

2016

Interim Report



HOLLY FUTURES

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

Stock Code: 3678

Contents

2	I Definitions
6	II Company Profile
9	III Financial Summary
12	IV Management Discussion and Analysis
31	V Corporate Governance
33	VI Other Information
40	VII Independent Auditor's Report
42	VIII Consolidated Statement of Profit or Loss
43	IX Consolidated Statement of Profit or Loss and Other Comprehensive Income
44	X Consolidated Statement of Financial Position
45	XI Consolidated Statement of Changes in Equity
46	XII Consolidated Cash Flow Statement
47	XIII Notes to the Unaudited Interim Financial Report

Definitions

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings.

Articles of Association	the Articles of Association of Holly Futures Co., Ltd. currently in force
Company, our 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 Hong Kong Stock Exchange
Group, our Group, us or We	our Company and its subsidiaries
Director(s)	director(s) of our Company
Board	the board of directors of our Company
Supervisor(s)	supervisor(s) of our Company
Supervisory Committee	the supervisory committee of our Company
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
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
Corporate Governance Code	The Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Report	the interim report for 2016 of our 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
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
Reporting Period	the six months ended 30 June 2016

end of Reporting Period	30 June 2016
Prospectus	the prospectus in relation to H Shares of the Company dated 16 December 2015
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
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Jiangsu Securities Bureau	Jiangsu Securities Bureau of the China Securities Regulatory Commission (中國證券監督管理委員會江蘇監管局)
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)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Chairman	the chairman of the Company
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
Chief Risk Officer	the chief risk officer of the Company
CFA	China Futures Association (中國期貨業協會)
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 and otherwise modified from time to time
Controlling Shareholder	SOHO Holdings unless the context requires otherwise
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
Holly Corporation	Jiangsu Holly Corporation (江蘇弘業股份有限公司) (formerly known as Jiangsu Crafts Import & Export Trading Group Co., Ltd. (江蘇省工藝品進出口集團股份有限公司)), a limited liability company established under the laws of the PRC on 30 June 1994 and one of the promoters and a Shareholder of the Company

Holly Su 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
High Hope Corporation	Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司) (formerly known as Jiangsu High Hope Corporation (江蘇匯鴻股份有限公司)), a limited liability company established in the PRC on 13 October 1992 which was subsequently converted to a joint stock limited company in 1994
High Hope International	Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團有限公司), a limited liability company established under the laws of the PRC on 18 December 1996 and one of the promoters of the Company, which was de-registered on 23 September 2015 as a result of the merger with High Hope Corporation by way of absorption
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 our Company
Holly Su Futures	Holly Su Futures (Hongkong) Co., Limited (弘蘇期貨(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 20 October 2011 and a wholly-owned subsidiary of our Company which is licensed to carry on Type 2 (dealing in futures contracts) regulated activity under the SFO
Hong Kong	the Hong Kong Special Administrative Region of the PRC
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
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)
Shareholder(s)	holder(s) of the Shares
AUM	the amount of assets under management
client balances	cash and cash equivalents deposited by the brokerage clients with the Company for trading purpose, consisting of client margin deposits and settlement reserve funds

collective asset management scheme(s)	asset management contract(s) entered into with multiple clients by an asset manager, pursuant to which the clients' assets are placed in the custody of commercial bank qualified to hold client transaction settlement funds or in other institutions approved by the CSRC, and the asset manager provides asset management services to the clients through designated accounts
commission revenue	commission revenue of a futures company represents the sum of (i) commission and fee income generated from futures brokerage operations of a futures company and (ii) refund of relevant commission from futures exchanges
lot	the standardised quantity of futures as set out by the PRC Futures Exchange, and represents the minimum quantity of that futures that may be traded
Introducing Broker(s)	a business partner of our Company who introduces clients to our Company for commission
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
R&D	research and development
settlement reserve funds	unrestricted and unutilised cash balances reserved for the settlement and clearing of the futures trading, which are deposited with the futures exchanges and commercial banks. Settlement reserve funds include client settlement reserve funds and our own settlement reserve funds
targeted asset management scheme(s)	targeted asset management contract(s) entered into with a single client by an asset manager in China, pursuant to which the asset manager provides asset management services to the client through accounts under the client's name
Share(s)	Domestic Share(s) and H Share(s)
Rules of Procedure for Meeting of the Board	the Rules of Procedure for Meeting of the Board of Holly Futures Co., Ltd. currently in force
RMB or Renminbi	the lawful currency of the PRC
HK\$ or Hong Kong dollars	the lawful currency of Hong Kong

Company Profile

I. BASIC INFORMATION ABOUT THE COMPANY

1. LEGAL 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. 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

3. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

4. BOARD

Executive Directors

Mr. Zhou Yong (Chairman)

Ms. Zhou Jianqiu

Non-executive Directors

Mr. Xue Binghai

Mr. Zhang Ke

Mr. Sun Changyu

Independent non-executive Directors

Mr. Li Xindan

Mr. Zhang Hongfa

Mr. Lam Kai Yeung

Special Committees of the Board

Audit Committee	Mr. Lam Kai Yeung (Chairman) Mr. Xue Binghai Mr. Zhang Hongfa
Remuneration Committee	Mr. Zhang Hongfa (Chairman) Mr. Sun Changyu Mr. Li Xindan
Nomination Committee	Mr. Zhou Yong (Chairman) Mr. Li Xindan Mr. Zhang Hongfa
Risk Management Committee	Mr. Li Xindan (Chairman) Mr. Xue Binghai Ms. Zhou Jianqiu Mr. Zhang Ke

5. SUPERVISORY COMMITTEE

Ms. Xu Yingying (Chairlady of the Supervisory Committee)

Ms. Wang Jianying

Mr. Zhao Yajun

6. LEGAL REPRESENTATIVE

Ms. Zhou Jianqiu

7. SECRETARY TO THE BOARD

Mr. Zhao Weixiong

8. JOINT COMPANY SECRETARIES

Mr. Zhao Weixiong

Ms. Leung Wing Han Sharon

9. AUTHORISED REPRESENTATIVES OF THE COMPANY

Ms. Zhou Jianqiu

Mr. Zhao Weixiong

10. STATUTORY AUDIT INSTITUTIONS OF THE COMPANY

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

International accounting firm: KPMG

11. COMPLIANCE ADVISOR

Guotai Junan Capital Limited

12. LEGAL ADVISERS

As to Hong Kong Law: Li & Partners

As to PRC Law: Jingtian & Gongcheng

13. PRINCIPAL BANKERS

Bank of China Limited

China Construction Bank Corporation

Agricultural Bank of China Limited

Industrial and Commercial Bank of China Limited

Bank of Communications Co., Ltd.

Shanghai Pudong Development Bank Co., Ltd.

China Minsheng Banking Corp., Ltd.

Industrial Bank Co., Ltd

Evergrowing Bank Co., Ltd.

China CITIC Bank Corporation Limited

China Merchants Bank Co., Ltd.

Bank of Jiangsu Co., Ltd.

Bank of Nanjing Company Limited

China Everbright Bank Co., Ltd

Ping An Bank Co., Ltd.

Bank of Hangzhou Co., Ltd.

Bank of Shanghai Co., Ltd.

Hua Xia Bank Company Limited

Wing Lung Bank Limited

Bank of China (Hong Kong) Limited

14. H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

15. STOCK CODE

03678

Financial Summary

I. Major accounting data and financial indicators

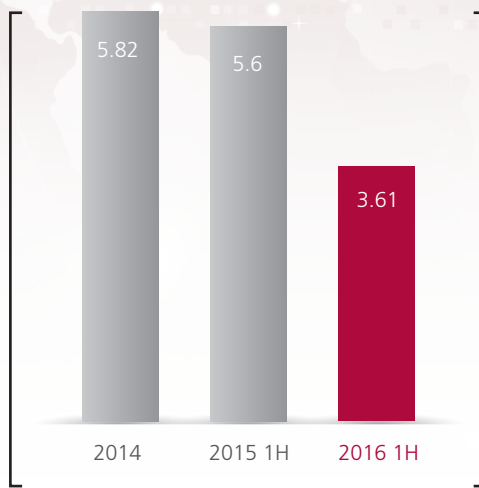
(Unless otherwise specified, the accounting data and financial indicators contained in this interim report are prepared in accordance with the Hong Kong Accounting Standards.)

RMB' 000	Jan-Jun 2016	Jan-Jun 2015	Increase in current period as compared to the prior period	
			Amount	%
Operating income	146,737	177,641	(30,904)	-17%
Profit before taxation	47,801	73,617	(25,816)	-35%
Profit after taxation – attribute to shareholders of the Company	36,130	55,976	(19,846)	-35%
Net cash generated from operating activities Inflows/(outflows)	13,169	236,704	(223,535)	-94%
Earnings per share (RMB/share)				
Basic earnings per share	0.0398	0.0823		
Diluted earnings per share	0.0398	0.0823		
Profitability indicators				
Weighted average return on net assets (%)	2.16%	4.42%		

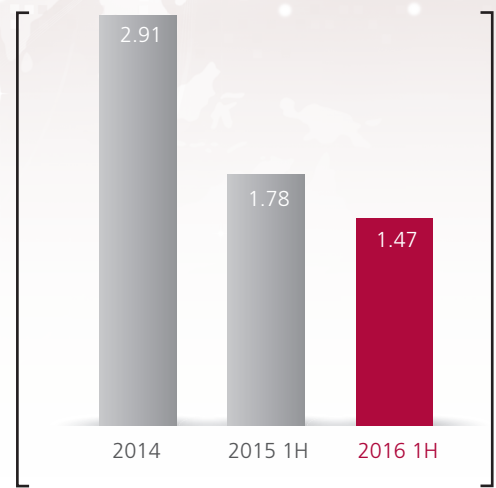
Scale indicators (RMB'000)	As at 30 June 2016	As at 31 December 2015	Increase in the end of the current period as compared to the end of the prior year	
			Amount	%
Total assets	5,096,256	5,528,765	(432,509)	-8%
Total liabilities	3,428,675	3,853,374	(424,699)	-11%
Accounts payable to brokerage clients	3,239,772	3,663,459	(423,687)	-12%
Equity attributable to shareholders of the Company	1,667,581	1,675,391	(7,810)	0%
Total share capital ('000)	907,000	907,000		
Net assets value per share attributable to shareholders of the Company (RMB per share)	1.84	1.85		
Gearing ratio (%)^{Note 1}	10%	10%		

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

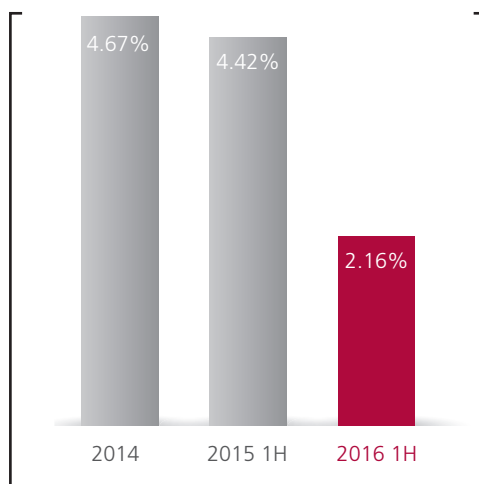
Profit after taxation (RMB 10 million)



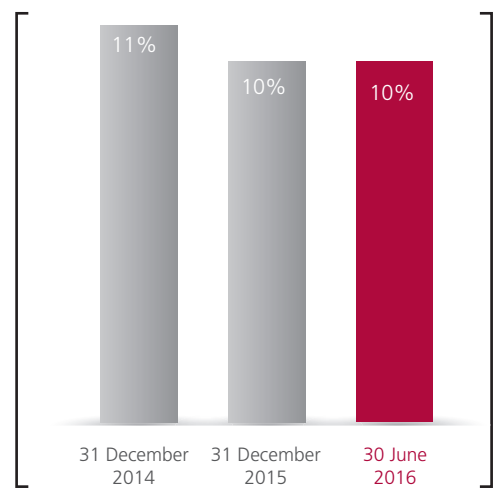
Operating income (RMB 100 million)



