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

2019
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 the Hong Kong Stock Exchange
Controlling Shareholder	SOHO Holdings unless the context requires otherwise
Corporate Governance Code	The Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
CTA	commodity trading advisor, a natural or legal person who can provide guidance or advice on buying or selling futures and options contracts, or trade on behalf of the client
Director(s)	director(s) of the Company
Domestic Share(s)	issued ordinary share(s) of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid up in RMB
end of Reporting Period	30 June 2019
FOF	a fund specially invested in other investment funds. It does not directly invest in stocks or bonds. With its investment scope limited to other funds only, it holds security assets such as stocks and bonds indirectly by holding other security investment funds, which is a new type of fund that combines fund product innovation with sales channel innovation

Group, the Group, us or We	the Company and its subsidiaries
H Share(s)	overseas listed foreign ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each listed on the Main Board of Hong Kong Stock Exchange
High Hope Corporation	Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司) (formerly known as Jiangsu High Hope Corporation (江蘇匯鴻股份有限公司)), a limited liability company established in the PRC on 13 October 1992 which was subsequently converted to a joint stock limited company in 1994
HK$ or Hong Kong dollars	the lawful currency of Hong Kong
Holly Capital	Holly Capital Management Co., Ltd. (弘業資本管理有限公司), a limited liability company established under the laws of the PRC on 25 June 2013 and a wholly-owned subsidiary of the Company
Holly 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 the 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 the Company
Holly Corporation	Jiangsu Holly Corporation (江蘇弘業股份有限公司) (formerly known as Jiangsu Crafts Import & Export Trading Group Co., Ltd. (江蘇省工藝品進出口集團股份有限公司)), a limited liability company established under the laws of the PRC on 30 June 1994 and one of the promoters and a Shareholder of the Company
Holly Su Futures	Holly Su Futures (Hongkong) Co., Limited (弘蘇期貨(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 20 October 2011 and a wholly-owned subsidiary of the Company which is licensed to carry on Type 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 Exchanges, and represents the minimum quantity of that futures that may be traded

Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
Net Capital	equals net assets minus asset adjustment value plus liability adjustment value minus the deposits which the clients fail to fully replenish minus/plus other adjustment items recognised or approved by the CSRC
PRC Futures Exchanges	China Financial Futures Exchange (中國金融期貨交易所), Dalian Commodity Exchange (大連商品交易所), Shanghai Futures Exchange (上海期貨交易所) and Zhengzhou Commodity Exchange (鄭州商品交易所)
PRC or China	the People's Republic of China which, for the purpose of this Report, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
Prospectus	the prospectus in relation to H Shares of the Company dated 16 December 2015
R&D	research and development
Report	the interim report for 2019 of the Company
Reporting Period	the six months ended 30 June 2019
RMB or Renminbi	the lawful currency of the PRC
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Share(s)	Domestic Share(s) and H Share(s) of the Company
Shareholder(s)	holder(s) of the Shares
SOHO Holdings	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) (formerly known as Jiangsu Silk Group Company Limited (江蘇省絲綢集團有限公司)), a wholly state-owned limited liability company established under the laws of the PRC on 29 April 1994, which is the Controlling Shareholder and one of the promoters of the Company
Supervisor(s)	supervisor(s) of the Company
Straddling buy and sell positions	a behavior of two parties to the transaction acting as sellers and buyers respectively to issue a transaction entrustment order to securities or futures brokers and complete the transaction in accordance with the agreed types of transaction, price, quantity
QFII	Qualified Foreign Institutional Investor
RQFII	RMB Qualified Foreign Institutional Investor

Company Profile

I. BASIC INFORMATION ABOUT THE COMPANY

1. NAME OF COMPANY

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

Chinese abbreviation (in the PRC): 弘業期貨

English name: Holly Futures Co., Ltd.

2. BOARD

Executive Directors

Mr. Zhou Yong (Chairman)
Ms. Zhou Jianqiu

Non-executive Directors

Mr. Xue Binghai
Mr. Shan Bing
Mr. Zhang Ke (Resigned on 26 August 2019)

Independent non-executive Directors

Mr. Zhang Hongfa
Mr. Lam Kai Yeung
Mr. Wang Yuetang

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. Wang Yuetang Mr. Shan Bing
Nomination Committee	Mr. Zhou Yong (Chairman) Mr. Wang Yuetang Mr. Zhang Hongfa
Risk Management Committee	Mr. Wang Yuetang (Chairman) Mr. Xue Binghai Ms. Zhou Jianqiu Mr. Zhang Ke (Resigned on 26 August 2019)

3. SUPERVISORY COMMITTEE

Ms. Yu Hong (Chairlady of the Supervisory Committee) (Appointed as the Chairlady of the Supervisory Committee on 13 June 2019)
Ms. Wang Jianying
Ms. Yao Aili (Appointed on 13 June 2019)
Ms. Xu Yingying (Resigned on 13 June 2019)

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: Chungs Lawyers
As to PRC Law: Shanghai AllBright Law Offices

14. PRINCIPAL BANKS

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

15. H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

16. STOCK CODE

03678

Financial Summary

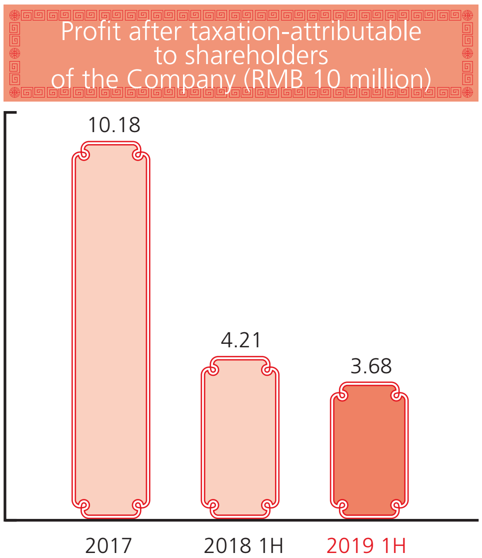
I. Major accounting data and financial indicators

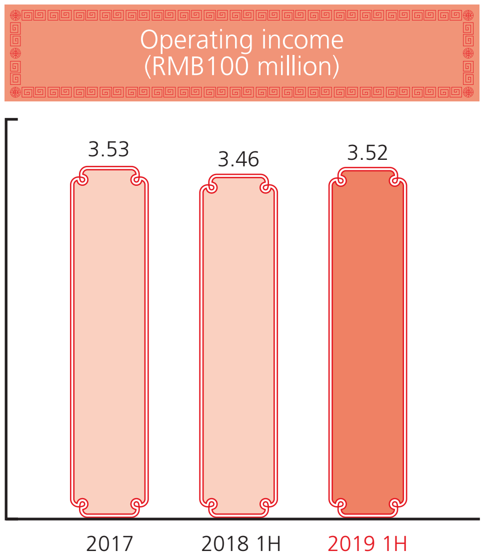
(Unless otherwise specified, the accounting data and financial indicators contained in this Report are prepared in accordance with the Hong Kong Accounting Standards)

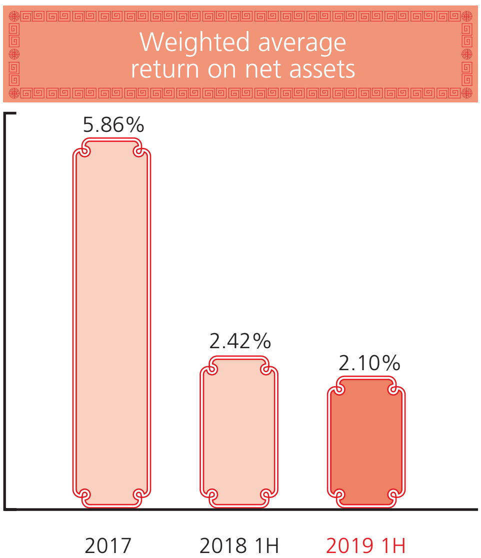
RMB'000	Jan-Jun 2019	Jan-Jun 2018	Change in current period as compared to the prior period Amount	%
Operating income	**351,761**	345,787	5,974	2%
Profit before taxation	**45,680**	53,935	-8,255	-15%
Profit after taxation-attribute to shareholders of the Company	**36,810**	42,096	-5,286	-13%
Net cash generated from operating activities Inflows/(outflows)	**92,312**	241,519	-149,207	-62%
Earnings per share (RMB/share)				
Basic earnings per share	**0.0406**	0.0464		
Diluted earnings per share	**0.0406**	0.0464		
Profitability indicators				
Weighted average return on net assets (%)	**2.10%**	2.42%		

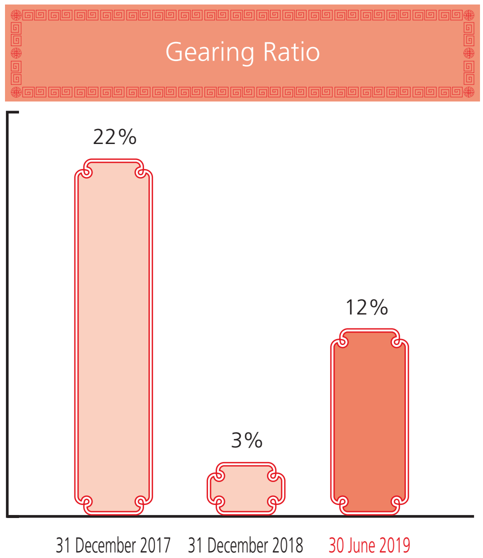
Scale indicators (RMB'000)	As of 30 June 2019	As of 31 December 2018	Change in the end of the current period as compared to the end of the prior year Amount	%
Total assets	**4,587,464**	4,296,754	290,710	7%
Total liabilities	**2,851,190**	2,525,095	326,095	13%
Accounts payable to brokerage clients	**2,624,939**	2,465,323	159,616	6%
Equity attributable to shareholders of the Company	**1,736,274**	1,771,659	-35,385	-2%
Total share capital ('000)	**907,000**	907,000		
Net assets value per share attributable to shareholders of the Company (RMB per share)	**1.91**	1.95		
Gearing ratio (%)[Note 1]	**12%**	3%		

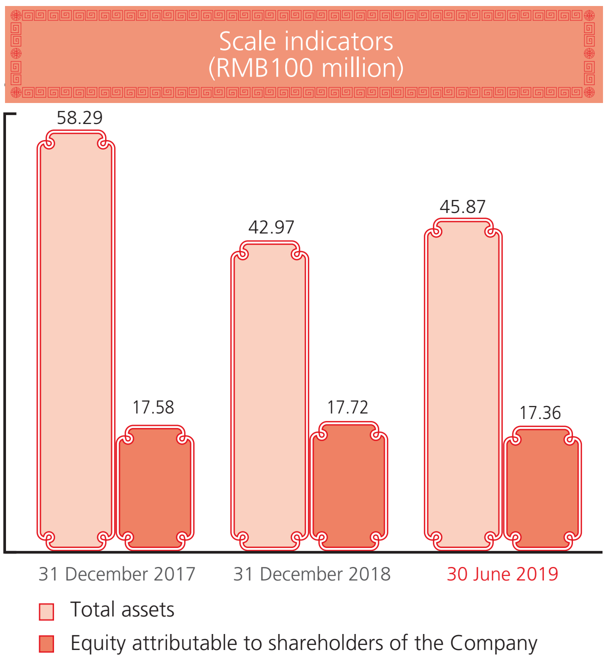
Note 1: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)


