

Stock code: 002032

Short form: Supor

Announcement No.:2021-020

## **Announcement of Foreign Exchange Derivatives Trading**

This Company and all members of the Board of Directors hereby warrant that all information disclosed here are true, accurate and complete, and contain no fictitious statement, misleading information or significant omission.

Zhejiang Supor Co., Ltd. (hereinafter referred to as the “Company”, “the Company” or “Supor”) adopted the *Proposal on Foreign Exchange Derivatives Trading* at the 5<sup>th</sup> Session of the Seventh Board of Directors, by which it agreed to carry out foreign exchange derivatives trading business with a total amount of no more than US \$50 million or other currencies of the same amount. The specific contents of futures hedging business are detailed as follows:

### **1. Purpose of conducting foreign exchange derivatives trading business**

In order to reduce the risk brought by the fluctuation of exchange rate and strengthen the monitoring and management of foreign currency asset position, the Company intend to carry out foreign exchange derivatives trading business to avoid the risk of exchange rate fluctuations.

### **2. Basic information of foreign exchange derivatives trading business**

#### **1) Counterparties**

The counterparties of the foreign exchange derivatives trading business to be carried out by the Company should be large commercial banks with stable operation, international credit rate at least A- (S&P or equivalent), and stable cooperative relationship with the Company and having operation qualification for foreign exchange derivatives trading business.

#### **2) Products to be carried out**

The Company is mainly facing the risk of US dollar exchange rate fluctuation. In combination with the actual business needs, the Company intend to carry out foreign exchange derivatives trading business for hedging purposes, including forward and swap but excluding options. The product period should not exceed 6 months.

#### **3) Amount to be used and term**

The Company intends to carry out foreign exchange derivatives business within the next 12 months after the approval by Board of Directors. The Company plan to carry out foreign exchange derivatives

trading business with a maximum balance of no more than US \$50 million or equivalent in other currencies, and the funds within the limit can be used by rolling within 12 months.

### **3. Risk of foreign exchange derivatives trading business and countermeasures**

#### **1) Risks**

Price fluctuation risk: loss may be caused due to price fluctuation of foreign exchange derivatives caused by fluctuation of market price such as target interest rate and exchange rate.

Internal control risk: foreign exchange derivatives trading business is highly specialized and complex, which may cause risks due to imperfect internal control mechanism.

Liquidity risk: the risk that a transaction cannot be completed due to insufficient market liquidity.

Performance risk: there is a risk of default caused by the failure to perform the contract.

Legal risk: loss may be caused due to changes in relevant laws or violation of relevant laws by counterparties, prohibiting the execution of the contract.

#### **2) Countermeasures**

Clear principle: foreign exchange derivatives trading shall be based on the principle of hedging, to avoid the risk brought by exchange rate fluctuation to the greatest extent, and adjust the operation strategy in time in combination with the market situation, so as to improve the hedging effect.

System construction: the Company has established the internal control system for the administration of foreign exchange derivatives trading business, which clearly defines the scope of authorization, approval procedures, key points of operation, risk management and information disclosure of derivatives transactions, and can effectively regulate foreign exchange derivatives transactions and control the risks of foreign exchange derivatives transactions.

Product selection: comparative analysis shall be conducted for potential products. The foreign exchange derivatives that are most suitable for the Company's business background, strong liquidity and controllable risk shall be selected for trading. Forwards are used for hedging and Swaps are used for rolling hedging.

Counterparty management: carefully select the counterparties engaged in foreign exchange derivatives business. The Company only conducts foreign exchange derivatives trading business with large-scale commercial banks with legal qualifications and other foreign exchange institutions to avoid possible legal risks.

Dedicated team: the Company's management representative, treasury department, the financial sharing service center, the audit department, the securities department and other relevant departments set up a special working team to be responsible for the risk assessment, trading execution, booking and monitoring. The working team shall take emergent measures to stop loss when the market changes significantly

### **4. Feasibility analysis on foreign exchange derivatives trading**

The currency involved in the derivative trading of the Company match the Company's business, make

full use of the hedging function of foreign exchange derivative trading to hedge the exchange rate and interest rate risks in business activities, and reduce the impact of exchange rate and interest rate fluctuations on the Company. The Company has established the internal control system for the administration of foreign exchange derivatives trading business and specified risk countermeasures. Therefore, the risks involved in foreign exchange derivatives trading business are relatively under control and the implementation of this business will not harm the interests of the Company and its shareholders.

#### **5. Influence of foreign exchange derivatives trading business on production and business operation**

##### **1) Influence of foreign exchange derivatives trading business on production and business operation**

The amount of the Company's assets and liabilities denominated in foreign currency is relatively large. With the increasing fluctuation of foreign exchange market, the impact of exchange rate fluctuation on the Company's operating results is gradually increasing. The Company intend to carry out foreign exchange derivatives trading business to avoid the risk of exchange rate fluctuations.

##### **2) Influence of foreign exchange derivatives trading business on corporate finance**

The relevant accounting policy and accounting principle of foreign exchange derivatives trading business will be executed according to the Accounting Standards for Business Enterprises No. 22- recognition and measurement of financial instruments, Business Enterprises No. 24– hedging and Business Enterprises No. 37- presentation of financial instruments. The change in fair value of foreign exchange derivatives trading products used by the hedging business will be incorporated into the current profit and loss of company, which can increase or reduce the corporate profit level.

Board of Directors of Zhejiang Supor Co., Ltd.  
April 1, 2021