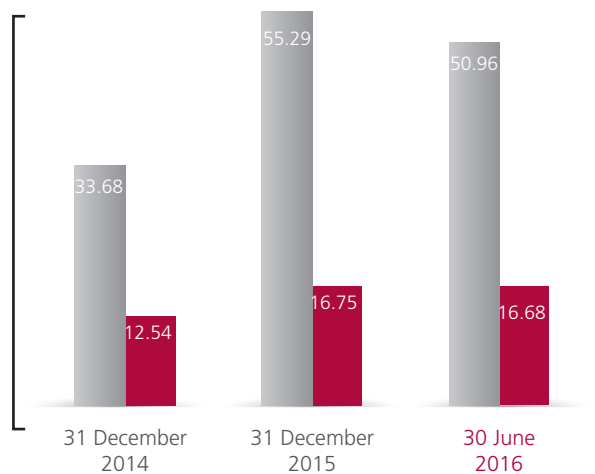
Weighted average return on net assets



Gearing ratio



Scale indicators (RMB 100 million)



■ Total assets

■ Equity attributable to shareholders of the Company

II. Net Capital and relevant risk control indicators of the Company as at 30 June 2016

The Net Capital of the Company as at 30 June 2016 amounted to RMB1.117 billion, representing an increase of RMB164 million as compared with RMB953 million as at the end of 2015. During the Reporting Period, various risk control indicators including the Net Capital met regulatory requirements. (The following table sets out the Net Capital and the major risk control indicators prepared by the Company in accordance with PRC Accounting Standards and the regulatory requirements in the PRC)

	As at 30 June 2016	As at 31 December 2015	Warning level	Minimum/ Maximum level
Net capital (RMB million)	1,117.49	953	18	≤15
Net Capital/total risk capital reserves (%)	443%	376%	120%	≥100%
Net Capital/net assets (%)	72%	61%	48%	≥40%
Current assets/current liabilities (%)	424%	591%	120%	≥100%
Total liabilities/net assets (%)	21%	17%	120%	≤150%
Proprietary settlement reserve funds (RMB million)	53	28	9.6	≥8

Management Discussion and Analysis

I. Market Review

During the first half of 2016, in view of complex and changing domestic and foreign political and economic environment, China implemented effective macro-economic policies to maintain the stable and progressing development momentum of the overall economy. During the first half of 2016, the growth of gross domestic production in China was 6.7% and the overall economy saw L-shaped growth as expected. While the “quantity” remaining stable, the “quality” of the economy improved: there was continuous enhancement in the industrial production structure and investment structure; the growth of high technology industry and advanced equipment manufacturing industry accelerated with higher proportions; the investment in the high technology industry as well as science, education, culture and healthcare sectors grew rapidly; and the service sector became the largest growth driver.

During the period of first half of 2016, commodity, equity and real estate prices underwent significant fluctuations despite the relatively stable economic development in general, which were attributable to the changes in the fundamentals and expectations of the assets as well as the price fluctuations occurred while adjusting fund allocation among each asset class in view of the sufficient money supply and increased liquidity. Such phenomenon especially stood out in the commodity market during the first half of 2016. There was a sharp rise of the commodity prices in general for the first half of 2016 with obvious divergent price increases of different commodities. Industrial products including iron ores and deformed steel bars presented strong growth with ferrous metal taking the lead, showing a trend of stronger industrial products and weaker agricultural products. As at the end of June 2016, the accumulated trading volume in the domestic futures market was about 2.291 billion lots with an accumulated turnover of approximately RMB99.34 trillion calculated as one side of a trade, representing an increase of 35.08% and a decrease of 71.91% respectively as compared to 1.696 billion lots with RMB353.68 trillion for the same period of last year. Total assets of futures companies and futures client balance amounted to RMB497.897 billion and RMB400.319 billion respectively, representing decreases of 0.42% and 5.3% as compared to the same period in 2015. Net assets amounted to RMB83.248 billion, representing an increase of 23.03% as compared to the same period in 2015.

Operating conditions of products

The price movements of the domestic futures market for the first half of 2016 were as follows:

Operating conditions of agricultural product futures

As at the end of June 2016, the trading volume of agricultural product futures was 705 million lots, representing an increase of 46.52% as compared to 481 million lots for the same period of last year, with a turnover of RMB25.00 trillion, representing an increase of 44.03% as compared to RMB17.36 trillion for the same period of last year, mainly attributable to the liquidity easing in China, leading to large capital inflows to the agricultural product market with strong attraction to capital as a result of the prolonged price decrease of agricultural products such that the prices of some products, such as white sugar and cotton, are even lower than the production costs. Besides capital factors, the agricultural product market was also affected by the weather. The El Niño phenomenon this year caused droughts in the origins of many commodities. The yields of some agricultural products fell more drastically than expected. The domestic and foreign markets had the same resonance, elevating the prices of agricultural products.

Operating conditions of industrial product futures

As at the end of June 2016, the trading volume of industrial product futures was 1.576 billion lots, representing an increase of 59.24% as compared to 990 million lots for the same period of last year, with a turnover of RMB65.02 trillion, representing an increase of 39.56% as compared to RMB4.659 billion for the same period of last year. The industrial product market was subject to relatively larger fluctuations in general for the first half of 2016. In respect of the macro-economic aspect, it was attributable to the sufficient capital with lower commodity prices, causing an influx of capital to the commodity market in view of asset shortage. In respect of industries, the demand and supply of many products were changing after the prolonged decrease over the past few years. Taking Renminbi depreciation as an example. The increase in import costs encouraged the general growth of the commodity market. During the first half of 2016, the phased improvement made in the real estate and infrastructure markets obviously facilitated the commodity market. However, the changes in the end demand diversified in the industrial product market in the long run. It will be difficult to sustain the rising trend as a result of sufficient capital and supply-side reform, leading to an increasingly apparent divergent market. During the first half of 2016, the ferrous metal sector experienced booms and busts, just like a roller coaster ride. Supporting by their unique fundamentals, the non-ferrous metal and chemical sectors enjoyed strong growth. The industrial product market tends to be more volatile.

Operating conditions of financial futures

As at the end of June 2016, the trading volume of financial futures was 9.54 million lots, representing a decrease of 95.76% as compared to 224 million lots for the same period of last year, with a turnover of RMB9.32 trillion, representing a decrease of 96.78% as compared to RMB289.73 trillion for the same period of last year, mainly attributable to the increase in the overall trading volume of stock index futures as a result of the stock market boom in 2015. Compared to the stock market of last year, the stock market was mediocre this year. Moreover, there were significant increases in the margin deposits and handling fees of stock index futures as a result of the stock market crash since the second half of 2015, which constrained the opening and holding of positions, causing a substantial decline in market activities.

II. Overall Business Conditions

Against the backdrop of the increasingly competitive futures industry and diminishing marginal utility of traditional brokerage business, the Company strengthened its traditional brokerage business and developed new drivers of profit growth including asset management, international business and risk management with the focus on improving development quality and corporate efficiency so as to facilitate the transition of the Company from a traditional brokerage company to a financial group conglomerate. As at 30 June 2016, the Group had total assets amounting to RMB5,096 million, net assets attributable to the Company amounting to RMB1,668 million and net profit attributable to the Company amounting to RMB36.13 million. The Group's total revenue amounted to RMB147 million, in which operating income and net investment gain amounted to RMB143 million and RMB4 million, accounting for 97.28% and 2.72% of total revenue, respectively. The profit decrease was mainly attributable to the decreases in investment gain from financial assets, revenue from financial futures brokerage business and revenue from risk management business. The key financial indicators such as total assets and net assets of the Group were at historically high level.

III. Analysis of Principal Business

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

(I) Futures brokerage business

The futures brokerage business of the Company includes providing brokerage service in respect of the commodity futures and financial futures available at all futures exchanges listing in the PRC and receiving certain percentage of handling fees from clients. As of 30 June 2016, the Company had 43 branches, which mainly located at the municipalities, Jiangsu province and other economically developed cities in the PRC.

For the first half of 2016, the futures brokerage business of the Company maintained at a fairly good level. The Company's client balance amounted to RMB3.24 billion as at the end of June 2016, representing a decrease of 12% as compared to RMB3.663 billion for the end of 2015. The turnover from brokerage of the Company amounted to RMB1.78 trillion with a decline smaller than the national decline for approximately 30 percentage points. The Company's market share increased to 0.9%, hitting a record high since 2013. The turnover from commodity futures brokerage amounted to RMB1.7 trillion, representing year-on-year growth of 61.83% as compared to RMB1.05 trillion for the same period in 2015. The turnover from financial futures brokerage amounted to RMB0.08 trillion, representing a year-on-year decrease of 96.1% as compared to RMB2.07 trillion for the same period in 2015, which was basically in line with the decrease across the country. The decrease was due to the restrictions imposed on stock index and futures by regulatory authorities and China Financial Futures Exchange, causing a huge drop in turnover of financial futures in the whole market in China. The trading volume of the Company was 43 million lots, representing year-on-year growth of 60.47% as compared to 27 million lots for the same period in 2015. As at the end of June 2016, the handling fee rate for commodity futures of the Company was 0.5 bps, representing a year-on-year decrease of 19.49% as compared to 0.62 bps for the same period in 2015. The handling fee rate for financial futures was 0.06 bps, representing a year-on-year decrease of 42.54% as compared to 0.11 bps for the same period in 2015. Despite the increase in market share and trading volume of turnover, the significant decrease in proportion of financial futures caused the decreases in overall turnover. The decrease in trading volume of financial futures was due to financial market volatility. The handling fees of the Group from futures brokerage business amounted RMB91 million, representing a slight increase of 1% as compared to RMB90 million for the same period in 2015.

(II) Asset management business

As at 30 June 2016, AUM of the Company amounted to RMB611 million, representing an increase of 188% as compared to RMB212 million at the end of 2015. The client balance for futures amounted to RMB404 million, representing an increase of 117% as compared to the end of 2015. The asset management business achieved a fee income of RMB1.43 million, representing growth of 209% as compared to RMB0.47 million for the same period of last year. There were 42 trading asset management accounts in aggregate, which increased by 19 as compared to the end of 2015. All accounts were operated smoothly.

During the first half of 2016, there were some highlights of the Company's asset management business. Firstly, the Company fully capitalised on its branch network and established a pool of investment consultants so as to facilitate the development of asset management business for investment advisory. Secondly, the Company fully utilised its advantages in self-development, focused on developing its own investment and trading team and initiated to launch a number of self-developed products. Thirdly, the Company commenced the business cooperation with bank channels for agglomeration economies and influence expansion.

(III) Commodity trading and risk management business

In 2016, due to the continued downturn in the real economy, the commodity trading and risk management business encountered a number of difficulties and challenges. As of the end of June 2016, Holly Capital achieved total profit of RMB3.21 million, representing a decrease of 81.35% as compared to RMB17.1946 million for the same period in 2015. The decrease was mainly because the Company tightened the risk control measures in face of unstable market conditions. Fewer potential projects appeared to be suitable for the Group to execute and fewer potential projects passed through the Group's internal risk assessment procedures. In addition, given economic volatility, the Group placed more emphasis on risk control at the cost of forgoing certain business opportunities which were considered as relatively risky.

In order to further strengthen the foundation and scale of Holly Capital, the Company contributed capital of RMB90 million into Holly Capital on 21 July 2016, and thus Holly Capital increased its registered capital to RMB240 million and set up a Hong Kong wholly-owned subsidiary to be responsible for the expansion of cross-border transaction and cross-border financing business. In pursuit of enhancement in risk control and risk management system, Holly Capital rationalised its business models including basis trading and warehouse receipts services while focusing on the key elements and matters needing attention of risk management for each business model so as to strengthen its risk resistance in a practical way.

