries

#### 1. Group members

##### (1) Subsidiaries

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

Note: A domestic enterprise registered under the PRC law.

##### (2) Structured entities

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

On 31 December 2022, the net assets managed under the consolidated asset management plans and fund amounted to RMB145,478,571.12, and meanwhile, the book value of the Group’s interests in the consolidated asset management plans reached RMB71,591,414.19, which was recognised in “Financial assets held for trading”, “Monetary fund”, “Other receivables” and “Other payable” in these financial statements.

## VIII. Interests in Other Entities (continued)

### (I) Interests in subsidiaries (continued)

#### 1. Group members (continued)

#### (2) Structured entities (continued)

Structured entity name	Type	The Group's actual capital contribution at the end of period
Holly Junrong Xiangyu CTA22 Collective Asset Management Plan (弘業珺容翔宇CTA22號集合資產管理計劃)	Asset management plan	RMB3,200,000
Holly Ruixin No.1 Collective Asset Management Plan (弘業瑞鑫1號集合資產管理計劃)	Asset management plan	RMB2,000,000
Holly Value Growth CTA1 Collective Asset Management Plan (弘業價值成長CTA1號集合資產管理計劃)	Asset management plan	RMB1,000,000
Holly Jingxin Phase I FOF Collective Asset Management Plan (弘業景信一期FOF集合資產管理計劃)	Asset management plan	RMB2,000,000
Holly Steady Growth CTA2 Collective Asset Management Plan (弘業穩健成長CTA2集合資產管理計劃)	Asset management plan	RMB985,999
Holly Fixed Income Fund (弘業固定收益基金)	Fund	USD2,179,610.01
Holly Guangye Fund SP (弘業廣業基金SP)	Fund	USD4,412,739.55
Holly International Global Opportunity Fund SP (弘業國際環球機遇基金SP)	Fund	USD2,547,170.41

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

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

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

5. As at 31 December 2022, no subsidiaries of the Company issued share capital or debt securities.

## VIII. Interests in Other Entities (continued)

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

#### 1. Important associates

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

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

#### 2. Financial highlights of key associates

Item	Closing balance/ Amount incurred in the year		Opening balance/ Amount incurred in last year	
	Hongrui New Era	Hongrui Growth	Hongrui New Era	Hongrui Growth
Current assets	<b>25,219,717.12</b>	<b>356,521.70</b>	17,802,195.29	485,712.72
Non-current assets	<b>2,540,808.39</b>	<b>22,000,917.00</b>	3,972,811.66	22,917,595.05
Total Assets	<b>27,760,525.51</b>	<b>22,357,438.70</b>	21,775,006.95	23,403,307.77
Current liabilities	<b>6,487.97</b>	<b>677,687.40</b>	15,410.85	688,025.68
Non-current liabilities		<b>138.72</b>		236.97
Total Liabilities	<b>6,487.97</b>	<b>677,826.12</b>	15,410.85	688,262.65
Net profit	<b>5,994,441.44</b>	<b>-1,035,137.86</b>	-2,694,266.22	3,765,368.27
Total comprehensive income	<b>5,994,441.44</b>	<b>-1,035,432.54</b>	-2,694,266.22	3,765,305.28

## VIII. Interests in Other Entities (continued)

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

#### 3. Summary of insignificant associates

Nil

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

### (III) Structured entities not included into the consolidated financial statements

On 31 December 2022, the net assets of structured entities established by the Group but not included into the consolidated financial statements amounted to RMB20,136,523,228.00.

The Group has interests in the structured entities sponsored by third party institutions through directly holding investments. The assets and liabilities items in the consolidated balance sheet of the Group relating to the interests of the Group in the structured entities sponsored by third party institutions through directly holding investments and their carrying amounts/maximum risk exposure are as follows:

Item	Closing balance Financial assets held for trading	Opening balance Financial assets held for trading
Funds	<b>289,206,523.08</b>	486,081,988.72
Trust schemes	<b>63,981,165.75</b>	126,522,054.80
Asset management plans	<b>520,484.54</b>	20,966,041.70
Total	<b>353,708,173.37</b>	633,570,085.22

As at the end of the Reporting Period, the Group's maximum risk exposure arising from investments in the aforesaid funds, trust schemes, asset management plans and wealth management products was their fair value at the reporting date.



## IX. Financial Instruments and Risk Management

The objectives of the Group's risk management are to seek appropriate balance between the risks, and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate and acceptable risk limits and design corresponding internal controls processes, and to monitor risks. The Group regularly reviews risk management policies and the relevant internal control systems to cope with the changes in market conditions and the Group's operating activities.

### (I) Market Risk

#### 1. Foreign currency risk

As the Group's business is mainly concentrated in Mainland China and settled in Renminbi, the Group is not subject to any material foreign currency risk save for the bank deposits denominated in Hong Kong dollars. The currencies giving rise to foreign currency risk are primarily Hong Kong dollars and United States dollars. As the majority of the proceeds from issue of shares had been converted into Renminbi during the Reporting Period and not much business of the Group is denominated in United States dollars, the Group's exposure to foreign currency risk is low.

