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Holly Futures

(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name 弘業期貨股份有限公司 and carrying on business in Hong Kong as Holly Futures) (the “Company”)
(Stock Code: 3678)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the “**Board**”) of the Company hereby announces the unaudited consolidated interim results of the Company and its subsidiaries for the six months ended 30 June 2020, together with the comparative figures for the same period of 2019. This announcement of interim results, containing the full text of the 2020 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 2020 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) and the Company (www.ftol.com.cn) by the end of September 2020.

By order of the Board
Mr. Zhou Yong
Chairman

Nanjing, China
27 August 2020

As at the date of this announcement, the Board consists of Mr. Zhou Yong and Ms. Zhou Jianqiu as executive directors; Mr. Xue Binghai, Mr. Jiang Lin and Mr. Shan Bing as non-executive directors; and Mr. Wang Yuetang, Mr. Lam Kai Yeung and Mr. Huang Dechun 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
Board	the board of directors of the Company
Chairman	the chairman of the Company
Chief Risk Officer	the chief risk officer of the Company
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 the 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)
CTA	commodity trading advisor, a natural or legal person who can provide guidance or advice on buying or selling futures and options contracts, or trade on behalf of the client
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 2020
FOF	a fund specially invested in other investment funds. It does not directly invest in stocks or bonds. With its investment scope limited to other funds only, it holds security assets such as stocks and bonds indirectly by holding other security investment funds, which is 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 Asset Management	Holly International Asset Management Company Limited (formerly known as Holly Su Asset Management Company Limited (弘蘇資產管理有限公司)), a company incorporated under the laws of Hong Kong with limited liability on 7 July 2016 and a wholly owned subsidiary of our Company, which is licensed to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, and changed its name in December 2019
Holly 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 International Financial	Holly International Financial Holdings Limited (formerly known as Holly Su Futures (Hongkong) Co., Limited (弘蘇期貨有限公司)), a company incorporated under the laws of Hong Kong with limited liability on 20 October 2011 and a whollyowned subsidiary of our Company which is licensed to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO, and changed its name in December 2019
Holly Su Industrial	Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司), a limited liability company established under the laws of the PRC on 23 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 Exchanges, 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

Net Capital	equals net assets minus asset adjustment value plus liability adjustment value minus the deposits which the clients fail to fully replenish minus/plus other adjustment items recognised or approved by the CSRC
PRC Futures Exchanges	China Financial Futures Exchange (中國金融期貨交易所), Dalian Commodity Exchange (大連商品交易所), Shanghai Futures Exchange (上海期貨交易所) and Zhengzhou Commodity Exchange (鄭州商品交易所)
PRC or China	the People's Republic of China which, for the purpose of this Report, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
Prospectus	the prospectus in relation to H Shares of the Company dated 16 December 2015
R&D	research and development
Report	the interim report for 2020 of the Company
Reporting Period	the six months ended 30 June 2020
RMB or Renminbi	the lawful currency of the PRC
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
Straddling buy and sell positions	a behavior of two parties to the transaction acting as sellers and buyers respectively to issue a transaction entrustment order to securities or futures brokers and complete the transaction in accordance with the agreed types of transaction, price, quantity
QFII	Qualified Foreign Institutional Investor
RQFII	RMB Qualified Foreign Institutional Investor

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. Shan Bing
Mr. Jiang Lin

Independent non-executive Directors

Mr. Wang Yuetang
Mr. Lam Kai Yeung
Mr. Huang Dechun

Special Committees of the Board

Audit Committee	Mr. Lam Kai Yeung (Chairman) Mr. Xue Binghai Mr. Huang Dechun
Remuneration Committee	Mr. Huang Dechun (Chairman) Mr. Wang Yuetang Mr. Shan Bing
Nomination Committee	Mr. Zhou Yong (Chairman) Mr. Wang Yuetang Mr. Huang Dechun
Risk Management Committee	Mr. Wang Yuetang (Chairman) Mr. Xue Binghai Ms. Zhou Jianqiu Mr. Jiang Lin

3. SUPERVISORY COMMITTEE

Ms. Yu Hong (Chairlady of the Supervisory Committee)
Ms. Wang Jianying
Ms. Yao Aili

4. LEGAL REPRESENTATIVE

Ms. Zhou Jianqiu

5. REGISTERED CAPITAL

RMB907 million

6. QUALIFICATIONS FOR BUSINESSES IN CHINA

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

7. HEAD OFFICE IN CHINA

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

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

Website of the Company: www.ftol.com.cn

Email address: zqb@ftol.com.cn

8. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower, No. 248 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: jiaguorong@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

KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥))

A Recognised Public Interest Entity Auditor under Financial Reporting Council Ordinance

13. LEGAL ADVISERS

As to Hong Kong Law: Chung's Lawyers

As to PRC Law: Shanghai AllBright Law Offices Nanjing

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.
Hengfeng 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 Company Limited
Ping An Bank Co., Ltd.
Bank of Hangzhou Co., Ltd.
Bank of Shanghai Co., Ltd.
Hua Xia Bank Co., Limited
China Guangfa Bank Co., Ltd.
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

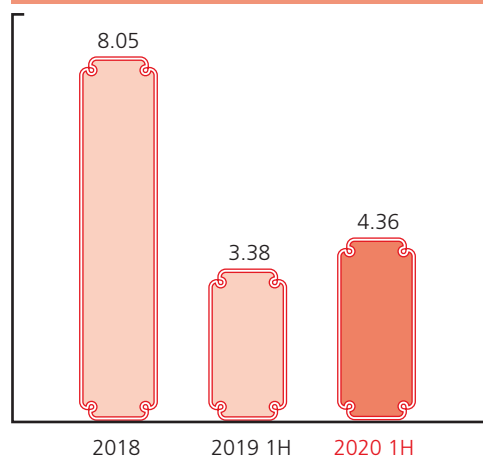
Unless otherwise specified, the accounting data and financial indicators contained in this annual report are prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF, financial data are presented in whole figure. Difference exists in the mantissa between the total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

RMB 0'000			Change in current period as compared to the prior period	
	Jan-Jun 2020	Jan-Jun 2019	Amount	%
Operating income	63,898	35,322	28,576	81%
Total profit	5,710	4,264	1,446	34%
Net profit-attributable to shareholders of the Company	4,359	3,377	982	29%
Net cash generated from operating activities Inflows	66,199	3,278	62,921	1,919%
Earnings per share (RMB/share)				
Basic earnings per share	0.0481	0.0372		
Diluted earnings per share	0.0481	0.0372		
Profitability indicators				
Weighted average return on net assets (%)	2.69%	2.07%		

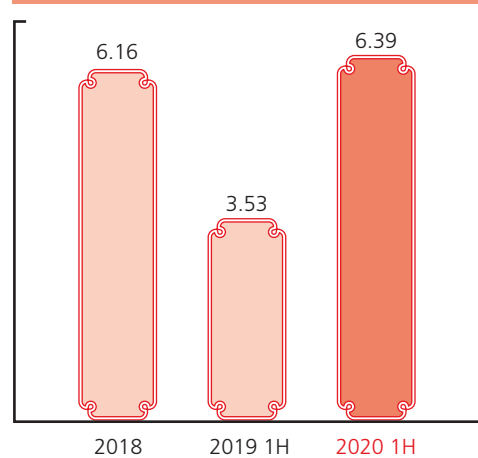
Scale indicators (RMB 0'000)			Change in the end of the current period as compared to the end of the prior year	
	As of 30 June 2020	As of 31 December 2019	Amount	%
Total assets	705,444	451,077	254,367	56%
Total liabilities	541,766	291,180	250,586	86%
Customers' equity payable	504,018	265,955	238,063	90%
Equity attributable to shareholders of the Company	163,679	159,897	3,782	2%
Total share capital (0'000)	90,700	90,700		
Net assets value per share attributable to shareholders of the Company (RMB per share)				
	1.80	1.76		
Gearing ratio (%)^{Note 1}	19%	14%		

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

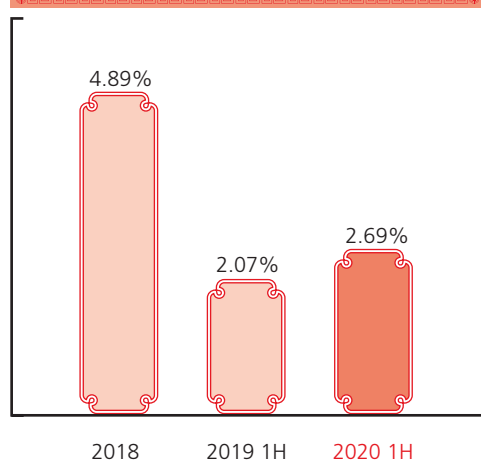
Net profit attributable to shareholders of the Company (RMB 10 million)



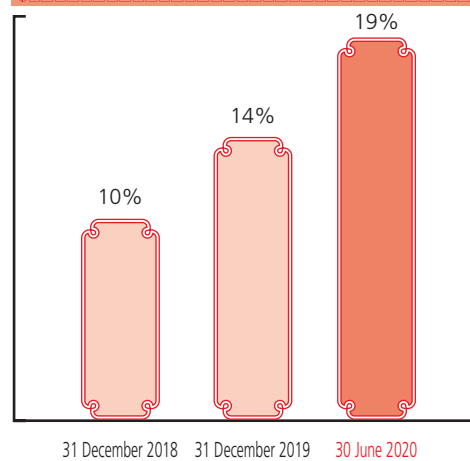
Operating income (RMB100 million)



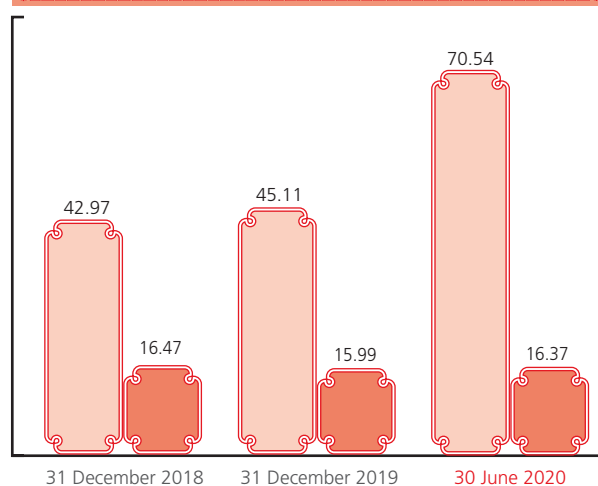
Weighted average return on net assets



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

The Net Capital of the Company as at 30 June 2020 amounted to RMB992 million, representing a decrease of RMB105 million as compared with RMB1,097 million as at the end of 2019. During the Reporting Period, various risk control indicators of the Company including the Net Capital met the regulatory requirements in the PRC. (The following table sets out the Net Capital and the major risk control indicators prepared by the Company in accordance with the PRC Accounting Standards and the regulatory requirements in the PRC)

	As of 30 June 2020	As of 31 December 2019	Warning level	Minimum/ Supervision level
Net Capital (RMB million)	992	1,097	36	30
Net Capital/total risk capital reserves (%)	321%	697%	120%	100%
Net Capital/net assets (%)	61%	69%	24%	20%
Current assets/current liabilities (%)	503%	716%	120%	100%
Total liabilities/net assets (%)	17%	11%	120%	150%
Proprietary settlement reserve funds (RMB million)	284	529	–	10

Management Discussion and Analysis

I. Market Review

In the first half of 2020, affected by various factors such as the COVID-19 pandemic, the global industrial chain and supply chain circulation were blocked, and the commodity market was extremely volatile. In the first half of the year, economy of the PRC fell initially and then rebounded. During the second quarter, the Chinese economy resumed positive growth with key indicators showing signs of growth, economic operations were recovering steadily, basic livelihood was effectively protected, market expectations were generally positive and overall social development was stable. Generally speaking, in the first half of the year, China's economy gradually overcame the adverse effects brought about by the COVID-19 pandemic, economic operations regained strength and were on a steady recovery trend, further demonstrating the resilience and vitality of our economic development. But at the same time, some indicators were still declining, the loss caused by the COVID-19 pandemic still needed to be made up. At present, the COVID-19 pandemic was still spreading around the world, and its huge impact on the global economy has yet to be seen. External risks and challenges increased significantly, and domestic economic recovery still faced pressure. China's GDP for the first half of 2020 amounted to RMB45,661.4 billion, representing a year-on-year decrease of 1.6% at constant price. By quarter, its GDP for the first quarter of 2020 demonstrated a year-on-year decrease of 6.8% followed by a year-on-year increase of 3.2% for the second quarter. By industry, the added value of the primary industry was RMB2,605.3 billion, representing a year-on-year increase of 0.9%; the added value of the secondary industry was RMB17,275.9 billion, representing a year-on-year decrease of 1.9%; and of the tertiary industry was RMB25,780.2 billion, representing a year-on-year decrease of 1.6%. The characteristics of economic operation in the first half of the year were mainly reflected in five aspects: First, the main indicators gradually recovered, the quarterly indicators improved significantly and the monthly indicators continued to grow. By quarter, GDP for the second quarter increased by 3.2% year-on-year, and turned from a decrease of 6.8% in the first quarter to positive growth. The added value of the industrial enterprises exceeding a designated size turned from decreased by 8.4% in the first quarter to increased by 4.4%. The added value of the service industry decreased by 5.2% in the first quarter and return to positive gaining 1.9% in the following quarter. The decline in total retail sales of consumer goods for the second quarter narrowed down by 15.1 percentage points from the first quarter; the decline in fixed asset investment in the first half of 2020 narrowed down by 13.0 percentage points as compared with the first quarter. By month, the added value of the industrial enterprises exceeding a designated size maintained positive growth for three consecutive months, the service industry's production index recorded positive growth for two consecutive months, the decline in total retail sales of consumer goods have been narrowed down for four consecutive months, and the export value recorded positive growth for three consecutive months. Second, employment and consumer prices remained stable in general. In June, the national unemployment rate according to urban surveys was 5.7%, recording a slight decline for two consecutive months. The growth in the consumer price index showed a downward trend. In the first half of the year, consumer price index rose by 3.8% year-on-year, which was 1.1 percentage points lower than the first quarter. Core CPI rose 1.2% year-on-year and remained basically stable. Consumer price index in June rose by a moderate 2.5%. Third, basic livelihood was effectively protected. The poverty alleviation work was highly effective. In the first half of the year, Sichuan, Guizhou and Guangxi, where there were a large number of poor population, the per capita disposable income of rural residents grew by 5.5% to 7.6%. Social protection and fallback assistance continued to strengthen. In the first half of the year, per capita transfer income grew by 8.2% in nominal terms, of which per capita pension and retirement pensions grew by 9.3%, and per capita social relief income and subsidies grew by 13.2%. Basic living consumption of residents maintained a more rapid growth. Fourth, the momentum of emerging fields increased. During the first half of the year, the added value of high-tech manufacturing increased by 4.5% year-on-year, accounting for 14.7% of the added value of industrial enterprises exceeding a designated size, representing an increase of 0.9 percentage point from the same period last year. Investment in high-tech fields continued to increase with new infrastructure and related products growing more rapidly. Urban rail vehicles increased by 13% in the first half of the year, and the output of charging piles increased by 11.9%. In the first half of the year, online retail sales of physical goods increased by 14.3% year-on-year, accounting for 25.2% of the total retail sales of consumer goods, representing an increase of 5.6 percentage points year-on-year. Fifth, the market is expected to be positive in general. In June, China's manufacturing purchasing managers index was 50.9%, which

was above the threshold for four consecutive months, and the non-manufacturing business activity index was 54.4%, which has been rising for four consecutive months. Overall, from the above five characteristics, it can be seen that China's economy was overcoming the adverse impact from the COVID-19 pandemic in the first half of this year and gradually recovered. But at the same time, we must also realize that due to the fact that key indicators such as GDP, industry, service industry, consumption and investment etc. were still declining during the first half of the year, the losses caused by the COVID-19 pandemic has not yet been fully made up and great effort is still needed to push the economy back to normal levels.

In this context, China's derivatives industry shared the aspirations of companies and the market, and through the timely opening of the market after the Chinese New Year, reducing transaction costs, targeted support for the development of enterprises in regions being infected by COVID-19, timely resumption of night trading, and orderly increase in the supply of exchange-traded and over-the-counter products and multiple other relief measures, which strongly supported industrial enterprises to hedge risks. In the first half of this year, China's futures market transactions were active and the scale continued to expand. Since the second quarter of this year, as the COVID-19 pandemic situation has improved, the resumption of work and production of various enterprises have been accelerated, and the demand for enterprises to use the futures market to hedge and manage risks has steadily increased, which has promoted active trading in China's futures market. The cumulative trading volume of futures was 2.522 billion lots, and the cumulative trading volume was RMB165,466.052 billion, an increase of 45.35% and 28.70% year-on-year, respectively. It has made positive contributions to Chinese enterprises facing the international market, effectively responded to market risks and managed profit fluctuations.

In the first half of this year, global commodity prices fell sharply, with only a few varieties rising against the trend, such as gold and iron ore. The top five gainers in the first half of 2020 were soybean meal (26.29%), gold (15.32%), iron ore (14.8%), corn (9.42%) and egg (8.83%). In general, market sentiment in the first half of the year has always been concerning about the development of the COVID-19 pandemic, and the performance of absolute price fluctuations and spreads exceeded one historic perception. The price of domestic soybeans can be described as shooting up like rocket, from the initial RMB 3,700/ton and kept rising to RMB4,900/ton, the soybean market was still hot, and the spot price continued to rise. The trend of crude oil price was more breathtaking for the market: the sharp rise in conflict between the United States and Iran at the beginning of the first quarter caused the market to worry about the safety of crude oil supply in the Middle East, leading to a slight increase in oil prices. However, oil prices turned downward since then. At the end of January, the outbreak of COVID-19 triggered more worries in the market about the economic development prospects and crude oil demand expectations, resulting in huge negative pressure on the demand side of the crude oil market. In the second quarter, international crude oil futures prices continued to fall after experiencing a short-term rally in early April, posting them biggest decline in nearly three decades. Gold, as one of the most significant "players" in the commodity market, also had a good story in the first half of 2020. Since the beginning of the first quarter, the gold price has experienced huge ups and downs, especially after reaching a nearly seven-year high of US\$1,704 per ounce in early March, it fell into a deep reverse V-shaped price pattern. The V-shaped price movement was also a feature for non-ferrous metals during the first half year. Non-ferrous metals fell sharply together in the first quarter and then rose sharply together in the second quarter. The collective decline of non-ferrous metals in the first quarter was mainly due to concerns about the emergence of a liquidity crisis. Non-ferrous metals rose sharply in the second quarter was, on the one hand, to gain back the lost ground caused by the previous liquidity shortage. On the other hand, it was caused by the inventory destocking far exceeding expectation as driven by strong recovery in domestic demand.

From January to June 2020, the accumulated trading volume of China's futures markets (all industry data are calculated on one side) was approximately 2,521,727,273 lots, representing an increase of 45.35% year-on-year; accumulated trading turnover (all industry data are calculated on one side) was RMB165,466.052 billion, representing an increase of 28.70% year-on-year. In particular, Shanghai Futures Exchange achieved a trading volume of 908,558,165 lots with an accumulated turnover of RMB48,283.019 billion, representing increases of 51.83% and 24.42% respectively as compared with the same period of last year and accounting for 36.03% and 29.18% of the China market. Shanghai International Energy Center achieved a trading volume of 22,259,074 lots with an accumulated turnover of RMB6,148.733 billion, representing increase of 10.81% and decrease of 31.49% respectively as compared with the same period of last year and accounting for 0.88% and 3.72% respectively of the China market. Zhengzhou Commodity Exchange achieved a trading volume of 608,044,960 lots with an accumulated turnover of RMB20,246.675 billion, representing increases of 15.8% and 4.23% respectively as compared with the same period

of last year and accounting for 24.11% and 12.24% respectively of the China market. Dalian Commodity Exchange achieved a trading volume of 932,762,756 lots with an accumulated turnover of RMB41,560.674 billion, representing increases of 66.77% and 43.42% respectively as compared with the same period of last year and accounting for 36.99% and 25.12% respectively of the China market. China Financial Futures Exchange achieved a trading volume of 50,102,318 lots with an accumulated turnover of RMB49,226.952 billion, representing increases of 56.24% and 52.03% respectively as compared with the same period of last year and accounting for 1.99% and 29.75% respectively of the China market. As at June 2020, the operating profit of 149 futures companies in China (excluding subsidiaries) amounted to RMB4.253 billion, and the net profit amounted to RMB3.359 billion, representing an increase of 22.19% as compared with the same period of last year.

II. Overall Business Conditions

In the first half of the year, the Group gave much thought to develop a suitable strategy to fuel its future growth, worked hard to turn crises into opportunities, and satisfactory operating performance was achieved against the adverse business trend. As of 30 June 2020, total assets of the Group amounted to RMB7,054 million, representing an increase of 56% as compared to RMB4,511 million as at the end of 2019. Net assets attributable to the Group amounted to near RMB1,637 million, representing an increase of 2% as compared to RMB1,599 million as at the end of 2019. In the first half of the year, the Company achieved a market share of 0.53%; the operating income amounted to RMB638.98 million, representing a year-on-year increase of 81%; the net profit amounted to RMB43.59 million, representing a year-on-year increase of 29%; the total profit amounted to RMB57.10 million, representing a year-on-year increase of 34%. As the Company's accounting data was compiled in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of China, the Company withdrew a risk reserve of RMB3.3563 million, which was not included in the profit. Among which, the total profits realized by the futures company(single entity) increased by 107% year-on-year; the average daily customer equity was RMB3.9 billion, representing a year-on-year increase of 42%; the closing customer equity exceeded RMB5.040 billion, representing an increase of 90% from RMB2.660 billion at the beginning of the year, which was a record high. Both turnover from brokerage and brokerage transaction volume increased by 13.55% and 26.05% year-on-year respectively. The Company was awarded the "Industry-Finance Integration Demonstration Award"(產融結合示範獎) and the "Top Ten Poverty Alleviation Enterprises"(十佳扶貧企業) in Jiangsu Province, and the "Excellent Member Prize"(優秀會員) and "Excellent Member of Ferroalloy Variety Service"(鐵合金品種服務優秀會員) by the Exchange.

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.

(1) 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 of 30 June 2020, the Company had 45 branches, of which 20 were located in Jiangsu Province and the remaining were mainly located in other economically developed cities, such as Beijing, Shanghai and Shenzhen, covering all the financially developed areas and other major regions in the PRC.

For the first half of 2020, the futures brokerage business of the Company was maintained at a fairly good level. As of 30 June 2020, the Company's client balance amounted to RMB5.04 billion, representing an increase of 90% as compared to RMB2.660 billion as at the end of 2019. The turnover from brokerage of the Company amounted to RMB1,740.061 billion, representing a year-on-year increase of 13.55% as compared with RMB1,532.403 billion for the same period of 2019. The brokerage volume of the Company amounted to 35,622,854 lots, representing an increase of 26.05% as compared to 28,261,210 lots for the first half of 2019, with a market share of 0.71%. The handling fees of the Group from futures brokerage business and interest income of the Group amounted to RMB114 million, representing a year-on-year increase of 9.62% as compared with RMB104 million in the corresponding period of 2019.

(2) Assets management business

As of 30 June 2020, the Company's AUM amounted to RMB23,522 million, representing an increase of near 109% compared to RMB11.263 billion as at the end of 2019, ranking in the top in the futures industry. The asset management business achieved a handling fee income of RMB4,020,000. There were 11 new registered products, representing a year-on-year increase of 83%, including 4 collective products and 7 one-to-one special account products.

