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Holly Futures

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

(the “Company”)

(Stock Code: 3678)

CONNECTED TRANSACTION

IN RELATION TO THE NEW HOLLY PROPERTY LEASE AGREEMENT

The Board hereby announces that on 29 December 2021 (after trading hours of the Stock Exchange), the Company (as the lessee) entered into the New Holly Property Lease Agreement with Holly Corporation (as the lessor), pursuant to which Holly Corporation agreed to lease to the Company the Property for a term of one year from 1 January 2022 to 31 December 2022 (both dates inclusive) at a total annual rental of approximately RMB6.64 million.

Holly Corporation holds approximately 16.31% of the equity interest in the Company and is a Substantial Shareholder of the Company and hence a Connected Person of the Company under Chapter 14A of the Listing Rules. Pursuant to the lease agreement entered into between the Company and Holly Corporation on 21 May 2021, the Company shall have the right of first refusal to renew the lease upon the expiry of the lease agreement. For further details on the previous lease agreement, please refer to the announcement of the Company dated 21 May 2021. The previous lease agreement will be expired on 31 December 2021. The Company and Holly Corporation have been negotiating and conducting a study on the rental fee, including comparing with the rentals of similar premises in nearby districts. On 29 December 2021, the Company and Holly Corporation have reached an agreement on the rental of the Property and therefore proposed to enter into the New Holly Property Lease Agreement covering the full year of 2022. The transactions contemplated under the New Holly Property Lease Agreement constitute Connected Transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (other than profits ratio) calculated is more than 0.1% but less than 5%, the transactions contemplated under the New Holly Property Lease Agreement are subject to the reporting, announcement and annual review requirements, but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE NEW HOLLY PROPERTY LEASE AGREEMENT

The principal terms of the New Holly Property Lease Agreement are set out as follows:

Date: 29 December 2021 (after trading hours of the Stock Exchange)

Parties: (a) Holly Corporation (as lessor); and
(b) the Company (as lessee)

Location of the Property: premises at 3/F to 10/F of Holly Tower, No.50 Zhonghua Road, Nanjing, the PRC

Gross floor area of leased property: a total of 10,084.99 square meters (including the common parts)

Term: 1 January 2022 to 31 December 2022 (both dates inclusive)

Upon the expiry of the lease, the Company shall have the right of first refusal to renew the lease on equal terms. The Company shall notify Holly Corporation in writing of the renewal of the lease two months prior to the expiry of the lease. Otherwise, the Company shall not be entitled to the right of first refusal to renew the lease.

Use of the Property: headquarters and office premises

Rental: The rental for the period from 1 January 2022 to 31 December 2022 (both dates inclusive) shall be RMB1.83 per square meter per day and the standard monthly rental for premises is RMB553,665.95. The total quarterly rental is RMB1,660,997.85 and the total annual rental is RMB6,643,991.41.

The rental is determined on an arm's length basis by Holly Corporation and the Company with reference to (i) the leasable area, geographical location and neighborhood profile of the Property; and (ii) the prevailing market rates of the same or similar properties to be leased by an Independent Third Party in the same locality. The Directors (including the Independent Non-executive Directors) are of the view that the New Holly Property Lease Agreement has been entered into the ordinary and usual course of the business of the Company and is on normal commercial terms and that the terms thereof are fair, reasonable and in the interest of the Company and the Shareholders as a whole.

Other expenses: During the lease term, the Company shall bear the full cost of the related expenses in connection with the operation of the Company including but not limited to water charges, electricity charges, centralized supply of heat, etc., shall be paid by the Company on an actual basis.

INFORMATION OF THE PARTIES

1. The Company

The Company is a joint stock limited company established in accordance with the laws of the PRC on 29 November 2012 whose H Shares are listed on the Main Board of the Stock Exchange.

The Group is principally engaged in futures brokerage business, asset management business, commodity trading and risk management business as well as financial assets investment (including securities, funds, wealth management products issued by banks and asset management plans).

2. 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 announcement, Holly Corporation holds approximately 16.31% of the equity interest in the Company and hence is a Substantial Shareholder of the Company. At the same time, SOHO Holdings holds 21.81% equity interests in Holly Corporation and is deemed to be the Controlling Shareholder of Holly Corporation. Therefore, SOHO Holdings and Holly Corporation are group of Controlling Shareholders.