- (1) For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of foreign currency financial statements are excluded. The Group's exposure to foreign currency risk for assets and liabilities denominated in Renminbi as at the end of the year is as follows:

Item	31 December 2022		31 December 2021	
	Balance in foreign currency	Balance in RMB equivalent	Balance in foreign currency	Balance in RMB equivalent
Monetary funds				
HKD	17,681,157.12	15,794,047.22	67,679,206.96	55,334,519.61
USD	44,635.41	310,867.81	44,625.80	284,520.73

#### (2) Analysis on the exchange rates for Renminbi against foreign currencies applied by the Group

Item	Average rates		Reporting date mid-spot rate	
	2022	2021	31 December 2022	31 December 2021
HKD	0.85891	0.8300	0.89327	0.8176
USD	6.7261	6.4512	6.9646	6.3757

## IX. Financial Instruments and Risk Management (continued)

### (I) Market Risk (continued)

#### 1. Foreign currency risk (continued)

#### (3) Sensitivity analysis

Assuming all other risk variables remained constant (except for foreign exchange rate), a 10% strengthening of the Renminbi against the Hong Kong dollars and United States dollars at the end of the year would have decreased the Group's shareholders' equity and net profit by the amount shown below, whose effect was in Renminbi and translated using the spot rate at the balance sheet date:

Item	31 December 2022	31 December 2021
Net profit and shareholders' quality		
Items denominated in HKD	<b>-1,184,553.54</b>	-4,150,088.97
Items denominated in USD	<b>-23,315.09</b>	-21,339.05

A 10% weakening of the Renminbi against Hong Kong dollars and United States dollars would have had the equal but opposite effect to the Group's shareholders' equity and net profit by the amounts shown above, on the basis that all other variables remained constant.

The table above shows the immediate impacts of the changes in exchange rates on the net profit and shareholders' equity of the Group had the HKD and USD amounts been converted into RMB as at the end of the Reporting Period.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group or the Company which exposed the Group to foreign currency risk at the balance sheet date. The analysis above excludes differences that would result from the translation of foreign currency financial statements. The analysis is performed on the same basis using identical methods for previous periods.

#### 2. Interest rate risk

Interest-bearing financial instruments at fixed rates and at floating rates expose the Group to fair value interest risk and cash flow interest rate risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to maintain an appropriate mix of fixed and floating rate instruments. The Group does not use derivative financial instruments to hedge interest rate risk.

## IX. Financial Instruments and Risk Management (continued)

### (I) Market Risk (continued)

#### 2. Interest rate risk (continued)

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

Item	31 December 2022		31 December 2021	
	Actual interest rate	Amount	Actual interest rate	Amount
Fixed interest rate financial instruments				
Financial assets				
Monetary fund				
Incl.: Futures margin	1.80%-5.11%	4,057,694,911.57	2.45%-3.40%	3,665,000,000.00
Own funds	4.30%-4.58%	48,822,241.76		
Currency deposits receivable and pledged deposits receivable	1.50%-1.85%	522,268,722.13	1.66%-1.85%	514,930,761.04
Financial assets purchased under resale agreements			3.157%-3.517%	6,719,000.00
Financial assets held for trading				
Incl.: Bonds held for trading	3.00%-5.20%	138,554,616.34	1.00%-7.50%	97,121,997.66
Trust schemes	5.40%-7.00%	15,670,027.40	4.20%-8.10%	126,522,054.80
Financial liabilities				
Short term borrowings				
Financial assets sold under repurchase agreements	2.495%-2.600%	35,195,012.64	2.847%-3.905%	32,601,000.00
Long term borrowings	4.50%	88,955,018.00	4.50%	116,925,986.00
<b>Net amount</b>		<b>4,658,860,488.56</b>		<b>4,260,766,827.50</b>
Floating rate financial instruments				
Financial assets				
Monetary fund				
Incl.: Futures margin	0.001%-1.80%	1,969,001,776.94	0.001%-2.25%	294,706,206.55
Own funds	0.001%-1.75%	150,481,313.36	0.001%-1.95%	113,666,496.74
Other monetary funds	0.35%	91,518,213.95	0.35%	37,885,031.15
<b>Net amount</b>		<b>2,211,001,304.25</b>		<b>446,257,734.44</b>

## IX. Financial Instruments and Risk Management (continued)

### (I) Market Risk (continued)

#### 2. Interest rate risk (continued)

#### (2) Sensitivity analysis

##### ① Fair value sensitivity analysis for fixed rate financial instruments

As of 31 December 2022, with all other variables held constant, an increase in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB22,990,874.50; and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB22,653,542.55.

As of 31 December 2021, with all other variables held constant, an increase in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB16,582,509.78; and a decrease in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB15,072,016.37.

##### ② Cash flow sensitivity analysis for floating rate financial instruments

As of 31 December 2022, with all other variables held constant, an increase in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB16,582,509.78; and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB15,072,016.37.

As of 31 December 2021, with all other variables held constant, an increase in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB3,346,933.01; and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB2,222,815.52.

In respect of the cash flow interest rate risk arising from floating rate non-derivative instruments, which were held by the Group at the balance sheet date, the impact on the Group's net profit and shareholders' equity mentioned in the above sensitivity analysis was estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis using identical methods for previous years.

#### 3. Other price risk

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

## IX. Financial Instruments and Risk Management (continued)

### (I) Market Risk (continued)

#### 3. Other price risk (continued)

##### *Sensitivity analysis*

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

Item	Net profit	
	31 December 2022	31 December 2021
Change in share price		
10% increase	<b>4,067,717.11</b>	6,790,065.90
10% decrease	<b>-4,067,717.11</b>	-6,790,065.90
Change in commodity price		
10% increase	<b>20,183,052.48</b>	3,945,856.95
10% decrease	<b>-20,183,052.48</b>	-3,945,856.95

(continued)

Item	Shareholders' equity	
	31 December 2022	31 December 2021
Change in share price		
10% increase	<b>4,067,717.11</b>	6,790,065.90
10% decrease	<b>-4,067,717.11</b>	-6,790,065.90
Change in commodity price		
10% increase	<b>20,183,052.48</b>	3,945,856.95
10% decrease	<b>-20,183,052.48</b>	-3,945,856.95

The sensitivity analysis indicates that, assuming that there were changes in the stock market indexes and the commodity futures market as at the end of the relevant period which had been used to remeasure the aforesaid financial instruments held by the Group (which may cause the Group to expose to the risk for share and commodity price as at the end of the relevant period), there may be temporary changes in the net profit and shareholders' equity of the Group. In addition, it is assumed that the fair values of the equity investments and hedging investments of the Group will change based on historical correlation between relevant stock market indexes and commodity futures prices, with all other variables held constant. The analysis is performed on the same basis using identical methods for previous years.