(IV) Financial assets investment

With an aim of optimising its capital operation, the Company invested in a variety of financial assets including securities, 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.

As of the end of June 2016, the Group's gains from financial assets investment amounted to RMB3.12 million, representing a decrease of 78.2% as compared to RMB14.29 million for the same period in 2015, which was mainly subject to the volatile and slumping stock market in the PRC under the influence of the macro economy, causing the Group to reduce investment in the securities market and reduce trading frequency.

IV. Other Innovative Business

(I) Enhanced profitability of international business

As of the end of June 2016, Holly Su Futures, the wholly-owned subsidiary of the Company in Hong Kong, achieved client balance and fee income amounting to HK\$175 million and HK\$2.99 million respectively for the end of June 2016, up 53% and 28% as compared to the end of 2015 and the same period of 2015 respectively. In order to expand its business scale and scope, Holly Su Futures increased its registered capital to HK\$100 million. It is also making an application for a securities trading license in Hong Kong and has set up an asset management subsidiary for the application for an asset management license in Hong Kong.

(II) Good start of options business

Since the commencement of stock options brokerage business in April 2016, 34 stock options accounts were opened by the Group as of 30 June 2016. With the progressing over-the-counter options business, the Company continued to improve its calculations in pricing and risk management. The Company explored a new model of “insurance + futures” to serve agriculture, rural areas and farmers and completed the product design and hedging solutions with renowned insurance companies. It also filed its “insurance + futures” over-the-counter options project with Dalian Commodity Exchange and entered into over-the-counter options cooperation agreements with a number of financial institutions.

(III) New journey of funds sales

After obtaining approval for the funds sales business at the end of 2015, the Company commenced system deployment, regulatory testing, funds companies testing and other works by stages and entered into funds distribution agreements with a number of funds companies, aiming at launching funds distribution products in 2016.

V. Outlook and Plans

In the second half of 2016, the Company will continue with its approach of prudent progress in adapting to the economic new normal. It will spare no effort in pushing forward with its various tasks based on deeper organisational and mechanism reforms, transformation and upgrades, stronger risk prevention and internal management.

(I) Deeper business reforms to boost market competitiveness

Traditional brokerage will adopt an approach of meticulous operation. It will shift from extensive to intensive, and from providing intermediary services to value added services. Pursuing professionalism of practitioners, precision in client management and revenue maximisation, it will embrace new businesses such as investment consultation, asset management and risk management in enhancing service quality to enlarge assets under management and consolidate its market share. Marketing will follow the hedging policy which aims to uncover clients' in-depth needs upon full understanding of basic ones. As for interacting with and making use of platforms such as real trading contests, information of needs and trading habits of clients will be gathered to form a basis for the transformation, upgrades, strategy building and development of traditional business.

Asset management will set its aim at up-scaling. Leveraging its quality derivatives, the business line will upscale its asset management through product-based cooperation to develop new points of profit growth. According to market demand for diversity, it will develop innovative services and provide standardised products and services to general clients while providing high-end clients with customised ones, so as to satisfy both corporate entities and investors' needs of risk management and asset allocation. It will strengthen cooperation with fellow financial institutions in devising bond- and share-related products incorporating derivatives, as well as accelerate the building of its active management team by constructing a training system and enhancing risk control. Further, in view of the rigorous regulation and stronger downward pressure on the economy, project evaluation and management of investment advisers will be further tightened to prevent risk.

Risk management will be further professionalised. Firstly, Holly Capital will allocate resources to internal improvements including development of teams and sophisticated business growth models to boost corporate core competitiveness. At the same time, a risk control model maximising breadth and width will be put into practice as part of the risk control system to control risk exposure and thus help increasing the profitability and risk resistance of Holly Capital. Secondly, the option-related business will develop its client groups, explore trading patterns of derivatives dealers, provide customised risk management services to corporate entities based on over-the-counter options such as quotations and specific product design and strive to roll out products of mini-options and multi-leg options, with a view to bringing its number of new option accounts and trading volume to the forefront of the futures industry.

Financial assets investment will make effective moves to initiate block asset allocation through stronger and comprehensive prospective analysis of the macro-economy and a grasp of cyclical patterns of economic development. It will elevate gains on assets of the Company by seizing opportunities in the securities market arising at the phase switching, while continuing with analysis of forms and methods and execution of plans relating to investments of its own funds for the purposes of expanding its principal businesses such as asset management.

(II) Focusing on internationalisation and application of internet to enhance sustainability

The international business layout will be optimised. Firstly, Holly Su Futures will strive for business innovations basing on the market of Hong Kong by applying licenses for dealing in securities and asset management in Hong Kong in order to participate in the Shanghai-Hong Kong Stock Connect and the forthcoming Shenzhen-Hong Kong Stock Connect. Secondly, the client base and developed operations will be extended to overseas where talents and successful experience will be introduced into its China base for localised application. Thirdly, thorough preparations will be made for oil futures so as to offer Chinese clients access to global energy trading as well as to develop clients overseas. Fourthly, it is to follow the policy of focusing on Hong Kong while expanding into Europe and America in the course of its overseas expansion and to study the feasibility of setting up foreign subsidiaries in Europe, America and other places to underpin the international layout.

The implementation of the internet finance strategy will pick up speed. Seizing chances brought by the Internet Plus, the Company will improve client experience and service standard and endeavour to create a profit mode which emphasises developing and integrating online and offline elements. The client base expansion model centring around sales points will turn to base on online service platforms. The beta-test of the mobile app Holly Touch (弘運通) will be carried out with utmost care. The big data technology based on the internet will be put into good use in providing clients with an integrated full range of financial service solutions and in further developing innovative financial products. Moreover, multi-faceted cooperation with other sectors will be sought to further internet finance.

(III) Further optimised organisation and mechanisms for business transformation and innovation

Operational models of setting up branches in certain regions will be explored to facilitate their growth in a short time. The Company will encourage characterised development, under which the branches will have to make use of their own operational strengths to decide their specific development paths. They will also be instructed to play a role in spurring the rapid growth of local and surrounding operational units, especially those making a loss.

The “In Weal and Woe” (一幫一、一起紅) event will be held continuously to encourage learning from the best practices and experience. Loss-making departments will adopt operating cost control measures which are effective in light of their specific circumstances, while light sales departments will be directed to pursue “professionalism” and “boutique” models in their development.

Subsidiaries will be further strengthened. Holly Capital and Holly Su Futures will optimise their management model and enhance the efficiency of decision making. Securing compliance, subsidiaries will develop their business growth models in order to gain further expansion and strength.

(IV) Refined management for steady operation

Advanced management experience in the financial sector will be drawn on to improve regulatory systems and further enhance the refined management model and standardised operation, which will in turn secure and facilitate transformation and innovative development.

Better human resources management will be implemented. The training system will be improved through targeting programs, inspections and staff interactions, with a view to elevating the strategic qualities and management capability of operational and management personnel, the expertise and innovative ability of professionals and the level of operation and services of skilled workers. Aiming to make sound the recruitment and task assigning systems, the advantage of owning a national post-doctoral program will be put into play to attract and train senior personnel and those for innovation and international development. The appraisal system and training measures will be improved to bring out chances of career development so that the competent will be retained by good prospects and remuneration.

Financial management will be enhanced. In order to achieve the goal of “cost reduction”, multiple measures will be studied and launched to exercise further control over operating expenses and financing cost. Mechanisms of using and managing internal funds and proceeds will be optimised so as to increase efficiency of capital allocation and prevent liquidity risk.

Research and development ability will be increased. A platform of research and development resources sharing will be established to create appropriate atmosphere to materialise the idea of “research for value”. The mindset for studies will be shifted to place emphasis on sell-side research which thinks like a buyer in order to develop a big research system which will shape a development framework catering for both the sell side and the buy side and therefore increase the core competitiveness of the Company. As for professional consulting for clients, online face to face interaction will be launched and columns of online experts will be upgraded.

Information technology (IT) systems will be further established. Adhering to the strategy to apply the latest IT, the Company will make an effort to conceive a middle-to-long term plan for the IT systems which will ride on trends in the industry and needs of the Company's transformation and innovation. Leveraging such IT systems, the optimisation and overhaul of business processes will be facilitated to create an efficient service system offering good communication and organisation and high sensitivity.

Plans for further investments or acquiring capital assets

On 15 June 2016, the second session of the Board of the Company held its sixth meeting, at which it was passed the resolution on capital increase of Holly Capital Management Co., Ltd.. Accordingly, the Company injected RMB90.00 million into Holly Capital on 21 July 2016 for further development of its commodity trading and risk management businesses. The contribution was funded by, among other things, the proceeds from the offering of H Shares. The Company's own funds made up the any shortfall.

VI. Liquidity, Financial Resources and Capital Structure

(I) Profitability analysis

During the Reporting Period, the Company seized the opportunities of the industry innovation and development and gradually enhanced its comprehensive strength. The agency trading volume of its traditional commodity futures brokerage business under the control on stock index and futures grew steadily. Its subsidiaries' investment business achieved good returns while its assets management business achieved faster growth. The overall operation kept on developing steadily with sound profitability. The Group achieved total operating income of RMB147 million, a decrease of 17% from RMB178 million for the same period of 2015. The net profit attributable to Shareholders of the Company amounted to RMB36.13 million, a decrease of 35% from RMB55.98 million for the same period of 2015. The earnings per Share amounted to RMB0.0398 and the weighted average return on net assets was 2.16%, a decrease of 2.26 percentage points compared to the same period of last year.

(II) Asset structure and asset quality

As at 30 June 2016, the total assets of the Group amounted to RMB5,096 million, representing a decrease of 8% as compared with RMB5,529 million at the end of 2015; the total liabilities amounted to RMB3,429 million, representing a decrease of 11% as compared with RMB3,853 million at the end of 2015; and the net assets attributable to the Shares of the Company decreased by 0.54% as compared with RMB1,676 million at the end of 2015 to RMB1,667 million.

The asset structure remained stable while the quality and liquidity of assets were well maintained. As at 30 June 2016, the total assets of the Group consisted of: current assets of RMB5,004 million, accounting for 98.19% of the total assets, decreased by 7.9% as compared to RMB5,433 million at the end of 2015. Current assets mainly included cash held on behalf of clients of RMB2,096 million (accounting for 41.13%), cash and bank balances of RMB1,301 million (accounting for 25.53%), refundable deposits of RMB1,265 million (accounting for 24.82%), assets for financial investment of RMB286 million (accounting for 5.61%), other receivables of RMB52 million (accounting for 1.02%) and other current assets of RMB4 million (accounting for 0.08%). There was no indicator for material impairment of the assets of the Group in the first half of 2016.

As at 30 June 2016, the liabilities deducting deposits payable to clients amounted to RMB189 million, representing a decrease of 0.53% as compared with RMB190 million at the end of 2015. The gearing ratio of the Group was 10%, which remained stable as compared to the end of 2015 (Note: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)). The operating leverage was 1.11 times, which remained stable as compared to the end of 2015 (Note: Operating leverage = (Total assets – Accounts payable to brokerage clients)/Equity attributable to the Shareholders of the Company).

(III) 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 monitor index of the Company in each month throughout the first half of 2016 complied with the regulatory requirements of the CSRC.

(IV) Currency risk

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

(V) Cash flows

The net increase in cash and cash equivalents of the Group amounted to RMB178 million in the first half of 2016.

