



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

2021

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 Board
Chief Risk Officer	the chief risk officer of the Company
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 natural or legal persons
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 2021
FOF	a fund specially invested in other investment funds. It does not directly invest in stocks or bonds. With its investment scope limited to other funds only, it holds security assets such as stocks and bonds indirectly by holding other security investment funds, which is a new type of fund that combines fund product innovation with sales channel innovation
Group, the Group, us or We	the Company and its subsidiaries

H Share(s)	overseas listed foreign ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each listed on the Main Board of Hong Kong Stock Exchange
High Hope Corporation	Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司) (formerly known as Jiangsu High Hope Corporation (江蘇匯鴻股份有限公司)), a limited liability company established in the PRC on 13 October 1992 which was subsequently converted to a joint stock limited company in 1994
HK\$ or Hong Kong dollars	the lawful currency of Hong Kong
Holly Capital	Holly Capital Management Co., Ltd. (弘業資本管理有限公司), a limited liability company established under the laws of the PRC on 25 June 2013 and a wholly-owned subsidiary of the Company
Holly Asset Management	Holly International Asset Management Company Limited (formerly known as Holly Su Asset Management Company Limited (弘蘇資產管理有限公司)), a company incorporated under the laws of Hong Kong with limited liability on 7 July 2016 and a wholly owned subsidiary of our Company, which is licensed to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, and changed its name in December 2019
Holly Corporation	Jiangsu Holly Corporation (江蘇弘業股份有限公司) (formerly known as Jiangsu Crafts Import & Export Trading Group Co., Ltd. 江蘇省工藝品進出口集團股份有限公司), a limited liability company established under the laws of the PRC on 30 June 1994 and one of the promoters and a Shareholder of the Company
Holly International Financial	Holly International Financial Holdings Limited (formerly known as Holly Su Futures (Hongkong) Co., Limited (弘蘇期貨有限公司)), a company incorporated under the laws of Hong Kong with limited liability on 20 October 2011 and a wholly-owned subsidiary of our Company which is licensed to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO, and changed its name in December 2019
Holly Su Industrial	Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司), a limited liability company established under the laws of the PRC on 23 January 2011 and one of the promoters and a Shareholder of the Company
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Introducing Broker(s)	a business partner of the Company who introduces clients to the Company for commission
Jiangsu SASAC	State-owned Assets Supervision and Administration Commission of the Jiangsu People's Government (江蘇省人民政府國有資產監督管理委員會)
Listing Date	the date, being 30 December 2015, on which the H Shares were listed and from which dealings therein were permitted to take place on the Main Board of the Hong Kong Stock Exchange
Listing Rules	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
lot	the standardised quantity of futures as set out by the PRC Futures Exchanges, and represents the minimum quantity of that futures that may be traded
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules

Net Capital	equals net assets minus asset adjustment value plus liability adjustment value minus the deposits which the clients fail to fully replenish minus/plus other adjustment items recognised or approved by the CSRC
PRC Futures Exchanges	China Financial Futures Exchange (中國金融期貨交易所), Dalian Commodity Exchange (大連商品交易所), Shanghai Futures Exchange (上海期貨交易所) and Zhengzhou Commodity Exchange (鄭州商品交易所)
PRC or China	the People's Republic of China which, for the purpose of this Report, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
Prospectus	the prospectus in relation to H Shares of the Company dated 16 December 2015
R&D	research and development
Report	the interim report for 2021 of the Company
Reporting Period	the six months ended 30 June 2021
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
RO	Responsible officer

Company Profile

I. BASIC INFORMATION ABOUT THE COMPANY

1. NAME OF COMPANY

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

Chinese abbreviation (in the PRC): 弘業期貨

English name: Holly Futures Co., Ltd.

2. BOARD

Executive Directors

Mr. Zhou Yong (Chairman)
Ms. Zhou Jianqiu

Non-executive Directors

Mr. Xue Binghai
Mr. Shan Bing
Mr. Jiang Lin

Independent non-executive Directors

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

Special Committees of the Board

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

3. SUPERVISORY COMMITTEE

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

4. LEGAL REPRESENTATIVE

Ms. Zhou Jianqiu

5. REGISTERED CAPITAL

RMB907 million

6. QUALIFICATIONS FOR BUSINESSES IN CHINA

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

7. HEAD OFFICE IN CHINA

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

8. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

9. SECRETARY TO THE BOARD

Secretary to the Board: Mr. Huang Haiqing
Address: 6/F, Holly Tower, No. 50 Zhonghua Road, Nanjing, Jiangsu Province, the PRC (postcode: 210001)
Tel: 025-52278980
Email: huanghaiqing@ftol.com.cn