## IX. Financial Instruments and Risk Management (continued)

### (II) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to monetary funds, currency deposits receivable, financial assets held under resale agreements, financial assets held for trading, derivative financial assets, other receivables and other assets. Exposure to these credit risks are monitored by management on an ongoing basis.

The maximum exposure of the Group to credit risk is represented by the carrying amount of each financial asset (including derivative financial instruments) in the balance sheet.

The cash at bank of the Group is mainly held with reputable financial institutions. As such, management does not foresee any significant credit risks from these deposits.

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

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

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

## IX. Financial Instruments and Risk Management (continued)

### (II) Credit Risk (continued)

As of 31 December 2022, the Group had no external guarantee. Therefore, regardless of the available collateral or other credit enhancements, the maximum credit risk exposure of the Group on the balance sheet date is the book value of the Group's financial assets less the corresponding provision for impairment. The Group's maximum credit risk exposure is listed as follows:

Item	31 December 2022	31 December 2021
Monetary fund	<b>6,348,666,153.74</b>	4,143,641,973.33
Currency deposits receivable	<b>2,054,665,070.53</b>	2,025,860,140.16
Pledged deposits receivable	<b>981,207,968.00</b>	668,817,393.60
Derivative financial assets	<b>19,223,235.33</b>	465,835.77
Advance to customers	<b>5,953,971.21</b>	
Financial assets held for trading	<b>558,851,538.15</b>	840,419,634.46
Financial assets purchased under resale agreements	–	6,719,000.00
Accounts receivable	<b>45,557,381.12</b>	24,951,725.11
<b>Total maximum risk exposure</b>	<b>10,014,125,318.08</b>	7,710,875,702.43

### (III) Liquidity risk

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

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

## IX. Financial Instruments and Risk Management (continued)

### (III) Liquidity risk (continued)

#### 1. 31 December 2022

Item	Current	Within 1 year	1-5 yrs	Total	Book value at balance sheet date
Currency deposits payable	7,092,720,613.41			7,092,720,613.41	7,092,720,613.41
Pledged deposits payable	981,207,968.00			981,207,968.00	981,207,968.00
Payable to futures investors protection fund		394,274.29		394,274.29	394,274.29
Financial assets sold under repurchase agreements		35,197,232.68		35,197,232.68	35,197,232.68
Financial liabilities held for trading		86,445,401.37		86,445,401.37	86,445,401.37
Derivative financial liabilities		22,573,170.18		22,573,170.18	22,573,170.18
Employee compensation payable		2,882,801.23		2,882,801.23	2,882,801.23
Other payable		149,435,444.94		149,435,444.94	149,435,444.94
Lease liability		14,213,322.78	15,925,890.93	30,139,213.71	22,573,315.47
Long term borrowings		31,536,668.07	63,950,994.04	95,487,662.11	89,174,605.23
Total	8,073,928,581.41	342,678,315.54	79,876,884.97	8,496,483,781.92	8,482,604,826.80

#### 2. 31 December 2021

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



## IX. Financial Instruments and Risk Management (continued)

### (IV) Operational risk

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

## X. Fair Value Disclosure Management

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

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

Item	Summary of Fair value at the end of the year			Total
	Fair value measurement within level 1	Fair value measurement within level 2	Fair value measurement within level 3	
<b>I. Ongoing fair value measurement</b>				
(I) Financial assets held for trading	382,846,143.21	147,982,847.25	28,022,547.69	558,851,538.15
1. Financial assets at FVTPL	382,846,143.21	147,982,847.25	28,022,547.69	558,851,538.15
(1) Debt instrument investment	127,824,566.34	10,730,050.00	15,670,027.40	154,224,643.74
(2) Equity instrument investment	255,021,576.87	137,252,797.25	12,352,520.29	404,626,894.41
(II) Derivative financial assets	1,301,495.00		17,921,740.33	19,223,235.33
(III) Investment properties		48,420,728.00		48,420,728.00
1. Buildings for rent		48,420,728.00		48,420,728.00
<b>Total assets measured at fair value on an ongoing basis</b>	<b>384,147,638.21</b>	<b>196,403,575.25</b>	<b>45,944,288.02</b>	<b>626,495,501.48</b>
(V) Financial liabilities held for trading			86,445,401.37	86,445,401.37
(VI) Derivative financial liabilities	1,360,070.00		21,213,100.18	22,573,170.18
<b>Total financial liabilities measured at fair value on an ongoing basis</b>	<b>1,360,070.00</b>	<b>-</b>	<b>107,658,501.55</b>	<b>109,018,571.55</b>
<b>II. Non-ongoing fair value measurement</b>				
<b>Total financial assets measured at fair value not on an ongoing basis</b>				
<b>Total financial liabilities measured at fair value not on an ongoing basis</b>				

## X. Fair Value Disclosure Management (continued)

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

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

During the Reporting Period, there were no transfers between level 1 and level 2 or transfers into or out of level 3 for the Group. The Group's policy is to identify the actual level transfers between levels at the end of the reporting date.

#### (1) Level 1 fair value measurement

The fair value of a financial instrument traded in an active market is determined by its quoted price in the active market. The quoted price in the active market means a quoted price readily available from exchanges, securities companies, brokers, industry associations, pricing agencies and regulators which can represent the price of an actual fair market transaction.

#### (2) Level 2 fair value measurement

The fair value of a financial instrument not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the financial instrument is included in level 2. If one or more of the significant inputs are not based on observable market data, the financial instrument is included in level 3.

The valuation techniques for the financial instruments of the Group as at the end of the Reporting Period are as follows:

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

For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the end of the Reporting Period or the most recent trading date. For unlisted open-end funds, fair value is determined by quoted price which is based on the net asset value as at the end of the Reporting Period.

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

## X. Fair Value Disclosure Management (continued)

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

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

##### (2) Level 2 fair value measurement (continued)

For open-market debt investments, fair value is determined using the price quoted in the valuation system of the relevant bonds registration and settlement institution, which adopts observable inputs reflecting market conditions in reaching quotes.