Net cash generated from operating activities of the Group amounted to RMB13 million in the first half of 2016, representing a year-on-year decrease of RMB224 million as compared with RMB237 million for the same period in 2015; net cash generated from investing activities amounted to RMB-219 million in the first half of 2016, representing a year-on-year increase of RMB37 million as compared with RMB-256 million for the same period in 2015; net cash generated from financing activities amounted to RMB383 million in first half of 2016, representing a year-on-year increase of RMB385 million as compared with RMB-2 million for the same period in 2015; net increase in cash and cash equivalents amounted to RMB178 million in first half of 2016, representing a year-on-year increase of RMB200 million as compared with RMB-22 million for the same period in 2015.

(VI) Significant investment

Save as the investments in equity securities and short term investments presented in the consolidated statement of financial position as at 30 June 2016, the Group did not hold any significant investment in equity interest in any other company as at 30 June 2016.

(VII) Contingent liabilities

- (a) On 8 May 2015, an individual customer together with the company she owns (“**Customers B and the company beneficially controlled by Customer B**”) filed lawsuits against the Company, alleging that (i) one of the Company’s former employees carried out unauthorized futures trading under their accounts and (ii) the Company had charged them brokerage commissions in excess of the rate as agreed under the brokerage service agreements. The aggregate amount of these two claims was approximately RMB46.3 million together with an aggregate interest of approximately RMB12.0 million.

On 9 November 2015, the Company received the relevant first trial judgments dated 5 November 2015 (the “**Trial Judgments**”) granted by the Intermediate People’s Court of Nanjing City, Jiangsu Province (the “**Nanjing Court**”). According to the Trial Judgments, the Nanjing Court ruled that, among other things, (i) the Company has not violated any of the relevant brokerage service agreements and the unauthorized futures trading activities of that former employee were personal dealings and as a result, consequences of such unauthorized trading activities should not be borne by the Company and (ii) the brokerage commission rates charged by the Company were in accordance with the terms of the relevant brokerage service agreements.

On 23 November 2015, the Customers B and the company beneficially controlled by Customer B appealed to the Higher People’s Court of Jiangsu Province, requesting that, among other things, the Higher People’s Court of Jiangsu Province revoke the Trial Judgments. As at the date of this report, the legal proceedings with the customers are still on-going.

On the basis of the Trial Judgments, the directors consider that no provision in the consolidated financial statements is required.

- (b) On 18 July 2016, the Company became aware that one of its employees was involved with alleged forgeries to enter into asset management agreements with several customers during the year ended 31 December 2015 and the period ended 30 June 2016. The funds collected from these customers were deposited directly into the employee’s personal account. On 21 July 2016, the Company reported the case to the public security authority.

As at the date of this report, the funds collected cannot be reasonably estimated as the case is currently under investigation by the public security authority and none of these customers has filed lawsuits against the Company. Accordingly, the directors consider that no provision in the consolidated financial statements can reasonably and reliably be estimated based on currently available information.

(VIII) Charges on assets

As at 30 June 2016, the Group did not have any charges on assets.

VII. Material Financing of the Company

(I) Equity financing

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

(II) Bond financing

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

VIII. Investments during the Reporting Period

(I) Use of proceeds

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

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

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

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

As of 30 June 2016, the aforementioned proceeds were utilised for the purposes set out in the Prospectus as follows:

Title of the project intended to be financed	Whether there were changes in the project	The amount of proceeds to be invested during the Reporting Period (HK\$)	The accumulated amount of proceeds actually invested (HK\$)	Percentage (%)
Developing the Hong Kong and global futures business	No	75,000,000.00	75,000,000.00	13.99%
Developing asset management business	No	109,512,827.22	109,512,827.22	20.43%
Developing the commodity trading and risk management business	No	–	–	N/A
Developing and strengthening the existing futures brokerage business	No	–	–	N/A
Purchasing IT equipment and software	No	1,173,715.54	1,173,715.54	0.22%
General working capital of the Group	No	37,240,865.70	37,240,865.70	6.95%

In order to enhance the efficiency of the utilisation of the proceeds, as of 30 June 2016, the Company's remaining proceeds were deposited into large commercial banks as bank deposits. The Company intends to utilise the net proceeds in the amount and usages as prescribed in the Prospectus in due course in the second half of 2016 and 2017.

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

Investments during the Reporting Period

The Company convened the twenty-fifth meeting of the first session of the Board and the third meeting of the second session of the Board on 10 August 2015 and 15 February 2016 respectively, for the consideration and approval of the resolutions in relation to the establishment of a fund management company by external investments of Holly Futures Co., Ltd. and the change of the shareholders of the Holly Fund Management Co., Ltd.. The Company is planning to utilise its own funds amounting to RMB42.0 million to establish the Holly Fund Management Co., Ltd. ("Holly Fund") with Jiangsu Yuanjin Investment Group Co., Ltd., Mr. Zhang Yuebo and Jiangsu Coast Development Group Co., Ltd.. The proposed total investment in Holly Fund amounts to RMB120 million and the Company is the first major shareholder, holding 35% of its equity interest. The fund management company is currently preparing.

The Company convened the third meeting of the second session of the Board on 15 February 2016 for the consideration and approval of the resolution in relation to the establishment of a wholly-owned subsidiary in Hong Kong by Holly Capital Management Co., Ltd., HOLLY CAPITAL (HONGKONG) CO., LIMITED was established on 10 May 2016 with a registered capital of HK\$5 million.

The Company convened the fourth meeting of the second session of the Board on 11 March 2016 for the consideration and approval of the resolution in relation to the application made by Holly Su Futures (Hongkong) Co., Ltd. for SFC Type 1, Type 3 and Type 9 licenses, and increase in capital. The Company contributed capital of HK\$75 million to Holly Su Futures in April 2016. The registered capital of Holly Su Futures was HK\$100 million after capital injection.

The Company convened the sixth meeting of the second session of the Board on 15 June 2016 for the consideration and approval of the resolution in relation to the establishment of asset management subsidiary in Hong Kong by Holly Su Futures (Hongkong) Co., Ltd., Holly Su Futures contributed capital of HK\$20 million to incorporate Holly Su Asset Management Co., Ltd. on 7 July 2016.

The Company convened the sixth meeting of the second session of the Board on 15 June 2016 for the consideration and approval of the resolution in relation to the capital increase of Holly Capital Management Co., Ltd.. On 21 July 2016, the Company contributed capital of RMB90 million to Holly Capital for further developing the commodity trading and risk management businesses. The source of the capital increase was the proceeds from H Shares offering, and the rest was own funds of the Company.

(IV) Future plans for significant investment and fixed assets

Save as disclosed in the Prospectus and in the voluntary announcement of the Company dated 24 March 2016, the Group did not have any other plans for significant investment and fixed assets during the Reporting Period.

IX. Share Option Scheme

The Company and its subsidiaries have no share option scheme.

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

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

XI. Employees, Remuneration Policies and Training

As at the end of the Reporting Period, the Group had a total of 657 employees.

The remuneration of the Company's employees is composed of basic salaries, allowances, performance bonuses and welfare. Basic salaries are a relatively fixed part of the remuneration and are the basic income of employees. As a supplement to basic salaries, allowances include those for special posts and professionals. Performance bonuses are distributed according to the results of performance evaluation in favour of the front-line employees with outstanding performance.

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

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

XII. Risk Management

The risks the Company faces in its business activities mainly include operation risk, compliance risk, market risk, credit risk and investment risk. In the first half of 2016, the Company adopted effective measures to deal with the risks proactively, thereby safeguarding the safety and high efficiency of the business activities.

(I) Operation Risk

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

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

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

(II) Compliance Risk

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

The compliance risk posed by employees includes managing customers' assets, opening accounts and trading on behalf of customers without their consent or authorisation. 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. Compliance risk is one of the major market risks. Through improving technical risk control measures can futures companies play the role of risk escape channel and at the same time curb compliance risk partially.

Currently, the Company is screening and shielding the trading terminals of the personnel's computers through technical measures and has effectively prevented staff members from accepting customers' instructions in the business premises to manage their assets on their behalf improperly and from opening accounts on their own accord to trade. Against the compliance risk posed by staff members, the Company has begun the strengthening of the internal system and established the mechanism of accountability. Through joint problem shooting by related departments, the risk of staff members opening accounts to trade will be eliminated at source and at the same time, through strengthening the training and education of staff members, their compliance awareness will become stronger, which will avoid the occurrence of such risk. The Company reiterates the importance of compliance by providing regular seminars and training to employees.

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

In respect of the introductory brokerage business, the Company has strictly monitored the account opening procedures, strengthened the management of futures brokerage contracts to eliminate all account openings in violation of the rules and regulations. Furthermore, 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.

There are three reasons as to why the futures market is a high risk market. Firstly, owing to centralised 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, meaning that a sudden and major fluctuation in the prices can trigger an enormous market risk. Secondly, the margin system of the futures market makes futures a highly leveraged financial derivative product. Margin is not only the first essential element in the management of market risk, but also a cause triggering market risk. Thirdly, the futures market allows speculators to enter, thus increasing further uncertainty and risk in the market.

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

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

(IV) Credit Risk

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

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

(V) Investment Risk

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

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

The Company will formulate comprehensive procedures for approval and supervision of investment projects through authorities such as the Investment Decision Committee, general manager meetings, Board meetings, general meetings, in order to minimise 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 Company

The objective of risk management of the Company is to implement a comprehensive risk management system to ensure the business operation of the Company complies with the relevant rules and regulations, and limit the risk related to the business operation to a tolerable level, thereby maximising the corporate value of the Company.

(I) Risk Management Principles

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

1. Preventing operation, compliance and market 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 Audit and Legal Department operates independently from other departments in inspecting, assessing and monitoring various risks applicable to the Company on a regular basis.
4. **Effectiveness:** Risk management should be in proportion to the scale of the Company's business, scope of business as well as actual circumstances and unite with the efficacy of actual delivered results, so as to realise the risk management objectives of the Company in a cost and time efficient manner.

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

(II) Risk Management System

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



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

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

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

The Chief Risk Officer of the Company is responsible for ensuring the effective implementation of the internal policies of the Company and compliance with the business policy of the Company; evaluating and advising on the risks and compliance by the management of the Company in and as regards the major decisions making and main business activities of the Company; inspecting and investigating possible regulatory violations and risk concerns in the operation of the Company, reporting to the Board, the Shareholders and the regulatory authority independently on any non-compliance and enhancing the risk management of the Company through training, inspection and supervision. Mr. Jia Guorong is the Chief Risk Officer and has approximately 16 years of experience in the financial industry.

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

Corporate Governance

I. Overview of Corporate Governance

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

II. Compliance with the Corporate Governance Code

During the Reporting Period, the Company had complied with all code provisions in the Corporate Governance Code of Appendix 14 of the Listing Rules, 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 as set out in Appendix 10 to the Listing Rules concerning the securities transactions by Directors and Supervisors. The Company has also made specific inquiries to all the Directors and Supervisors for the compliance with Model Code. All Directors and Supervisors confirmed that they completely observed the Model Code during the Reporting Period.

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

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

IV. Independent Non-Executive Directors

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications, or appropriate accounting or relevant financial management expertise in accordance with the requirements of the Listing Rules. As of 30 June 2016, the Company appointed a total of three independent non-executive Directors, including Mr. Li Xindan, Mr. Zhang Hongfa and Mr. Lam Kai Yeung.

V. Audit Committee

Pursuant to the Board resolution passed on 19 May 2015, the Company has established the audit committee (the "Audit Committee") in accordance with Rules 3.21 and 3.22 of the Listing Rules, with written terms of reference. The written terms of reference of the Audit Committee were adopted in compliance with Code Provisions C.3.3 and C.3.7 and are available on the websites of the Company and the Hong Kong Stock Exchange. The main duties of the Audit Committee are: proposing to the Board the appointment and replacement of external audit firms, supervising the implementation of the internal audit system, liaising between the internal audit department and external auditors, reviewing financial information and related disclosures, and other duties conferred by the Board.