10. JOINT COMPANY SECRETARIES

Mr. Huang Haiqing and Ms. Leung Wing Han Sharon

11. AUTHORISED REPRESENTATIVES OF THE COMPANY

Ms. Zhou Jianqiu and Mr. Huang Haiqing

12. STATUTORY AUDIT INSTITUTIONS OF THE COMPANY

ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合伙))
A Recognised Public Interest Entity Auditor under Financial Reporting Council Ordinance

13. LEGAL ADVISERS

As to Hong Kong Law: Chung's Lawyers
As to PRC Law: Shanghai AllBright Law Offices Nanjing

14. PRINCIPAL BANKS

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

15. H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

16. STOCK CODE

03678

Financial Summary

I. Major accounting data and financial indicators

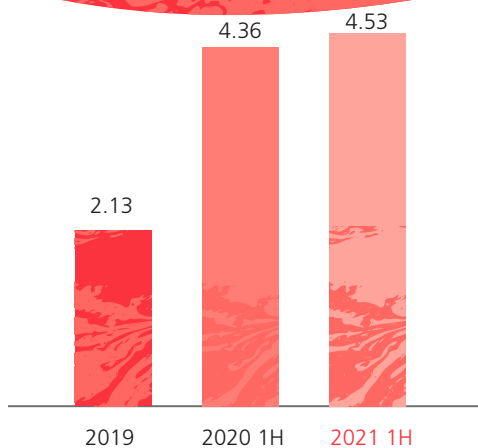
Unless otherwise specified, the accounting data and financial indicators contained in this interim report are prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance, financial data are presented in whole figure. Difference exists in the mantissa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

RMB 0'000			Change in current period as compared to the prior period	
	Jan-Jun 2021	Jan-Jun 2020	Change in amount	Change
Operating income	77,778	63,898	13,880	22%
Total profit	6,043	5,710	333	6%
Net profit-attributable to shareholders of the Company	4,530	4,359	171	4%
Net cash inflow from operating activities	28,891	66,199	-37,308	-56%
Earnings per share (RMB/share)				
Basic earnings per share	0.0499	0.0481		
Diluted earnings per share	0.0499	0.0481		
Profitability indicators				
Weighted average return on net assets (%)	2.73%	2.69%		

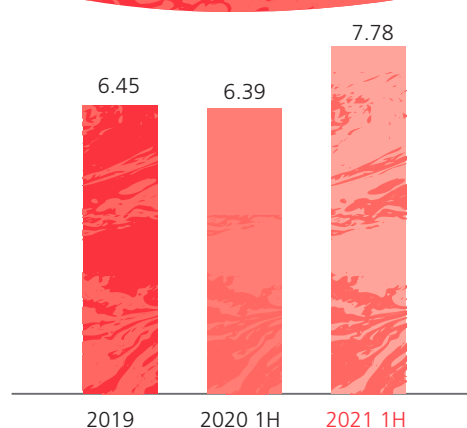
Scale indicators (RMB 0'000)			Change in the end of the current period as compared to the end of the prior year	
	As of 30 June 2021	As of 31 December 2020	Change in amount	Change
Total assets	733,510	634,916	98,594	16%
Total liabilities	569,019	470,249	98,770	21%
Customers' equity payable	508,689	428,784	79,904	19%
Equity attributable to shareholders of the Company	164,491	164,667	-176	0%
Total share capital (0'000)	90,700	90,700		
Net assets value per share attributable to shareholders of the Company (RMB per share)				
	1.81	1.82		
Gearing ratio (%)^{Note 1}	27%	20%		

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

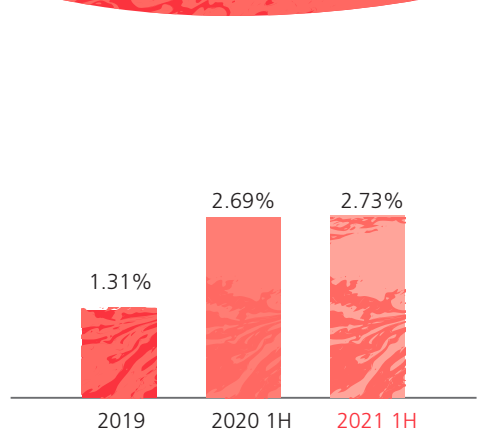
Net profit attributable to shareholders of the Company (RMB 10 million)