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

For investment property items where the fair value is available from the real estate market with examples of transactions comparable to the subject of the valuation and where earnings can be ascertained, the market approach or the income approach is used for valuation.

During the Reporting Period, there were no changes in the valuation techniques adopted in the aforesaid recurring level 2 fair value measurement of the Group.

##### (3) Level 3 fair value measurement

For level 3 financial instruments, the Group determines their values through the discounted cash flow model and other similar valuation techniques. Whether it is classified as level 3 valuation techniques is generally based on the importance of non-observable market data to the whole fair value measurement. The following table shows the relevant valuation techniques and parameters of the main level 3 financial instruments:

Financial instruments	Valuation technique	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Asset management plans, trust schemes, wealth management products and assets-backed securities	Discounted cash flow mode	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Over-the-counter options	Bloomberg OVML function, Black-Scholes PDE, Clark Nielsen finite difference method for solving partial differential equations	Implied volatility	The higher the implied volatility, the higher the fair value
Financial liabilities held for trading Including: Payables designated as measured at fair value	Valuation of underlying financial instruments and contract allocation method	Contract allocation rate	The higher the contract allocation rate, the higher (for gain)/the lower (for loss) the fair value

As at the end of the Reporting Period, there were no changes in the valuation techniques for the fair values of the assets and liabilities of level 3 fair value measurement.

## X. Fair Value Disclosure Management (continued)

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

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

#### (3) Level 3 fair value measurement (continued)

The reconciliation between the opening balance and closing balance of the assets and liabilities of recurring level 3 fair value measurement is as follows:

Item	Opening balance	Total gains or losses for the year Included in profit or loss	Purchase	Settlement and sale	Closing balance	For assets held and liabilities assumed at the end of the Period, unrealised gains or losses for the Period included in profit or loss
Financial assets						
Financial assets held for trading						
Including: Investments in debt instruments	126,522,054.80	6,731,398.42	50,081,891.19	167,665,317.01	15,670,027.40	670,027.40
Investment in equity instrument	19,166,174.36	-2,568,716.62	11,104,032.37	15,348,969.82	12,352,520.30	-411,512.08
Derivative financial assets	431,533.27	17,490,207.06			17,921,740.33	17,921,740.33
<b>Subtotal of financial assets</b>	<b>146,119,762.43</b>	<b>21,652,888.86</b>	<b>61,185,923.56</b>	<b>183,014,286.83</b>	<b>45,944,288.02</b>	<b>18,180,255.65</b>
Financial liabilities						
Financial liabilities held for trading						
Including: Financial liabilities designated as at FVTPL	86,471,254.16	-14,932,809.76	46,647,114.35	31,740,157.38	86,445,401.37	-10,708,270.70
Derivative financial liabilities	1,171,915.17	20,041,185.01			21,213,100.18	21,213,100.18
<b>Subtotal of financial liabilities</b>	<b>87,643,169.33</b>	<b>5,108,375.25</b>	<b>46,647,114.35</b>	<b>31,740,157.38</b>	<b>107,658,501.55</b>	<b>10,504,829.48</b>
<b>Net amount</b>	<b>58,476,593.10</b>	<b>16,544,513.61</b>	<b>14,538,809.21</b>	<b>151,274,129.45</b>	<b>-61,714,213.53</b>	<b>7,675,426.17</b>

## X. Fair Value Disclosure Management (continued)

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

#### 2. Fair value of financial assets and financial liabilities not measured at fair value

The financial assets and financial liabilities not measured at fair value of the Group or the Company mainly include: monetary funds, currency deposits receivable, pledged deposits receivable, settlement deposits receivable, financial assets held under resale agreements, other receivables, currency deposits payable, pledged deposits payable, futures investors protection funds payable, trade payables, employee benefits payable and other payables. As at the end of the Reporting Period, there was no significant difference between the carrying amount and the fair value of the above financial assets and financial liabilities.

## XI. Related Parties and Transactions with Related Parties

### (I) Relations with related parties

#### 1. Controlling shareholder and ultimate controller

##### (1) Controlling shareholder and ultimate controller

Parent name	Place of registration	Business nature	Registered capital	Parent's shareholding percentage of the Company	Parent's voting power percentage of the Company	Ultimate controller of the Company
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Jiangsu Province	Financial investment, industrial investment, operation and management of state-owned assets within the scope of authorization; international trade; housing leasing; production, research and development and sales of cocoon silk, textile and clothing	2,000,000,000.00	27.33%	27.33%	People's Government of Jiangsu Province