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

On 23 August 2016, the Audit Committee reviewed and confirmed the announcement of interim results of the Group for the six months ended 30 June 2016, the 2016 interim report and the unaudited interim financial statements for the six months ended 30 June 2016 prepared in accordance with Hong Kong Accounting Standards.

VI. Directors' Responsibility for Financial Statements

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

Other Information

I. Share capital

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

II. Interim results

The interim results of the Group for the six months ended 30 June 2016 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 25 August 2016.

III. Interim dividend

The Board does not recommend to distribute the interim dividend for the six months ended 30 June 2016.

IV. Purchase, sale and redemption of listed securities

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

V. Matters in relation to connected transactions

Connected transactions

During the Reporting Period, the Group conducted its connected transactions in strict compliance with the Listing Rules and the Administrative Measures on Connected Transactions. The connected transactions of the Group were mainly entered into with the Controlling Shareholder, SOHO Holdings, and the substantial shareholder, Holly Corporation, of the Company. See Note 27 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 14 of the Listing Rules in respect of its connected transactions or continuing connected transactions.

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

Continuing connected transactions

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

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

The Group entered into the agreement with SOHO Holdings on 8 December 2015. Pursuant to the agreement, the Group provided a variety of financial services to SOHO Holdings and its subsidiaries, including futures brokerage services, asset management services and commodity trading and risk management services. The annual cap for 2016 amounted to RMB2.3 million, with an actual amount of RMB0.2044 million in the first half of 2016.

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

The Group entered into the agreement with SOHO Holdings on 8 December 2015. Pursuant to the agreement, the Group leased certain properties from SOHO Holdings and its subsidiaries for offices or other business uses. The annual cap for 2016 amounted to RMB0.695 million, with an actual amount of RMB0.5011 million in the first half of 2016.

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

The Group entered into the agreement with Holly Corporation on 1 December 2015. Pursuant to the agreement, the Group leased certain properties from Holly Corporation for offices uses and Holly Corporation provided property management services to the Group. The annual cap for 2016 amounted to RMB5.663 million, with an actual amount of RMB2.5206 million in the first half of 2016.

The following table set out the annual caps for continuing connected transactions of the Group in 2016 and the actual transaction amounts for connected transactions of the Group in the first half of 2016. For the six months ended 30 June 2016, the continuing connected transactions of the Group were aggregated as follows:

		First half of 2016	
		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	204.4	2,300
2	SOHO Property Lease Framework Agreement Expense incurred by leasing properties by the Group from SOHO Holdings and its subsidiaries	501.1	695
3	Holly Property Lease and Management Services Agreement Expenses incurred by leasing properties by the Group from Holly Corporation	2,520.6	5,663

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

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

The Company had complied with the disclosure requirements under Chapter 14A of the Listing Rules throughout the Reporting Period.

VI. Interests and short positions of Directors, Supervisors and chief executives in shares, underlying shares and debentures

As at 30 June 2016, based on the information available to the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executives of the Company do not have any interests or short positions (i) which are required to be notified the Company or the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions that are deemed to be interested in pursuant to relevant provisions under the SFO), or (ii) which are required to be entered into the register of the Company pursuant to Section 352 of the SFO, or (iii) which are required to be notified the Company or the Hong Kong Stock Exchange pursuant to the Model Code in the Shares, underlying shares or debentures of the Company or any of its associated corporations (as defined under Part XV of the SFO).

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

As at 30 June 2016, 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%
Artall Culture Group Company Limited ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	156,185,345 (long position)	17.22%	23.76%
Jiangsu Holly Su Industrial Co., Ltd.	Domestic Shares	Beneficial owner	143,548,000 (long position)	15.83%	21.84%
Hony Capital Industrial Phase I Fund (Tianjin) (Limited Partnership) ⁽⁵⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Hony Capital Management (Tianjin) (Limited Partnership) ⁽⁵⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Hony Tongren Consulting (Tianjin) (Limited Partnership) ⁽⁵⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Hony Capital (Tianjin) Co., Ltd. ⁽⁵⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Hony Capital (Beijing) Co., Ltd. ⁽⁵⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Beijing Hony Capital Management Co., Ltd. ⁽⁵⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Xu Minsheng ⁽⁵⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Cao Yonggang ⁽⁵⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Wang Lijie ⁽⁵⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Jiangsu High Hope International Group Corporation	Domestic Shares	Beneficial owner	63,930,134 (long position)	7.05%	9.73%

Notes:

- (1) The calculation is based on the total number of 907,000,000 Shares in issue of the Company as at 30 June 2016.
- (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 2016.
- (3) On 30 June 2016, Jiangsu SOHO Holding Group Co., Ltd. (i) directly held 275,456,777 Domestic Shares; (ii) was the beneficial owner of the entire equity interests of Artall Culture Group Company Limited (deemed to be interested in the 147,900,000 Domestic Shares and 8,285,345 Domestic Shares directly held by Jiangsu Holly Corporation and Jiangsu Holly International Logistics Corporation). Accordingly, Jiangsu SOHO Holdings Group Co., Ltd. is deemed to be interested in the 156,185,345 Domestic Shares indirectly held by Artall Culture Group Company Limited and hence directly and indirectly interested in 431,642,122 Domestic Shares under the SFO.
- (4) On 30 June 2016, Artall Culture Group Company Limited (i) was the beneficial owner of approximately 24.02% equity interests in Jiangsu Holly Corporation, which in turn held 147,900,000 Domestic Shares, and (ii) was the beneficial owner of approximately 89.66% of the equity interests in Jiangsu Holly International Logistics Corporation, which in turn held 8,285,345 Domestic Shares. As disclosed in the 2014 annual report of Jiangsu Holly Corporation, Artall Culture Group Company Limited is regarded as the controlling shareholder of Jiangsu Holly Corporation under the relevant PRC laws. Accordingly, Jiangsu Holly Corporation is a deemed controlled corporation of Artall Culture Group Company Limited under the SFO, and Artall Culture Group Company Limited is therefore deemed to be interested in the 147,900,000 Domestic Shares and 8,285,345 Domestic Shares directly held by Jiangsu Holly Corporation and Jiangsu Holly International Logistics Corporation, respectively.
- (5) On 30 June 2016, (i) Hony Capital Industrial Phase I Fund (Tianjin) (Limited Partnership) (弘毅投資產業一期基金(天津)(有限合夥)) (“Hony Capital Phase I”) was the beneficial owner of 99.9955% equity interests in Jiangsu Holly Su Industrial Co., Ltd., which in turn held 143,548,000 Domestic Shares; (ii) Hony Capital Management (Tianjin) (Limited Partnership) (弘毅投資管理(天津)(有限合夥)) was the general partner of Hony Capital Phase I; (iii) Hony Capital (Tianjin) Co., Ltd. (弘毅投資(天津)有限公司) (“Hony Tianjin”) was the general partner of Hony Capital Management (Tianjin) (Limited Partnership); (iv) Hony Tongren Consulting (Tianjin) (Limited Partnership) (弘毅同人顧問(天津)(有限合夥)) (“Hony Tongren”) was the limited partner of Hony Capital Management (Tianjin) (Limited Partnership) holding 99% of its registered capital; (v) Hony Capital (Beijing) Co., Ltd. (弘毅投資(北京)有限公司) was the beneficial owner of 1% equity interests in Hony Tianjin and the general partner of Hony Tongren, which in turn held 99% equity interests in Hony Tianjin; (vi) Beijing Hony Capital Management Co., Ltd. (北京弘毅資產管理有限公司) was the beneficial owner of 80% equity interests in Hony Capital (Beijing) Co., Ltd.; and (vii) each of Mr. Xu Minsheng, Mr. Cao Yonggang and Mr. Wang Lijie was a beneficial owner of one third of the equity interests in Beijing Hony Capital Management Co., Ltd. Accordingly, under the SFO, each of Hony Capital Phase I, Hony Capital Management (Tianjin)(Limited Partnership), Hony Tongren, Hony Tianjin, Hony Capital (Beijing) Co., Ltd., Beijing Hony Capital Management Co., Ltd., Mr. Xu Minsheng, Mr. Cao Yonggang and Mr. Wang Lijie is deemed to be interested in the 143,548,000 Domestic Shares directly held by Jiangsu Holly Su Industrial Co., Ltd.

Save as disclosed above, the Directors, Supervisors and chief executives of the Company are not aware that, as at 30 June 2016, 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, Jiangsu SOHO Holdings Group Co., Ltd., the Controlling Shareholder of the Company, held approximately 47.59% of the total issued Shares of the Company. SOHO Holdings was established in April 1994 with a registered capital of RMB2,000 million. It is a state-owned enterprise wholly-owned by the State-owned Assets Supervision and Administration Commission of Jiangsu. SOHO Holdings is an investment holding company and its business scope includes finance, industrial investment, operation and management of state-owned assets as authorised, domestic and international trade, property lease, and manufacturing, R&D and sales of silk,

textile and clothing.

VIII. Material litigations and arbitrations

(I) Litigations and arbitrations occurring during the Reporting Period

None.

(II) Legal litigation concluded during the Reporting Period

None.

(III) Outstanding legal litigation during the Reporting Period

Disputes involving customers of the futures brokerage business of the Company, an ex-employee and the Company

Since the opening of accounts with the Company in 2009, two customers of the Company (being Customer B and the company in actual control of Customer B), had privately entrusted Mr. A, an ex-employee of the Company to be their agent in engaging futures trading, which incurred loss. Customer B and the company in actual control of Customer B filed a lawsuit in the Intermediate People's Court of Nanjing City on 8 May 2015, praying for an order that the Company do bear the trading losses in the two accounts, transaction handling fees, and interest up to 22 July 2015, totalling RMB58,294,681.17.

On 5 November 2015, the Intermediate People's Court of Nanjing City delivered its first trial judgment after trial and held that the litigation claims of Customer B and the company in the actual control of Customer B demanding the Company to bear the liability for breach of contract were lacking in factual and legal grounds and dismissed their claims. On 23 November 2015, Customer B and the company in the actual control of Customer B appealed to the Higher People's Court of Jiangsu Province. The hearings of the second trial took place on 26 February 2016 and 17 March 2016 respectively. The second trial is still on-going, and the judgment has not yet been issued.

(IV) Material litigations occurred after the Report Period

The Company found that one of its employees, Mr. C, was involved with an alleged forgery of the corporate seal of the Company to enter into contracts, and the Company has reported the case to the public security authority. Mr. C and his wife entered into an agreement with customers, in which the customers agreed to lend them money. On 25 July 2016, two customers ("Customer Y" and "Customer Z") initiated lawsuits against Mr. C and his wife and the Company to the People's Court of Jing Hai District of Tianjin City. Customer Y has claimed for: (1) Mr. C and his wife's repayment of loan of RMB3,000,000 jointly, together with interests at a monthly interest rate of 2% for the period starting from 17 July 2016 to the date of actual settlement of loan, and the Company being jointly liable for the settlement liability; and (2) the cost of proceedings. Customer Z has claimed for: (1) Mr. C and his wife's repayment of loan of RMB1,700,000 jointly, and the Company being jointly liable for the settlement liability; and (2) the cost of proceedings. For details, please refer to the announcements of the Company dated 26 July 2016 and 8 August 2016.

On 19 August 2016, a customer ("Customer X") initiated a lawsuit against Mr. C and his wife, Tianjin Gandaji E-Commerce Co., Ltd. ("Gandaji Company") and the Company to the People's Court of Jing Hai District of Tianjin City. Customer X has claimed for: Mr. C and his wife's repayment of loan and interest of RMB3,712,000 jointly, together with interests at a monthly interest rate of 2% based on the amount of RMB3,712,000 for the period

starting from 18 July 2016 to the date of actual settlement of loan, to the plaintiff, and the Company and Gandaji Company being jointly liable for the settlement liability and the defendants to assume the cost of proceedings.