Holly Corporation is principally engaged in undertaking overseas engineering projects compatible with its strength, size and performance, and overseas dispatch of labor and personnel required for the aforementioned overseas projects; wholesale and operating of coal, wholesale of dangerous chemicals (specific projects to be operated pursuant to the requirements of relevant license); 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 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 pre-packaged food (including refrigerated and frozen food); domestic and foreign engineering construction project bidding agency; international and domestic bidding agency; sales and maintenance of fire trucks, rescue and firefighting equipment and devices, and security equipment.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW HOLLY PROPERTY LEASE AGREEMENT

In 2020, the Company acquired the properties in Hexi Financial City as its new office premises. For further details, please refer to the circular of the Company dated 14 December 2020. As the new office building involves renovation, alternation and other works, it is still in the process of renovation, and it will take time to relocate the entire company. Holly Tower, where the office is currently located, is situated in the core area of the city with convenient transportation. Also, before that, the Group has been leasing the Property from Holly Corporation. The Property has been used as the headquarters and office premises of the Group. Taken into account the foregoing, the Directors believe that, prior to the moving to the properties in Hexi Financial City, the entering into of the New Holly Property Lease Agreement is in the interest of the Company and the Shareholders as a whole in terms of cost, time and operational stability.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Holly Corporation holds approximately 16.31% of the equity interest in the Company and is a Substantial Shareholder of the Company and hence a Connected Person of the Company under Chapter 14A of the Listing Rules. Pursuant to the lease agreement entered into between the Company and Holly Corporation on 21 May 2021, the Company shall have the right of first refusal to renew the lease upon the expiry of the lease agreement. For further details of the previous lease agreement, please refer to the announcement of the Company dated 21 May 2021. The previous lease agreement will be expired on 31 December 2021. The Company and Holly Corporation have been negotiating and conducting a study on the rental fee, including comparing with the rentals of similar premises in nearby districts. On 29 December 2021, the Company and Holly Corporation have reached an agreement on the rental of the Property and therefore proposed to enter into the New Holly Property Lease Agreement covering full year. The transactions contemplated under the New Holly Property Lease Agreement constitute Connected Transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (other than profits ratio) calculated is more than 0.1% but less than 5%, the transactions contemplated under the New Holly Property Lease Agreement are subject to the reporting, announcement and annual review requirements, but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since executive Director Mr. Zhou Yong is chairman of SOHO Holdings, non-executive Director Mr. Xue Binghai holds an executive position in SOHO Holdings and its subsidiaries, and non-executive Director Mr. Jiang Lin holds an executive position in Holly Corporation, each of them may be deemed as having an interest in the New Holly Property Lease Agreement. Mr. Zhou Yong, Mr. Xue Binghai and Mr. Jiang Lin have abstained from voting on the Board resolutions approving the New Holly Property Lease Agreement. Save for the above, none of the Directors is materially interested in the transactions contemplated under the New Holly Property Lease Agreement requiring them to abstain from voting on the Board resolutions approving the same.

Shareholders and potential investors are advised to exercise caution when investing in or dealing in the securities of the Company.

DEFINITIONS

Unless the context otherwise requires, the following expressions in this announcement have the following meanings:

“Board”	the board of Directors
“Company”	Holly Futures Co., Ltd. (弘業期貨股份有限公司), a joint stock limited company established under the laws of the PRC on 29 November 2012, whose H Shares are listed and traded on the Stock Exchange (stock code: 3678)
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Connected Transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign ordinary shares in the share capital of the Company with a nominal value of RMB1 each listed on the Main Board of Stock Exchange

“Holly Corporation”	Jiangsu Holly Corporation Co., Ltd (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 and one of the promoters and Substantial Shareholder of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Non-executive Director(s)”	independent non-executive Directors of the Company
“Independent Third Party(ies)”	means person(s) who, as far as the Directors are aware after having made all reasonable enquiries, are not Connected Persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Holly Property Lease Agreement”	the new property lease framework agreement entered into between the Company and Holly Corporation on 29 December 2021 with respect to leasing of the Property from Holly Corporation
“percentage ratio(s)”	has the meaning ascribed thereto under Rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China which shall, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	3/F to 10/F of Holly Tower, No. 50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (中國江蘇省南京市中華路50號弘業大廈3樓至10樓), which has a leaseable area of approximately 10,084.99 square metres
“RMB”	Renminbi, lawful currency of the PRC
“Share(s)”	share(s) with a nominal value of RMB1 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“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 incorporated in the PRC, which is one of the promoters and the Controlling Shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent.

By order of the Board
Ms. Zhou Jianqiu
Executive Director

Nanjing, the PRC
29 December 2021

As at the date of this announcement, the Board consists of Mr. Zhou Yong and Ms. Zhou Jianqiu as executive Directors; Mr. Xue Binghai, Mr. Jiang Lin and Mr. Shan Bing as non-executive Directors; and Mr. Wang Yuetang, Mr. Huang Dechun and Mr. Lo Wah Wai as independent non-executive Directors.