Profit after taxation-attributable to shareholders of the Company (RMB 10 million)
10.18
4.21
3.68
2017
2018 1H
2019 1H


Operating income (RMB100 million)
3.53
3.46
3.52
2017
2018 1H
2019 1H


Weighted average return on net assets
5.86%
2.42%
2.10%
2017
2018 1H
2019 1H


Gearing Ratio
22%
3%
12%
31 December 2017
31 December 2018
30 June 2019


Scale indicators (RMB100 million)
58.29
17.58
42.97
17.72
45.87
17.36
31 December 2017
31 December 2018
30 June 2019
Total assets
Equity attributable to shareholders of the Company

II. Net Capital and relevant risk control indicators of the Company as at 30 June 2019

The Net Capital of the Company as at 30 June 2019 amounted to RMB1,226 million, representing an increase of RMB12 million as compared with RMB1,214 million as at the end of 2018. During the Reporting Period, various risk control indicators of the Company including the Net Capital met the regulatory requirements in the PRC. (The following table sets out the Net Capital and the major risk control indicators prepared by the Company in accordance with the PRC Accounting Standards and the regulatory requirements in the PRC)

	As of 30 June 2019	As of 31 December 2018	Warning level	Minimum/ Supervision level
Net Capital (RMB million)	**1,226**	1,214	36	30
Net Capital/total risk capital reserves (%)	**978%**	720%	120%	100%
Net Capital/net assets (%)	**74%**	74%	24%	20%
Current assets/current liabilities (%)	**840%**	904%	120%	100%
Total liabilities/net assets (%)	**10%**	9%	120%	150%
Proprietary settlement reserve funds (RMB million)	**733**	617	–	10

Management Discussion and Analysis

I. Market Review

In the first half of 2019, China's economy has shown solid progress while maintaining stability under the complex and severe domestic and international situations. China's gross domestic product grew by 6.3%, over 60% of which was contributed by consumption growth. Its employment objective was nearly 70% completed. Such series of economic data highlights a fast, stable and high-quality economic growth. Despite increased external uncertainties, China's economy remains robust and continues to provide impetus for the world economy. China's gross domestic product for the first half of 2019 amounted to RMB45 trillion, representing a year-on-year increase of 6.3% in terms of comparable prices. By quarter, its gross domestic product for the first quarter of 2019 and second quarter of 2019 demonstrated a year-on-year increase of 6.4% and 6.2% respectively. By industry, the added value of the primary industry was RMB2,320.7 billion, representing a year-on-year increase of 3.0%; the added value of the secondary industry was RMB17,998.4 billion, representing a year-on-year increase of 5.8%; and the added value of the tertiary industry was RMB24,774.3 billion, representing a year-on-year increase of 7.0%. China's economic operation was generally stable with steady progress, which was mainly reflected in the following: 1. Agricultural production recorded strong performance, with a great harvest of summer grain crops. The added value of the planting industry increased by 3.9% year-on-year, and total summer grain yield in the PRC was 141.74 million tonnes, representing an increase of 2.93 million tonnes or 2.1% over the same period last year. Agricultural planting structure continued to be optimized; 2. Industrial production was basically stable, with larger market share of high-tech manufacturing industry. In the first half of 2019, the added value of industrial enterprises exceeding a designated size grew by 6.0% year-on-year; 3. The service industry recorded relatively fast growth, and the modern service industry experienced stronger development. The added values of the information transmission, software and information technology service industry, the leasing and business service industry, the transportation, warehousing and postal service industry and the financial industry increased by 20.6%, 7.8%, 7.3% and 7.3% year-on-year, respectively. The national service industry production index increased by 7.3% year-on-year. 4. Market sales recorded stable growth, and the growth and market share of the online retail sales continued to increase. In particular, online retail sales amounted to RMB4,816.1 billion, representing a year-on-year increase of 17.8%; 5. Investment growth rate remained basically stable, with investment in high-tech industry recording rapid growth. Fixed assets investments in the PRC (excluding peasant households) increased by 5.8% year-on-year, and investments in property development increased by 10.9% year-on-year; 6. Import and export growth slightly accelerated, and trading structure continued to be optimised. In the first half of 2019, total import and export of goods amounted to RMB14,667.5 billion, representing a year-on-year increase of 3.9%. In particular, export amounted to RMB7,952.1 billion, representing an increase of 6.1%, and import amounted to RMB6,715.5 billion, representing an increase of 1.4%. The combination of import and export resulted in a trade surplus of RMB1,236.6 billion, representing a year-on-year increase of 41.6%, and trading forms and structure were further optimised. 7. Consumer price index recorded mild growth, and industrial producer price index remained basically stable. China's consumer price index rose by 2.2% year-on-year, and China's industrial producer ex-factory price increased by 0.3% year-on-year. 8. The employment situation was generally stable, and the number of rural migrant workers continued to increase. In the first half of 2019, 7.37 million new urban jobs were added in the PRC, achieving 67% of the objective for the year; 9. Residential income grew faster than economic growth, and urban-rural income ratio continued to narrow. Per capita disposable income of residents in the PRC was RMB15,294, representing a year-on-year nominal growth of 8.8%; 10. The supply side structural reform continued to be deepened, with continuous optimisation of economic structure. The "cutting overcapacity, reducing excess inventory, deleveraging, lowering costs, and strengthening areas of weakness" program achieved solid results. Three critical battles continued to advance, and economic structure continued to be optimised. In general, China's economy operated within an appropriate range in the first half of 2019, maintaining the trend of generally stable development with steady progress. However, we should also see that current domestic and international economic situations are still complex and intense. Global economic growth slowed down, and external instability and uncertainties increased. The issue of unbalanced and inadequate economic development in the PRC remain obvious, and Chinese economy is facing new downward pressure.

In the first half of 2019, a new product was launched in the commodity futures market, as jujube futures contracts were formally listed on Zhengzhou Commodity Exchange, which filled the gap of dried fruit futures market. In addition to commodity futures, a number of new members have been admitted to the option market, and natural rubber option, cotton option and corn option contracts were unveiled on the Shanghai, Zhengzhou and Dalian commodity exchanges respectively. Under the background of slowed global economic growth in 2019, the PRC commodity futures market recorded volatile growth in general, and crude oil, iron ore, jujube and other products had been successively labelled as "star" in the market. By variety, black products recorded highest growth in general, with rapeseed, jujube, apple and other agricultural products showing bright performance. In addition, the metal segment experienced highest growth in general. In the first half of 2019, with the support of resilient real estate, black products enjoyed strong demand and supply, and product price showed an upward trend, albeit the obvious differentiation. In particular, the supply shortage for iron ores was most prominent, which experienced the highest price increase, and its performance dominated the trend of black products in the first half of the year. The agricultural product segment hit the bottom and stabilized in the first half of 2019, and entered a stage of gradual price increase. In particular, jujube and apple are more susceptible to extreme weather and reduced supply, and their prices were once maintained at a high level. The progress of trade negotiations between China and the United States resulted in the fluctuations of prices of domestic protein meal and oil. For the nonferrous metal segment, precious metals have become a focus of attention in the market this year. The expectation for the interest rate cut by the Federal Reserve, the escalation of global trade frictions and other relevant factors had made the market fluctuated drastically. For the energy and chemical segment, international oil price experienced wide fluctuations in the first half of 2019. Due to factors such as Saudi Arabia's reduction of oil production and the United State's announcement of cancellation of crude oil exemption for Iran, crude oil price increased until April 2019. Later, the escalation of international economic and trade tensions triggered worries in the market, and international oil price decreased significantly. Recent geographical events and expected interest rate cut by the Federal Reserve drove the rebound of oil price, and oil price fluctuations also affected chemical products. Driven by both market warming up and the measures to resume normal trading, the trading of stock index futures picked up rapidly in the first half of 2019. This has somehow indicated further diversification of market participant structure, sufficient liquidity and that the price discovery and risk hedging functions of stock index futures have been further brought into play.

From January to June 2019, the accumulated trading volume of China's futures markets (all industry data are calculated on one side) was approximately 1,734,940,163 lots with an accumulated trading turnover (all industry data are calculated on one side) of RMB128,564.469 billion, representing an increase of 23.47% and 33.79% respectively, as compared with the same period of last year. In particular, Shanghai Futures Exchange achieved a trading volume of 598,404,100 lots with an accumulated turnover of RMB38,807.549 billion, representing increases of 12.87% and 0.01% respectively, as compared with the same period of last year and accounting for 34.49% and 30.19% of the China market. Shanghai International Energy Center achieved a trading volume of 20,088,504 lots with an accumulated turnover of RMB8,974.393 billion, representing increases of 306.90% and 292.14% respectively, as compared with the same period of last year and accounting for 1.16% and 6.98% respectively of the China market. Zhengzhou Commodity Exchange achieved a trading volume of 525,067,782 lots with an accumulated turnover of RMB19,424.204 billion, representing increases of 49.06% and 5.27% respectively, as compared with the same period of last year and accounting for 30.26% and 15.11% respectively of the China market. Dalian Commodity Exchange achieved a trading volume of 559,315,227 lots with an accumulated turnover of RMB28,978.366 billion, representing increases of 10.45% and 15.84% respectively, as compared with the same period of last year and accounting for 32.24% and 22.54% respectively of the China market. China Financial Futures Exchange achieved a trading volume of 32,064,550 lots with an accumulated turnover of RMB32,379.958 billion, representing increases of 181.66% and 180.65% respectively, as compared with the same period of last year and accounting for 1.85% and 25.19% respectively of the China market.

II. Overall Business Conditions

The Company accelerates transformation and upgrading, and enhances risk prevention by focusing on improving development quality and benefit and promoting supply side structural reformation as its main line. All of the business steadily advanced. As of 30 June 2019, total assets of the Company amounted to RMB4,587 million, representing an increase of 7% as compared to RMB4,297 million as at the end of 2018. Net assets attributable to the Company amounted to approximately RMB1,736 million, representing a decrease of 2% as compared to RMB1,772 million as at the end of 2018. The Company achieved a market share of 0.6%; the operating income amounted to RMB352 million, representing a year-on-year increase of 2%; the total profit amounted to RMB45.68 million, representing a year-on-year decrease of 15%, and the net profit amounted to RMB36.81 million, representing a year-on-year decrease of 13%. During the first half of 2019, 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) by Dalian Commodity Exchange and "Excellent Member in Variety Service" (品種服務優秀會員) by Zhengzhou Commodity Exchange, and "Excellent Member General Golden Prize" (優秀會員綜合金獎) by China Financial Futures Exchange, and the general manager of the Company, Ms. Zhou Jianqiu, was also awarded the "Junding Prize for Chinese Wealth Management Leader" for the fourth year. Meanwhile, the Company has obtained "Class A of the Grade A" regulatory category in the classified supervision and evaluation of the China Securities Regulatory Commission 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.