While promoting efficiency enhancement, the Company strives to cultivate new development advantages. First is to continue to deepen cooperation with banks and other financial institutions, and it successfully won the bid for outsourcing funds of a listed rural commercial bank. Second is to take advantage of the platform to meet customer needs and launch a series of customized products for direct investment by private equity funds. At the same time, by focusing on market hotspots, the Company successfully issued CTA asset management plans with futures characteristics, and the product has generated stable returns. Third is to introduce more products under active management, forming four major asset management product lines: FOF, fixed income +, smart selection and customization, and CTA series, and income remained stable.

(3) Commodity trading and risk management business

In the first half of 2020, Holly Capital focused on the three major businesses of futures and spot, market making and over-the-counter options businesses, and its operating income exceeded the level of last year. From January to June, Holly Capital achieved operating income of RMB470 million, representing a year-on-year increase of 124%.

Among them, by introducing professional teams and building an organizational structure of "branch + business department", the futures and spot business had a good development momentum. The business scope covers the four major sectors of non-ferrous, black, energy-efficient and agricultural products, involving 10 varieties such as copper, plastics, cotton, rubber, etc., and the company successfully developed new trading models of basis trading such as "spot price +", "futures to spot +" and "warehouse receipt pledge+". The futures market making business has achieved full coverage of 3 commodity exchanges, and the new application has obtained the market-making qualifications to trade hot-rolled coil, paper pulp futures, DCE coking coal, coke futures, and ZCE glass, manganese silicon, and ferrosilicon futures on Shanghai Futures Exchange. The total number of market-making varieties increased to 13. The over-the-counter options business team has been well-established, and the operational efficiency and profitability have been continuously improved. The notional principal amount of new transactions was over RMB1.0 billion, income from over-the-counter options business increased by 40% year-on-year. At the same time, it gave full play to its professional advantages and provided service to a chemical company for 30,000 tons of PTA risk management during the COVID-19 pandemic, helping such company to make a profit of nearly RMB2 million. The Company has further strengthened the integrated development of exchange-traded and over-the-counter options business to meet the risk profile of enterprises and institutional clients. After becoming a standard warrant dealer of the Shanghai Futures Exchange, the Company newly applied for the qualification of a standard warrant dealer of DCE, and actively cooperated with large financial institutions to develop standard warrant business.

(4) 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.

In the first half of 2020, the Group achieved disposition and dividend gains of RMB25.29 million from financial assets investment business, representing a year-on-year increase of 119% as compared to RMB11.54 million for the same period in 2019, mainly because while implementing diversified investments, the Company captured the opportunities brought by the significant rebound in the stock market to maximize income in the first half of 2020.

IV. Other Innovative Business

(1) Upgrading the international business function structure

In the first half of 2020, Holly International Financial Holdings Limited completed the construction of a cross-border integrated financial service platform. Against the background of the of COVID-19 pandemic overseas and the turbulent situation in Hong Kong, the Company highlighted the role of the management of the subsidiary to “plan, grasp, and strengthen”, explored paths, grasped implementation, and strengthened management, focused on “how to do” overseas business, and actively guided Holly International Finance to turn loss into profits, realizing a total profit of RMB3.75 million. Among them, the first securities margin business was launched; the Asset Management Global Opportunity Fund was operating steadily, and the second phase of subscription was going to start; the fixed income fund structure in cooperation with a third party was finalized and would soon commence operation; its QFII application materials were officially accepted by the China Securities Regulatory Commission.

(2) Remarkable results in options business

The Company focused on the national strategy, responded to the call of the central government and the industry, and steadily promoted the “Insurance + Futures” project. The Company continued to carry out the rubber “Insurance + Futures” project in Mengla County, Yunnan Province, to help the local rubber industry continue to develop healthily; it actively promoted the implementation of the district-wide corn project with an epidemic relief nature led by the government’s financial funds in Tongshan District, Xuzhou City, and egg poverty alleviation project in Bijie City, Guizhou Province and Northeast corn county project, etc. In the first half of the year, the Company entered into special poverty alleviation agreements with Weining County, Hezhang County, and Nayong County, Bijie City, Guizhou Province, being are national poverty-stricken counties listed under the supervision of the State Council. Up to now, the insured value of the “Insurance + Futures” project carried out by the Company exceeded RMB500 million, and the compensation amount exceeded RMB10 million, involving nearly 14,000 poor people.

(3) Accelerating the development of wealth management business

The Company continued to expand the scale of public fund sales, and 952 public fund products from 13 fund houses were launched for trading with a transaction volume of over RMB300 million, still maintaining the largest fund agency scale in the industry. At the same time, it made full use of its professional advantages to timely study and judge the impact of the epidemic on the macro economy and different industries and targets, and used its own funding to invest in financial assets to achieve better economic returns.

V. Outlook and Future Plans

Facing opportunities and challenges, the Company maintained strategic determination in accordance with the requirements of various work arrangements, looked for opportunities in crises, and created new breakthroughs in the changing situation, and promote the Company to achieve high-quality, high-speed and efficient transformation. In the future, we will focus on the following tasks.

(1) Striving to make breakthroughs and comprehensively accomplish its business objectives

We will always maintain focus on tackling tough issues, and strive to make breakthroughs. We must further consolidate responsibilities and formulate timetables and roadmaps. All departments and subsidiaries should further focus on annual operating indicators and key tasks, make an all-out effort, work hard to tackle tough issues, and put all efforts to ensure that the goals and tasks are implemented and carried out.

(2) With new concepts as guidance for development, building a long-term mechanism for high-quality growth

Our strategic planning management will be strengthened. The “14th Five-Year Plan” is the key five years for enterprise development. We have to comprehensively analyze our own strengths and weaknesses, study and judge the industry situation scientifically, specify the overall requirements, major objectives, methods and implementation guarantees of the “14th Five-Year Plan”, and complete the preparation of the Plan with high standards. During the preparation process, the Company will broadly gather wisdom and strength from various departments and subsidiaries to ensure the planning will be scientifically based and reasonable, and provide basic guidelines for the Company’s development during the “14th Five-Year Plan” period.

Our construction of the talent team will be comprehensively strengthened. First is to focus on talent construction. We will give full play to the role of “communication and mutual assistance” and “apprenticeship”, and increase the training and use of young talents. Through methods such as centralized training and targeted recruitment, etc., a batch of compound talents will be cultivated and introduced. We have incentive programs to create a good career development channel for cadres and talents, and achieve the objective of “attracting talents with development, accessing talents with performance, cultivating talents with work, and gathering talents with career”. Second is to highlight the selection criteria, improve the market-based selection and employment and assessment and evaluation mechanisms, standardize the tenure target system and annual tasks, and achieve a performance-based position deployment and remuneration mechanism and a flexible recruitment and dismissal system. We will establish and improve the fault-tolerant and corrective mechanism, earnestly support the cadres who dare to take up the role, and mobilize the enthusiasm, initiative and creativity of the talents and executives.

(3) Positioning itself for various business functions and work hard to discover other market opportunities

To realize the transformation and upgrading of brokerage business. In terms of brokerage business, we have effectively implemented the “three transformations”, namely: transforming traditional brokerage business into a brokerage business that uses wealth management and risk management as tools; transforming a client structure dominated by retail accounts to a client structure dominated by institutions; and transforming retail investors into product households. Focusing on the “three transformations”, we will start from two key points: “optimizing customer structure” and “improving service methods”. On the one hand, with deep integration of resources for promoting the in-depth development of the “five in one” service to the real economy, to further improve the performance appraisal and incentive mechanism of various business units, focusing on training team members of the business units. Efforts will be made to strengthen market tracking and research under the COVID-19 pandemic, sort out the relationship between supply and demand of varieties affected by the COVID-19 pandemic, and seek business breakthroughs in reverse thinking. On the other hand, relying on a “professional and scenario-based” investor education platform, we will continue to optimize and upgrade online platforms such as Holly Easy APP to provide investors with value-added services and enhance customer stickiness. At the same time, starting from the demands of investors, we will strengthen the customer relationship management by using big data for customer portraits and implementing precision marketing.

Achieving stable quality in asset management business. Constantly enriches the types of asset management products, and steadily launches derivatives and fixed income +FOF products. Actively connect with the private banking department of commercial banks and actively create Holly's robust FOF products. Keep up with market hotspots and prepare for launching new products. Continue to strengthen the development and application of Holly commodity index. Adhere to the development talent training development and introduction, effectively enhance the Company's independent management capabilities, and build a quantitative trading platform with its own characteristics.

The risk management business strives to make new breakthroughs. Under the premise of risk control, Holly Capital strives to achieve new highs in various indicators. In terms of the futures and spot business, we will continue to deepen the industry chain, increase capital investment in the stable operation of the futures and spot business, and increase the total revenue by increasing the investment scale. At the same time, it provides customized risk management services based on the needs of industrial customers, and increases profits through services. As for market making business, we will actively apply for the qualification of market maker on commodities and financial options, increase the profit contribution of market making business, and make market making business become the “ballast stone” of Holly Capital's profit contribution. As for options business, we will introduce a new team to strive for a record high notional principal of the over-the-counter options business transaction, and optimize trading strategies and increase profitability. We will apply for qualification as a participant in Shenzhen Stock Exchange stock options trading, give full play to professional advantages to provide risk management solutions and basis trading solutions for industrial chain companies affected by the COVID-19 pandemic, and help companies stabilize their operations by increasing business credits and other methods. At the same time, we will continue to promote the implementation of “Insurance + Futures” projects, and increase the promotion of mature products “Insurance + Futures” projects.

Wealth management business to seize new opportunities for development. We will continue to expand the scale of agency sales of public funds, increase fund promotion and training, and do a good job in fund display, recommendation, and analysis, we will promote private placement agency sales business, build a high-quality bond trading business framework to achieve a stable, safe and efficient bond trading operation system. At the same time, under the premise of preventing and controlling risks, in-depth investment R&D will be carried out with increased investment.

(4) Targeting on advanced industry, improving the comprehensive capabilities of cross-border services steadily

Targeting on advanced industry, we will give full play to the advantages of Holly International Financial's overseas securities and asset management licenses, further supplement capital strength, and work hard on promoting Holly International Financial brand. First is to continuously enrich the strength of overseas teams. Introduce leaders and licensed responsible officer of the asset management with rich market experience, focus on strengthening Hong Kong's local futures, securities, and asset management business team building, and vigorously cultivate an elite marketing team with its own characteristics. Second is to make progress in various businesses. With the establishment of the Shenzhen Bay Area team as a breakthrough point, the main business will be bigger and stronger. We will further improve the ability to serve major customers and expand the exchange business. On the premise of preventing and controlling risks, cooperation with local governments will be strengthened for participation in the issue of local government bonds in due course. We will look for high-quality fund partners, vigorously deploy and market fund products, and form linkages with domestic asset management business. We will continue to participate in a series of GDR product investments and seek arbitrage opportunities, and joint hands with Hong Kong licensed companies to develop IPO underwriting sponsorship and bond underwriting business.

(5) Targeting on lean management to lay a solid foundation for steady and long-term development

Digital traction model innovation. With the development of information technologies such as 5G, cloud computing and blockchain, China's digital economy is developing rapidly. Digital capability is the core competitiveness of an enterprise, and digital industrialization and industrial digitization are a new track for enterprise development. We must fully initiate digital transformation and transform our business and management models with digital thinking and methods. We will explore the empowerment of science and technology, insist on using informatization to promote enterprise transformation, and apply informatization to all aspects of company operations. Improve the quality and efficiency of customer service, early warning capabilities for compliance risk control, and the convenience of enterprise information circulation. On the basis of the existing ultra-fast transaction facilities, we plan to further enhance customer transaction experience. The online "cloud service" platform will be iteratively upgraded to achieve efficient transmission of customer needs and business resources.

Pay attention to the transformation of research results. Adhere to market-oriented, customer-centric, strengthen the construction of business units, and increase the support of the Financial Research Institute for customer development and services. We will strengthen applied research, further transform research results into customer service, product services, and enhance the "monetization power" of the Company's research and development.

Comprehensively strengthen risk control. Through system improvement, publicity training, real-time monitoring, compliance review, etc., to carry out internal supervision before and after all aspects of the Company's operation and management. We will adhere to the bottom line thinking, and rely on information technology to strengthen risk prevention and control. Especially in the face of the current complex and severe market situation, we should consider potential risks more comprehensively, prepare response measures more effectively, and control risks within a reasonable range. At the same time, we will further promote the construction of legal enterprises, and advocate further integration of subsidiary risk management systems and business operation management. Attention will be paid to strengthen corporate culture construction and legal system publicity and education, so that the business philosophy of "legal compliance, honesty and self-discipline" will be deeply rooted in the hearts of our people.

Normalize safety management. For in-depth implementation of the higher-level arrangement, we will strictly carry out the special rectification action plan for production safety, and comprehensively carry out "looking back" inspections and assessments. We will normalize the work on epidemic prevention and control, consider the importance of safety management responsibility, always grasp the rectification of hidden production hazards, read the "document" for safety education, and firmly grasp the work of safety in production, in order to win the "double victory" and to promote the high-quality development of the Company in the forefront of provide security.

VI. Working Capital, Financial Resources and Capital Structure

(1) 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. As of 30 June 2020, the Group achieved total operating income of RMB639 million, representing an increase of 81% as compared with the same period of 2019. The net profit attributable to shareholders of the Company amounted to RMB43.59 million, representing an increase of 29% as compared with the same period of 2019. The earnings per Share amounted to RMB0.0481 and the weighted average return on net assets was 2.69%, representing a year-on-year increase of 0.6 percentage point.

(2) Asset structure and asset quality

As of 30 June 2020, the total assets of the Group amounted to RMB7,054 million, representing an increase of 56% as compared with RMB4,511 million at the end of 2019; the total liabilities amounted to RMB5,418 million, representing an increase of 86% as compared with RMB2,912 million at the end of 2019; and the net assets attributable to the Shares of the Company amounted to RMB1,637 million, representing an increase of 2% as compared with RMB1,599 million at the end of 2019.

The asset structure remained stable while the quality and liquidity of asset were well maintained. As of 30 June 2020, the total assets of the Group consisted of: current assets of RMB6,997 million, accounting for 99.18% of the total assets. Assets mainly include cash assets of RMB5,720 million (accounting for 81.08%), assets for financial investment of RMB1,094 million (accounting for 15.51%), receivables of RMB55 million (accounting for 0.77%), inventories of RMB74 million (accounting for 1.05%), and other assets of RMB112 million (accounting for 1.58%).

As at 30 June 2020, the liabilities deducting customers' equity amounted to RMB377 million, representing an increase of 50% as compared with RMB252 million at the end of 2019. The increase was mainly attributable to the increase in bonds repurchase business and the increase in standard bill pledge business. The gearing ratio of the Group was 19%, representing an increase of 5 percentage point as compared with the end of 2019 (Note: gearing ratio = (total liabilities – customers' equity payable)/(total assets – customers' equity payable)). The operating leverage was 1.23 times, representing an increase of 6.03% as compared with 1.16 times at the end of 2019 (Note: operating leverage = (total assets – customers' equity payable)/equity attributable to the Shareholders).

(3) Liquidity 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 monitoring index of the Company in each month throughout the first half of 2020 complied with the regulatory requirements of the China Securities Regulatory Commission.

(4) Currency risk

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.

During the Reporting Period, no financial instruments were used for currency risk hedging purpose by the Group.

(5) Cash flows

The net increase in cash and cash equivalents of the Group amounted to RMB315 million in the first half of 2020.

Net cash generated from operating activities of the Group amounted to RMB662 million in the first half of 2020, representing a year-on-year increase of RMB629 million as compared with RMB33 million for the same period in 2019; net cash generated from investing activities amounted to RMB-419 million in the first half of 2020, representing a year-on-year decrease of RMB535 million as compared with the net cash generated from investing activities amounting to RMB116 million for the same period in 2019; net cash flow generated from financing activities amounted to RMB68 million on the first half of 2020, representing a year-on-year increase of RMB81 million as compared with the net cash generated from financing activities amounting to RMB-13 million for the same period in 2019; net increase in cash and cash equivalents amounted to RMB315 million in first half of 2020, representing a year-on-year increase of RMB178 million as compared with RMB137 million for the same period in 2019.

(6) Significant investment

Save for the investments in equity securities and short-term investments presented in the unaudited consolidated statement of financial position as at 30 June 2020, the Group did not hold any significant investment in equity interest in any other company as at 30 June 2020.

(7) Contingent liabilities

For details, please refer to Note XI, 2 to the unaudited interim financial report of this Report.

(8) Charges on assets

As at 30 June 2020, the Group did not have any charges on assets.

VII. Material Financing of the Company

(1) Equity financing

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

(2) Debt financing

The Company did not conduct any debt 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 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.

The Company held the 2018 annual general meeting on 6 June 2019 and passed to transfer the remaining fund of HK\$50 million which originally intended to be used for “developing and strengthening the existing futures brokerage business” to “developing the Hong Kong and global futures business”. The change must be approved by the State Administration of Foreign Exchange and the National Development and Reform Commission and other relevant regulatory authorities before implementation. As of 30 June 2020, the Company has not obtained approval from the relevant regulatory authorities for the above application for changing the use of proceeds.

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

As of 30 June 2020, 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 available-for-use during the Reporting Period (HK\$ in ten thousand)	The accumulated amount of proceeds used (HK\$ in ten thousand)	Balance (HK\$ in ten thousand)
Developing the Hong Kong and global futures business	No	17,157	16,500	657
Developing asset management business	No	13,404	12,136	1,268
Developing the commodity trading and risk management business	No	10,723	9,784	939
Developing and strengthening the existing futures brokerage business*	No	5,361	52	5,309
Purchasing IT equipment and software	No	2,681	1,248	1,433
General working capital of the Group	No	4,289	4,289	–
Total		53,615	44,009	9,606

*Note: Will be transferred to “developing the Hong Kong and global futures business” upon receipt of the regulatory approval.

In order to enhance the efficiency of the utilisation of the proceeds, as of 30 June 2020, 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 and as amended in the 2018 annual general meeting of the Company (subject to the regulatory approval) in due course in the second half of 2020 and 2021.

(III) Progress of investments by subsidiaries and joint stock companies

During the Reporting Period, there was no investment by subsidiaries and joint stock companies.

(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. The Group did not grant loans to any entities.

XI. Employees, Remuneration Policies and Training

As at the end of the Reporting Period, the Group had a total of 652 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, employees taking special posts and professionals are entitled to allowances. Performance bonuses are distributed according to the results of performance evaluation in favour of the front-line employees with outstanding performance. For the six months ended 30 June 2020, the total remuneration of employees, including remuneration of Directors, amounted to approximately RMB68.722 million. Details of which are set out in Note V. 21 to the financial statement of this Report.

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

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 encourages employees to self-study, 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 which the Company faces in its business activities mainly include risk management, internal control risk, professional conduct risk, market risk, credit risk and investment risk.

In the first half of 2020, the Company adopted effective measures to deal with the risks proactively, thereby safeguarding the safety and high efficiency of the business activities.

(I) Risk management and internal control risk

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

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

(II) Professional conduct risk

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

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

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

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

(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 behavior 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 futures 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 in developing the businesses 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 eleven 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; and
4. Enhancing the operation efficiency and the efficiency in future business development of the Company.

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

1. **Comprehensiveness:** The Company has developed a comprehensive and unified risk management system which covers the entire process of the Company’s business and the various processes of different departments and individual employees permeating through decision-making, execution, supervision and evaluation. Each department and individual employee must have a clearly defined role and responsibility in the risk management process;
2. **Sustainability:** The Company takes the initiative in actively setting risk management objectives and implementing risk management measures with proper supervision and evaluation on a sustainable basis;
3. **Independency:** The compliance and risk control department, the discipline inspection, supervision and audit department as well as the legal department operate independently from other departments in inspecting, assessing and monitoring various risks applicable to the Company on a regular basis; and
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 the decision-making department, the execution department and the 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) analyzing and evaluating the risk profiles and the overall risk management of the Company; (iii) making suggestions and proposals in enhancing risk management of the Company; and (iv) supervising the implementation of the risk control system in the aspects of application of fund, marketing, operation and compliance. As at the end of the Reporting Period, the risk management committee of the Company has four members with an average of master or higher degrees and one of them is a senior accountant. The risk management committee of the Company is led by Mr. Wang Yuetang, 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 to 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 13 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 in Hong Kong and 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 segregated 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 so as to meet the requirements of the Listing Rules and to 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. The Company appointed a total of three independent non-executive Directors, including Mr. Wang Yuetang, Mr. Lam Kai Yeung and Mr. Huang Dechun.

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. Huang Dechun, as well as a non-executive Director Mr. Xue Binghai.

On 26 August 2020, the Audit Committee reviewed and confirmed the interim results of the Group for the six months ended 30 June 2020, the 2020 interim report and the unaudited interim financial statements for the six months ended 30 June 2020 prepared in accordance with the PRC GAAP.

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 of 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. Sufficiency of public float

Based on the information obtained by the Company and to the knowledge of the Directors, during the Reporting Period, the public float of the H Shares of the Company was approximately 26.62%, which was in compliance with the relevant regulations of Rule 8.08 and Rule 13.32 of the Listing Rules.

III. Interim results

The interim results of the Group for the six months ended 30 June 2020 were published on the websites of HKEx news of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (<http://www.ftol.com.cn>) on 27 August 2020.

IV. Interim dividend

The Board does not recommend to distribute interim dividend for the six months ended 30 June 2020.

V. 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.

VI. Matters in relation to connected transactions

Connected transactions

(I) 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 IX 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.

(II) Connected persons

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

SOHO Holdings

SOHO Holdings, a state-owned enterprise wholly owned by Jiangsu SASAC, was established as a limited liability company under the laws of the PRC in April 1994 and is one of the promoters of the Company. As at the date of this Report, SOHO Holdings holds approximately 47.59% of equity interest in the Company, and hence is a Controlling Shareholder of the Company.

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

Holly Corporation

Holly Corporation, one of the Company's promoters, is a joint stock limited company established under the laws of the PRC on 30 June 1994 and was listed on the Shanghai Stock Exchange in September 1997 (stock code: 600128). As at the date of this Report, Holly Corporation directly holds approximately 16.31% of the equity interest of the Company and hence is a Substantial Shareholder of the Company.

Holly Corporation is principally engaged in (i) undertaking overseas engineering projects compatible with its strength, size and performance, and overseas dispatch of labor to implement such overseas projects; (ii) wholesale and mining of coal, wholesale of dangerous chemicals (specific projects to be operated pursuant to the requirements of relevant license); (iii) wholesale and retail of pre-packaged foods and dairy products (including infant formula milk powder) as well as class II and III medical devices (excluding implant products, in vitro reagents and plastic contact lenses); and (iv) industrial investment, domestic trade, self-operated and commissioned import and export business for various commodities and technologies.

(III) Continuing connected transactions**1. SOHO Financial Services Framework Agreement between the Group and SOHO Holdings**

As the Original SOHO Financial Services Framework Agreement expired on 31 December 2017 and the Group continued to provide similar transactions contemplated under the Original SOHO Financial Services Framework Agreement with SOHO Holdings, the Company entered into the New SOHO Financial Services Framework Agreement with SOHO Holdings on 29 September 2017 (after trading hours of the Stock Exchange). Pursuant to the agreement, the Group provided a variety of financial services to SOHO Holdings and its subsidiaries, including futures brokerage services, asset management services and commodity trading and risk management services. The annual cap for 2020 amounted to RMB6.00 million, with an actual transaction amount of RMB0 in the first half of 2020.