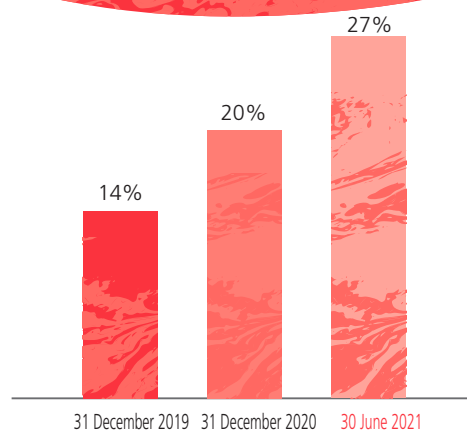
Operating income (RMB100 million)



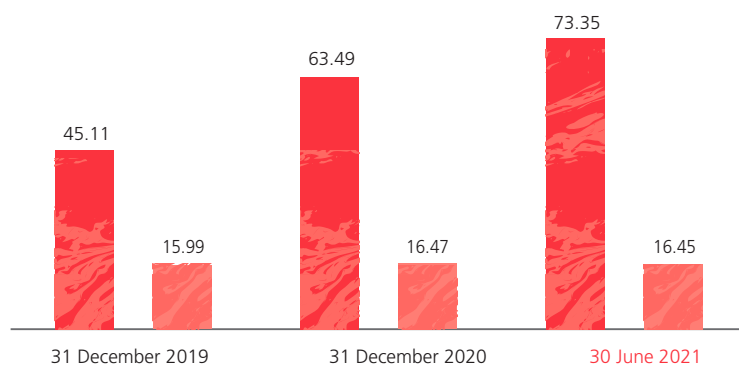
Weighted average return on net assets



Gearing Ratio



Scale indicators (RMB100 million)



- Total assets
- Equity attributable to shareholders of the Company

II. Net Capital and relevant risk control indicators of the Company

The Net Capital of the Company as at 30 June 2021 amounted to RMB795 million, representing a decrease of RMB184 million as compared with RMB979 million as at the end of 2020. 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 2021	As of 31 December 2020 ^(Note)	Warning level	Minimum/ Supervision level
Net Capital (RMB million)	795	979	36	30
Net Capital/total risk capital reserves (%)	258%	351%	120%	100%
Net Capital/net assets (%)	48%	59%	24%	20%
Current assets/current liabilities (%)	520%	484%	120%	100%
Total liabilities/net assets (%)	23%	20%	120%	150%
Proprietary settlement reserve funds (RMB million)	250	377	–	10

Note: according to the requirements of the "Notice on the Implementation of the Integrated Information System for the Supervision of Futures Companies" issued by the Jiangsu Branch of the CSRC (Suzhengjian Ji Gou Zi [2021] No. 14), the Company made corresponding adjustments to the opening net capital and other risk control indicators.

Management Discussion and Analysis

I. Overall Operating Conditions

In the first half of 2021, the Group gave much thought to developing a suitable strategy to fuel its growth, and satisfactory overall operating performance was achieved. As at 30 June 2021, total assets of the Group amounted to RMB7,335 million, representing an increase of 16% as compared to the beginning of the Reporting Period. Net assets attributable to the Group amounted to RMB1,645 million, representing a decrease of 0.11% as compared to the beginning of the Reporting Period. Excluding the effect of dividends, net assets attributable to the Group amounted to RMB1,690 million, representing an increase of 2.65% from the beginning of the Reporting Period. In the first half of 2021, the Company achieved a 0.85% share in market turnover. Our operating income increased 22% year-on-year; net profit increased 4% year-on-year; total profit increased 6% year-on-year; and the average daily customer equity increased 32.71% year-on-year. As at the end of the period, customer equity increased 19% year-on-year. Turnover from brokerage and brokerage transaction volume increased by 179.12% and 75.71% year-on-year respectively. The Company was awarded the “Excellent Member Prize” (優秀會員獎) and the “Market Progress Award” (市場進步獎) by Shanghai Futures Exchange, the “Excellent Member in Market Growth” (市場成長優秀會員) by Zhengzhou Commodity Exchange and the “Excellent Member Prize” (優秀會員獎) and the “Excellent Industrial Service for Agricultural Product Award” by Dalian Commodity Exchange.