(1) Futures Brokerage Business

The futures brokerage business of the Company includes providing brokerage service in respect of the commodity futures and financial futures available at all futures exchanges listing in the PRC and receiving certain percentage of handling fees from clients. As of 30 June 2019, the Company had 44 branches, of which 19 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 2019, the futures brokerage business of the Company was maintained at a fairly good level. As of 30 June 2019, the Company's client balance amounted to RMB2.625 billion, representing an increase of 6% as compared to RMB2.465 billion as at the end of 2018. The turnover from brokerage of the Company amounted to RMB1,532.403 billion, representing a year-on-year increase of 6.36% as compared with RMB1,440.712 billion for the same period of 2018. The brokerage volume of the Company amounted to 28,261,210 lots, representing an increase of 9.83% as compared to 25,731,006 lots for the first half of 2018, with a market share of 0.6%. The handling fees of the Group from futures brokerage business and interest income of the Group amounted to RMB104 million, representing a year-on-year decrease of 27% as compared with RMB142 million in the corresponding period of 2018.

(2) Assets management business

As of 30 June 2019, the Company's AUM amounted to RMB7,024.31 million, representing a decrease of 48.18% compared to RMB13.554 billion as at the end of 2018, ranking in the top six in the futures industry. The asset management business achieved a handling fee income of RMB2,910,000, representing a year-on-year increase of 18.78%, as compared with the same period of 2018, with the handling fee income amounting to RMB2,450,000. There were 19 trading asset management accounts in aggregate and all accounts operated smoothly.

Under the background of continuous decline in the size of futures asset management in the first half of 2019, the Company's asset management business continued to record strong performance. First, it quickly launched products relating to market focus. A star market related asset management plan – Holly STAR Market Quantitative 1 was successfully filed and Holly STAR Market Quantitative 2 is under active subscription. Second, it designed and promoted Jiangsu comfort fixed income collective products, which further diversified the customer base of the asset management business of the Company. Third, it conducted cooperation with private equity institutions in more diversified forms, and launched an additional derivative FOF product. Fourth, it strengthened coordination and cooperation with financial institutions.

(3) Commodity trading and risk management business

In the first half of 2019, Holly Capital achieved steady progress in various work and completed the objective set at the beginning of 2019 as scheduled by putting effort into "consolidation, improvement and connection". From January to June 2019, Holly Capital achieved operating income of RMB210 million, representing a year-on-year increase of 9.95%; total profit of RMB10.63 million, representing a year-on-year increase of 1,374%; net profit of RMB7.53 million, representing a year-on-year increase of 225%.

On one hand, Holly Capital consolidated the development model of its principal activities and made use of its advantages in key product channels and research of the spot and futures market to establish closer cooperation with partners. The cooperation model has become more mature, and more effort were put into the strategy research and development in market making business to improve practical operation. On the other hand, new teams were introduced and new models were explored. The establishment of Holly Capital Shanghai Branch and deregistration of the Hong Kong company of Holly Capital was completed. It has applied for and successfully obtained the business qualifications for soybean meal and soybean futures and options no. 2 on Dalian Commodity Exchange and cotton yarn futures on Zhengzhou Commodity Exchange. It strengthened industry exchange, carried out cooperation with many major players in respect of basis trading, and achieved preliminary consensus with Holly Corporation on commodity import business. It established a business team to expand standard warehouse receipt trading platform business on Shanghai Futures Exchange.

(4) Financial assets investment

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

In the first half of 2019, the Group achieved disposition and dividend gains of RMB11.54 million from financial assets investment business, representing a year-on-year increase of 625% as compared to RMB1.59 million for the same period in 2018, mainly because while implementing diversified investments, the Company captured the opportunities brought by the significant rebound in the stock market to maximize income in the first half of 2019.

IV. Other Innovative Business

(1) Breakthroughs in international business

In the first half of 2019, the Company followed the trend and unswerving took the path of international development. Amid increasingly strict monitoring and control over outflow of domestic funds by the State Administration of Foreign Exchange, overseas futures and securities business was greatly affected, and balance decreased by 58% year-on-year. Under such background, Holly Su Futures strengthened its teambuilding, continued to expand sources of profit such as asset management and external investment, and successfully turned loss into profit, with a net profit of RMB5.05 million. First, major breakthroughs were made in licensing business. Holly Su Futures obtained securities margin business qualification. Starting from domestic and foreign trading enterprises, it went all out to promote foreign exchange hedging business. It also actively cooperated with private equity institutions to carry out over-the-counter options business. Its first asset management product was formally issued and the promotion of fund products and establishment of structured funds were completed. Second, investment business was improved. Under the background of low risk-free investment interest rate in Hong Kong, Holly Su Futures continued to explore investment methods and analyze investment experience. It successfully participated in the issuance of and investment in Global Depository Receipt of Huatai Securities and obtained good returns.

(2) Remarkable results in options business

Under the background of significant changes in market regulation policies, the Company's option business recorded steady growth. Among 25 futures companies with stock options business, it ranked No. 11 and No. 12 respectively in terms of trading volume and client market share of stock options business. The size and customer base of its OTC options grew rapidly and ranked No. 16 among 79 companies with risk management business. It obtained 28 new corporate clients and new notional principal amount of new transactions of RMB1.5 billion, representing a year-on-year increase of over 3 times, and turnover of premiums reached RMB28.83 million. "Insurance + futures" business continued to advance, and a total of 5 "insurance + futures" projects were approved by Shanghai Futures Exchange and Dalian Commodity Exchange, involving 1,000 tons of rubber, 110,000 tons of corn and 12,000 tons of soybean. It actively participated in the "Farmer's Income Protection Plan" and "Enterprise Risk Management" pilot of Dalian Commodity Exchange, and applied for six corn and soybean "insurance + futures" projects with full county coverage.

(3) Steady progress of wealth management business

With intense and concrete effort, the Company's wealth management business made new progress. First, it continued to expand the size of public funds sales and orderly promoted the sales of private funds. Following the establishment of the platform, it optimised and improved the online trading function and business process for fund sales, and successfully launched a fund shopping mall in Hongyuntong mobile application. It made great effort into the training and promotion for product sales, obtained nearly 80 fund customers and achieved public fund sales of RMB150 million. In addition, it completed the regulatory filing for private fund sales and the opening of private equity custodian accounts, and entered into cooperation agreements with a number of private equity fund managers in respect of fund sales on a commission basis. Second, it introduced high-caliber private equity fund managers to promote the investment with self-owned funds. In the first half of 2019, the Company invested in 11 products with its self-owned funds, with total investment amount of over RMB50 million. Third, it made preparations for proprietary bond trading business and entered into an investment advisory agreement for bond transaction with a partner, which is a securities company.

V. Outlook and Future Plans

For international situations, global economy faced huge uncertainties, and the momentum of economic growth weakened. The commodity and futures market faced greater risks, and commodity prices continued to fluctuate. For domestic situations, China's economy showed a general trend of steady progress and healthy development, with key economic indicators remaining within a reasonable range. Trading of the first batch of 25 stocks on the STAR Market of the Shanghai Stock Exchange commenced, and China's capital market has become more mature. The Shanghai-London Stock Connect was formally launched, and a series of policies for the opening of financial industry were implemented, signaling a new progress of two-way opening of the PRC capital market. For the futures market, more new products have been introduced. Trading of jujube futures contracts formally commenced on Zhengzhou Commodity Exchange, and trading of rubber No. 20, urea and polished round-grained rice futures contracts have been commerced. The restrictions on stock index futures are being gradually lifted. Options products become further diversified, and natural rubber option, cotton option and corn option contracts were unveiled on the Shanghai, Zhengzhou and Dalian commodity exchanges respectively.

Facing opportunities and challenges, the Company thoroughly applied the new development concept in accordance with various work arrangements, made an in-depth analysis of domestic and overseas economic conditions, sought truth from facts, assumed its responsibilities, and effectively promoted its high-quality development. To implement the work arrangements for the second half of 2019, we must put great effort into "consolidation, enhancement, improvement and connection", consolidating a solid foundation, strengthening the driving force for advancement and creating a good environment. We will focus on the key tasks set out below.

(1) Focus on reforms and innovations in key areas

First, we will vigorously advance the initial public offering of A shares. With the initial approval for the initial public offering of some futures company, we will go all out to procure substantial progress of the initial public offering of A shares of the Company.

Second, we will establish a market-oriented incentive mechanism. We will establish and improve a remuneration allocation mechanism reflecting the characteristics of the financial industry and giving priority to key positions, core teams and high-caliber talents in short supply and urgent need. We will steadily promote options incentives for core talents, further implement the "three mechanisms", and fully motivate the enthusiasm, initiative and innovation of management and employees, so that various talents who have the aspiration and capability would have bright prospects.

(2) Further promote the development of principal business

First, we will build a more characteristic model serving real economy. In the second half of 2019, the Company will continue to concentrate human, material and financial resources to promote in-depth "five in one" development serving real economy. It will improve the business division performance assessment and incentive mechanism and focus on training team leaders of business divisions to improve the motivation and coordination of teams. It will conduct in-depth research of the spot market and delivery warehouses to raise the awareness of various products among business division teams. It will make full use of the newly-launched community system and actively lead and encourage business departments to reasonably use and integrate the "five in one" expansion model into all business stages of customer development and service. Furthermore, it will continue to summarize its successful experience and typical cases to develop models for promotion and duplication.

Second, we will build a more branded asset management system. We will strengthen the cooperation with commercial banks, private banks, private equity and other financial institutions, promote the external sales of asset management products of the Company, especially products under active management, and realize resource sharing. We will make use of our advantages in derivates as a futures company, orderly launch characteristic "fixed income + CTA" and "fixed income + quantitative" products, and launch enhanced fixed income products as appropriate. We will strengthen the development and application of Holly commodity index, develop service funds starting with index investment, gradually improve self-management capability, and establish a quantitative trading platform with our own characteristics. In addition, under the guidance of new rules for asset management, we will further improve the project review and assessment to strictly prevent risks.

Third, we will build a dual-core risk management segment. We will continue to promote OTC options business, establish a stable enterprise customer base, strengthen business promotion, expand trading size, and strive to achieve new record high in terms of notional principal amount and net income of OTC options business. We will actively explore the new model of futures services to serve agriculture, rural areas and farmers, and apply for more exchange "insurance + futures" and OTC options projects to serve China's targeted poverty alleviation strategy. We will apply for the qualification for trading participant for stock options from the Shenzhen Stock Exchange, and strive to improve options strategy research and development capability and train traders.

While keeping risks under control, all business experienced positive trends and Holly Capital strive to make an effective breakthrough in terms of operating income and annual profit. First, it will learn from leading players in the industry, further improve the feasibility and operability of its business plans, and establish business characteristics. Second, it will expand new business channels and steadily carry out commodity import, standard exchange warehouse receipt platform trading, and industrial, chemical and agricultural product basis trading business. Third, it will strengthen investment in the strategic research and development and talent introduction for the market making business, apply for more product options market maker business qualifications and improve its market making profitability.