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

As the Original Holly Property Lease Agreement expired on 31 December 2017 and the Group continued to lease the Property from Holly Corporation under the Existing Holly Property Lease Agreement after 31 December 2017, the Company entered into the New Holly Property Lease Agreement with Holly Corporation on 29 September 2017 (after trading hours of the Stock Exchange). The annual cap for 2020 amounted to RMB8.00 million, with an actual transaction amount of RMB3.38 million in the first half of 2020.

The following table set out the annual caps for continuing connected transactions of the Group in 2020 and the actual transaction amounts for connected transactions of the Group in the first half of 2020. For the six months ended 30 June 2020, the continuing connected transactions of the Group were aggregated as follows:

		First half of 2020	
		Actual Amount (RMB'000)	Annual Cap (RMB'000)
1	SOHO Financial Services Framework Agreement		
	Income generated from the provision of services from the Group to SOHO Holdings and its subsidiaries	0	6,000
2	Holly Property Lease and Management Services Agreement		
	Expenses incurred by leasing properties by the Group from Holly Corporation	3,380	8,000

VII. 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 2020, 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).

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

As at 30 June 2020, 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 ⁽¹⁾	Approximate percentage to relevant Share class ⁽²⁾
Jiangsu SOHO Holdings Group Co., Ltd. ⁽³⁾	Domestic Shares	Beneficial owner and interest in controlled corporation	431,642,122 (long position)	47.59%	65.67%
Jiangsu Holly Corporation	Domestic Shares	Beneficial owner	147,900,000 (long position)	16.31%	22.50%
Jiangsu Holly Su Industrial Co., Ltd.	Domestic Shares	Beneficial owner	143,548,000 (long position)	15.83%	21.84%
Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業 (有限合夥)) ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業 (有限合夥)) ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Huang Jieping ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
High Hope Corporation	Domestic Shares	Beneficial owner	63,930,134 (long position)	7.05%	9.73%
Xu Xiping	H Shares	Beneficial owner	15,234,000 (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 2020.
- (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 2020.
- (3) On 30 June 2020, Jiangsu SOHO Holding Group Co., Ltd. (i) directly held 275,456,777 Domestic Shares; (ii) was the beneficial owner of 24.02% equity interests in Jiangsu Holly Corporation, which directly held 147,900,000 Domestic Shares of the Company; and (iii) was the beneficial owner of the entire equity interests of Artall Culture Group (deemed to be interested in the 8,285,345 Domestic Shares directly held by Jiangsu Holly International Logistics Corporation). As disclosed in the 2019 annual report of Jiangsu Holly Corporation, SOHO Holdings is regarded as the controlling shareholder of Jiangsu Holly Corporation under the relevant PRC laws. SOHO Holdings is therefore deemed to be interested in the 147,900,000 Domestic Shares and 8,285,345 Domestic Shares directly held by Holly Corporation and Artall Culture Group, respectively. Accordingly, SOHO Holdings directly and indirectly held equity interests in 431,642,122 Domestic Shares.
- (4) According to the current information available to the Company, on 30 June 2020, (i) Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)) held 99% equity interests in Jiangsu Holly Su Industrial Co., Ltd.; (ii) Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)) held 99.71% equity interests in Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)); (iii) Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) held 79.5% equity interests in Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)); (iv) Ms. Huang Jieping was the beneficial owner of 100% equity interests in Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司). Accordingly, under the SFO, each of Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)), Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)), Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) and Ms. Huang Jieping is deemed to be interested in the 143,548,000 Domestic Shares directly held by Holly Su Industrial.

Save as disclosed above, the Directors, Supervisors and chief executives of the Company are not aware that, as at 30 June 2020, 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 Jiangsu SASAC. SOHO Holdings is an investment holding company and its business scope includes finance, industrial investment, operation and management of state-owned assets as authorized, domestic and international trade, property lease, and manufacturing, R&D and sales of silk, textile and clothing.

IX. Material Litigations and Arbitrations

(I) Punishment and public censure against the Company during the Reporting Period

None.

(II) Material litigations and arbitrations

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

On 29 April 2020, the Company received information from the People's Court of Qixia District, Nanjing, relating to a lawsuit initiated by the plaintiff suing an employee of the Company and the Company's tort liability dispute. The plaintiff alleged that the employee recommended a trading platform to the plaintiff through a third party for transactions, resulting in the plaintiff's investment losses and handling fees totaling RMB5.689 million after the transaction. The plaintiff later learned that the platform was not registered in China. The plaintiff believed that the employee had committed fraud together with the Company, which constituted infringement. Judgement was requested for the employee to compensate for investment losses of RMB4,002,240, and handling fee of RMB1,686,713.6, totaling RMB5,688,953.6; the Company shall bear joint and several liability for compensation; the two defendants shall bear litigation costs. After preliminary verification, the plaintiff is not a domestic futures customer of the Company, nor is it an overseas futures customer of the Company's overseas subsidiary Holly International Financial Holdings Limited, and neither the Company nor its overseas subsidiaries have received funds from the plaintiff. Currently, the case is in the process of initial trial.

(ii) Material litigations and arbitrations concluded during the Reporting Period

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

On 1 August 2017, a company ("Company I") filed three lawsuits to the People's Court in Qinhuai District, Nanjing, three lawsuits were dismissed by the court of first and second instances, respectively. On 2 December 2019, Company I filed three lawsuits to the People's Court of Hexi District, Tianjin (the "Tianjin Hexi Court") again for requesting the Company and Tianjin Branch for repayment of relevant payments and loss of revenue, totalling RMB38.64 million, and the Company and Tianjin Branch shall bear the cost of litigation of the three lawsuits. On 30 June 2020, the Company received a first instance civil ruling from the Tianjin Hexi Court in respect of the three lawsuits: the plaintiff violated the principle of "non bis in idem" and ruled to dismiss the lawsuit of Company I, the plaintiff. So far, the Company has not received the plaintiff's appeals concerning the three lawsuits.

On 2 January 2020, the Company received the third party's administrative review notice sent by the China Securities Regulatory Commission. Company I was dissatisfied with the Su Zheng Jian Xin Fu Zi [2019] No.263 submitted by Jiangsu Securities Regulatory Bureau on 22 July 2019 in relation to administrative review application and other related information. The Company participated in the administrative review as third-party. On 12 February 2020, the China Securities Regulatory Commission issued the Administrative Review Decision (2020) No. 24: the respondent Jiangsu Securities Regulatory Bureau has performed its supervisory duties and decided to reject the administrative review application of Company I, the applicant.

(iii) Outstanding material litigations and arbitrations during the Reporting Period

- (1) The Company found that an employee (the same person as the aforesaid Mr. A) and his wife entered into the personal borrowing contracts with 3 clients under which they took the Company as the guarantor without informing the Company. Among them, cases of two customers ("Customer Y" and "Customer Z") were concluded. The case of the third customer was dismissed by the People's Court of Jing Hai District of Tianjin City (the "Jing Hai Court") in December 2016. On 25 May 2018, the customer filed two civil lawsuits against Mr. A and his wife as well as the Company and Tianjin Gandaji E-Commerce Co., Ltd. ("Gandaji") with the Jing Hai Court.

The claim of the first lawsuit includes requesting Mr. A and his wife to jointly repay the loan of RMB3.712 million to the plaintiff and pay interest at the monthly rate of 2% based on the amount of RMB3.712 million from 27 October 2016 to the date of the actual payment of the loan and that the Company and Gandaji shall be jointly and severally liable, with interest incurred as at 26 May 2018 amounted to RMB1,410,560 and the total amount of the lawsuit of RMB5,122,560; litigation costs to be borne by the defendants. The claim of the second lawsuit includes requesting Mr. A and his wife to jointly repay the loan of RMB1.12 million to the plaintiff and pay interest at the monthly rate of 2% based on the amount of RMB1 million from 27 October 2016 to the date of the actual payment of the loan and that the Company and Gandaji shall be jointly and severally liable, with interest incurred as at 26 May 2018 amounted to RMB380,000 and the total amount of the lawsuit of RMB1.5 million; litigation costs to be borne by the defendants. The two cases are currently in the first instance trial.

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

The dissent of jurisdiction for the case was discussed on 21 November and 14 December 2017, respectively. On 15 January 2018, the Company received a civil ruling on dissent of jurisdiction and the case was transferred to the jurisdiction of the Second Intermediate People's Court of Beijing ("Beijing Second Intermediate Court"). On 6 November 2018, the Company received a first instance ruling from Beijing Second Intermediate Court which ruled that all the appeal of the two customers were dismissed and the appeal fees (already paid) and appraisal costs for such case were born by two plaintiffs. On 26 December 2019, the Company received a second instance civil ruling from the Beijing Municipal High-Level People's Court, withdrawing the first instance ruling. Two cases were sent to Beijing Second Intermediate People's Court for retrial. The two cases are now sent to the first instance for retrial.

The two cases set out in item (i) above were material litigations pending during the Reporting Period.

(iv) Material litigations and arbitrations occurring after the Reporting Period

None.

X. 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 2019 annual report of the Company.

1. The Company

None.

2. Holly Capital

On 13 March 2020, Mr. Ma Dongdong served as deputy general manager of Holly Capital.

On 22 May 2020, Mr. Zhang Junjian served as deputy general manager of Holly Capital.

3. Holly International Financial

None.

4. Holly Su Asset

None.

Review Report

KPMG Huazhen Zhuan Zi No.2000916

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

We have reviewed the accompanying interim financial statements of Holly Futures Co., Ltd., ("Holly Futures"), which comprises the consolidated balance sheet and company balance sheet as at 30 June 2020, and the consolidated income statement and company income statement, the consolidated cash flow statements and company cash flow statements, the consolidated statement of cash flows and company statement of cash flows, consolidated statement of changes in shareholders' equity and company consolidated statement of changes in shareholders' equity for the six months period ended 1 January 2020 to 30 June 2020 and notes to the interim financial report. The Company's management is responsible for preparing the interim financial report in accordance with "Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting", issued by the Ministry of Finance of the People's Republic of China. Our responsibility is to issue a report on the interim financial statements based on our review.

We conducted our review in accordance with "China Standard on Review No. 2101 – Engagements to Review Financial Statements". This Standard requires that we plan and perform the review to obtain limited assurance as to whether the interim financial statements are free from material misstatement. A review is limited primarily to inquiries of personnel of Holly Futures and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not presented fairly, in all material respects in accordance with "Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting".

KPMG Huazhen LLP

Beijing, China

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

Jin Naiwen

Dong Shuai

Date: 27 August 2020

Consolidated Balance Sheet

(Unit : RMB)

	Note V	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Assets			
Cash at bank and on hand	1	2,725,345,518.21	2,390,421,452.05
Including: Futures margin deposits		2,515,442,347.30	2,067,022,335.18
Currency deposits receivable	2	2,948,664,929.60	1,290,509,588.11
Pledged deposits receivable	3	46,084,008.00	758,816.00
Currency deposits receivable		20,000,000.00	20,000,000.00
Financial assets held under resale agreements	4	14,998,000.00	42,437,000.00
Financial assets held for trading	5	1,065,389,657.80	570,821,611.06
Derivative financial assets	6	1,097,912.10	—
Prepayments		6,540,958.00	—
Other receivables	7	28,025,795.33	70,850,731.77
Inventories	8	73,873,384.67	41,641,461.18
Long-term equity investments	9	12,725,168.39	13,330,524.27
Investment in futures membership	10	1,856,720.00	1,847,890.00
Fixed assets	11	13,550,027.23	11,652,203.02
Right-of-use assets	12	25,982,627.42	34,862,308.70
Intangible assets		1,117,924.90	938,761.10
Goodwill	13	—	—
Deferred tax assets	14	2,576,716.93	361,630.17
Other assets	15	66,614,136.55	20,337,920.01
Total assets		7,054,443,485.13	4,510,771,897.44

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Consolidated Balance Sheet (continued)

(Unit : RMB)

	Note V	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Liabilities and shareholders' equity			
Liabilities			
Currency deposits payable	16	5,010,466,356.25	2,658,789,015.68
Pledged deposits payable	17	29,718,408.00	758,816.00
Futures risk reserve	18	134,414,070.35	131,057,775.04
Futures investors protection funds payable		104,405.39	189,263.99
Financial assets sold under agreements to repurchase	19	82,826,933.77	—
Financial liabilities held for trading	20	46,033,607.00	59,998,245.76
Derivative financial liabilities	6	4,671,436.25	—
Trade Payable		—	2,519,520.00
Contract liabilities		7,230,650.75	—
Employee benefits payable	21	5,310,191.67	2,395,411.42
Taxes payable	22	5,183,244.92	4,175,010.99
Deferred income tax liabilities	14	6,333,828.15	—
Other payables	23	58,660,755.04	16,397,460.16
Lease liabilities	24	26,702,201.54	35,523,366.89
Total liabilities		5,417,656,089.08	2,911,803,885.93

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Consolidated Balance Sheet (continued)

(Unit : RMB)

	Note V	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Shareholders' equity			
Share capital	25	907,000,000.00	907,000,000.00
Capital reserve		533,124,529.52	533,124,529.52
Other comprehensive income	26	9,161,455.61	5,859,775.20
Surplus reserve		50,483,605.59	50,483,605.59
General risk reserve		76,363,182.96	76,363,182.96
Retained earnings	27	60,654,622.37	26,136,918.24
Total shareholders' equity		1,636,787,396.05	1,598,968,011.51
Total liabilities and shareholders' equity		7,054,443,485.13	4,510,771,897.44

These financial statements were approved by the Board of Directors on 27 August 2020.

Zhou Jianqiu
Legal representative

Zhou Jianqiu
Chief Financial Officer

Chen Rongping
Chief Accountant

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Company Balance Sheet

(Unit : RMB)

	Note V	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Assets			
Cash at bank and on hand		2,645,145,418.17	2,222,153,781.17
Including: Futures margin deposits		2,486,243,915.97	2,038,500,025.29
Currency deposits receivable		2,911,271,540.73	1,266,420,569.64
Pledged deposits receivable		46,084,008.00	758,816.00
Settlement deposits receivable		20,000,000.00	20,000,000.00
Financial assets held under resale agreements		14,998,000.00	42,437,000.00
Financial assets held for trading	5	877,495,751.66	466,974,936.85
Other receivables		16,643,873.48	58,169,724.06
Long-term equity investments	9	408,967,248.20	409,572,604.08
Investment in futures membership		1,400,000.00	1,400,000.00
Fixed assets		12,945,035.84	11,181,990.62
Right-of-use assets		21,493,569.47	29,582,875.42
Intangible assets		569,860.90	401,293.10
Goodwill		—	—
Deferred tax assets		—	71,820.59
Other assets		59,056,150.29	12,085,844.35
Total assets		7,036,070,456.74	4,541,211,255.88

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Company Balance Sheet (continued)

(Unit : RMB)

	Note V	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Liabilities and shareholders' equity			
Liabilities			
Currency deposits payable		5,098,998,017.35	2,776,153,306.08
Pledged deposits payable		46,084,008.00	758,816.00
Futures risk reserve		134,414,070.35	131,057,775.04
Futures investors protection funds payable		104,405.39	189,263.99
Financial assets sold under agreements to repurchase		67,600,000.00	—
Employee benefits payable		5,270,631.97	2,373,996.94
Taxes payable		4,830,056.26	4,174,901.64
Deferred income tax liabilities		6,333,828.15	—
Other payables		34,944,394.02	13,468,010.24
Lease liabilities		22,176,523.73	30,237,049.82
Total liabilities		5,420,755,935.22	2,958,413,119.75

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Company Balance Sheet (continued)

(Unit : RMB)

	Note V	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Shareholders' equity			
Share capital	25	907,000,000.00	907,000,000.00
Capital reserve		526,722,489.33	526,722,489.33
Other comprehensive income		(412,959.81)	(544,586.56)
Surplus reserve		50,483,605.59	50,483,605.59
General risk reserve		76,363,182.96	76,363,182.96
Retained earnings	27	55,158,203.45	22,773,444.81
Total shareholders' equity		1,615,314,521.52	1,582,798,136.13
Total liabilities and shareholders' equity		7,036,070,456.74	4,541,211,255.88

These financial statements were approved by the Board of Directors on 27 August 2020.

Zhou Jianqiu
Legal representative

Zhou Jianqiu
Chief Financial Officer

Chen Rongping
Chief Accountant

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Consolidated Income Statement

(Unit : RMB)

		For the period ended 1 January 2020 to 30 June 2020 (Unaudited)	For the period ended 1 January 2019 to 30 June 2019 (Unaudited)
	Note V		
Operating income			
Fee income	28	84,480,596.74	72,888,758.46
Net interest income	29	41,759,666.14	46,934,247.80
Investment gains	30	25,051,176.07	11,427,416.21
Gains on change in fair value	31	19,013,676.21	20,882,718.01
Exchange gains		1,213,026.92	132,188.67
Income from other business activities	32	467,260,707.40	200,941,268.56
Asset disposal (loss)/gain		(60,298.09)	1,190.51
Other gains	33	262,040.52	16,444.53
Total operating income		638,980,591.91	353,224,162.75
Operating expenses			
Appropriation for futures risk reserve		(3,356,295.31)	(3,041,172.10)
Cost of other business activities	32	(462,023,985.05)	(194,048,089.59)
Taxes and surcharges		(564,101.75)	(441,251.75)
General and administrative expenses	34	(115,280,906.91)	(110,648,069.08)
Total operating expenses		(581,225,289.02)	(308,178,582.52)
Profit from operations		57,755,302.89	45,045,580.23
Add: Non-operating income	35(1)	432,045.29	1,051,834.92
Less: Non-operating expenses	35(2)	(1,085,711.19)	(3,458,582.60)
Total profit		57,101,636.99	42,638,832.55

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Consolidated Income Statement (continued)

(Unit : RMB)

	Note V	For the period ended 1 January 2020 to 30 June 2020 (Unaudited)	For the period ended 1 January 2019 to 30 June 2019 (Unaudited)
Total profit		57,101,636.99	42,638,832.55
Less: Income tax expense	36	(13,513,932.86)	(8,870,442.19)
Net profit		43,587,704.13	33,768,390.36
Other comprehensive income, net of tax	26		
Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under the equity method		131,626.75	(671,287.95)
2. Translation differences arising from translation of foreign currency financial statements		3,170,053.66	1,038,152.95
Total comprehensive income		46,889,384.54	34,135,255.36
Earnings per share			
Basic/diluted earnings per share	37	0.0481	0.0372

These financial statements were approved by the Board of Directors on 27 August 2020.

Zhou Jianqiu
Legal representative

Zhou Jianqiu
Chief Financial Officer

Chen Rongping
Chief Accountant

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Company Income Statement

(Unit : RMB)

		For the period ended 1 January 2020 to 30 June 2020 (Unaudited)	For the period ended 1 January 2019 to 30 June 2019 (Unaudited)
	Note V		
Operating income			
Fee income	28	70,802,390.96	63,780,694.26
Net interest income		41,467,717.69	46,103,995.38
Investment gains	30	19,190,753.15	8,887,036.29
Gains on fair value change	31	22,453,643.19	10,572,400.02
Exchange gains		1,636,631.85	342,788.07
Income from other business activities		849,056.60	943,396.23
(Loss)/gains on disposal of assets		(60,298.09)	1,190.51
Other gains		262,040.52	16,444.53
Total operating income		156,601,935.87	130,647,945.29
Operating expenses			
Appropriation for futures risk reserve		(3,356,295.31)	(3,041,172.10)
Cost of other business activities		–	(500,000.00)
Taxes and surcharges		(381,934.49)	(241,924.48)
General and administrative expenses		(96,671,865.50)	(97,370,810.96)
Total operating expenses		(100,410,095.30)	(101,153,907.54)
Profit from operations		56,191,840.57	29,494,037.75
Add: Non-operating income		407,723.62	820,398.58
Less: Non-operating expenses		(1,073,480.24)	(3,458,582.60)
Total profit		55,526,083.95	26,855,853.73

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Company Income Statement (continued)

(Unit : RMB)

	For the period ended 1 January 2020 to 30 June 2020 (Unaudited)	For the period ended 1 January 2019 to 30 June 2019 (Unaudited)
Total profit	55,526,083.95	26,855,853.73
Less: Income tax expenses	(14,071,325.31)	(5,731,457.78)
Net profit	41,454,758.64	21,124,395.95
Other comprehensive income, net of tax		
Other comprehensive income that will be reclassified to profit or loss		
Other comprehensive income that may be reclassified to profit or loss under the equity method	131,626.75	(671,287.95)
Total comprehensive income	41,586,385.39	20,453,108.00

These financial statements were approved by the Board of Directors on 27 August 2020.

Zhou Jianqiu
Legal representative

Zhou Jianqiu
Chief Financial Officer

Chen Rongping
Chief Accountant

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Consolidated Statement of Cash Flows

(Unit : RMB)

	Note V	For the period ended 1 January 2020 to 30 June 2020 (Unaudited)	For the period ended 1 January 2019 to 30 June 2019 (Unaudited)
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		536,083,883.84	231,564,984.35
Cash received from interest, fees and commissions		108,263,940.70	96,953,416.36
Net increase in currency deposits payable and pledged deposits payable		2,380,636,932.57	159,615,744.01
Net decrease in term deposits with original maturity over three months		–	121,671,373.76
Cash received from other operating activities		40,638,904.35	68,908,442.18
Subtotal of cash inflows from operating activities		3,065,623,661.46	678,713,960.66
Cash paid for goods and services		(573,109,590.10)	(250,007,883.79)
Cash paid for interest and commissions		(553,401.20)	(4,234,580.11)
Net increase in currency deposits receivable and pledged deposits receivable		(1,703,480,533.49)	(213,197,446.95)
Net cash outflows from disposal of financial instruments relating to risk management business		(3,666,373.17)	(2,247,906.81)
Net increase in restricted cash at bank and on hand		(799,781.78)	(7,615,584.96)
Cash paid to and for employees		(65,807,424.75)	(76,448,066.91)
Cash paid for general and administrative expenses		(26,871,793.38)	(25,240,933.49)
Payments of various taxes		(8,314,106.80)	(7,790,087.10)
Cash paid for other operating activities		(21,028,241.55)	(59,155,867.41)
Subtotal of cash outflows from operating activities		(2,403,631,246.22)	(645,938,357.53)
Net cash flow from operating activities	38(1)	661,992,415.24	32,775,603.13
Cash flows from investing activities:			
Cash received from disposal of investments		1,601,637,123.54	1,342,191,078.09
Cash received from investment income		9,824,169.92	5,422,895.05
Cash received from dividend distribution from associates		–	926,000.00
Net cash received from disposal of fixed assets		18,602.87	1,180.00
Subtotal of cash inflows from investing activities		1,611,479,896.33	1,348,541,153.14

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Consolidated Statement of Cash Flows (continued)

(Unit : RMB)

	Note V	For the period ended 1 January 2020 to 30 June 2020 (Unaudited)	For the period ended 1 January 2019 to 30 June 2019 (Unaudited)
Cash paid for investment		(2,025,804,064.30)	(1,228,490,623.20)
Cash paid for acquisition of fixed assets and intangible assets		(5,062,989.89)	(4,545,807.08)
Subtotal of cash outflows from investing activities		(2,030,867,054.19)	(1,233,036,430.28)
Net cash flows (used in) from investing activities		(419,387,157.86)	115,504,722.86
Cash flows from financing activities:			
Net cash received from repurchase agreement business		82,461,870.85	—
Subtotal of cash inflows from financing activities		82,461,870.85	—
Cash paid for repayment of principal and interest of lease liabilities		(11,362,217.85)	(11,209,251.70)
Cash paid for listing		(2,962,071.42)	(1,500,000.00)
Subtotal of cash outflows from financing activities		(14,324,289.27)	(12,709,251.70)
Net cash flow from/(used in) financing activities		68,137,581.58	(12,709,251.70)
Effect of change in foreign exchange rate on cash and cash equivalents		4,348,399.35	1,165,999.91
Net increase in cash and cash equivalents	38(2)	315,091,238.31	136,737,074.20
Add: Beginning balance of cash and cash equivalents		2,373,190,813.90	2,349,264,656.74
Ending balance of cash and cash equivalents	38(3)	2,688,282,052.21	2,486,001,730.94

These financial statements were approved by the Board of Directors on 27 August 2020.