II. 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 2021, the Company had 45 branches, of which 20 were located in Jiangsu Province and the remaining were mainly located in other economically developed cities, such as Beijing, Shanghai and Shenzhen, covering all the financially developed areas and other major regions in the PRC.

For the first half of 2021, the futures brokerage business of the Company was maintained at a fairly good level. As of 30 June 2021, the Company's client balance amounted to RMB5.087 billion, representing an increase of 19% as compared to RMB4.288 billion as at the end of 2020. The turnover (bilateral statistics, the same below) from brokerage of the Company amounted to RMB4,856.839 billion, representing a year-on-year increase of 179.12% as compared with RMB1,740.061 billion for the same period of 2020. The brokerage volume of the Company amounted to 62,593,375 lots, representing an increase of 75.71% as compared to 35,622,854 lots for the same period of 2020, with a market share of 0.85%. The handling fees of the Group from futures brokerage business amounted to RMB135 million, representing a year-on-year increase of 68% as compared with RMB80 million in the corresponding period of 2020.

(2) Asset management business

As of 30 June 2021, the Company's AUM amounted to RMB23.038 billion, representing an increase of 4.10% compared to RMB22.131 billion as at the end of 2020 and is expected to remain in the top three in the futures industry. The asset management business recorded a handling fee income of RMB6.2275 million, representing an increase of 55% as compared to the same period of 2020. 13 new products were developed, representing a year-on-year increase of 18.18%, of which 10 were collective products and 3 were one-to-one special account products, which is much higher than the industry average, and there were 33 asset management products in total.

While promoting efficiency enhancement, the Company strives to cultivate new development advantages. We have successfully cooperated with bank financial subsidiaries by focusing on industry hotspots and applying the "Stock arbitrage + offline new stock" strategy with stable returns. The scale of active management products continued to increase, of which the Holly Xique FOF Tranche 1 Asset Management Plan won the "Fund and Wealth Management Jie Fu Award".

(3) Commodity trading and risk management business

In the first half of 2021, Holly Capital overcame various difficulties and maintained a stable team, achieving operating revenue of RMB599 million from January to June, up 25.05% year-on-year, and total profit of RMB6.97 million. With a stable team in both its spot and futures trading businesses, risk control was further improved. The over-the-counter options business was developed steadily, with industrial customers accounting for over 50% and notional principal amount of new transactions of RMB2.1 billion, representing an increase of 100% compared with that of the corresponding period last year. With the stock options business in Shenzhen Stock Exchange officially launched, the Company vigorously researched and promoted its options business so as to serve physical enterprises with the exchange's "enterprise risk management programme" policy.

The Central Government's No. 1 document mentioned about "Insurance + Futures" for six consecutive years, and the Company continued to serve the development of agriculture, rural areas and farmers and promote the revitalization of villages with its "Insurance + Futures" project. The Company continued to carry out the Rubber "Insurance + Futures" project in Mengla County of Yuannan Province, raised the insured volume from 1,500 tons last year to 3,300 tons, with a total premium subsidy of RMB2.805 million, which was more than twice the amount last year, and applied for funding support of RMB1 million from the Shanghai government. As live hog futures were launched in January 2021, the Company grasped the market opportunity by combining the "rural revitalization" strategy to complete three live hog "Insurance + Futures" projects, two of which were launched in Zhenjiang and Taizhou of Jiangsu Province, of which the payout rate for the Zhenjiang project reached 91%. As the first batch of live hog "Insurance + Futures" projects in Jiangsu Province, they effectively protected live hog enterprises from the risk of falling pork prices. Two previous national live hog decentralization pilot projects in poverty counties in Yunyang County, Chongqing and Zhecheng County, Henan Province were successfully established in May.

(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 2021, the Group achieved disposition and dividend gains of RMB309,800 from financial assets investment business, representing a year-on-year decrease of 98.8% as compared to RMB25.7882 million for the same period in 2020. This was mainly due to widening losses on futures and spot derivatives trading and a decline in fund income in the first half of 2021.

III. Other Innovative Business

(1) Upgrading the international business function structure

In the first half of 2021, the equity of Holly International Financial's futures business grew by 12.04% year-on-year; the assets of securities business grew by 29.68% year-on-year; and the fund management scale was HK\$120 million, which grew by 49.4% year-on-year. The Company continued to expand its margin financing for new subscription business and integrated the Group's resources in order to provide overseas companies with asset allocation services. Holly International Asset Management has completed the opening of RQFII account with the People's Bank of China and filing with the SAFE, and cooperated with China Construction Bank and Haitong International to complete the opening and preparation of various capital accounts, securities accounts and trading authorisation.