The Company is currently proactively collecting information and verifying facts and situations, and will proactively make preparation for the response.

IX. Change of Directors, Supervisors and senior management

Pursuant to Rule 13.51B of the Listing Rules, as at the end of the Reporting Period, there is no change in biography of Directors, Supervisors and senior management as disclosed under the 2015 annual report except for the following.

On 22 January 2016, Ms. Zhang Jie, a former independent non-executive Director of the Company, submitted a written resignation to resign from the positions of the independent non-executive Director of the second term of the Board, the chairman of the second term of the remuneration committee under the Board and the committee member of the second term of the nomination committee under the Board due to personal work reasons. Pursuant to relevant requirements under the Articles of Association, the resignation of Ms. Zhang Jie would result in failure in meeting the minimum number of Directors as stipulated under the Articles of Association. Her resignation was ultimately effective from 29 March 2016.

On 29 March 2016, Mr. Zhang Fasong, a former non-executive Director of the Company, resign from the positions of the non-executive Director of the second term of the Board and the committee member of the second term of the risk management committee under the Board due to personal work reasons, and effective from the same date.

On 31 May 2016, the Company convened the 2015 annual general meeting. Mr. Zhang Ke was appointed as the non-executive Director of the Company, and effective from the same date. On the same day, Mr. Pu Xuenian resigned from the position of a Supervisor of the second session of the Supervisory Committee, and Mr. Zhao Yajun was appointed as a Supervisor of the second session of the Supervisory Committee, and both effective from 31 May 2016.

On 15 June 2016, the Company convened the sixth meeting of the second session of the Board. Mr. Chu Kairong was appointed as the deputy general manager of the Company, and effective from the same date.

Independent Auditor's Report

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



Introduction

We have reviewed the interim financial report set out on page 42 to 78 which comprises the consolidated statement of financial position of Holly Futures Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") as of 30 June 2016 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, "Interim Financial Reporting" ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and presentation of interim financial report in accordance with HKAS 34.

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with HKAS 34.

KPMG

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

25 August 2016

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2016	2015
Revenue	3	143,245	151,006
Net investment gains	4	3,492	26,635
Operating income		146,737	177,641
Other income	5	3,606	2,436
Operating expenses		(102,436)	(106,411)
Profit from operations		47,907	73,666
Share of losses of associates		(106)	(49)
Profit before taxation	6	47,801	73,617
Income tax expense	7	(11,671)	(17,641)
Profit for the period		36,130	55,976
Earnings per share	8		
Basic earnings per share		0.0398	0.0823
Diluted earnings per share		0.0398	0.0823

The notes on pages 47 to 78 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2016	2015
Profit for the period		36,130	55,976
Other comprehensive income for the period (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
Net change in fair value		326	1,927
Reclassified to profit or loss		(558)	721
Exchange differences on translation of financial statements in foreign currencies		1,642	(5)
Total other comprehensive income for the period, net of tax		1,410	2,643
Total comprehensive income for the period		37,540	58,619

The notes on pages 47 to 78 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2016 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2016	As at 31 December 2015
Non-current assets			
Property, plant and equipment		9,836	11,922
Goodwill	9	43,322	43,322
Intangible assets		22,884	24,099
Interest in associates		12,669	12,775
Deferred tax assets		1,392	2,552
Other non-current assets		1,282	1,257
Total non-current assets		91,385	95,927
Current assets			
Refundable deposits	11	1,264,827	734,597
Other receivables	12	52,299	482,456
Other current assets		4,023	4,428
Available-for-sale financial assets	13	257,308	8,925
Financial assets held under resale agreements	14	10,300	–
Financial assets at fair value through profit or loss	15	18,991	61,372
Derivative financial assets	16	–	294
Cash held on behalf of brokerage clients	17	2,096,140	2,985,146
Cash and bank balances	18	1,300,983	1,155,620
Total current assets		5,004,871	5,432,838
Current liabilities			
Accounts payable to brokerage clients	20	3,239,772	3,663,459
Trade payables		–	199
Other payables	21	187,499	154,096
Financial liabilities at fair value through profit or loss	22	–	34,090
Derivative financial liabilities	16	–	–
Current taxation		1,328	1,101
Total current liabilities		3,428,599	3,852,945
NET CURRENT ASSETS		1,576,272	1,579,893
TOTAL ASSETS LESS CURRENT LIABILITIES		1,667,657	1,675,820
Non-current liabilities			
Deferred tax liabilities		76	429
Total non-current liabilities		76	429
NET ASSETS		1,667,581	1,675,391
Capital and reserves			
Share capital	23(b)	907,000	907,000
Reserves		760,581	768,391
TOTAL EQUITY		1,667,581	1,675,391

The notes on pages 47 to 78 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Share capital (Note 23(b))	Capital reserve (Note 23(c))	Surplus reserve	Reserves				Distributable profits	Total
				General reserve	Fair value reserve	Translation reserve			
As at 1 January 2015	680,000	370,246	18,151	133,040	8,412	(287)	44,417	1,253,979	
Change in equity for six months ended 30 June 2015									
Profit for the period	-	-	-	-	-	-	55,976	55,976	
Other comprehensive income	-	-	-	-	2,648	(5)	-	2,643	
Total comprehensive income	-	-	-	-	2,648	(5)	55,976	58,619	
Appropriation of profits									
Dividends approved in respect of the previous year	-	-	-	-	-	-	(34,000)	(34,000)	
As at 30 June 2015	680,000	370,246	18,151	133,040	11,060	(292)	66,393	1,278,598	
As at 1 July 2015	680,000	370,246	18,151	133,040	11,060	(292)	66,393	1,278,598	
Change in equity for six months ended 31 December 2015									
Profit for the period	-	-	-	-	-	-	14,194	14,194	
Other comprehensive income	-	-	-	-	(8,114)	834	-	(7,280)	
Total comprehensive income	-	-	-	-	(8,114)	834	14,194	6,914	
Issuance of shares upon public offering, net of issuing expenses	227,000	185,943	-	-	-	-	-	412,943	
Deemed capital distribution arising from the acquisition of a subsidiary under common control	-	(23,064)	-	-	-	-	-	(23,064)	
Appropriation of profits									
Appropriation to surplus reserve	-	-	5,430	-	-	-	(5,430)	-	
Appropriation to general reserve	-	-	-	13,528	-	-	(13,528)	-	
As at 31 December 2015	907,000	533,125	23,581	146,568	2,946	542	61,629	1,675,391	
As at 1 January 2016	907,000	533,125	23,581	146,568	2,946	542	61,629	1,675,391	
Change in equity for six months ended 30 June 2016									
Profit for the period	-	-	-	-	-	-	36,130	36,130	
Other comprehensive income	-	-	-	-	(232)	1,642	-	1,410	
Total comprehensive income	-	-	-	-	(232)	1,642	36,130	37,540	
Appropriation of profits									
Dividends approved in respect of the previous year	-	-	-	-	-	-	(45,350)	(45,350)	
As at 30 June 2016	907,000	533,125	23,581	146,568	2,714	2,184	52,409	1,667,581	

The notes on pages 47 to 78 form part of this interim financial report.

Consolidated Cash Flow Statement

For the six months ended 30 June 2016 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2016	2015
Operating activities			
Cash generated from operations	19(b)	24,102	252,369
Income tax paid		(10,933)	(15,665)
Net cash generated from operating activities		13,169	236,704
Investing activities			
Proceeds from sales of investments classified as receivables		–	4,707
Payment for purchases of investments classified as receivables		–	(200,000)
Proceeds from sales of available-for-sale financial assets		71,359	82,030
Payment for purchases of available-for-sale financial assets		(316,200)	(120,320)
Proceeds from sales of financial assets under resale agreements		311,535	–
Payment for purchases of financial assets under resale agreements		(321,800)	–
Proceeds from sales of financial assets held for trading		108,685	410,452
Payment for purchases of financial assets held for trading		(71,721)	(431,199)
Proceeds from disposal of property, plant and equipment and intangible assets		169	2
Payment for purchases of property, plant and equipment		(455)	(2,239)
Dividends received from investments in securities	4	53	146
Net cash used in investing activities		(218,375)	(256,421)
Financing activities			
Interest paid		–	(1,794)
Proceeds from issuance of shares upon public offering, net of issuing expenses		383,053	–
Net cash generated from/(used in) financing activities		383,053	(1,794)
Net increase/(decreased) in cash and cash equivalents		177,847	(21,511)
Effect of foreign exchange rate changes		1,632	(5)
Cash and cash equivalents at 1 January		361,930	232,033
Cash and cash equivalents at 30 June	19(a)	541,409	210,517

The notes on pages 47 to 78 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 25 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 40 and 41.

2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to HKFRSs 2012-2014 Cycle
- Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative
- Amendments to HKAS 27, Separate financial statements

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Revenue

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

	Note	Six months ended 30 June	
		2016	2015
Commission and fee income	(a)	92,301	92,644
Interest income	(b)	50,944	58,362
Total		143,245	151,006

(a) Commission and fee income

	Six months ended 30 June	
	2016	2015
Commission and fee income		
– Futures brokerage business	68,168	79,977
– Refund from futures exchanges	22,704	10,237
– Asset management business	1,429	470
– Commodity trading and risk management business	–	1,960
Total	92,301	92,644

(b) Interest income

	Six months ended 30 June	
	2016	2015
Interest income		
– Bank deposits	45,622	47,303
– Futures exchanges	3,007	2,590
– Wealth management products	–	4,707
– Asset management plans	2,280	–
– Resale agreements	35	1,797
– Other interest-bearing financial assets	–	1,965
Total	50,944	58,362

4 Net investment gains

	Six months ended 30 June	
	2016	2015
Net realized gains from:		
Disposal of financial assets at fair value through profit or loss		
– Trading securities	2,563	6,478
– Funds	195	428
– Receivables	224	(192)
Disposal of financial liabilities at fair value through profit or loss		
– Payables	(1,250)	(1,919)
Disposal of derivative financial instruments	(1,777)	15,924
Disposal of available-for-sale financial assets		
– Listed securities	–	3,246
– Wealth management products issued by banks	1,025	800
– Asset management plans	177	–
Subtotal	1,157	24,765
Net unrealized fair value changes of:		
Financial assets at fair value through profit or loss		
– Trading securities	(684)	3,844
– Funds	(212)	(656)
Financial assets designated at fair value through profit or loss	(280)	1,486
Financial liabilities designated at fair value through profit or loss	890	318
Derivative financial assets	(1,212)	(2,551)
Derivative financial liabilities	3,780	(717)
Subtotal	2,282	1,724
Dividend income from:		
Financial assets at fair value through profit or loss	30	16
Available-for-sale financial assets	23	130
Subtotal	53	146
Total	3,492	26,635

5 Other income

	Six months ended 30 June	
	2016	2015
Government grants	192	2,333
Foreign exchange gains	3,414	–
Others	–	103
Total	3,606	2,436

The government grants were received unconditionally by the Group from the local government where they reside.

