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

2018 Interim Report

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Definitions

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

Artall Culture Group	Artall Culture Group Company Limited (愛濤文化集團有限公司, formerly known as Jiangsu Holly International Group Company Limited (江蘇弘業國際集團有限公司)), a limited liability company established under the laws of the PRC on 20 January 1999 and a wholly-owned subsidiary of the Company's Controlling Shareholder
AUM	the amount of assets under management
Board	the board of directors of the Company
Chairman	the chairman of the Company
Chief Risk Officer	the chief risk officer of the Company
commission revenue	commission revenue of a futures company represents the sum of (i) commission and fee income generated from futures brokerage operations of a futures company and (ii) refund of relevant commission from futures exchanges
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Company Law or PRC Company Law	Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
Company, the Company or Holly Futures	Holly Futures Co., Ltd. (弘業期貨股份有限公司), a joint stock limited company established in Jiangsu, the PRC under the laws of the PRC on 29 November 2012 and carrying on business in Hong Kong as "Holly Futures", the H Shares of which are listed on the Main Board of Hong Kong Stock Exchange
Controlling Shareholder	SOHO Holdings unless the context requires otherwise
Corporate Governance Code	The Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	director(s) of the Company
Domestic Share(s)	issued ordinary share(s) of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid up in RMB
end of Reporting Period	30 June 2018
Group, the Group, us or We	the Company and its subsidiaries
H Share(s)	overseas listed foreign ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each listed on the Main Board of Hong Kong Stock Exchange

High Hope Corporation	Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司) (formerly known as Jiangsu High Hope Corporation (江蘇匯鴻股份有限公司)), a limited liability company established in the PRC on 13 October 1992 which was subsequently converted to a joint stock limited company in 1994
HK$ or Hong Kong dollars	the lawful currency of Hong Kong
Holly Capital	Holly Capital Management Co., Ltd. (弘業資本管理有限公司), a limited liability company established under the laws of the PRC on 25 June 2013 and a wholly-owned subsidiary of the Company
Holly Capital (Hongkong)	Holly Capital (Hong Kong) Co., Limited (弘業資本(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 10 May 2016 and carrying on business in Hong Kong as HOLLY CAPITAL (HONG KONG) CO., LIMITED, and a wholly-owned subsidiary of our Company
Holly Su Asset	Holly Su Asset Management Company Limited (弘蘇資產管理有限公司), a company incorporated under the laws of Hong Kong with limited liability on 7 July 2016 and a wholly-owned subsidiary of our Company
Holly Corporation	Jiangsu Holly Corporation (江蘇弘業股份有限公司) (formerly known as Jiangsu Crafts Import & Export Trading Group Co., Ltd. (江蘇省工藝品進出口集團股份有限公司)), a limited liability company established under the laws of the PRC on 30 June 1994 and one of the promoters and a Shareholder of the Company
Holly Su Futures	Holly Su Futures (Hongkong) Co., Limited (弘蘇期貨(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 20 October 2011 and a wholly-owned subsidiary of the Company which is licensed to carry on Type 1 (dealing in security) and Type 2 (dealing in futures contracts) regulated activities under the SFO
Holly Su Industrial	Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司), a limited liability company established under the laws of the PRC on 23 January 2011 and one of the promoters and a Shareholder of the Company
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Introducing Broker(s)	a business partner of the Company who introduces clients to the Company for commission
Jiangsu SASAC	State-owned Assets Supervision and Administration Commission of the Jiangsu People's Government (江蘇省人民政府國有資產監督管理委員會)
Listing Date	the date, being 30 December 2015, on which the H Shares were listed and from which dealings therein were permitted to take place on the Main Board of the Hong Kong Stock Exchange
Listing Rules	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
lot	the standardised quantity of futures as set out by the PRC Futures Exchange, and represents the minimum quantity of that futures that may be traded
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
Net Capital	equals net assets minus asset adjustment value plus liability adjustment value minus the deposits which the clients fail to fully replenish minus/plus other adjustment items recognised or approved by the CSRC
PRC Futures Exchanges	China Financial Futures Exchange (中國金融期貨交易所), Dalian Commodity Exchange (大連商品交易所), Shanghai Futures Exchange (上海期貨交易所) and Zhengzhou Commodity Exchange (鄭州商品交易所)

PRC or China	the People's Republic of China which, for the purpose of this Report, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
Prospectus	the prospectus in relation to H Shares of the Company dated 16 December 2015
PTA	Pure terephthalic acid, one of the important bulk organic raw materials, widely used in all aspects of the national economy, such as chemical fiber, light industry, electronics and construction
R&D	research and development
Report	the interim report for 2018 of the Company
Reporting Period	the six months ended 30 June 2018
RMB or Renminbi	the lawful currency of the PRC
settlement reserve funds	unrestricted and unutilised cash balances reserved for the settlement and clearing of the futures trading, which are deposited with the futures exchanges and commercial banks. Settlement reserve funds include client settlement reserve funds and our own settlement reserve funds
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Share(s)	Domestic Share(s) and H Share(s) of the Company
Shareholder(s)	holder(s) of the Shares
SOHO Holdings	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) (formerly known as Jiangsu Silk Group Company Limited (江蘇省絲綢集團有限公司)), a wholly state-owned limited liability company established under the laws of the PRC on 29 April 1994, which is the Controlling Shareholder and one of the promoters of the Company
Supervisor(s)	supervisor(s) of the Company
Straddling buy and sell positions	A behavior of two parties to the transaction acting as sellers and buyers respectively to issue a transaction entrustment order to securities or futures brokers and complete the transaction in accordance with the agreed types of transaction, price, quantity

Company Profile

I. BASIC INFORMATION ABOUT THE COMPANY

1. NAME OF COMPANY

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

Chinese abbreviation (in the PRC): 弘業期貨

English name: Holly Futures Co., Ltd.

2. BOARD

Executive Directors

Mr. Zhou Yong (Chairman)
Ms. Zhou Jianqiu

Non-executive Directors

Mr. Xue Binghai
Mr. Zhang Ke
Mr. Shan Bing

Independent non-executive Directors

Mr. Li Xindan
Mr. Zhang Hongfa
Mr. Lam Kai Yeung

Special Committees of the Board

Audit Committee	Mr. Lam Kai Yeung (Chairman) Mr. Xue Binghai Mr. Zhang Hongfa
Remuneration Committee	Mr. Zhang Hongfa (Chairman) Mr. Li Xindan Mr. Shan Bing
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

3. SUPERVISORY COMMITTEE

Ms. Xu Yingying (Chairlady of the Supervisory Committee)
Ms. Wang Jianying
Ms. Yu Hong

4. LEGAL REPRESENTATIVE

Ms. Zhou Jianqiu

5. REGISTERED CAPITAL

RMB907 million

6. QUALIFICATIONS FOR BUSINESSES IN CHINA

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

7. HEAD OFFICE IN CHINA

Registered address of the Company: No. 50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (postcode: 210001)
Office address of the Company: Holly Tower, No. 50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (postcode: 210001)
Website of the Company: www.ftol.com.cn
Email address: zqb@ftol.com.cn

8. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong

9. SECRETARY TO THE BOARD

Secretary to the Board: Mr. Jia Guorong
Address: 9/F, Holly Tower, No. 50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (postcode: 210001)
Tel: 025-52278866
Email: jiaguorong@ftol.com.cn

10. JOINT COMPANY SECRETARIES

Mr. Jia Guorong and Ms. Leung Wing Han Sharon

11. AUTHORISED REPRESENTATIVES OF THE COMPANY

Ms. Zhou Jianqiu and Mr. Jia Guorong

12. STATUTORY AUDIT INSTITUTIONS OF THE COMPANY

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

13. LEGAL ADVISERS

As to Hong Kong Law: Li & Partners
As to PRC Law: Jingtian & Gongcheng

14. PRINCIPAL BANKS

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

15. H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

16. STOCK CODE

03678

Financial Summary

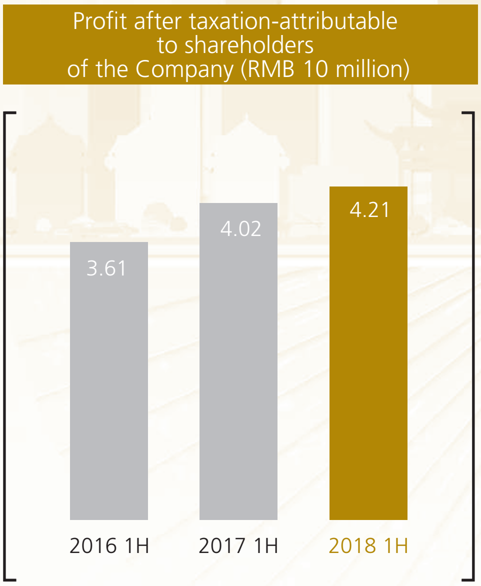
I. Major accounting data and financial indicators

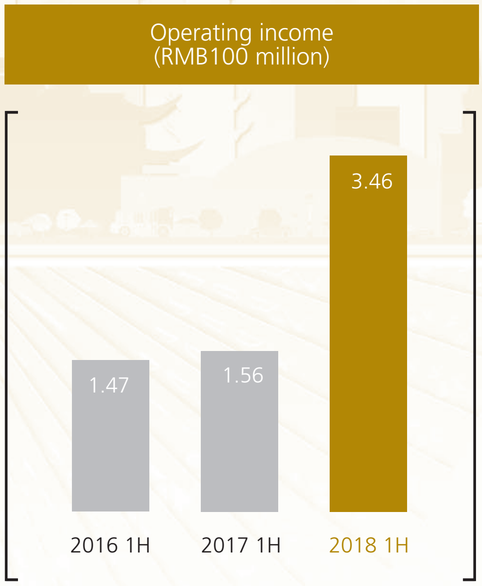
(Unless otherwise specified, the accounting data and financial indicators contained in this Report are prepared in accordance with the Hong Kong Accounting Standards)

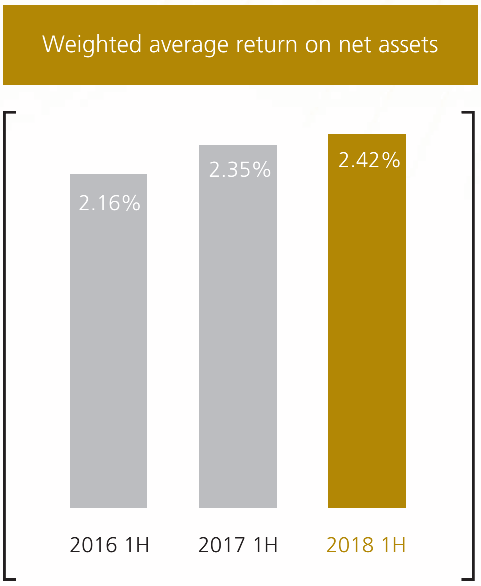
RMB'000	Jan-Jun 2018	Jan-Jun 2017	Increase in current period as compared to the prior period Amount	%
Operating income	**345,787**	155,836	189,951	122%
Profit before taxation	**53,935**	52,703	1,232	2%
Profit after taxation-attribute to shareholders of the Company	**42,096**	40,181	1,915	5%
Net cash generated from operating activities Inflows/(outflows)	**250,715**	266,199	-15,484	-6%
Earnings per share (RMB/share)				
Basic earnings per share	**0.0464**	0.0443		
Diluted earnings per share	**0.0464**	0.0443		
Profitability indicators				
Weighted average return on net assets (%)	**2.42%**	2.35%		

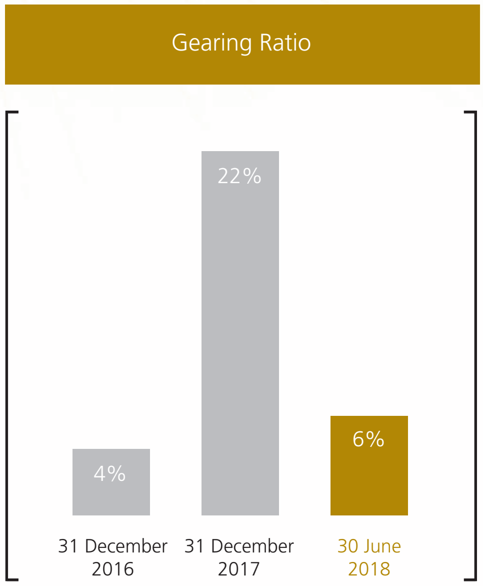
Scale indicators (RMB'000)	As of 30 June 2018	As of 31 December 2017	Increase in the end of the current period as compared to the end of the prior year Amount	%
Total assets	**5,049,917**	5,829,042	-779,125	-13%
Total liabilities	**3,326,331**	4,070,617	-744,286	-18%
Accounts payable to brokerage clients	**3,207,122**	3,566,121	-358,999	-10%
Equity attributable to shareholders of the Company	**1,723,586**	1,758,425	-34,839	-2%
Total share capital ('000)	**907,000**	907,000		
Net assets value per share attributable to shareholders of the Company (RMB per share)	**1.90**	1.94		
Gearing ratio (%)[Note 1]	**6%**	22%		