Zhou Jianqiu
Legal representative

Zhou Jianqiu
Chief Financial Officer

Chen Rongping
Chief Accountant

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Company Statement of Cash Flows

(Unit : RMB)

	For the period ended 1 January 2020 to 30 June 2020 (Unaudited)	For the period ended 1 January 2019 to 30 June 2019 (Unaudited)
Cash flows from operating activities:		
Cash received from interest, fees and commissions	95,872,791.75	88,058,933.08
Net increase in currency deposits payable and pledged deposits payable	2,368,169,903.27	123,503,546.64
Net decrease in term deposits with original maturity over three months	—	100,000,000.00
Cash received from other operating activities	13,562,683.31	24,154,789.23
Subtotal of cash inflows from operating activities	2,477,605,378.33	335,717,268.95
Cash flows from operating activities: (continue)		
Cash paid for interest and commissions	(553,401.20)	(1,400,401.00)
Net increase in currency deposits receivable and pledged deposits receivable	(1,690,176,163.09)	(222,211,787.93)
Net increase in restricted cash at bank and on hand	(1,725.08)	(7,612,132.11)
Cash paid to and for employees	(57,631,909.54)	(69,219,429.25)
Cash paid for general and administrative expenses	(21,524,593.65)	(14,698,404.15)
Payments of various taxes	(7,392,456.44)	(4,612,847.84)
Cash paid for other operating activities	(6,572,072.32)	(3,391,790.19)
Subtotal of cash outflows from operating activities	(1,783,852,321.32)	(323,146,792.47)
Net cash flow from operating activities	693,753,057.01	12,570,476.48
Cash flows from investing activities:		
Cash received from disposal of investments	1,476,768,400.84	790,218,275.48
Cash received from investment income	6,546,879.22	5,101,022.88
Net cash received from disposal of fixed assets	18,602.86	1,180.00
Subtotal of cash inflows from investing activities	1,483,333,882.92	795,320,478.36
Cash paid for investment	(1,823,867,811.96)	(682,205,741.61)
Cash paid for acquisition of fixed assets and intangible assets	(4,803,847.32)	(4,465,464.54)
Subtotal of cash outflows from investing activities	(1,828,671,659.28)	(686,671,206.15)

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Company Statement of Cash Flows (continued)

(Unit : RMB)

	For the period ended 1 January 2020 to 30 June 2020 (Unaudited)	For the period ended 1 January 2019 to 30 June 2019 (Unaudited)
Net cash flow (used in)/generated from investing activities	(345,337,776.36)	108,649,272.21
Cash flows from financing activities:		
Net cash received from repurchase agreement business	67,234,937.08	—
Subtotal of cash inflow from financing activities:	67,234,937.08	—
Cash paid for repayment of principal and interest of lease liabilities	(10,428,071.47)	(11,209,251.40)
Cash paid for listing	(2,910,003.63)	(1,500,000.00)
Subtotal of cash outflows from financing activities	(13,338,075.10)	(12,709,251.40)
Net cash flow from/(used in) financing activities	53,896,861.98	(12,709,251.40)
Effect of change in foreign exchange rate on cash and cash equivalents	1,636,631.85	342,788.07
Net increase in cash and cash equivalents	403,948,774.48	108,853,285.36
Add: Beginning balance of cash and cash equivalents	2,204,931,512.87	2,235,284,568.66
Ending balance of cash and cash equivalents	2,608,880,287.35	2,344,137,854.02

These financial statements were approved by the Board of Directors on 27 August 2020.

Zhou Jianqiu
Legal representative

Zhou Jianqiu
Chief Financial Officer

Chen Rongping
Chief Accountant

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity

(Unit : RMB)

For the period ended 1 January 2020 to 30 June 2020 (Unaudited)

	Note V	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total shareholders' equity
Balance at 1 January 2020		907,000,000.00	533,124,529.52	5,859,775.20	50,483,605.59	76,363,182.96	26,136,918.24	1,598,968,011.51
Amount of change for the year								
1. Total comprehensive income	26	-	-	3,301,680.41	-	-	43,587,704.13	46,889,384.54
2. Profit distribution	27							
– Distribution to shareholders		-	-	-	-	-	(9,070,000.00)	(9,070,000.00)
Subtotal of items 1 and 2 above		-	-	3,301,680.41	-	-	34,517,704.13	37,819,384.54
Balance at 30 June 2020		907,000,000.00	533,124,529.52	9,161,455.61	50,483,605.59	76,363,182.96	60,654,622.37	1,636,787,396.05

These financial statements were approved by the Board of Directors on 27 August 2020.

Zhou Jianqiu
Legal representative

Zhou Jianqiu
Chief Financial Officer

Chen Rongping
Chief Accountant

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity (continued)

(Unit : RMB)

2019 (Audited)

	Note V	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total shareholders' equity
Balance at 1 January 2019		907,000,000.00	533,124,529.52	3,090,373.52	49,404,967.95	75,284,545.32	79,587,798.41	1,647,492,214.72
Amount of change for the year								
1. Total comprehensive income	26	-	-	2,769,401.68	-	-	21,266,395.11	24,035,796.79
2. Profit distribution	27							
- Appropriation for surplus reserve		-	-	-	1,078,637.64	-	(1,078,637.64)	-
- Appropriation for general risk reserve		-	-	-	-	1,078,637.64	(1,078,637.64)	-
- Distribution to shareholders		-	-	-	-	-	(72,560,000.00)	(72,560,000.00)
Subtotal of items 1 and 2 above		-	-	2,769,401.68	1,078,637.64	1,078,637.64	(53,450,880.17)	(48,524,203.21)
Balance at 31 December 2019		907,000,000.00	533,124,529.52	5,859,775.20	50,483,605.59	76,363,182.96	26,136,918.24	1,598,968,011.51

These financial statements were approved by the Board of Directors on 27 August 2020.

Zhou Jianqiu
Legal representative

Zhou Jianqiu
Chief Financial Officer

Chen Rongping
Chief Accountant

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity (continued)

(Unit : RMB)

For the period ended 1 January 2019 to 30 June 2019 (Unaudited)

	Note V	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total shareholders' equity
Balance at 1 January 2019		907,000,000.00	533,124,529.52	3,090,373.52	49,404,967.95	75,284,545.32	79,587,798.41	1,647,492,214.72
Amount of change for the period								
1. Total comprehensive income	26	-	-	366,865.00	-	-	33,768,390.36	34,135,255.36
2. Profit distribution	27							
- Distribution to shareholders		-	-	-	-	-	(72,560,000.00)	(72,560,000.00)
Subtotal of items 1 and 2 above		-	-	366,865.00	-	-	(38,791,609.64)	(38,424,744.64)
Balance at 30 June 2019		907,000,000.00	533,124,529.52	3,457,238.52	49,404,967.95	75,284,545.32	40,796,188.77	1,609,067,470.08

These financial statements were approved by the Board of Directors on 27 August 2020.

Zhou Jianqiu
Legal representative

Zhou Jianqiu
Chief Financial Officer

Chen Rongping
Chief Accountant

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Company Statement of Changes in Shareholders' Equity

(Unit : RMB)

For the period ended 1 January 2020 to 30 June 2020 (Unaudited)

Note V	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total shareholders' equity
Balance at 1 January 2020	907,000,000.00	526,722,489.33	(544,586.56)	50,483,605.59	76,363,182.96	22,773,444.81	1,582,798,136.13
Amount of change for the period							
1. Total comprehensive income	-	-	131,626.75	-	-	41,454,758.64	41,586,385.39
2. Profit distribution							
– Distribution to shareholders	-	-	-	-	-	(9,070,000.00)	(9,070,000.00)
Subtotal of items 1 and 2 above	-	-	131,626.75	-	-	32,384,758.64	32,516,385.39
Balance at 30 June 2020	907,000,000.00	526,722,489.33	(412,959.81)	50,483,605.59	76,363,182.96	55,158,203.45	1,615,314,521.52

These financial statements were approved by the Board of Directors on 27 August 2020.

Zhou Jianqiu
Legal representative

Zhou Jianqiu
Chief Financial Officer

Chen Rongping
Chief Accountant

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Company Statement of Changes in Shareholders' Equity (continued)

(Unit : RMB)

2019 (Audited)

	Note V	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total shareholders' equity
Balance at 1 January 2019		907,000,000.00	526,722,489.33	148,533.41	49,404,967.95	75,284,545.32	86,704,343.69	1,645,264,879.70
Amount of change for the year								
1. Total comprehensive income		-	-	(693,119.97)	-	-	10,786,376.40	10,093,256.43
2. Profit distribution	27							
- Distribution to shareholders		-	-	-	1,078,637.64	-	(1,078,637.64)	-
- Appropriation for general risk reserve		-	-	-	-	1,078,637.64	(1,078,637.64)	-
- Distribution to shareholders		-	-	-	-	-	(72,560,000.00)	(72,560,000.00)
Subtotal of items 1 and 2 above		-	-	(693,119.97)	1,078,637.64	1,078,637.64	(63,930,898.88)	(62,466,743.57)
Balance at 31 December 2019		907,000,000.00	526,722,489.33	(544,586.56)	50,483,605.59	76,363,182.96	22,773,444.81	1,582,798,136.13

These financial statements were approved by the Board of Directors on 27 August 2020.

Zhou Jianqiu
Legal representative

Zhou Jianqiu
Chief Financial Officer

Chen Rongping
Chief Accountant

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Company Statement of Changes in Shareholders' Equity (continued)

(Unit : RMB)

For the period ended 1 January 2019 to 30 June 2019 (Unaudited)

	Note V	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total shareholders' equity
Balance at 1 January 2019		907,000,000.00	526,722,489.33	148,533.41	49,404,967.95	75,284,545.32	86,704,343.69	1,645,264,879.70
Amount of change for the year								
1. Total comprehensive income		-	-	(671,287.95)	-	-	21,124,395.95	20,453,108.00
2. Profit distribution	27							
– Distribution to shareholders		-	-	-	-	-	(72,560,000.00)	(72,560,000.00)
Subtotal of items 1 and 2 above		-	-	(671,287.95)	-	-	(51,435,604.05)	(52,106,892.00)
Balance at 30 June 2020		907,000,000.00	526,722,489.33	(522,754.54)	49,404,967.95	75,284,545.32	35,268,739.64	1,593,157,987.70

These financial statements were approved by the Board of Directors on 27 August 2020.

Zhou Jianqiu
Legal representative

Zhou Jianqiu
Chief Financial Officer

Chen Rongping
Chief Accountant

The notes to financial statements on pages 62 to 136 form part of these financial statements.

Notes to the financial statements

(Unit : RMB)

I. General information of the company

Holly Futures Co., Ltd. (the “Company”) is a joint stock company with limited liability with registered address at No. 50, Zhonghua Road, Nanjing, the PRC. The Company has a registered capital of RMB907 million and legal representative of Zhou Jianqiu. The Company’s unified social credit code is 91320000100022362N, and its futures business permit number is 30870000. The Company’s predecessor was Jiangsu Jinling Futures Brokerage Company Limited (江蘇金陵期貨有限公司), a company established in July 1995.

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

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

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

I. General information of the company (continued)

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

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

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

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

I. General information of the company (continued)

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

On 29 November 2012, the shareholders of Jiangsu Holly entered into the Promoters' Agreement in relation to the Establishment of Holly Futures Co., Ltd. (弘業期貨股份有限公司), and Jiangsu Holly was converted into Holly Futures Co., Ltd.. Pursuant to the Promoters' Agreement, the shareholders of Jiangsu Holly made capital contribution through its adjusted audited net assets of RMB680,000,000.00. It has a total of 680,000,000 shares each with a nominal value of RMB1, all of which ordinary shares. The excess of the remaining net assets over the total share capital in the amount of RMB350,124,231.10 was included in "Capital reserve – Share premium".

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

On 18 August 2015, in accordance with the Approval for the Issue of Overseas Listed Foreign Shares by Holly Futures Co., Ltd. (Zheng Jian Xu Ke [2015] No. 1963) issued by the CSRC, the Company issued no more than 261,050,000 overseas listed foreign shares each with a nominal value of RMB1, all of which ordinary shares. On 30 December 2015, the overseas issued shares of the Company became listed on the Main Board of the Hong Kong Stock Exchange, with stock name of Holly Futures and stock code of 03678. In accordance with the Approval for the Transfer of State-owned Shares of Holly Futures Co., Ltd. issued by the State-owned Assets Supervision and Administration Commission of the State Council (Guo Zi Chan Quan [2015] No. 411), upon completion of the issue, the state-owned shareholders, being SOHO Holdings, Jiangsu High Hope International Group Co., Ltd., Jiangsu Hongrui Venture Capital Co., Ltd. and Jiangsu Holly International Logistics Corporation, transferred part of their shares to the National Council for Social Security Fund, totalling 22,700,000 shares. The Company offered 249,700,000 H shares (including the shares disposed of by the state-owned shareholders) each with a nominal value of RMB1 at a price of HK\$2.43 per share in the global public offering, raising a total of HK\$607 million. Upon the listing, the Company had a total share capital of 907,000,000 shares, including 249,700,000 shares (H shares) held by the public shareholders, representing 27.53% of its total share capital.

I. General information of the company (continued)

In June 2013, the Company established a wholly-owned subsidiary Holly Capital Management Co., Ltd. (弘業資本管理有限公司) ("Holly Capital"), with the registered office at Room B815, Wuhan University Shenzhen Chan Xue Yan Building, No. 6, Yuxin Second Road, Nanshan District, Shenzhen, being the office address of Shenzhen Qianhai Business Secretary Co., Ltd. (深圳市前海商務秘書有限公司). It had a registered capital of RMB100 million and was principally engaged in the commodity and futures related risk management business. In August 2015, the Company increased its capital contribution to Holly Capital by RMB50 million. Following the capital increase, the registered capital of Holly Capital was changed to RMB150 million. In July 2016, the Company increased its capital contribution to Holly Capital by RMB90 million. Following the capital increase, the registered capital of Holly Capital was changed to RMB240 million.

In March 2014, SOHO Holdings increased its capital contribution to Holly Su Futures (Hongkong) Co., Limited ("Holly Su Futures", an overseas futures company controlled by it) by HK\$10 million. Following the capital increase, its registered capital was changed to HK\$25 million.

In September 2015, the Company acquired 100% equity interest in Holly Su Futures, which became a wholly-owned subsidiary of the Company. Holly Su Futures was incorporated in Hong Kong, with its place of business at Room C, 20/F, Fortis Bank Tower, No. 77-79, Gloucester Road, Wanchai, Hong Kong Special Administrative Region upon its incorporation, which was later changed to Room 2401-2402, Jubilee Centre, No. 42-46 Gloucester Road, Wanchai, Hong Kong on 30 December 2016. It was principally engaged in futures brokerage business in Hong Kong and overseas. In April 2016, the Company increased its capital contribution to Holly Su Futures by HK\$75 million. Following the capital increase, the registered capital of Holly Su Futures was changed to HK\$100 million. In March 2017, the Company increased its capital contribution to Holly Su Futures by HK\$90 million. Following the capital increase, the registered capital of Holly Su Futures was changed to HK\$190 million. In December 2019, Holly Su Futures was renamed as Holly International Financial Holdings Limited (弘業國際金融控股有限公司) ("Holly International Financial"), its registered addresses changed to Room 2003-05, 20/F, Jubilee Centre, No. 46 Gloucester Road, Wanchai, Hong Kong.

In May 2016, Holly Capital established a wholly-owned subsidiary Holly Capital (Hongkong) Co., Limited ("Holly Capital (Hongkong)"). Holly Capital (Hongkong) operated business in Hong Kong, with a registered capital of HK\$5 million and scope of business of commodity trading and risk management business. On 31 May 2019, Holly Capital (Hongkong) was deregistered.

In July 2016, Holly Su Futures established a wholly-owned subsidiary Holly Su Asset Management Company Limited ("Holly Su Asset"). Holly Su Asset operated business in Hong Kong, with a registered capital of HK\$20 million and scope of business of asset management related business. In December 2019, Holly Su Asset was renamed as Holly International Asset Management Company Limited (弘業國際資產管理有限公司) ("Holly International Asset"), its registered addresses changed to Room 2003-06, 20/F, Jubilee Centre, No. 46 Gloucester Road, Wanchai, Hong Kong.

In October 2018, Holly International Asset established a wholly-owned subsidiary Holly International Fund Series SPC ("Holly International Fund"). Holly International Fund operated business in Hong Kong, with a registered capital of US\$50,000 and scope of business of fund investment related business. As at 30 June 2020, Holly International Fund had a paid-in capital of US\$1.

I. General information of the company (continued)

In March 2019, Holly International Asset established a wholly-owned subsidiary Holly International Fixed Income Fund (“Holly International Fixed Fund”). Holly International Fixed Fund operated business in Hong Kong, with a registered capital of US\$50,000 and scope of business of fund investment related business. As at 30 June 2020, Holly International Fund had a paid-in capital of US\$100.

The Company and its domestic and overseas subsidiaries (see Note VI.1) are hereinafter collectively referred to as the “Group”.

The Company is headquartered in Nanjing. As at 30 June 2020, it had a total of 6 sub-branches and 39 branches in the PRC. The scope of business of the Company is commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management, fund sales (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws).

II. Basis for preparation of financial statements

The Group prepares the financial statements on a going concern basis.

III. Statement of compliance with the Accounting Standards for Business Enterprises

The Interim Financial Report were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (the “MOF”).

These interim financial statements were prepared in accordance with the Accounting Standards for Business Enterprises No.32 — Interim Financial Report issued by the MOF, they do not include all the information and disclosures presented in the annual financial statements. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the preparation of the annual report of the Company for the year 2019. These financial statements shall be read in conjunction with the 2019 annual financial statements of the Group.

In 2020, the Group implemented the following amendments to the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance in recent years:

- Accounting Standards for Business Enterprises Interpretation No. 13 (Cai Kuai [2019] No. 21)(“Interpretation No. 13”)
- Accounting Treatment Provisions on Rent Concessions related to the COVID-19 (Cai Kuai [2020] No. 10)

III. Statement of compliance with the Accounting Standards for Business Enterprises (continued)

(1) Interpretation No. 13

Interpretation No. 13 revises the three elements of business composition, refines the judgment conditions that make up the business, and introduces the “concentration test” option to the judgment of whether the acquisition of a combination of operating activities or assets under non-identical control constitutes a business.

In addition, the Interpretation No. 13 further confirms that the related party of an enterprise includes joint ventures or associates of an enterprise and other members of its enterprise group (including the parent company and subsidiaries), and other joint ventures or associates of investors who exercise joint control over the enterprise.

Interpretation No. 13 will take effect on 1 January 2020. The Group adopts the prospective approach to accounting treatment of changes in the above accounting policies. The adoption of the interpretation has no material impact on the financial position, operating results and related party disclosures of the Group.

(2) (Cai Kuai [2020] No. 10)

Cai Kuai [2020] No. 10 regulates the accounting treatment of rent concessions related to the COVID-19. Cai Kuai [2020] No. 10 stipulates that lessee and the lessor may, subject to certain conditions, adopt simplified methods for accounting treatment for rent reductions, delay in payment and other rent concessions directly caused by the COVID-19. Those who choose to adopt the simplified method do not need to assess whether there is a lease change or reassess the lease classification.

Cai Kuai [2020] No. 10 will take effect on 19 June 2020. If the simplified method is adopted in accordance with the provision, the relevant rent concessions that occur between 1 January 2020 and the implementation date of the standard will be adjusted in accordance with the provision.

The application of Cai Kuai [2020] No. 10 has no material impact on the financial position and operating results of the Group.

IV. Taxation

Main types of taxes and corresponding tax rates

Type of tax	Tax base	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue according to taxation laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable	6%, 9%, 13%
City maintenance and construction tax	Based on VAT effectively paid	7%
Educational surcharges	Based on VAT effectively paid	3%
Local education surcharges	Based on VAT effectively paid	2%

The statutory tax rate applicable to the Company is 25%, and it paid tax at the statutory tax rate during the period (2019: 25%). The statutory tax rate applicable to Holly International Financial Holdings (弘業國際金控) and Holly International Assets (弘業國際資產), being overseas subsidiaries of the Company, is 16.5%, and they paid tax at the statutory tax rate during the period (2019: 16.5%).

V. Notes to items in the financial statements

1. Cash at bank and on hand

	The Group	
	30 June 2020	31 December 2019
Cash		
Bank deposits	2,682,820,943.73	2,311,887,667.19
Including: Futures deposits	2,515,442,347.30	2,067,022,335.18
Self-owned funds	167,378,596.43	244,865,332.01
Other cash at bank and on hand	12,978,554.37	68,020,810.82
Interest receivable on cash at bank and on hand	29,546,020.11	10,512,974.04
Total	2,725,345,518.21	2,390,421,452.05
Including: Total overseas deposits	69,680,857.94	148,061,206.19

V. Notes to items in the financial statements (continued)

1. Cash at bank and on hand (continued)

(1) Breakdown of futures margin deposits:

	The Group	
	30 June 2020	31 December 2019
China CITIC Bank	1,422,860,260.32	1,576,577,745.76
China Minsheng Bank	521,018,269.26	298,442,738.03
Industrial Bank Co., Ltd.	278,884,584.70	78,547,593.68
Bank of Communications	52,850,692.65	9,151,124.15
China Guangfa Bank	50,665,994.14	541,764.75
Industrial and Commercial Bank of China	44,636,486.32	25,262,950.42
Bank of China	39,046,455.13	18,531,324.75
China Merchants Bank	25,291,262.26	8,840,051.02
Agricultural Bank of China	23,281,090.21	15,787,241.82
SPD Bank	23,095,396.54	14,574,590.90
China Construction Bank	14,056,231.12	9,289,399.38
China Everbright Bank	13,758,296.64	10,532,326.83
Ping An Bank	5,997,328.01	943,483.69
Total	2,515,442,347.30	2,067,022,335.18

- (2) As at 30 June 2020, the Group's self-owned funds included restricted cash of RMB7,517,445.89 (31 December 2019: RMB 6,717,664.11), of which RMB6,700,000.00 (31 December 2019: RMB 6,700,000.00) represented bank deposits in an account frozen pursuant to a court ruling. For details, please refer to Note XI.2 Contingencies; RMB798,056.70(31 December 2019: Nil.) represented the deposit paid for OTC option trading of Holly Capital; RMB 19,389.19 (31 December 2019: RMB 17,664.11) represented interest generated from depositing in designated accounts for assets management plans at the stage of fund raising.