Fourth, it will enhance wealth management business development. Institutional clients and high net-worth clients served by futures companies have urgent need for wealth management. We shall make full use of our existing customer base to implement diversified operation. We will continue to expand the size of fund business sales, strengthen the publicity of public fund distribution, and strive to display and recommend funds. We will strengthen the post-investment monitoring of private equity products and actively develop new high-quality investment subjects. We will build a sound bond trading business framework to effectively carry out trading business and we vigorously explore cooperation with external institutions to form a good, sustainable and mutually beneficial cooperative relationship.

(3) Comprehensively improve international business operation capability

The acceleration of international business and the continuous advancement of the "Belt and Road Initiative" have imposed new requirements for futures to serve real economy. To go global, a futures company must take the initiative to make preparations for developing international business.

First, Holly Su Futures must strengthen publicity and build a great futures and financial brand and concentrate its advantages so as to develop into an integrated financial holding group with presence in multiple areas, segments and regions.

Second, we will accelerate the building of domestic and overseas marketing teams and consolidate the foundation for international business development. We will strengthen talent recruitment and training through market-based incentive mechanism, continue to enhance overseas teams and improve the business capability of existing marketing staff. Targeting qualified overseas institutional investors such as QFII and RQFII, we will formulate incentive policies for developing overseas customers, actively explore potential opportunities, and steadily expand the balance and ratio of overseas customers.

Third, we will develop various businesses and promote international business development. We will make good use of domestic and international market resources to vigorously develop foreign exchange hedging, on-the-market and OTC options and margin business, allocate and distribute fund products to generate synergies with the asset management business of the Company. We will explore and research on bonds, notes and exchange businesses in an effort to create new sources of profit.

(4) Coordinate the implementation of "big back office" development strategy

In order to further promote high-quality development of the Company, we will adhere to the basic principles of strengthening compliance management and risk control and the objective of improving the support, service and management capability of middle and back office, so that the big back office can become an important engine driving the development of various businesses of the Company.

First, we will optimise human resources allocation. Depending on the needs of business development, we will strengthen the assessment of management during term of office, strictly implement cadre management system and procedures, conduct a comprehensive review of talents, strengthen the selection and training of backup cadres, and enhance talent echelon development. We will speed up the implementation of the position management system, build a dual cannel model for employees' career development, and actively bring into play the leading and guiding role of outstanding teams and models.

Second, we will actively establish a digital platform. We will follow the guiding principle of "Technology empowers finance" and convert technology into the real productivity and core business competitiveness of the Company. We will further optimise existing computer room resource allocation to improve our service provided to overseas and quantitative customers through information technology system upgrading. We will continue to improve intelligent office, enhance the operating efficiency of middle and back office, further improve data quality, and build a company-wide data analysis system. We will research and develop Wechat apps to improve customer experience, stick to "online + offline" coordinated development, accelerate the construction of service network, and further expand customer service coverage. We will leverage the opportunities brought by 5G to accelerate service upgrade and make early preparations to improve customer service quality and efficiency using financial technology.

Third, we will strengthen the contribution by research and development. We will strengthen our research of financial derivative and industry products to promote the effective conversion of research results into services and products. Through the establishment of an internal evaluation and feedback mechanism, we will provide effective services to various financial institution customers and industrial customers to improve differentiated competitiveness. Based on the needs of the Company and customers, we will strive to focus on applied research and convert service products in order to further optimise the substance and form of our existing products in view of the needs of industry development.

(5) Strengthen modern corporate governance capability with risk control at the core

We will effectively implement various rules for risk management and improve the implementation of such rules, while enhancing the research of new business models and follow-up on risk control measures to effectively implement our ability to identify, assess, prevent and deal with risks. Our compliance management department shall duly perform its duties and carry out special examinations and risk screening of business segments to prevent the occurrence of risk events. We will deepen the development of enterprise ruled by law, promote further integration of risk management system of our subsidiaries and their business operation and management, further improve the risk control mechanism for financial asset investments, strictly implement the financial asset investment management rules and investment disciplines, and keep the investment risk of financial assets within our control. We shall correctly deal with the relationship between business development and compliance and risk control, and must not break any laws and regulations for short-term results growth. We shall adhere to the compliance red line and risk bottom line and shall not touch or exceed the red line or bottom line.

(6) Accelerate the process of establishing public fund company

The Company intends to establish a public fund company in respond to the call of CSRC on "supporting the establishment of futures companies or investment in fund management companies, supporting public funds to participate in derivatives trading according to law" mentioned in the "Opinions on Further Promoting the Innovation and Development of Futures Operating Institutions", and further broaden the scope of financial asset management and enhance the competitiveness of the Company in the industry. To speed up the establishment process, the Company will further strengthen communication with CSRC and strive to obtain approval from CSRC for the establishment as soon as possible. Upon the establishment of the new company, the Company will operate according to the management requirements on quality, scale and efficiency, upholding the business philosophy of "building foundation for regular products and focusing on commodities with unique features". The Company will intensively work on aspects such as assessment incentives, team building, risk control, marketing and fund operations to achieve sustainable development of the new company.

VI. Working Capital, Financial Resources and Capital Structure

(1) Profitability analysis

During the Reporting Period, the Company seized the opportunities of the industrial innovation and development and gradually enhanced its comprehensive strength with its overall operation enjoying a good momentum. As of 30 June 2019, the Group achieved total operating income of RMB352 million, representing an increase of 2% from RMB346 million for the same period of 2018. The net profit attributable to shareholders of the Company amounted to RMB36.81 million, representing a decrease of 13% from RMB42.10 million for the same period of 2018. The earnings per Share amounted to RMB0.0406 and the weighted average return on net assets was 2.10%, representing a year-on-year decrease of 0.32 percentage point.

(2) Asset structure and asset quality

As of 30 June 2019, the total assets of the Group amounted to RMB4,587 million, representing an increase of 7% as compared with RMB4,297 million at the end of 2018; the total liabilities amounted to RMB2,851 million, representing an increase of 13% as compared with RMB2,525 million at the end of 2018; and the net assets attributable to the Shares of the Company amounted to RMB1,736 million, representing a decrease of 2% as compared with RMB1,772 million at the end of 2018.

The asset structure remained stable while the quality and liquidity of asset were well maintained. As of 30 June 2019, the total assets of the Group consisted of: current assets of RMB4,449 million, accounting for 96.99% of the total assets and representing an increase of 6% as compared with RMB4,192 million at the end of 2018. Current assets mainly included cash held on behalf of clients of RMB1,462 million (accounting for 31.87%), refundable deposits of RMB1,326 million (accounting for 28.91%), cash and bank deposits of RMB1,067 million (accounting for 23.27%), assets for financial investment of RMB496 million (accounting for 10.81%), other receivables of RMB19 million (accounting for 0.41%) and other current assets of RMB79 million in total (accounting for 1.72%).

As of 30 June 2019, the liabilities after deducting brokerage clients funds payable amounted to RMB226 million, representing an increase of 279% from RMB60 million at the end of 2018. The asset-liability ratio of the Group was 12%, representing an increase of 9 percentage points as compared with the end of 2018 (Note: asset-liability ratio = (total liabilities – brokerage clients funds payable)/(total assets – brokerage clients funds payable)). The operating leverage ratio was 1.13 times, representing an increase of 9% as compared with 1.03 times as at the end of 2018 (Note: operating leverage ratio = (total assets – brokerage clients funds payable)/equities attributable to Shareholders).

(3) Liquidity level management

The Company places great emphasis on liquidity management based on the principle of "being comprehensive, prudent and predictability" while focusing on the organic combination of the security, liquidity and profitability of capital.

The liquidity monitoring index of the Company in each month throughout the first half of 2019 complied with the regulatory requirements of the China Securities Regulatory Commission.

(4) Currency risk

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

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

(5) Cash flows

The net increase in cash and cash equivalents of the Group amounted to RMB195 million in the first half of 2019.

Net cash generated from operating activities of the Group amounted to RMB92 million in the first half of 2019, representing a year-on-year decrease of RMB149 million as compared with RMB242 million for the same period in 2018; net cash generated from investing activities amounted to RMB116 million in the first half of 2019, representing a year-on-year increase of RMB252 million as compared with the net cash generated from investing activities amounting to RMB–136 million for the same period in 2018; net cash flow generated from financing activities amounted to RMB–13 million on the first half of 2019, representing a year-on-year decrease of RMB8 million as compared with the net cash generated from financing activities amounting to RMB–5 million for the same period in 2018; net increase in cash and cash equivalents amounted to RMB195 million in first half of 2019, representing a year-on-year increase of RMB94 million as compared with RMB101 million for the same period in 2018.

(6) Significant investment

Save for the investments in equity securities and short-term investments presented in the unaudited consolidated statement of financial position as at 30 June 2019, the Group did not hold any significant investment in equity interest in any other company as at 30 June 2019.

(7) Contingent liabilities

For details, please refer to Note 27 to the unaudited interim financial report of this Report.

(8) Charges on assets

As at 30 June 2019, the Group did not have any charges on assets.

VII. Material Financing of the Company

(1) Equity financing

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

(2) Debt financing

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

VIII. Investments during the Reporting Period

(I) Use of proceeds

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

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

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

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

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

As of 30 June 2019, 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	171,567.45	165,000	6,567.45
Developing asset management business	No	134,037.07	121,355.82	12,681.25
Developing the commodity trading and risk management business	No	107,229.66	97,838.07	9,391.58
Developing and strengthening the existing futures brokerage business*	No	53,614.83	519.95	53,094.88
Purchasing IT equipment and software	No	26,807.41	7,335.65	19,471.76
General working capital of the Group	No	42,891.86	42,885.62	6.24
Total		536,148.28	434,935.11	101,213.16

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

In order to enhance the efficiency of the utilisation of the proceeds, as of 30 June 2019, the Company's remaining proceeds were deposited into large commercial banks as bank deposits. The Company intends to utilise the net proceeds in the amount and usages as prescribed in the Prospectus and as amended in the 2018 annual general meeting of the Company (subject to the regulatory approval) in due course in the second half of 2019 and 2020.

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

Investments during the Reporting Period:

On 14 March 2019, Holly Su Asset established Holly International Fixed Income Fund (弘業國際固定收益基金).

On 31 May 2019, Holly Capital Hong Kong completed the cancellation.

(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 656 employees.

The remuneration of the Company's employees is composed of basic salaries, allowances, performance bonuses and welfare. Basic salaries are a relatively fixed part of the remuneration and are the basic income of employees. As a supplement to basic salaries, employees taking special posts and professionals are entitled to allowances. Performance bonuses are distributed according to the results of performance evaluation in favour of the front-line employees with outstanding performance. For the six months ended 30 June 2019, the total remuneration of employees, including remuneration of Directors, amounted to approximately RMB68.194 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 encourages employees to self-study, take professional qualification examinations, etc. in order to educate themselves and update their professional knowledge. Especially, it rewarded employees who had obtained qualifications for futures investment analysis, fund practitioner and futures practitioner in Hong Kong.

XII.Risk Management

The risks which the Company faces in its business activities mainly include risk management, internal control risk, professional conduct risk, market risk, credit risk and investment risk. In the first half of 2019, the Company adopted effective measures to deal with the risks proactively, thereby safeguarding the safety and high efficiency of the business activities.

