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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)*

**(Stock Code: 3678)**

### **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

The board of directors (the “Board”) of Holly Futures Co., Ltd. (“the Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries for the six months ended 30 June 2017, together with the comparative figures for the same period of 2016. This announcement of interim results, containing the full text of the 2017 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results and has been reviewed by the audit committee of the Company.

A printed version of 2017 Interim Report of the Company will be dispatched to shareholders of the Company and will be available for viewing on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.ftol.com.cn](http://www.ftol.com.cn)) by the end of September 2017.

By order of the Board  
**Mr. Zhou Yong**  
*Chairman*

Nanjing, China  
24 August 2017

*As at the date of this announcement, the Board of the Company consists of Mr. Zhou Yong and Ms. Zhou Jianqiu as executive directors; Mr. Xue Binghai, Mr. Zhang Ke and Mr. Shan Bing as non-executive directors; and Mr. Li Xindan, Mr. Zhang Hongfa and Mr. Lam Kai Yeung as independent non-executive directors.*

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# Definitions

In this interim 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                                                                               |
| AUM                                   | the amount of assets under management                                                                                                                                                                                                                                                                                                                                            |
| B2B                                   | a business model that allows the exchange and transformation of data information and the carrying out of business activities between enterprises through the Internet                                                                                                                                                                                                            |
| B2C                                   | a model of e-commerce, which is a commercial retail model under which products and services are sold to consumers directly                                                                                                                                                                                                                                                       |
| Board                                 | the board of directors of the Company                                                                                                                                                                                                                                                                                                                                            |
| CFA                                   | China Futures Association (中國期貨業協會)                                                                                                                                                                                                                                                                                                                                              |
| Chairman                              | the chairman of the Company                                                                                                                                                                                                                                                                                                                                                      |
| Chief Risk Officer                    | the chief risk officer of the Company                                                                                                                                                                                                                                                                                                                                            |
| collective asset management scheme(s) | asset management contract(s) entered into with multiple clients by an asset manager, pursuant to which the clients' assets are placed in the custody of commercial bank qualified to hold client transaction settlement funds or in other institutions approved by the CSRC, and the asset manager provides asset management services to the clients through designated accounts |
| commission revenue                    | commission revenue of a futures company represents the sum of (i) commission and fee income generated from futures brokerage operations of a futures company and (ii) refund of relevant commission from futures exchanges                                                                                                                                                       |
| Companies Ordinance                   | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                                                                                 |
| Company Law or PRC Company Law        | Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                                                                                                          |

|                                       |                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Company, the Company 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", the H Shares of which are listed on the Main Board of Hong Kong Stock Exchange                                                                          |
| Controlling Shareholder               | SOHO Holdings unless the context requires otherwise                                                                                                                                                                                                                                                                                                                 |
| Corporate Governance Code             | The Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules                                                                                                                                                                                                                                                         |
| CSRC                                  | China Securities Regulatory Commission (中國證券監督管理委員會)                                                                                                                                                                                                                                                                                                                |
| Director(s)                           | director(s) of the Company                                                                                                                                                                                                                                                                                                                                          |
| Domestic Share(s)                     | issued ordinary share(s) of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid up in RMB                                                                                                                                                                                                                          |
| end of Reporting Period               | 30 June 2017                                                                                                                                                                                                                                                                                                                                                        |
| FOF                                   | a fund specially invested in other investment funds. It does not directly invest in stocks or bonds. With its investment limited to other funds only, it holds securitized assets such as stocks and bonds indirectly by holding other securities investment funds, becoming a new type of fund that combines fund product innovation with sales channel innovation |
| Group, the Group, us or We            | 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 RMB1.00 each listed on the Main Board of Hong Kong Stock Exchange                                                                                                                                                                                               |
| 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                                                                                  |
| HK\$ 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 Su Futures         | Holly Su Futures (Hongkong) Co., Limited (弘蘇期貨(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 20 October 2011 and a wholly-owned subsidiary of the Company which is licensed to carry on Type 2 (dealing in futures contracts) regulated activity under the SFO                                                                                                                                                              |
| Holly Su Industrial      | Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司), a limited liability company established under the laws of the PRC on 23 January 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                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Introducing Broker(s)    | a business partner of the Company who introduces clients to the Company for commission                                                                                                                                                                                                                                                                                                                                                                               |
| 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)                                                                                                                                                                                                                                                                                                                                                 |
| Listing Date             | the date, being 30 December 2015, on which the H Shares were listed and from which dealings therein were permitted to take place on the Main Board of the Hong Kong Stock Exchange                                                                                                                                                                                                                                                                                   |
| Listing Rules            | The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                                                                                                                                                      |
| lot                      | the standardised 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                                                                                                                                                                                                                                                                                                                                              |
| MOM                      | "Manager of Managers", an investment model where the fund managers of MOM select fund managers that for a long time consistently implement their own investment philosophies, maintain steady investment styles and achieve higher than normal returns, after following and researching the investment processes of fund managers, and have such fund managers take charge of investment management by means of investing in sub-accounts that are entrusted to them |
| 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                                                                                                                                                                                                                                                    |
| O2O                      | combining offline business opportunities with the Internet to enable the Internet to become the platform of offline transactions, the concept of which was originated in the US                                                                                                                                                                                                                                                                                      |

|                          |                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PRC Futures Exchanges    | China Financial Futures Exchange (中國金融期貨交易所), Dalian Commodity Exchange (大連商品交易所), Shanghai Futures Exchange (上海期貨交易所) and Zhengzhou Commodity Exchange (鄭州商品交易所)                                                                                                                                                                                                                                                            |
| PRC or China             | the People's Republic of China which, for the purpose of this Report, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan                                                                                                                                                                                                                                                                          |
| Prospectus               | the prospectus in relation to H Shares of the Company dated 16 December 2015                                                                                                                                                                                                                                                                                                                                                 |
| PTA                      | Pure terephthalic acid, one of the important bulk organic raw materials, widely used in all aspects of the national economy, such as chemical fiber, light industry, electronics and construction                                                                                                                                                                                                                            |
| QDII                     | Qualified Domestic Institutional Investor, refers to under the condition of an inconvertibility of RMB and closure of capital markets, a system arrangement established in the territory of a country, approved by the relevant department of the country, to allow a domestic institutional investor to conduct securities investment business in overseas capital markets, such as stocks and bonds in a controlled manner |
| R&D                      | research and development                                                                                                                                                                                                                                                                                                                                                                                                     |
| Report                   | the interim report for 2017 of the Company                                                                                                                                                                                                                                                                                                                                                                                   |
| Reporting Period         | the six months ended 30 June 2017                                                                                                                                                                                                                                                                                                                                                                                            |
| RMB or Renminbi          | the lawful currency of the PRC                                                                                                                                                                                                                                                                                                                                                                                               |
| settlement reserve funds | unrestricted and unutilised cash balances reserved for the settlement and clearing of the futures trading, which are deposited with the futures exchanges and commercial banks. Settlement reserve funds include client settlement reserve funds and our own settlement reserve funds                                                                                                                                        |
| SFO                      | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                                                                                                                |
| Share(s)                 | Domestic Share(s) and H Share(s) of the Company                                                                                                                                                                                                                                                                                                                                                                              |
| Shareholder(s)           | holder(s) of the Shares                                                                                                                                                                                                                                                                                                                                                                                                      |
| 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                                                                                                              |
| Supervisor(s)            | supervisor(s) of the Company                                                                                                                                                                                                                                                                                                                                                                                                 |
| Supervisory Committee    | the supervisory committee of the Company                                                                                                                                                                                                                                                                                                                                                                                     |

# Company Profile

## I. BASIC INFORMATION ABOUT THE COMPANY

### 1. NAME OF COMPANY

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

Chinese abbreviation (in the PRC): 弘業期貨

English name: Holly Futures Co., Ltd.

### 2. BOARD

#### Executive Directors

Mr. Zhou Yong (Chairman)

Ms. Zhou Jianqiu

#### Non-executive Directors

Mr. Xue Binghai

Mr. Zhang Ke

Mr. Shan Bing

#### Independent non-executive Directors

Mr. Li Xindan

Mr. Zhang Hongfa

Mr. Lam Kai Yeung

**Special Committees of the Board**

|                           |                                                                                 |
|---------------------------|---------------------------------------------------------------------------------|
| Audit Committee           | Mr. Lam Kai Yeung (Chairman)<br>Mr. Xue Binghai<br>Mr. Zhang Hongfa             |
| Remuneration Committee    | Mr. Zhang Hongfa (Chairman)<br>Mr. Li Xindan<br>Mr. Shan Bing                   |
| Nomination Committee      | Mr. Zhou Yong (Chairman)<br>Mr. Li Xindan<br>Mr. Zhang Hongfa                   |
| Risk Management Committee | Mr. Li Xindan (Chairman)<br>Mr. Xue Binghai<br>Ms. Zhou Jianqiu<br>Mr. Zhang Ke |

**3. SUPERVISORY COMMITTEE**

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

**4. LEGAL REPRESENTATIVE**

Ms. Zhou Jianqiu

**5. REGISTERED CAPITAL**

RMB907 million

**6. QUALIFICATIONS FOR BUSINESSES IN CHINA**

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

## 7. HEAD OFFICE IN CHINA

Registered address of the Company: No. 50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (postcode: 210001)

Office address of the Company: Holly Tower, No. 50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (postcode: 210001)

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

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

## 8. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## 9. SECRETARY TO THE BOARD

Secretary to the Board: Mr. Jia Guorong

Address: 9/F, Holly Tower, No. 50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (postcode: 210001)

Tel: 025-52278866

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

## 10. JOINT COMPANY SECRETARIES

Mr. Jia Guorong and Ms. Leung Wing Han Sharon

## 11. AUTHORISED REPRESENTATIVES OF THE COMPANY

Ms. Zhou Jianqiu and Mr. Jia Guorong

## 12. STATUTORY AUDIT INSTITUTIONS OF THE COMPANY

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

International accounting firm: KPMG

## 13. LEGAL ADVISERS

As to Hong Kong Law: Li & Partners

As to PRC Law: Jingtian & Gongcheng

## 14. PRINCIPAL BANKS

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

## 15. H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

## 16. STOCK CODE

03678

# Financial Summary

## I. Major accounting data and financial indicators

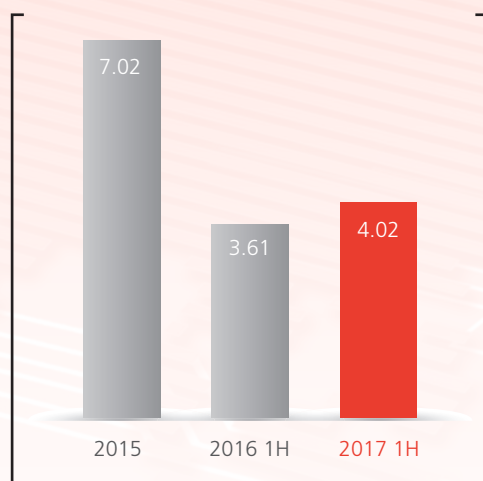
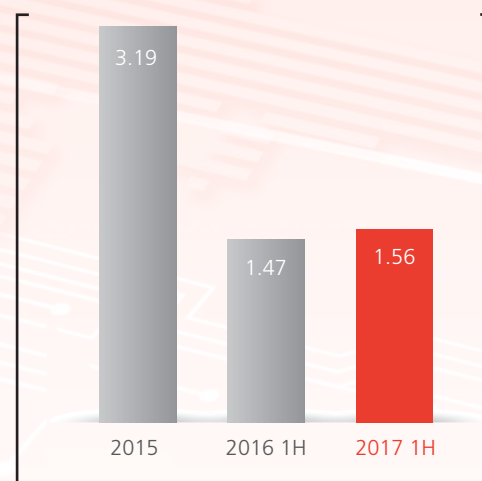
(Unless otherwise specified, the accounting data and financial indicators contained in this Report are prepared in accordance with the Hong Kong Accounting Standards)

| RMB'000                                                            | Jan-Jun<br>2017 | Jan-Jun<br>2016 | Increase in current period<br>as compared to<br>the prior period |        |
|--------------------------------------------------------------------|-----------------|-----------------|------------------------------------------------------------------|--------|
|                                                                    |                 |                 | Amount                                                           | %      |
| Operating income                                                   | 155,836         | 146,737         | 9,099                                                            | 6%     |
| Profit before taxation                                             | 52,703          | 47,801          | 4,902                                                            | 10%    |
| Profit after taxation-attribute to shareholders<br>of the Company  | 40,181          | 36,130          | 4,051                                                            | 11%    |
| Net cash generated from operating activities<br>Inflows/(outflows) | 266,199         | 9,755           | 256,444                                                          | 2,629% |
| <b>Earnings per share (RMB/share)</b>                              |                 |                 |                                                                  |        |
| Basic earnings per share                                           | 0.0443          | 0.0398          |                                                                  |        |
| Diluted earnings per share                                         | 0.0443          | 0.0398          |                                                                  |        |
| <b>Profitability indicators</b>                                    |                 |                 |                                                                  |        |
| Weighted average return on net assets (%)                          | 2.35%           | 2.16%           |                                                                  |        |

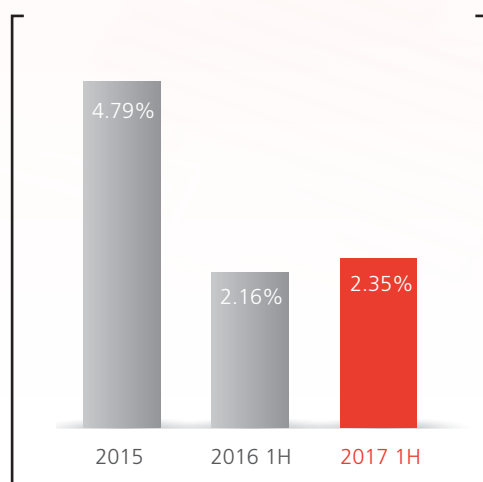
  

| Scale indicators (RMB'000)                                                                            | As of<br>30 June<br>2017 | As of<br>31 December<br>2016 | Increase in the end of<br>the current period<br>as compared to the<br>end of the prior year |     |
|-------------------------------------------------------------------------------------------------------|--------------------------|------------------------------|---------------------------------------------------------------------------------------------|-----|
|                                                                                                       |                          |                              | Amount                                                                                      | %   |
| Total assets                                                                                          | 5,199,204                | 4,832,513                    | 366,691                                                                                     | 8%  |
| Total liabilities                                                                                     | 3,501,311                | 3,116,827                    | 384,484                                                                                     | 12% |
| Accounts payable to brokerage clients                                                                 | 3,336,383                | 3,040,791                    | 295,592                                                                                     | 10% |
| Equity attributable to shareholders of the Company                                                    | 1,697,893                | 1,715,686                    | -17,793                                                                                     | -1% |
| <b>Total share capital ('000)</b>                                                                     | <b>907,000</b>           | 907,000                      |                                                                                             |     |
| <b>Net assets value per share attributable to<br/>shareholders of the Company<br/>(RMB per share)</b> | <b>1.87</b>              | 1.89                         |                                                                                             |     |
| <b>Gearing ratio (%)<sup>Note 1</sup></b>                                                             | <b>9%</b>                | 4%                           |                                                                                             |     |

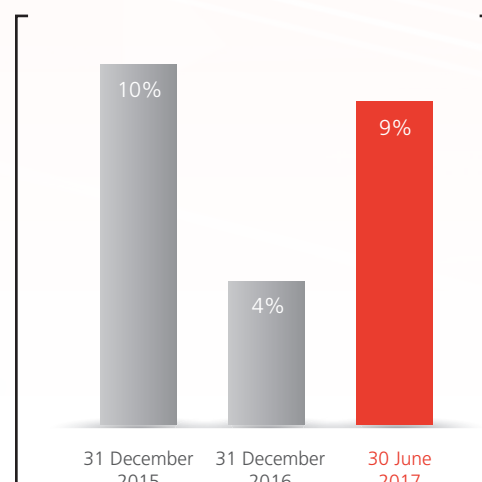
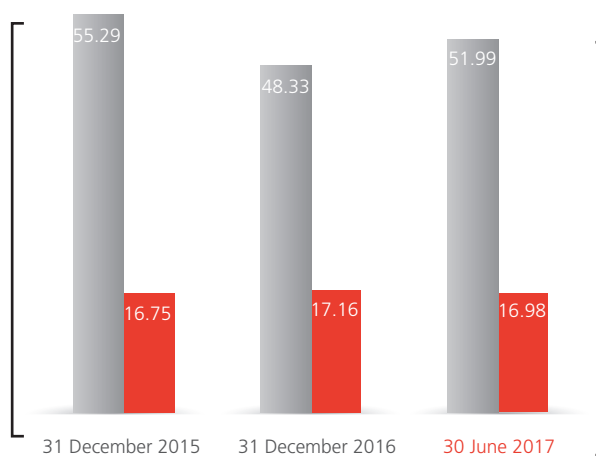
Note 1: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)