V. Notes to items in the financial statements (continued)

2. Currency deposits receivable

The Group

31 June 2020			
	Settlement reserve funds	Margin	Total
Domestic futures exchanges			
– Shanghai Futures Exchange	489,370,477.26	516,062,190.80	1,005,432,668.06
– Dalian Commodity Exchange	236,458,960.98	538,324,368.49	774,783,329.47
– Zhengzhou Commodity Exchange	179,087,468.72	280,883,514.35	459,970,983.07
– Shanghai International Energy Exchange	200,370,940.50	126,728,762.00	327,099,702.50
– China Financial Futures Exchange	82,655,636.70	170,303,746.30	252,959,383.00
– China Securities Depository and Clearing Corporation Limited	86,871,888.63	4,153,586.00	91,025,474.63
Subtotal	1,274,815,372.79	1,636,456,167.94	2,911,271,540.73
Overseas futures brokerage firms			37,393,388.87
Total			2,948,664,929.60

31 December 2019			
	Settlement reserve funds	Margin	Total
Domestic futures exchanges			
– Shanghai Futures Exchange	33,871,781.22	372,215,248.95	406,087,030.17
– Dalian Commodity Exchange	87,447,275.02	277,198,831.50	364,646,106.52
– Zhengzhou Commodity Exchange	69,074,003.29	136,524,539.33	205,598,542.62
– China Financial Futures Exchange	2,000,000.00	145,897,464.00	147,897,464.00
– China Securities Depository and Clearing Corporation Limited	90,196,363.92	2,605,778.88	92,802,142.80
– Shanghai International Energy Exchange	45,682,260.03	3,707,023.50	49,389,283.53
Subtotal	328,271,683.48	938,148,886.16	1,266,420,569.64
Overseas futures brokerage firms			24,089,018.47
Total			1,290,509,588.11

V. Notes to items in the financial statements (continued)

3. Pledged deposits receivable

	The Group	
	30 June 2020	31 December 2019
Zhengzhou Commodity Exchange	45,592,008.00	–
Shanghai Futures Exchange	492,000.00	758,816.00
Total	46,084,008.00	758,816.00

30 June 2020

Type of collateral	Market value at time of pledge	Rate of discount	Amount of deposit at time of pledge	Market value at the end of the year	Rate of discount	Ending balance
Zhengzhou Commodity Exchange Standard warehouse receipts PTA	33,680,000.00	80%	26,944,000.00	36,533,010.00	80%	29,226,408.00
Standard warehouse receipts Cotton	18,732,000.00	80%	14,985,600.00	20,457,000.00	80%	16,365,600.00
Shanghai Futures Exchange Standard warehouse receipts Ni	656,280.00	80%	525,024.00	615,000.00	80%	492,000.00
Total	53,068,280.00	80%	42,454,624.00	57,605,010.00	80%	46,084,008.00

31 December 2019

Type of collateral	Market value at time of pledge	Rate of discount	Amount of deposit at time of pledge	Market value at the end of the year	Rate of discount	Ending balance
Shanghai Futures Exchange Standard warehouse receipts Ni	656,280.00	80%	525,024.00	667,680.00	80%	534,144.00
Standard warehouse receipts Sn	275,260.00	80%	220,208.00	280,840.00	80%	224,672.00
Total	931,540.00		745,232.00	948,520.00		758,816.00

V. Notes to items in the financial statements (continued)

4. Financial assets held under resale agreements

	The Group	
	30 June 2020	31 December 2019
Treasury bond repo	14,998,000.00	42,437,000.00

As at 30 June 2020, all financial assets held under resale agreements held by the Group are treasury bond repo, the Group did not consider it is necessary to make provision for impairment of financial assets held under resale agreements (31 December 2019: Nil).

5. Financial assets held for trading

	The Group	
	30 June 2020	31 December 2019
Debt instruments		
– Trading securities	155,774,088.66	56,621,789.52
– Trust schemes	121,295,379.00	39,477,369.86
Equity instruments		
– Funds	621,133,975.79	398,605,161.50
– Trading securities	85,165,420.80	33,362,635.65
– Asset management plans	75,474,793.25	34,383,617.28
– Wealth management product	6,546,000.30	8,371,037.25
Total	1,065,389,657.80	570,821,611.06

	The Company	
	30 June 2020	31 December 2019
Debt instruments		
– Trading securities	118,347,529.72	39,477,369.86
– Trust schemes	121,295,379.00	12,572,631.23
Equity instruments		
– Funds	531,012,763.73	342,073,846.80
– Trading securities	41,321,480.29	31,235,471.68
– Asset management plans	65,518,598.92	41,615,617.28
Total	877,495,751.66	466,974,936.85

V. Notes to items in the financial statements (continued)

6. Derivative financial assets and financial liabilities

The Group

	30 June 2020			31 December 2019		
	Nominal amount	Fair value		Nominal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Commodity derivative financial instruments						
– Futures contracts	2,298,323,542.00	57,196,445.00	(61,144,205.00)	4,223,500,500.00	13,488,940.00	(13,270,225.00)
– Options contracts	306,691,631.88	1,097,912.10	(4,671,436.25)	–	–	–
Total	2,605,015,173.88	58,294,357.10	(65,815,641.25)	4,223,500,500.00	13,488,940.00	(13,270,225.00)
Less: Settlement amount		(57,196,445.00)	61,144,205.00		(13,488,940.00)	13,270,225.00
Net amount		1,097,912.10	(4,671,436.25)		–	–

7. Other receivables

Analysed by type as follows:

	The Group	
	30 June 2020	31 December 2019
Insurance premium advance	6,661,320.40	7,636,784.40
Over-the-counter options deposits receivable	5,212,427.17	851,693.01
Deposits	4,507,933.39	4,801,388.70
Risk loss receivable	1,762,187.50	1,590,320.62
Securities settlement account receivable	–	2,450,000.00
Others	9,881,926.87	53,520,545.04
Total	28,025,795.33	70,850,731.77

As at 30 June 2020, the Group and the Company did not consider it is necessary to make provision for impairment of other receivables (31 December 2019: Nil).

8. Inventories

	The Group	
	30 June 2020	31 December 2019
Spot goods for trading	73,873,384.67	41,641,461.18

As at 30 June 2020, the Group did not consider it is necessary to make provision for impairment of inventories (31 December 2019: Nil).

V. Notes to items in the financial statements (continued)

9 Long-term equity investments

	The Group	
	30 June 2020	31 December 2019
Investments in associates	12,725,168.39	13,330,524.27

	The Company	
	30 June 2020	31 December 2019
Investment in subsidiaries	396,242,079.81	396,242,079.81
Investment in associates	12,725,168.39	13,330,524.27
Total	408,967,248.20	409,572,604.08

(1) Investment in subsidiaries

	Holly Capital Management Co., Ltd.	Holly International Financial Holdings Limited	Total
Balance at 1 January 2019	240,000,000.00	156,242,079.81	396,242,079.81
Increase for the year	–	–	–
Balance at 31 December 2019	240,000,000.00	156,242,079.81	396,242,079.81
Increase for the year	–	–	–
Balance at 30 June 2020	240,000,000.00	156,242,079.81	396,242,079.81

Please refer to Note VI.1 for details of each subsidiary.

V. Notes to items in the financial statements (continued)

9 Long-term equity investments (continued)

(2) Investment in associates

Investees – associates	Beginning balance	Changes for the six months period ended 1 January 2020 to 30 June 2020				Ending balance
		Investment income recognised under the equity method	Other comprehensive income recognised under the equity method	Declaration and payment of cash dividend or profit		
Jiangsu Hong Rui New Era Venture Investment Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	6,908,206.91	(1,045,661.11)	131,619.18	–		5,994,164.98
Jiangsu Hong Rui Growth Venture Investment Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	6,422,317.36	308,678.48	7.57	–		6,731,003.41
Total	13,330,524.27	(736,982.63)	131,626.75	–		12,725,168.39

Investees – associates	Beginning balance	New investment	Changes in 2019				Ending balance
			Investment income recognised under the equity method	Other comprehensive income recognised under the equity method	Declaration and payment of cash dividend or profit		
Jiangsu Hong Rui New Era Venture Investment Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	6,607,320.87	–	803,532.86	(502,646.82)	–		6,908,206.91
Jiangsu Hong Rui Growth Venture Investment Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	6,607,698.94	–	931,091.57	(190,473.15)	(926,000.00)		6,422,317.36
Jiangsu Holly Zijin Investment Management Co., Ltd. (江蘇弘業紫金投資管理有限公司)	2,808,886.46	(3,000,000.00)	191,113.54	–	–		–
Total	16,023,906.27	(3,000,000.00)	1,925,737.97	(693,119.97)	(926,000.00)		13,330,524.27

10 Investment in futures membership

	The Group	
	30 June 2020	31 December 2019
Shanghai Commodity Exchange	500,000.00	500,000.00
Dalian Commodity Exchange	500,000.00	500,000.00
Zhengzhou Commodity Exchange	400,000.00	400,000.00
Hong Kong Futures Exchange	456,720.00	447,890.00
Total	1,856,720.00	1,847,890.00

V. Notes to items in the financial statements (continued)

11 Fixed assets

The Group

	Motor vehicles	Office equipment	Electronic equipment	Total
Cost				
Balance at 1 January 2019	5,404,710.19	2,927,185.74	38,420,202.19	46,752,098.12
Increase for the year	225,061.95	328,957.86	4,198,785.11	4,752,804.92
Decrease for the year	(1,340,645.00)	(13,000.00)	(971,250.00)	(2,324,895.00)
Translation differences arising from translation of foreign currency financial statements	–	1,519.04	29,825.73	31,344.77
Balance at 31 December 2019	4,289,127.14	3,244,662.64	41,677,563.03	49,211,352.81
Increase for the year	333,796.46	302,625.98	3,951,277.55	4,587,699.99
Decrease for the year	(92,482.00)	(218,796.96)	(1,857,279.75)	(2,168,558.71)
Translation differences arising from translation of foreign currency financial statements	–	27,625.79	1,646.78	29,272.57
Balance at 30 June 2020	4,530,441.60	3,356,117.45	43,773,207.61	51,659,766.66
Less: Accumulated depreciation				
Balance at 1 January 2019	(4,356,049.72)	(2,565,861.28)	(27,940,962.05)	(34,862,873.05)
Depreciation in the year	(406,039.02)	(83,345.45)	(4,341,801.72)	(4,831,186.19)
Depreciation write-off	1,240,232.81	12,350.00	904,400.00	2,156,982.81
Translation differences arising from translation of foreign currency financial statements	–	(938.23)	(21,135.13)	(22,073.36)
Balance at 31 December 2019	(3,521,855.93)	(2,637,794.96)	(31,399,498.90)	(37,559,149.79)
Depreciation in the year	(138,924.28)	(155,910.49)	(2,324,515.10)	(2,619,349.87)
Depreciation write-off	87,857.90	214,714.18	1,787,085.67	2,089,657.75
Translation differences arising from translation of foreign currency financial statements	–	(19,977.38)	(920.14)	(20,897.52)
Balance at 30 June 2020	(3,572,922.31)	(2,598,968.65)	(31,937,848.47)	(38,109,739.43)
Carrying amount				
30 June 2020	957,519.29	757,148.80	11,835,359.14	13,550,027.23
31 December 2019	767,271.21	606,867.68	10,278,064.13	11,652,203.02

As at 30 June 2020, the Group did not consider it necessary to make provision for impairment of fixed assets (31 December 2019: Nil).

V. Notes to items in the financial statements (continued)

12 Right-of-use assets

	Property leasing
Cost	
Balance at 1 January 2019	31,773,076.88
Increase for the year	22,052,678.73
Balance at 31 December 2019	53,825,755.61
Increase for the period	1,730,375.32
Decrease for the period	(1,606,611.78)
Currency translation differences	106,964.41
Balance at 30 June 2020	54,056,483.56
Less: accumulated amortization	
Balance at 1 January 2019	—
Increase for the year	(18,963,446.91)
Balance at 31 December 2019	(18,963,446.91)
Increase for the period	(10,714,138.85)
Decrease for the period	1,606,611.78
Currency translation differences	(2,882.16)
Balance at 30 June 2020	(28,073,856.14)
Carrying amount	
30 June 2020	25,982,627.42
31 December 2019	34,862,308.70

As at 30 June 2020, the Group did not consider it necessary to make provision for impairment of the right-of-use assets (31 December 2019: Nil).

V. Notes to items in the financial statements (continued)

13 Goodwill

(1) Changes in goodwill

	The Group
Cost	
Balance at 1 January 2019	53,167,251.21
Increase for the year	—
Balance at 31 December 2019	53,167,251.21
Increase for the year	—
Balance at 30 June 2020	53,167,251.21
Less: Provision for impairment	
Balance at 1 January 2019	(9,845,251.21)
Increase for the year	(43,322,000.00)
Balance at 31 December 2019	(53,167,251.21)
Increase for the year	—
Balance at 30 June 2020	(53,167,251.21)
Carrying amount	
30 June 2020	—
31 December 2019	—

The Group acquired the futures brokerage business together with the relevant assets and liabilities of Huazheng Futures Co., Ltd. at a consideration of RMB60,000,000.00 in 2013. The excess of combination cost over the fair value of such group of identifiable assets and liabilities in the amount of RMB53,167,251.21 was recognised as goodwill.

(2) Provision for impairment of goodwill

The recoverable amounts of futures brokerage is recognised by estimating the present value of future cash flows. Cash flow, discounted rate and growth rate are adopted as key assumption in the calculation on the present value of estimated future cash flows of futures brokerage. The management recognised these assumptions in accordance with the historical situation prior to the estimation period.

On 31 December 2019, the present value of future cash flows of the asset group was estimated by the Group according to the nearest five-year financial budget approved by the management and using the pre-tax discount rate of 16.7%. All cash flows in the years after the annual financial budget have remained stable. Upon the impairment test, the recoverable amounts of certain asset groups are lower than their carrying values, and the group first deducted the carrying amount of goodwill in the asset group. In 2019, the decrease in growth of business of the asset group was relatively significant, the difference between the actual income and profit during the year and the expected amount was relatively large, and the management, based on the future five-year profit forecast, determined that the profitability of the asset group was relatively weak, the operating cash flow continued to decrease, which was not enough to support the goodwill, and therefore impairment of goodwill was fully provided for based on the principles of prudence.

V. Notes to items in the financial statements (continued)

14 Deferred tax assets and liabilities

(1) Deferred tax assets and deferred tax liabilities

The Group

	For the six months period ended 1 January 2020 to 30 June 2020		2019	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Accrued expenses	1,547,238.53	386,809.63	2,804,970.16	701,242.54
Change in fair value of financial assets/ liabilities held for trading	2,785,583.55	696,395.89	1,579,871.69	394,967.92
Employee benefits payable	—	—	2,000,000.00	500,000.00
Change in fair value of derivative financial instruments	7,521,284.15	1,880,321.04	—	—
Long term leases	682,954.26	170,738.56	654,174.40	163,543.60
Deferred tax assets not offset	12,537,060.49	3,134,265.12	7,039,016.25	1,759,754.06
Offsetting amount	(2,230,192.79)	(557,548.19)	—	—
Deferred tax assets after offsetting	10,306,867.70	2,576,716.93	7,039,016.25	1,759,754.06
Deferred tax liabilities				
Change in fair value of financial assets/ liabilities held for trading	(27,565,505.37)	(6,891,376.34)	(5,373,780.54)	(1,343,445.14)
Change in fair value of derivative financial instruments	—	—	(218,715.00)	(54,678.75)
Deferred tax liabilities not offset	(27,565,505.37)	(6,891,376.34)	(5,592,495.54)	(1,398,123.89)
Offsetting amount	2,230,192.79	557,548.19	—	—
Deferred tax liabilities after offset	(25,335,312.58)	(6,333,828.15)	(5,592,495.54)	(1,398,123.89)
Net amount after offsetting	(15,028,444.88)	(3,757,111.22)	1,446,520.71	361,630.17

V. Notes to items in the financial statements (continued)

14 Deferred tax assets and liabilities (continued)

(2) Changes in deferred tax assets

The Group

	For the six months period ended 1 January 2020 to 30 June 2020			
	Beginning balance	Change for the year included in profit or loss	Change for the year included in equity	Ending balance
Employee benefits payable	500,000.00	(500,000.00)	–	–
Accrued expenses	701,242.54	(314,432.91)	–	386,809.63
Change in fair value of financial assets/ liabilities held for trading	(948,477.22)	(5,246,503.23)	–	(6,194,980.45)
Change in fair value of derivative financial instruments	(54,678.75)	1,934,999.79	–	1,880,321.04
Long-term leases	163,543.60	7,194.96	–	170,738.56
Total	361,630.17	(4,118,741.39)	–	(3,757,111.22)

	2019			
	Beginning balance	Change for the year included in profit or loss	Change for the year included in equity	Ending balance
Employee benefits payable	2,069,347.78	(1,569,347.78)	–	500,000.00
Accrued expenses	742,472.92	(41,230.38)	–	701,242.54
Change in fair value of financial assets/ liabilities held for trading	6,628,576.77	(7,577,053.99)	–	(948,477.22)
Change in fair value of derivative financial instruments	112,442.98	(167,121.73)	–	(54,678.75)
Long-term leases	–	163,543.60	–	163,543.60
Total	9,552,840.45	(9,191,210.28)	–	361,630.17

V. Notes to items in the financial statements (continued)

14 Deferred tax assets and liabilities (continued)

(3) Breakdown of unrecognised deferred tax assets

Item	The Group	
	30 June 2020	31 December 2019
Provision for impairment of goodwill	53,167,251.21	53,167,251.21
Deductible tax loss	1,480,268.86	4,983,673.59
Total	54,647,520.07	58,150,924.80

As at 30 June 2020, the Group had not recognised temporary difference relating to provision for impairment of goodwill of RMB53,167,251.21 (31 December 2019: RMB53,167,251.21). According to the relevant requirements of the Corporate Income Tax Law of the People's Republic of China, the expenditure incurred in externally purchased goodwill shall be deductible at the time of whole transfer or liquidation of the acquired assets and liabilities. As the Group has prepared financial statements on a going concern basis and there is no plan of transfer or liquidation of the acquired assets and liabilities, the deferred tax assets arising from the goodwill impairment is not recognised.

In accordance with the accounting policies of the Group, as it is not probable that Holly International Financial Holdings will generate sufficient future taxable profits against which such losses can be utilised, the Group had not recognised deferred tax assets for accumulated deductible loss of RMB1,480,268.86 (31 December 2019: RMB4,983,673.59). According to the current tax law, these deductible losses can be carried forward indefinitely to deduct tax since the year of occurrence.

15 Other assets

	The Group	
	30 June 2020	31 December 2019
Prepaid property purchase	43,351,000.00	–
Prepaid expenses	5,896,762.24	4,228,961.85
To be certified and deductible taxes	4,476,238.68	2,605,532.85
Provisional VAT on purchase	2,260,715.97	2,898,562.83
Deposits for Hong Kong Futures Exchange	1,783,183.62	1,748,708.43
Prepaid corporate income tax	–	1,084,884.37
Others	8,846,236.04	7,771,269.68
Total	66,614,136.55	20,337,920.01

V. Notes to items in the financial statements (continued)

16 Currency deposits payable

(1) By type of customer

The Group

	30 June 2020		31 December 2019	
	Number	Amount	Number	Amount
Natural persons	81,558	2,519,873,832.98	79,887	1,816,504,339.43
Legal persons	2,784	2,490,592,523.27	2,690	842,284,676.25
Total	84,342	5,010,466,356.25	82,577	2,658,789,015.68

(2) By exchange

The Group

	30 June 2020		31 December 2019	
	Number	Amount	Number	Amount
Domestic futures exchanges				
– Dalian Commodity Exchange	3,448	513,167,400.69	3,512	277,198,831.50
– Shanghai Futures Exchange	2,330	475,871,151.10	2,039	369,866,300.96
– Zhengzhou Commodity Exchange	3,298	249,355,577.80	2,321	121,575,391.03
– China Financial Futures Exchange	251	168,364,896.30	241	145,897,464.00
– Shanghai International Energy Exchange	110	126,728,762.00	27	3,707,023.50
– China Securities Depository and Clearing Corporation Limited	23	3,307,146.00	35	2,605,778.88
Total	9,460	1,536,794,933.89	8,175	920,850,789.87

Note: Client margin deposits by exchange do not include client margin deposit payable deposited with banks and settlement reserve funds deposited with exchanges.

V. Notes to items in the financial statements (continued)

17 Pledged deposits payable

(1) By type of customer

The Group

	30 June 2020		31 December 2019	
	Number	Amount	Number	Amount
Legal persons	2	29,718,408.00	1	758,816.00

(2) By exchange

The Group

	30 June 2020		31 December 2019	
	Number	Amount	Number	Amount
Shanghai Futures Exchange	1	492,000.00	1	758,816.00
Zhengzhou Commodity Exchange	1	29,226,408.00	—	—
Total	2	29,718,408.00	1	758,816.00

18 Futures risk reserve

	The Group	
	30 June 2020	31 December 2019
Beginning balance	131,057,775.04	124,165,421.09
Increase for the year	3,356,295.31	6,892,353.95
Ending balance	134,414,070.35	131,057,775.04

V. Notes to items in the financial statements (continued)

19 Money from sale of financial assets sold under agreements to repurchase

(1) By business type

	The Group	
	30 June 2020	31 December 2019
Repurchase of sovereign bonds	67,600,000.00	—
Trading futures sold under agreements to repurchase	15,226,933.77	—
Total	82,826,933.77	—

(2) Pledged Assets

	The Group	
	30 June 2020	31 December 2019
Bond	90,343,377.12	—
Spot Trading	17,154,848.32	—
Total	107,498,225.44	—

V. Notes to items in the financial statements (continued)

20 Financial liabilities held for trading

	The Group	
	30 June 2020	31 December 2019
Financial liabilities designated as at FVTPL – Payables	46,033,607.00	59,998,245.76

The following table sets out the changes in fair value of financial liabilities designated as at FVTPL at the end of the year/period:

	Change in fair value in 30 June 2020	Change in fair value in the year arising from change in own credit risk	Total change in fair value arising from change in own credit risk
Payables	1,560,591.74	–	–

	Change in fair value in 31 December 2019	Change in fair value in the year arising from change in own credit risk	Total change in fair value arising from change in own credit risk
Payables	1,024,271.00	–	–

As at 31 30 June 2020, there was no difference between the carrying amount of financial liabilities designated as at FVTPL and the amount due to creditors as agreed in the contracts (31 December 2019: Nil).