##### (2) Changes in controlling shareholder's registered capital

Nil

#### 2. Subsidiaries of the Company

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

#### 3. Associates of the Company

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

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

### (I) Relations with related parties (continued)

#### 4. Other important related parties of the Company

Other related parties	Relation
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Shareholder of the Group/Company
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Shareholder of the Group/Company
Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司)	Shareholder of the Group/Company
Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司)	Shareholder of the Group/Company
High Hope Zhongding Corporation (江蘇匯鴻國際集團中鼎控股股份有限公司)	Subsidiary controlled by a shareholder of the Group/Company
Jiaingsu SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO International Group Corporation (江蘇蘇豪國際集團股份有限公司)	Controlled by the same ultimate holding company
Jiangsu Soho Digital Technology Co., Ltd. (江蘇蘇豪數位 科技有限公司) (former name: Jiangsu SOHO Royal Co., Ltd. (江蘇蘇豪尚品有限公司))	Controlled by the same ultimate holding company
Jiangsu Aitao Space Culture Technology Development Co., Ltd.* (江蘇愛濤空間文化科技發展有限公司)	Controlled by the same ultimate holding company
Artall Culture Group Co., Ltd. (愛濤文化集團有限公司)	Controlled by the same ultimate holding company
Jiangsu Artall Cultural Industry Co., Ltd. (江蘇愛濤文化產業有限公司)	Controlled by the same ultimate holding company
Jiangsu Financial Holdings Co., Ltd. (江蘇金融控股有限公司)	Controlled by the same ultimate holding company
Jiangsu Holly Environmental Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司)	Controlled by the same ultimate holding company
Jiangsu Chemical Fertilizer Co., Ltd. (江蘇省化肥工業有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO Assets Operation Group Co., Ltd. (江蘇蘇豪資產運營集團有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO Media Co., Ltd. (江蘇蘇豪傳媒有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO Health Industry Co., Ltd. (江蘇蘇豪健康產業有限公司)	Controlled by the same ultimate holding company
Jiangsu Holly International Engineering Co., Ltd. (江蘇弘業國際技術工程有限公司)	Controlled by the same ultimate holding company
Haian County So HO SILK-MAKING Co., Ltd. (海安市蘇豪制絲有限公司)	Controlled by the same ultimate holding company
Jiangsu Holly Yongchang (Hong Kong) Co., Limited 江蘇弘業永昌(香港)有限公司	Controlled by the same ultimate holding company
Aitao Cultural (UK) Co., Ltd.* (愛濤文化(英國)中心有限公司)	Controlled by the same ultimate holding company
Artall Culture Trade (Netherland) Company Limited 愛濤文化貿易(荷蘭)有限公司	Controlled by the same ultimate holding company
Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司)	Controlled by the same ultimate holding company
Mr./Ms. CHU	Close family member of senior management

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

### (II) Related party transactions

#### 1. Purchase of goods/Acceptance of services

Related parties	Related party transaction	Amount incurred in the year	Number of transactions approved	Whether the transaction limit is exceeded	Amount incurred in last year
Jiangsu Financial Holdings Co., Ltd. (江蘇金融控股有限公司)	Labour cost	<b>453,504.48</b>	453,504.48	No	
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Service charge			No	23,815.63
Jiangsu Artall Cultural Industry Co., Ltd. (江蘇愛濤文化產業有限公司)	Decoration and procurement costs	<b>15,880.24</b>	15,880.24	No	296,486.11
Jiangsu Soho Digital Technology Co., Ltd. (江蘇蘇豪數字科技有限公司)	Publicity cost	<b>179,525.65</b>	179,525.65	No	70,718.57
Jiangsu SOHO Health Industry Co., Ltd. (江蘇蘇豪健康產業有限公司)	Procurement cost	<b>8,035.40</b>	8,035.40	No	
Jiangsu Holly Environmental Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司)	Procurement cost	<b>1,159.29</b>	1,159.29	No	2,185.84
Haian County So HO SILK-MAKING Co., Ltd. (海安市蘇豪制絲有限公司)	Service charge			No	34,017.69
Jiangsu Aitao Space Culture Technology Development Co., Ltd.* (江蘇愛濤空間文化科技發展有限公司)	Service charge	<b>220,513.27</b>	220,513.27	No	
Jiangsu Holly International Engineering Co., Ltd. (江蘇弘業國際技術工程有限公司)	Safety production fee	<b>27,982.30</b>	27,982.30	No	
Total		<b>906,600.63</b>	906,600.63	–	427,223.84

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

### (II) Related party transactions (continued)

#### 2. Sales of goods/Provision of services

Related parties	Related party transaction	Amount incurred in the year	Amount incurred in last year
Mr./Ms. CHU	Fee income		2,591.75
Jiaingsu SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司)	Asset management business income/ Others	<b>22,280.06</b>	
Jiangsu Artall Cultural Industry Co., Ltd. (江蘇愛濤文化產業有限公司)	Asset management business income	<b>57,765.91</b>	25,824.87
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Asset management business income	<b>57,765.91</b>	25,824.51
Jiangsu Chemical Fertilizer Co., Ltd. (江蘇省化肥工業有限公司)	Fee income	<b>1,559.43</b>	5,679.72
Jiangsu Holly Yongchang (Hong Kong) Co., Limited (江蘇弘業永昌(香港)有限公司)	Asset management business income	<b>417,185.49</b>	
Aitao Cultural (UK) Co., Ltd.* (愛濤文化(英國)中心有限公司)	Asset management business income	<b>86,151.67</b>	29,365.80
Artall Culture Trade (Netherlands) Company Limited (愛濤文化貿易(荷蘭)有限公司)	Asset management business income	<b>7,483.30</b>	
Total		<b>650,191.77</b>	89,286.65

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

### (II) Related party transactions (continued)

#### 3. Related lease

##### (1) Lease

Name of lessor	Type of leased assets	Expenses relating to Short-term lease and leases of low-value assets applied the practical expedient (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rental paid		Interest expense of lease liabilities		Addition of right-to-use assets	
		Amount incurred in the year	Amount incurred in last year	Amount incurred in the year	Amount incurred in last year	Amount incurred in the year	Amount incurred in last year	Amount incurred in the year	Amount incurred in last year	Amount incurred in the year	Amount incurred in last year
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Plants and buildings	3,184,753.70	6,326,619.28								
Total		3,184,753.70	6,326,619.28								

#### 4. Borrowings from related parties

##### (1) Borrowings from related parties

Related party	Amount incurred in the year			
	Opening balance	Current increase	Current decrease	Closing balance
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)		50,000,000.00	50,000,000.00	
Total		50,000,000.00	50,000,000.00	

(continued)

Related party	Amount incurred in last year			
	Opening balance	Current increase	Current decrease	Closing balance
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)		100,000,000.00	100,000,000.00	
Total		100,000,000.00	100,000,000.00	