Profit after taxation-attributable  
to shareholders  
of the Company (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

## II. Net Capital and relevant risk control indicators of the Company as at 30 June 2017

The Net Capital of the Company as at 30 June 2017 amounted to RMB1.129 billion, representing an increase of RMB62 million as compared with RMB1.067 billion as at the end of 2016. During the Reporting Period, various risk control indicators of the Company including the Net Capital met regulatory requirements. (The following table sets out the Net Capital and the major risk control indicators prepared by the Company in accordance with PRC Accounting Standards and the regulatory requirements in the PRC)

|                                                    | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 | Warning<br>level | Minimum/<br>Maximum<br>level |
|----------------------------------------------------|--------------------------|------------------------------|------------------|------------------------------|
| Net Capital (RMB million)                          | 1,129                    | 1,067                        | 18               | ≥15                          |
| Net Capital/total risk capital reserves (%)        | 420%                     | 408%                         | 120%             | ≥100%                        |
| Net Capital/net assets (%)                         | 72%                      | 67%                          | 48%              | ≥40%                         |
| Current assets/current liabilities (%)             | 518%                     | 732%                         | 120%             | ≥100%                        |
| Total liabilities/net assets (%)                   | 16%                      | 10%                          | 120%             | ≤150%                        |
| Proprietary settlement reserve funds (RMB million) | 650                      | 250                          | 9.6              | ≥8                           |

# Management Discussion and Analysis

## I. Market Review

During the first half of 2017, despite confronted with the external environment of profound adjustment of international economic and political pattern, increase in international uncertainties and intensified competition and internal pattern such as crossed superposition of deep-seated problems, China seized the opportunity to take the initiative and achieved an excellent economic prospect, with its economic structure, enterprise performance and market confidence all improved, new employment beyond expectation and new kinetic energy industry developing in booming way, forming a stronger economic and employment support force. The economic “stability” situation was consolidated, while the “advancing” trend became more obvious.

During the first half of 2017, the futures market was in an overall downward trend of falling back, with trading enthusiasm lower than the same period of last year and all blocks of commodity futures and all varieties of stock index futures short in trading volume, which made the price bearish. At spot goods level, with the deepening of supply side reform and extension to agricultural field, spot price of commodities and stock index price showed a downward trend. Moreover, factors including less domestic macroeconomic fluctuation and rising uncertainties of overseas macro-monetary conditions also played an important role. During the first half of 2017, China's futures market maintained the dominant pattern of “black cyclone”, with the trading volume and trading volume of deformed steel bars and iron ores up to top two of all varieties in the market, and inventories ranking No.1 and No. 3 respectively. The proportion of trading volume and trading volume of steel materials futures blocks (deformed steel bars, iron ores, glasses and hot-rolled coils, etc.) during the first half of this year were 40.71% and 24.07% respectively. For single variety, the 5 active futures varieties with maximum trading volume in the futures market of China were deformed steel bar, iron ore, corn, soybean meal and PTA respectively during the first half of this year. The trading volume of these 5 most active varieties accounted for 22.90%, 8.92%, 6.09%, 5.96% and 4.97% respectively of the market in China. As at the end of June 2017, the accumulated trading volume in the domestic futures market was about 1.478 billion lots with an accumulated trading volume of approximately RMB85.91 trillion calculated as one side of a trade, representing a decrease of 35.48% and 13.52% respectively as compared to 2.291 billion lots with RMB99.34 trillion for the same period in 2016.

## Operating conditions of products

The price movements of the domestic futures market for the first half of 2017 were as follows:

### Operating conditions of agricultural product futures

During the first half of this year, the trading volume of all most active varieties of agricultural product futures declined, with the trading volume of seven major agricultural product futures including vegetable meal, cotton, soybean meal, white sugar, palm oil, soy bean oil and No.1 soybeans experiencing a sharp decrease of 68.36%, 63.96%, 58.87%, 57.26%, 47.10%, 33.35% and 13.13% respectively, which made the situation of overall futures market trading volume during the first half of this year worse.

### Operating conditions of metal futures

During the first half of this year, the trading volume of four major varieties, gold, silver, nickel and copper, in precious metals and nonferrous metal futures experienced a downturn, decreasing by 47.69%, 30.21%, 43.81% and 36.32% respectively. Although the trading scale of three varieties, lead, zinc and aluminium sharply increased, it was hard to change the overall falling tendency of trading scale of precious metals and nonferrous metal futures. The trading volume of ferrous metals including deformed steel bars and iron ore futures decreased by 40.21% and 39.69% respectively during the first half of this year. The increase in trading volume of ferroalloy, hot-rolled coil and glass futures during the first half of this year could not offset the decrease in trading volume of two most active varieties in the national futures market.

### Operating conditions of energy and chemical futures

During the first half of this year, the trading volume of six active varieties, polypropylene, polyethylene, petroleum asphalt, natural rubber, methyl alcohol and PTA, in chemical futures experienced a sharp decrease of 72.63%, 51.89%, 48.98%, 22.38%, 20.04% and 8.22% respectively, which helped decrease the trading scale of whole commodities futures market. The trading volume of coke, coking coal and power coal futures in energy futures substantially decreased by 68.81%, 51.74% and 35.67% respectively during the first half of this year. The decrease of overall trading scale became a main reason for trading scale shrinkage of commodities futures market.

### Operating conditions of financial futures

As at the end of June 2017, a recovery increase appeared in financial futures market, with accumulated trading volume of 12.7893 million lots, representing an increase of 33.98% as compared to the same period of last year, and a trading volume of RMB12.6 trillion, representing an increase of 35.17% as compared to the same period of last year. For varieties, the trading volume of SSE 50, CSI 300 and CSI 500 Index futures increased by 12.85% and decreased by 20.21% and 21.21% respectively as compared to the same period of last year. The trading volume of 10-year treasury bond futures and SSE 50 stock index futures increased by 171.87% and 12.85%. It indicates that after preliminarily loosening of stock index futures transaction restriction measures, liquidity improvement effect of stock index futures market was not particularly obvious, which was lower than expectation and had no sharp rebound or rise of trading volume.

## II. Overall Business Conditions

The Company insists on the principle of “seeking improvement and excellence in stability”, accelerates transformation and upgrading, and enhances risk prevention by centring on improving development quality and benefit and keeping promoting supply side structural reformation as its main line. All the work had made remarkable progress. As at 30 June 2017, total assets of the Company amounted to RMB5.2 billion, representing an increase of 8% as compared to the end of 2016. Net assets attributable to the Company amounted to approximately RMB1.7 billion, representing a decrease of 1% as compared to the end of 2016. The Company achieved a market share of 0.8%; the operating income amounted to RMB155.84 million, representing a year-on-year increase of 6%; the total profit amounted to RMB52.70 million, representing a year-on-year increase of 10%, and the net profit amounted to RMB40.18 million, representing a year-on-year increase of 11%. During the first half of 2017, the Company was in excellent operating conditions generally, and its brand influence was further improved. It was awarded as the “Excellent Member in Market Growth” by Zhengzhou Commodity Exchange and “Excellent Member” by Dalian Commodity Exchange, and the general manager of the Company, Ms. Zhou Jianqiu, was also awarded the “Junding Prize for Chinese Wealth Management Leader in 2017” by Securities Times. Meanwhile, the Company has obtained “Class A of the Grade A” regulatory category in the classified supervision and evaluation of the CSRC for nine consecutive years.

## III. Analysis of Principal Businesses

The Group is mainly engaged in futures brokerage business, asset management business, commodity trading and risk management business and financial assets investment, mainly including securities, funds, wealth management products issued by banks, and asset management plans. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

### (I) Futures Brokerage Business

The futures brokerage business of the Company includes providing brokerage service in respect of the commodity futures and financial futures available at all futures exchanges listing in the PRC and receiving certain percentage of handling fees from clients. As at 30 June 2017, the Company had 46 branches, which were mainly located at the municipalities, Jiangsu Province and other economically developed cities in the PRC.

For the first half of 2017, the futures brokerage business of the Company maintained at a fairly good level. As at 30 June 2017, the Company's client balance amounted to RMB3.336 billion, representing an increase of 9.72% as compared to RMB3.041 billion for the end of 2016. The turnover from brokerage of the Company amounted to RMB1,368 billion with a market share of 0.8%. In the first half of 2017, the handling fee rate for futures transaction of the Company was 0.6296 bps as compared to 0.4966 bps for the same period in 2016, representing a year-on-year increase of 26.79%. The handling fees of the Group from futures brokerage business amounted to RMB90.20 million, representing a year-on-year decrease of 0.73% as compared to RMB90.86 million for same period in 2016. The interest income of the Group amounted to RMB39.07 million, representing a year-on-year increase of 16.82% as compared with RMB33.44 million in the corresponding period of 2016.

## (II) Assets management business

As at 30 June 2017, entrusted AUM of the Company amounted to RMB724 million, representing a year-on-year decrease of 15.91% as compared to RMB861 million at the end of 2016. The asset management business achieved a fee income of RMB1.56 million, representing a year-on-year growth of 9% as compared to RMB1.43 million for the same period in 2016. There were 32 trading asset management accounts in aggregate and all accounts were operated smoothly.

During the first half of 2017, under the overall background of stricter regulatory policies, the Company established and improved a large capital management system integrating product design, investment operation, risk control and operational management to achieve “platformization” and “professionalization” development by strictly observing asset management source. Firstly, the Company innovated product design mode, and successfully achieved structural products, safety pad sharing products and management products, and paid attention to improve product quality. Secondly, the Company enhanced cooperation with banks, securities traders and third-party wealth companies, successfully releasing FOF, MOM and other products. Part of products entered the sales stage. Thirdly, the Company took investment managers and investment ability as the key concerns, placed importance on nurturing the funds managers, optimizing trading strategies and accelerating the building of a proactive management team.

## (III) Commodity trading and risk management business

During the first half of 2017, Holly Capital achieved the total profit of RMB1.56 million, representing a year-on-year decrease of 51% as compared to RMB3.21 million for the same period in 2016.

Holly Capital, on the basis of enhancing risk management and control, determined the major business development direction based on futures and spot business and to made advances in business development of iron ores, thermal coals and cottons, etc. Through holding exchange meetings relating to futures-spot business, business cooperation was carried out with many large-scale enterprises and strategic cooperation agreements were signed with certain large-scale central enterprises. Meanwhile, Holly Capital pays attention to enhance anti-risk capability to fully unscramble all risk control points and precautions existing in all business modes and revises project declaration and reviews management methods and financial control system, etc.

## (IV) Financial assets investment

With an aim of optimising its capital operation, the Company invested in a variety of financial assets including securities, funds, wealth management products issued by banks, trusts 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.

During the first half of 2017, the Group achieved disposition and dividend gains of RMB4.11 million from financial assets investment business, representing a year-on-year increase of 7% as compared to RMB3.84 million for the same period in 2016, mainly due to the increase in the Group's investment in funds in the first half of 2017 and the increase in dividend gains from funds as compared to the same period of last year.

## IV. Other Innovative Business

### (I) Diversified development of international business

Holly Su Futures implemented the business mode innovation based on Hong Kong market, applying for the securities trading licence, and orderly advancing the application of asset management licence and membership of Hong Kong Stock Exchange. As of 30 June 2017, Holly Su Futures achieved client balance amounting to HK\$230 million, representing a year-on-year increase of 31%, increase of 59% in fee income and 48% in agency trading volume, as well as a total profit of HK\$140,000.

### (II) Progress in stability of options business

The year of 2017 witnesses the commencement of commodity option development of China. The Company displayed its talent in becoming the first batch of futures companies obtaining the qualification for futures broker business of Shanghai Stock Exchange. Market share of customer quantity and trading volume of stock options business stood in the front rank in the same line. The over-the-counter option developed quickly, with a notional principal of RMB84 million; the project of "insurance + futures" for 22 thousand tons of corns was approved by Dalian Commodity Exchange. The scale of asset management products for active management option was approximately RMB24 million, showing both stable profit margin and stable operation. The Company attached great importance to option research and established sound over-the-counter option pricing and risk hedging model, design and development of exotic option pricing model, Asian option, barrier options, digital options and so on. It also independently developed automated settlement procedure and quotation database for over-the-counter options to lay a solid foundation for the development of option business.

### (III) New journey of funds sales

The fund business of the Company reached a new level as evidenced by signing agency agreements with many fund companies. There were about 380 agency fund products and the first subscription business with monetary fund of RMB50 million was achieved. The Company actively prepared the establishment of Holly Fund Management Co., Ltd. and submitted the application materials to the CSRC while insisting on the strategic policies of "One Belt and One Road" and Yangtze River economic zone fusion development.

## V. Outlook and Plans

During the second half of 2017, the Company will take “Internet +” as the breakthrough point to enlarge and strengthen the traditional brokerage business, and strive to create three major innovative business systems including asset management, risk management and international business to comprehensively strengthen the pillar construction such as talent, risk control, technology and research and development, while focusing on innovating and strengthening enterprises and promoting the transformation and upgrading of enterprises to a new level.

### (I) Greater brokerage profit margin with innovative model

Traditional brokerage will shift from extensive to intensive, and from providing intermediary services to value added services. First of all, the construction of the “headquarters – branch – sales department” multi-level network system shall be performed based on the development goals of “bigger and stronger” and “fine and intensive” to realize the light input, new operation and differentiated management, gradually establishing the development orientation of each branch company and promoting the branches to achieve profitability. Secondly, the innovative businesses of investment consulting, asset management, risk management shall be combined with the objectives with professional practitioners, precise customer management and maximum income scale to enhance service quality, enlarge customer asset size and consolidate market share. Thirdly, a new model for the integration of futures brokerage business and the Internet shall be built to explore the O2O marketing model, realize the aggregation of information on line, and complete the customization of products and personalized services off line. The personalized customization for customers and differentiated marketing shall be achieved based on the customer classification and classified management analyzed by big data to establish a service model of multi-level and multi-dimensionality. Fourthly, full preparations for crude oil futures shall be conducted before listing to make sure that the marketing of crude oil futures and each scales after the listing become the leader of the industry, which shall bring new profit growth point for the Company.

### (II) Greater contribution of innovative business with innovative products

Resultant innovation shall be transformed into cohesion innovation to create a large-scale asset management business, professional risk management business and a branding wealth management business.

The asset management business becomes large-scale. The platform of asset management shall be further improved to strength the collaborative development of internal asset management business. Great importance shall be attached to internal management. Applying the model of “team + product line” to promote the fostering and introduction of investment talents and shifting from “product-centric” to “customer-centric” are helpful for the true realization of creating values for customers. The advantages of futures company in derivatives research and development, risk control and other aspects shall be fully noticed to focus on creating characteristic and active management products of commodity futures, options and other derivatives market. The innovation for products form shall also be emphasized by continuing to exploring and issuing the products of FOF, MOM, QDII, fighting for new share and directed fund increase.

The risk management business becomes professional. The first is the dramatic improvement of option business. The over-the-counter option business shall be greatly improved and the customer base shall be expanded to provide options for the upper, middle and lower enterprises, and deepen the strategic cooperative relationship with large enterprises. The personalized risk management services of quotation, product design and other services shall be provided for business entities by applying over-the-counter options; a multi-strategy trading model shall be researched and developed, the multi-species arbitrage strategy of options, securities and futures shall be designed and a variety of options and structured products shall be issued. The business qualification of commodity option market maker shall be acquired to provide liquidity services for option market. Secondly, Holly Capital should fully explore the current business, and create a mature and replicable business development model by fully relying on the futures company platform and existing business resources. At the same time, the control of risk exposure shall be focused. The control model of “full coverage, sink to the bottom” shall be achieved in risk control system, and the anti-risk ability of Holly Capital shall be effectively enhanced.