21 Employee benefits payable

	Note	The Group	
		30 June 2020	31 December 2019
Short-term employee benefits	(1)	5,310,191.67	2,395,411.42
Post-employment benefits – defined contribution plans	(2)	–	–
Termination benefits	(3)	–	–
Total		5,310,191.67	2,395,411.42

V. Notes to items in the financial statements (continued)

21 Employee benefits payable (continued)

(1) Short-term benefits

The Group

	Balance at 1 January 2020	Amount incurred in the year	Amount paid in the year	Balance at 30 June 2020
Salaries, bonuses, allowances and subsidies	2,000,000.00	54,020,232.90	(51,120,232.90)	4,900,000.00
Staff welfare	—	541,043.43	(541,043.43)	—
Social insurance contribution				
Medical insurance contribution	—	3,825,734.03	(3,825,734.03)	—
Work-related injury insurance contribution	—	14,420.18	(14,420.18)	—
Maternity insurance contribution	—	262,383.38	(262,383.38)	—
Housing fund contribution	—	3,625,609.12	(3,625,609.12)	—
Labour union fee, staff and workers' education fee	395,411.42	1,088,676.06	(1,073,895.81)	410,191.67
Total	2,395,411.42	63,378,099.10	(60,463,318.85)	5,310,191.67

	Balance at 1 January 2019	Amount incurred in the year	Amount paid in the year	Balance at 30 June 2019
Salaries, bonuses, allowances and subsidies	8,277,391.10	94,686,183.61	(100,963,574.71)	2,000,000.00
Staff welfare	—	2,057,779.50	(2,057,779.50)	—
Social insurance contribution				
Medical insurance contribution	—	8,235,883.89	(8,235,883.89)	—
Work-related injury insurance contribution	—	113,086.00	(113,086.00)	—
Maternity insurance contribution	—	600,080.40	(600,080.40)	—
Housing fund contribution	—	7,068,963.07	(7,068,963.07)	—
Labour union fee, staff and workers' education fee	380,161.16	2,196,513.52	(2,181,263.26)	395,411.42
Total	8,657,552.26	114,958,489.99	(121,220,630.83)	2,395,411.42

V. Notes to items in the financial statements (continued)

21 Employee benefits payable (continued)

(2) Post-employment benefits – defined contribution plans

The Group

	Balance at 1 January 2020	Amount incurred in the year	Amount paid in the year	Balance at 30 June 2020
Basic pension insurance contribution	–	1,387,400.61	(1,387,400.61)	–
Unemployment insurance contribution	–	41,677.89	(41,677.89)	–
Enterprise annuity contribution	–	3,914,149.81	(3,914,149.81)	–
Total	–	5,343,228.31	(5,343,228.31)	–

	Balance at 1 January 2019	Amount incurred in the year	Amount paid in the year	Balance at 31 December 2019
Basic pension insurance contribution	–	12,743,945.37	(12,743,945.37)	–
Unemployment insurance contribution	–	386,751.05	(386,751.05)	–
Enterprise annuity contribution	–	6,121,359.78	(6,121,359.78)	–
Total	–	19,252,056.20	(19,252,056.20)	–

(3) Termination benefits

The Group

	Balance at 1 January 2020	Amount incurred in the year	Amount paid in the year	Balance at 30 June 2020
Compensation for termination of employment	–	877.59	(877.59)	–

	Balance at 1 January 2019	Amount incurred in the year	Amount paid in the year	Balance at 31 December 2019
Compensation for termination of employment	–	50,568.66	(50,568.66)	–

V. Notes to items in the financial statements (continued)

22 Taxes payable

	The Group	
	30 June 2020	31 December 2019
Corporate income tax	5,145,955.53	4,109,221.50
Value-added tax (VAT)	1,848.78	2,589.29
Taxes and surcharges	15,486.64	51,768.23
Withheld individual income tax	19,953.97	11,431.97
Total	5,183,244.92	4,175,010.99

23 Other payables

	The Group	
	30 June 2020	31 December 2019
Standard warehouse receipt pledge payable	16,365,600.00	—
Customers' equity payable	14,226,416.82	—
Dividends payable	9,070,000.00	—
Margin payable	3,538,089.44	719,844.30
Commission payable	1,530,322.29	1,530,322.29
IPO service fees payable	1,157,172.71	1,643,708.10
Audit fees payable	510,000.00	1,431,662.40
Advance dividend distribution amount of associates	4,520,000.00	4,520,000.00
Others	7,743,153.78	6,551,923.07
Total	58,660,755.04	16,397,460.16

V. Notes to items in the financial statements (continued)

24 Lease liabilities

	The Group	
	30 June 2020	31 December 2019
Within 1 year (inclusive)	16,366,535.78	20,396,778.79
1-2 years (inclusive)	8,308,988.72	11,566,321.83
2-5 years (inclusive)	2,026,677.04	3,560,266.27
Total	26,702,201.54	35,523,366.89

	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Short-term lease expenses for which simplified method is selected	1,399,203.68	1,084,476.09

During the period ended from 1 January 2020 to 30 June 2020, the interest expense of the Group's lease liabilities was RMB 713,475.11 (for the period ended from 1 January 2020 to 30 June 2020: RMB 1,015,831.35).

The Group rents houses and buildings as its office space, the lease of the office space usually ranging from 2 to 3 years. House leases and computer equipment with lease period within one year are recognised as short-term lease, right-to-use asset and lease liability are not recognised.

V. Notes to items in the financial statements (continued)

25 Share capital

The share capital structure of the Company is as follows:

	30 June 2020		31 December 2019	
	Amount	Percentage	Amount	Percentage
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	275,456,777.00	30.37%	275,456,777.00	30.37%
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	147,900,000.00	16.31%	147,900,000.00	16.31%
Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司)	143,548,000.00	15.83%	143,548,000.00	15.83%
Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司)	63,930,134.00	7.05%	63,930,134.00	7.05%
Shanghai Mingda Industrial (Group) Company Limited (上海銘大實業(集團)有限公司)	9,276,631.00	1.02%	9,276,631.00	1.02%
Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司)	8,903,113.00	0.98%	8,903,113.00	0.98%
Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司)	8,285,345.00	0.91%	8,285,345.00	0.91%
Tradable H Shares	249,700,000.00	27.53%	249,700,000.00	27.53%
Total	907,000,000.00	100.00%	907,000,000.00	100.00%

During the Reporting Period, there were no changes in the share capital of the Company.

V. Notes to items in the financial statements (continued)

26 Other comprehensive income

The Group

Item	For the period ended 1 January 2020 to 30 June 2020					
	Beginning balance	Amount incurred in the period before income tax	Less: Amount transferred to profit or loss for the period that was previously included in other comprehensive income	Less: Income tax expense	Net amount after tax	Ending balance
Other comprehensive income that will be reclassified to profit or loss						
Including: Other comprehensive income that may be reclassified to profit or loss under the equity method	(544,586.56)	131,626.75	–	–	131,626.75	(412,959.81)
Translation differences arising from translation of foreign currency financial statements	6,404,361.76	3,170,053.66	–	–	3,170,053.66	9,574,415.42
Total	5,859,775.20	3,301,680.41	–	–	3,301,680.41	9,161,455.61

Item	2019					
	Beginning balance	Amount incurred in the year before income tax	Less: Amount transferred to profit or loss for the period that was previously included in other comprehensive income	Less: Income tax expense	Net amount after tax	Ending balance
Other comprehensive income that will be reclassified to profit or loss						
Including: Other comprehensive income that may be reclassified to profit or loss under the equity method	148,533.41	(693,119.97)	–	–	(693,119.97)	(544,586.56)
Translation differences arising from translation of foreign currency financial statements	2,941,840.11	3,462,521.65	–	–	3,462,521.65	6,404,361.76
Total	3,090,373.52	2,769,401.68	–	–	2,769,401.68	5,859,775.20

V. Notes to items in the financial statements (continued)

27 Retained earnings

Item	Note	The Group	
		30 June 2020	31 December 2019
Retained earnings at the beginning of the period/year		26,136,918.24	79,587,798.41
Add: Net profit for the period/year		43,587,704.13	21,266,395.11
Less: Appropriation for statutory surplus reserve		–	(1,078,637.64)
Appropriation for general risk reserve		–	(1,078,637.64)
Dividends payable on ordinary shares	(1)	(9,070,000.00)	(72,560,000.00)
Retained earnings at the end of the period/year	(2)	60,654,622.37	26,136,918.24

Item	Note	The Company	
		30 June 2020	31 December 2019
Retained earnings at the beginning of the period/year		22,773,444.81	86,704,343.69
Add: Net profit for the period/year		41,454,758.64	10,786,376.40
Less: Appropriation for statutory surplus reserve		–	(1,078,637.64)
Appropriation for general risk reserve		–	(1,078,637.64)
Dividends payable on ordinary shares	(1)	(9,070,000.00)	(72,560,000.00)
Retained earnings at the end of the period/year	(2)	55,158,203.45	22,773,444.81

(1) Distribution of dividends on ordinary shares

In accordance with an approval obtained at the general meeting held on 9 June 2020, the Company distributed cash dividends of RMB0.01 per share to its ordinary shareholders, totalling RMB9,070,000.00, on 22 July 2020. In accordance with an approval obtained at the general meeting held on 6 June 2019, the Company distributed cash dividends of RMB0.08 per share to its ordinary shareholders, totalling RMB72,560,000.00, on 25 July 2019.

(2) Retained earnings at the end of the period/year

As at 30 June 2020, the Group's retained earnings attributable to the Company included surplus reserve set aside for subsidiaries of the Company of RMB3,452,158.95 (31 December 2019: RMB3,452,158.95).

V. Notes to items in the financial statements (continued)

28 Fee income

(1) By type

The Group

	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Agency settlement fee income	27,176,914.77	36,066,033.11
Refund and reduction of handling fees from futures exchanges	53,283,017.67	33,912,551.98
Subtotal of income from futures and options brokerage business	80,459,932.44	69,978,585.09
Income from asset management business	4,020,664.30	2,910,173.37
Total	84,480,596.74	72,888,758.46

The Company

	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Agency settlement fee income	13,218,559.96	26,926,225.30
Refund and reduction of handling fees from futures exchanges	53,283,017.67	33,912,551.98
Subtotal of income from futures and options brokerage business	66,501,577.63	60,838,777.28
Income from asset management business	4,300,813.33	2,941,916.98
Total	70,802,390.96	63,780,694.26

V. Notes to items in the financial statements (continued)

28 Fee income (continued)

(2) By region

The Group

Futures and options brokerage and asset management business	For the period ended 1 January 2020 to 30 June 2020		For the period ended 1 January 2019 to 30 June 2019	
	Number of headquarters and branches	Fee income	Number of headquarters and branches	Fee income
Jiangsu Province*	22	62,392,788.73	21	57,850,616.96
Fujian Province	2	5,329,290.49	2	1,686,287.27
Zhejiang Province	2	2,940,309.98	2	1,423,110.30
Henan Province	1	1,943,810.89	1	1,963,474.82
Shanghai	2	1,609,545.48	2	1,162,524.10
Hong Kong, China	1	1,416,099.99	1	1,650,238.96
Guangdong Province	3	1,122,356.74	3	908,160.91
Beijing	2	1,112,851.53	2	675,721.46
Anhui Province	2	995,018.01	2	944,094.62
Shandong Province	2	890,834.21	2	838,549.79
Hunan Province	1	869,809.47	1	501,704.67
Shaanxi Province	1	746,715.46	1	767,885.92
Guangxi Province	1	732,291.93	1	708,051.93
Liaoning Province	2	711,179.75	2	773,172.80
Chongqing	1	471,330.51	1	315,055.28
Shanxi Province	1	468,308.93	1	204,371.05
Sichuan Province	1	414,326.27	1	180,760.41
Hainan Province	1	313,728.37	1	334,977.21
Total	48	84,480,596.74	47	72,888,758.46

* The Group established Zhangjiagang Free Trade Zone Branch on 30 August 2019.

V. Notes to items in the financial statements (continued)

28 Fee income (continued)

(2) By region (continued)

The Company

Futures and options brokerage and asset management business	For the period ended 1 January 2020 to 30 June 2020		For the period ended 1 January 2019 to 30 June 2019	
	Number of headquarters and branches	Fee income	Number of headquarters and branches	Fee income
Jiangsu Province*	21	50,130,682.94	20	50,392,791.72
Fujian Province	2	5,329,290.49	2	1,686,287.27
Zhejiang Province	2	2,940,309.98	2	1,423,110.30
Henan Province	1	1,943,810.89	1	1,963,474.82
Shanghai	2	1,609,545.48	2	1,162,524.10
Guangdong Province	3	1,122,356.74	3	908,160.91
Beijing	2	1,112,851.53	2	675,721.46
Anhui Province	2	995,018.01	2	944,094.62
Shandong Province	2	890,834.21	2	838,549.79
Hunan Province	1	869,809.47	1	501,704.67
Shaanxi Province	1	746,715.46	1	767,885.92
Guangxi Province	1	732,291.93	1	708,051.93
Liaoning Province	2	711,179.75	2	773,172.80
Chongqing	1	471,330.51	1	315,055.28
Shanxi Province	1	468,308.93	1	204,371.05
Sichuan Province	1	414,326.27	1	180,760.41
Hainan Province	1	313,728.37	1	334,977.21
Total	46	70,802,390.96	45	63,780,694.26

* The Company established Zhangjiagang Free Trade Zone Branch on 30 August 2019.

V. Notes to items in the financial statements (continued)

29 Net interest income

	The Group	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Interest income		
– Customer fund deposit	33,057,014.38	30,914,960.95
– Self-owned fund deposit	8,910,319.05	15,918,849.74
– Financial assets held under resale agreements	157,395.63	100,437.11
Subtotal of interest income	42,124,729.06	46,934,247.80
Interest expenses		
– Sell under repurchase agreements	(365,062.92)	–
Net interest income	41,759,666.14	46,934,247.80

30 Investment gains

	The Group	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Disposal of financial assets held for trading		
– Funds	8,357,152.58	348,005.85
– Trading securities	6,540,377.03	1,431,016.18
– Trading bonds	465,098.60	3,879,121.19
– Trust schemes	145,643.84	559,834.58
– Asset management plans	113,010.53	(102,441.13)
Disposal of derivative financial instruments	500,101.83	(1,424,456.81)
Dividend distribution		
– Financial assets held for trading	9,666,774.29	5,422,895.05
Gain on long-term equity investments accounted for using the equity method	(736,982.63)	1,313,441.30
Total	25,051,176.07	11,427,416.21

V. Notes to items in the financial statements (continued)

30 Investment gains (continued)

	The Company	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Disposal of financial assets held for trading		
– Funds	8,435,989.86	321,402.58
– Trading securities	4,403,837.57	1,678,431.08
– Trading bonds	299,849.20	973,976.39
– Trust schemes	145,643.84	559,834.58
– Asset management plans	95,536.09	(135,072.52)
Dividend distribution		
– Financial assets held for trading	6,546,879.22	4,175,022.88
Gain on long-term equity investments accounted for using the equity method	(736,982.63)	1,313,441.30
Total	19,190,753.15	8,887,036.29

31 Gains on change in fair value

	The Group	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Financial assets held for trading		
– Funds	25,640,640.29	11,401,823.63
– Asset management plans and trust schemes	4,909,185.11	2,274,482.23
– Trading bonds	244,759.67	61,170.61
– Trading securities	(1,679,552.02)	8,442,482.44
– Wealth management products	(1,825,036.95)	3,107,087.70
Financial liabilities held for trading		
– Financial liabilities designated as at FVTPL	(536,320.74)	(2,887,770.34)
Derivative financial assets	44,805,417.10	2,259,072.36
Derivative financial liabilities	(52,545,416.25)	(3,775,630.62)
Total	19,013,676.21	20,882,718.01

V. Notes to items in the financial statements (continued)

31 Gains on change in fair value (continued)

	The Company	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Financial assets held for trading		
– Funds	17,961,360.63	5,791,531.11
– Asset management plans and trust schemes	4,920,990.78	2,276,273.83
– Trading bonds	803,154.51	46,046.27
– Trading securities	(1,231,862.73)	2,458,548.81
Total	22,453,643.19	10,572,400.02

32 Income from and cost of other business activities

(1) Income from other business activities

	The Group	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Spot goods sales revenue	466,411,650.80	198,302,501.06
Advisory fee income	849,056.60	2,638,767.50
Total	467,260,707.40	200,941,268.56

(2) Income from other business activities

	The Company	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Spot goods sale revenue	462,023,985.05	(193,548,089.59)
Others	–	(500,000.00)
Total	462,023,985.05	(194,048,089.59)

V. Notes to items in the financial statements (continued)

33 Other gains

	The Group	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Government grants	262,040.52	16,444.53

Breakdown of government grants:

For the period ended from 1 January 2020 to 30 June 2020

Grant item	The Group			
	Amount	Relating to assets/relating to revenue	Issuing authority	Approval document
Job stabilization subsidy income ⁽ⁱ⁾	261,040.52	Relating to revenue	Human resources in some branch locations and Social Security Bureau	Implementation Opinions on Performing Work on Employment and Entrepreneurship under the New Situation" (Xi Zheng Fa [2015] No. 3 19), Notice on Further Supporting Enterprises in Providing Stable Jobs with Unemployment Insurance (Xu Ren Bao Gui [2016] No. 6) etc.
Working subsidy ⁽ⁱⁱ⁾	1,000.00	Relating to revenue Wuxi	Wuxi Human Resources and Social Security Bureau, Wuxi Finance Bureau	Notice on Issuing "Working Subsidy" for Urban Insured Enterprises" (Xi Ren She Ban [2019] No. 58)
Total	262,040.52			

(i) Some branches received job stabilization subsidy income from local Human Resources and Social Security Bureau

(ii) Wuxi branch received working subsidy income from the Wuxi Human Resources and Social Security Bureau, Wuxi Finance Bureau.

V. Notes to items in the financial statements (continued)

33 Other gains (continued)

For the period ended 1 January 2019 to 30 June 2019

The Group				
Grant item	Amount	Relating to assets/ revenue relating to	Issuing authority	Approval document
Industrial development support fund ⁽ⁱ⁾	16,444.53	Relating to revenue	Zhengzhou Zhengdong New District Management Committee	Notice of Zhengzhou Zhengdong New District Management Committee on the (Interim) Supporting Measures to Accelerate the Development of Key Industries (Zheng Dong Wen [2013] No. 22)

(i) Industrial development support fund received by Zhengzhou Branch from Zhengzhou Zhengdong New District Management Committee.

34 General and administrative expenses

	The Group	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Employee benefits	68,722,205.00	68,194,678.05
Office expenses	18,473,621.54	19,222,001.80
Depreciation and amortisation		
– Depreciation of right-of-use assets	10,714,138.85	9,412,950.57
– Depreciation of fixed assets and amortisation of intangible assets	2,926,071.97	2,549,199.51
Insurance premium	4,864,680.00	1,459,110.40
Advisory fee	2,491,105.21	489,850.51
Lease payment	1,399,203.68	1,084,476.09
Maintenance fee	1,018,144.34	1,242,783.74
Finance costs		
– Lease liabilities	713,475.11	1,015,831.35
– Others	255,312.67	196,382.20
Repair cost	644,273.30	1,149,815.27
Commission expenses	553,401.20	1,400,401.00
Utilities	456,302.26	759,219.50
Auditors' remuneration	450,000.00	450,000.00
Investor protection funds	105,071.96	80,184.34
Others	1,493,899.82	1,941,184.75
Total	115,280,906.91	110,648,069.08

V. Notes to items in the financial statements (continued)

35 Non-operating income and expenses

(1) The breakdown of non-operating income is as follows:

	The Group	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Exchange sponsorship	359,132.92	744,113.27
Others	72,912.37	307,721.65
Total	432,045.29	1,051,834.92

(2) Non-operating expenses

	The Group	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Donation expenses	1,000,000.00	1,210,080.40
Overdue fine	27,152.98	–
Litigation compensation	–	2,117,166.41
Others	58,558.21	131,335.79
Total	1,085,711.19	3,458,582.60

V. Notes to items in the financial statements (continued)

36 Income tax expenses

(1) Breakdown of income tax expenses

	The Group	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Current income tax expenses calculated in accordance with the tax law and relevant regulations	9,395,191.47	2,305,824.46
Changes in deferred income tax	4,118,741.39	6,089,139.78
Adjustments for tax filling differences	–	475,477.95
Total	13,513,932.86	8,870,442.19

(2) Reconciliation between income tax expenses and accounting profit:

	The Group	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Profit before tax	57,101,636.99	42,638,832.55
Expected income tax expenses calculated at the tax rate of 25%	14,275,409.25	10,659,708.14
Impact of different tax rates for subsidiaries	(318,883.65)	(428,981.33)
Impact of adjustment for income tax for previous years	–	475,477.95
Impact of non-taxable income	(437,440.08)	(1,272,958.90)
Impact of non-deductible costs, expenses and losses	572,909.13	269,924.80
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	(578,061.78)	(832,728.47)
Income tax expenses for the year	13,513,932.86	8,870,442.19

V. Notes to items in the financial statements (continued)

37 Calculation of basic earnings per share and diluted earnings per share

Basic/diluted earnings per share are calculated by dividing consolidated net profit/diluted consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number/diluted weighted average number of ordinary shares outstanding of the Company:

	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Consolidated net profit/diluted consolidated net profit attributable to ordinary shareholders of the Company	43,587,704.13	33,768,390.36
Weighted average number/diluted weighted average number of ordinary shares outstanding of the Company	907,000,000.00	907,000,000.00
Basic/diluted earnings per share (RMB/share)	0.0481	0.0372

38 Supplementary information on cash flow statement

(1) Reconciliation of net profit to cash flows from operating activities:

	The Group	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Net profit	43,587,704.13	33,768,390.36
Add: Appropriation for futures risk reserve	3,356,295.31	3,041,172.10
Depreciation of fixed assets	2,619,349.87	2,287,162.23
Depreciation of right-of-use assets	10,714,138.85	9,412,950.57
Amortisation of intangible assets	306,722.10	262,037.28
Finance costs	713,475.11	1,015,831.35
Gains on change in fair value	(26,753,675.36)	(25,275,369.71)
Interest income/(loss)	207,667.29	(100,437.11)
Investment income	(24,551,074.24)	(12,851,873.02)
Loss/(gains) on disposal of assets	60,298.09	(1,190.51)
Exchange gains	(1,213,026.92)	(132,118.67)
Deferred income tax expenses	4,118,741.39	6,089,139.78
Increase in inventories	(32,231,923.49)	(60,985,349.20)
Increase in operating receivables	(1,731,927,975.51)	(142,405,158.62)
Increase/(decrease) in operating payables	2,412,985,698.62	218,650,416.30
Net cash flow generated from/(used in) operating activities	661,992,415.24	32,775,603.13

V. Notes to items in the financial statements (continued)

38 Supplementary information on cash flow statement (continued)

(2) Net changes in cash and cash equivalents:

	The Group	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Cash and cash equivalents at the end of the period	2,688,282,052.21	2,486,001,730.94
Less: Cash and cash equivalents at the beginning of the period	(2,373,190,813.90)	(2,349,264,656.74)
Net increase in cash and cash equivalents	315,091,238.31	136,737,074.20

(3) Cash and cash equivalents held by the Group are analysed as follows:

	The Group	
	30 June 2020	31 December 2019
(a) Cash at bank and on hand		
– Bank deposits available on demand	2,675,303,497.84	2,424,081,772.13
– Other cash at bank and on hand available on demand	12,978,554.37	61,919,958.81
– Restricted cash at bank and on hand	7,517,445.89	7,615,584.96
– Interest receivable on cash at bank and on hand	29,546,020.11	35,732,889.05
(b) Cash at bank and on hand and cash equivalents at the end of the period	2,725,345,518.21	2,529,350,204.95
Less: Restricted cash at bank and on hand	(7,517,445.89)	(7,615,584.96)
Interest receivable on cash at bank and on hand	(29,546,020.11)	(35,732,889.05)
(c) Balance of cash and cash equivalents available on demand at the end of the period	2,688,282,052.21	2,486,001,730.94

VI. Interests in other entities

1 Interests in subsidiaries

(1) Composition of the Group

Name of subsidiary	Principal place of business	Place of incorporation	Business nature	Registered capital	Shareholding percentage (%)		
					Direct	Indirect	Acquisition method
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	Nanjing	Shenzhen	Commodity trading and risk management	RMB240 million	100%	–	Newly established
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	Hong Kong	Hong Kong	Futures brokerage	HK\$190 million	100%	–	Business combination under common control
Holly Capital (Hongkong) Co., Limited (弘業資本(香港)有限公司) ⁽ⁱ⁾	Hong Kong	Hong Kong	Commodity trading and risk management	HK\$5 million	–	100%	Newly established
Holly International Asset Management Company Limited (弘業國際資產管理有限公司)	Hong Kong	Hong Kong	Asset management	HK\$20 million	–	100%	Newly established
Holly International Fund Series SPC (弘業國際基金系列 SPC) ⁽ⁱⁱ⁾	Hong Kong	Cayman Islands	Fund investment	US\$50,000	–	100%	Newly established
Holly International Fixed Income Fund (弘業國際固定收益基金) ⁽ⁱⁱⁱ⁾	Hong Kong	Cayman Islands	Fund investment	US\$50,000	–	100%	Newly established

(i) Holly Capital (Hongkong) Co., Limited was incorporated by Holly Capital in 2016 with a registered capital of HK\$5 million. On 31 May 2019, Holly Capital (Hongkong) was deregistered.