6 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Staff cost

	Six months ended 30 June	
	2016	2015
Salaries, bonuses and allowances	37,948	32,901
Contributions to pension schemes	5,514	5,371
Other social welfare	13,005	11,934
Total	56,467	50,206

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

6 Profit before taxation (continued)

(b) Commission expenses

	Six months ended 30 June	
	2016	2015
Commissions paid to brokers	12,045	11,072

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

(c) Other items

	Six months ended 30 June	
	2016	2015
Operating lease charges	10,742	11,693
Office expenses	10,155	11,740
Depreciation and amortisation	3,600	3,968
Business tax and surcharges	3,470	5,456
Investors protection funds	1,068	1,869
Utilities	1,063	1,230
Property management expenses	751	998
Auditors' remuneration	425	414
Repair and maintenance expenses	409	985
Interest expenses	283	1,682
IPO expenses	–	1,587
Other expenses	1,958	3,511
Total	33,924	45,133

7 Income tax expense

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2016	2015
Current tax – PRC corporate income tax		
Provision for the period	10,232	15,322
Over-provision in respect of prior years	926	–
	11,158	15,322
Current tax – Hong Kong profits tax		
Provision for the period	–	–
Subtotal	11,158	15,322
Deferred tax		
Origination and reversal of temporary differences	513	2,319
Total	11,671	17,641

- (i) According to the PRC Corporate Income Tax (“CIT”) Law that took effect on 1 January 2008, the Company and the Group’s PRC subsidiaries are subject to CIT at the statutory tax rate of 25%. The PRC subsidiary is entitled to enjoy a preferential tax rate of 15% from the year 2015 to 2020 according to relevant regulations in the PRC CIT;
- (ii) Pursuant to the income tax rules and regulations of Hong Kong, the Group’s Hong Kong subsidiary is subject to the Hong Kong profits tax at the rate of 16.5%.

8 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of the Company of RMB36,130 thousands (six months ended 30 June 2015: RMB55,976 thousands) and the weighted average number of 907 million ordinary shares (six months ended 30 June 2015: 680 million).

9 Goodwill

	As at 30 June 2016	As at 31 December 2015
Cost:	53,167	53,167
Accumulated impairment losses:		
As at 1 January	(9,845)	(9,845)
Impairment loss for the period/year	–	–
As at 30 June/31 December	(9,845)	(9,845)
Carrying amount:	43,322	43,322

Impairment testing on goodwill.

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

	As at 30 June 2016	As at 31 December 2015
Futures brokerage	43,322	43,322

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

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

As at 31 December 2015, the Group performed its annual goodwill impairment test. No impairment was recognised for the goodwill related to futures brokerage CGU since the value-in-use was greater than its carrying amount.

10 Investment in subsidiaries

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

Name of company	Place of incorporation and business	Issued and fully paid-in capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Holly Capital Management Co., Ltd.* 弘業資本管理有限公司	PRC	RMB150 million	100%	100%	–	Commodity trading and risk management business
Holly Su Futures (Hongkong) Co., Ltd. 弘蘇期貨(香港)有限公司	Hong Kong	HKD100 million ⁽ⁱ⁾	100%	100%	–	Futures brokerage business
HOLLY CAPITAL (HONGKONG) CO., LIMITED ⁽ⁱⁱ⁾	Hong Kong	–	100%	–	100%	Commodity trading and risk management business

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

(i) In April 2016, the Company increased its capital injection to Holly Su Futures (Hongkong) Co., Ltd. ("Holly Su Futures") by HKD75 million.

(ii) HOLLY CAPITAL (HONGKONG) CO., LIMITED was established by Holly Capital Management Co., Ltd. ("Holly Capital") in May 2016. The registered capital is HKD5 million but the capital has not been paid up as at 30 June 2016.

11 Refundable deposits

Refundable deposits arising from futures brokerage business:

	As at 30 June 2016	As at 31 December 2015
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	526,881	269,440
– Dalian Commodity Exchange	317,582	174,119
– Zhengzhou Commodity Exchange	206,314	92,241
– China Financial Futures Exchange	157,114	151,276
Other futures brokers	56,936	47,521
Total	1,264,827	734,597

12 Other receivables

	As at 30 June 2016	As at 31 December 2015
Interest receivables	39,421	25,909
Rental deposits	2,642	3,006
Receivable of proceeds from issuance of international placing shares upon public offering	–	444,994
Others	10,236	8,547
Total	52,299	482,456

13 Available-for-sale financial assets

	As at 30 June 2016	As at 31 December 2015
At fair value:		
– Listed equity securities	5,559	5,937
Less: Impairment losses for listed equity securities	(338)	(338)
Subtotal	5,221	5,599
– Asset management plan	155,087	2,326
– Trust products	56,000	–
– Wealth management products issued by banks	40,000	–
– Unlisted funds	1,000	1,000
Total	257,308	8,925
Analysed as:		
Listed outside Hong Kong	5,221	5,599
Unlisted	252,087	3,326
Total	257,308	8,925

As at 30 June 2016 and 31 December 2015, certain of the Group's listed available-for-sale equity securities were individually determined to be impaired on the basis of a material decline in their fair value below cost and adverse changes in the market which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses on these investments were recognised in profit or loss.

14 Financial assets held under resale agreements

	As at 30 June 2016	As at 31 December 2015
Collateralized by – Debt securities	10,300	–

15 Financial assets at fair value through profit or loss

(a) Analysed by type

	As at 30 June 2016	As at 31 December 2015
Held for trading		
– Equity securities	18,991	16,882
– Funds	–	37,210
	18,991	54,092
Financial assets designated at fair value through profit or loss		
– Asset management plans	–	7,280
Total	18,991	61,372

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

(b) Analysed as

	As at 30 June 2016	As at 31 December 2015
Listed outside Hong Kong	18,991	54,092
Unlisted	–	7,280
Total	18,991	61,372

16 Derivative financial assets/liabilities

	As at 30 June 2016		
	Notional amount	Fair value	
		Assets	Liabilities
Commodity derivatives			
– Futures	35,774	583	(604)
Less: settlement		(583)	604
Net position		–	–

	As at 31 December 2015		
	Notional amount	Fair value	
		Assets	Liabilities
Commodity derivatives			
– Futures	352,782	1,501	(4,384)
– Forward	2,042	294	–
Total	354,824	1,795	(4,384)
Less: settlement		(1,501)	4,384
Net position		294	–

17 Cash held on behalf of brokerage clients

	As at 30 June 2016	As at 31 December 2015
Cash held on behalf of brokerage clients	2,096,140	2,985,146

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

18 Cash and bank balances

	Note	As at 30 June 2016	As at 31 December 2015
Bank deposits with original maturity over 3 months		631,875	670,000
Restricted bank deposits		127,699	123,690
Cash and cash equivalents	19(a)	541,409	361,930
		1,300,983	1,155,620

As at 30 June 2016 and 31 December 2015, deposits amounting to RMB127,699 thousands and RMB123,690 thousands, respectively, which were collected during the fund raising period of the collective asset management plans, are required to place at designated bank accounts.

19 Cash and cash equivalents

(a) Cash and cash equivalents comprise

	As at 30 June 2016	As at 31 December 2015
Deposits with banks and other financial institutions	541,404	361,915
Cash on hand	5	15
	541,409	361,930

Cash and cash equivalents exclude bank deposits with original maturity of more than three months and restricted bank deposits collected for asset management plans.

19 Cash and cash equivalents (continued)

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

	Note	Six months ended 30 June	
		2016	2015
Profit before taxation		47,801	73,617
Adjustments for:			
Depreciation and amortisation	6(c)	3,600	3,968
Net unrealised fair value changes	4	896	(3,188)
Share of losses of associates		106	49
Dividend income from investments	4	(53)	(146)
Net realised gains from financial instruments	4	(3,960)	(10,952)
Interest income from wealth management products and asset management plans	3(b)	(2,280)	(4,707)
Interest income from financial assets under resale agreements	3(b)	(35)	–
Interest expenses	6(c)	–	1,682
Operating cash flows before movements in working capital		46,075	60,323
Increase in refundable deposits		(530,230)	(259,681)
Increase in trade receivables		–	(20,875)
Increase in other receivables		(14,837)	(16,959)
Decrease/(increase) in other current assets and non-current assets		380	(23,171)
Increase in financial assets held under resale agreements		–	(15,835)
Decrease in financial assets designated at fair value through profit or loss		7,280	11,655
Decrease in derivative financial assets		294	2,379
Increase in cash held on behalf of brokerage clients		889,006	10,075
Decrease in term deposits with original maturity over three months		38,125	182,889
Increase in restricted bank deposits		(4,009)	–
Decrease/(increase) in accounts payable to brokerage clients		(423,687)	334,044
Decrease in trade payables		(199)	(21,011)
Increase in other payables		49,994	6,877
Decrease in derivative financial liabilities		–	(2,023)
(Decrease)/increase in financial liabilities designated at fair value through profit or loss		(34,090)	3,682
Cash generated from operations		24,102	252,369

20 Accounts payable to brokerage clients

	As at 30 June 2016	As at 31 December 2015
Clients' deposits for brokerage business	3,239,772	3,663,459

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

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

21 Other payables

	As at 30 June 2016	As at 31 December 2015
Funds collected from investors of collective asset management plans	119,503	52,140
Dividends payable	45,350	–
Employee benefits payables	7,799	17,860
IPO service fees payables	7,300	23,057
Commission payable to brokers	4,725	2,481
Payable to investors protection funds	617	419
Business tax and surcharges payables	58	2,130
Amount due to National Council for Social Security Fund of the PRC	–	46,184
Interest expenses payables	–	5,815
Others	2,147	4,010
Total	187,499	154,096

22 Financial liabilities at fair value through profit or loss

	As at 30 June 2016	As at 31 December 2015
Financial liabilities designated at fair value through profit or loss – Payables	–	34,090

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

23 Share capital and reserves

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

	As at 30 June 2016	As at 31 December 2015
Final dividend proposed after the end of the reporting period	–	45,350

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2016	2015
Final dividend in respect of the previous financial year, approved and paid during the interim period	–	–

23 Share capital and reserves (continued)

(b) Share capital

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at 30 June 2016	As at 31 December 2015
Number of shares registered, issued and fully paid (at RMB1 per share)		
At 1 January	907,000	680,000
Issuance of shares upon public offering	–	227,000
At 30 June/31 December	907,000	907,000

On 30 December 2015, the Company was listed on the Main Board of the HKSE, pursuant to which 227,000 thousands ordinary shares of RMB1.00 each were issued at the price of HKD2.43 per share by the Company. The gross proceeds from the issue of these shares amounted HKD551,610 thousands (equivalent to approximately RMB461,880 thousands). The premium arising from the issuance of shares upon public offering amounted RMB185,943 thousands was recorded in capital reserve.

(c) Capital reserve

Capital reserve mainly includes share premium arising from investors' capital injection and the issuance of shares at prices in excess of par value.

24 Fair value measurement

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

The following table presents the fair value of the Group's financial instruments measured as at 30 June 2016 and 31 December 2015, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

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

24 Fair value measurement (continued)

The table below analyses financial instruments, measured at fair value as at 30 June 2016 and 31 December 2015 by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Fair value measurements as at 30 June 2016			Fair value measurements as at 31 December 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Available-for-sale financial assets:						
Equity instruments						
– Listed equity securities	5,221	–	–	5,599	–	–
Asset management plans	155,087	–	155,087	2,326	–	2,326
Trust products	56,000	–	56,000	–	–	–
Wealth management products issued by banks	40,000	40,000	–	–	–	–
Unlisted funds	1,000	–	1,000	1,000	–	1,000
Financial assets at fair value through profit or loss:						
Equity securities	18,991	–	–	16,882	–	–
Listed funds	–	–	–	37,210	–	–
Asset management plans	–	–	–	7,280	–	7,280
Derivative financial assets	–	–	–	294	294	–
Liabilities:						
Financial liabilities at fair value through profit or loss:						
Payables	–	–	–	(34,090)	–	(34,090)

24 Fair value measurement (continued)

There were transfers between Level 1 and Level 3 during the year ended 31 December 2015. The Group held the stock named 'Chang Hang You Yun' (code: 600087), an A-share listed company, and it was suspended on May 2013 and officially delisted from the Shanghai Stock Exchange on 5 June 2014 because the company had been loss making for more than four years. On 20 April 2015, the stock was relisted on the National Equities Exchange and Quotations (code: 400061) after the completion of its restructuring. Thus, the Group transferred the stock amounting to a total of RMB1,121 thousands from Level 3 to Level 1 as at 31 December 2015.