(2) Remarkable results in options business

The Company focused on the national strategy and responded to the call of the central government, continued to serve the development of agriculture, rural areas and farmers and promote the revitalization of villages with "Insurance + Futures" projects. The Company continued to carry out the Rubber "Insurance + Futures" project in Mengla County of Yuannan Province, raised the volume insured from 1,500 tons last year to 3,300 tons, with a total premium subsidy of RMB2.805 million, which was more than twice the amount of last year, and applied for funding support of RMB1 million from the Shanghai government. As live pig futures were launched in January 2021, the Company grasped the market opportunity by combining the "rural revitalization" strategy to complete three live hog "Insurance + Futures" projects, two of which were launched in Zhenjiang and Taizhou of Jiangsu Province, with the payout rate for the Zhenjiang project reaching 91%. As the first batch of live hog "Insurance + Futures" projects in Jiangsu Province, they effectively protected live hog enterprises from the risk of falling pork prices. Two previous national live hog decentralization pilot projects in poverty counties in Yunyang County, Chongqing and Zhecheng County, Henan Province were successfully established in May.

(3) Orderly promoting wealth management business

The Company further strengthened communication with the CSRC to optimally adjust the establishment plan of public fund houses. The Company newly added 228 agency fund products, increasing the total number of agency fund products to 1,334, with scale of fund sales of RMB70 million from January to June 2021. The Company screened quality private equity fund managers and increased its own capital investment. On the premise of fully evaluating the risks and benefits, the Company explored the potential investment opportunities and made a new breakthrough in external investment income.

IV. Outlook and Future Plans

Facing both opportunities and challenges, the Company will base on the new development stage, implement a new development concept and construct a new development pattern to ensure the effective implementation of various tasks such as reform and innovation, production and operation, management improvement and risk prevention in accordance with the requirements of various work arrangements by sticking closely to its positioning in the financial service industry of “accumulation of advantages, well-known in the industry and leader in the region”, and strive to achieve basically mutual growth of total profit/average income of employees and the Company’s efficiency growth by continuously meeting people’s anticipation for better living. The Company will focus on the following tasks.

(I) Deepening the overall reform and building a long-term mechanism for high-quality growth

Reform is the root of vitality. Relying on reform and innovation, the Company will break the development bottlenecks, integrate development advantages and enhance development momentum by insisting on putting transformation and upgrading and quality and efficiency improvement in a more prominent position.

1. Reforms will be steadily and properly promoted. The Company will push ahead with the work of A-share IPO and strive for a successful return to the A-share market. Taking the implementation of the Three-Year Plan for Reform of State-owned enterprises as its focus, the Company will make precise efforts to overcome the pain points, difficulties and blockages in the process of development. Various system reforms will be initiated to establish and improve its remuneration allocation mechanism that reflects the characteristics of the financial industry and is targeted at key positions, core teams and urgently needed high-level talents. We will explore the common interests in the construction value chain to keep our workforce stable, prevent the loss of talents and promote the joint development of employees and the enterprise.
2. Our construction of the cadre force will be comprehensively strengthened. We will give full play to the role of “communication and mutual assistance” and “apprenticeship” and increase the training and use of young talents to maintain new source of cadres. Through methods such as centralized training and targeted recruitment, etc., a batch of multi-talented cadres will be cultivated and recruited. Leveraging the “five in one” strategy, we will accelerate the building of a professional team, make rapid response to market needs and provide strong support for each business division. In accordance with the planning of the holding group, the reform of professional managers will be carried out in a timely manner. The assessment and incentive scheme will be improved and more market-oriented to create a good career development channel for cadres and talents, and achieve the objective of “attracting talents with development, accessing talents with performance, cultivating talents with work, and gathering talents with career”.

(II) Benchmarking with the industry to promote high-quality development of the Company’s main business

1. Distinctive brokerage services will be created. Based on the two platforms of “online and offline”, we rely on quality services to enhance customer loyalty. We leverage the online platform to realize the accurate delivery of investment advisory services and financial products. We leverage the offline platform to provide institutional clients and high net worth clients with wealth management advisory services based on broad asset allocation and personalized and customized integrated financial services. Based on the “five in one” real economy servicing model, we will improve the multi-level platform to strengthen business linkage. With the “five in one” development strategy as the core, we will give full play to the functions of the product-based business department and make use of the product-based business development mode to replace the region-based mode as the core. We will establish a perfect business linkage mechanism among headquarters, branches and sales departments. Through platform and systematization construction, we can optimize the customer service system and provide tiered and graded services to our clients.