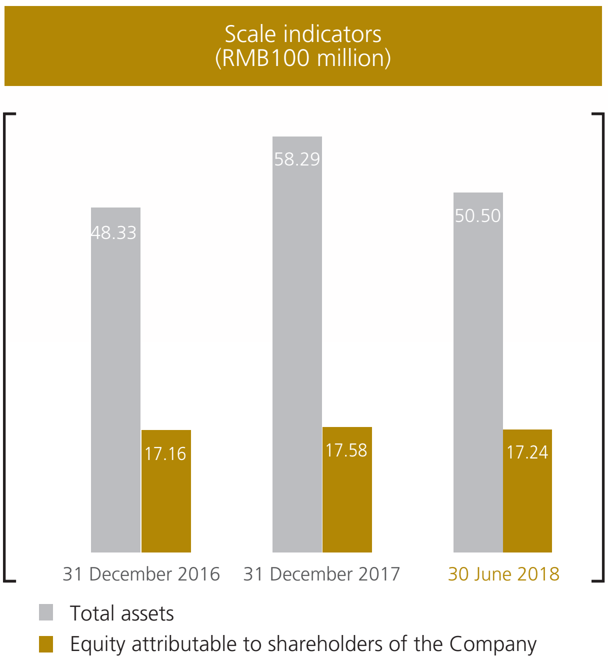
Note 1: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)


Profit after taxation-attributable to shareholders of the Company (RMB 10 million)
3.61
4.02
4.21
2016 1H
2017 1H
2018 1H


Operating income (RMB100 million)
1.47
1.56
3.46
2016 1H
2017 1H
2018 1H


Weighted average return on net assets
2.16%
2.35%
2.42%
2016 1H
2017 1H
2018 1H


Gearing Ratio
4%
22%
6%
31 December 2016
31 December 2017
30 June 2018


Scale indicators (RMB100 million)
48.33
17.16
58.29
17.58
50.50
17.24
31 December 2016
31 December 2017
30 June 2018
Total assets
Equity attributable to shareholders of the Company

II. Net Capital and relevant risk control indicators of the Company as at 30 June 2018

The Net Capital of the Company as at 30 June 2018 amounted to RMB1.140 billion, representing an increase of RMB47 million as compared with RMB1.093 billion as at the end of 2017. During the Reporting Period, various risk control indicators of the Company including the Net Capital met regulatory requirements. (The following table sets out the Net Capital and the major risk control indicators prepared by the Company in accordance with PRC Accounting Standards and the regulatory requirements in the PRC)

	As at 30 June 2018	As at 31 December 2017	Warning level	Minimum/ Maximum level
Net Capital (RMB million)	**1,140**	1,093	36	≥30
Net Capital/total risk capital reserves (%)	**658%**	989%	120%	≥100%
Net Capital/net assets (%)	**71%**	67%	24%	≥20%
Current assets/current liabilities (%)	**582%**	532%	120%	≥100%
Total liabilities/net assets (%)	**15%**	12%	120%	≤150%
Proprietary settlement reserve funds (RMB million)	**494**	345	–	≥8

Management Discussion and Analysis

I. Market Review

In the first half of 2018, China's economy was running smoothly along with stable commodity prices and positive employment trends. In particular, the Chinese economic structure has been continuously optimized, the quality of economic growth has been steadily improved, new growth drivers quickly took the place of old ones, and with the gradual impact of bonus from reforms and opening up policy, China was on track for high-quality development. In the first half of 2018, the growth rate of China's economy reached approximately 6.8%, ranking among the top in the world's major economies. However, despite the smooth running of China's economy, supply was strong while demand was weakening. One of the biggest uncertainties in external environment was the escalating global trade friction. The Sino-US trade war escalation has posed unprecedented challenges to the export trade in China. Yet, a slowdown in domestic demand became the most significant factor affecting China's economy under its deleveraging efforts. Facing with complicated and ever-changing domestic and foreign economic conditions, the foundation of China's economy needs to be consolidated and with new areas of expansion. It is necessary for China to maintain prudent and neutral policies that enable it to actively adapt to the economic downward pressure, prevent against the excessive shrinkage in economic growth resulted from the deleveraging reform, and at the same time stimulate domestic economic growth momentum and facilitate sustainable and high quality economic development in the long term.

2018 is the compliance year for the securities and futures industry where market constraints have gradually increased, market players are expected to become active, prudent business philosophy has been strengthened and financial conditions are stable and healthy. In the first half of 2018, China's futures market recorded a slight decrease in trading volume but an increase in turnover, which was mainly attributable to the rise in overall commodity prices. Specifically, during the year, trading volume of China's futures market decreased by 40% in February, decreased by 1.6% in March and decreased by 10.62% in June, respectively, as compared with the same periods of last year. The decline in these three months dragged down the overall trading volume of the futures market in the first half of 2018. As for turnover, save for the decrease of 27.6% in February as compared with the same period of last year, turnover in other months recorded growth as compared with the same period of last year. In the first half year, the commodity futures market in China was increasingly diversified, with prices of Shanghai nickel increasing by about 20%. In the first half of 2018, crude oil futures achieved satisfying performance and as the leading international futures in China's futures market, both trading volume and inventory of crude oil futures surpassed those of Dubai, moving towards the top three among the futures worldwide. For single variety, the top 5 active futures varieties with maximum trading volume in China's futures market were deformed steel bar, iron ore, soybean meal, apple and nickel, respectively, during the first half of the year, with trading volume accounting for 17.51%, 10.94%, 8.42%, 5.06% and 4.53%, respectively, of the entire market in China.

As at the end of June 2018, the accumulated trading volume of China's futures markets were approximately 1.405 billion lots with an accumulated turnover of approximately RMB96.10 trillion calculated as one side of a trade, representing a decrease of 4.93% as compared with 1.478 billion lots and an increase of 11.86% as compared with RMB85.91 trillion in the same period of last year. Particularly, the Shanghai Futures Exchange achieved a trading volume of 530,174,886 lots with an accumulated turnover of RMB38,804.086 billion, representing decreases of 17.43% and 4.70%, respectively, as compared with the same period of last year and accounting for 37.73% and 40.38% of the China market. Shanghai International Energy Center achieved a trading volume of 4,936,993 lots with an accumulated turnover of RMB2,288.547 billion, accounting for 0.35% and 2.38% of the China market. Zhengzhou Commodity Exchange achieved a trading volume of 352,247,414 lots with an accumulated turnover of RMB18,452.162 billion, representing increases of 22.04% and 76.84%, respectively, as compared with the same period of last year and accounting for 25.07% and 19.20% of the China market. The Dalian Commodity Exchange achieved a trading volume of 506,380,749 lots with an accumulated turnover of RMB25,014.986 billion, representing a decrease of 5.25% and an increase of 12.89%, respectively, as compared with the same period of last year and accounting for 36.04% and 26.03% of the China market. The China Financial Futures Exchange achieved a trading volume of 11,383,934 lots with an accumulated turnover of RMB11,537.313 billion, representing decreases of 10.99% and 8.42%, respectively, as compared with the same period of last year and accounting for 0.81% and 12.01% of the China market.

II. Overall Business Conditions

The Company insists on the principle of "seeking improvement and excellence in stability", accelerates transformation and upgrading, and enhances risk prevention by centring on improving development quality and benefit and promoting supply side structural reformation as its main line. All the work had made remarkable progress. As at 30 June 2018, total assets of the Company amounted to RMB5 billion, representing a decrease of 13% as compared to the end of 2017. Net assets attributable to the Company amounted to approximately RMB1.7 billion, representing a decrease of 2% as compared to the end of 2017. The Company achieved a market share of 0.75%; the operating income amounted to RMB345.79 million, representing a year-on-year increase of 122%; the total profit amounted to RMB53.94 million, representing a year-on-year increase of 2%, and the net profit amounted to RMB42.10 million, representing a year-on-year increase of 5%. During the first half of 2018, the Company was in excellent operating conditions generally, and its brand influence was further improved. It was awarded as the "Excellent Member Prize"(優秀會員獎) and "Industry Innovation Service Prize" (產業創新服務獎) by Dalian Commodity Exchange and "Excellent Member for Varieties Industry Service" (品種產業服務優秀會員) and "2018 Futures Brokerage Business Pioneer in China" (2018中國期貨經紀業務先鋒) by Zhengzhou Commodity Exchange, and the general manager of the Company, Ms. Zhou Jianqiu, was also awarded the "Junding Prize for Chinese Wealth Management Leader" for the third year. Meanwhile, the Company has obtained "Class A of the Grade A" regulatory category in the classified supervision and evaluation of the CSRC for ten consecutive years.

III. Analysis of Principal Businesses

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

(I) Futures Brokerage Business

The futures brokerage business of the Company includes providing brokerage service in respect of the commodity futures and financial futures available at all futures exchanges listing in the PRC and receiving certain percentage of handling fees from clients. As at 30 June 2018, the Company had 44 branches, of which 18 were located in Jiangsu Province and the remaining were mainly located in other economically developed cities, such as Beijing, Shanghai and Shenzhen, covering all the financially developed areas and other major regions in the PRC.

For the first half of 2018, the futures brokerage business of the Company maintained at a fairly good level. As at 30 June 2018, the Company's client balance amounted to RMB3.207 billion, representing a decrease of 10% as compared to RMB3.566 billion for the end of 2017. The turnover from brokerage of the Company amounted to RMB1,440.712 billion, representing a year-on-year increase of 5.31% as compared with RMB1,368.012 billion for the same period of 2017, with a market share of 0.75%. The handling fees of the Group from futures brokerage business and interest income of the Group amounted to RMB141.53 million, representing a year-on-year increase of 8.40% as and compared with RMB130.55 million in the corresponding period of 2017.

(II) Assets management business

As at 30 June 2018, entrusted AUM of the Company amounted to RMB11.841 billion, representing a year-on-year increase of 686.78% as compared to RMB1.505 billion at the end of 2017. The asset management business achieved a fee income of RMB2.45 million, representing a year-on-year growth of 57% as compared to RMB1.56 million for the same period in 2017. There were 43 trading asset management accounts in aggregate and all accounts were operated smoothly. Holly Xingyuan No. 1 Asset Management Scheme was awarded the "Junding Prize for Excellent Futures Asset Management Product in China in 2018"(2018中國優秀期貨資管產品君鼎獎).

During the first half of 2018, under the background of strong regulation of the futures market, the asset management centre proactively adapted to new requirements for asset management and explored new development opportunities. Firstly, the Company made further breakthroughs in the cooperation with large financial institutions, including banks. The Company established "win-win" modes of cooperation with the private banking departments of numerous large banks, jointly issued a targeted asset management scheme amounting to over RMB10 billion for a single customer with the asset management department of a bank. Secondly, in view of the under-performed equity market in the first half of this year, the Company proactively expanded its investment in fixed-income assets. Thirdly, the Company maintained its direction toward enhancing active management capabilities and expanding the scale of proactive management to give play to its expertise advantages in derivatives and continuously improve its active management capabilities and compliance management level.

(III) Commodity trading and risk management business

Positioning to develop into a commodity supply chain service integrator and sticking to the development philosophy of "trade combined with finance", Holly Capital actively expanded its commodity trading business in energy and black products based on the "variation basis trading" strategy, and achieved some revenue. As of the end of June 2018, Holly Capital had total assets of RMB244 million, net assets of RMB242 million, and had achieved sales revenue of RMB200 million for the year, representing a year-on-year increase of 6 times. During the year of 2018, it was awarded the honor of the "Excellent Risk Management Subsidiary" (優秀風險管理子公司) by Dalian Commodity Exchange. In addition, the Company paid more attention to enhance risk control and continuously promoted the construction of internal control system.

(IV) Financial assets investment

With an aim of optimising its capital operation, the Company invested in a variety of financial assets including securities, funds, wealth management products issued by banks, trusts and asset management plans so as to make effective capital allocation, facilitate the development of principal business and improve profitability while putting risks under control.

During the first half of 2018, the Group achieved disposition and dividend gains of RMB1.59 million from financial assets investment business, representing a year-on-year decrease of 61.28% as compared to RMB4.11 million for the same period in 2017, mainly due to the less gain from stock trading due to the securities market in the first half of 2018.