(I) Risk management and internal control risk

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

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

(II) Professional conduct risk

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

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

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

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

(III) Market Risk

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

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

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

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

(IV) Credit Risk

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

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

(V) Investment Risk

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

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

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

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

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

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

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

XIII. Constructing the Risk Management System of the Company

The objective of risk management of the Company is to implement a comprehensive risk management system to ensure the business operation complies with the relevant rules and regulations, and limit the risk related to the business operation to a tolerable level, thereby maximizing the corporate value of the Company. The CSRC has rated the Company the "Class A of the A Category" for the past 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; and

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

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

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

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

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

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

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

(II) Risk Management System

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

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

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

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

The Chief Risk Officer of the Company is responsible for ensuring the effective implementation of the internal policies of the Company and compliance with the business policy of the Company; evaluating and advising on the risks and compliance by the management of the Company in and as regards to the major decisions making and main business activities of the Company; inspecting and investigating possible regulatory violations and risk concerns in the operation of the Company, reporting to the Board, the Shareholders and the regulatory authority independently on any non-compliance and enhancing the risk management of the Company through training, inspection and supervision. Mr. Qiu Xiangjun is the Chief Risk Officer and has approximately 12 years of experience of compliance and risk control and management in the financial futures industry.

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

Corporate Governance

I. Overview of Corporate Governance

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

II. Compliance with the Corporate Governance Code

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

III. Compliance with Model Code

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

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

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

IV. Independent Non-executive Directors

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

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 27 August 2019, the Audit Committee reviewed and confirmed the interim results of the Group for the six months ended 30 June 2019, the 2019 interim report and the unaudited interim financial statements for the six months ended 30 June 2019 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 of the date of this Report, the total share capital of the Company amounted to RMB907,000,000, divided into 907,000,000 Shares of RMB1.00 each.

II. Interim results

The interim results of the Group for the six months ended 30 June 2019 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 28 August 2019.

III. Interim dividend

The Board does not recommend to distribute interim dividend for the six months ended 30 June 2019.

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 28 to the unaudited interim financial report of this Report for information about other related party transactions. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of its connected transactions or continuing connected transactions.

(II) Connected persons

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

SOHO Holdings

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

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

Holly Corporation

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

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

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 2019 amounted to RMB5.50 million, with an actual transaction amount of RMB0 in the first half of 2019.

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 2019 amounted to RMB7.5 million, with an actual transaction amount of RMB3.2179 million in the first half of 2019.

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 2019 amounted to RMB120 million, with an actual transaction amount of RMB0 in the first half of 2019.

The following table set out the annual caps for continuing connected transactions of the Group in 2019 and the actual transaction amounts for connected transactions of the Group in the first half of 2019. For the six months ended 30 June 2019, the continuing connected transactions of the Group were aggregated as follows:

		First half of 2019 Actual Amount (RMB'000)	Annual Cap (RMB'000)
1	**SOHO Financial Services Framework Agreement** Income generated from the provision of services from the Group to SOHO Holdings and its subsidiaries	0	5,500
2	**Holly Property Lease and Management Services Agreement** Expenses incurred by leasing properties by the Group from Holly Corporation	3,217.89	7,500
3	**Jiangsu Chemical Fertilizer Thermal Coal Basis Trading Cooperation Agreement** Contribution from Holly Capital for the development of thermal coal basis trading	0	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 2019, 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 2019, to the knowledge of the Directors, Supervisors and the chief executives of the Company, the interests or short positions of substantial shareholders (except the Directors, Supervisors and chief executives of the Company) in Share or underlying shares of the Company which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which are required to be entered into the register pursuant to section 336 of the SFO are as follows:

Name of Shareholders	Class of Shares	Capacity	Number of Shares held	Approximate percentage to total issued Shares[(1)]	Approximate percentage to relevant Share class[(2)]
Jiangsu SOHO Holdings Group Co., Ltd. [(3)]	Domestic Shares	Beneficial owner and interest in controlled corporation	431,642,122 (long position)	47.59%	65.67%
Jiangsu Holly Corporation	Domestic Shares	Beneficial owner	147,900,000 (long position)	16.31%	22.50%
Jiangsu Holly Su Industrial Co., Ltd.	Domestic Shares	Beneficial owner	143,548,000 (long position)	15.83%	21.84%
Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥))[(4)]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥))[(4)]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司)[(4)]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Huang Jieping [(4)]	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
High Hope Corporation	Domestic Shares	Beneficial owner	63,930,134 (long position)	7.05%	9.73%
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 2019.

(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 2019.

(3) On 30 June 2019, Jiangsu SOHO Holding Group Co., Ltd. (i) directly held 275,456,777 Domestic Shares; (ii) was the beneficial owner of 24.02% equity interests in Jiangsu Holly Corporation, which directly held 147,900,000 Domestic Shares of the Company; and (iii) was the beneficial owner of the entire equity interests of Artall Culture Group (deemed to be interested in the 8,285,345 Domestic Shares directly held by Jiangsu Holly International Logistics Corporation). As disclosed in the 2018 annual report of Jiangsu Holly Corporation, SOHO Holdings is regarded as the controlling shareholder of Jiangsu Holly Corporation under the relevant PRC laws. SOHO Holdings is therefore deemed to be interested in the 147,900,000 Domestic Shares and 8,285,345 Domestic Shares directly held by Holly Corporation and Artall Culture Group, respectively. Accordingly, SOHO Holdings directly and indirectly held equity interests in 431,642,122 Domestic Shares.

(4) According to the current information available to the Company, on 30 June 2019, (i) Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)) held 99% equity interests in Jiangsu Holly Su Industrial Co., Ltd.; (ii) Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)) held 99.71% equity interests in Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)); (iii) Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) held 79.5% equity interests in Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)); (iv) Ms. Huang Jieping was the beneficial owner of 100% equity interests in Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司). Accordingly, under the SFO, each of Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)), Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)), Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) and Ms. Huang Jieping is deemed to be interested in the 143,548,000 Domestic Shares directly held by Holly Su Industrial.

Save as disclosed above, the Directors, Supervisors and chief executives of the Company are not aware that, as at 30 June 2019, any other person (other than the Directors, Supervisors or chief executives of the Company) had an interest or short position in the Shares or underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are required to be entered into the register of the Company pursuant to Section 336 of the SFO.

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

VIII. Material Litigations and Arbitrations

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

None.

(II) Material litigations and arbitrations

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

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

(2) On 22 September 2016, a customer ("Company B") filed a lawsuit before the People's Court of Qinhuai District, Nanjing ("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. In December 2018, the Higher People's Court of Jiangsu Province dismissed Company B's application for retrial. On 8 April 2019, Company B filed another case before Qinhuai District Court on the same ground. Such case was heard on 14 May 2019. In the hearing, Company B changed its claim to request the Company for repayment of the principal assets of RMB10 million and the risk compensation of RMB4.5 million since 2016, totalling RMB14.5 million; and the Company shall bear the cost of litigation. The case is currently in the first instance trial.

(3) On 30 May 2019, a new customer filed a lawsuit before Qinhuai District Court for requesting the Company for compensation for loss of principal of RMB1.7 million, interest for the contract period of RMB170,000, and interest calculated based on principal of RMB1.7 million and at a monthly interest rate of 2% for the period from the date of overdue (10 September 2016) to actual payment; and the Company shall bear the cost of litigation. The case was heard on 26 June 2019. The case is currently in the first instance trial.

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

None.

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

(1) 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. For the details of the case involving two customers, please refer to (V) Other Matters. The third customer was dismissed by the People's Court of Jing Hai District of Tianjin City (the "Jing Hai Court") in December 2016. On 25 May 2018, the customer filed two civil lawsuits against Mr. A and his wife as well as the Company and Tianjin Gandaji E-Commerce Co., Ltd. ("Gandaji") with the Jing Hai Court.

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

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

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

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

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

None.

(v) Other Matters

On 25 July 2016, the two customers ("Customer Y" and "Customer Z") who entered into execution process as set out in (iii) 1 filed a lawsuit against Mr. A and his wife and the Company to 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 cost. 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 Jing Hai District Court, ruling that Mr. A and his wife shall jointly repay the loan principal of RMB3 million to Customer Y within three days upon the effective date of the judgment; Mr. A and his wife shall pay interest to Customer Y within three days upon the effective date of the judgment (at an annual interest rate of 24% 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 bear 50% of the 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 ("First Intermediate People's Court of Tianjin City") ruling that the appeal was dismissed in the judgment of second instance with the original verdict 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 ruling that Mr. A and his wife shall jointly repay the loan principal of RMB1,418,365.02 to Customer Z within three days upon the effective date of the judgment; the Company shall bear 50% of the 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 ruling that the appeal was dismissed in the judgment of second instance with the original verdict sustained and it was the final judgment.

In November 2017, the two cases mentioned above entered into execution process. On 16 August 2019, the Company paid execution fee for the two cases mentioned above totaling RMB2,136,082 to Jing Hai District Court and has fulfilled the payment obligation determined by the judgment of the Customer Y and the Customer Z.

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 2018 annual report of the Company.

1. The Company

With effect from 13 June 2019, Ms. Xu Yingying no longer served as employee representative supervisor and chairlady of the Supervisory Committee of the Company.

On 13 June 2019, the Company held an employee representative meeting, at which the resolution on the election of employee representative supervisor of the third session of the Supervisory Committee was considered and passed, and Ms. Yao Aili was appointed as an employee representative supervisor.

On 13 June 2019, the Company held the third meeting of the third session of the Supervisory Committee, at which the resolution on the re-election of chairlady of the third session of the Supervisory Committee was considered and passed and Ms. Yu Hong was appointed as chairlady of the Supervisory Committee.

2. Holly Capital

With effect from 29 March 2019, Mr. Yao Hui no longer served as general manager of Holly Capital. On the same day, Mr. Sun Chaowang was appointed as deputy general manager of Holly Capital and is responsible for its management.

With effect from 12 April 2019, Mr. Yao Hui no longer served as director of Holly Capital. On the same day, Mr. Sun Chaowang was appointed as its director.

With effect from 17 June 2019, Mr. Jia Guorong no longer served as director of Holly Capital. On the same day, Mr. Qiu Xiangjun was appointed as its director.

With effect from 17 June 2019, Mr. Sun Chaowang resigned as deputy general manager of Holly Capital and continued to serve as its general manager and authorised representative.

3. Holly Su Futures

None.

4. Holly Capital (Hong Kong)

Its deregistration was completed on 31 May 2019.

5. Holly Su Asset

With effect from 11 February 2019, Mr. Shan Guoliang no longer served as director of Holly Su Asset.

On 4 March 2019, Mr. Kong Xiangwei was appointed as a director.

On 10 April 2019, Mr. Li Guochang resigned as director and no longer served as director of Holly Su Asset since 9 May 2019.