2. Seeks for both quality and stability in asset management business. We will constantly enrich the types of asset management products, and steadily launch derivatives, fixed income+ and FOF products. We will capitalize on low-risk, stable-yield product, to expand business cooperation with commercial banks, securities companies, fund houses, wealth management subsidiaries and other institutions. We will also enhance the brand effect of Holly Asset Management by expanding the sales channels of the Company's pool of products. With quantitative hedging, low-risk arbitrage, hedging, multi-strategy FOF and IPOs as the entry point for cooperation, the Company increases cooperation with large institutions such as commercial banks' financial subsidiaries, insurance institutions and the Group's internal enterprises, striving to obtain more sufficient and stable sources of entrusted funds. Focusing on research and development of CTA and arbitrage strategies, the Company insists on training and recruiting talents to enhance its independent management capability and build a quantitative trading platform with its own characteristics.
3. The risk management business strives to make new breakthroughs. The Company will vigorously develop commodity dealers with futures risk management companies as the mainstay, meet the needs of individualized risk management in the real economy, enhance the Company's pricing and trading capabilities, and gradually establish a risk management structure with pricing as the core. In terms of the futures and spot business, we will continue to cultivate the industry chain and increase capital investment in those products of our futures and spot business with stable operation to increase the total revenue by increasing the trading scale. At the same time, it will provide customized risk management services based on the needs of industrial clients, and increase profits through services. As for market making business, we will actively apply for the qualification of market maker on commodities and financial options, increase the profit contribution of market making business, so that the market making business will become the "corner stone" of Holly Capital's profit contribution. As for options business, we will introduce a new team to strive for further expansion of notional principal size of the over-the-counter options business transaction, optimize trading strategies and increase profitability. The Company will promote the linkage between agricultural insurance and financial instruments such as credits, guarantees, futures and options, expand the scope of "Insurance + Futures" and explore the "Contract farming + Insurance + Futures" model.
4. To seize new opportunities for the development of wealth management business. As the establishment plan of Holly public fund company is optimally adjusted, we will further enhance the communication with the CSRC to make sure that the establishment of the public fund company will be approved as soon as possible. We will continue to expand the scale of agency sales of public funds, increase fund promotion and training, and make efforts in fund display, recommendation and analysis. We will promote private placement agency sales business, build a high-quality bond trading business framework to achieve a stable, safe and efficient bond trading operation system. Meanwhile, on the premise of risk prevention and control, we will carry out in-depth investment research and development and increase our investment.
5. To improve the comprehensive capabilities of cross-border services steadily. We will give full play to the advantages of Holly International Financial's overseas securities and asset management licenses, and work hard on promoting the Holly International Financial brand. First is to continuously enrich the strength of overseas teams, including introducing leaders and RO with rich market experience, focusing on strengthening Hong Kong's local futures, securities, and asset management business team building, and vigorously cultivating an elite marketing team with its own characteristics. Second is to make progress in various businesses. With the establishment of the Guangdong-Hong Kong-Macao Greater Bay Area team as a breakthrough point, we will strengthen our main business and further improve the ability to serve major customers and apply to the SFC for pilot operation of swap business. We will look for high-quality fund business partners, vigorously deploy and market our fund products, and form linkages with the PRC asset management business. We will join hands with Hong Kong licensed companies to develop IPO underwriting, sponsoring and bond underwriting businesses.

(III) Insisting on technological innovation to lay a solid foundation for steady and long-term development