IV. Other Innovative Business

(I) Expansion with stability of international business

During the first half of 2018, the Company realized its substantial development in terms of futures market internalization. On 26 March 2018, crude oil futures listed on the Shanghai International Energy Exchange. On 4 May 2018, foreign investors were officially introduced into in Dalian Commodity Exchange for iron ore futures. The Company highly focused on its international business. While completing preliminary works such as account opening process, suitability analysis and technical system upgrades, the Company endeavored to conduct marketing nurturing and promotion. The first "Salon for Internationalization of Iron Ore Futures in China "was held successfully in Hong Kong; there were 2 foreign enterprise accounts successfully opened on the first day of iron ore internationalization in Dalian Commodity Exchange and such accounts finished foreign institution transaction. As at the end of June, number of account opened for crude oil futures was 319, and number for iron ore was 34. As of 30 June 2018, Holly Su Futures achieved client balance amounting to HK$193 million, representing a year-on-year decrease of 16%, fee income amounting to HK$3.4983 million, representing a year-on-year decrease of 26.21%; agency trading volume amounting to HK$62.362 billion, representing a year-on-year increase of 32.03%. Holly Su Futures made new progress in its securities business, which had entered trading process. In August 2018, Holly Su Asset obtained the asset management license.

(II) Remarkable results in options business

As the new type financial instrument, options brought new content and opportunities for futures market to serve the substantial economy. With the immense changes of market regulatory policies, the Company's options business performed positively, achieving various remarkable results. As for client number, market share and trading volume, our stock options business ranked among the top 10 in our industry. The over-the-counter option developed stably, with a notional principal exceeding RMB550 million, representing a year-on-year increase of more than 5 time, while trading amount of option premium amounting around RMB10 million. Our ability of independent research and development enhanced gradually, and annual yield of stock options accounts reached 14%. We proactively explored the "futures + insurance" business mode, and launched "futures + insurance" projects in Zhenlai County, Jilin Province, Tongshan District, Xuzhou City, Guannan County, Lianyungang, Haian County, Nantong City, respectively. Such projects provided price risk management service for 60,000 tons of corns, 8,000 tons of soybeans and 840 tons of eggs. Among such projects, the corns price index "futures + insurance" poverty alleviation project mainly in charged by our futures department was awarded the 2nd Prize of Financial innovation of Nanjing city ("南京市金融創新二等獎"). Meanwhile, the Company started its applications of qualifications for market maker of options business and stock options business in Shenzhen Stock Exchange.

(III) Continuous enhancement of funds sales business

Under the guidance of the principle of "financial supermarket", our wealth management centre actively sought high quality cooperating organizations and sold 500 fund products on a commission basis. The Company spared no effort in fund product sales training and marketing, making the sales of fund product to drive the development of futures agency business. According to the guidelines of the National Financial Working Conference and with the guidance opinion of the CSRC on the issue window, the Company modified the design plan for Holly Fund Management Co., Ltd. And filed application material to the CSRC, which are currently pending on acceptance.

V. Outlook and Future Plans

So far this year, China's economy continued to maintain stable growth while its structure has been continuously optimized, the quality of economic growth has been steadily improved, new growth drivers quickly took places of old ones, and with the gradual impact of bonus from reforms and opening up policy, China was on track for high-quality development. Looking forward into the second half of 2018, there will be greater uncertainty in both domestic and foreign economic development, especially the intensifying global trade friction and the spillover effects induced by monetary policy normalization in major developed countries resulted in worsening financial market turmoil, which led to difficulties in financing and increased credit default risks, imposing downward pressure on China's economy.

Under such complicated and ever-changing external environment, the Company will adhere to the operating vision of "Development is the top priority, talents are the primary resources, and innovation is the primary driving force". It will comprehensively deepen reform, accelerate transformation and upgrading, encourage the management to take in more responsibilities and endeavor to increase its market share against its competitors, in pursuing a leading position amidst market competition. The followings are crucial work tasks for the Company in the second half of 2018:

(I) Upholding strategic thoughts for strengthening and improving systems and mechanisms

Firstly, we will continue A share IPO project of the Company in accordance with the Company's planned schedule to achieve material progress in A share issue.

Secondly, we will capture opportunities in the development of China capital market. Under the new market environment and regulatory environment after the reform of financial mechanism, the Company will push forward development of transformation, innovation, complementary, standardization and internationalization, so as to develop the Company as a first-class integrated financial group. We will launch a new talent incentive scheme to hire management candidates who are willing to take up and shoulder responsibilities, able to make achievements and perform outstandingly. Also, we set up an all-round scientific assessment and appraisal mechanism that focuses on position (job nature) capability and work performance and emphasizes professional ethics and knowledge. We will strive to achieve normalized work in our assessment and implement quantitative remuneration evaluation. An employment approach based on the principle of "hiring for abilities and firing for inabilities" will be adopted to attract talents with competitive mechanisms, retain talents with favorable working environment and nurture talents with positive career path.

(II) Adhering to innovation for deepening the transformation and upgrading of four business segments

Firstly, we will transform our brokerage business to achieve high quality development. Facing the continuous decline of the industry commissions and the challenges and opportunities arising from the accelerating development of Internet Finance, we will deepen the transformation of our brokerage business. We will integrate marketing into our services, actively expand the market, enhance our service quality, enlarge the asset scale of customers and consolidate our market share. In addition, the "five in one" customer serving model will be streamlined furthering, gathering our resources and effort to explore our research and functions of channels and enhance our ability to preserve and increase the value of clients' assets. Based on customer classification and graded management with the aid of big data analysis, our service to futures customers and risks of industrial chain are under informationalization management to make effective use of futures functions. Our branch departments will combine various regional advantages to identify our business target and formulate various "brokerage business+" models comprising "brokerage business+asset management", "brokerage business+futures and spot trading", "brokerage business+international" and "brokerage business+over-the-counter", striving to become an intermediary of products and services.

Secondly, our asset management business will undergo transformation focusing largely on active management. Along with the latest development trend of asset management, we will rationalize and perfect the system, procedures and teams of our asset management business to vertically consolidate its sustainable development foundation. Leveraging the existing development strengths, we will intensify our cooperation with the private banking departments and asset management departments of targeted banks and established private equity institutions. On the basis of strengthening existing standardized products, we will enhance the warehouse receipts services and non-standardized debt investment models to strengthen our product lines of asset management and expand our asset management business. In addition, under the guidelines for new regulations of asset management, we will further improve our project review assessment and post-investment management and strictly prevent against project-related risks.

Thirdly, we will build up a good reputation of risk management business among the industry leveraging its professional strengths. We will promote vigorously our over-the-counter options business, carry out the campaign of "bringing risk management plans to enterprises", actively file with the authorities several "futures +insurance" and over-the-counter options programs and put effort in targeted poverty alleviation. We will also nurture talents to further enhance our research skills in strategic futures options programs.

Fourthly, our wealth management business will be transformed into an integrated financial service business. We will seek for more quality cooperation partners to act as agents in engaging more quality public funds, private finds and other wealth management products to create new profit-generating engines.

(III) Upholding open thoughts for continuously strengthening the international business landscape

In addition to maintaining steady growth in various indicators of the futures business, Holly Su Futures is also required to create new growth points to further strengthen the operation and management of our team and take full use of the advantages and functions of the existing licensed persons and team members. Furthermore, Holly Su Futures has to make use of its strengths in offshore futures markets and capture opportunities arising from the listing of crude oil futures and the internationalization of iron ore futures trading to actively attract overseas customers and expand its market.

(IV) Adhering to systematic thinking for strengthening the three basic protection measures

Firstly, we will enlarge our talent pool. In particular, we will launch a three-year training program for our existing employees to nurture their professional and composite skills, implement young talents training programs and introduce talented personnel to enhance the overall capabilities and competitiveness of the Company.

Secondly, we will invest more resources into information technology. Big data has become an indispensable basic element of financial innovation and the data driven development trend is irreversible. In other words, data and its application will be an important reflection of the strategic assets and core competitiveness of financial enterprises. We have to re-examine the role of information technology in the Company's core competitive strengths and put greater effort in information technology strategies, basic structure, application structure and governance to create a fast, safe and leading online service platform. In the meantime, we will focus on capital management and further strengthen the informationalization system with contract management as the basis, so as to achieve "systematized management", "process-oriented system" and "informationalized workflow" and achieve the function of informationalization in operation management, effectiveness enhancement and risk prevention in standardized enterprise management.

Thirdly, we will increase investment in the research of integration. We will uphold the principle of "all for actual service" to re-position and transform the financial institution and further strengthen its "window-serving function", "training function", "service function" and "profit-making function". With "integration of investment and research" as our objective, we will put extra effort in both investment and research to achieve a seamless relationship between the research team and customer base. In addition, we will establish an appraisal scheme for hierarchical management to provide outstanding research personnel with promising career path.

(V) Upholding the baseline for maintaining a comprehensive risk management system

Given the continuous accumulation of and exposure to onshore and offshore financial risks, it is crucial to focus on making progress under stable operation. We will comply with "compliant, comprehensive and strict regulation" requirements of the industry and comprehensively strengthen our risk control and management measures in monitoring, controlling, identifying and addressing risks, so as to refine and normalize our measures. Moreover, we will enhance our risk management through informationalization and incorporate the risk management function in our informationalized system.

VI. Working Capital, Financial Resources and Capital Structure

(I) Profitability analysis

During the Reporting Period, the Company seized the opportunities of the industrial innovation and development and gradually enhanced its comprehensive strength with its overall operation enjoying a good momentum. The Group achieved total operating income of RMB346 million, an increase of 122% from RMB156 million for the same period of 2017. The net profit attributable to Shareholders of the Company amounted to RMB42.10 million, an increase of 5% from RMB40.18 million for the same period of 2017. The earnings of per Share amounted to RMB0.0464 and the weighted average return on net assets was 2.42%, representing a year-on-year growth of 0.07 percentage point.

(II) Asset structure and asset quality

As of 30 June 2018, the total assets of the Group amounted to RMB5,050 million, representing a decrease of 13% as compared with RMB5,829 million at the end of 2017; the total liabilities amounted to RMB3,326 million, representing a decrease of 18% as compared with RMB4,071 million at the end of 2017; and the net assets attributable to the Shares of the Company amounted to RMB1,724 million, representing a decrease of 2% as compared with RMB1,758 million at the end of 2017.

The asset structure remained stable while the quality and liquidity of asset were well maintained. As at 30 June 2018, the total assets of the Group consisted of: current assets of RMB4,948 million, accounting for 97.98% of the total assets, decreased by 13% as compared with RMB5,697 million at the end of 2017. Current assets mainly included cash held on behalf of clients of RMB1,727 million (accounting for 34.19%), refundable deposits of RMB1,610 million (accounting for 31.88%), cash and bank deposits of RMB1,014 million (accounting for 20.08%), assets for financial investment of RMB475 million (accounting for 9.41%), other receivables of RMB96 million (accounting for 1.90%) and other current assets of RMB26 million in total (accounting for 0.52%).

As of 30 June 2018, the liabilities deducting brokerage clients funds payable amounted to RMB119 million, representing a decrease of 76.36% from RMB504 million at the end of 2017. The asset-liability ratio of the Group was 6%, representing an increase of 16 percentage points as compared with the end of 2017 (Note: asset-liability ratio = (total liabilities – brokerage clients funds payable)/(total assets – brokerage clients funds payable)); The operating leverage ratio was 1.07 times, representing a decrease of 16.92% as compared with 1.29 times as at the end of 2017 (Note: operating leverage ratio = (total assets – brokerage clients funds payable)/equities attributable to Shareholders of the Company).

(III) Administrative level management

The Company places great emphasis on liquidity management based on the principle of "being comprehensive, prudent and predictability" while focusing on the organic combination of the security, liquidity and profitability of capital. The liquidity monitor index of the Company in each month throughout the first half of 2018 complied with the regulatory requirements of the CSRC.

(IV) Currency risk

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

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

(V) Cash flows

The net increase in cash and cash equivalents of the Group amounted to RMB101 million in the first half of 2018.

Net cash generated from operating activities of the Group amounted to RMB242 million in the first half of 2018, representing a year-on-year decrease of RMB24 million as compared with RMB266 million for the same period in 2017; net cash used in investing activities amounted to RMB136 million in the first half of 2018, representing a year-on-year decrease of RMB148 million as compared with the net cash generated from investing activities amounting to RMB12 million for the same period in 2017; net cash flow used in fund raising activities amounted to RMB5 million, representing a year-on-year decrease of RMB5 million as there was no relevant activities for the same period in 2017; net increase in cash and cash equivalents amounted to RMB101 million in first half of 2018, representing a year-on-year decrease of RMB177 million as compared with RMB278 million for the same period in 2017.

(VI) Significant investment

Save as the investments in equity securities and short term investments presented in the unaudited consolidated statement of financial position as at 30 June 2018, the Group did not hold any significant investment in equity interest in any other company as at 30 June 2018.

(VII) Contingent liabilities

For details, please refer to notes to the unaudited interim financial report of this Report.