The wealth management business becomes branding. The fund sales business shall be effectively improved under the guidance of the principle of “financial supermarket” to provide various fund products for customers. The establishment of Holly Capital Management Co., Ltd. is boosted and Public Fund Licence is applied and acquired while insisting on the strategic policies of “One Belt and One Road” and Yangtze River economic zone fusion development.

The characteristic international business sector shall be achieved. Holly Futures strives to achieve “corner overtaking”, which means to make new breakthroughs in securities business and asset management business while doing a good job in the futures business, and to actively expand the exchange rate futures business, providing excellent service for foreign trade enterprises to avoid exchange rate risk. Domestic business shall develop in parallel with overseas business, focusing on extending the domestic customer resources and mature business to overseas. In accordance with the policy of “going out”, the overseas layout shall be gradually expanded, and overseas subsidiaries shall be set up in time. Under the development background of “One Belt and One Road”, the international layout shall be strengthened with correct opportunity and principle.

### **(III) More attractive enterprise brands with innovative services**

The Company strives to build three major business systems, namely, customer marketing system, customer service system and support system in mid and back offices, to provide strong protection for front-line departments’ business development.

The first is to build an improved customer marketing system. The overall marketing planning and organization of each business sector shall be strengthened, and the marketing of each business sector shall be implemented; the Internet marketing strategy shall be innovated to shift from the simple B2C initiative development to the direction of multi-mode development, including B2B drainage cooperation; cross-border cooperation shall be carried out to get ready for the incubation of new business and new products of Internet finance.

The second is to build a sound customer service system. The online platform that combines trading, marketing and service shall be continuously developed to promote the upgrading of the trading client, and effectively improve the speed of transactions; it introduces the mature software in the market and meets the transaction demand of professional investors; it promotes exclusive customized services with VIP customers club as its core to increase customer satisfaction and loyalty.

The third is to build a powerful support system in mid and back offices. The working principle that “in the futures company, everyone is a customer manager; people in middle and back offices could be free from business, but they shall understand the business” shall be actively advocated; the functional departments at head office shall implement the reform of “authority delegation, supervision enhancing and service optimizing”, change working methods and enhance working abilities to provide support and assistance to front-line departments; the systems of each business sector shall be comprehensively reviewed to develop feedback and processing channels of problems proposed by customers and to accelerate the optimization and reengineering of business process; the operation system of construction of large background shall be promoted, and the management mode of large background shall be further constructed.

#### (IV) More competitive development environment with innovative management

The Company shall actively learn from the advanced management experience of the financial industry, improve the system, and further enhance the fine management and standardized operation level to effectively guarantee and promote the transformation and innovation development.

The first is to prevent various risks. It is also crucial to take the post risk prevention and control as the basis, the strengthening of system construction as the focus, and modern information technology as the support, to speed up the development of risk prevention and control mechanism with normative procedures, clear risk, powerful prevention and control and effective system. The three links of "look for, prevent and control" behave as the way to successfully find out the risk point and implement perfect prevention and control measures; the risk prevention and control mechanism shall be constantly promoted and enterprise operation and management and anti-risk ability shall be improved. Efforts shall be made in risk prevention of operation. The management and control of all aspects of business operations shall be continuously increased, potential risks shall be comprehensively removed, and the accountability mechanism shall be fully implemented. The intermediary management shall be strengthened and improved by making use of information technology; intermediary supervision shall be of full coverage and without blind spots to truly realized the open and transparent intermediary. The honest risk prevention and control of provincial enterprises shall be effectively carried out, and then be implemented into practice. Three legal reviews shall be enhanced and legal review shall be carried out before making important decisions, entering into economic contracts and formulating major rules and regulations. Efforts shall be made in risk prevention of professional ethics. Education on targeted employees of "four ones" shall be further strengthened. The "new ones" represent new employees who will take trainings and tests with practice criteria for futures practitioners as the core and conduct of practice as the emphasis, thus implementing preventive measures before taking up their positions. The "old ones" represent existing leaders, cadres and key personnel who shall conduct risk prevention with focus on integrity and self-discipline as well as warning-oriented education. The "proposed ones" represent "cadres before assuming their office", of which talks about integrity shall be arranged for newly promoted management before they take office to emphasize the awareness of accountability, thus implementing preventive measures before taking office. The "ones held responsible" represent management held responsible who shall reflect on their mistakes under active education and guidance. At the same time, the Company shall also establish a relatively comprehensive moral hazard prevention and supervision system and further revise and improve management regulations for staff penalties. Efforts shall be made in risk prevention of safe and stable operation of enterprise. Safe production and stability maintenance are two major props for the Company's sustainable and sound development. By adhering to the principle of "precaution comes first with strict observance above all else and pragmatism as foundation", starting with the most fundamental work and exerting efforts in the weakest section, we shall take anticipatory consciousness, observant and disciplined behavior and concerted method to ensure safe and stable operation of the Company. Efforts shall be made in technological means. Improve management level through technological innovation, research the way which can combine inner control system and information system, gradually realize dynamic management for business, and really accomplish prior, in-process and postmortem management and control for risk matters.

Secondly, enriching people and strengthening companies can be achieved at the same time. Enriching people and strengthening companies is a perpetual theme of the development of an enterprise. Strengthening companies serves as the premise with development as the key. In the second half of the year, the Company will give full play to the spirit of entrepreneurship, innovation and excellence creation, and strive to create a strong atmosphere of longing for wealth and acquiring wealth. A mechanism of simultaneous growth of employees' wages and benefits and the development of the enterprise shall be established, and remuneration and benefits schemes shall be optimized and adjusted based on the principle of marketization and matching of authorities, responsibilities and benefits in order to ensure the reasonable growth of employees' income and build a comprehensive "platform of acquiring wealth". As the first secondary company of the SOHO Holdings to implement the pilot professional manager system, we shall explore diverse incentive methods, create an environment where people can demonstrate their talents, give full play to the subjective initiative of talents and spare no efforts to build up an "entrepreneurship platform". We shall also establish a cultivation system for multi-level talents, and ensure timely appointment and accurate cultivation of reserve cadres and backbone talents, provide working platform and opportunities to employees with better performance and stronger abilities to exploit their talents. Further enhance staff safeguard measures, timely launch guarantee measures such as serious illness medical insurance, and guarantee implementation of paid-leave system, so that employees have a real sense of acquisition.

Thirdly, to strengthen investment and research integration construction. In respect of R&D, we shall keep up with new trends with new philosophy, explore new fields with new thoughts and work on new normal with new research. We shall focus on customers' demand and establish a full business chain of financial derivatives with investment and research integration as the core competitiveness, so as to cover services including wealth management, asset management, risk management, over-the-counter options and international businesses. On the basis of understanding, analysing and matching customers' demands, we shall give active play to big data in futures research, utilise Internet thoughts and technology and build up a well arranged, on-line and off-line three dimensional and all-around customer service system. With the development of major class assets allocation and the popularization of indexation investment philosophy, we made an attempt on the R&D of commodity index.

## VI. Working Capital, Financial Resources and Capital Structure

### (I) Profitability analysis

During the Reporting Period, the Company seized the opportunities of the industrial innovation and development and gradually enhanced its comprehensive strength with its overall operation enjoying a good momentum. The Group achieved total operating income of RMB156 million, an increase of 6% from RMB147 million for the same period of 2016. The net profit attributable to Shareholders of the Company amounted to RMB40.18 million, an increase of 11% from RMB36.13 million for the same period of 2016. The earnings of per Share amounted to RMB0.04 and the weighted average return on net assets was 2.35%, representing a year-on-year growth of 0.19 percentage point.

### (II) Asset structure and asset quality

As of 30 June 2017, the total assets of the Group amounted to RMB5,199 million, representing an increase of 8% as compared with RMB4,833 million at the end of 2016; the total liabilities amounted to RMB3,501 million, representing an increase of 12% as compared with RMB3,117 million at the end of 2016; and the net assets attributable to the Shares of the Company amounted to RMB1,698 million, representing a decrease of 1% as compared with RMB1,716 million at the end of 2016.

The asset structure remained stable while the quality and liquidity of asset were well maintained. As at 30 June 2017, the total assets of the Group consisted of: current assets of RMB5,109 million, accounting for 98.26% of the total assets, increased by 8% as compared with RMB4,741 million at the end of 2016. Current assets mainly included cash held on behalf of clients of RMB2,144 million (accounting for 41.97%), refundable deposits of RMB1,307 million (accounting for 25.58%), cash and bank deposits of RMB1,276 million (accounting for 24.98%), assets for financial investment of RMB317 million (accounting for 6.20%), other receivables of RMB52 million (accounting for 1.01%) and other current assets of RMB13 million in total (accounting for 0.26%). There were no significant signs of impairment of the Group assets in the first half of 2017.

As of 30 June 2017, the liabilities deducting brokerage clients funds payable amounted to RMB165 million, representing an increase of 117% from RMB76 million at the end of 2016. The asset-liability ratio of the Group was 9%, representing an increase of 5 percentage points as compared with the end of 2016 (Note: asset-liability ratio = (total liabilities – brokerage clients funds payable)/(total assets – brokerage clients funds payable)); The operating leverage ratio was 1.1 times, representing an increase of 5.77% as compared with 1.04 times as at the end of 2016 (Note: operating leverage ratio = (total assets – brokerage clients funds payable)/equities attributable to Shareholders of the Company).

### (III) Administrative level management

The Company places great emphasis on liquidity management based on the principle of “being comprehensive, prudent and predictability” while focusing on the organic combination of the security, liquidity and profitability of capital. The liquidity monitor index of the Company in each month throughout the first half of 2017 complied with the regulatory requirements of the CSRC.

### (IV) Currency risk

Except for the proceeds from issuance of H Shares upon public offering by the Company and cash at bank, there is no material currency risk for the Group as the majority of the business activities are within mainland China and settle in RMB. The currency giving rise to this risk is primarily Hong Kong dollars. As most of the proceeds from issuance of H Shares upon public offering by the Company are converted into and used as RMB by the Company during the Reporting Period and the remaining proceeds will be used according to business needs after the Reporting Period, the currency risk is assessed to be low.

## (V) Cash flows

The net increase in cash and cash equivalents of the Group amounted to RMB278 million in the first half of 2017.

Net cash generated from operating activities of the Group amounted to RMB266 million in the first half of 2017, representing a year-on-year increase of RMB256 million as compared with RMB10 million for the same period in 2016; net cash generated from investing activities amounted to RMB12 million in the first half of 2017, representing a year-on-year increase of RMB230 million as compared with RMB-218 million for the same period in 2016; net increase in cash and cash equivalents amounted to RMB278 million in first half of 2017, representing a year-on-year increase of RMB104 million as compared with RMB174 million for the same period in 2016.

## (VI) Significant investment

Save as the investments in equity securities and short term investments presented in the unaudited consolidated statement of financial position as at 30 June 2017, the Group did not hold any significant investment in equity interest in any other company as at 30 June 2017.

## (VII) Contingent liabilities

- (a) On 18 July 2016, the Company became aware that one of its employees ("Mr. A") was involved with alleged forgeries to enter into asset management agreements with several customers during the years ended 31 December 2015 and 2016. The funds collected from these customers were deposited directly into Mr. A's personal account. On 21 July 2016, the Company reported the case to the public security authority.

On 22 September 2016, one of the customers ("Customer B") filed a lawsuit against the Company with the People's Court of Qin Huai District of Nanjing City. Customer B claimed for: (1) the repayment of RMB9.86 million investment together with expected return of RMB0.87 million; and (2) the cost of proceedings. As at the date of this Report, the legal proceedings are still ongoing.

On 1 August 2017, another customer ("Customer V") filed a lawsuit against the Company with the People's Court of Qin Huai District of Nanjing City. Customer V claimed for: (1) the repayment of RMB18.2 million investment together with expected return of RMB4.37 million; and (2) the cost of proceedings. As at the date of this Report, the legal proceedings are still ongoing.

The Directors are of opinion that as these lawsuits are at the preliminary stage it is not possible to estimate with reasonable certainty the outcome of the lawsuits at this stage and no provision has been made in the unaudited interim financial statements of this Report in respect of the claims.

- (b) On 17 July 2016, one of the Company's employees Mr. A and his wife entered into personal lending agreements with three individual customers, whereby the three customers agreed to lend them money with the Company being appointed as the guarantor without its approval. The Company became aware of such personal lending agreements on 18 July 2016 and reported it to the public security authority on 21 July 2016.

On 25 July 2016, two customers ("Customer Y" and "Customer Z") filed a lawsuit against Mr. A and his wife as well as the Company with the People's Court of Jing Hai District of Tianjin City (the "Jing Hai Court"). Customer Y claimed for: (1) the repayment of RMB3 million loan together with interests at a monthly interest rate of 2% for the period starting from 17 July 2016 to the date of actual settlement of loan; and (2) the cost of proceedings. Customer Z claimed for: (1) the repayment of RMB1.7 million loan; and (2) the cost of proceedings.

On 19 August 2016, the third customer ("Customer W") filed a lawsuit against Mr. A and his wife as well as the Company and another third party entity owned by Mr. A with the Jing Hai Court. The customer claimed for: (1) the repayment of RMB3.71 million loan together with interests at a monthly interest rate of 2% for the period starting from 18 July 2016 to the date of actual settlement of loan; and (2) the cost of proceedings. In December 2016, the Jing Hai Court dismissed the lawsuit of this customer.

On 26 July 2017, the Jing Hai Court delivered its first trial judgement of the first lawsuit mentioned above and held that Mr. A and his wife should repay the RMB3 million loan together with interests at a monthly interest rate of 2% for the period starting from 17 July 2016 to the date of actual settlement of loan and the Company should undertake upmost 50% repayment responsibility on the uncompensated part.

On 4 August 2017, the Jing Hai Court delivered its first trial judgement of the second lawsuit mentioned above and held that Mr. A and his wife should repay the RMB1.4 million loan and the Company should undertake upmost 50% repayment responsibility on the uncompensated part.

The Directors are of opinion that the Company shall further appeal of the two lawsuits mentioned above and thus it is not possible to estimate with reasonable certainty the outcome of the lawsuits at this stage and no provision has been made in the unaudited interim financial statements of this Report in respect of the claims.

Except for the above, as at 30 June 2017, the Group was not involved in any material legal, arbitration or administrative proceedings which the Group expect would have significant adverse impact on the financial position and financial performance.

## (VIII) Charges on assets

As at 30 June 2017, the Group did not have any charges on assets.

## VII. Material Financing of the Company

### (I) Equity financing

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

### (II) Bond financing

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

## VIII. Investments during the Reporting Period

### (I) Use of proceeds

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

According to the use of proceeds from global offering as set out in the Prospectus, the Company intended to use the proceeds for the following purposes: developing the Hong Kong and global futures business and asset management business; developing the commodity trading and risk management business; developing and strengthening the existing futures brokerage business; purchasing information technology equipment and software; and as general working capital of the Group.

The Company remitted the proceeds to the PRC after deducting listing expenses, social security transferred payment, and expenses for developing the Hong Kong and global futures business, and exchanged them into RMB.

**(II) Use of raised proceeds in projects intended to be financed**

As of 30 June 2017, the raised proceeds were utilised as follows, which were in line with the purposes set out in the Prospectus:

| Title of the projects intended to be financed                        | Whether there were changes in the project | The amount of proceeds to be invested during the Reporting Period (HK\$) | The accumulated amount of proceeds actually invested (HK\$) | Percentage (%) |
|----------------------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------------------|-------------------------------------------------------------|----------------|
| Developing the Hong Kong and global futures business                 | No                                        | 90,000,000.00                                                            | 165,000,000.00                                              | 30.78%         |
| Developing asset management business                                 | No                                        | –                                                                        | 121,355,818.08                                              | 22.63%         |
| Developing the commodity trading and risk management business        | No                                        | –                                                                        | 97,838,074.22                                               | 18.25%         |
| Developing and strengthening the existing futures brokerage business | No                                        | –                                                                        | –                                                           | N/A            |
| Purchasing IT equipment and software                                 | No                                        | –                                                                        | 1,173,715.54                                                | 0.22%          |
| General working capital of the Group                                 | No                                        | 50,000.00                                                                | 42,795,620.30                                               | 7.98%          |

In order to enhance the efficiency of the utilisation of the proceeds, as of 30 June 2017, 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 Prospectus in due course in the second half of 2017 and 2018.