1. The construction of “Holly technology” will be promoted to a new stage. The Company proactively meets the opportunities and challenges brought by the wave of digitalization, uses the Internet mindset and financial technology to continuously explore the optimization and adjustment of business scenarios and establish a big data platform. Through big data mining and analysis, we will truly understand the personalized needs of investors and provide solutions that meet the needs of our clients. We will continue to push forward management reforms based on gaps between customer feedback and customer satisfaction. We insist on using informatization to promote enterprise transformation, and apply informatization to all aspects of company operation, including improving the quality and efficiency of customer service, alerting capabilities for compliance risk control, and enhancing the convenience of enterprise information circulation. Taking advantage of the existing ultra-fast transaction facilities, we plan to further enhance customer transaction experience.
2. The “R&D strength” will be promoted to a new stage. The Company adheres to market-oriented, customer-centric business style, and will strengthen the construction of business units, increase the support of the Financial Research Institute for customer development and services. We will strengthen applied research, further transform research results into customer service, product service, and enhance the power to commercialize the Company’s research and development results. The Company will strengthen its research capability in advantageous industries, and fully explore and meet the needs of the real industries. Taking the establishment of Guangzhou Futures Exchange and the promotion of launch of carbon futures as an opportunity, the Company increases the research and layout of the market for new types of futures such as financial derivatives and promote the development of green finance.
3. Our “risk control” work will be promoted to a new stage. Through system improvement, publicity training, real-time monitoring, compliance review, etc., to carry out ex ante and ex post internal supervision of the Company’s operation and management. We will adhere to the bottom line thinking to continuously strengthen risk prevention and control capacity building from the system and technology. The Company will strengthen the analysis of the management system of key areas and major segments, sort out and identify compliance risk points in each business process and job responsibilities, examine and make remedy for defects, and improve related management measures. Especially in the face of the current, complex and severe market situation, we should consider potential risks more comprehensively, prepare response measures more effectively, and control risks within a reasonable range. At the same time, we will further promote the construction of legal enterprises, and advocate further integration of subsidiary risk management systems and business operation management. Attention will be paid to strengthen corporate culture construction and legal system publicity and education, so that the business philosophy of “legal compliance, honesty and self-discipline” will be deeply rooted in the hearts of our people.
4. “Safe production” will be promoted to a new stage. The Company thoroughly implements the important instructions of General Secretary Xi Jinping on epidemic prevention and control, firmly implements the various prevention and control requirements of the holding group, further enhances risk awareness, insists on scientific prevention and control, and implements various prevention and control measures in a strict and rigorous manner. We will seriously fulfill the main responsibility of safety production, and ensure that safe investment, safety training, basic management and emergency rescue are in place to ensure safe production. From the weakest segment of safety supervision, we will shore up the weakness and check for vulnerabilities, so as to constantly promote the innovative development of safe production.

V. 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 2021, the Group achieved total operating income of RMB778 million, representing an increase of 22% as compared with the same period of 2020. The net profit attributable to shareholders of the Company amounted to RMB45.30 million, representing an increase of 4% as compared with the same period of 2020. The earnings per Share amounted to RMB0.0499 and the weighted average return on net assets was 2.73%, representing a year-on-year increase of 0.04 percentage point.

(2) Asset structure and asset quality

As of 30 June 2021, the total assets of the Group amounted to RMB7,335 million, representing an increase of 16% as compared with RMB6,349 million at the end of 2020; the total liabilities amounted to RMB5,690 million, representing an increase of 21% as compared with RMB4,702 million at the end of 2020. Excluding the effect of dividends, net assets attributable to shareholders of the Company amounted to RMB1,690 million, representing an increase of 2.65% from the beginning of the Reporting Period.

The asset structure remained stable while the quality and liquidity of assets were well maintained. The Group's total assets recorded an increase as compared to the beginning of the Reporting Period, mainly due to the increase of customers' equity. As at 30 June 2021, the total assets of the Group comprises of current assets of RMB7,288 million (accounting for 99.36%) and non-current assets of RMB47 million (accounting for 0.64%). Total assets mainly include cash assets of RMB5,794 million (accounting for 78.99%), assets for investment of RMB1,118 million (accounting for 15.25%), receivables of RMB45 million (accounting for 0.61%), inventories of RMB46 million (accounting for 0.62%), and other assets of RMB333 million (accounting for 4.54%).

As at 30 June 2021, the liabilities deducting customers' equity amounted to RMB603 million, representing an increase of 45% as compared with RMB415 million at the end of 2020. The increase was mainly attributable to the increase in the Group's long-term borrowings due to the purchase of office premises with mortgage loans, the increase in bond repurchase business, and the increase in standard bill pledge business. The gearing ratio of the Group was 27%, representing an increase of 7 percentage point as compared with the end of 2020 (Note: gearing ratio = (total liabilities – customers' equity payable)/(total assets – customers' equity payable)). The operating leverage was 1.37 times, representing an increase of 10% as compared with 1.25 times at the end of 2020 (Note: operating leverage = (total assets – customers' equity payable)/equity attributable to the Shareholders).

(3) Liquidity level management

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

The liquidity monitoring index of the Company in each month throughout the first half of 2021 complied with the regulatory requirements of the CSRC.