(VIII) Charges on assets

As at 30 June 2018, 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 2018, the raised proceeds were utilised as follows, which were in line with the purposes set out in the Prospectus:

Title of the projects intended to be financed	Whether there were changes in the project	The amount of proceeds available-for-use during the Reporting Period (HK$ in thousand)	The accumulated amount of proceeds used (HK$ in thousand)	Balance (HK$ in thousand)
Developing the Hong Kong and global futures business	No	171,567	165,000	6,567
Developing asset management business	No	134,037	121,356	12,681
Developing the commodity trading and risk management business	No	107,230	97,838	9,392
Developing and strengthening the existing futures brokerage business	No	53,615	–	53,615
Purchasing IT equipment and software	No	26,807	4,197	22,610
General working capital of the Group	No	42,892	42,886	6
Total		536,148	431,277	104,871

In order to enhance the efficiency of the utilisation of the proceeds, as of 30 June 2018, 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 2018 and 2019.

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

Investments during the Reporting Period

Nil.

(IV) Future plans for significant investment and fixed assets

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

IX. Share Option Scheme

The Company and its subsidiaries have no share option scheme.

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

During the Reporting Period, there was neither acquisition, sale or replacement of the Group's material assets or business merger, nor any major off-balance-sheet items or contingent liabilities matters such as major external guarantee, mortgage, pledge that may affect the Group's financial position and operating results. The Group did not grant loans to any entities.

XI. Employees, Remuneration Policies and Training

As at the end of the Reporting Period, the Group had a total of 663 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. For the six months ended 30 June 2018, the total remuneration of employees, including remuneration of Directors, amounted to approximately RMB69.723 million. Details of which are set out in Note 7 to the financial statement of this Report.

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

In order to constantly improve the professional ability and quality of the Company's executives, the Company formulated corresponding training programs for all business lines and made various training plans for employees at all levels. The Company provided operation and management personnel with training programs centring on enhancing their understanding of the development of the futures industry, management theories and skills, strategic thinking ability, operation management ability, etc.; and offered training programs focused on improving business knowledge, product development and marketing skills and service abilities to employees of various business lines and departments. Moreover, it 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 risk management, internal control risk, professional conduct risk, market risk, credit risk and investment risk. In the first half of 2018, the Company adopted effective measures to deal with the risks proactively, thereby safeguarding the safety and high efficiency of the business activities.

(I) Risk management and internal control risk

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

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

(II) Professional conduct risk

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

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

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

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

(III) Market Risk

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

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

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

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

(IV) Credit Risk

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

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

(V) Investment Risk

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

1. Investment target risk: It refers to the uncertainties in the growth and development of the investment target, including but not limited to technical risk, operation risk and financial risk;

2. Investment analysis risk: It refers to the risk of loss resulting from incorrect or incomplete due diligence conducted in an investment project;

3. Investment decision-making risk: It refers to the risk of loss resulting from an imperfect decision-making process and bias before any decision-making;

4. Project management risk: It refers to the risk resulting from insufficient supervision or improper management after investment and failure to discover and exercise control of the problems in an investment project in a timely manner; and

5. Project exit risk: It refers to the risk resulting from exit from an investment project with losses or inability to exit from an investment project.

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

XIII. Constructing the Risk Management System of the Company

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

(I) Risk Management Principles

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

1. Preventing operation, compliance, market and credit risks;

2. Ensuring the safety and integrity of the assets of the Company' customers and the Company's own assets;

3. Ensuring the reliability, completeness and timeliness of the business records, financial records and other information of the Company;

4. Enhancing the operation efficiency and the efficiency in future business development of the Company.

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

1. Comprehensiveness: The Company has developed a comprehensive and unified risk management system which covers the entire process of the Company's business and the various processes of different departments and individual employees permeating through decision-making, execution, supervision and evaluation. Each department and individual employee must have a clearly defined role and responsibility in the risk management process.

2. Sustainability: The Company takes the initiative in actively setting risk management objectives and implementing risk management measures with proper supervision and evaluation on a sustainable basis.

3. Independency: The compliance and risk control department, discipline inspection, supervision and audit department as well as legal department operate independently from other departments in inspecting, assessing and monitoring various risks applicable to the Company on a regular basis.

4. Effectiveness: Risk management should be in proportion to the scale of the Company's business, scope of business as well as actual circumstances and unite with the efficacy of actual delivered results, so as to realize the risk management objectives of the Company.

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

(II) Risk Management System

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

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

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

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

The Chief Risk Officer of the Company is responsible for ensuring the effective implementation of the internal policies of the Company and compliance with the business policy of the Company; evaluating and advising on the risks and compliance by the management of the Company in and as regards the major decisions making and main business activities of the Company; inspecting and investigating possible regulatory violations and risk concerns in the operation of the Company, reporting to the Board, the Shareholders and the regulatory authority independently on any non-compliance and enhancing the risk management of the Company through training, inspection and supervision. Mr. Qiu Xiangjun is the Chief Risk Officer and has approximately 11 years of experience of compliance and risk control and management in the financial futures industry.

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

Corporate Governance

I. Overview of Corporate Governance

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

II. Compliance with the Corporate Governance Code

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

III. Compliance with Model Code

The Company has adopted the Model Code concerning the securities transactions by Directors and Supervisors. The Company has also made specific inquiries to all the Directors and Supervisors for the compliance with Model Code. All Directors and Supervisors confirmed that they completely observed the Model Code during the Reporting Period.

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

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

IV. Independent Non-executive Directors

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

V. Audit Committee

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

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

On 23 August 2018, the Audit Committee reviewed and confirmed the interim results of the Group for the six months ended 30 June 2018, the 2018 interim report and the unaudited interim financial statements for the six months ended 30 June 2018 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 2018 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 29 August 2018.

III. Interim dividend

The Board does not recommend to distribute interim dividend for the six months ended 30 June 2018.

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

(I) Connected transactions

During the Reporting Period, the Group conducted its connected transactions in strict compliance with the Listing Rules and the Administrative Measures on Connected Transactions. The connected transactions of the Group were mainly entered into with the Controlling Shareholder, SOHO Holdings, and the substantial shareholder, Holly Corporation, of the Company. See Note 29 to the unaudited interim financial report of this Report for information about other related party transactions. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of its connected transactions or continuing connected transactions.

(II) Connected persons

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

SOHO Holdings

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

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

Holly Corporation

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

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

Jiangsu Chemical Fertilizer

Jiangsu Chemical Fertilizer was incorporated in accordance with the laws of the PRC on 16 November 1992. As at the date of this Report, Jiangsu Chemical Fertilizer is held as to 60% and 40% by Holly Corporation and Jiangsu Textile respectively. Since Holly Corporation is the Substantial Shareholder of the Company and Jiangsu Textile is a wholly-owned subsidiary of SOHO Holdings (being the Controlling Shareholder of the Company), Jiangsu Chemical Fertilizer is a Connected Person of the Company.

So far as the Company is aware, Jiangsu Chemical Fertilizer is principally engaged in, inter alia, import and export of commodities and technologies for itself or as agent and domestic trading; sales of mine products, coal, coking coal, metal materials, packaging materials and wood; production and sales of apparels and fabrics, knitted textiles, chemical fertilizers, chemical equipment, textile machinery and equipment, crafts; sales of pesticides, chemical products, chemical raw materials and hazardous chemicals; and chemical technology consulting services and property leasing.

(III) Continuing connected transactions

1. SOHO Financial Services Framework Agreement between the Group and SOHO Holdings

As the Original SOHO Financial Services Framework Agreement expired on 31 December 2017 and the Group continued to provide similar transactions contemplated under the Original SOHO Financial Services Framework Agreement with SOHO Holdings, the Company entered into the New SOHO Financial Services Framework Agreement with SOHO Holdings on 29 September 2017 (after trading hours of the Stock Exchange). Pursuant to the agreement, the Group provided a variety of financial services to SOHO Holdings and its subsidiaries, including futures brokerage services, asset management services and commodity trading and risk management services. The annual cap for 2018 amounted to RMB5 million, with an actual amount of RMB0 in the first half of 2018.

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

As the Original Holly Property Lease Agreement expired on 31 December 2017 and the Group continued to lease the Property from Holly Corporation under the Existing Holly Property Lease Agreement after 31 December 2017, the Company entered into the New Holly Property Lease Agreement with Holly Corporation on 29 September 2017 (after trading hours of the Stock Exchange). The annual cap for 2018 amounted to RMB7 million, with an actual amount of RMB3.318 million in the first half of 2018.

3. Thermal Coal Basis Trading Cooperation Agreement between the Group and Jiangsu Chemical Fertilizer

Holly Capital and Jiangsu Chemical Fertilizer shall contribute no more than RMB13,000,000 for variation basis trading from 31 August 2017 to 30 August 2018. In view of the nation-wide supply-side structural reform policies, the Directors consider that the domestic thermal coal market will continue to prosper gradually. Leveraging Jiangsu Chemical Fertilizer's extensive experience in thermal coal trading, its state-owned enterprises background, its well-established credibility and reliability, and its possession of a wide range of customers in the thermal coal market, the Company would be able to tap into growing business opportunities brought by thermal coal trading in both the spot and futures market. In light of this, the Company and Jiangsu Chemical Fertilizer intend to engage in variation basis trading regarding the thermal coal futures contract and spot rates onwards on a continuing basis. As such, the Company entered into the New Thermal Coal Variation Basis Trading Cooperation Framework Agreement with Jiangsu Chemical Fertilizer on 29 September 2017 (after trading hours of the Stock Exchange), and proposed the annual caps for the two years ending 31 December 2019 under the New Thermal Coal Variation Basis Trading Cooperation Framework Agreement. The annual cap for 2018 amounted to RMB120 million, with an actual amount of RMB0 in the first half of 2018.

The following table set out the annual caps for continuing connected transactions of the Group in 2018 and the actual transaction amounts for connected transactions of the Group in the first half of 2018. For the six months ended 30 June 2018, the continuing connected transactions of the Group were aggregated as follows:

		First half of 2018 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	–	5,000
2	**Holly Property Lease and Management Services Agreement** Expenses incurred by leasing properties by the Group from Holly Corporation	3,318	7,000
3	**Jiangsu Chemical Fertilizer Thermal Coal Basis Trading Cooperation Agreement** Contribution from Holly Capital for the development of thermal coal basis trading	–	120,000

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

As at 30 June 2018, 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 2018, 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%
Artall Culture Group Company Limited [4]	Domestic Shares	Interest in controlled corporation	156,185,345 (long position)	17.22%	23.76%
Jiangsu Holly Corporation	Domestic Shares	Beneficial owner	147,900,000 (long position)	16.31%	22.50%
Jiangsu Holly Su Industrial Co., Ltd.	Domestic Shares	Beneficial owner	143,548,000 (long position)	15.83%	21.84%
Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)) [5]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)) [5]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) [5]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Huang Jieping [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%
Success Indicator Investments Limited	H Shares	Beneficial owner	15,234,000 (long position)	1.68%	6.10%

Notes:

(1) The calculation is based on the total number of 907,000,000 Shares in issue of the Company as at 30 June 2018.

(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 2018.

(3) On 30 June 2018, Jiangsu SOHO Holdings Group Co., Ltd. (i) directly held 275,456,777 Domestic Shares; and (ii) was the beneficial owner of the entire equity interests of Artall Culture Group Company Limited (deemed to be interested in the 147,900,000 Domestic Shares and 8,285,345 Domestic Shares directly held by Jiangsu Holly Corporation and Jiangsu Holly International Logistics Corporation). Accordingly, Jiangsu SOHO Holdings Group Co., Ltd. is deemed to be interested in the 156,185,345 Domestic Shares indirectly held by Artall Culture Group Company Limited and hence directly and indirectly interested in 431,642,122 Domestic Shares under the SFO.

(4) On 30 June 2018, 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 2017 annual report of Jiangsu Holly Corporation, Artall Culture Group Company Limited is regarded as the controlling shareholder of Jiangsu Holly Corporation under the relevant PRC laws. Accordingly, Jiangsu Holly Corporation is a deemed controlled corporation of Artall Culture Group Company Limited under the SFO, and Artall Culture Group Company Limited is therefore deemed to be interested in the 147,900,000 Domestic Shares and 8,285,345 Domestic Shares directly held by Jiangsu Holly Corporation and Jiangsu Holly International Logistics Corporation, respectively.

(5) According to the current information available to the Company, on 30 June 2018, (i) Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)) held 99.446% equity interests in Jiangsu Holly Su Industrial Co., Ltd.; (ii) Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)) held 99.7% equity interests in Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)); (iii) Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) held 79.5% equity interests in Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)); (iv) Ms. Huang Jieping was the beneficial owner of 100% equity interests in Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司). Accordingly, under the SFO, each of Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)), Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)), Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) and Ms. Huang Jieping is deemed to be interested in the 143,548,000 Domestic Shares directly held by Holly Su Industrial.