**(III) Progress of investments by subsidiaries and joint stock companies****Investments during the Reporting Period**

The Company convened the ninth meeting of the second session of the Board on 16 December 2016 for the consideration and approval of Resolution in Relation to the Capital Increase of Holly Su Futures (Hongkong) Co., Limited as Our Subsidiary. The Company has contributed capital of HK\$90 million to Holly Su Futures in March 2017. The registered capital of Holly Su Futures was HK\$190 million after capital injection.

**(IV) Future plans for significant investment and fixed assets**

The Group did not have any other plans for significant investment and fixed assets during the Reporting Period.

## IX. Share Option Scheme

The Company and its subsidiaries have no share option scheme.

## X. Acquisition or Disposal of Material Assets, External Guarantee, Mortgage, Pledge and Material Contingent Liabilities of the Group

During the Reporting Period, there was neither acquisition, sale or replacement of the Group's material assets or business merger, nor any major off-balance-sheet items or contingent liabilities matters such as major external guarantee, mortgage, pledge that may affect the Group's financial position and operating results.

## XI. Employees, Remuneration Policies and Training

As at the end of the Reporting Period, the Group had a total of 703 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 favour of the front-line employees with outstanding performance.

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.

In order to constantly improve the professional ability and quality of the Company's executives, the Company formulated corresponding training programs for all business lines and made various training plans for employees at all levels. The Company provided operation and management personnel with training programs centring on enhancing their understanding of the development of the futures industry, management theories and skills, strategic thinking ability, operation management ability, etc.; and offered training programs focused on improving business knowledge, product development and marketing skills and service abilities to employees of various business lines and departments. Moreover, it encouraged employees to study by themselves, take professional qualification examinations, etc. in order to educate themselves and update their professional knowledge. Especially, it rewarded employees who had obtained qualifications for futures investment analysis, fund practitioner and futures practitioner in Hong Kong.

## XII. Risk Management

The risks the Company faces in its business activities mainly include operation risk, compliance risk, market risk, credit risk and investment risk. In the first half of 2017, the Company adopted effective measures to deal with the risks proactively, thereby safeguarding the safety and high efficiency of the business activities.

### (I) Operation Risk

Operation risk refers to the risks resulting from improper operation in transactional process and is one of the major risks of futures companies, such as:

1. System Disaster Risk. Currently, the trading mode of futures companies is generally centralized electronic trading and the impact of the trading environment on business has become greater and greater and if any disastrous incidents such as fire, flooding, earthquake and blackouts occur, all preventive measures based on local back-ups cannot warrant the completeness and continuity of the trading data, especially when the engine room of a futures company is damaged by fire, flooding, earthquake, lightning or thunders. It will take a long time to resume the service of the system and this is disastrous to a futures brokerage company. The Company has increased its input on the construction of the trading disaster back-up system to elevate its own risk resistance capability to a new level.
2. Hacking and virus risks. In the era of network economy, most futures brokerage companies have provided online trading services which account for a greater and greater share of their business. Therefore, developing online trading vigorously and at the same time preventing hacking and the spread of virus have always been the subject of futures companies. At the corporate level, though hacking and the spread of virus can be prevented effectively, this kind of problems may still exist on the part of the customers. Customers may have disputes with futures companies in trading due to hackers' attacks on or infection of virus of their own computers.

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

## (II) Compliance Risk

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

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

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

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

### (III) Market Risk

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

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

Since there is a large number of futures companies, the price war of handling charges has become fierce year after year for traditional brokerage business whose development prospect is not optimistic. Meanwhile, investors enter the futures market without adequate investment experience and skills nor good risk control capability but simply 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 behaviour according to relevant rules and regulations. The Company has also exerted greater force on monitoring the daily trading, especially the unusual trading behaviour of less favoured commodities and contracts, discovered, reported and dealt with straddling buy and sell positions in time and strengthened the education of customers to remind investors to take risk management well so as to prevent the inherent risks to them as a result of their failure to understand the related rules and weak risk prevention consciousness.

### (IV) Credit Risk

When futures brokerage companies engage in futures trading on behalf of their customers, they would incur losses if their customers are unable or refuse to fulfil their contractual obligations. There are two kinds of credit risk from customers. The first one is the inability of corporate customers to fulfil 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 fulfil their contractual obligations.

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

## (V) Investment Risk

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

1. Investment target risk: It refers to the uncertainties in the growth and development of the investment target, including but not limited to technical risk, operation risk and financial risk;
2. Investment analysis risk: It refers to the risk of loss resulting from incorrect or incomplete due diligence conducted in an investment project;
3. Investment decision-making risk: It refers to the risk of loss resulting from an imperfect decision-making process and bias before any decision-making;
4. Project management risk: It refers to the risk resulting from insufficient supervision or improper management after investment and failure to discover and exercise control of the problems in an investment project in a timely manner; and
5. Project exit risk: It refers to the risk resulting from exit from an investment project with losses or inability to exit from an investment project.

The Company will formulate comprehensive procedures for approval and supervision of investment projects through authorities such as the asset management business investment decision committee, general manager meetings, Board meetings, general meetings, in order to minimize investment risk. The Company will take reasonable steps in carrying out investment and enter into comprehensive investment agreement to protect the legal rights of the Company.

## XIII. Constructing the Risk Management System of the Company

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

### (I) Risk Management Principles

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

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

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

1. **Comprehensiveness:** The Company has developed a comprehensive and unified risk management system which covers the entire process of the Company's business and the various processes of different departments and individual employees permeating through decision-making, execution, supervision and evaluation. Each department and individual employee must have a clearly defined role and responsibility in the risk management process.
2. **Sustainability:** The Company takes the initiative in actively setting risk management objectives and implementing risk management measures with proper supervision and evaluation on a sustainable basis.
3. **Independency:** The compliance and risk control department, discipline inspection, supervision and audit department as well as legal 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.

## (II) Risk Management System

The organisation 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) analysing and evaluating the risk profiles and the overall risk management of the Company; (iii) making suggestions and proposals in enhancing risk management of the Company; and (iv) supervising the implementation of the risk control system in the aspects of application of fund, marketing, operation and compliance. As at the end of the Reporting Period, the risk management committee of the Company has four members with an average of master or higher degrees and one of them is a senior accountant. The risk management committee of the Company is led by Mr. Li Xindan, who is one of the independent non-executive Directors.

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

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

# Corporate Governance

## I. Overview of Corporate Governance

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

## II. Compliance with the Corporate Governance Code

During the Reporting Period, the Company had complied with all code provisions in the Corporate Governance Code, and had adopted most of the recommended best practices set out in the Corporate Governance Code.

## III. Compliance with Model Code

The Company has adopted the Model Code concerning the securities transactions by Directors and Supervisors. The Company has also 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 examine 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.

## IV. Independent Non-executive Directors

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications, or appropriate accounting or relevant financial management expertise in accordance with the requirements of the Listing Rules. As of 30 June 2017, the Company appointed a total of three independent non-executive Directors, including Mr. Li Xindan, Mr. Zhang Hongfa and Mr. Lam Kai Yeung.

## V. 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 Provisions C.3.3 and C.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 are: proposing to the Board the appointment and replacement of external audit firms, supervising the implementation of the internal audit system, liaising between the internal audit department and external auditors, reviewing financial information and related disclosures, and other duties conferred by the Board.

As at the end of the Reporting Period, the Audit Committee comprises three members, including two independent non-executive Directors, namely Mr. Lam Kai Yeung (chairman) and Mr. Zhang Hongfa, as well as a non-executive Director Mr. Xue Binghai.

On 22 August 2017, the Audit Committee reviewed and confirmed the announcement of interim results of the Group for the six months ended 30 June 2017, the 2017 interim report and the unaudited interim financial statements for the six months ended 30 June 2017 prepared in accordance with Hong Kong Accounting Standards.

## VI. Directors' Responsibility for Financial Statements

The Directors have confirmed their responsibility for preparing financial statements of the Company. The financial information set out in this interim report is unaudited.

# Other Information

## I. Share capital

As at the date of this Report, the total share capital of the Company amounted to RMB907,000,000, divided into 907,000,000 Shares of RMB1.00 each.

## II. Interim results

The interim results of the Group for the six months ended 30 June 2017 were published on the websites of HKEx news of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.ftol.com.cn>) on 24 August 2017.

## III. Interim dividend

The Board does not recommend to distribute interim dividend for the six months ended 30 June 2017.

## IV. Purchase, sale and redemption of listed securities

During the Reporting Period, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## V. Matters in relation to connected transactions

### Connected transactions

During the Reporting Period, the Group conducted its connected transactions in strict compliance with the 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 26 to the unaudited interim financial report of this Report for information about other related party transactions. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of its connected transactions or continuing connected transactions.

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

### Continuing connected transactions

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

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

The Group entered into the agreement with SOHO Holdings on 8 December 2015. Pursuant to the agreement, the Group provided a variety of financial services to SOHO Holdings and its subsidiaries, including futures brokerage services, asset management services and commodity trading and risk management services. The annual cap for 2017 amounted to RMB2.35 million, with an actual amount of RMB0.005 million in the first half of 2017.

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

The Group entered into the agreement with SOHO Holdings on 8 December 2015. Pursuant to the agreement, the Group leased certain properties from SOHO Holdings and its subsidiaries for offices or other business uses. The annual cap for 2017 amounted to RMB0.745 million, with an actual amount of RMB0.291 million in the first half of 2017.

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

The Group entered into the agreement with Holly Corporation on 1 December 2015. Pursuant to the agreement, the Group leased certain properties from Holly Corporation for offices uses and Holly Corporation provided property management services to the Group. The annual cap for 2017 amounted to RMB5.663 million, with an actual amount of RMB2.814 million in the first half of 2017.

The following table set out the annual caps for continuing connected transactions of the Group in 2017 and the actual transaction amounts for connected transactions of the Group in the first half of 2017. For the six months ended 30 June 2017, the continuing connected transactions of the Group were aggregated as follows:

|   |                                                                                                                                                            | First half of 2017         |                         |
|---|------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------|
|   |                                                                                                                                                            | Actual Amount<br>(RMB'000) | Annual Cap<br>(RMB'000) |
| 1 | <b>SOHO Financial Services Framework Agreement</b><br>Income generated from the provision of services from the Group to SOHO Holdings and its subsidiaries | 5                          | 2,350                   |
| 2 | <b>SOHO Property Lease Framework Agreement</b><br>Expense incurred by leasing properties by the Group from SOHO Holdings and its subsidiaries              | 291                        | 745                     |
| 3 | <b>Holly Property Lease and Management Services Agreement</b><br>Expenses incurred by leasing properties by the Group from Holly Corporation               | 2,814                      | 5,663                   |

## VI. Interests and short positions of Directors, Supervisors and chief executives in shares, underlying shares and debentures of the Company and any of its associated corporations

As at 30 June 2017, based on the information available to the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executives of the Company do not have any interests or short positions (i) which are required to be notified the Company or the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions that are deemed to be interested in pursuant to relevant provisions under the SFO), or (ii) which are required to be entered into the register of the Company pursuant to Section 352 of the SFO, or (iii) which are required to be notified the Company or 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 under Part XV of the SFO).

## VII. Interests and short positions of substantial shareholders in shares and underlying shares of the Company

As at 30 June 2017, to the knowledge of the Directors, Supervisors and the chief executives of the Company, the interests or short positions of substantial shareholders (except the Directors, Supervisors and chief executives of the Company) in Share or underlying shares of the Company which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which are required to be entered into the register 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> |
|--------------------------------------------------------------------------------------------------------|-----------------|---------------------------------------------------------|--------------------------------|--------------------------------------------------------------|---------------------------------------------------------------|
| Jiangsu SOHO Holdings Group Co., Ltd. <sup>(3)</sup>                                                   | Domestic Shares | Beneficial owner and interest in controlled corporation | 431,642,122<br>(long position) | 47.59%                                                       | 65.67%                                                        |
| Artall Culture Group Company Limited <sup>(4)</sup>                                                    | Domestic Shares | Interest in controlled corporation                      | 156,185,345<br>(long position) | 17.22%                                                       | 23.76%                                                        |
| Jiangsu Holly Corporation                                                                              | Domestic Shares | Beneficial owner                                        | 147,900,000<br>(long position) | 16.31%                                                       | 22.50%                                                        |
| Jiangsu Holly Su Industrial Co., Ltd.                                                                  | Domestic Shares | Beneficial owner                                        | 143,548,000<br>(long position) | 15.83%                                                       | 21.84%                                                        |
| Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合伙)) <sup>(5)</sup>      | Domestic Shares | Interest in controlled corporation                      | 143,548,000<br>(long position) | 15.83%                                                       | 21.84%                                                        |
| Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合伙)) <sup>(5)</sup> | Domestic Shares | Interest in controlled corporation                      | 143,548,000<br>(long position) | 15.83%                                                       | 21.84%                                                        |
| Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) <sup>(5)</sup>                         | Domestic Shares | Interest in controlled corporation                      | 143,548,000<br>(long position) | 15.83%                                                       | 21.84%                                                        |
| Huang Jieping <sup>(5)</sup>                                                                           | Domestic Shares | Interest in controlled corporation                      | 143,548,000<br>(long position) | 15.83%                                                       | 21.84%                                                        |
| Jiangsu High Hope International Group Corporation                                                      | Domestic Shares | Beneficial owner                                        | 63,930,134<br>(long position)  | 7.05%                                                        | 9.73%                                                         |
| Xu Xiping                                                                                              | H Shares        | Beneficial owner                                        | 15,234,000<br>(long position)  | 1.68%                                                        | 6.10%                                                         |

Notes:

- (1) The calculation is based on the total number of 907,000,000 Shares in issue of the Company as at 30 June 2017.
- (2) The calculation is based on the 657,300,000 Domestic Shares in issue and 249,700,000 H Shares in issue of the Company as at 30 June 2017.
- (3) On 30 June 2017, Jiangsu SOHO Holdings Group Co., Ltd. (i) directly held 275,456,777 Domestic Shares; and (ii) was the beneficial owner of the entire equity interests of Artall Culture Group Company Limited (deemed to be interested in the 147,900,000 Domestic Shares and 8,285,345 Domestic Shares directly held by Jiangsu Holly Corporation and Jiangsu Holly International Logistics Corporation). Accordingly, Jiangsu SOHO Holdings Group Co., Ltd. is deemed to be interested in the 156,185,345 Domestic Shares indirectly held by Artall Culture Group Company Limited and hence directly and indirectly interested in 431,642,122 Domestic Shares under the SFO.

- (4) On 30 June 2017, Artall Culture Group Company Limited (i) was the beneficial owner of approximately 24.02% equity interests in Jiangsu Holly Corporation, which in turn held 147,900,000 Domestic Shares, and (ii) was the beneficial owner of approximately 89.66% of the equity interests in Jiangsu Holly International Logistics Corporation, which in turn held 8,285,345 Domestic Shares. As disclosed in the 2016 annual report of Jiangsu Holly Corporation, Artall Culture Group Company Limited is regarded as the controlling shareholder of Jiangsu Holly Corporation under the relevant PRC laws. Accordingly, Jiangsu Holly Corporation is a deemed controlled corporation of Artall Culture Group Company Limited under the SFO, and Artall Culture Group Company Limited is therefore deemed to be interested in the 147,900,000 Domestic Shares and 8,285,345 Domestic Shares directly held by Jiangsu Holly Corporation and Jiangsu Holly International Logistics Corporation, respectively.
- (5) According to the current information available to the Company, on 30 June 2017, (i) Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)) held 99.446% equity interests in Jiangsu Holly Su Industrial Co., Ltd.; (ii) Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)) held 99.7% equity interests in Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)); (iii) Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) held 79.5% equity interests in Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)); (iv) Ms. Huang Jieping was the beneficial owner of 100% equity interests in Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司). Accordingly, under the SFO, each of Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)), Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)), Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) and Ms. Huang Jieping is deemed to be interested in the 143,548,000 Domestic Shares directly held by Holly Su Industrial.