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

### (II) Related party transactions (continued)

#### 4. Borrowings from related parties (continued)

##### (2) Interest on borrowings from related parties

Related parties	Amount incurred in the year	Amount incurred in last year	Descriptions
Interest expenses for funds borrowed from related parties	<b>1,300,000.00</b>	1,716,666.66	<p>The 5th meeting of the Fourth Board of Director of the Company of 2022 considered and passed the Motion on the Application of Holly Capital Management Co., Ltd. (弘業資本管理有限公司) to Borrow from Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司), under which, the Board agreed on the borrowing amount RMB50 million, at interest rate 6%, due in five months from 13 April to 16 September.</p> <p>The 27th meeting of the Third Board of Director of the Company of 2021 considered and passed the Motion on the Application of Holly Capital Management Co., Ltd. (弘業資本管理有限公司) to Borrow from Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司), under which, the Board agreed on the borrowing amount RMB50 million, at interest rate 6%, due in half a year from 29 November to 31 December.</p> <p>The 21st meeting of the Third Board of Director of the Company of 2021 considered and passed the Motion on the Application of Holly Capital Management Co., Ltd. (弘業資本管理有限公司) to Borrow from Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司), under which, the Board agreed on the borrowing amount RMB50 million, at interest rate 6%, due in half a year from 12 March to 11 September.</p>

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

### (II) Related party transactions (continued)

#### 5. Other related party transactions

Related parties	Item	Related party transaction	Amount incurred in the year	Amount incurred in last year
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	N/A	Net investment/disposal of in asset management plans	<b>-10,210,099.26</b>	15,000,000.00
Artall Culture Group Company Limited (愛濤文化集團有限公司)	N/A	Net investment/disposal of in asset management plans	<b>-162.21</b>	
Jiangsu Artall Cultural Industry Co., Ltd. (江蘇愛濤文化產業有限公司)	N/A	Net investment/disposal of in asset management plans	<b>-10,210,198.52</b>	15,000,000.00
Jiangsu SOHO Assets Operation Group Co., Ltd. (江蘇蘇豪資產運營集團有限公司)	N/A	Net investment/disposal of in asset management plans		-10,001,000.00
Jiaingsu SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司)	N/A	Net investment/disposal of in asset management plans	<b>20,000,000.00</b>	
Jiangsu Holly Yongchang (Hong Kong) Co., Limited (江蘇弘業永昌(香港)有限公司)	N/A	Net investment/disposal of in asset management plans	<b>31,313,579.85</b>	
Artall Culture Trade (Netherland) Company Limited (愛濤文化貿易(荷蘭)有限公司)	N/A	Net investment/disposal of in asset management plans	<b>-103,436.20</b>	
Jiangsu SOHO Media Co., Ltd. (江蘇蘇豪傳媒有限公司)	Business and management fee	Journal publication		754.72

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

### (III) Related party transaction balance

#### 1. Amount due from related parties

Item	Related party transaction	Related parties	Closing book value	Opening book value
Prepayments	Housing leasing cost	Jiangsu Holly Corporation (江蘇弘業股份有限公司)	<b>3,300,000.00</b>	

#### 2. Amounts due to related parties

Item	Related parties	Amount incurred in the year	Amount incurred in last year
Currency deposits payable	Jiangsu SOHO International Group Corporation (江蘇蘇豪國際集團股份有限公司)	<b>1,001.00</b>	1,001.00
Currency deposits payable	High Hope Zhongding Corporation (江蘇匯鴻國際集團中鼎控股股份有限公司)		1,001.00
Currency deposits payable	Jiangsu Chemical Fertilizer Co., Ltd. (江蘇省化肥工業有限公司)	<b>1,781,250.52</b>	2,843,893.50
Currency deposits payable	Artall Culture Group Co., Ltd. (愛濤文化集團有限公司)	<b>1,500.00</b>	1,500.00
Other payables- Dividend payable	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	<b>8,263,703.31</b>	
Other payables- Dividend payable	Jiangsu Holly Corporation (江蘇弘業股份有限公司)	<b>4,437,000.00</b>	
Other payables- Dividend payable	Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司)	<b>4,306,440.00</b>	
Other payables- Dividend payable	Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司)	<b>1,917,904.02</b>	
Other payables- Dividend payable	Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司)	<b>248,560.35</b>	

### (IV) Remuneration of directors, supervisors and staff

#### 1. Compensation of senior management

Item	Amount incurred in the year	Amount incurred in last year
Compensation of senior management	<b>5,193,071.38</b>	5,206,557.52

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

### (IV) Remuneration of directors, supervisors and staff (continued)

#### 2. Directors' emoluments

Details of Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Item	Director's fees	Salaries, allowances and other benefits	Discretionary bonus	Pension scheme contributions	Total
Amount incurred in the year					
Chairman and Chairlady					
– Zhou Yong					
– Zhou Jianqiu		384,992.00	302,000.00		686,992.00
Executive Director					
– Chu Kairong		349,072.00	300,000.00		649,072.00
Non-executive Directors					
– Xue Binghai					
– Shan Bing					
– Jiang Lin					
Independent non-executive Directors					
– Wang Yuetang	119,663.10				119,663.10
– Huang Dechun	119,663.10				119,663.10
– Lo Wah Wai	123,645.24				123,645.24
<b>Total</b>	<b>362,971.44</b>	<b>734,064.00</b>	<b>602,000.00</b>		<b>1,699,035.44</b>
Amount incurred in last year					
Chairman					
– Zhou Yong					
Executive Director					
– Zhou Jianqiu		383,159.00	353,240.00		736,399.00
Non-executive Directors					
– Xue Binghai					
– Shan Bing					
– Jiang Lin					
Independent non-executive Directors					
– Wang Yuetang	120,283.32				120,283.32
– Lam Kai Yeung	120,504.83				120,504.83
– Huang Dechun	120,283.32				120,283.32
<b>Total</b>	<b>361,071.47</b>	<b>383,159.00</b>	<b>353,240.00</b>		<b>1,097,470.47</b>

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

### (IV) Remuneration of directors, supervisors and staff (continued)

#### 2. Directors' emoluments (continued)

None of the non-independent directors (except Zhou Jianqiu) received any fees or emoluments in respect of their services to the Group during the Reporting Period as they were paid by the Group's ultimate holding company SOHO Holdings.