Save as disclosed above, the Directors, Supervisors and chief executives of the Company are not aware that, as at 30 June 2018, any other person (other than the Directors, Supervisors or chief executives of the Company) had an interest or short position in the Shares or underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are required to be entered into the register of the Company pursuant to Section 336 of the SFO.

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

VIII. Material litigations and arbitrations

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

Nil.

(II) Material litigations and arbitrations

1. Material litigations and arbitrations occurring during the Reporting Period

Nil

2. Material legal litigation concluded in the Reporting Period

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

   (1) On 1 August 2017, a customer ("Company I") filed a lawsuit to the People's Court of Qinhuai District, Nanjing ("Qinhuai District Court") for requesting the Company for repayment of the principal of wealth products of RMB21 million with interest of RMB5.04 million; and the Company shall bear the cost of litigation. Two meetings for the case before hearing were held on 29 August and 12 September 2017. The case was heard on 8 February 2018. On 21 March 2018, the Company received a civil ruling from Qinhuai District Court, dismissing the claims against Company I. the case was transferred to the public security organ for handling. In June 2018, the Company received a second instance civil ruling from Nanjing Intermediate People's Court which ruled that the appeal of Company I was dismissed and the original decision was upheld. Such ruling was the final decision.

(2) On 28 August 2017, a customer ("Mr. J") filed a lawsuit to Qinhuai District Court for requesting the Company for repayment of the principal of wealth products of RMB0.4 million with gain of RMB75,000; and the Company shall bear the cost of litigation. On 22 September 2017, the Company received summon, petition and other materials for such case. On 17 October 2017, the case was discussed before hearing. The case was heard on 5 February 2018. On 20 March 2018, the Company received a civil ruling from Qinhuai District Court, dismissing the claims against Mr. J. The case was transferred to the public security organ for handling. On 19 June 2018, the Company received a second instance civil ruling from Nanjing Intermediate People's Court which ruled that the appeal was dismissed and the original decision was upheld. Such ruling was the final decision.

(3) On 28 August 2017, a customer ("Mr. K") filed a lawsuit to Qinhuai District Court for requesting the Company for repayment of the principal of wealth products of RMB1.0 million with gain of RMB0.28 million; and the Company shall bear the cost of litigation. On 17 October 2017, the Company received summon, petition and other materials for such case, and the case was discussed before hearing. The case was heard on 5 February 2018. On 16 March 2018, the Company received a civil ruling from Qinhuai District Court, dismissing the claims against Mr. K. The case was transferred to the public security organ for handling. On 27 June 2018, the Company received a second instance civil ruling from Nanjing Intermediate People's Court which ruled that the appeal was dismissed and the original decision was upheld. Such ruling was the final decision.

(4) On 22 September 2016, a customer ("Company B") filed a lawsuit to Qinhuai District Court against Mr. A for requesting the Company for repayment of the principal assets of RMB9.86072 million and the risk compensation of RMB875,000, totalling RMB10.73572 million; and the Company shall bear the cost of litigation. The case was heard on 26 October 2016, 16 March, 27 April and 26 July 2017. On 23 March 2018, the Company received a civil ruling from Qinhuai District Court, dismissing the claims against Company B. The case was transferred to the public security organ for handling. On 28 June 2018, the Company received a second instance civil ruling from Nanjing Intermediate People's Court which ruled that the appeal was dismissed and the original decision was upheld. Such ruling was the final decision.

2. In 2014, Holly Capital entered into a contract for sale and purchase with a customer ("Customer X") and a warehouse supervision entrusted agreement with Holly Logistics.

In August 2015, certain part of grains owned by Holly Capital was moved by Customer X without the authorization of Holly Capital. A lawsuit was filed to the Court of Qinhuai District by Holly Capital against Customer X in August 2015 for, among other things, the repayment of debts. The Court of Qinhuai District terminated the lawsuit in October 2015 and reopened the case on 28 February 2017. On 16 March 2017, Holly Capital received the judgement of first instance that the Court of Qinhuai District ordered Customer X to repay RMB24,496,331.75 plus interest of RMB3,461,812.5 and overdue interest to Holly Capital. On 9 June 2017, Holly Capital received the civil judgment from Nanjing Intermediate People's Court: such case was deemed to be automatically withdrawn by Customer X as the appellant as Customer X failed to pay the appeal fees for such case after receiving the calling notice for the appeal fees.

As disclosed in the 2015 Annual Report of the Company, on 8 December 2015, Holly Capital entered into the agreement for assignment with Holly Logistics, under which Holly Logistics would pay Holly Capital the amount for various fees, totaling RMB26,148,100. Holly Capital has transferred all the rights under the related contracts including the contract for sale and purchase and warehouse supervision entrusted agreement to Holly Logistics and Holly Logistics shall have no claims against the Holly Capital after the transfer. On 21 December 2015, Holly Capital received RMB26,148,100 from Holly Logistics.

The case has currently entered into execution process.

3. In July 2016, the Company found that an employee (the same person as the aforesaid "Mr. A") and his wife entered into the personal borrowing contracts with 3 clients under which they took the Company as the guarantor without informing the Company.

On 25 July 2016, two customers ("Customer Y" and "Customer Z") filed a lawsuit against Mr. A and his wife and the Company the Jing Hai District Court. The claims of Customer Y include: (1) requesting Mr. A and his wife to jointly repay the loan of RMB3 million and pay interest from 17 July 2016 to the date of the actual payment of the loan at the monthly rate of 2% and that the Company shall be jointly and severally liable; and (2) litigation costs. The claims of Customer Z include: (1) requesting Mr. A and his wife to jointly repay the loan of RMB1.7 million and that the Company shall be jointly and severally liable; and (2) litigation costs. For details, please refer to the announcements of the Company dated 26 July 2016 and 8 August 2016. On 26 July 2017, the Company received the first trial civil judgment concerning Customer Y dispatched by the Jing Hai District Court, with the trial judging that Mr. A and his wife shall jointly repay the loan principal of RMB3 million to Customer Y within 3 days upon the effective date of the judgment; Mr. A and his wife shall pay interest to Customer Y within 3 days upon the effective date of the judgment, with a rate of 24% annually based on the amount of RMB3 million for the period starting from 17 July 2016 to the date of settlement of the loan principal; and the Company shall hold a 50% compensation liability for such unsettled loans that Mr. A and his wife shall pay to Customer Y. On 16 October 2017, the Company received the second trial civil judgment dispatched by the First Intermediate People's Court of Tianjin City (天津市第一中級人民法院) revealing that the appeal was dismissed in the judgment of second instance with the original judgment sustained and it was the final judgment. On 4 August 2017, the Company received the first trial civil judgment concerning Customer Z dispatched by the Jing Hai District Court with a judgement that Mr. A and his wife shall jointly repay the loan principal of RMB1,418,365.02 to Customer Z within 3 days upon the effective date of the judgment; the Company shall hold a 50% compensation liability for such unsettled loans that Mr. A and his wife shall pay to Customer Z. On 15 November 2017, the Company received the second trial civil judgment dispatched by the First Intermediate People's Court of Tianjin City revealing that the appeal was dismissed in the judgment of second instance with the original judgment sustained and it was the final judgment.

In November 2017, the two cases mentioned above entered into execution process and the Company has submitted written explanatory document to the Jing Hai Court regarding the situation. On 25 July 2016, the Jing Hai Court sealed up two properties located at Hexi District of Tianjin City owned by the wife of Mr. A and one small vehicle registered to each of Mr. A and his wife. The aforesaid preserved financial assets are expected to cover the compensations for both cases.

3. Outstanding material legal litigations during the Reporting Period

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

The dissent of jurisdiction for the case was discussed on 21 November and 14 December 2017, respectively. On 15 January 2018, the Company received a civil ruling on dissent of jurisdiction and the case was transferred to the jurisdiction of the Second Intermediate People's Court of Beijing. The case is currently in the first instance trial.

4. New material legal litigations after the Reporting Period

Nil.

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

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

1. The Company

Nil.

2. Holly Capital

Nil.

3. Holly Su Futures

Nil.

4. Holly Capital (Hongkong)

Nil.

5. Holly Su Asset

Nil.

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 86 which comprises the consolidated statements of financial position of Holly Futures Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") as of 30 June 2018 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity and consolidated cash flow statements for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, "Interim Financial Reporting" ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 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

29 August 2018

Consolidated statement of profit or loss

for the six months ended 30 June 2018 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June 2018	Six months ended 30 June 2017
Revenue	3	163,057	152,511
Net investment (losses)/gains	4	(22,006)	3,325
Other operating revenue	5	204,736	–
Operating income		345,787	155,836
Other net income/(losses)	6	2,919	(1,633)
Other operating cost	5	(194,273)	–
Operating expenses		(103,241)	(101,491)
Profit from operations		51,192	52,712
Share of profits/(losses) of associates		2,743	(9)
Profit before taxation	7	53,935	52,703
Income tax expense	8	(11,839)	(12,522)
Profit for the period		42,096	40,181
Earnings per share	9		
Basic		0.0464	0.0443
Diluted		0.0464	0.0443

The notes on pages 47 to 86 form part of this interim financial report.

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2018 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2018	2017
Profit for the period	42,096	40,181
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 reserve	–	71
Reclassified to profit or loss	–	503
Share of other comprehensive income of associates	(5,610)	–
Exchange differences on translation of financial statements in foreign currencies	1,235	(4,128)
Other comprehensive income for the period, net of tax	(4,375)	(3,554)
Total comprehensive income for the period	37,721	36,627

The notes on pages 47 to 86 form part of this interim financial report.

Consolidated statement of financial position

as at 30 June 2018 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2018	As at 31 December 2017
Non-current assets			
Property, plant and equipment		9,828	7,959
Goodwill		43,322	43,322
Intangible assets		22,593	22,692
Interest in associates	11	14,459	19,932
Available-for-sale financial assets	16	–	28,283
Deferred tax assets		10,147	7,887
Other non-current assets		1,646	1,632
Total non-current assets		101,995	131,707
Current assets			
Refundable deposits	12	1,609,941	1,415,746
Trade and bills receivables	13	470	3,077
Inventories	14	14,954	37,606
Other receivables	15	95,595	55,348
Other current assets		10,826	17,695
Available-for-sale financial assets	16	–	102,752
Financial assets held under resale agreements		800	–
Financial assets at fair value through profit or loss	17	474,414	862,143
Derivative financial assets	18	26	49
Cash held on behalf of brokerage clients	19	1,726,792	2,290,147
Cash and bank balances	20	1,014,104	912,772
Total current assets		4,947,922	5,697,335
Current liabilities			
Accounts payable to brokerage clients	22	3,207,122	3,566,121
Other payables	23	106,093	70,045
Contract liabilities		1,225	–
Financial liabilities at fair value through profit or loss	24	3,000	424,857
Derivative financial liabilities	18	558	26
Current taxation		8,333	9,568
Total current liabilities		3,326,331	4,070,617
NET CURRENT ASSETS		1,621,591	1,626,718
TOTAL ASSETS LESS CURRENT LIABILITIES		1,723,586	1,758,425
NET ASSETS		1,723,586	1,758,425
Capital and reserves	25		
Share capital		907,000	907,000
Reserves		816,586	851,425
TOTAL EQUITY		1,723,586	1,758,425

The notes on pages 47 to 86 form part of this interim financial report.

Consolidated statement of changes in equity

for the six months ended 30 June 2018 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

			Reserves						
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve	Distributable profits	Total
Balance at 1 January 2017		907,000	533,125	31,415	164,115	4,370	5,860	69,801	1,715,686
Changes in equity for six months ended 30 June 2017									
Profit for the period		–	–	–	–	–	–	40,181	40,181
Other comprehensive income		–	–	–	–	574	(4,128)	–	(3,554)
Total comprehensive income		–	–	–	–	574	(4,128)	40,181	36,627
Appropriation of profits									
Dividends approved in respect of the previous year	25(a)	–	–	–	–	–	–	(54,420)	(54,420)
Balance at 30 June 2017		907,000	533,125	31,415	164,115	4,944	1,732	55,562	1,697,893
Balance at 1 July 2017		907,000	533,125	31,415	164,115	4,944	1,732	55,562	1,697,893
Changes in equity for six months ended 31 December 2017									
Profit for the period		–	–	–	–	–	–	61,583	61,583
Other comprehensive income		–	–	–	–	4,810	(5,861)	–	(1,051)
Total comprehensive income		–	–	–	–	4,810	(5,861)	61,583	60,532
Appropriation of profits									
Appropriation to surplus reserve		–	–	8,962	–	–	–	(8,962)	–
Appropriation to general reserve		–	–	–	18,394	–	–	(18,394)	–
Balance at 31 December 2017		907,000	533,125	40,377	182,509	9,754	(4,129)	89,789	1,758,425
Balance at 31 December 2017		907,000	533,125	40,377	182,509	9,754	(4,129)	89,789	1,758,425
Impact on initial application of HKFRS 9	2(b)	–	–	–	–	100	–	(100)	–
Adjusted balance at 1 January 2018		907,000	533,125	40,377	182,509	9,854	(4,129)	89,689	1,758,425
Changes in equity for six months ended 30 June 2018									
Profit for the period		–	–	–	–	–	–	42,096	42,096
Other comprehensive income		–	–	–	–	(5,610)	1,235	–	(4,375)
Total comprehensive income		–	–	–	–	(5,610)	1,235	42,096	37,721
Appropriation of profits									
Appropriation to general reserve		–	–	–	3,786	–	–	(3,786)	–
Dividends approved in respect of the previous year	25(a)	–	–	–	–	–	–	(72,560)	(72,560)
Balance at 30 June 2018		907,000	533,125	40,377	186,295	4,244	(2,894)	55,439	1,723,586

The notes on pages 47 to 86 form part of this interim financial report.