Save as disclosed above, the Directors, Supervisors and chief executives of the Company are not aware that, as at 30 June 2017, any other person (other than the Directors, Supervisors or chief executives of the Company) had an interest or short position in the Shares or underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are required to be entered into the register of the Company pursuant to Section 336 of the SFO.

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

## VIII. Material litigations and arbitrations

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

None.

### (II) Legal litigation concluded during the Reporting Period

In 2014, Holly Capital entered into a contract for sale and purchase with a customer ("Customer X") and a warehouse supervision entrusted agreement with Jiangsu Holly International Logistics Corporation. In August 2015, certain part of grains owned by Holly Capital was moved by Customer X without the authorization of Holly Capital. A lawsuit was filed to Nanjing Qinhuai People's Court ("Court of Qinhuai District") by Holly Capital against Customer X in August 2015 for, among other things, the repayment of debts. The Court of Qinhuai District terminated the lawsuit in October 2015 and reopened the case on 28 February 2017. On 16 March 2017, Holly Capital received the judgment of first instance that the Court of Qinhuai District ordered Customer X to repay RMB24,496,331.75 plus interest of RMB3,461,812.5 and overdue interest to Holly Capital. Customer X filed an appeal. On 9 June 2017, Holly Capital received the judgment from Nanjing Intermediate People's Court that it was deemed to be automatically withdrawn by Customer X as Customer X failed to pay appeal fees in time. The judgment of first instance takes into effect upon the date of reception of the verdict and is the final judgment.

### (III) Outstanding legal litigation during the Reporting Period

1. (1) In July 2016, the Company found that one of its employees Mr. A was suspected of forging the seal of the Company for signing contracts. The Company had reported the case to the public security organ and the public security organ has put the case on file. Currently, the case was in the investigation stage.
- (2) On 25 July 2016, Customer Y and Customer Z filed a lawsuit against Mr. A and his wife and the Company to the Jing Hai District Court. The claims of Customer Y include: (1) requesting Mr. A and his wife for jointly repaying the loan of RMB3 million and pay interest from 17 July 2016 to the date of the actual payment of the loan at the monthly rate of 2% and that the Company shall be jointly and severally liable; and (2) litigation costs. The claims of Customer Z include: (1) requesting Mr. A and his wife for jointly repaying the loan of RMB1.7 million and that the Company shall be jointly and severally liable; and (2) litigation costs. For details, please refer to the announcements of the Company dated 26 July 2016 and 8 August 2016. On 26 July 2017, the Company received the civil judgment concerning Customer Y dispatched by the Jing Hai District Court, with the first trial judging that Mr. A and his wife jointly repay the loan principal of RMB3 million to Customer Y within 3 days upon the effective date of the judgment; Mr. A and his wife pay interest to Customer Y within 3 days upon the effective date of the judgment, with a rate of 24% annually based on the amount of RMB3 million for the period starting from 17 July 2016 to the date of settlement of the loan principal; and the Company shall hold a 50% compensation liability for such unsettled loans that Mr. A and his wife shall pay to Customer Y. For the above first trial judgment matter, the Company intends to carefully analyze the case with the litigation lawyer and proactively discusses subsequent measures to deal with it.

On 4 August 2017, the Company received the civil judgment concerning Customer Z dispatched by the Jing Hai District Court, with the first trial judging that Mr. A and his wife jointly repay the loan principal of RMB1,418,365.02 to Customer Z within 3 days upon the effective date of the judgment; and the Company shall hold a 50% compensation liability for such unsettled loans that Mr. A and his wife shall pay to Customer Z. For the above first trial judgment matter, the Company intends to carefully analyze the case with the litigation lawyer and proactively discusses subsequent measures to deal with it.

- (3) On 22 September 2016, Customer B filed a lawsuit to the Court of Qinhuai District for: requesting the Company for repayment of the principal assets of RMB9.86072 million and the risk compensation of RMB875,000, totaling RMB10.73572 million; and the Company shall bear the cost of litigation. The case is currently in the first instance of the trial.
2. Customer E and Customer F had privately entrusted a person previously in charge of a branch of the Company to be their agent in engaging futures trading, which incurred loss and filed a lawsuit in the Nanjing Intermediate People's Court on 8 May 2015, requesting for an order that the Company do bear the trading losses in the accounts, transaction fees, and interest up to 22 July 2015, totaling RMB58,294,681.17. On 5 November 2015, the Nanjing Intermediate People's Court delivered its first trial judgment after trial and held that the litigation claims of the two customers demanding the Company to bear the liability for breach of contract were lacking in factual and legal grounds and dismissed their claims. On 23 November 2015, the two customers appealed to the Higher People's Court of Jiangsu Province respectively. On 20 March 2017, the Company received the judgment of second instance that the Higher People's Court of Jiangsu Province has dismissed the appeal of the two plaintiffs. The original judgment sustained and is the final judgment.

On 17 July 2017, the Company received the retrial application submitted by Customer E and Customer F to the Third Circuit Court of the Supreme People's Court, the notice of response to action of the Court and other information and the Third Circuit Court of the Supreme People's Court has filed the case for review regarding the retrial application for the two cases. (Note: Article 204 of the Civil Procedure Law stipulates that the people's court shall review the application for retrial within three months from the date of receipt of it; if it complies with the provisions of the Law, the Court will rule the retrial; if it does not comply with the provisions of the Law, the Court will reject the retrial. It needs for extension in special circumstances, it shall be approved by the President of the Court.)

#### (IV) Material litigations occurred after the Reporting Period

Mr. A was involved with an alleged forgery of the corporate seal, authorization letter and other information to enter into the Entrusted Asset Management Contract with Customer V in the name of the Company on 9 November 2015, 11 April 2016 and 15 April 2016 respectively, and could not pay off the principal and interest upon expiry of such contract. Customer V, on the ground that the Entrusted Asset Management Contract belongs to loan relationship of consigned financial management, filed a lawsuit to the Court of Qinhuai District and claimed for a repayment of the loan principal and interest totaling RMB22.568 million, RMB2.48 million and RMB0.992 million respectively by the Company, with the Company assuming the cost of proceedings. On 1 August 2017, the Company received relevant materials including notice of response to action concerning these three cases from the Court of Qinhuai District. The Company is currently combing through relevant facts and situations, and will proactively make preparation for the response.

## IX. Change of Directors, Supervisors and senior management during the Reporting Period

Pursuant to Rule 13.51B of the Listing Rules, as at the end of the Reporting Period, save for the below, there is no change in the biographical information of the Directors, Supervisors and senior management of the Company as disclosed in the 2016 annual report and the announcement dated 26 May 2017 of the Company.

### 1. The Company

On 23 March 2017, Mr. Sun Changyu, a former non-executive Director, resigned from the positions of the non-executive Director of the second session of the Board and member of the Remuneration committee of the Board of the Company for personal work reasons, which became effective on the same day. On 26 May 2017, the Company's annual general meeting of 2016 considered and approved the Resolution on Considering and Approving the Appointment of Mr. Shan Bing as the New Non-Executive Director of the Company and agreed to elect Mr. Shan Bing as a non-executive Director of the Company, which became effective on the same day. On 23 June 2017, the 16th meeting of the second session of the Board of the Company considered and approved the appointment of Mr. Shan Bing as the member of the remuneration committee of the Board, which became effective on the same day.

On 17 May 2017, Mr. Ding Jiunian, the former deputy general manager of the Company, resigned from the position of the deputy general manager for personal work reasons.

On 23 June 2017, the 16th meeting of the second session of the Board of the Company considered and approved the Resolution on the Replacement of the Secretary to the Board, the Joint Company Secretary, the authorized representative of the Hong Kong Stock Exchange, and the authorized person under the Electronic Submission System of the Hong Kong Stock Exchange; Ms. Yu Hong resigned as the Secretary to the Board, the Joint Company Secretary, the authorized representative of the Hong Kong Stock Exchange, and the authorized person under the Electronic Submission System of the Hong Kong Stock Exchange; the Board agreed replacement of the Secretary to the Board, the Joint Company Secretary, the authorized representative of the Hong Kong Stock Exchange, and the authorized person under the Electronic Submission System of the Hong Kong Stock Exchange as Mr. Jia Guorong.

On 23 June 2017, the 16th meeting of the second session of the Board of the Company considered and approved the Resolution on the Appointment of the Chief Risk Officer of the Company and agreed to appoint Mr. Qiu Xiangjun as the Chief Risk Officer of the Company in place of Mr. Jia Guorong. On 1 August 2017, the resignation of Mr. Jia Guorong and the formal appointment of Mr. Qiu Xiangjun became effective.

### 2. Holly Capital

On 9 June 2017, Ms. Yu Hong no longer served as a director of Holly Capital and Mr. Huang Xingming served as a director of Holly Capital; Mr. Ding Jiunian no longer served as a supervisor of Holly Capital and Ms. Yu Hong served as a supervisor of Holly Capital on the same day.

### 3. Holly Su Futures

None.

# Independent Auditor's Report

Review report to the board of directors of Holly Futures Co., Ltd.  
(Incorporated in the People's Republic of China with joint stock limited liability)



## Introduction

We have reviewed the interim financial report set out on page 43 to 80 which comprises the consolidated statements of financial position of Holly Futures Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") as of 30 June 2017 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity and consolidated cash flow statements for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, "Interim Financial Reporting" ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the independent auditor of the Entity", issued by the HKICPA. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with HKAS 34.

### KPMG

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

24 August 2017

# Consolidated Statement of Profit or Loss

for the six months ended 30 June 2017 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

|                               | Note | Six months ended 30 June |           |
|-------------------------------|------|--------------------------|-----------|
|                               |      | 2017                     | 2016      |
| Revenue                       | 3    | 152,511                  | 143,245   |
| Net investment gains          | 4    | 3,325                    | 3,492     |
| Operating income              |      | 155,836                  | 146,737   |
| Other net (losses)/income     | 5    | (1,633)                  | 3,606     |
| Operating expenses            |      | (101,491)                | (102,436) |
| Profit from operations        |      | 52,712                   | 47,907    |
| Share of losses of associates |      | (9)                      | (106)     |
| Profit before taxation        | 6    | 52,703                   | 47,801    |
| Income tax expense            | 7    | (12,522)                 | (11,671)  |
| Profit for the period         |      | 40,181                   | 36,130    |
| Earnings per share            | 8    |                          |           |
| Basic                         |      | 0.0443                   | 0.0398    |
| Diluted                       |      | 0.0443                   | 0.0398    |

The notes on pages 50 to 80 form part of this interim financial report.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2017 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

|                                                                                      | Six months ended 30 June |        |
|--------------------------------------------------------------------------------------|--------------------------|--------|
|                                                                                      | 2017                     | 2016   |
| <b>Profit for the period</b>                                                         | <b>40,181</b>            | 36,130 |
| <b>Other comprehensive income for the period (after tax)</b>                         |                          |        |
| Items that may be reclassified subsequently to profit or loss:                       |                          |        |
| Available-for-sale financial assets:                                                 |                          |        |
| Net change in fair value reserve                                                     | 71                       | 326    |
| Reclassified to profit or loss                                                       | 503                      | (558)  |
| Exchange differences on translation of<br>financial statements in foreign currencies | (4,128)                  | 1,642  |
| Other comprehensive income for the period, net of tax                                | (3,554)                  | 1,410  |
| <b>Total comprehensive income for the period</b>                                     | <b>36,627</b>            | 37,540 |

The notes on pages 50 to 80 form part of this interim financial report.

# Consolidated Statement of Financial Position

as at 30 June 2017 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

|                                                            | Note | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|------------------------------------------------------------|------|--------------------------|------------------------------|
| <b>Non-current assets</b>                                  |      |                          |                              |
| Property, plant and equipment                              |      | 6,498                    | 7,898                        |
| Goodwill                                                   | 9    | 43,322                   | 43,322                       |
| Intangible assets                                          |      | 22,436                   | 22,536                       |
| Interest in associates                                     |      | 11,734                   | 11,743                       |
| Deferred tax assets                                        |      | 4,888                    | 4,595                        |
| Other non-current assets                                   |      | 1,393                    | 1,436                        |
| <b>Total non-current assets</b>                            |      | <b>90,271</b>            | <b>91,530</b>                |
| <b>Current assets</b>                                      |      |                          |                              |
| Refundable deposits                                        | 11   | 1,306,569                | 1,046,750                    |
| Trade receivables                                          |      | 7,980                    | —                            |
| Other receivables                                          | 12   | 51,633                   | 45,259                       |
| Other current assets                                       |      | 5,252                    | 5,432                        |
| Available-for-sale financial assets                        | 13   | 79,779                   | 256,613                      |
| Financial assets at fair value through profit or loss      | 14   | 237,059                  | 35,481                       |
| Derivative financial assets                                | 15   | 167                      | 25                           |
| Cash held on behalf of brokerage clients                   | 16   | 2,144,338                | 2,178,936                    |
| Cash and bank balances                                     | 17   | 1,276,156                | 1,172,487                    |
| <b>Total current assets</b>                                |      | <b>5,108,933</b>         | <b>4,740,983</b>             |
| <b>Current liabilities</b>                                 |      |                          |                              |
| Accounts payable to brokerage clients                      | 19   | 3,336,383                | 3,040,791                    |
| Other payables                                             | 20   | 127,479                  | 43,536                       |
| Financial liabilities at fair value through profit or loss | 21   | 27,593                   | 26,351                       |
| Derivative financial liabilities                           | 15   | 26                       | 1,430                        |
| Current taxation                                           |      | 9,830                    | 4,719                        |
| <b>Total current liabilities</b>                           |      | <b>3,501,311</b>         | <b>3,116,827</b>             |
| <b>NET CURRENT ASSETS</b>                                  |      | <b>1,607,622</b>         | <b>1,624,156</b>             |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>               |      | <b>1,697,893</b>         | <b>1,715,686</b>             |
| <b>NET ASSETS</b>                                          |      | <b>1,697,893</b>         | <b>1,715,686</b>             |
| <b>Capital and reserves</b>                                |      |                          |                              |
| Share capital                                              |      | 907,000                  | 907,000                      |
| Reserves                                                   |      | 790,893                  | 808,686                      |
| <b>TOTAL EQUITY</b>                                        |      | <b>1,697,893</b>         | <b>1,715,686</b>             |

The notes on pages 50 to 80 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2017 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

|                                                         | Note     | Share capital | Reserves        |                 |                 |                    |                     | Distributable profits | Total     |
|---------------------------------------------------------|----------|---------------|-----------------|-----------------|-----------------|--------------------|---------------------|-----------------------|-----------|
|                                                         |          |               | Capital reserve | Surplus reserve | General reserve | Fair value reserve | Translation reserve |                       |           |
| Balance at 1 January 2016                               |          | 907,000       | 533,125         | 23,581          | 146,568         | 2,946              | 542                 | 61,629                | 1,675,391 |
| Changes in equity for six months ended 30 June 2016     |          |               |                 |                 |                 |                    |                     |                       |           |
| Profit for the period                                   |          | –             | –               | –               | –               | –                  | –                   | 36,130                | 36,130    |
| Other comprehensive income                              |          | –             | –               | –               | –               | (232)              | 1,642               | –                     | 1,410     |
| Total comprehensive income                              |          | –             | –               | –               | –               | (232)              | 1,642               | 36,130                | 37,540    |
| Appropriation of profits                                |          |               |                 |                 |                 |                    |                     |                       |           |
| Dividends approved in respect of the previous year      | 22(a)(i) | –             | –               | –               | –               | –                  | –                   | (45,350)              | (45,350)  |
| Balance at 30 June 2016                                 |          | 907,000       | 533,125         | 23,581          | 146,568         | 2,714              | 2,184               | 52,409                | 1,667,581 |
| Balance at 1 July 2016                                  |          | 907,000       | 533,125         | 23,581          | 146,568         | 2,714              | 2,184               | 52,409                | 1,667,581 |
| Changes in equity for six months ended 31 December 2016 |          |               |                 |                 |                 |                    |                     |                       |           |
| Profit for the period                                   |          | –             | –               | –               | –               | –                  | –                   | 42,773                | 42,773    |
| Other comprehensive income                              |          | –             | –               | –               | –               | 1,656              | 3,676               | –                     | 5,332     |
| Total comprehensive income                              |          | –             | –               | –               | –               | 1,656              | 3,676               | 42,773                | 48,105    |
| Appropriation of profits                                |          |               |                 |                 |                 |                    |                     |                       |           |
| Appropriation to surplus reserve                        |          | –             | –               | 7,834           | –               | –                  | –                   | (7,834)               | –         |
| Appropriation to general reserve                        |          | –             | –               | –               | 17,547          | –                  | –                   | (17,547)              | –         |
| Balance at 31 December 2016                             |          | 907,000       | 533,125         | 31,415          | 164,115         | 4,370              | 5,860               | 69,801                | 1,715,686 |
| Balance at 1 January 2017                               |          | 907,000       | 533,125         | 31,415          | 164,115         | 4,370              | 5,860               | 69,801                | 1,715,686 |
| Changes in equity for six months ended 30 June 2017     |          |               |                 |                 |                 |                    |                     |                       |           |
| Profit for the period                                   |          | –             | –               | –               | –               | –                  | –                   | 40,181                | 40,181    |
| Other comprehensive income                              |          | –             | –               | –               | –               | 574                | (4,128)             | –                     | (3,554)   |
| Total comprehensive income                              |          | –             | –               | –               | –               | 574                | (4,128)             | 40,181                | 36,627    |
| Appropriation of profits                                |          |               |                 |                 |                 |                    |                     |                       |           |
| Dividends approved in respect of the previous year      | 22(a)(i) | –             | –               | –               | –               | –                  | –                   | (54,420)              | (54,420)  |
| Balance at 30 June 2017                                 |          | 907,000       | 533,125         | 31,415          | 164,115         | 4,944              | 1,732               | 55,562                | 1,697,893 |

The notes on pages 50 to 80 form part of this interim financial report.