(ii) As at 30 June 2020, Holly International Fund Series SPC had a paid-in capital of US\$1.

(iii) As at 30 June 2020, Holly International Fixed Income Fund had a paid-in capital of US\$100.

(2) Structured entities included in the scope of consolidated financial statements of the Group

Structured entities consolidated by the Group stand for the asset management plans and funds 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 2020, the total assets of the consolidated asset management plans and funds were RMB84,902,430.73 (31 December 2019: RMB111,641,197.22), and the carrying amount of the interests held by the Group in the consolidated asset management plans and funds were RMB38,868,823.75 (31 December 2019: RMB51,609,309.28), which were included in the financial statements as financial assets held for trading, cash at bank and on hand, other receivables and other payables.

30 June 2020

Name of structured entity	Date of plan establishment	Type	Capital contribution made by the Group as at the end of the period
Holly Selection No. 1 FOF Collective Asset Management Plan (弘業精選 1 號 FOF 集合資產管理計劃)	11 December 2019	Asset management plan	RMB5 million
Holly International Fixed Income Fund	14 March 2019	Funds	US\$1,862,662.00
Holly International Global Opportunity Fund SP (弘業國際環球機遇基金 SP)	25 December 2018	Fund	US\$2,547,179.40

VI. Interests in other entities (continued)

1 Interests in subsidiaries (continued)

(2) Structured entities included in the scope of consolidated financial statements of the Group (continued)

31 December 2019

Name of structured entity	Date of plan establishment	Type	Capital contribution made by the Group as at the end of the period
Holly Profit No. 1 Collective Asset Management Plan (弘業安盈 1 號集合資產管理計劃)	27 March 2019	Asset management plan	RMB8 million
Dehan FOF Tranche 1 Asset Management Plan (德瀚 FOF 一期資產管理計劃)	30 April 2019	Asset management plan	RMB5 million
Holly Selection No. 1 FOF Collective Asset Management Plan (弘業精選 1 號 FOF 集合資產管理計劃)	11 December 2019	Asset management plan	RMB5 million
Holly International Fixed Income Fund	14 March 2019	Funds	US\$1,862,662.00
Holly International Global Opportunity Fund SP (弘業國際環球機遇基金 SP)	25 December 2018	Fund	US\$2,547,179.40

2 Interests in associates

	The Group	
	30 June 2020	31 December 2019
Significant associates	12,725,168.39	13,330,524.27

(1) Significant associates

Name of enterprise	Principal place of business	Place of incorporation	Business nature	Registered capital	Paid-in capital	Direct percentage of shareholding	Accounting method for investments in associates	Whether it is strategic to the business of the Group
Jiangsu Hong Rui New Era Venture Investment Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	Jiangsu	China	Venture capital, etc	RMB100 million	RMB30 million	22%	Equity method	Yes
Jiangsu Hong Rui Growth Venture Investment Co., Ltd. (江蘇弘瑞成長創業投資有限公司) ⁽ⁱ⁾	Jiangsu	China	Venture capital, etc	RMB121.2 million	RMB84.8 million	9.901%	Equity method	Yes

- (i) The Group and the Company held 9.901% equity interest in Jiangsu Hong Rui Growth Venture Investment Co., Ltd. ("Hong Rui Growth") during the relevant period. In accordance with its articles of association, the Group and the Company appointed one member of its board of directors. The Group and the Company exerted significant influence in the investee through participating in its decision-making for production and operation. As such, Hong Rui Growth was included in the financial statements of the Group and the Company as an associate.

VI. Interests in other entities (continued)

3 Interests in structured entities not included in the scope of consolidated financial statements

All facts and circumstances are required to be considered when assessing whether the Group controls an investee as an investor. Control exists when the Group has all of following: (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to affect those returns through its power over the investee. If the circumstances indicate that one or more of the above three elements have changed, the Group will reassess whether the Group still has control over the investee.

For an asset management plan in which the Group acts as asset manager, the Group continuously assess the level of remuneration received and variable return and risks faced by the Group for the management of such asset management plan to determine if the Group is a principal of the asset management plan. If the Group is a principal of the asset management plan, such asset management plan shall be included in the scope of consolidation.

(1) Basic information on structured entities not included in the scope of consolidated financial statements

The structured entities not included in the scope of consolidated financial statements of the Group include the trust schemes, funds, wealth management products and asset management plans sponsored by third party institutions and directly held by the Group. The purpose of these structured entities is mainly to manage investors' assets, and their financing method is to issue investment products to investors. The interests of the Group in these structured entities not included in the scope of consolidated financial statements mainly include investments in units issued by these structured entities and fees charged by providing management services.

The Group has interests in the structured entities sponsored by third party institutions through directly holding investments. The assets and liabilities items in the consolidated balance sheet of the Group relating to the interests of the Group in the structured entities sponsored by third party institutions through directly holding investments and their carrying amounts/maximum risk exposure are as follows:

	30 June 2020	31 December 2019
Financial assets held for trading:		
– Funds	621,133,975.79	398,605,161.50
– Trust schemes	121,295,379.00	39,477,369.86
– Asset management plans	33,837,174.93	15,295,097.29
– Wealth management products	6,546,000.30	8,371,037.25
Total	782,812,530.02	461,748,665.90

VI. Interests in other entities (continued)

3 Interests in structured entities not included in the scope of consolidated financial statements (continued)

(1) Basic information on structured entities not included in the scope of consolidated financial statements (continued)

As at the end of the reporting year, the Group's maximum risk exposure arising from investments in the aforesaid funds, trust schemes, asset management plans and wealth management products was their fair value at the reporting date.

During the Reporting Period, the comprehensive income from the structured entities sponsored by third party institutions and held by the Group is as follows:

	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Investment income	14,621,894.28	5,323,515.29
Gains on change in fair value	25,151,786.34	14,259,783.55
Total	39,773,680.62	19,583,298.84

(2) Interests in structured entities with the Group as a sponsor but not included in the scope of consolidated financial statements

The Group is considered a sponsor of a structured entity if it has played an important role in the establishment of the structured entity, which is an extension of the principal business activities of the Group and maintains close business relationship with the Group upon its establishment. The nature and purpose of these structured entities are mainly to manage investors' assets and charge management fees, and their financing method is to issue asset management plans to investors. The interests of the Group in these structured entities not included in the scope of consolidated financial statements mainly include management fees charged for management of these structured entities, interest income and investment income arising from investment in asset management plans.

As at 30 June 2020, the total assets of the structured entities with the Group as a sponsor but not included in the scope of consolidated financial statements amounted to RMB22,498,868,578.91 (31 December 2019: RMB11,249,675,029.53).

During the Reporting Period, the fee income and gains on investments and change in fair value received by the Group from these structured entities are as follows:

	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Fee income	4,020,664.30	2,910,173.37
Investment income	458,132.11	119,342.29
Gains on investments and change in fair value	3,573,002.11	2,225,563.45
Total	8,051,798.52	5,255,079.11

VII. Risk analysis and sensitivity analysis for financial instruments

The Group has exposure to the following risks from its use of financial instruments in the normal course of the Group's operations, which mainly include:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk
- Other price risks

The following mainly presents information on the Group's exposure to each of the above risks and their sources, their changes during the Reporting Period, and the Group's objectives, policies and processes for risk management, the method used in measuring risk, and their changes during the Reporting Period.

The objectives of the Group's risk management are to seek appropriate balance between the risks, and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate and acceptable risk limits and design corresponding internal controls processes, and to monitor risks. The Group regularly reviews risk management policies and the relevant internal control systems to cope with the changes in market conditions and the Group's operating activities.

1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank and on hand, currency deposits receivable, financial assets held under resale agreements, financial assets held for trading, derivative financial assets, other receivables and other financial assets. Exposure to these credit risks are monitored by management on an ongoing basis.

The maximum exposure of the Group to credit risk is represented by the carrying amount of each financial asset (including derivative financial instruments) in the balance sheet.

The cash at bank of the Group is mainly held with reputable financial institutions. As such, management does not foresee any significant credit risks from these deposits.

VII. Risk analysis and sensitivity analysis for financial instruments (continued)

1 Credit risk (continued)

- (1) Currency deposits receivable, Pledged deposits receivable, other receivables and other financial assets

Credit risk exposure and expected credit loss assessment

The Group always measures the loss allowance for Currency deposits receivable, Pledged deposits receivable, other receivables and other financial assets at the amount of lifetime expected credit loss, and calculates the expected credit loss based on the comparison table of overdue days and loss given default. Based on past experience of the Group, there is no significant difference between the losses of different customer groups, and it has not experienced any loss from default. As such, it has not calculated loss allowance.

- (2) Investments in debt instruments

In general, the Group will only invest in securities with active markets to limit its credit risk exposure.

As at the balance sheet date, the reported carrying amounts of investments in debt instruments of the Group are as follows:

	The Group	
	30 June 2020	31 December 2019
Financial assets held under resale agreements	14,998,000.00	42,437,000.00
Financial assets held for trading		
– Trading securities	155,774,088.66	56,621,789.52
– Trust schemes	121,295,379.00	39,477,369.86
Total	292,067,467.66	138,536,159.38

VII. Risk analysis and sensitivity analysis for financial instruments (continued)

1 Credit risk (continued)

(2) Investments in debt instruments (continued)

Credit risk exposure

The credit quality analysis of the Group's debt investments by measurement category as at 30 June 2020 is as follows:

	The Group	
	30 June 2020	31 December 2019
Financial assets held under resale agreements		
Gross carrying amount	14,998,000.00	42,437,000.00
Loss allowance	—	—
Amortised cost	14,998,000.00	42,437,000.00
Carrying amount	14,998,000.00	42,437,000.00
Carrying amount designated as at FVTPL	277,069,467.66	96,099,159.38

(3) Derivative instruments

The Group enters into derivative instrument contracts with counterparties including banks and financial institutions, which shall have good credit ratings and have entered into netting agreements with the Group. In view of the strong credit ratings of the counterparties, the management of the Group does not expect the counterparties to be unable to fulfil their obligations.

VII. Risk analysis and sensitivity analysis for financial instruments (continued)

2 Liquidity risk

Liquidity risk is the risk that an enterprise may encounter shortage of fund in meeting obligations that are settled by the delivery of cash or another financial asset. The Company and its subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash, so as to meet its liquidity requirements in the short and long term.

The following table sets out the remaining contractual maturities of the Group's financial liabilities at the balance sheet date, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates at the end of the year) and the earliest date the Group may be required to pay:

The Group

	Undiscounted contractual cash flow as at 30 June 2020				Balance sheet carrying amount
	On demand	Within 1 year	1 to 5 years	Total	
Currency deposits payable	5,010,466,356.25	–	–	5,010,466,356.25	5,010,466,356.25
Pledged deposits payable	29,718,408.00	–	–	29,718,408.00	29,718,408.00
Futures investors protection funds payable	–	104,405.39	–	104,405.39	104,405.39
Securities sold under agreements to repurchase	–	82,892,365.24	–	82,892,365.24	82,826,933.77
Held-for-trading financial liabilities	–	46,033,607.00	–	46,033,607.00	46,033,607.00
Employee benefits payable	–	5,310,191.67	–	5,310,191.67	5,310,191.67
Other payables	20,885,600.00	37,775,155.04	–	58,660,755.04	58,660,755.04
Lease liabilities	–	17,141,441.15	10,469,725.15	27,611,166.30	26,702,201.54
Total	5,061,070,364.25	189,257,165.49	10,469,725.15	5,260,797,254.89	5,259,822,858.66

VII. Risk analysis and sensitivity analysis for financial instruments (continued)

2 Liquidity risk (continued)

	Undiscounted contractual cash flow as at 31 December 2019				Balance sheet carrying amount
	On demand	Within 1 year	1 to 5 years	Total	
Currency deposits payable	2,658,789,015.68	–	–	2,658,789,015.68	2,658,789,015.68
Pledged deposits payable	758,816.00	–	–	758,816.00	758,816.00
Futures investors protection funds payable	–	189,263.99	–	189,263.99	189,263.99
Held-for-trading financial liabilities	–	59,998,245.76	–	59,998,245.76	59,998,245.76
Trade Payables	–	2,519,520.00	–	2,519,520.00	2,519,520.00
Employee benefits payable	–	2,395,411.42	–	2,395,411.42	2,395,411.42
Other payables	–	16,397,460.16	–	16,397,460.16	16,397,460.16
Lease liabilities	–	21,544,845.94	15,590,259.20	37,135,105.14	35,523,366.89
Total	2,659,547,831.68	103,044,747.27	15,590,259.20	2,778,182,838.15	2,776,571,099.90

3 Interest rate risk

Interest-bearing financial instruments at fixed rates and at floating rates expose the Group to fair value interest risk and cash flow interest rate risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to maintain an appropriate mix of fixed and floating rate instruments. The Group does not use derivative financial instruments to hedge interest rate risk.

VII. Risk analysis and sensitivity analysis for financial instruments (continued)

3 Interest rate risk (continued)

(1) The Group's interest-bearing financial instruments at the end of the period/year are as follows:

The Group

	30 June 2020		31 December 2019	
	Effective rate	Amount	Effective rate	Amount
Fixed rate financial instruments				
Financial assets				
– Cash at bank and on hand				
Including: Futures deposits	2.15%-3.90%	2,180,000,000.00	2.20%-4.70%	1,789,569,673.84
– Currency deposits receivable	1.95%	1,274,815,372.79	1.95%	328,271,683.48
– Financial assets held under resale agreements	2.50%	14,998,000.00	2.50%-2.80%	42,437,000.00
– Financial assets held for trading				
– Trading securities	1.00%-7.50%	155,774,088.66	0.20%-6.20%	56,621,789.52
Financial liabilities				
– Financial assets sold under repurchase agreements of which, the repurchase of bonds	2.41%-2.51%	67,600,000.00	N/A	N/A
Floating rate financial instruments				
Financial assets				
– Cash at bank and on hand				
Including: Futures deposits	0.001%-3.20%	335,442,347.30	0.001%-3.20%	277,452,661.34
Self-owned funds	0.001%-2.70%	167,378,596.43	0.001%-2.70%	244,865,332.01
Other cash at bank and on hand	0.35%	12,978,554.37	0.35%	68,020,810.82

VII. Risk analysis and sensitivity analysis for financial instruments (continued)

3 Interest rate risk (continued)

(2) Sensitivity analysis

– *Fair value sensitivity analysis for fixed rate financial instruments*

As at 30 June 2020, with all other variables held constant, an increase in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB2,242,090.01 (31 December 2019: RMB2,514,261.99), and a decrease in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB2,280,280.84 (31 December 2019: RMB2,773,623.70).

– *Cash flow sensitivity analysis for floating rate financial instruments*

As at 30 June 2020, with all other variables held constant, an increase in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB3,868,413.74 (31 December 2019: RMB4,210,853.49), and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB2,475,542.59 (31 December 2019: RMB2,487,760.43).

In respect of the cash flow interest rate risk arising from floating rate non-derivative instruments, which were held by the Group at the balance sheet date, the impact on the Group's net profit and shareholders' equity mentioned in the above sensitivity analysis was estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis using identical methods for previous years.

VII. Risk analysis and sensitivity analysis for financial instruments (continued)

4 Foreign currency risk

As the Group's business is mainly concentrated in Mainland China and settled in Renminbi, the Group is not subject to any material foreign currency risk save for the bank deposits denominated in Hong Kong dollars. The currencies giving rise to foreign currency risk are primarily Hong Kong dollars and United States dollars. As the majority of the proceeds from issue of shares had been converted into Renminbi during the Reporting Period and not much business of the Group is denominated in United States dollars, the Group's exposure to foreign currency risk is low.

- (1) The Group's exposure to foreign currency risk for assets and liabilities denominated in Renminbi as at the end of the period/year is as follows: For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of foreign currency financial statements are excluded.

The Group

	30 June 2020		31 December 2019	
	Balance in foreign currency	Balance in foreign currency	Balance in foreign currency	Balance in foreign currency
Cash at bank and on hand				
– HKD	92,676,885.54	84,654,774.33	92,674,632.78	83,016,082.55
– USD	47,332.32	335,089.16	18,097.59	126,252.38

- (2) The exchange rates for Renminbi against foreign currencies applied by the Group are analysed as follows:

	Average rate		Reporting date mid-spot rate	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
HKD	0.90603	0.88043	0.91344	0.89578
USD	7.0319	6.8952	7.0795	6.9762

VII. Risk analysis and sensitivity analysis for financial instruments (continued)

4 Foreign currency risk (continued)

(3) Sensitivity analysis

Assuming all other risk variables remained constant (except for foreign exchange rate), a 10% strengthening of the Renminbi against the Hong Kong dollars and United States dollars at the end of the year would have decreased the Group's shareholders' equity and net profit by the amount shown below, whose effect was in Renminbi and translated using the spot rate at the balance sheet date:

	30 June 2020	31 December 2019
Net profit and shareholders' equity		
– Items denominated in HKD	(6,349,108.07)	(6,226,206.19)
– Items denominated in USD	(25,131.69)	(9,468.93)

A 10% weakening of the Renminbi against Hong Kong dollars and United States dollars would have had the equal but opposite effect to the Group's shareholders' equity and net profit by the amounts shown above, on the basis that all other variables remained constant.

The table above shows the immediate impacts of the changes in exchange rates on the net profit and shareholders' equity of the Group had the HKD and USD amounts been converted into RMB as at the end of the reporting year.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group or the Company which exposed the Group to foreign currency risk at the balance sheet date. The analysis above excludes differences that would result from the translation of foreign currency financial statements. The analysis is performed on the same basis using identical methods for previous years.

VII. Risk analysis and sensitivity analysis for financial instruments (continued)

5 Other price risks

The Group is subject to price risks caused by the changes in share price and commodity price, which may arise from investments in held-for-trading financial assets/liabilities, derivative financial assets/liabilities.

Sensitivity analysis

The following analysis shows the impacts of a 10% increase or decrease in the share price of commodity price on net profit and equity of the Group, with all other variables held constant.

The Group

	Net profit	
	30 June 2020	31 December 2019
Change in share price		
10% increase	6,387,406.56	2,502,197.67
10% decrease	(6,387,406.56)	(2,502,197.67)
Change in commodity price		
10% increase	(24,069,163.30)	4,747,228.50
10% decrease	24,069,163.30	(4,747,228.50)

	Shareholders' equity	
	30 June 2020	31 December 2019
Change in share price		
10% increase	6,387,406.56	2,502,197.67
10% decrease	(6,387,406.56)	(2,502,197.67)
Change in commodity price		
10% increase	(24,069,163.30)	4,747,228.50
10% decrease	24,069,163.30	(4,747,228.50)

The sensitivity analysis indicates that, assuming that there were changes in the stock market indexes and the commodity futures market as at the end of the relevant period which had been used to remeasure the aforesaid financial instruments held by the Group (which may cause the Group to expose to the risk for share and commodity price as at the end of the relevant period), there may be temporary changes in the net profit and shareholders' equity of the Group. In addition, it is assumed that the fair values of the equity investments and hedging investments of the Group will change based on historical correlation between relevant stock market indexes and commodity futures prices, with all other variables held constant. The analysis is performed on the same basis using identical methods for previous periods/years.

VIII. Fair value

The following table presents the fair value information and the hierarchy of fair value measurement at the end of the reporting year, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which the result of fair value measurement is categorised is determined by the lowest level input that is significant to the entire fair value measurement. The three levels of input are defined as follows:

- Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;
- Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;
- Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

1 Assets and liabilities measured at fair value at the end of the year

The Group

	Note V	30 June 2020	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement
Recurring fair value measurement					
Financial assets					
Financial assets held for trading	5				
Debt instruments					
– Trading securities		155,774,088.66	94,231,831.29	61,542,257.37	–
– Trust schemes		121,295,379.00	–	–	121,295,379.00
Equity instruments					
– Funds		621,133,975.79	449,132,504.52	172,001,471.27	–
– Trading securities		85,165,420.80	85,165,420.80	–	–
– Asset management plans		75,474,793.25	–	47,235,552.13	28,239,241.12
– Wealth management products		6,546,000.30	–	–	6,546,000.30
Derivative financial assets	6	1,097,912.10	178,505.00	–	919,407.10
Total financial assets measured at fair value on a recurring basis		1,066,487,569.90	628,708,261.61	280,779,280.77	157,000,027.52
Financial liabilities					
Financial liabilities held for trading	20				
– Financial liabilities designated as at FVTPL		(46,033,607.00)	–	–	(46,033,607.00)
Derivative financial liabilities	6	(4,671,436.25)	(336,175.00)	–	(4,335,261.25)
Total financial liabilities measured at fair value on a recurring basis		(50,705,043.25)	(336,175.00)	–	(50,368,868.25)

VIII. Fair value (continued)

1 Assets and liabilities measured at fair value at the end of the year (continued)

	Note V	31 December 2019	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement
Recurring fair value measurement					
Financial assets					
Financial assets held for trading	5				
Debt instruments					
– Trading securities		56,621,789.52	46,168,906.19	10,452,883.33	–
– Trust schemes		39,477,369.86	–	–	39,477,369.86
Equity instruments					
– Funds		398,605,161.50	330,998,051.93	67,607,109.57	–
– Trading securities		33,362,635.65	33,362,635.65	–	–
– Asset management plans		34,383,617.28	–	–	34,383,617.28
– Wealth management products		8,371,037.25	–	–	8,371,037.25
Total financial assets measured at fair value on a recurring basis		570,821,611.06	410,529,593.77	78,059,992.90	82,232,024.39
Financial liabilities					
Financial liabilities held for trading	20				
– Financial liabilities designated as at FVTPL		(59,998,245.76)	–	–	(59,998,245.76)
Total financial liabilities measured at fair value on a recurring basis		(59,998,245.76)	–	–	(59,998,245.76)

During the Reporting Period, there were no transfers between level 1 and level 2 or transfers into or out of level 3 for the Group. The Group's policy is to identify the actual level transfers between levels at the end of the reporting year.

(1) Level 1 fair value measurement

The fair value of a financial instrument traded in an active market is determined by its quoted price in the active market. The quoted price in the active market means a quoted price readily available from exchanges, securities companies, brokers, industry associations, pricing agencies and regulators which can represent the price of an actual fair market transaction.