Other than the above, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 during the six months ended 30 June 2016 and the year ended 31 December 2015. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

(i) Financial instruments in Level 1

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

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

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

(iii) Valuation methods

As at 30 June 2016 and 31 December 2015, the Group's valuation methods for specific investments are as follows:

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

24 Fair value measurement (continued)

(iv) Financial instruments in Level 3

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

	Available- for-sale financial assets	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Total
As at 1 January 2016	3,326	7,280	(34,090)	(23,484)
Purchases	216,200	–	–	216,200
Changes in fair value recognised in other comprehensive income	61	–	–	61
Gains or losses for the period	177	(56)	(360)	(239)
Sales and settlements	(7,677)	(7,224)	34,450	19,549
As at 30 June 2016	212,087	–	–	212,087
Total gains or losses for the period reclassified from other comprehensive income on disposal	177	–	–	177
Total gains or losses for the period included in profit or loss for assets held and liabilities assumed at the end of interim period	–	–	–	–

	Available- for-sale financial assets	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Total
As at 1 January 2015	1,000	20,147	(12,140)	9,007
Purchases	286,120	7,000	(46,200)	246,920
Transfer out of level 3	–	(1,121)	–	(1,121)
Changes in fair value recognised in other comprehensive income	(74)	–	–	(74)
Gains or losses for the year	1,364	1,203	(669)	1,898
Sales and settlements	(285,084)	(19,949)	24,919	(280,114)
As at 31 December 2015	3,326	7,280	(34,090)	(23,484)
Total gains or losses for the year reclassified from other comprehensive income on disposal	1,364	–	–	1,364
Total gains or losses for the year included in profit or loss for assets held and liabilities assumed at the end of the year	–	280	(890)	(610)

24 Fair value measurement (continued)

(iv) Financial instruments in Level 3 (continued)

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

Financial instruments	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Wealth management products, trust products, asset management plans and funds	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Receivables and payables	Futures price of comparable commodity futures which will mature within one month as at 30 June/ 31 December	Risk free discount rate	The higher the risk free discount rate, the lower the fair value

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

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

25 Commitments

(a) Capital commitments

	As at 30 June 2016	As at 31 December 2015
Contracted for	42,000	42,000

(b) Operating lease commitments

As at 30 June 2016 and 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	As at 30 June 2016	As at 31 December 2015
Within 1 year	16,205	16,830
After 1 year but not more than 2 years	11,169	13,868
After 2 years but not more than 3 years	4,644	6,020
After 3 years	7,863	1,118
Total	39,881	37,836

26 Contingencies

- (i) On 8 May 2015, an individual customer together with the company she owns (“customers”) filed lawsuits against the Company, alleging that (i) one of the Company’s former employees carried out unauthorized futures trading under their accounts and (ii) the Company had charged them brokerage commissions in excess of the rate as agreed under the brokerage service agreements. The aggregate amount of these two claims was approximately RMB46.3 million together with an aggregate interest of approximately RMB12.0 million.

On 9 November 2015, the Company received the relevant first trial judgments dated 5 November 2015 (the “**Trial Judgments**”) granted by the Intermediate People’s Court of Nanjing City, Jiangsu Province (the “**Nanjing Court**”). According to the Trial Judgments, the Nanjing Court ruled that, among other things, (i) the Company has not violated any of the relevant brokerage service agreements and the unauthorized futures trading activities of that former employee were personal dealings and as a result, consequences of such unauthorized trading activities should not be borne by the Company and (ii) the brokerage commission rates charged by the Company were in accordance with the terms of the relevant brokerage service agreements.

On 23 November 2015, the customers appealed to the Higher People’s Court of Jiangsu Province, requesting that, among other things, the Higher People’s Court of Jiangsu Province revoke the Trial Judgments. As at the date of this report, the legal proceedings with the customers are still on-going.

On the basis of the Trial Judgments, the directors consider that no provision in the consolidated financial statements is required.

- (ii) On 18 July 2016, the Company became aware that one of its employees was involved with alleged forgeries to enter into asset management agreements with several customers during the year ended 31 December 2015 and the period ended 30 June 2016. The funds collected from these customers were deposited directly into the employee’s personal account. On 21 July 2016, the Company reported the case to the public security authority.

As at the date of this report, the funds collected cannot be reasonably estimated as the case is currently under investigation by the public security authority and none of these customers has filed lawsuits against the Company. Accordingly, the directors consider that no provision in the consolidated financial statements can reasonably and reliably be estimated based on currently available information.

27 Material related party transactions

(a) Relationship of related parties

(i) Major shareholders

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

Share percentage in the Company

	As at 30 June 2016	As at 31 December 2015
Jiangsu SOHO Holding Group Co., Ltd.	30.37%	30.37%
Jiangsu Holly Corporation* (江蘇弘業股份有限公司)	16.31%	16.31%
Jiangsu Holly Su Industrial Co., Ltd.* (江蘇弘蘇實業有限公司)	15.83%	15.83%

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

Jiangsu SOHO Holding Group Co., Ltd. is the parent of the Group during the interim period.

(ii) Associates

Details of the Group's associates are the same as Group's latest financial statements prepared in accordance with HKFRSs (including HKASs) for the year ended 31 December 2015.

(iii) Other related parties

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

27 Material related party transactions (continued)

(b) Related party transactions and balances

(i) Transactions between the Group and shareholders

	As at 30 June 2016	As at 31 December 2015
Balances at the end of the period/year		
Accounts payable to brokerage clients	30,399	16,825
Other payables	–	118

	Six months ended 30 June	
	2016	2015
Transactions during the period		
Commission and fee income	3	3
Operating lease charges	2,521	2,547
Office expenses	–	1
Other expenses	–	240

(ii) Transactions between the Group and other related parties

	As at 30 June 2016	As at 31 December 2015
Balances at the end of the period/year		
Other receivables	18	18
Accounts payable to brokerage clients	71,595	68,032

	Six months ended 30 June	
	2016	2015
Transactions during the period		
Commission and fee income	204	484
Operating lease charges	501	316
Repair and maintenance expenses	72	148
Property management expenses	311	20
Others	247	–

28 Segment reporting

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

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

(a) Business segments

Six months ended 30 June 2016

	Futures brokerage and asset management business	Commodity trading and risk management business	Total
Revenue			
– External	143,210	35	143,245
– Inter-segment	35	–	35
Other income and gains	1,258	5,840	7,098
Segment revenue and other income	144,503	5,875	150,378
Segment expenses	(99,866)	(2,570)	(102,436)
Segment operating profit	44,637	3,305	47,942
Share of losses of associates	(106)	–	(106)
Profit before income tax	44,531	3,305	47,836
Interest income	50,909	35	50,944
Interest expenses	(283)	–	(283)
Depreciation and amortisation	(3,582)	(18)	(3,600)
Segment assets	5,009,154	169,539	5,178,693
Additions to non-current segment assets during the period	455	–	455
Segment liabilities	(3,510,748)	(364)	(3,511,112)

28 Segment reporting (continued)

(a) Business segments (continued)

Six months ended 30 June 2015

	Futures brokerage and asset management business	Commodity trading and risk management business	Total
Revenue			
– External	145,284	5,722	151,006
– Inter-segment	89	–	89
Other income and gains	13,084	15,987	29,071
Segment revenue and other income	158,457	21,709	180,166
Segment expenses	(101,767)	(4,644)	(106,411)
Segment operating profit	56,690	17,065	73,755
Share of losses of associates	(49)	–	(49)
Profit before income tax	56,641	17,065	73,706
Interest income	54,600	3,762	58,362
Interest expenses	–	(1,682)	(1,682)
Depreciation and amortisation	(3,958)	(10)	(3,968)
Segment assets	3,572,169	220,342	3,792,511
Additions to non-current segment assets during the period	3,585	–	3,585
Segment liabilities	(2,413,443)	(100,470)	(2,513,913)

28 Segment reporting (continued)

(a) Business segments (continued)

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

	Six months ended 30 June	
	2016	2015
Revenue		
Total revenue and other income for segments	150,378	180,166
Elimination of inter-segment revenue	(35)	(89)
Consolidated revenue and other income	150,343	180,077
Profit		
Total profit before tax for segments	47,836	73,706
Elimination of inter-segment profit	(35)	(89)
Consolidated profit before income tax	47,801	73,617
	As at 30 June 2016	As at 31 December 2015
Assets		
Total assets for segments	5,178,693	5,554,946
Elimination of inter-segment assets	(82,437)	(26,181)
Consolidated total assets	5,096,256	5,528,765
Liabilities		
Total liabilities for segments	(3,511,112)	(3,879,555)
Elimination of inter-segment liabilities	82,437	26,181
Consolidated total liabilities	(3,428,675)	(3,853,374)

28 Segment reporting (continued)

(b) Geographical segments

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

	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total
Segment revenue:						
Revenue from external customers	140,694	2,551	143,245	149,138	1,868	151,006
Other income and gains	7,098	–	7,098	29,071	–	29,071
Total	147,792	2,551	150,343	178,209	1,868	180,077

	As at 30 June 2016			As at 31 December 2015		
	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total
Specified non-current assets	87,959	752	88,711	91,554	564	92,118

29 Interest in structured entities

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group stand for the asset management schemes where the Group involves as manager and also as investor, the Group assesses whether the consolidation of 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 2016 and 31 December 2015, the total assets of the consolidated asset management schemes are nil and RMB46,149 thousands, respectively, and the carrying amount of interests held by the Group in the consolidated asset management schemes are nil and RMB17,729 thousands, respectively.

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

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

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 30 June 2016 and 31 December 2015, which are listed as below:

	As at 30 June 2016		
	Available for-sale financial assets	Financial assets at fair value through profit or loss	Total
Trust products	56,000	–	56,000
Wealth management products issued by banks	40,000	–	40,000
Funds	1,000	–	1,000
Total	97,000	–	97,000

	As at 31 December 2015		
	Available for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	1,000	37,210	38,210
Asset management plans	–	7,280	7,280
Total	1,000	44,490	45,490

29 Interest in structured entities (continued)

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

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

	Six months ended 30 June	
	2016	2015
Revenue	–	4,707
Net investment gains		
– Net realized gains	1,220	1,228
– Net unrealized fair value changes	(212)	(656)
– Dividend income	17	130
Other comprehensive income	(13)	1,962
Total	1,012	7,371

The maximum exposure to loss for funds and asset management plans are the fair value as at 30 June.

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

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

As at 30 June 2016 and 30 June 2015, the amount of assets held by the unconsolidated asset management products, which are sponsored by the Group is RMB604,380 thousands and RMB173,596 thousands, respectively.

During the six months ended 30 June 2016 and 30 June 2015, the amount of revenue and net investment gains generated from the abovementioned structured entities by the Group is RMB3,886 thousands and RMB470 thousands, respectively.

30 Non-adjusting events after the reporting period

- (a) On 15 June 2016, the Board of Directors of the Company approved a resolution for Holly Su Futures to establish a wholly owned subsidiary, Holly Su Asset Management Co., Ltd. (“**Holly Su Asset Management**”) in Hong Kong, whose principal activity is asset management business. On 7 July 2016, Holly Su Futures contributed capital of HKD20 million to incorporate Holly Su Asset Management.
- (b) On 21 July 2016, the Company contributed capital of RMB90 million to Holly Capital for further developing its commodity trading and risk management business.
- (c) On 17 July 2016, one of the Company’s employees (same employee as stated in Note 26) and his wife, entered into personal lending agreements with three individual customers, whereby the three customers agreed to lend them money with the Company being appointed as the guarantor without its approval. The Company became aware of such personal lending agreements on 18 July 2016 and reported it to the public security authority on 21 July 2016.

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

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

The Company is currently assisting the public security authority in its investigation.