# Consolidated Cash Flow Statement

for the six months ended 30 June 2017 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

|                                                                                | Note  | Six months ended 30 June |                  |
|--------------------------------------------------------------------------------|-------|--------------------------|------------------|
|                                                                                |       | 2017                     | 2016             |
| <b>Operating activities</b>                                                    |       |                          |                  |
| Cash generated from operations                                                 | 18(b) | 274,096                  | 20,688           |
| Income tax paid                                                                |       | (7,897)                  | (10,933)         |
| <b>Net cash generated from operating activities</b>                            |       | <b>266,199</b>           | <b>9,755</b>     |
| <b>Investing activities</b>                                                    |       |                          |                  |
| Proceeds from sales of available-for-sale financial assets                     |       | 247,499                  | 71,359           |
| Payment for purchases of available-for-sale financial assets                   |       | (76,900)                 | (316,200)        |
| Proceeds from sales of financial assets under resale agreements                |       | 232,098                  | 311,535          |
| Payment for purchases of financial assets under resale agreements              |       | (232,044)                | (321,800)        |
| Proceeds from sales of financial assets held for trading                       |       | 424,413                  | 108,685          |
| Payment for purchases of financial assets held for trading                     |       | (582,690)                | (71,721)         |
| Proceeds from disposal of property, plant and equipment and intangible assets  |       | 26                       | 169              |
| Payment for purchases of property, plant and equipment                         |       | (711)                    | (455)            |
| Dividends received from investments in securities                              | 4     | 444                      | 53               |
| <b>Net cash generated from/(used in) investing activities</b>                  |       | <b>12,135</b>            | <b>(218,375)</b> |
| <b>Financing activities</b>                                                    |       |                          |                  |
| Proceeds from issuance of shares upon public offering, net of issuing expenses |       | –                        | 383,053          |
| <b>Net cash generated from financing activities</b>                            |       | <b>–</b>                 | <b>383,053</b>   |
| Net increase in cash and cash equivalents                                      |       | 278,334                  | 174,433          |
| Effect of foreign exchange rate changes                                        |       | (7,556)                  | 5,046            |
| Cash and cash equivalents at 1 January                                         | 18(a) | 530,972                  | 361,930          |
| Cash and cash equivalents at 30 June                                           | 18(a) | 801,750                  | 541,409          |

The notes on pages 50 to 80 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 24 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors is included on page 43 and 44.

## 2 Changes in accounting policies

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

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

### 3 Revenue

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

|                           | Note | Six months ended 30 June |         |
|---------------------------|------|--------------------------|---------|
|                           |      | 2017                     | 2016    |
| Commission and fee income | (a)  | 91,920                   | 92,301  |
| Interest income           | (b)  | 60,591                   | 50,944  |
| Total                     |      | 152,511                  | 143,245 |

#### (a) Commission and fee income

|                                          | Six months ended 30 June |        |
|------------------------------------------|--------------------------|--------|
|                                          | 2017                     | 2016   |
| Commission and fee income                |                          |        |
| – Refund from futures exchanges          | 45,368                   | 22,704 |
| – Futures and options brokerage business | 44,992                   | 68,168 |
| – Asset management business              | 1,560                    | 1,429  |
| Total                                    | 91,920                   | 92,301 |

#### (b) Interest income

|                                            | Six months ended 30 June |        |
|--------------------------------------------|--------------------------|--------|
|                                            | 2017                     | 2016   |
| Interest income                            |                          |        |
| – Bank deposits                            | 52,103                   | 45,622 |
| – Asset management plans and trust schemes | 5,731                    | 2,280  |
| – Futures exchanges                        | 2,703                    | 3,007  |
| – Resale agreements                        | 54                       | 35     |
| Total                                      | 60,591                   | 50,944 |

## 4 Net investment gains

|                                                                                   | Six months ended 30 June |         |
|-----------------------------------------------------------------------------------|--------------------------|---------|
|                                                                                   | 2017                     | 2016    |
| <b>Net realized gains from:</b>                                                   |                          |         |
| Disposal of financial assets at fair value through profit or loss                 |                          |         |
| – Trading securities                                                              | 2,670                    | 2,563   |
| – Funds                                                                           | –                        | 195     |
| Disposal of financial assets designated at fair value through profit and loss     |                          |         |
| – Physical commodities                                                            | (928)                    | –       |
| – Receivables                                                                     | –                        | 224     |
| Disposal of financial liabilities designated at fair value through profit or loss |                          |         |
| – Payables                                                                        | 493                      | (1,250) |
| Disposal of derivative financial instruments                                      | (2,708)                  | (1,777) |
| Disposal of available-for-sale financial assets                                   |                          |         |
| – Asset management plans                                                          | 671                      | 177     |
| – Wealth management products                                                      | 164                      | 1,025   |
| – Trust scheme                                                                    | 151                      | –       |
| – Bonds                                                                           | 12                       | –       |
| Subtotal                                                                          | 525                      | 1,157   |
| <b>Net unrealized fair value changes of:</b>                                      |                          |         |
| Financial assets at fair value through profit or loss:                            |                          |         |
| – Trading securities                                                              | 1,578                    | (684)   |
| – Funds                                                                           | (53)                     | (212)   |
| Financial assets designated at fair value through profit or loss                  |                          |         |
| – Physical commodities                                                            | 1,736                    | –       |
| – Asset management plans                                                          | –                        | (280)   |
| Financial liabilities designated at fair value through profit or loss             | (242)                    | 890     |
| Derivative financial assets                                                       | (312)                    | (1,212) |
| Derivative financial liabilities                                                  | (351)                    | 3,780   |
| Subtotal                                                                          | 2,356                    | 2,282   |
| <b>Dividend income from:</b>                                                      |                          |         |
| Financial assets at fair value through profit or loss                             | 441                      | 30      |
| Available-for-sale financial assets                                               | 3                        | 23      |
| Subtotal                                                                          | 444                      | 53      |
| Total                                                                             | 3,325                    | 3,492   |

## 5 Other net (losses)/income

|                                 | Six months ended 30 June |       |
|---------------------------------|--------------------------|-------|
|                                 | 2017                     | 2016  |
| Government grants               | 1,377                    | 192   |
| Foreign exchange (losses)/gains | (3,465)                  | 3,414 |
| Others                          | 455                      | —     |
| Total                           | (1,633)                  | 3,606 |

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

## 6 Profit before taxation

Profit before taxation is arrived at after charging:

### (a) Staff cost

|                                  | Six months ended 30 June |        |
|----------------------------------|--------------------------|--------|
|                                  | 2017                     | 2016   |
| Salaries, bonuses and allowances | 47,703                   | 37,948 |
| Contributions to pension schemes | 6,011                    | 5,514  |
| Other social welfare             | 13,719                   | 13,005 |
| Total                            | 67,433                   | 56,467 |

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

## 6 Profit before taxation (continued)

### (b) Commission expenses

|                             | Six months ended 30 June |        |
|-----------------------------|--------------------------|--------|
|                             | 2017                     | 2016   |
| Commissions paid to brokers | 5,157                    | 12,045 |

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

### (c) Other items

|                                 | Six months ended 30 June |        |
|---------------------------------|--------------------------|--------|
|                                 | 2017                     | 2016   |
| Office expenses                 | 10,621                   | 10,155 |
| Operating lease charges         | 10,353                   | 10,742 |
| Depreciation and amortisation   | 2,148                    | 3,600  |
| Utilities                       | 907                      | 1,063  |
| Property management expenses    | 724                      | 751    |
| Auditors' remuneration          | 544                      | 425    |
| Tax and surcharges              | 339                      | 3,470  |
| Repair and maintenance expenses | 134                      | 409    |
| Investors protection funds      | 78                       | 1,068  |
| Other expenses                  | 3,053                    | 2,241  |
| Total                           | 28,901                   | 33,924 |

## 7 Income tax expense

Taxation in the consolidated statement of profit or loss represents:

|                                                   | Six months ended 30 June |        |
|---------------------------------------------------|--------------------------|--------|
|                                                   | 2017                     | 2016   |
| <b>Current tax – PRC corporate income tax</b>     |                          |        |
| Provision for the period                          | 13,966                   | 10,232 |
| (Over)/under provision in respect of prior years  | (959)                    | 926    |
| Subtotal                                          | 13,007                   | 11,158 |
| <b>Current tax – Hong Kong profits tax</b>        |                          |        |
| Provision for the period                          | –                        | –      |
| Subtotal                                          | 13,007                   | 11,158 |
| <b>Deferred tax</b>                               |                          |        |
| Origination and reversal of temporary differences | (485)                    | 513    |
| Total                                             | 12,522                   | 11,671 |

- (i) According to the PRC Corporate Income Tax Law ("CIT") that took effect on 1 January 2008, the Company and its PRC subsidiary are subject to CIT at the statutory tax rate of 25%.
- (ii) Pursuant to the income tax rules and regulations of Hong Kong, the Group's Hong Kong subsidiary is subject to the Hong Kong profits tax at the rate of 16.5%.

## 8 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of the Company of RMB40,181 thousand (six months ended 30 June 2016: RMB36,130 thousand) and the weighted average number of 907 million ordinary shares (six months ended 30 June 2016: 907 million).

## 9 Goodwill

|                                       | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|---------------------------------------|--------------------------|------------------------------|
| <b>Cost:</b>                          | <b>53,167</b>            | <b>53,167</b>                |
| <b>Accumulated impairment losses:</b> |                          |                              |
| As at 1 January                       | (9,845)                  | (9,845)                      |
| Impairment loss for the period/year   | –                        | –                            |
| As at 30 June/31 December             | (9,845)                  | (9,845)                      |
| <b>Carrying amount:</b>               | <b>43,322</b>            | <b>43,322</b>                |

Impairment testing for cash generating unit (“CGU”) containing goodwill.

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

|                   | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|-------------------|--------------------------|------------------------------|
| Futures brokerage | 43,322                   | 43,322                       |

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

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

As at 31 December 2016, the Group performed its annual goodwill impairment test. No impairment was recognised for the goodwill related to futures brokerage CGU since the value-in-use was greater than its carrying amount.

## 10 Investment in subsidiaries

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

| Name of company                                                    | Place of incorporation and business | Type of legal entity | Issued and fully paid-up capital | Proportion of ownership interest |                     |                      | Principal activities                           |
|--------------------------------------------------------------------|-------------------------------------|----------------------|----------------------------------|----------------------------------|---------------------|----------------------|------------------------------------------------|
|                                                                    |                                     |                      |                                  | Group's effective interest       | Held by the Company | Held by a subsidiary |                                                |
| Holly Capital Management Co., Ltd.*<br>弘業資本管理有限公司                  | PRC                                 | Limited company      | RMB240 million                   | 100%                             | 100%                | –                    | Commodity trading and risk management business |
| Holly Su Futures (Hongkong) Co., Ltd.<br>弘蘇期貨(香港)有限公司              | Hong Kong                           | Limited company      | HKD190 million <sup>(i)</sup>    | 100%                             | 100%                | –                    | Futures brokerage business                     |
| Holly Capital (Hongkong) Co., Ltd.<br>弘業資本(香港)有限公司 <sup>(ii)</sup> | Hong Kong                           | Limited company      | –                                | 100%                             | –                   | 100%                 | Commodity trading and risk management business |
| Holly Su Asset Management Co., Ltd.<br>弘蘇資產管理有限公司                  | Hong Kong                           | Limited company      | HKD20 million                    | 100%                             | –                   | 100%                 | Asset management business                      |

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

(i) In March 2017, the Company increased its capital injection to Holly Su Futures (Hongkong) Co., Ltd. ("Holly Su Futures") by HKD90 million.

(ii) Holly Capital (Hongkong) Co., Ltd. was established by Holly Capital Management Co., Ltd. in May 2016. The registered capital is HKD5 million. As at 30 June 2017, the capital has not been paid.

## 11 Refundable deposits

Refundable deposits arising from futures brokerage business:

|                                               | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|-----------------------------------------------|--------------------------|------------------------------|
| Deposits with futures and commodity exchanges |                          |                              |
| – Shanghai Futures Exchange                   | 515,548                  | 349,578                      |
| – Dalian Commodity Exchange                   | 350,510                  | 308,319                      |
| – Zhengzhou Commodity Exchange                | 215,582                  | 133,009                      |
| – China Financial Futures Exchange            | 152,213                  | 144,014                      |
| Other futures brokers                         | 72,716                   | 111,830                      |
| Total                                         | 1,306,569                | 1,046,750                    |

## 12 Other receivables

|                                         | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|-----------------------------------------|--------------------------|------------------------------|
| Interest receivables                    | 26,837                   | 31,727                       |
| Receivables from asset management plans | 8,000                    | –                            |
| Rental deposits                         | 2,322                    | 2,284                        |
| Others                                  | 14,474                   | 11,248                       |
| Total                                   | 51,633                   | 45,259                       |

## 13 Available-for-sale financial assets

|                                                        | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|--------------------------------------------------------|--------------------------|------------------------------|
| <b>At fair value:</b>                                  |                          |                              |
| – Listed equity securities                             | 8,616                    | 6,618                        |
| – Less: Impairment losses for listed equity securities | (338)                    | (338)                        |
| Subtotal                                               | 8,278                    | 6,280                        |
| – Unlisted funds                                       | 20,000                   | –                            |
| – Trust schemes                                        | 28,000                   | 66,000                       |
| – Asset management plans                               | 13,501                   | 184,333                      |
| – Wealth management products                           | 10,000                   | –                            |
| Total                                                  | 79,779                   | 256,613                      |
| Analysed as:                                           |                          |                              |
| Listed outside Hong Kong                               | 8,278                    | 6,280                        |
| Unlisted                                               | 71,501                   | 250,333                      |
| Total                                                  | 79,779                   | 256,613                      |

As at 30 June 2017 and 31 December 2016, certain of the Group's listed available-for-sale equity securities were individually determined to be impaired on the basis of a material decline in their fair value below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses on these investments were recognised in profit or loss.