VIII. Fair value (continued)

1 Assets and liabilities measured at fair value at the end of the year (continued)

(2) Level 2 fair value measurement

The fair value of a financial instrument not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the financial instrument is included in level 2. If one or more of the significant inputs are not based on observable market data, the financial instrument is included in level 3.

The valuation techniques for the financial instruments of the Group as at the end of the reporting period/year are as follows:

For listed equity securities, fair value is determined based on the closing price of the equity securities as at the end of the Reporting Period, within bid-ask spread. If there is no quoted market price as at the end of the Reporting Period and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value.

For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the end of the Reporting Period or the most recent trading date. For unlisted open-end funds, fair value is determined by quoted price which is based on the net asset value as at the end of the Reporting Period.

For open-market debt investments, fair value is determined using the price quoted in the valuation system of the relevant bonds registration and settlement institution, which adopts observable inputs reflecting market conditions in reaching quotes.

Fair value is determined by quoted price which is based on the net asset value as at the end of the Reporting Period.

During the Reporting Period, there were no changes in the valuation techniques adopted in the aforesaid recurring level 2 fair value measurement of the Group.

VIII. Fair value (continued)

1 Assets and liabilities measured at fair value at the end of the year (continued)

(3) Level 3 fair value measurement

For level 3 financial instruments, the Group determines their values through the discounted cash flow model and other similar valuation techniques. Whether it is classified as level 3 valuation techniques is generally based on the importance of non-observable market data to the whole fair value measurement. The following table shows the relevant valuation techniques and parameters of the main level 3 financial instruments:

Financial instruments	Valuation techniques	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Asset management plans, trust schemes and wealth management products	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Over-the-counter options	Bloomberg OVML function, Black-Scholes PDE, Clark Nielsen finite difference method for solving partial differential equations	Implied volatility	The higher the implied volatility, the higher the fair value
Financial liabilities held for trading – Payables designated as measured at fair value	Valuation of underlying financial instruments and contract allocation method	Contract allocation rate	The higher the contract allocation rate, the higher (for gain)/the lower (for loss) the fair value

As at the end of the reporting period/year, there were no changes in the valuation techniques for the fair values of the assets and liabilities of level 3 fair value measurement.

VIII. Fair value (continued)

1 Assets and liabilities measured at fair value at the end of the year (continued)

(3) Level 3 fair value measurement (continued)

The reconciliation between the beginning balance and ending balance of the assets and liabilities of recurring level 3 fair value measurement is as follows:

The Group

30 June 2020

	1 January 2020	Total gains or losses for the year Included in profit or loss	Purchase, settlement and sale		30 June 2020	Unrealised gains or losses on assets held and liabilities assumed at the end of the period included in profit or loss
			Purchase	Settlement and sale		
Financial assets						
Financial assets held for trading						
Asset management plans	34,383,617.28	792,251.65	16,000,000.00	(22,936,627.81)	28,239,241.12	679,241.12
Trust schemes	39,477,369.86	3,609,751.14	111,000,000.00	(32,791,742.00)	121,295,379.00	1,295,379.00
Wealth management products	8,371,037.25	(1,825,036.95)	–	–	6,546,000.30	(3,453,999.70)
Derivative financial assets	–	919,407.10	–	–	919,407.10	919,407.10
Subtotal of financial assets	82,232,024.39	3,496,372.94	127,000,000.00	(55,728,369.81)	157,000,027.52	(559,972.48)
Financial liabilities						
Financial liabilities held for trading						
Financial liabilities designated as at FVTPL	(59,998,245.76)	(536,320.74)	(44,473,015.26)	58,973,974.76	(46,033,607.00)	(241,424.53)
Derivative financial liabilities	–	(4,335,261.25)	–	–	(4,335,261.25)	(4,335,261.25)
Subtotal of financial liabilities	(59,998,245.76)	(4,871,581.99)	(44,473,015.26)	58,973,974.76	(50,368,868.25)	(4,576,685.78)
Total	22,233,778.63	(1,375,209.05)	82,526,984.74	3,245,604.95	106,631,159.27	(5,136,658.26)

VIII. Fair value (continued)

1 Assets and liabilities measured at fair value at the end of the year (continued)

(3) Level 3 fair value measurement (continued)

31 December 2019

	1 January 2019	Total gains or losses for the year Included in profit or loss	Purchase, settlement and sale		31 December 2019	Unrealised gains or losses on assets held and liabilities assumed at the end of the period included in profit or loss
			Purchase	Settlement and sale		
Financial assets						
Financial assets held for trading						
Asset management plans	35,747,328.13	1,993,292.20	39,960,000.00	(43,317,003.05)	34,383,617.28	583,617.29
Trust schemes	19,064,832.66	1,985,002.94	39,000,000.00	(20,572,465.74)	39,477,369.86	477,369.86
Wealth management products	5,565,608.55	2,805,428.70	–	–	8,371,037.25	2,805,428.70
Subtotal of financial assets	60,377,769.34	6,783,723.84	78,960,000.00	(63,889,468.79)	82,232,024.39	3,866,415.85
Financial liabilities						
Financial liabilities held for trading						
Financial liabilities designated as at						
FVTPL	(1,889,127.39)	(1,135,143.61)	(58,973,974.76)	2,000,000.00	(59,998,245.76)	(1,024,271.00)
Derivative financial liabilities	(142,081.91)	142,081.91	–	–	–	–
Subtotal of financial liabilities	(2,031,209.30)	(993,061.70)	(58,973,974.76)	2,000,000.00	(59,998,245.76)	(1,024,271.00)
Total	58,346,560.04	5,790,662.14	19,986,025.24	(61,889,468.79)	22,233,778.63	2,842,144.85

2 Fair value of financial assets and financial liabilities not measured at fair value

The financial assets and financial liabilities not measured at fair value of the Group or the Company mainly include: cash at bank and on hand, currency deposits receivable, pledged deposits receivable, settlement deposits receivable, financial assets held under resale agreements, other receivables, currency deposits payable, pledged deposits payable, futures investors protection funds payable, financial assets sold under agreements to repurchase trade payables, trade payable employee benefits payable and other payables. As at the end of the reporting period, there was no significant difference between the carrying amount and the fair value of the above financial assets and financial liabilities.

IX. Related parties and transactions with related parties

1 Parent company of the Company

Name of parent company	Place of incorporation	Business nature	Registered capital	Shareholding percentage of the parent company in the Company (%)	Percentage of voting rights of the parent company in the Company (%)	Ultimate controlling party
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Jiangsu province	Financial and industrial investment, operation and management of state-owned assets within the scope of authorisation; international trade; house leasing; production, research and development and sales of cocoon silk and textile clothing	2,000,000,000.00	30.37%	30.37%	Jiangsu Provincial People's Government

2 Subsidiaries of the Company

Please refer to Note VI.1 for details of the subsidiaries of the Group.

3 Associates of the Company

Please refer to Note VI.2 for details of the significant associates of the Group. Other joint ventures of associates of the Group that had conducted related party transactions with the Group during the Reporting Period are as follows:

Name of entity	Relationship with the Company
Jiangsu Hong Rui New Era Venture Investment Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	Associate of the Group and the Company
Jiangsu Hong Rui Growth Venture Investment Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	Associate of the Group and the Company

IX. Related parties and transactions with related parties (continued)

4 Related parties with transactions or transaction balance with the Group and the Company during the Reporting Period

Name of other related party	Relationship
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Shareholder of the Group and the Company
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	Wholly-owned subsidiary of the Company
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	Wholly-owned subsidiary of the Company
Jiangsu High Hope International Group Zhongding Co., Ltd. (江蘇匯鴻國際集團中鼎控股股份有限公司)	Company owned by shareholder of the Group and the Company
Jiangsu Hong Rui Growth Venture Investment Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	Associate of the Group and the Company
Jiangsu SOHO Investment Group Company Limited (江蘇蘇豪投資集團有限公司)	Under common control of the ultimate holding company
Jiangsu SOHO Royal Co., Ltd. (江蘇蘇豪尚品有限公司)	Under common control of the ultimate holding company
Jiangsu SOHO Textile Co., Ltd. (江蘇蘇豪輕紡有限公司)	Under common control of the ultimate holding company
Jiangsu SOHO International Group Co., Ltd. (江蘇蘇豪國際集團股份有限公司)	Under common control of the ultimate holding company
Artall Culture Group Company Limited (愛濤文化集團有限公司)	Under common control of the ultimate holding company
Jiangsu Artall Space Cultural Company Limited (江蘇愛濤空間文化有限公司)	Under common control of the ultimate holding company
Jiangsu Financial Holding Co., Limited (江蘇金融控股有限公司)	Under common control of the ultimate holding company
Jiangsu Holly Environment Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司)	Under common control of the ultimate holding company
Jiangsu SOHO Media Co., Ltd. (江蘇蘇豪傳媒有限公司)	Under common control of the ultimate holding company
Jiangsu SOHO Health Industry Co., Ltd. (江蘇蘇豪健康產業有限公司)	Under common control of the ultimate holding company
Zhao	Close family member of key management personnel
Chu	Close family member of key management personnel
Zhang	Close family member of key management personnel

IX. Related parties and transactions with related parties (continued)

5 Related party transactions

The following transactions with related parties are conducted on normal commercial terms or in accordance with the relevant agreements.

(1) Receipt of services (excluding remuneration of key management personnel)

The Group

Related party	Content of related party transaction	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Jiangsu Financial Holding Co., Limited	Service fee	304,426.08	290,505.60
Jiangsu Holly Environment Technology Industrial Co., Ltd.	Procurement payment	141,512.83	12,925.86
Jiangsu Holly Corporation	Service fee	112,455.82	–
Jiangsu SOHO Royal Co., Ltd.	Promotion fee	104,732.00	17,233.00
Jiangsu SOHO Media Co., Ltd.	conference fees	45,094.34	–
Jiangsu SOHO Health Industry Co., Ltd.	Procurement payment	44,601.77	–
Jiangsu SOHO Textile Co., Ltd.	Promotion fee	6,600.00	3,920.00
Jiangsu Artall Cultural Industrial Co., Ltd.	Decoration and sales expenses	656.00	95,770.91
Artall Culture Group Company Limited	Promotion fee	–	34,482.75

(2) Rendering of services

The Group

Related party	Content of related party transaction	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Chu	Fee income	2,015.17	802.36
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Income from asset management business/others	–	70,000.00

IX. Related parties and transactions with related parties (continued)

5 Related party transactions (continued)

(3) Leases with related parties

As lessee:

The Group

Name of lessor	Type of leased assets	For the period ended	For the period ended
		1 January 2020 to 30 June 2020	1 January 2019 to 30 June 2019
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Right-of-use assets	3,342,299.37	3,217,890.81

(4) Remuneration of key management personnel

The Group

	The Group	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Remuneration of key management personnel	1,513,239.79	1,711,785.17

IX. Related parties and transactions with related parties (continued)

5 Related party transactions (continued)

(5) Other related party transactions

Related party	Item	Content of related party transaction	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Zhao	N/A	Net investment/ (disposal of) in asset management plans	–	(2,000,000.00)

Related party	Item	Content of related party transaction	30 June 2020	31 December 2019
Jiangsu SOHO Investment Group Company Limited (江蘇蘇豪投資集團有限公司)	Financial assets held for trading	Wealth management products	6,546,000.30	8,371,037.25

6 Amount due to related parties

Amount due to related parties

The Group

Item name	Related party	30 June 2020	31 December 2019
Other payables	Jiangsu Hong Rui Growth Venture Investment Co., Ltd.	4,520,000.00	4,520,000.00
Currency deposits payable	Chu	2,137,911.12	2,294,622.90
Prepayment	Jiangsu Holly Corporation	1,233,475.62	–
Currency deposits payable	Zhang	1,134.49	1,134.49
Currency deposits payable	Jiangsu High Hope International Group Zhongding Co., Ltd.	1,001.00	1,001.00
Currency deposits payable	Jiangsu SOHO International Group Co., Ltd.	1,001.00	1,001.00

IX. Related parties and transactions with related parties (continued)

7 Transactions between the Company and its subsidiaries

Related party	Content of related party transaction	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	Fee income	31,973.00	31,915.37
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	Fee income	19.81	-
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	Income from asset management business	-	5,031.69
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	(Settlement)/investment in asset management plans	(800,000.00)	2,800,000.00

Related party	Content of related party transaction	30 June 2020	31 December 2019
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	Currency deposits payable	151,516,852.96	169,220,838.68
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	Pledged deposits payable	16,365,600.00	-
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	Currency deposits payable	385,047.24	148,102.47

X. Capital management

The main objective of the Group's capital management is to ensure that the Group can continue to operate, set prices comparable to risk levels for products and services, ensure that financing is obtained at reasonable financing costs, and continue to provide returns to shareholders.

The Group defines capital as shareholders' equity plus borrowings from related parties without fixed repayment period less unrecognised proposed dividends. The capital of the Group does not include the balance of business transactions with related parties.

The Group reviews and manages its own capital structure on a regular basis to achieve the best capital structure and shareholder return. The factors considered by the Group include: the Group's future capital needs, capital efficiency, actual and expected profitability, expected cash flow, expected capital expenditure, etc. The Group will adjust its capital structure if the economic situation changes and affects the Group.

X. Capital management (continued)

Pursuant to the Administration of Risk Control Indicators of Futures Companies issued by the CSRC on 7 February 2017, the Company shall constantly comply with the following risk control indicator criteria:

- (i) net capital shall not be less than RMB30 million;
- (ii) the ratio of net capital to venture capital reserve shall not be less than 100%;
- (iii) the ratio of net capital to net assets shall not be less than 20%;
- (iv) the ratio of current assets to current liabilities shall not be lower than 100%;
- (v) the ratio of liabilities to net assets shall not be more than 150%; and
- (vi) the minimum amount of the settlement reserve requirements as specified.

Net capital refers to the net assets minus the risk adjustment for the types of assets and liabilities specified in the Administration of Risk Control Indicators of Futures Companies. During the Reporting Period, the Company had taken sufficient measures to maintain the above ratios to meet the relevant capital requirements.

In accordance with the laws of the PRC and Hong Kong, the subsidiaries of the Company is not subject to capital requirements. They were not required to meet the relevant capital requirements during the Reporting Period.

XI. Commitments and contingencies

1 Significant commitments

Capital commitments

The Group's capital commitments are as follows:

	30 June 2020	31 December 2019
Contracted for but not implemented	42,000,000.00	42,000,000.00
Authorised but not contracted for	30,000,000.00	30,000,000.00
Total	72,000,000.00	72,000,000.00

2 Contingencies

- (1) On 17 July 2016, an employee of the Company and his wife entered into personal borrowing contracts with one customer under which they took the Company as the guarantor without informing the Company. The Company discovered such personal borrowings related to the employee on 18 July 2016 and reported it to the public security organ on 21 July 2016.

On 19 August 2016, the customer filed a lawsuit before Jing Hai Court against the employee, his wife, the Company and a legal person under his control as defendants. The claims are: (1) the employee shall repay the principal of the borrowings of RMB3,712,000 and pay interest at the monthly rate of 2% from 18 July 2016 to the date of the actual settlement; (2) the litigation costs shall be borne by the defendants. The court ruled against the customer on 1 December 2016.

On 4 June 2018, such customer filed a lawsuit before Jing Hai Court against the employee, his wife, the Company and a legal person under his control as defendants. The claims are: (1) such employee and his wife shall jointly repay the loan of RMB4,832,000 and pay interest at the monthly rate of 2% based on the amount of RMB4,712,000 from 27 October 2016 to the date of the actual payment of the loan to the plaintiff, and the Company and a legal person under the control of such employee shall be jointly and severally liable, with interest incurred as at 26 May 2018 amounting to RMB1,790,560 and the total amount of the lawsuit of RMB6,622,560; (2) the litigation costs shall be borne by the defendants.

On 15 January 2019, the customer applied for property preservation, and the court ruled that the bank deposits of the Company in the amount of RMB6.7 million be frozen. As at 30 June 2020, the lawsuit was still under trial.

Based on the relevant facts and the opinions from legal advisers, the Directors of the Company considered it not necessary to make the relevant provision.

XI. Commitments and contingencies (continued)

2 Contingencies (continued)

- (2) On 3 November 2017, two customers of the Company filed lawsuits against the Company's Beijing Branch before the People's Court of Dongcheng District of Beijing City (the "Dongcheng Court") for disputes over entrustment wealth management contracts. They alleged that a former employee of the Company promoted the wealth management products to them, and the Beijing Futures Branch carried out the futures trading without their authorization and transferred the wealth management entrusted funds in the customers' account to the account of Beijing Futures Branch for non-compliance transaction, resulting in a total loss of customers' funds.

One customer claimed for: (1) the repayment of RMB1.5 million wealth management deposit together with interest; and (2) the litigation costs shall be borne by the defendant. Another customer claimed for: (1) the repayment of RMB 8.352495 million wealth management deposit together with interest; and (2) the litigation costs shall be borne by the defendant. The Company received the first trial civil judgment delivered by Beijing Second Intermediate People's Court on 6 November 2018, which rejected all claims of the customers. The Company received the second civil ruling delivered by Beijing Higher People's Court on 26 December 2019, which ruled that the first trial civil judgment be revoked and the case go back to Beijing Second Intermediate People's Court for retrial. In May 2020, the case was returned for retrial for the first time. As at 30 June 2020, the lawsuit is still under trial.

Based on the relevant facts and the opinions from legal advisers, the Directors of the Company considered it not necessary to make the relevant provision.

- (3) On 29 April 2020, a client filed a lawsuit against an employee of the Company and the Company in the People's Court of Qixia District, Nanjing due to a tort liability disputes. Judgement was requested for: (1) the employee of the Company was ordered to compensate his investment losses of RMB4.00224 million, and the handling fee of RMB1,686,710, totaling RMB5,688,950; (2) the Company was ordered to bear joint and several liability for compensation; and (3) all litigation costs were borne by the defendant. The first hearing was heard in July.

As at 30 June 2020, the lawsuit was still under trial. Based on the relevant facts and the opinions from legal advisers, the Directors of the Company considered it not necessary to make the relevant provision.

Save as disclosed above, as at 30 June 2020, the Group was not involved in any material legal, arbitration or administrative litigation events that are expected to have a material adverse impact on its financial position and operating results.

XII. Other significant events

1 Segment reporting

The Group has two reportable segments, being the futures brokerage and asset management business segment and the commodity trading and risk management business segment. Each reportable segment is a separate business segment and provides different products and services. Each segment requires separate management as each segment needs different technologies and market strategies.

- 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, bank wealth management products, listed and unlisted securities, trust schemes, funds and 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, variation basis trading and hedging.

(1) Information on results, assets and liabilities of reportable segments

For the purposes of assessing segment performance and allocating resources between segments, the Group's management regularly reviews the assets, liabilities, revenue, expenses and financial performance, attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible, other non-current and current assets, such as accounts receivable, attributable to each segment. Segment liabilities include payables attributable to each segment.

Financial performance is the amount of revenue after deducting expenses, depreciation, amortization and impairment losses attributable to the individual segments, and interest income and expense from bank deposits and borrowings directly attributable to the segments. Inter-segment sales are determined with reference to the prices charged to external parties for similar orders. Non-operating income and expenses and tax expenses are not allocated to individual segments.

The Information regarding the Group's reportable segments set out below is the measure of segment profit (or loss) and segment assets and liabilities reviewed by the chief operating decision maker or is otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment profit or loss and segment assets and liabilities:

XII. Other significant events (continued)

1 Segment reporting (continued)

(1) Information on results, assets and liabilities of reportable segments (continued)

The Information regarding the Group's reportable segments set out below is the measure of segment profit (or loss) and segment assets and liabilities reviewed by the chief operating decision maker or is otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment profit or loss and segment assets and liabilities:

Item	Futures brokerage and asset management business		Commodity trading and risk management business		Inter-segment elimination		Total	
	For the period ended	For the period ended	For the period ended	For the period ended	For the period ended	For the period ended	For the period ended	For the period ended
	1 January 2020 to 30 June 2020	1 January 2019 to 30 June 2019	1 January 2020 to 30 June 2020	1 January 2019 to 30 June 2019	1 January 2020 to 30 June 2020	1 January 2019 to 30 June 2019	1 January 2020 to 30 June 2020	1 January 2019 to 30 June 2019
Operating income from external transactions	169,213,655.41	142,754,917.41	469,766,936.50	210,469,245.34	-	-	638,980,591.91	353,224,162.75
Operating income from inter-segment transactions	31,992.81	36,947.06	(31,992.81)	(36,947.06)	-	-	-	-
Operating expenses	(109,325,851.66)	(108,378,360.69)	(471,899,437.36)	(199,800,221.83)	-	-	(581,225,289.02)	(308,178,582.52)
Non-operating income and expenses	(642,140.21)	(2,446,374.22)	(11,525.69)	39,626.54	-	-	(653,665.90)	(2,406,747.68)
Total profit/(loss)	59,277,656.35	31,967,129.56	(2,176,019.36)	10,671,702.99	-	-	57,101,636.99	42,638,832.55
Income tax expenses	(14,071,325.31)	(5,731,457.78)	557,392.45	(3,138,984.41)	-	-	(13,513,932.86)	(8,870,442.19)
Net profit/(loss)	45,206,331.04	26,235,671.78	(1,618,626.91)	7,532,718.58	-	-	43,587,704.13	33,768,390.36
Total assets	6,923,385,774.11	4,465,396,064.85	299,325,211.22	269,895,488.36	(168,267,500.20)	(147,827,772.27)	7,054,443,485.13	4,587,463,780.94
Total liabilities	(5,538,216,754.84)	(3,110,463,156.06)	(47,706,834.44)	(15,760,927.07)	168,267,500.20	147,827,772.27	(5,417,656,089.08)	(2,978,396,310.86)
Other significant items:								
- Net interest income	41,724,817.06	46,867,313.43	34,849.08	66,934.37	-	-	41,759,666.14	46,934,247.80
- Depreciation and amortisation	(13,631,222.23)	(11,956,174.93)	(8,988.59)	(5,975.15)	-	-	(13,640,210.82)	(11,962,150.08)
- Increase in non-current assets other than long-term equity investments	5,058,742.99	3,746,076.66	4,246.90	20,196.89	-	-	5,062,989.89	3,766,273.55

XII. Other significant events (continued)

1 Segment reporting (continued)

(2) Geographical information

The information on the Group's revenue from external transactions by geographical region is as follows. Revenue from external transactions is shown based on the location of the customers who receive services or purchase products.

	Total revenue from external transactions	
	For the period ended 1 January 2020 to 30 June 2020	For the period ended 1 January 2019 to 30 June 2019
Mainland China	627,273,657.25	341,286,065.75
Hong Kong, China	11,706,934.66	11,938,097.00
Total	638,980,591.91	353,224,162.75

(3) Major clients

For the period ended 1 January 2020 to 30 June 2020, the Group's fee income from any single client was lower than 10% of its total revenue.

XIII. Post-balance sheet events

Withdrawal of application of A Share Offering

After careful studies and discussion with the relevant intermediaries and as considered and approved by the Board in the board meeting held on 31 July 2020, the Company decided to withdraw the application for the proposed A Share Offering. The withdrawal application is subject to the acceptance by the China Securities Regulatory Commission. In view of the steady business operation of the Company, the Board is of the view that withdrawing the application for the A Share Offering will not give rise to any material adverse impact on the financial position or operation of the Company. The Company will find another opportunity to file another application for the initial public offering and listing of the A Shares again.