Consolidated cash flow statement

for the six months ended 30 June 2018 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June 2018	Six months ended 30 June 2017
Operating activities			
Cash generated from operations	21(b)	256,852	274,096
Income tax paid		(15,333)	(7,897)
Net cash generated from operating activities		241,519	266,199
Investing activities			
Proceeds from sales of available-for-sale financial assets		–	247,499
Payment for purchases of available-for-sale financial assets		–	(76,900)
Proceeds from sales of financial assets under resale agreements		458,155	232,098
Payment for purchases of financial assets under resale agreements		(458,884)	(232,044)
Proceeds from sales of financial assets held for trading		250,626	424,413
Payment for purchases of financial assets held for trading		(391,788)	(582,690)
Proceeds from disposal of property, plant and equipment and intangible assets		10	26
Payment for purchases of property, plant and equipment		(3,491)	(711)
Dividends received from investments in securities	4	6,616	444
Dividends received from associates		2,605	–
Net cash (used in)/generated from investing activities		(136,151)	12,135
Financing activities			
Interest paid		(948)	–
Payment related to initial public offering		(3,830)	–
Net cash used in financing activities		(4,778)	–
Net increase in cash and cash equivalents		100,590	278,334
Effect of foreign exchange rate changes		2,046	(7,556)
Cash and cash equivalents at 1 January	21(a)	476,817	530,972
Cash and cash equivalents at 30 June	21(a)	579,453	801,750

The notes on pages 47 to 86 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 29 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 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 41.

2 Changes in accounting policies

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers
- HK(IFRIC) 22, Foreign currency transactions and advance consideration

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to the gross up presentation of other operating revenue. None of the other developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. Details of the changes in accounting policies are discussed in Note 2(b) for HKFRS 9 and Note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9:

	At 31 December 2017	Impact on initial Application of HKFRS 9 (Note 2(b))	At 1 January 2018
Available-for-sale financial assets	28,283	(28,283)	–
Total non-current assets	**28,283**	**(28,283)**	–
Available-for-sale financial assets	102,752	(102,752)	–
Financial assets at fair value through profit or loss	862,143	120,826	982,969
Financial assets carried at amortised cost	–	10,209	10,209
Total current assets	**964,895**	**28,283**	**993,178**
Total assets	**993,178**	–	**993,178**

Further details of these changes are set out in sub-sections (b) of this note.

2 Changes in accounting policies (continued)

(b) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets and financial liabilities.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves at 1 January 2018.

Retained earnings	
Transferred from fair value reserve (recycling) relating to financial assets now measured at fair value through profit or loss (FVPL)	100
Net decrease in retained earnings at 1 January 2018	100
Fair value reserve (recycling)	
Transferred to retained earnings relating to financial assets now measured at FVPL	(100)
Net increase in fair value reserve (recycling) at 1 January 2018	(100)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories:

measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 Changes in accounting policies (continued)

(b) HKFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	Reclassification	HKFRS 9 carrying amount at 1 January 2018
Financial assets carried at amortised cost			
Cash and bank balances	912,772	–	912,772
Trade receivables	3,077	–	3,077
Other receivables	38,706	–	38,706
Bonds (i)	–	10,209	10,209
Total	954,555	10,209	964,764

(i) Under HKAS 39, bonds were classified as available-for-sale financial assets. They are classified as financial assets carried at amortised cost under HKFRS 9. The above bonds matured in May 2018.

2 Changes in accounting policies (continued)

(b) HKFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

	HKAS 39 carrying amount at 31 December 2017	Reclassification	HKFRS 9 carrying amount at 1 January 2018
Financial assets carried at FVPL			
Asset backed securities	614,000	–	614,000
Unlisted funds	210,899	–	210,899
Trading securities	37,244	–	37,244
Asset management plans (ii)	–	62,359	62,359
Trust schemes (ii)	–	28,000	28,000
Unlisted funds (ii)	–	18,102	18,102
Wealth management products (ii)	–	10,181	10,181
Listed equity securities (ii)	–	2,184	2,184
Total	862,143	120,826	982,969

	HKAS 39 carrying amount at 31 December 2017	Reclassification	HKFRS 9 carrying amount at 1 January 2018
Financial assets classified as available-for-sale under HKAS 39			
Asset management plans	62,359	(62,359)	–
Trust schemes	28,000	(28,000)	–
Unlisted funds	18,102	(18,102)	–
Bonds	10,209	(10,209)	–
Wealth management products	10,181	(10,181)	–
Listed equity securities	2,184	(2,184)	–
Total	131,035	(131,035)	–

(ii) Under HKAS 39, asset management plans, trust schemes, unlisted funds, wealth management products and listed equity securities were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.

The measurement categories for derivative financial assets and all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

2 Changes in accounting policies (continued)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following item:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables).

Financial assets measured at fair value, including asset management plans, trust schemes, unlisted funds, bonds, wealth management products, listed equity securities measured at FVPL, and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2 Changes in accounting policies (continued)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Loss allowances for trade receivables and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the counterparty is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2 Changes in accounting policies (continued)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

The Group assessed that there is no significant impact on the impairment for financial assets carried at amortised cost considering the historical probability of default.

Write-off policy

The gross carrying amount of a financial asset, trade receivable or other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 Changes in accounting policies (continued)

(b) HKFRS 9, Financial instruments (continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Under HKFRS 15, a receivable is recognized only if the Group has an unconditional right to consideration. If the Group recognizes the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to the consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognized when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognizes the related revenue. For a single contract with the customer, either a net contract assets or a net contract liability is presented. For the multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(d) Presentation of other operating revenue/cost

The Group commenced the business of commodities trading in the second half year of 2017 and accounted for sales of commodities on a net basis during 2017. From 1 January 2018, the Group changed its accounting policy to present the sales of commodities on a gross up basis considering the common practices of other futures companies in China and accordingly, the comparative information has been restated. However, this has no impact on the first half year of 2017.

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:

		Six months ended 30 June	
	Note	2018	2017
Commission and fee income	(a)	85,685	91,920
Interest income	(b)	77,372	60,591
Total		163,057	152,511

(a) Commission and fee income

	Six months ended 30 June	
	2018	2017
Commission and fee income		
– Refund from futures exchanges	48,740	45,368
– Futures and options brokerage business	34,249	44,992
– Asset management business	2,454	1,560
– Investment consultancy business	242	–
Total	85,685	91,920

(b) Interest income

	Six months ended 30 June	
	2018	2017
Interest income		
– Bank deposits	74,191	52,103
– Futures exchanges	2,948	2,703
– Interest-bearing financial instruments	233	5,785
Total	77,372	60,591

4 Net investment (losses)/gains

	Six months ended 30 June	
	2018	2017
Net realized gains from:		
Disposal of financial assets at fair value through profit or loss		
– Trading securities	(5,442)	2,670
– Asset management plans	418	–
Disposal of financial assets designated at fair value through profit and loss		
– Physical commodities	–	(928)
Disposal of financial liabilities designated at fair value through profit or loss		
– Payables	–	493
Disposal of derivative financial instruments	1,144	(2,708)
Disposal of available-for-sale financial assets		
– Asset management plans	–	671
– Wealth management products	–	164
– Trust scheme	–	151
– Bonds	–	12
Subtotal	(3,880)	525
Net unrealized fair value changes of:		
Financial assets at fair value through profit or loss:		
– Trading securities	(13,599)	1,578
– Trading bonds	(453)	–
– Funds	(4,853)	(53)
– Asset management plans and trust scheme	(1,292)	–
– Wealth management products	(3,665)	–
Financial assets designated at fair value through profit or loss		
– Physical commodities	–	1,736
Financial liabilities designated at fair value through profit or loss	(43)	(242)
Derivative financial assets	138	(312)
Derivative financial liabilities	(975)	(351)
Subtotal	(24,742)	2,356
Dividend income from:		
Financial assets at fair value through profit or loss	6,616	441
Available-for-sale financial assets	–	3
Subtotal	6,616	444
Total	(22,006)	3,325

5 Other operating revenue/(cost)

(a) Other operating revenue

	Six months ended 30 June	
	2018	2017
Sales of commodities	200,488	–
Consulting fees	4,248	–
Total	204,736	–

(b) Other operating cost

	Six months ended 30 June	
	2018	2017
Cost of commodities	(194,273)	–

6 Other net income/(losses)

	Six months ended 30 June	
	2018	2017
Government grants	1,400	1,377
Foreign exchange gains/(losses)	825	(3,465)
Others	694	455
Total	2,919	(1,633)

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

7 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Staff cost

	Six months ended 30 June	
	2018	2017
Salaries, bonuses and allowances	48,198	47,703
Contributions to pension schemes	6,642	6,011
Other social welfare	14,883	13,719
Total	69,723	67,433

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.

(b) Commission expenses

	Six months ended 30 June	
	2018	2017
Commissions paid to brokers	2,878	5,157

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

(c) Other items

	Six months ended 30 June	
	2018	2017
Office expenses	10,906	10,621
Operating lease charges	9,730	10,353
Depreciation and amortisation	1,676	2,148
Consulting fee	1,328	851
Interest expenses	1,160	338
Property management expenses	899	724
Tax and surcharges	642	339
Utilities	606	907
Repair and maintenance expenses	479	134
Auditors' remuneration	450	544
Investors protection funds	82	78
Other expenses	2,682	1,864
Total	30,640	28,901

8 Income tax expense

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2018	2017
Current tax – PRC corporate income tax		
Provision for the period	14,099	13,966
Over provision in respect of prior years	–	(959)
Subtotal	14,099	13,007
Current tax – Hong Kong profits tax		
Provision for the period	–	–
Subtotal	14,099	13,007
Deferred tax		
Origination and reversal of temporary differences	(2,260)	(485)
Total	11,839	12,522

(i) According to the PRC Corporate Income Tax Law ("CIT") that took effect on 1 January 2008, the Company and its PRC subsidiary are subject to CIT at the statutory tax rate of 25%.

(ii) Pursuant to the income tax rules and regulations of Hong Kong, the Group's Hong Kong subsidiary is subject to the Hong Kong profits tax at the rate of 16.5%.

9 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of the Company of RMB42,096 thousands (six months ended 30 June 2017: RMB40,181 thousands) and the weighted average number of 907 million ordinary shares (six months ended 30 June 2017: 907 million).

10 Investment in subsidiaries

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

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

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

(i) Holly Capital (Hongkong) Co., Ltd. was established by Holly Capital Management Co., Ltd. in May 2016. The registered capital is HKD5 million. As at 30 June 2018, the capital has not been paid.

11 Interest in associates

	As at 30 June 2018	As at 31 December 2017
Share of net assets	14,459	19,932

The following list contains all the associates, all of which are unlisted corporate entities whose quoted market prices are not available.

Name of associate	Form of business structure	Place of incorporation and business	Registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activities
Jiangsu Hong Rui New Era Venture Investment Co., Ltd.* 江蘇弘瑞新時代創業投資有限公司	Limited liability company	PRC	RMB100 million	22%	22%	Venture investment, etc.
Jiangsu Hong Rui Growth Venture Investment Co., Ltd.* 江蘇弘瑞成長創業投資有限公司	Limited liability company	PRC	RMB121.2 million	9.901%	9.901%	Venture investment, etc.

* The English translations of the names of the associates are for reference only. The official names of the associates are in Chinese.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

During the reporting period, the Group and the Company hold 9.901% interest in Jiangsu Hong Rui Growth Venture Investment Co., Ltd. ("Hong Rui Growth"). According to the articles of association of Hong Rui Growth, the Group and the Company have appointed a representative in the Board of Directors. As the Group and the Company have a representative in the Board of Directors and participate in all the decision-making processes, the Group and the Company have significant influence over Hong Rui Growth, even though the effective interest is less than 20%. Accordingly, Hong Rui Growth has been accounted for as an associate.