## 14 Financial assets at fair value through profit or loss

### (i) Analysed by type

|                                                                  | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|------------------------------------------------------------------|--------------------------|------------------------------|
| Held for trading                                                 |                          |                              |
| – Equity securities                                              | 41,761                   | 35,481                       |
| – Unlisted funds                                                 | 156,193                  | –                            |
|                                                                  | 197,954                  | 35,481                       |
| Financial assets designated at fair value through profit or loss |                          |                              |
| – Physical commodities                                           | 39,105                   | –                            |
| Total                                                            | 237,059                  | 35,481                       |

Physical commodities held by the Group for its commodity trading and risk management business have been designated at fair value through profit or loss because they are managed, evaluated and reported internally on a fair value basis in accordance with its documented investment strategy.

### (ii) Analysed as

|                          | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|--------------------------|--------------------------|------------------------------|
| Listed outside Hong Kong | 41,761                   | 35,481                       |
| Unlisted                 | 195,298                  | –                            |
| Total                    | 237,059                  | 35,481                       |

## 15 Derivative financial assets/liabilities

|                       | As at 30 June 2017 |            |             |
|-----------------------|--------------------|------------|-------------|
|                       | Notional amount    | Fair value |             |
|                       |                    | Assets     | Liabilities |
| Commodity derivatives |                    |            |             |
| – Futures             | 45,850             | 493        | (2,092)     |
| – Options             | 21,385             | 167        | (26)        |
| Total                 | 67,235             | 660        | (2,118)     |
| Less: settlement      |                    | (493)      | 2,092       |
| Net position          |                    | 167        | (26)        |

|                       | As at 31 December 2016 |            |             |
|-----------------------|------------------------|------------|-------------|
|                       | Notional amount        | Fair value |             |
|                       |                        | Assets     | Liabilities |
| Commodity derivatives |                        |            |             |
| – Futures             | 51,736                 | 947        | (337)       |
| – Options             | 29,532                 | 25         | (1,430)     |
| Total                 | 81,268                 | 972        | (1,767)     |
| Less: settlement      |                        | (947)      | 337         |
| Net position          |                        | 25         | (1,430)     |

## 16 Cash held on behalf of brokerage clients

|                                          | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|------------------------------------------|--------------------------|------------------------------|
| Cash held on behalf of brokerage clients | 2,144,338                | 2,178,936                    |

The Group maintains segregated deposit accounts with banks to hold clients' monies arising from its normal course of brokerage business. The Group has classified their brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statement of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. In the PRC, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the China Securities Regulatory Commission (the "CSRC"). In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

## 17 Cash and bank balances

|                                                    | Note  | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|----------------------------------------------------|-------|--------------------------|------------------------------|
| Bank deposits with original maturity over 3 months |       | 444,306                  | 632,193                      |
| Restricted bank deposits                           |       | 30,100                   | 9,322                        |
| Cash and cash equivalents                          | 18(a) | 801,750                  | 530,972                      |
|                                                    |       | 1,276,156                | 1,172,487                    |

As at 30 June 2017, deposits amounting to RMB30,100 thousand (31 December 2016: RMB9,322 thousand), which were collected during the fund raising period of the collective asset management plans, are required to be placed at designated bank accounts.

## 18 Cash and cash equivalents

### (a) Cash and cash equivalents comprise

|                                                      | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|------------------------------------------------------|--------------------------|------------------------------|
| Deposits with banks and other financial institutions | 801,749                  | 530,970                      |
| Cash on hand                                         | 1                        | 2                            |
|                                                      | 801,750                  | 530,972                      |

Cash and cash equivalents exclude bank deposits with original maturity of more than three months and restricted bank deposits.

## 18 Cash and cash equivalents (continued)

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

|                                                                                              | Note | Six months ended 30 June |           |
|----------------------------------------------------------------------------------------------|------|--------------------------|-----------|
|                                                                                              |      | 2017                     | 2016      |
| Profit before taxation                                                                       |      | 52,703                   | 47,801    |
| Adjustments for:                                                                             |      |                          |           |
| Depreciation and amortisation                                                                | 6(c) | 2,148                    | 3,600     |
| Net unrealised fair value changes                                                            |      | (1,525)                  | 896       |
| Share of losses of associates                                                                |      | 9                        | 106       |
| Dividend income from investments                                                             | 4    | (444)                    | (53)      |
| Net realised gains from financial instruments                                                |      | (3,668)                  | (3,960)   |
| Interest income from asset management plans and trust schemes                                | 3(b) | (5,731)                  | (2,280)   |
| Interest Income from financial assets under resale agreements                                | 3(b) | (54)                     | (35)      |
| Exchange losses/(gains)                                                                      | 5    | 3,465                    | (3,414)   |
| Operating cash flows before movements in working capital                                     |      | 46,903                   | 42,661    |
| Increase in refundable deposits                                                              |      | (259,819)                | (530,230) |
| Increase in trade receivables                                                                |      | (7,980)                  | –         |
| Decrease/(increase) in other receivables                                                     |      | 7,356                    | (14,837)  |
| Decrease in other current assets and non-current assets                                      |      | 223                      | 380       |
| (Increase)/decrease in financial assets at fair value through profit or loss                 |      | (39,105)                 | 7,280     |
| (Increase)/decrease in derivative financial assets                                           |      | (142)                    | 294       |
| Decrease in cash held on behalf of brokerage clients                                         |      | 34,598                   | 889,006   |
| Decrease in term deposits with original maturity over three months                           |      | 187,887                  | 38,125    |
| Increase in restricted bank deposits                                                         |      | (20,778)                 | (4,009)   |
| Increase/(decrease) in accounts payable to brokerage clients                                 |      | 295,592                  | (423,687) |
| Decrease in trade payables                                                                   |      | –                        | (199)     |
| Increase in other payables                                                                   |      | 29,523                   | 49,994    |
| Decrease in derivative financial liabilities                                                 |      | (1,404)                  | –         |
| Increase/(decrease) in financial liabilities designated at fair value through profit or loss |      | 1,242                    | (34,090)  |
| Cash generated from operations                                                               |      | 274,096                  | 20,688    |

## 19 Accounts payable to brokerage clients

|                                          | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|------------------------------------------|--------------------------|------------------------------|
| Clients' deposits for brokerage business | 3,336,383                | 3,040,791                    |

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are held at banks and at futures and commodity exchanges by the Group.

The majority of the accounts payable balance are repayable on demand except for certain balances relating to margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

## 20 Other payables

|                                                           | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|-----------------------------------------------------------|--------------------------|------------------------------|
| Dividends payable                                         | 54,420                   | –                            |
| Payable to investors of collective asset management plans | 29,710                   | 9,000                        |
| Employee benefits payables                                | 20,486                   | 23,377                       |
| Payable to brokerage clients                              | 11,571                   | –                            |
| Commission payable to brokers                             | 3,330                    | 3,780                        |
| Tax and surcharges payables                               | 430                      | 126                          |
| Payable to investors protection funds                     | 82                       | 437                          |
| Others                                                    | 7,450                    | 6,816                        |
| Total                                                     | 127,479                  | 43,536                       |

## 21 Financial liabilities at fair value through profit or loss

|                                                                                     | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|-------------------------------------------------------------------------------------|--------------------------|------------------------------|
| Financial liabilities designated at fair value through profit or loss<br>– Payables | 27,593                   | 26,351                       |

Payables held by the Group have been designated at fair value through profit or loss because these payables are managed, evaluated and reported internally on a fair value basis in accordance with its documented investment strategy.

## 22 Share capital and reserves

### (a) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the previous year, approved during the interim period

|                                                                                                           | Six months ended 30 June |        |
|-----------------------------------------------------------------------------------------------------------|--------------------------|--------|
|                                                                                                           | 2017                     | 2016   |
| Final dividend in respect of the previous financial year,<br>approved during the following interim period | 54,420                   | 45,350 |

Final dividend in respect of the previous financial year approved during the interim period has not been paid as at 30 June 2017 and 2016.

## 23 Fair value measurement

### *Financial assets and liabilities measured at fair value – Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured as at 30 June 2017 and 31 December 2016 on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

## 23 Fair value measurement (continued)

The table below analyses financial instruments, measured at fair value as at 30 June 2017 and 31 December 2016 by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

|                                                             | Fair value as at<br>30 June<br>2017 | Fair value measurements<br>30 June 2017 categorized into |               |               | Fair value as at<br>31 December<br>2016 | Fair value measurements<br>31 December 2016 categorized into |          |                |
|-------------------------------------------------------------|-------------------------------------|----------------------------------------------------------|---------------|---------------|-----------------------------------------|--------------------------------------------------------------|----------|----------------|
|                                                             |                                     | Level 1                                                  | Level 2       | Level 3       |                                         | Level 1                                                      | Level 2  | Level 3        |
| <b>Assets:</b>                                              |                                     |                                                          |               |               |                                         |                                                              |          |                |
| Available-for-sale financial assets:                        |                                     |                                                          |               |               |                                         |                                                              |          |                |
| Equity instruments                                          |                                     |                                                          |               |               |                                         |                                                              |          |                |
| – Listed equity securities                                  | 8,278                               | 7,904                                                    | 374           | –             | 6,280                                   | 6,280                                                        | –        | –              |
| Unlisted funds                                              | 20,000                              | –                                                        | 20,000        | –             | –                                       | –                                                            | –        | –              |
| Asset management plans                                      | 13,501                              | –                                                        | –             | 13,501        | 184,333                                 | –                                                            | –        | 184,333        |
| Trust schemes                                               | 28,000                              | –                                                        | –             | 28,000        | 66,000                                  | –                                                            | –        | 66,000         |
| Wealth management products                                  | 10,000                              | –                                                        | –             | 10,000        | –                                       | –                                                            | –        | –              |
| Financial assets at fair value through profit or loss:      |                                     |                                                          |               |               |                                         |                                                              |          |                |
| Equity securities                                           | 41,761                              | 39,132                                                   | 2,629         | –             | 35,481                                  | 35,481                                                       | –        | –              |
| Unlisted funds                                              | 156,193                             | 150,347                                                  | 5,846         | –             | –                                       | –                                                            | –        | –              |
| Physical commodities                                        | 39,105                              | –                                                        | 39,105        | –             | –                                       | –                                                            | –        | –              |
| Derivative financial assets                                 | 167                                 | 167                                                      | –             | –             | 25                                      | 25                                                           | –        | –              |
| <b>Liabilities:</b>                                         |                                     |                                                          |               |               |                                         |                                                              |          |                |
| Financial liabilities at fair value through profit or loss: |                                     |                                                          |               |               |                                         |                                                              |          |                |
| Payables                                                    | (27,593)                            | –                                                        | –             | (27,593)      | (26,351)                                | –                                                            | –        | (26,351)       |
| Derivative financial liabilities                            | (26)                                | (26)                                                     | –             | –             | (1,430)                                 | (72)                                                         | –        | (1,358)        |
| <b>Total</b>                                                | <b>289,386</b>                      | <b>197,524</b>                                           | <b>67,954</b> | <b>23,908</b> | <b>264,338</b>                          | <b>41,714</b>                                                | <b>–</b> | <b>222,624</b> |

## 23 Fair value measurement (continued)

There were transfers between Level 1 and Level 2 during the six months ended 30 June 2017. The Group held A-share listed stocks named 'Chang You 5' (code: 400061), 'China Unicom' (code 600050) and 'Hai Lun Zhe' (code 300201) which were suspended for trading on 27 February 2017, 31 March 2017 and 3 February 2017, respectively. As these stocks were still suspended on 30 June 2017, the Group transferred the stock amounting to a total of RMB3,003 thousand from Level 1 to Level 2 as at the six months ended 30 June 2017 since the quoted prices of these stocks were no longer regularly available.

Other than the above, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 during the six months ended 30 June 2017 and the year ended 31 December 2016. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

### (i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level 1. Instruments mainly included in Level 1 comprise securities traded on exchanges, options traded through exchanges and unlisted funds traded through open market.

### (ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques 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 instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

### (iii) Valuation methods

As at 30 June 2017 and 31 December 2016, the Group's valuation methods for specific investments are as follows:

- (1) For listed equity securities, fair value is determined based on the closing price of the equity securities as at the end of the reporting period, within bid-ask spread. If there is no quoted market price as at the reporting date and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value.
- (2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the end of the reporting period or the most recent trading date. For unlisted funds, fair value is determined by quoted price which is based on the net asset value as at the end of the reporting period.
- (3) For futures and options traded through exchanges, fair value is determined based on the closing price of the commodity futures and options as at the end of the reporting period.
- (4) For futures and physical commodities traded through over-the-counter market, fair values are determined using valuation techniques based on observable commodity futures market data with similar characteristics.

## 23 Fair value measurement (continued)

### (iv) Financial instruments in Level 3

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

|                                                                                                                                               | Available-<br>for-sale<br>financial assets | Financial<br>assets at fair<br>value through<br>profit or loss | Financial<br>liabilities<br>at fair value<br>through<br>profit or loss | Derivative<br>financial<br>liabilities | Total     |
|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------------------------|------------------------------------------------------------------------|----------------------------------------|-----------|
| As at 1 January 2017                                                                                                                          | 250,333                                    | –                                                              | (26,351)                                                               | (1,358)                                | 222,624   |
| Purchases                                                                                                                                     | 27,900                                     | –                                                              | (8,000)                                                                | –                                      | 19,900    |
| Changes in fair value recognised in<br>other comprehensive income                                                                             | (1,231)                                    | –                                                              | –                                                                      | –                                      | (1,231)   |
| Gains or losses for the period                                                                                                                | 903                                        | –                                                              | 251                                                                    | 1,358                                  | 2,512     |
| Sales and settlements                                                                                                                         | (226,404)                                  | –                                                              | 6,507                                                                  | –                                      | (219,897) |
| As at 30 June 2017                                                                                                                            | 51,501                                     | –                                                              | (27,593)                                                               | –                                      | 23,908    |
| Total gains or losses for the period<br>reclassified from other comprehensive<br>income on disposal                                           | 903                                        | –                                                              | –                                                                      | –                                      | 903       |
| Total gains or losses for the period<br>included in profit or loss for assets<br>held and liabilities assumed<br>at the end of interim period | –                                          | –                                                              | 89                                                                     | –                                      | 89        |

|                                                                                                                                       | Available-<br>for-sale<br>financial assets | Financial<br>assets at fair<br>value through<br>profit or loss | Financial<br>liabilities<br>at fair value<br>through<br>profit or loss | Derivative<br>financial<br>liabilities | Total     |
|---------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------------------------|------------------------------------------------------------------------|----------------------------------------|-----------|
| As at 1 January 2016                                                                                                                  | 3,326                                      | 7,280                                                          | (34,090)                                                               | –                                      | (23,484)  |
| Purchases                                                                                                                             | 384,700                                    | –                                                              | (26,340)                                                               | –                                      | 358,360   |
| Changes in fair value recognised in<br>other comprehensive income                                                                     | 1,217                                      | –                                                              | –                                                                      | –                                      | 1,217     |
| Gains or losses for the year                                                                                                          | 2,519                                      | –                                                              | (690)                                                                  | (1,358)                                | 471       |
| Sales and settlements                                                                                                                 | (141,429)                                  | (7,280)                                                        | 34,769                                                                 | –                                      | (113,940) |
| As at 31 December 2016                                                                                                                | 250,333                                    | –                                                              | (26,351)                                                               | (1,358)                                | 222,624   |
| Total gains or losses for the year<br>reclassified from other comprehensive<br>income on disposal                                     | 2,519                                      | –                                                              | –                                                                      | –                                      | 2,519     |
| Total gains or losses for the year<br>included in profit or loss for assets<br>held and liabilities assumed<br>at the end of the year | –                                          | –                                                              | (11)                                                                   | (1,358)                                | (1,369)   |

## 23 Fair value measurement (continued)

### (iv) Financial instruments in Level 3 (continued)

For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level 3.

| Financial instruments                                                | Valuation technique(s) and key input(s)                                                                     | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value                  |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------|
| Asset management plans, wealth management products and trust schemes | Discounted cash flow model                                                                                  | Risk adjusted discount rate       | The higher the risk adjusted discount rate, the lower the fair value |
| Options                                                              | Bloomberg OVML function, with Black-Scholes PDE solved using Crank-Nicholson finite-difference scheme       | Implied volatility                | The higher the implied volatility, the higher the fair value         |
| Payables                                                             | Futures price of comparable commodity futures which will mature within one month as at 30 June/ 31 December | Risk free discount rate           | The higher the risk free discount rate, the lower the fair value     |

#### *Fair value of financial assets and liabilities carried at other than fair value*

For those financial assets and liabilities that are carried at cost or amortised cost and due within one year, their carrying amounts are close to their fair values. The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values during the interim period.