Consolidated statement of profit or loss

for the six months ended 30 June 2019 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June 2019	Six months ended 30 June 2018 (Note)
Revenue	3	**119,823**	163,057
Net investment gains/(losses)	4	**30,997**	(22,006)
Other operating revenue	5	**200,941**	204,736
Operating income		**351,761**	345,787
Other net income	6	**1,200**	2,919
Other operating cost	5	**(194,048)**	(194,273)
Operating expenses		**(113,530)**	(103,241)
Finance costs		**(1,016)**	–
Profit from operations		**44,367**	51,192
Share of profits of associates		**1,313**	2,743
Profit before taxation	7	**45,680**	53,935
Income tax expense	8	**(8,870)**	(11,839)
Profit for the period		**36,810**	42,096
Earnings per share	9		
Basic		**0.0406**	0.0464
Diluted		**0.0406**	0.0464

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

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 2019 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019	2018 (Note)
Profit for the period	**36,810**	42,096
Other comprehensive income for the period (after tax)		
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates	**(671)**	(5,610)
Exchange differences on translation of financial statements in foreign currencies	**1,036**	1,235
Other comprehensive income/(loss) for the period, net of tax	**365**	(4,375)
Total comprehensive income for the period	**37,175**	37,721

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

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

Consolidated statement of financial position

as at 30 June 2019 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2019	As at 31 December 2018 (Note)
Non-current assets			
Property, plant and equipment	11	50,557	11,889
Goodwill		43,322	43,322
Intangible assets		23,032	22,534
Interest in associates	12	15,740	16,024
Deferred tax assets		3,464	9,553
Other non-current assets		2,060	1,710
Total non-current assets		138,175	105,032
Current assets			
Refundable deposits	13	1,326,156	1,112,959
Inventories	14	60,985	–
Other receivables	15	18,895	24,886
Other current assets		17,992	10,052
Financial assets held under resale agreements		22,083	–
Financial assets at fair value through profit or loss	16	470,770	559,871
Derivative financial assets	17	3,058	54
Cash held on behalf of brokerage clients	18	1,462,002	1,543,210
Cash and bank balances	19	1,067,348	940,690
Total current assets		4,449,289	4,191,722
Current liabilities			
Accounts payable to brokerage clients	21	2,624,939	2,465,323
Trade payables		5,026	–
Other payables	22	113,214	55,067
Lease liabilities	2(d)	17,215	–
Financial liabilities at fair value through profit or loss	23	66,006	1,890
Derivative financial liabilities	17	3,840	142
Current taxation		1,755	2,673
Total current liabilities		2,831,995	2,525,095
NET CURRENT ASSETS		1,617,294	1,666,627
TOTAL ASSETS LESS CURRENT LIABILITIES		1,755,469	1,771,659
Non-current liabilities			
Lease liabilities	2(d)	19,195	–
NET ASSETS		1,736,274	1,771,659
Capital and reserves	24		
Share capital		907,000	907,000
Reserves		829,274	864,659
TOTAL EQUITY		1,736,274	1,771,659

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

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 2019 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve	Distributable profits	Total
			Reserves						
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	24(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
Balance at 1 July 2018		907,000	533,125	40,377	186,295	4,244	(2,894)	55,439	1,723,586
Changes in equity for six months ended 31 December 2018									
Profit for the period		–	–	–	–	–	–	46,332	46,332
Other comprehensive income		–	–	–	–	(4,095)	5,836	–	1,741
Total comprehensive income		–	–	–	–	(4,095)	5,836	46,332	48,073
Appropriation of profits									
Appropriation to surplus reserve		–	–	9,028	–	–	–	(9,028)	–
Appropriation to general reserve		–	–	–	13,155	–	–	(13,155)	–
Balance at 31 December 2018 (Note)		907,000	533,125	49,405	199,450	149	2,942	79,588	1,771,659
Balance at 1 January 2019		**907,000**	**533,125**	**49,405**	**199,450**	**149**	**2,942**	**79,588**	**1,771,659**
Changes in equity for six months ended 30 June 2019									
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**36,810**	**36,810**
Other comprehensive income		**–**	**–**	**–**	**–**	**(671)**	**1,036**	**–**	**365**
Total comprehensive income		**–**	**–**	**–**	**–**	**(671)**	**1,036**	**36,810**	**37,175**
Appropriation of profits									
Appropriation to general reserve		**–**	**–**	**–**	**3,041**	**–**	**–**	**(3,041)**	**–**
Dividends approved in respect of the previous year	24(a)	**–**	**–**	**–**	**–**	**–**	**–**	**(72,560)**	**(72,560)**
Balance at 30 June 2019		**907,000**	**533,125**	**49,405**	**202,491**	**(522)**	**3,978**	**40,797**	**1,736,274**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

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 2019 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June 2019	2018 (Note)
Operating activities			
Cash generated from operations	20(b)	96,068	256,852
Income tax paid		(3,756)	(15,333)
Net cash generated from operating activities		92,312	241,519
Investing activities			
Proceeds from sales of financial assets under resale agreements		1,014,561	458,155
Payment for purchases of financial assets under resale agreements		(1,020,744)	(458,884)
Proceeds from sales of financial assets held for trading		327,630	250,626
Payment for purchases of financial assets held for trading		(207,747)	(391,788)
Proceeds from disposal of property, plant and equipment and intangible assets		1	10
Payment for purchases of property, plant and equipment and intangible assets		(4,545)	(3,491)
Dividends received from investments in securities	4	5,423	6,616
Dividends received from associates		926	2,605
Net cash generated from/(used in) investing activities		115,505	(136,151)
Financing activities			
Capital element of lease rentals paid		(10,193)	–
Interest element of lease rentals paid		(1,016)	–
Interest paid		–	(948)
Payment related to initial public offering		(1,500)	(3,830)
Net cash used in financing activities		(12,709)	(4,778)
Net increase in cash and cash equivalents		195,108	100,590
Effect of foreign exchange rate changes		1,165	2,046
Cash and cash equivalents at 1 January	20(a)	827,727	476,817
Cash and cash equivalents at 30 June	20(a)	1,024,000	579,453

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

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 28 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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.

2 Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognized the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 Changes in accounting policies (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property rental as disclosed in Note 26(b).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically apartment rental and electronic equipment lease. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 Changes in accounting policies (continued)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

2 Changes in accounting policies (continued)

The following table reconciles the operating lease commitments as disclosed in Note 26(b) as at 31 December 2018 to the opening balance for lease liabilities recognized as at 1 January 2019:

	1 January 2019
Operating lease commitments at 31 December 2018	35,819
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	1,579
– leases of low-value assets	85
Less: total future interest expenses	2,382
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	31,773
Total lease liabilities recognised at 1 January 2019	31,773

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

For right-of-use assets and lease liabilities, the Group has chosen not to present right-of-use assets separately and therefore includes the amount of the right-of-use assets within "Property, plant and equipment"-i.e. the same line item used to present the underlying assets of the same nature that it owns, lease liabilities separately in the statement of financial position.

2 Changes in accounting policies (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	Capitalisation of operating lease contracts	Carrying amount at 1 January 2019
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	11,889	31,773	43,662
Total non-current assets	**105,032**	**31,773**	**136,805**
Lease liabilities (current)	–	10,977	10,977
Current liabilities	**2,525,095**	**10,977**	**2,536,072**
Net current assets	**1,666,627**	**(10,977)**	**1,655,650**
Total assets less current liabilities	**1,771,659**	**20,796**	**1,792,455**
Lease liabilities (non-current)	–	20,796	20,796
Total non-current liabilities	**–**	**20,796**	**20,796**
Net assets	**1,771,659**	**–**	**1,771,659**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019	At 1 January 2019
Included in "Property, plant and equipment":		
Properties leased for own use, carried at depreciated cost	**37,190**	31,773

2 Changes in accounting policies (continued)

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
Within 1 year	17,215	18,599	10,977	12,341
After 1 year but within 2 years	12,869	13,452	10,346	11,112
After 2 years but within 5 years	6,326	7,499	10,450	10,702
	19,195	20,951	20,796	21,814
	36,410	39,550	31,773	34,155
Less: total future interest expenses		(3,140)		(2,382)
Present value of lease liabilities		36,410		31,773

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

2 Changes in accounting policies (continued)

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognized under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A)	Add back: HKFRS 16 depreciation and interest expense (B)	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (Note 1) (C)	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B+C)	Compared to amounts reported for 2018 under HKAS 17
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Operating expenses	(113,530)	9,413	(9,995)	(114,112)	(103,241)
Finance cost	(1,016)	1,016	–	–	–
Profit before taxation	45,680	10,429	(9,995)	46,114	53,935
Profit for the period	36,810	10,429	(9,995)	37,244	42,096
Reportable segment profit before taxation for the six months ended 30 June 2019 (Note 29(a)) impacted by the adoption of HKFRS 16:					
– Futures brokerage and asset management business	35,008	10,429	(9,995)	35,442	62,170

2 Changes in accounting policies (continued)

	2019			2018
	Amounts reported under HKFRS 16 (A)	Estimated amounts related to operating leases as if under HKAS 17 (Notes 1 & 2) (B)	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B)	Compared to amounts reported under HKAS 17
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	96,068	(11,209)	84,859	256,852
Net cash generated from operating activities	92,312	(11,209)	81,103	241,519
Capital element of lease rentals paid	(10,193)	10,193	–	–
Interest element of lease rentals paid	(1,016)	1,016	–	–
Net cash used in financing activities	(12,709)	11,209	(1,500)	(4,778)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

3 Revenue

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

	Note	Six months ended 30 June 2019	2018
Commission and fee income	(a)	72,889	85,685
Interest income	(b)	46,934	77,372
Total		119,823	163,057

(a) Commission and fee income

	Six months ended 30 June 2019	2018
Commission and fee income		
– Futures and options brokerage business	36,066	34,249
– Refund from futures exchanges	33,913	48,740
– Asset management business	2,910	2,454
– Investment consultancy business	–	242
Total	72,889	85,685

(b) Interest income

	Six months ended 30 June 2019	2018
Interest income		
– Bank deposits	43,554	74,191
– Futures exchanges	3,280	2,948
– Interest-bearing financial instruments	100	233
Total	46,934	77,372

4 Net investment gains/(losses)

	Six months ended 30 June	
	2019	2018
Net realized gains/(losses) from:		
Disposal of financial assets at fair value through profit or loss		
– Trading bonds	3,879	–
– Trading securities	1,431	(5,442)
– Trust Schemes	560	–
– Funds	348	–
– Asset management plans	(102)	418
Disposal of derivative financial instruments	(1,424)	1,144
Subtotal	4,692	(3,880)
Net unrealized fair value changes of:		
Financial assets at fair value through profit or loss:		
– Funds	11,402	(4,853)
– Trading securities	8,443	(13,599)
– Wealth management products	3,107	(3,665)
– Asset management plans and trust scheme	2,274	(1,292)
– Trading bonds	61	(453)
Financial liabilities designated at fair value through profit or loss	(2,888)	(43)
Derivative financial assets	2,259	138
Derivative financial liabilities	(3,776)	(975)
Subtotal	20,882	(24,742)
Dividend income from:		
Financial assets at fair value through profit or loss	5,423	6,616
Subtotal	5,423	6,616
Total	30,997	(22,006)

5 Other operating revenue/(cost)

(a) Other operating revenue

	Six months ended 30 June 2019	Six months ended 30 June 2018
Sales of commodities	198,302	200,488
Consulting fees	2,639	4,248
Total	200,941	204,736

(b) Other operating cost

	Six months ended 30 June 2019	Six months ended 30 June 2018
Cost of commodities	(193,548)	(194,273)
Others	(500)	–
Total	(194,048)	(194,273)

6 Other net income

	Six months ended 30 June 2019	Six months ended 30 June 2018
Exchange sponsorship	744	366
Foreign exchange gains	132	825
Government grants	16	1,400
Others	308	328
Total	1,200	2,919

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	
	2019	2018
Salaries, bonuses and allowances	**47,353**	48,198
Contributions to pension schemes	**6,636**	6,642
Other social welfare	**14,205**	14,883
Total	**68,194**	69,723

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	
	2019	2018
Commissions paid to brokers	**1,400**	2,878

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.