#### 3. Five Individuals with highest emoluments

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

Item	Amount incurred in the year	Amount incurred in last year
Salaries, allowances and benefits	<b>1,077,172.00</b>	1,742,421.29
Discretionary bonus	<b>4,808,823.31</b>	5,384,587.25
Pension scheme contributions	<b>208,315.68</b>	191,620.80
Total	<b>6,094,310.99</b>	7,318,629.34

The range of emoluments is as follows:

Item	Number of individuals in the year	Number of individuals in last year
HKDNil to HKD1,000,000		
HKD1,000,001 to HKD1,500,000	<b>4</b>	
HKD1,500,001 to HKD2,000,000	<b>1</b>	5
HKD2,000,001 to HKD2,500,000		

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

## XII. Contingent Events

### 1. Significant pending litigation or arbitration

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

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

Except for the above-mentioned matters, as of 31 December 2022, the Group had not been involved in any major legal, arbitration or administrative litigation that may have a material adverse effect on the financial status and operating results of the Group.

### 2. Other contingent events

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

## XIII. Commitments

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

Capital commitment	Closing balance	Opening balance
Signed contracts not fulfilled	<b>42,000,000.00</b>	42,000,000.00
Authorized contracts not signed	<b>78,000,000.00</b>	78,000,000.00
Total	<b>120,000,000.00</b>	120,000,000.00

## XIV. Subsequent Events

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

## XV. Other important matters

### (I) Segment reports

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

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

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

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



## XV. Other important matters (continued)

### (I) Segment reports (continued)

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

Item	Futures Brokerage and Asset Management Business Division	Commodity Trading and Risk Management Business Division	Offset between divisions	Total
External operating income	298,012,791.43	1,229,733,887.79		1,527,746,679.22
Inter-divisional operating income	-38,080,902.48	49,449,535.21	-11,368,632.73	
Operating expenses	-237,133,092.73	-1,274,641,836.34		-1,511,774,929.07
Non-operating income and expenditure	-71,763.43	7,122.65		-64,640.78
<b>Gross profit</b>	<b>22,727,032.79</b>	<b>4,548,709.31</b>	<b>-11,368,632.73</b>	<b>15,907,109.37</b>
Income tax expense	-2,373,342.91	-1,151,857.36		-3,525,200.27
<b>Net profit</b>	<b>20,353,689.88</b>	<b>3,396,851.95</b>	<b>-11,368,632.73</b>	<b>12,381,909.10</b>
<b>Total assets</b>	<b>10,350,473,609.16</b>	<b>518,353,248.85</b>	<b>-384,898,158.28</b>	<b>10,483,928,699.73</b>
<b>Total liabilities</b>	<b>8,919,270,447.24</b>	<b>93,151,970.35</b>	<b>-365,817,627.04</b>	<b>8,646,604,790.55</b>
Other important items:				
Incl.: Net interest income	90,387,091.46	1,834,598.98		92,221,690.44
Depreciation and amortization	18,953,602.22	25,009.31		18,978,611.53
Increase in non-current assets other than long-term equity investment	319,204,495.30	44,899,866.64		364,104,361.94

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

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

Item	Total external transaction income
Mainland China	1,541,726,359.21
Hong Kong, China	-13,979,679.99
Total	1,527,746,679.22

(II) As of 31 December 2022, the Group had no other important matters to be disclosed.

## XVI. Notes to Parent's Financial Statements

### 1. Long term equity investment

#### (1) Long term equity investment breakdown

Item	Closing balance	Opening balance
Investment in subsidiaries	<b>600,448,579.81</b>	546,242,079.81
Investment in joint ventures or associates	<b>8,252,386.71</b>	7,036,127.76
Total long term equity investment	<b>608,700,966.52</b>	553,278,207.57
Less: Provision for long term equity investment impairment		
Net long term equity investment	<b>608,700,966.52</b>	553,278,207.57

#### (2) Investment in subsidiaries

Invested company	Opening balance	Current increase	Current decrease	Closing balance	Provision for impairment for the year	Provision for impairment as at the end of the year
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	390,000,000.00	10,000,000.00		<b>400,000,000.00</b>		
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	156,242,079.81	44,206,500.00		<b>200,448,579.81</b>		
Total	546,242,079.81	54,206,500.00	0.00	<b>600,448,579.81</b>		

Note: The Company held the 2018 annual general meeting on 6 June 2019 and passed to transfer the remaining fund of HK\$50 million which originally intended to be used for "developing and strengthening the existing futures brokerage business" to "developing the Hong Kong and global futures business". On 20 March 2020, the Jiangsu Provincial Development and Reform Commission recorded the capital increase project of Holly Futures Co., Ltd. to its wholly-owned overseas subsidiary, Holly International Financial Holdings Limited. On 11 March 2021, the CSRC responded to the Company's commitment to complete the capital increase procedures in strict compliance with the relevant regulations of the State Administration of Foreign Exchange, and the Company completed the capital increase of HK\$50 million in September 2022.

In May 2021, the 74th board meeting of the 5th session of Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) and the 23th board meeting of the 3rd session of Holly Futures Co., Ltd. (弘業期貨股份有限公司) resolved to approve the capital increase of RMB260 million by Holly Futures Co., Ltd. (弘業期貨股份有限公司) to Holly Capital Management Co., Ltd. (弘業資本管理有限公司). The capital increase will be implemented in two tranches over two years, with the first tranche of RMB150 million completed in October 2021, increasing the registered capital of Holly Capital to RMB390 million. Another portion of capital increase of RMB10 million was completed in December 2022, with the remainder to be paid in by May 2023.