11 Interest in associates (continued)

Summarised financial statements of the Group's material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	Jiangsu Hong Rui New Era Venture Investment Co., Ltd.	
	As at 30 June 2018	As at 31 December 2017
Gross amounts of the associate:		
Current assets	13,360	12,306
Non-current assets	22,658	34,568
Current liabilities	(15)	–
Non-current liabilities	(3,522)	(6,561)
Equity	32,481	40,313
Profit/(loss) for the period/year	899	(3,635)
Total comprehensive income	(7,832)	15,662
Reconciled to the Group's interests in the associate:		
Gross amounts of net assets of the associate	32,481	40,313
Group's effective interest	22%	22%
Group's share of net assets of the associate	7,146	8,869
Carrying amount in the consolidated financial statements	7,146	8,869

	Jiangsu Hong Rui Growth Venture Investment Co., Ltd.	
	As at 30 June 2018	As at 31 December 2017
Gross amounts of the associate:		
Current assets	14,142	8,432
Non-current assets	81,447	136,051
Current liabilities	(15,267)	(13,861)
Non-current liabilities	(6,462)	(18,882)
Equity	73,860	111,740
Profit/(loss) for the period/year	25,702	(8,738)
Total comprehensive income	(11,558)	47,907
Reconciled to the Group's interests in the associate:		
Gross amounts of net assets of the associate	73,860	111,740
Group's effective interest	9.901%	9.901%
Group's share of net assets of the associate	7,313	11,063
Carrying amount in the consolidated financial statements	7,313	11,063

12 Refundable deposits

Refundable deposits arising from futures brokerage business:

	As at 30 June 2018	As at 31 December 2017
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	599,853	594,738
– Dalian Commodity Exchange	384,402	302,178
– Zhengzhou Commodity Exchange	296,634	235,484
– China Securities Depository and Clearing	102,580	114,201
– China Financial Futures Exchange	89,947	106,916
– Shanghai International Energy Exchange	70,681	–
Other futures brokers	65,844	62,229
Total	1,609,941	1,415,746

13 Trade and bills receivables

Trade and bills receivables arising from physical commodities trading business:

	As at 30 June 2018	As at 31 December 2017
Physical commodities trading	470	3,077

The aging analysis of trade and bills receivables are as follows:

	As at 30 June 2018	As at 31 December 2017
Within 1 year	470	3,077

14 Inventories

Inventories held due to physical commodities trading business:

	As at 30 June 2018	As at 31 December 2017
Trading commodities	14,954	37,606

15 Other receivables

	As at 30 June 2018	As at 31 December 2017
Interest receivables	66,831	32,766
Unsettled refundable deposit	20,000	–
Rental deposits	2,513	2,128
Refund from futures exchanges	2,077	–
Prepayments	42	16,642
Others	4,132	3,812
Total	95,595	55,348

16 Available-for-sale financial assets

	30 June 2018	31 December 2017
Non-current		
At fair value:		
Unlisted funds	–	18,102
Wealth management products	–	10,181
Total	–	28,283
Current		
At fair value:		
– Listed equity securities	–	2,522
– Less: Impairment losses for listed equity securities	–	(338)
Subtotal	–	2,184
– Asset management plans	–	62,359
– Trust schemes	–	28,000
– Bonds	–	10,209
Total	–	102,752
Analysed as:		
Listed outside Hong Kong	–	2,184
Unlisted	–	128,851
Total	–	131,035

Available-for-sale financial assets were reclassified to financial assets measured at FVPL upon the initial application of HKFRS 9 at 1 January 2018 (See Note 2(b)).

17 Financial assets at fair value through profit or loss

(a) Analysed by type

	As at 30 June 2018	As at 31 December 2017
Held for trading		
– Unlisted funds	262,776	210,899
– Asset management plans	111,931	–
– Equity securities	52,044	37,244
– Trust schemes	28,117	–
– Listed Bonds	13,030	–
– Wealth management products	6,516	–
	474,414	248,143
Financial assets designated at fair value through profit or loss		
– Asset backed securities	–	614,000
Total	474,414	862,143

(b) Analysed as

	As at 30 June 2018	As at 31 December 2017
Listed outside Hong Kong	65,074	37,244
Unlisted	409,340	824,899
Total	474,414	862,143

18 Derivative financial assets/(liabilities)

	As at 30 June 2018		
	Notional amount	Fair value	
		Assets	Liabilities
Commodity derivatives			
– Futures	55,289	438	(674)
– Options	67,051	26	(558)
Total	122,340	464	(1,232)
Less: settlement		(438)	674
Net position		26	(558)

	As at 31 December 2017		
	Notional amount	Fair value	
		Assets	Liabilities
Commodity derivatives			
– Futures	24,252	277	(231)
– Options	5,802	49	(26)
Total	30,054	326	(257)
Less: settlement		(277)	231
Net position		49	(26)

19 Cash held on behalf of brokerage clients

	As at 30 June 2018	As at 31 December 2017
Cash held on behalf of brokerage clients	**1,726,792**	2,290,147

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

20 Cash and bank balances

	Note	As at 30 June 2018	As at 31 December 2017
Bank deposits with original maturity over 3 months		417,208	398,949
Restricted bank deposits		17,443	37,006
Cash and cash equivalents	21(a)	579,453	476,817
		1,014,104	912,772

As at 30 June 2018, deposits amounting to RMB17,443 thousands (31 December 2017: RMB37,006 thousands), which were collected during the fund raising period of the collective asset management plans or collected from the consolidation of management plans, are required to be placed at designated bank accounts.

21 Cash and cash equivalents

(a) Cash and cash equivalents comprise

	As at 30 June 2018	As at 31 December 2017
Deposits with banks and other financial institutions	579,452	476,816
Cash on hand	1	1
	579,453	476,817

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

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

	Note	Six months ended 30 June 2018	Six months ended 30 June 2017
Profit before taxation		53,935	52,703
Adjustments for:			
Depreciation and amortisation	7(c)	1,676	2,148
Net unrealised fair value changes		22,888	(1,525)
Share of (profit)/loss of associates		(2,743)	9
Dividend income from investments	4	(6,616)	(444)
Net realised losses/(gains) from financial instruments		5,024	(3,668)
Interest income from interest-bearing financial instruments	3(b)	(233)	(5,785)
Exchange (gains)/losses	6	(825)	3,465
Interest expenses		948	–
Operating cash flows before movements in working capital		74,054	46,903

21 Cash and cash equivalents (continued)

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

	Six months ended 30 June	
	2018	2017
Operating cash flows before movements in working capital	**74,054**	46,903
Increase in refundable deposits	**(194,195)**	(259,819)
Decrease/(increase) in trade receivables	**2,607**	(7,980)
(Increase)/decrease in other receivables	**(40,247)**	7,356
Decrease in inventories	**22,652**	–
Decrease in other current assets and non-current assets	**9,185**	223
Decrease/(increase) in financial assets at fair value through profit or loss	**632,009**	(39,105)
Decrease/(increase) in derivative financial assets	**23**	(142)
Decrease in cash held on behalf of brokerage clients	**563,355**	34,598
(Increase)/decrease in term deposits with original maturity over three months	**(18,259)**	187,887
Decrease/(increase) in restricted bank deposits	**19,563**	(20,778)
(Decrease)/increase in accounts payable to brokerage clients	**(358,999)**	295,592
(Decrease)/increase in other payables	**(34,796)**	29,523
Increase in contract liabilities	**1,225**	–
Increase/(decrease) in derivative financial liabilities	**532**	(1,404)
(Decrease)/increase in financial liabilities designated at fair value through profit or loss	**(421,857)**	1,242
Cash generated from operations	**256,852**	274,096

22 Accounts payable to brokerage clients

	As at 30 June 2018	As at 31 December 2017
Clients' deposits for brokerage business	**3,207,122**	3,566,121

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

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

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

23 Other payables

	As at 30 June 2018	As at 31 December 2017
Dividends payable	72,560	–
Employee benefits payable	12,536	24,953
Unsettled client deposits for brokerage business	8,497	–
Commission payable to brokers	2,190	2,621
IPO service fees payable	1,503	2,558
Payable to investors of collective asset management plans	1,010	26,210
Tax and surcharges payable	394	5,282
Others	7,403	8,421
Total	106,093	70,045

24 Financial liabilities at fair value through profit or loss

	As at 30 June 2018	As at 31 December 2017
Financial liabilities designated at fair value through profit or loss – Payables	3,000	424,857

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.

25 Share capital and reserves

(a) Dividends

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

	Six months ended 30 June	
	2018	2017
Final dividend in respect of the previous financial year, approved during the following interim period	72,560	54,420

Final dividend in respect of the previous financial year approved during the interim period has not been paid as at 30 June 2018 and 2017.

25 Share capital and reserves (continued)

(b) Reserves

The fair value reserve (recycling) comprises the cumulative net change in the fair value of attributable other comprehensive income of associates held at the end of the reporting period. Prior to 1 January 2018, this reserve included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with HKAS 39. This amount has been reclassified to retained earnings upon the initial adoption of HKFRS 9 at 1 January 2018 (see Note 2(b)).

26 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 2018 and 31 December 2017 on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

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

The table below analyses financial instruments, measured at fair value as at 30 June 2018 and 31 December 2017 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:

26 Fair value measurement (continued)

	Fair value as at 30 June 2018	Fair value measurements 30 June 2018 categorized into			Fair value as at 31 December 2017	Fair value measurements 31 December 2017 categorized into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets:								
Available-for-sale financial assets:								
Equity instruments	–	–	–	–				
– Listed equity securities	–	–	–	–	2,184	2,184	–	–
Unlisted funds	–	–	–	–	18,102	–	18,102	–
Asset management plans	–	–	–	–	62,359	–	–	62,359
Trust schemes	–	–	–	–	28,000	–	–	28,000
Bonds	–	–	–	–	10,209	–	10,209	–
Wealth management products	–	–	–	–	10,181	–	–	10,181
Financial assets at fair value through profit or loss:								
Equity securities	52,044	50,719	1,325	–	37,244	35,919	1,325	–
Unlisted funds	262,776	238,236	24,540	–	210,899	194,701	16,198	–
Asset management plans	111,931	–	–	111,931	–	–	–	–
Trust schemes	28,117	–	–	28,117	–	–	–	–
Listed bonds	13,030	13,030	–	–	–	–	–	–
Wealth management products	6,516	–	–	6,516	–	–	–	–
Asset backed securities	–	–	–	–	614,000	–	–	614,000
Derivative financial assets	26	26	–	–	49	17	–	32
Liabilities:								
Financial liabilities at fair value through profit or loss:								
Payables	(3,000)	–	–	(3,000)	(424,857)	–	–	(424,857)
Derivative financial liabilities	(558)	(55)	–	(503)	(26)	(26)	–	–
Total	470,882	301,956	25,865	143,061	568,344	232,795	45,834	289,715

There were transfers between Level 1 and Level 2 during the year ended 31 December 2017. The Group held A-share listed stock named 'Chang You 5' (code: 400061) which was suspended for trading on 27 February 2017. As this stock was still suspended on 31 December 2017, the Group transferred the stock amounting to a total of RMB1,325 thousands from Level 1 to Level 2 as the quoted price of the above mentioned stock was no longer regularly available at 31 December 2017.

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 2018 and the year ended 31 December 2017. 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.

26 Fair value measurement (continued)

(i) Financial instruments in Level 1

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

(ii) Financial instruments in Level 2

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

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

(iii) Valuation methods

As at 30 June 2018, 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 open-ended 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.

(3) For futures and options traded through exchanges, fair value is determined based on the closing price of the commodity futures and options as at the end of the reporting period.

(4) For options traded through over-the-counter market, fair values are determined using valuation techniques based on observable commodity futures market data with similar characteristics.

(5) For asset management plans, trust schemes, unlisted funds and wealth management products, fair value is determined based on the market price of the underlying assets as at the reporting date.

26 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:

	Financial assets at fair value through profit or loss	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 1 January 2018	714,540	32	(424,857)	–	289,715
Purchases	75,194	137	(3,100)	(975)	71,256
Gains or losses for the period	(4,532)	4,946	(43)	(4,639)	(4,268)
Sales and settlements	(638,638)	(5,115)	425,000	5,111	(213,642)
As at 30 June 2018	146,564	–	(3,000)	(503)	143,061
Total gains or losses for the period included in profit or loss for assets held and liabilities assumed at the end of interim period	(4,950)	–	(43)	(975)	(5,968)

	Available-for-sale financial assets(i)	Financial assets at fair value through profit or loss	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 1 January 2017	250,333	–	–	(26,351)	(1,358)	222,624
Purchases	100,300	614,000	–	(425,000)	–	289,300
Changes in fair value recognised in other comprehensive income	(952)	–	–	–	–	(952)
Gains or losses for the year	497	–	32	(19)	1,358	1,868
Sales and settlements	(249,638)	–	–	26,513	–	(223,125)
As at 31 December 2017	100,540	614,000	32	(424,857)	–	289,715
Total gains or losses for the year reclassified from other comprehensive income on disposal	497	–	–	–	–	497
Total gains or losses for the year included in profit or loss for assets held at the end of reporting year	–	–	32	143	–	175

(i) Available-for-sale financial assets were reclassified to financial assets at fair value through profit or loss upon the adoption of HKFRS 9 at 1 January 2018 (see Note 2(b)(i)).