## 24 Commitments

### (a) Capital commitments

|                                 | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|---------------------------------|--------------------------|------------------------------|
| Contracted but not provided for | 42,000                   | 42,000                       |

### (b) Operating lease commitments

At 30 June 2017 and 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

|                                         | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|-----------------------------------------|--------------------------|------------------------------|
| Within 1 year                           | 11,897                   | 15,713                       |
| After 1 year but not more than 2 years  | 5,718                    | 7,222                        |
| After 2 years but not more than 3 years | 3,137                    | 3,341                        |
| After 3 years                           | 2,276                    | 2,620                        |
| Total                                   | 23,028                   | 28,896                       |

## 25 Contingencies

- (a) On 18 July 2016, the Company became aware that one of its employees was involved with alleged forgeries to enter into asset management agreements with five customers during the years ended 31 December 2015 and 2016. The funds collected from these customers were deposited directly into the employee's personal account. On 21 July 2016, the Company reported the case to the public security authority.

On 22 September 2016, one of the customers filed a lawsuit against the Company with the People's Court of Qin Huai District of Nanjing City (the "Qin Huai Court"). The customer claimed for: (1) the repayment of RMB9.86 million investment together with expected return of RMB0.87 million; and (2) the cost of proceedings. As at the date of this report, the legal proceedings are still ongoing.

On 1 August 2017, another customer filed a lawsuit against the Company with the Qin Huai Court. The customer claimed for: (1) the repayment of RMB18.2 million investment together with expected return of RMB4.37 million; and (2) the cost of proceedings. As at the date of this report, the legal proceedings are still ongoing.

The directors are of opinion that as these lawsuits are at the preliminary stage it is not possible to estimate with reasonable certainty the outcome of the lawsuits at this stage and no provision has been made in the consolidated financial statements in respect of the claims.

## 25 Contingencies (continued)

- (b) On 17 July 2016, one of the Company's employees (same employee as stated in Note 25(a)) and his wife, entered into personal lending agreements with three individual customers, whereby the three customers agreed to lend them money with the Company being appointed as the guarantor without its approval. The Company became aware of such personal lending agreements on 18 July 2016 and reported it to the public security authority on 21 July 2016.

On 25 July 2016, two of the customers filed lawsuits against the employee and his wife as well as the Company with the People's Court of Jing Hai District of Tianjin City (the "Jing Hai Court"). One customer claimed for: (1) the repayment of RMB3 million loan together with interests at a monthly interest rate of 2% for the period starting from 17 July 2016 to the date of actual settlement of loan; and (2) the cost of proceedings (the "first lawsuit"). Another customer claimed for: (1) the repayment of RMB1.4 million loan; and (2) the cost of proceedings (the "second lawsuit").

On 19 August 2016, the third customer filed lawsuits against the employee and his wife as well as the Company and another third party entity owned by the employee with the Jing Hai Court. The customer claimed for: (1) the repayment of RMB3.71 million loan together with interests at a monthly interest rate of 2% for the period starting from 18 July 2016 to the date of actual settlement of loan; and (2) the cost of proceedings. In December 2016, the Jing Hai Court dismissed the lawsuit of this customer.

On 26 July 2017, the Jing Hai Court delivered its first trial judgement of the first lawsuit and held that the former employee and his wife should repay the RMB3 million loan together with interests at a monthly interest rate of 2% for the period starting from 17 July 2016 to the date of actual settlement of loan and the Company should undertake to repay 50% of any unsettled amount.

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

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

Except for the above, as at 30 June 2017, the Group was not involved in any material legal, arbitration or administrative proceedings which the Group expect would have significant adverse impact on the financial position and financial performance.

## 26 Material related party transactions

### (a) Relationship of related parties

#### (i) Major shareholders

Major shareholders include shareholders of the Company with 10% or above ownership.

Share percentage in the Company

|                                                     | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|-----------------------------------------------------|--------------------------|------------------------------|
| Jiangsu SOHO Holdings Group Co., Ltd.               | 30.37%                   | 30.37%                       |
| Jiangsu Holly Corporation* (江蘇弘業股份有限公司)             | 16.31%                   | 16.31%                       |
| Jiangsu Holly Su Industrial Co., Ltd.* (江蘇弘蘇實業有限公司) | 15.83%                   | 15.83%                       |

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

SOHO Holding is the parent of the Group during the interim period.

#### (ii) Subsidiaries of the Company

Details of the Company's subsidiaries are disclosed in Note 10.

#### (iii) Associates

Details of the Group's associates are the same as Group's latest financial statements prepared in accordance with HKFRSs (including HKASs) for the year ended 31 December 2016.

#### (iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

## 26 Material related party transactions (continued)

### (b) Related party transactions and balances

#### (i) Transactions between the Group and major shareholders

|                                               | As at<br>30 June<br>2017        | As at<br>31 December<br>2016 |
|-----------------------------------------------|---------------------------------|------------------------------|
| <b>Balances at the end of the period/year</b> |                                 |                              |
| Accounts payable to brokerage clients         | 14,876                          | 2,972                        |
| Other payables                                | 34,014                          | –                            |
|                                               |                                 |                              |
|                                               | <b>Six months ended 30 June</b> |                              |
|                                               | <b>2017</b>                     | <b>2016</b>                  |
| <b>Transactions during the period</b>         |                                 |                              |
| Commission and fee income                     | 2                               | 3                            |
| Operating lease charges                       | 2,521                           | 2,521                        |

#### (ii) Transactions between the Group and other related parties

|                                               | As at<br>30 June<br>2017        | As at<br>31 December<br>2016 |
|-----------------------------------------------|---------------------------------|------------------------------|
| <b>Balances at the end of the period/year</b> |                                 |                              |
| Available-for-sale financial assets           | 30,000                          | –                            |
| Other receivables                             | 18                              | 18                           |
| Accounts payable to brokerage clients         | 2,977                           | 3,337                        |
|                                               |                                 |                              |
|                                               | <b>Six months ended 30 June</b> |                              |
|                                               | <b>2017</b>                     | <b>2016</b>                  |
| <b>Transactions during the period</b>         |                                 |                              |
| Commission and fee income                     | 5                               | 204                          |
| Net investment gains                          | 81                              | –                            |
| Operating lease charges                       | 291                             | 501                          |
| Repair and maintenance expenses               | –                               | 72                           |
| Property management expenses                  | 294                             | 311                          |
| Others                                        | 13                              | 247                          |

## 27 Segment reporting

The Group manages and conducts its business activities by business segments. In a manner consistent with the way in which statements is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following segments:

- The futures brokerage and asset management business segment engages in the trading of commodity futures and financial futures on behalf of clients, and also developing and selling asset management products and services based on the asset scale and clients' needs. In addition, the activities of investing in asset management plans, wealth management products, listed and unlisted securities, trust schemes, funds, derivative financial instruments are included in this segment.
- The commodity trading and risk management business segment engages in providing the services of purchase and resale of commodities, futures arbitrage and hedging.

### (a) Business segments

Six months ended 30 June 2017

|                                                              | Futures brokerage<br>and asset<br>management<br>business | Commodity<br>trading and risk<br>management<br>business | Total       |
|--------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|-------------|
| Revenue                                                      |                                                          |                                                         |             |
| – External                                                   | 152,511                                                  | –                                                       | 152,511     |
| – Inter-segment                                              | 4                                                        | –                                                       | 4           |
| Other income and gains                                       |                                                          |                                                         |             |
| – External                                                   | (1,059)                                                  | 2,751                                                   | 1,692       |
| – Inter-segment                                              | –                                                        | (4)                                                     | (4)         |
| Segment revenue and other income                             | 151,456                                                  | 2,747                                                   | 154,203     |
| Segment expenses                                             | (100,300)                                                | (1,191)                                                 | (101,491)   |
| Segment operating profit                                     | 51,156                                                   | 1,556                                                   | 52,712      |
| Share of losses of associates                                | (9)                                                      | –                                                       | (9)         |
| Profit before taxation                                       | 51,147                                                   | 1,556                                                   | 52,703      |
| Interest income                                              | 60,537                                                   | 54                                                      | 60,591      |
| Depreciation and amortisation                                | (2,134)                                                  | (14)                                                    | (2,148)     |
| Segment assets                                               | 5,035,112                                                | 249,261                                                 | 5,284,373   |
| Additions to non-current segment assets<br>during the period | 711                                                      | –                                                       | 711         |
| Segment liabilities                                          | (3,584,078)                                              | (2,402)                                                 | (3,586,480) |

## 27 Segment reporting (continued)

### (a) Business segments (continued)

Six months ended 30 June 2016

|                                                              | Futures brokerage<br>and asset<br>management<br>business | Commodity<br>trading and risk<br>management<br>business | Total       |
|--------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|-------------|
| Revenue                                                      |                                                          |                                                         |             |
| – External                                                   | 143,245                                                  | –                                                       | 143,245     |
| – Inter-segment                                              | 35                                                       | –                                                       | 35          |
| Other income and gains                                       |                                                          |                                                         |             |
| – External                                                   | 1,258                                                    | 5,840                                                   | 7,098       |
| – Inter-segment                                              | –                                                        | –                                                       | –           |
| Segment revenue and other income                             | 144,503                                                  | 5,840                                                   | 150,343     |
| Segment expenses                                             | (99,866)                                                 | (2,570)                                                 | (102,436)   |
| Segment operating profit                                     | 44,637                                                   | 3,270                                                   | 47,907      |
| Share of losses of associates                                | (106)                                                    | –                                                       | (106)       |
| Profit before taxation                                       | 44,531                                                   | 3,270                                                   | 47,801      |
| Interest income                                              | 50,909                                                   | 35                                                      | 50,944      |
| Interest expense                                             | (283)                                                    | –                                                       | (283)       |
| Depreciation and amortisation                                | (3,582)                                                  | (18)                                                    | (3,600)     |
| Segment assets                                               | 5,009,154                                                | 169,539                                                 | 5,178,693   |
| Additions to non-current segment assets<br>during the period | 455                                                      | –                                                       | 455         |
| Segment liabilities                                          | (3,510,748)                                              | (364)                                                   | (3,511,112) |

## 27 Segment reporting (continued)

### (a) Business segments (continued)

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

|                                                     | Six months ended 30 June |                              |
|-----------------------------------------------------|--------------------------|------------------------------|
|                                                     | 2017                     | 2016                         |
| <b>Revenue and other income</b>                     |                          |                              |
| Total revenue and other income for segments         | 154,203                  | 150,343                      |
| Elimination of inter-segment revenue                | (4)                      | (35)                         |
| Elimination of inter-segment other income and gains | 4                        | 35                           |
| Consolidated revenue and other income               | 154,203                  | 150,343                      |
| <b>Profit</b>                                       |                          |                              |
| Total profit before tax for segments                | 52,703                   | 47,801                       |
| Elimination of inter-segment profit                 | —                        | —                            |
| Consolidated profit before income tax               | 52,703                   | 47,801                       |
|                                                     |                          |                              |
|                                                     | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|                                                     |                          |                              |
| <b>Assets</b>                                       |                          |                              |
| Total assets for segments                           | 5,284,373                | 5,001,954                    |
| Elimination of inter-segment assets                 | (85,169)                 | (169,441)                    |
| Consolidated total assets                           | 5,199,204                | 4,832,513                    |
| <b>Liabilities</b>                                  |                          |                              |
| Total liabilities for segments                      | (3,586,480)              | (3,286,268)                  |
| Elimination of inter-segment liabilities            | 85,169                   | 169,441                      |
| Consolidated total liabilities                      | (3,501,311)              | (3,116,827)                  |

## 27 Segment reporting (continued)

### (b) Geographical segments

The following table sets out statements about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in associates.

|                                 | Six months ended 30 June 2017 |              |         | Six months ended 30 June 2016 |              |         |
|---------------------------------|-------------------------------|--------------|---------|-------------------------------|--------------|---------|
|                                 | Mainland<br>China             | Hong<br>Kong | Total   | Mainland<br>China             | Hong<br>Kong | Total   |
| <b>Segment revenue</b>          |                               |              |         |                               |              |         |
| Revenue from external customers | 147,325                       | 5,186        | 152,511 | 140,694                       | 2,551        | 143,245 |
| Other income and gains          | 2,114                         | (422)        | 1,692   | 7,098                         | –            | 7,098   |
| Total                           | 149,439                       | 4,764        | 154,203 | 147,792                       | 2,551        | 150,343 |

|                                     | 30 June 2017      |              |        | 31 December 2016  |              |        |
|-------------------------------------|-------------------|--------------|--------|-------------------|--------------|--------|
|                                     | Mainland<br>China | Hong<br>Kong | Total  | Mainland<br>China | Hong<br>Kong | Total  |
| <b>Specified non-current assets</b> | 83,214            | 776          | 83,990 | 84,713            | 786          | 85,499 |

## 28 Interest in structured entities

### (a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group stand for the asset management plans where the Group involves as manager and also as investor. The Group assesses whether the investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management product to a level of such significance that it indicates that the Group is a principal.

As at 30 June 2017, the total net assets of the consolidated asset management plans are RMB38,561 thousand (31 December 2016: RMB29,611 thousand), and the carrying amount of interests held by the Group in the consolidated asset management plans are RMB10,968 thousand (31 December 2016: RMB3,260 thousand), which are accounted for available-for-sale financial assets, interest receivables, unlisted funds, derivative financial instruments and cash held on behalf of brokerage clients and other payables.

### (b) Structured entities sponsored by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include trust schemes, wealth management products and funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 30 June 2017 and 31 December 2016, which are listed as below:

|                            | 30 June 2017                           |                                                             |         |
|----------------------------|----------------------------------------|-------------------------------------------------------------|---------|
|                            | Available for-sale<br>financial assets | Financial assets at<br>fair value through<br>profit or loss | Total   |
| Funds                      | 20,000                                 | 156,193                                                     | 176,193 |
| Trust schemes              | 28,000                                 | –                                                           | 28,000  |
| Wealth management products | 10,000                                 | –                                                           | 10,000  |

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

## 28 Interest in structured entities (continued)

### (b) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)

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

|                                     | Six months ended 30 June |       |
|-------------------------------------|--------------------------|-------|
|                                     | 2017                     | 2016  |
| Revenue                             | 2,055                    | –     |
| Net investment gains                |                          |       |
| – Net realized gains                | 315                      | 1,220 |
| – Net unrealized fair value changes | (53)                     | (212) |
| – Dividend income                   | 347                      | 17    |
| Other comprehensive income          | –                        | (13)  |
| Total                               | 2,664                    | 1,012 |

The maximum exposure to loss for trust schemes, wealth management products and funds are their fair value as at 30 June.

### (c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include asset management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interest held by the Group includes fees charged by providing asset management services, interest income and investment income generated by investing into asset management plans.

As at 30 June 2017, the amount of assets held by the unconsolidated asset management products, which are sponsored by the Group is RMB686,420 thousand (31 December 2016: RMB831,259 thousand).

During the six months ended 30 June, the comprehensive income from the abovementioned structured entities was as follows:

|                             | Six months ended 30 June |       |
|-----------------------------|--------------------------|-------|
|                             | 2017                     | 2016  |
| Revenue                     |                          |       |
| – Commission and fee income | 1,560                    | 1,429 |
| – Interest income           | 3,676                    | 2,280 |
| – Net investment gains      | 671                      | 177   |
| Total                       | 5,907                    | 3,886 |

## 29 Non-adjusting events after the reporting period

The Group has no significant non-adjusting events subsequent to the end of the reporting period.