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

### 1. Long term equity investment (continued)

#### (3) Investment in joint ventures or associates

Invested company	Opening balance (Book value)	Current changes							Closing balance (Book value)	Provision for impairment as at the end of the year	
		Additional investment	Reduced investment	Investment gain/loss recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declared distribution of cash dividend or profit	Provision for impairment			Other
Associates											
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	4,787,111.14			1,318,777.13						6,105,888.27	
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	2,249,016.62			-102,489.00	-29.18					2,146,498.44	
<b>Total</b>	<b>7,036,127.76</b>		<b>0.00</b>	<b>1,216,288.13</b>	<b>-29.18</b>					<b>8,252,386.71</b>	

### 2. Net handling fee and commission income

#### (1) Net handling fee and commission income breakdown

Item	Amount incurred in the year	Amount incurred in last year
Net brokerage fee income	<b>197,392,831.34</b>	219,932,010.59
Asset management business income	<b>9,172,085.90</b>	12,182,486.40
Investment advisory income	<b>548,765.27</b>	
<b>Total</b>	<b>207,113,682.51</b>	232,114,496.99

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

### 2. Net handling fee and commission income (continued)

#### (2) Branches and fee income by administrative region

Administrative region	Amount incurred in the year		Amount incurred in last year	
	Number of branches	Fee income	Number of branches	Fee income
Jiangsu Province (Note)	21	167,654,759.20	21	176,479,868.29
Fujian Province	2	6,823,089.89	2	8,142,191.25
Shanghai	2	3,436,009.88	2	5,969,734.05
Zhejiang Province	2	5,668,178.01	2	7,355,252.53
Henan Province	1	2,234,018.05	1	4,326,767.65
Guangdong Province	3	2,245,537.25	3	3,219,301.20
Beijing	2	1,492,148.28	2	2,287,775.74
Shandong Province	2	5,097,976.28	2	5,538,829.87
Shaanxi Province	1	1,576,289.96	1	4,001,717.60
Anhui Province	2	1,525,205.96	2	2,968,667.91
Liaoning Province	2	2,074,476.12	2	2,767,997.90
Guangxi Province	1	1,256,849.65	1	2,267,712.72
Hunan Province	1	1,183,770.14	1	2,482,675.78
Chongqing	1	3,622,258.08	1	1,649,449.92
Sichuan Province	1	325,975.58	1	691,652.07
Shanxi Province	1	613,955.76	1	1,272,397.79
Hainan Province	1	283,184.42	1	692,504.72
<b>Total</b>	<b>46</b>	<b>207,113,682.51</b>	<b>46</b>	<b>232,114,496.99</b>

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

### 3. Net interest income

Item	Amount incurred in the year	Amount incurred in last year
<b>Interest income</b>		
Incl.: Interest income from customer fund deposits	<b>79,050,803.24</b>	74,535,104.12
Interest income from own fund deposits	<b>11,316,367.84</b>	9,130,428.00
Interest income from repurchase agreements	<b>374,452.84</b>	186,592.73
Total interest income	<b>90,741,623.92</b>	83,852,124.85
Interest expense		
Incl.: Interest expense on sale and repurchase	<b>681,419.29</b>	865,777.02
Total interest expense	<b>681,419.29</b>	865,777.02
Net interest income	<b>90,060,204.63</b>	82,986,347.83

### 4. Investment gains

#### (1) Investment gains breakdown

Item	Amount incurred in the year	Amount incurred in last year
Long term equity investment gains calculated with cost method		
Long term equity investment gains calculated with equity method	<b>1,216,288.13</b>	-451,723.98
Incl.: Gains on the investment in associates	<b>1,216,288.13</b>	-451,723.98
Gains on the investment in joint ventures		
Proceeds from disposal of long term equity investment		
Financial instrument investment gains	<b>-16,808,192.90</b>	43,470,039.79
Incl.: Grains on financial instrument during holding period	<b>10,721,307.73</b>	15,746,710.20
– Financial instrument held for trading	<b>10,721,307.73</b>	15,746,710.20
Proceed of disposal	<b>-27,529,500.63</b>	27,723,329.59
– Financial instrument held for trading	<b>-27,529,500.63</b>	27,723,329.59
Total	<b>-15,591,904.77</b>	43,018,315.81

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

### 4. Investment gains (continued)

#### (2) Gains from investment in associates

Item	Amount incurred in the year	Amount incurred in last year
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	<b>1,318,777.13</b>	-592,738.57
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	<b>-102,489.00</b>	141,014.59
Total	<b>1,216,288.13</b>	-451,723.98

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

### 5. Gains from changes in fair value

Item	Amount incurred in the year	Amount incurred in last year
Financial assets held for trading	<b>-22,595,209.74</b>	-6,835,739.24
Incl.: Financial assets at FVTPL	<b>-22,595,209.74</b>	-6,835,739.24
Investment properties	<b>5,047,172.83</b>	
Total	<b>-17,548,036.91</b>	-6,835,739.24

## XVII. Approval of Financial Report

This Financial Report was approved by the Board of Directors of the Company on 29 March 2023.

# Additional information on the financial statements

(Unless otherwise specified, amounts are expressed in RMB)

## 1. Extraordinary profit and loss statement

Item	Amount for the year
Profit or loss on disposal of non-current assets	-102,386.33
Tax rebate or tax concessions with unauthorised approval or without official approval documents or on an occasional basis	
Government grants recognised through profit or loss for the period	1,295,740.92
Profit or loss from changes in fair value of investment properties using the fair value model for subsequent measurement	5,047,172.83
Other non-operating income and expenses other than the foregoing items	-323,792.64
Other profit and loss items falling within the meaning of extraordinary profit and loss	
Subtotal	5,916,734.78
Less: Effect of income tax	1,450,950.39
Effect of minority interests (after tax)	
Total	4,465,784.39

## 2. Returns on net assets and earnings per share

Profit of the Reporting Period	Weighted average return on net assets (%)	Earnings per share (RMB/share)	
		Basic	Diluted
Net profit attributable to equity holders of the parent company	0.71	0.0132	0.0132
Net profit attributable to equity holders of the parent company after extraordinary items	0.45	0.0084	0.0084

Holly Futures Co., Ltd.  
29 March 2023