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.

26 Fair value measurement (continued)

(iv) Financial instruments in Level 3 (continued)

Financial instruments	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Asset management plans, trust schemes, unlisted funds and wealth management products	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Over-the-counter options	Bloomberg OVML function, with Black-Scholes PDE solved using Crank-Nicholson finite-difference scheme	Implied volatility	The higher the implied volatility, the higher the fair value
Payables	Underlying financial instruments valuation and contract distribution method	Contract distribution method	The higher the distribution rate, the higher 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 amortized cost are not materially different from their fair values during the reporting period.

27 Commitments

(a) Capital commitments

	As at 30 June 2018	As at 31 December 2017
Contracted for	**42,000**	42,000
Authorised but not contracted for	**39,000**	30,000
Total	**81,000**	72,000

27 Commitments (continued)

(b) Operating lease commitments

At 30 June 2018 and 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	As at 30 June 2018	As at 31 December 2017
Within 1 year	**12,862**	16,043
After 1 year but not more than 2 years	**5,525**	4,722
After 2 years but not more than 3 years	**2,726**	3,631
After 3 years	**2,646**	3,726
Total	**23,759**	28,122

28 Contingencies

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

On 22 September 2016, one of the customers filed a lawsuit against the Company with the People's Court of Qin Huai District of Nanjing City (the "Qin Huai Court"). The customer claimed for: (1) the repayment of RMB9.86 million investment together with expected return of RMB0.87 million; and (2) the cost of proceedings. On 23 March 2018, the Company received the first trial judgment from the Qin Huai Court which dismissed the lawsuit and transferred to the police for handling. On 28 June 2018, the Company received the second trial judgment which is same as the first one and dismissed the customer's appeal.

On 1 August 2017, the second customer filed a lawsuit against the Company with the Qin Huai Court. The customer claimed for: (1) the repayment of RMB21million investment together with expected return of RMB5.04 million; and (2) the cost of proceedings. On 21 March 2018, the Company received the first trial judgment from the Qin Huai Court which dismissed the lawsuit and transferred to the police for handling. On 29 June 2018, the Company received the second trial judgment which is same as the first one and dismissed the customer's appeal.

On 28 August 2017, the third customer filed a lawsuit against the Company with the Qin Huai Court. The customer claimed for: (1) the repayment of RMB0.4million investment together with expected return of RMB0.075 million; and (2) the cost of proceedings. On 20 March 2018, the Company received the first trial judgment from the Qin Huai Court which dismissed the lawsuit and transferred to the police for handling. On 19 June 2018, the Company received the second trial judgment which is same as the first one and dismissed the customer's appeal.

On 28 August 2017, the fourth customer filed a lawsuit against the Company with the Qin Huai Court. The customer claimed for: (1) the repayment of RMB1million investment together with expected return of RMB0.28 million; and (2) the cost of proceedings. On 16 March 2018, the Company received the first trial judgment from the Qin Huai Court which dismissed the lawsuit and transferred to the police for handling. On 27 June 2018, the Company received the second trial judgment which is same as the first one and dismissed the customer's appeal.

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

28 Contingencies (continued)

(b) On 17 July 2016, one of the Company's employees (same employee as stated in Note 28(a)) and his wife, entered into personal lending agreements with three individual customers, whereby the three customers agreed to lend them money with the Company being appointed as the guarantor without its approval. The Company became aware of such personal lending agreements on 18 July 2016 and reported it to the public security authority on 21 July 2016.

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

On 26 July 2017, the Jing Hai Court delivered its first trial judgment of the first lawsuit and held that the former employee and his wife should repay the RMB3 million loan together with interests at a monthly interest rate of 2% for the period starting from 17 July 2016 to the date of actual settlement of loan and the Company should undertake to repay 50% of any unsettled amount. On 16 October 2017, Tianjin First Intermediate People's court delivered its second trial judgment of the first lawsuit and dismissed the customer's appeal.

On 4 August 2017, the Jing Hai Court delivered its first trial judgment of the second lawsuit and held that the former employee and his wife should repay the RMB1.4 million loan and the Company should undertake to repay 50% of any unsettled amount. On 15 November 2017, Tianjin First Intermediate People's court delivered its second trial judgment of the second lawsuit and dismissed the customer's appeal.

On 31 May 2018, a third customer filed two lawsuits against the employee and his wife as well as the Company and another company controlled by the employee with the Jing Hai Court. The claims are: (1) the repayment of RMB4.83 million loan together with interests at a monthly interest rate of 2% for the period starting from 27 October 2016 to the date of actual settlement of loan of RMB 1.79 million; and (2) the cost of proceedings. As at the date of this report, the legal proceedings are still ongoing.

Based on facts, pledged assets available for compensation and legal advices at this juncture, the directors consider no provision in the consolidated financial statements is required.

(c) On 3 November 2017, two individual customers filed lawsuits against the Company with the People's Court of Dongcheng District of Beijing City (the "Dongcheng Court"), alleging that one of the Company's former employees had used their funds for investment in wealth management product to carry out unauthorised futures trading which resulted in losses.

One customer claimed for: (1) the repayment of RMB1.5 million investment together with interest and (2) the cost of proceedings. Another customer claimed for: (1) the repayment of RMB8.35 million investment together with interest; and (2) the cost of proceedings. As at the date of this report, the legal proceedings are still ongoing.

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

29 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 2018	As at 31 December 2017
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%
Jiangsu High Hope International Group Co., Ltd. * (江蘇匯鴻國際集團股份有限公司)	**7.05%**	7.05%

* 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) Subsidiaries of the Company

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

(iii) Associates

Details of the Group's associates are the same as Group's latest financial statements prepared in accordance with HKFRSs (including HKASs) for the year ended 31 December 2017.

(iv) Other related parties

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

29 Material related party transactions (continued)

(b) Related party transactions and balances

(i) Transactions between the Group and major shareholders

	As at 30 June 2018	As at 31 December 2017
Balances at the end of the period/year		
Accounts payable to brokerage clients	259	259

	Six months ended 30 June	
	2018	2017
Transactions during the period		
Commission and fee income	–	2
Operating lease charges	3,318	2,521

(ii) Transactions between the Group and other related parties

	As at 30 June 2018	As at 31 December 2017
Balances at the end of the period/year		
Financial assets at fair value through profit or loss	21,336	–
Available-for-sale financial assets	–	28,283
Accounts payable to brokerage clients	19	2,920
Other payables	227	227

	Six months ended 30 June	
	2018	2017
Transactions during the period		
Commission and fee income	–	5
Net investment gains	–	81
Operating lease charges	–	291
Property management expenses	–	294
Service fee	183	–
Others	15	13

30 Segment reporting

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

– The futures brokerage and asset management business segment engages in the trading of commodity futures and financial futures on behalf of clients, and also developing and selling asset management products and services based on the asset scale and clients' needs. In addition, the activities of investing in asset management plans, wealth management products, listed and unlisted securities, trust schemes, funds, bonds, derivative financial instruments, which are attributed to the Company and the Holly Su Futures, 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. In addition, the activities of investing in asset management plans, wealth management products, listed and unlisted securities, trust schemes, funds, bonds, derivative financial instruments, which are attributed to the Holly Capital, are included in this segment.

(a) Business segments

Six months ended 30 June 2018

	Futures brokerage and asset management business	Commodity trading and risk management business	Total
Revenue			
– External	159,966	207,827	367,793
– Inter-segment	31	–	31
Other income and gains			
– External	(2,677)	(16,410)	(19,087)
– Inter-segment	–	(31)	(31)
Segment revenue and other income	157,320	191,386	348,706
Segment cost and expenses	(97,893)	(199,621)	(297,514)
Segment operating profit/(loss)	59,427	(8,235)	51,192
Share of profits of associates	2,743	–	2,743
Profit/(loss) before taxation	62,170	(8,235)	53,935
Interest income	77,322	50	77,372
Depreciation and amortisation	(1,662)	(14)	(1,676)
Segment assets	4,947,007	243,654	5,190,661
Additions to non-current segment assets during the period	3,473	18	3,491
Segment liabilities	(3,465,081)	(1,994)	(3,467,075)

30 Segment reporting (continued)

(a) Business segments (continued)

Six months ended 30 June 2017

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

30 Segment reporting (continued)

(a) Business segments (continued)

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

	Six months ended 30 June	
	2018	2017
Revenue and other income		
Total revenue and other income for segments	348,706	154,203
Elimination of inter-segment revenue	(31)	(4)
Elimination of inter-segment other income and gains	31	4
Consolidated revenue and other income	348,706	154,203
Profit		
Total profit before tax for segments	53,935	52,703
Elimination of inter-segment profit	–	–
Consolidated profit before income tax	53,935	52,703

	As at 30 June 2018	As at 31 December 2017
Assets		
Total assets for segments	5,190,661	5,965,077
Elimination of inter-segment assets	(140,744)	(136,035)
Consolidated total assets	5,049,917	5,829,042
Liabilities		
Total liabilities for segments	(3,467,075)	(4,206,652)
Elimination of inter-segment liabilities	140,744	136,035
Consolidated total liabilities	(3,326,331)	(4,070,617)

30 Segment reporting (continued)

(b) Geographical segments

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

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total
Segment revenue						
Revenue from external customers	363,230	4,563	367,793	147,325	5,186	152,511
Other income and gains	(17,764)	(1,323)	(19,087)	2,114	(422)	1,692
Total	345,466	3,240	348,706	149,439	4,764	154,203

	30 June 2018			31 December 2017		
	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total
Specified non-current assets	89,396	806	90,202	93,128	777	93,905

31 Interest in structured entities

(a) Interests in structured entities consolidated by the Group

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

As at 30 June 2018, the total net assets of the consolidated asset management plans are RMB13,772 thousands, and the carrying amount of interests held by the Group in the consolidated asset management plans are RMB10,772 thousands, which are accounted for financial assets at fair value through profit or loss, derivative financial instruments and cash held on behalf of brokerage clients and other payables.

At 31 December 2017, the total net assets of the consolidated asset management plans are RMB639,774 thousands, and the carrying amount of interests held by the Group in the consolidated asset management plans are RMB214,917 thousands, which are accounted for financial assets at fair value through profit or loss, cash and bank balances and other payables.

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

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

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 30 June 2018 and 31 December 2017, which are listed as below:

	30 June 2018 Financial assets at fair value through profit or loss
Unlisted funds	262,776
Asset management plans	57,910
Trust schemes	28,117
Wealth management products	6,516
Total	355,319

31 Interest in structured entities (continued)

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

	31 December 2017		
	Available for-sale financial assets[(i)]	Financial assets at fair value through profit or loss	Total
Asset management plans	38,800	–	38,800
Trust schemes	28,000	–	28,000
Unlisted funds	18,102	194,701	212,803
Wealth management products	10,181	–	10,181
Total	95,083	194,701	289,784

(i) Available-for-sale financial assets were reclassified to financial assets measured at FVPL upon the initial application of HKFRS 9 at 1 January 2018 (See Note 2(b)).

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

	Six months ended 30 June	
	2018	2017
Revenue	–	2,055
Net investment gains		
– Net realized gains	**698**	315
– Net unrealized fair value changes	**(7,781)**	(53)
– Dividend income	**4,368**	347
Total	**(2,715)**	2,664

The maximum exposure to loss for trust schemes, wealth management products and funds are their fair value as at 30 June 2018 and 31 December 2017.

31 Interest in structured entities (continued)

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

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

As at 30 June 2018, the amount of assets held by the unconsolidated asset management products, which are sponsored by the Group is RMB11,826,888 thousands (31 December 2017: RMB864,372 thousands).

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

	Six months ended 30 June	
	2018	2017
Revenue		
– Commission and fee income	**2,454**	1,560
– Interest income	**–**	3,676
Net investment (losses)/gains	**(2,309)**	671
Total	**145**	5,907

32 Non-adjusting event after the reporting period

On 12 April 2018, the Company approved the agreement on the establishment of a private equity asset management company – Jiangsu Holly Zijin Investment Management Co., Ltd., (hereinafter referred to as "Holly Zijin", 江蘇弘業紫金投資管理有限公司). The major business of Holly Zijin is private equity investment and asset management in which the Company will invest 30% of total paid-in capital. On 8 August 2018, Holly Zijin was formally established with a registered capital of RMB30 million and paid-in capital of RMB10 million, in which the Company contributed RMB3 million.

33 Comparative figures

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.