7 Profit before taxation (continued)

(c) Other items

	Six months ended 30 June	
	2019	2018 (Note)
Office expenses	19,222	10,906
Depreciation and amortisation		
– right-of-use assets	9,413	–
– owned property, plant and equipment and intangible assets	2,549	1,676
Litigation compensation	2,117	–
Property management expenses	1,243	899
Repair and maintenance expenses	1,150	479
Operating lease charges	1,084	9,730
Interest on lease liabilities	1,016	–
Utilities	759	606
Consulting fee	490	1,328
Auditors' remuneration	450	450
Tax and surcharges	441	642
Interest expenses	196	1,160
Investors protection funds	80	82
Other expenses	4,742	2,682
Total	44,952	30,640

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

8 Income tax expense

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2019	2018
Current tax-PRC corporate income tax		
Provision for the period	2,306	14,099
Over provision in respect of prior years	475	–
Subtotal	2,781	14,099
Current tax-Hong Kong profits tax		
Provision for the period	–	–
Subtotal	2,781	14,099
Deferred taxation		
Origination and reversal of temporary differences	6,089	(2,260)
Total	8,870	11,839

(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 RMB 36,810 thousands (six months ended 30 June 2018: RMB42,096 thousands) and the weighted average number of 907 million ordinary shares (six months ended 30 June 2018: 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
Holly International Fund Series SPC 弘業國際基金系列SPC(ii)	Cayman/ Hong Kong	Limited company	USD1	100%	–	100%	Fund investment business
Holly International Fixed Income Fund 弘業國際固定收益基金(iii)	Cayman/ Hong Kong	Limited company	USD100	100%	–	100%	Fund investment 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 HKD 5 million. This subsidiary was closed at 31 May 2019.

(ii) Holly International Fund Series SPC was established by Holly Su Asset Management Co., Ltd in October 2018. The fully paid-up capital is USD 1.

(iii) Holly International Fixed Income Fund was established by Holly Su Asset Management Co., Ltd in March 2019. The fully paid-up capital is USD 100.

11 Property, plant and equipment

	Motor vehicles	Office equipment	Electronic equipment	Properties leased for own use carried at cost	Total
Cost:					
As at 1 January 2018	5,405	3,484	31,650	–	40,539
Additions	–	57	7,234	–	7,291
Disposal	–	(614)	(507)	–	(1,121)
Translation reserve	–	2	42	–	44
As at 31 December 2018	5,405	2,929	38,419	–	46,753
Impact on initial application of HKFRS 16 (Note)	–	–	–	31,773	31,773
As at 1 January 2019	5,405	2,929	38,419	31,773	78,526
Additions	–	289	3,478	14,830	18,597
Disposal	–	(11)	(20)	–	(31)
Translation reserve	–	1	5	–	6
As at 30 June 2019	5,405	3,208	41,882	46,603	97,098
Accumulated depreciation:					
As at 1 January 2018	(3,912)	(3,069)	(25,599)	–	(32,580)
Charge for the year	(444)	(81)	(2,779)	–	(3,304)
Written back on disposal	–	583	473	–	1,056
Translation reserve	–	(1)	(35)	–	(36)
As at 31 December 2018	(4,356)	(2,568)	(27,940)	–	(34,864)
As at 1 January 2019	(4,356)	(2,568)	(27,940)	–	(34,864)
Charge for the year	(209)	(32)	(2,047)	(9,413)	(11,701)
Written back on disposal	–	10	19	–	29
Translation reserve	–	(1)	(4)	–	(5)
As at 30 June 2019	(4,565)	(2,591)	(29,972)	(9,413)	(46,541)
Net book value:					
As at 31 December 2018	1,049	361	10,479	–	11,889
As at 30 June 2019	840	617	11,910	37,190	50,557

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See Note 2.

12 Interest in associates

	As at 30 June 2019	As at 31 December 2018
Share of net assets	**15,740**	16,024

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.
Jiangsu Hong Ye Zi Jin Investment Management Co., Ltd.* 江蘇弘業紫金投資管理有限公司	Limited liability company	PRC	RMB30 million	39.22%	39.22%	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.

13 Refundable deposits

Refundable deposits arising from futures brokerage business:

	As at 30 June 2019	As at 31 December 2018
Deposits with futures and commodity exchanges		
– Dalian Commodity Exchange	**387,124**	256,558
– Shanghai Futures Exchange	**381,822**	309,031
– Zhengzhou Commodity Exchange	**286,104**	293,220
– China Financial Futures Exchange	**103,861**	77,656
– China Securities Depository and Clearing	**93,153**	95,881
– Shanghai International Energy Exchange	**53,053**	50,560
Other futures brokers	**21,039**	30,053
Total	**1,326,156**	1,112,959

14 Inventories

Inventories held due to physical commodities trading business:

	As at 30 June 2019	As at 31 December 2018
Trading commodities	**60,985**	–
Less: impairment	**–**	–
	60,985	–

15 Other receivables

	As at 30 June 2019	As at 31 December 2018
Rental deposits	**4,860**	4,395
Receivable from futures exchanges	**3,965**	5,424
Receivable from asset management plan	**2,965**	9,500
Others	**7,105**	5,567
Total	**18,895**	24,886

16 Financial assets at fair value through profit or loss

(a) Analysed by type

	As at 30 June 2019	As at 31 December 2018
Held for trading		
– Funds	321,111	433,153
– Equity securities	78,617	59,080
– Asset management plans	31,932	35,748
– Listed bonds	20,082	7,259
– Trust schemes	10,355	19,065
– Wealth management products	8,673	5,566
Total	470,770	559,871

(b) Analysed as

	As at 30 June 2019	As at 31 December 2018
Unlisted	333,321	474,302
Listed outside Hong Kong	137,449	85,569
Total	470,770	559,871

17 Derivative financial assets/(liabilities)

	As at 30 June 2019		
	Notional amount	Fair value Assets	Fair value Liabilities
Commodity derivatives			
– Futures	87,616	766	(1,951)
– Options	415,238	3,058	(3,840)
Total	502,854	3,824	(5,791)
Less: settlement		(766)	1,951
Net position		3,058	(3,840)

	As at 31 December 2018		
	Notional amount	Fair value Assets	Fair value Liabilities
Commodity derivatives			
– Futures	61,206	1,511	(1,873)
– Options	20,224	54	(142)
Total	81,430	1,565	(2,015)
Less: settlement		(1,511)	1,873
Net position		54	(142)

18 Cash held on behalf of brokerage clients

	As at 30 June 2019	As at 31 December 2018
Cash held on behalf of brokerage clients	1,462,002	1,543,210

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.

19 Cash and bank balances

	Note	As at 30 June 2019	As at 31 December 2018
Bank deposits with original maturity over 3 months		–	100,000
Restricted bank deposits		7,616	–
Cash and cash equivalents	20(a)	1,024,000	827,727
Interest receivable of bank deposits		35,732	12,963
		1,067,348	940,690

As at 30 June 2019, deposits amounting to RMB 7,616 thousands were restricted. (31 December 2018: there was no restricted bank deposits). The restricted bank deposits of RMB 0.9 million were collected during the fund raising period of the collective asset management plans which are required to be placed at designated bank accounts. In addition, Court decided to freeze the deposit of RMB 6.7 million in the bank account of the Company, refer to Note 27 (b).

20 Cash and cash equivalents

(a) Cash and cash equivalents comprise

	As at 30 June 2019	As at 31 December 2018
Deposits with banks and other financial institutions	1,024,000	827,727

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

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

		Six months ended 30 June	
	Note	2019	2018 (Note)
Profit before taxation		45,680	53,935
Adjustments for:			
Depreciation and amortisation	7(c)	11,962	1,676
Net unrealised fair value changes		(25,275)	22,888
Share of profit of associates		(1,313)	(2,743)
Dividend income from investments	4	(5,423)	(6,616)
Net realised (gains)/losses from financial instruments		(6,116)	5,024
Interest income from interest-bearing financial instruments	3(b)	(100)	(233)
Exchange gains	6	(132)	(825)
Interest expenses		–	948
Finance Costs		1,016	–
Operating cash flows before movements in working capital		20,299	74,054

20 Cash and cash equivalents (continued)

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

	Note	Six months ended 30 June 2019	Six months ended 30 June 2018 (Note)
Operating cash flows before movements in working capital		20,299	74,054
Increase in refundable deposits		(213,197)	(194,195)
Decrease in trade receivables		–	2,607
Increase in other receivables		(16,778)	(40,247)
(Increase)/decrease in inventories		(60,985)	22,652
(Increase)/decrease in other current assets and non-current assets		(8,290)	9,185
Decrease in financial assets at fair value through profit or loss		609	632,009
Increase in financial assets under resale agreements		(15,800)	–
(Increase)/decrease in derivative financial assets		(3,004)	23
Decrease in cash held on behalf of brokerage clients		81,208	563,355
Decrease/(increase) in term deposits with original maturity over three months		100,000	(18,259)
(Increase)/decrease in restricted bank deposits		(7,616)	19,563
Increase/(decrease) in accounts payable to brokerage clients		159,616	(358,999)
Increase in trade payables		5,026	–
Decrease in other payables		(12,834)	(34,796)
Increase in contract liabilities		–	1,225
Increase in derivative financial liabilities		3,698	532
Increase/(decrease) in financial liabilities designated at fair value through profit or loss		64,116	(421,857)
Cash generated from operations		96,068	256,852

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of RMB 9,995 thousand were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term lease payments and payments for leases of low value assets not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in Note 2.

21 Accounts payable to brokerage clients

	As at 30 June 2019	As at 31 December 2018
Clients' deposits for brokerage business	2,624,939	2,465,323

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.

22 Other payables

	As at 30 June 2019	As at 31 December 2018
Dividends payable	72,560	–
Unsettled client deposits for brokerage business	14,913	–
Deposits from clients	5,727	35,946
Payable to investors of collective asset management plans and funds	4,341	–
Litigation payable	2,117	–
Commission payable to brokers	2,020	2,020
IPO service fees payable	1,588	730
Employee benefits payable	404	8,658
Payable to investors protection funds	85	180
Tax and surcharges payable	56	739
Others	9,403	6,794
Total	113,214	55,067

23 Financial liabilities at fair value through profit or loss

	As at 30 June 2019	As at 31 December 2018
Financial liabilities designated at fair value through profit or loss		
– Payables	**66,006**	1,890

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.

24 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	
	2019	2018
Final dividend in respect of the previous financial year, approved during the following interim period	**72,560**	72,560

Final dividend in respect of the previous financial year approved during the interim period has not been paid as at 30 June 2019 and 2018.

(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.

25 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 2019 and 31 December 2018 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 2019 and 31 December 2018 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:

25 Fair value measurement (continued)

	Fair value as at 30 June 2019	Fair value measurements 30 June 2019 categorized into			Fair value as at 31 December 2018	Fair value measurements 31 December 2018 categorized into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets:								
Financial assets at fair value through profit or loss:								
Funds	321,111	258,097	63,014	–	433,153	406,349	26,804	–
Equity securities	78,617	78,617	–	–	59,080	57,755	1,325	–
Asset management plans	31,932	–	–	31,932	35,748	–	–	35,748
Listed bonds	20,082	20,082	–	–	7,259	7,259	–	–
Trust schemes	10,355	–	–	10,355	19,065	–	–	19,065
Wealth management products	8,673	–	–	8,673	5,566	–	–	5,566
Derivative financial assets	3,058	244	–	2,814	54	54	–	–
Liabilities:								
Financial liabilities at fair value through profit or loss:								
Payables	(66,006)	–	–	(66,006)	(1,890)	–	–	(1,890)
Derivative financial liabilities	(3,840)	(202)	–	(3,638)	(142)	–	–	(142)
Total	403,982	356,838	63,014	(15,870)	557,893	471,417	28,129	58,347

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 2019 and the year ended 31 December 2018. 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.

25 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 2019, the Group's valuation methods for specific investments are as follows:

(1) For listed equity securities and bonds, fair value is determined based on the closing price of the equity securities and bonds 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.

25 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 2019	60,379	–	(1,890)	(142)	58,347
Purchases	39,900	–	(63,229)	–	(23,329)
Gains or losses for the period	5,840	2,814	(2,887)	(3,496)	2,271
Sales and settlements	(55,159)	–	2,000	–	(53,159)
As at 30 June 2019	50,960	2,814	(66,006)	(3,638)	(15,870)
Total gains or losses for the period included in profit or loss for assets held and liabilities assumed at the end of interim period	5,382	2,814	(2,776)	(3,496)	1,924

	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	342,990	–	(2,000)	–	340,990
Gains or losses for the year	(4,817)	(32)	(33)	(142)	(5,024)
Sales and settlements	(992,334)	–	425,000	–	(567,334)
As at 31 December 2018	60,379	–	(1,890)	(142)	58,347
Total gains or losses for the year included in profit or loss for assets held and liabilities assumed at the end of the year	(5,095)	–	111	(142)	(5,126)

25 Fair value measurement (continued)

(iv) Financial instruments in Level 3 (continued)

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

Financial instruments	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Asset management plans, 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.

26 Commitments

(a) Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report:

	As at 30 June 2019	As at 31 December 2018
Contracted for	**42,000**	42,000
Authorised but not contracted for	**36,000**	36,000
Total	**78,000**	78,000

26 Commitments (continued)

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties leased for own use carried at cost
Within 1 year	14,005
After 1 year but not more than 2 years	11,112
After 2 years but not more than 3 years	8,883
After 3 years	1,819
Total	35,819

The Group is the lessee in respect of a number of properties which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 2.

27 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 the following 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") which was dismissed by the Qin Huai Court on 23 March 2018, Nanjing Middle People's Court on 28 June 2018 and the Jiangsu Provincial High People's Court on 27 December 2018, respectively. On 8 April 2019, the customer filed the lawsuit again which claimed for the repayment of RMB 10 million investment together with expected return of RMB 4.5 million with Qin Huai Court.

On 8 May 2019, the second customer filed against the Company with the Qinhuai Court. The claims are: (1) the repayment of RMB 1.7 million investment and RMB 0.17 million interest during the contract period; (2) the repayment of interests at a monthly interest rate of 2% on the basis of RMB1.7 million for the period starting from 10 September 2016 to the date of actual settlement of loan; and (3) the cost of proceedings. As at the date of this report, the legal proceedings are still ongoing.

Based on facts, circumstances at these juncture, the directors consider no provision in the consolidated financial statements is required.

27 Contingencies (continued)

(b) On 17 July 2016, one of the Company's former employee (same employee as stated in Note 27(a)) and his wife, entered into personal lending agreements with a customer, whereby the customers agreed to lend his 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 19 August 2016, the customer filed lawsuit against the former employee and his wife as well as the Company and another company controlled by the former employee with the Jing Hai Court. The claims are: (1) the repayment of RMB 3.71 million loan together with interests at a monthly interest rate of 2% for the period starting from 18 July 2016 to the date of actual settlement of loan; and (2) the cost of proceedings. On 1 December 2016, the Jing Hai Court rejected the lawsuit. On 4 June 2018, the customer resumed to file lawsuit against the former employee and his wife as well as the Company and another company controlled by the former employee with the Jing Hai Court. The claims are: (1) the repayment of RMB 4.83 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 RMB1.79 million; and (2) the cost of proceedings.

On 15 January 2019, the Jing Hai Court decided to freeze the deposit of RMB 6.7 million in the bank account of the Company following the application by the customer. 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.

(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 RMB 1.5 million investment together with interest and (2) the cost of proceedings. Another customer claimed for: (1) the repayment of RMB 8.35 million investment together with interest; and (2) the cost of proceedings.

On 6 November 2018, the Dongcheng Court delivered its first trial judgement of the two lawsuits and dismissed the two customers' litigation request. Following which, the two customers proceeded to appeal against the trial judgement. 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.

Except for the above, as at 30 June 2019, the Group was not involved in any material legal, arbitration or administrative proceedings which the Group expect would have significant adverse impact on the financial position and financial performance.

28 Material related party transactions

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership.

Share percentage in the Company

	As at 30 June 2019	As at 31 December 2018
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 2018.

(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.

28 Material related party transactions (continued)

(b) Related party transactions and balances

(i) Transactions between the Group and major shareholders

	As at 30 June 2019	As at 31 December 2018
Balances at the end of the period/year		
Accounts payable to brokerage clients	–	259
Lease liabilities due to the shareholder	9,767	–
Right-of-use due to the shareholder	9,654	–

	Six months ended 30 June	
	2019	2018
Transactions during the period		
Operating lease charges	–	3,318
Right-of-use assets depreciation	3,218	–
Financial costs	28	–
Others	70	–

The Group entered into a long-term lease in respect of properties from a shareholder of the Group for office. The amount of rent payable by the Group determined with market price. As of 1 January 2019, the Group recognized a right-of-use asset and a lease liability of RMB12,872 thousands.

(ii) Transactions between the Group and other related parties

	As at 30 June 2019	As at 31 December 2018
Balances at the end of the period/year		
Financial assets at fair value through profit or loss	26,335	19,452
Accounts payable to brokerage clients	197	6
Other payables	3,000	–

	Six months ended 30 June	
	2019	2018
Transactions during the period		
Service fee	291	183
Others	164	15

29 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 2019

	Futures brokerage and asset management business	Commodity trading and risk management business	Total
Revenue			
– External	113,178	207,586	320,764
– Inter-segment	37	–	37
Other income and gains			
– External	29,274	2,923	32,197
– Inter-segment	–	(37)	(37)
Segment revenue and other income	142,489	210,472	352,961
Segment cost and expenses	(108,794)	(199,800)	(308,594)
Segment operating profit	33,695	10,672	44,367
Share of profits of associates	1,313	–	1,313
Profit before taxation	35,008	10,672	45,680
Interest income	46,867	67	46,934
Finance Costs	(1,016)	–	(1,016)
Depreciation and amortisation	(11,956)	(6)	(11,962)
Segment assets	4,465,397	269,895	4,735,292
Additions to non-current segment assets during the period	3,746	20	3,766
Segment liabilities	(2,983,257)	(15,761)	(2,999,018)

29 Segment reporting (continued)

(a) Business segments (continued)

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)

29 Segment reporting (continued)

(a) Business segments (continued)

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

	Six months ended 30 June	
	2019	2018
Revenue and other income		
Total revenue and other income for segments	352,961	348,706
Elimination of inter-segment revenue	(37)	(31)
Elimination of inter-segment other income and gains	37	31
Consolidated revenue and other income	352,961	348,706
Profit		
Total profit before tax for segments	45,680	53,935
Elimination of inter-segment profit	–	–
Consolidated profit before income tax	45,680	53,935

	As at 30 June 2019	As at 31 December 2018
Assets		
Total assets for segments	4,735,292	4,487,529
Elimination of inter-segment assets	(147,828)	(190,775)
Consolidated total assets	4,587,464	4,296,754
Liabilities		
Total liabilities for segments	(2,999,018)	(2,715,870)
Elimination of inter-segment liabilities	147,828	190,775
Consolidated total liabilities	(2,851,190)	(2,525,095)

29 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 2019			Six months ended 30 June 2018		
	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total
Segment revenue						
Revenue from external customers	318,527	2,237	320,764	363,230	4,563	367,793
Other income and gains	22,304	9,893	32,197	(17,764)	(1,323)	(19,087)
Total	340,831	12,130	352,961	345,466	3,240	348,706

	30 June 2019			31 December 2018		
	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total
Specified non-current assets	126,504	1,047	127,551	92,650	1,119	93,769

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

As at 30 June 2019, the total net assets of the consolidated asset management plans and funds are RMB 112,575 thousands, and the carrying amount of interests held by the Group in the consolidated asset management plans and funds are RMB 46,569 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 2018, the total net assets of the consolidated asset management plans are RMB 11,591 thousands, and the carrying amount of interests held by the Group in the consolidated asset management plans are RMB 9,702 thousands, which are accounted for financial assets at fair value through profit or loss, cash and bank balances and other payables.

30 Interest in structured entities (continued)

(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 2019 and 31 December 2018, which are listed as below:

	As at 30 June 2019	As at 31 December 2018
Financial assets at fair value through profit or loss:		
– Funds	**309,377**	433,153
– Asset management plans	**15,294**	9,823
– Trust schemes	**10,355**	19,065
– Wealth management products	**8,673**	5,565
Total	**343,699**	467,606

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

	Six months ended 30 June	
	2019	2018
Revenue	**–**	–
Net investment gains/(losses)		
– Net realized gains	**913**	698
– Net unrealized fair value changes	**14,260**	(7,781)
– Dividend income	**4,410**	4,368
Total	**19,583**	(2,715)

The maximum exposure to loss for trust schemes, wealth management products, asset management plans and funds are their fair value as at 30 June 2019 and 31 December 2018.

30 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 2019, the amount of assets held by the unconsolidated asset management products, which are sponsored by the Group is RMB 6,996,437 thousands (31 December 2018: RMB 13,542,476 thousands).

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

	Six months ended 30 June	
	2019	2018
Revenue		
– Commission and fee income	2,910	2,454
Net investment gains/(losses)	2,345	(2,309)
Total	5,255	145

31 Non-adjusting event after the reporting period

There is no non-adjusting event after the reporting period.

32 Comparative figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.