(4) Currency risk

Except for the proceeds from issuance of H Shares upon public offering by the Company and cash at bank, there is no material currency risk for the Group as the majority of the business activities are within mainland China and settled 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 RMB129 million in the first half of 2021.

Net cash generated from operating activities of the Group amounted to RMB289 million in the first half of 2021, representing a year-on-year decrease of RMB373 million as compared with RMB662 million for the same period in 2020; net cash generated from investing activities amounted to RMB-289 million in the first half of 2021, representing a year-on-year increase of RMB131 million as compared with the net cash generated from investing activities amounting to RMB-419 million for the same period in 2020; net cash flow generated from financing activities amounted to RMB131 million on the first half of 2021, representing a year-on-year increase of RMB63 million as compared with the net cash generated from financing activities amounting to RMB68 million for the same period in 2020; net increase in cash and cash equivalents amounted to RMB129 million in first half of 2021, representing a year-on-year decrease of RMB186 million as compared with RMB315 million for the same period in 2020.

(6) Significant investment

In order to enhance the Company's image, strengthen corporate competitiveness and form a clustering effect, the Company and Holly Capital purchased the first floor and 17th-22nd floors of Building A4 of Zijin Financial Center (Financial City Phase II) as office buildings. The first floor has an area of 245.99 square meters, and each of the six floors on 17th-22nd floors has an area of 1,901.43 square meters. The unit price is RMB24,000, and the total price is RMB279,709,700. Among them, the Company purchased the 1st, 17th, 19th, 20th, 21st and 22nd floors at a total price of RMB234,075,400. Holly Capital purchased the 18th floor at a total price of RMB45.6344 million. The purchase was funded by internal resources and loan of the Company and Holly Capital. Among which, the total loan amount is RMB139,854,800 at the interest rate of 4.5% per annum and with the term of the loan of five years. The Company and Holly Capital pledged all the equity interest of the above-mentioned property to Nanjing Branch of China Merchants Bank Co., Ltd. as a guarantee for the repayment of the principal and interest of the loan and all other related expenses under the loan contract. In addition, the Company intended to purchase about 203 parking spaces at a total price of not more than RMB41.00 million with the Company's own funds.

(7) Contingent liabilities

For details, please refer to Note XII, 1 to the unaudited interim financial report of this Report.

(8) Charges on assets

For details, please refer to V, (6) to the management discussion and analysis of this Report.

VI. Material Financing of the Company

(1) Equity financing

During the Reporting Period, the Company has submitted application materials in respect of the A Share Offering, including the A Share prospectus, to the CSRC, and has received a notice on 29 June 2021 that the CSRC has accepted the application on 28 June 2021. For details, please refer to the circular dated 23 April 2021 and the poll results announcement dated 14 May 2021 of the Company.

(2) Debt financing

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

VII. Investments during the Reporting Period

(I) Use of raised 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 2021, the Company has not obtained approval from the relevant regulatory authorities for the above application for changing the use of raised proceeds.

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

As of 30 June 2021, the raised proceeds were utilised as follows, which were in line with the purposes set out in the Prospectus:

Title of the projects intended to be financed	Whether there were changes in the project	The amount of proceeds available-for-use during the Reporting Period (HK\$ in ten thousand)	The accumulated amount of proceeds used (HK\$ in ten thousand)	Balance (HK\$ in ten thousand)
Developing the Hong Kong and global futures business	No	17,157	16,500	657
Developing asset management business	No	13,404	12,495	909
Developing the commodity trading and risk management business	No	10,723	9,784	939
Developing and strengthening the existing futures brokerage business*	No	5,361	52	5,309
Purchasing IT equipment and software	No	2,681	2,679	2
General working capital of the Group	No	4,289	4,289	–
Total		53,615	45,799	7,816

*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 2021, 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 2021 and 2022.

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

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

(IV) Future plans for significant investment and fixed assets

None.

VIII. Share Option Scheme

The Company and its subsidiaries have no share option scheme.

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

During the Reporting Period, except for the matters described in V (6), (7), and (8) of the management discussion and analysis of this report, 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.

X. Employees, Remuneration Policies and Training

As at the end of the Reporting Period, the Group had a total of 644 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 2021, the total remuneration of employees, including remuneration of Directors, amounted to approximately RMB85.8697 million. Details of which are set out in Note VI, 49 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.

XI. 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 2021, 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 the 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.

XII. 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 twelve 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.

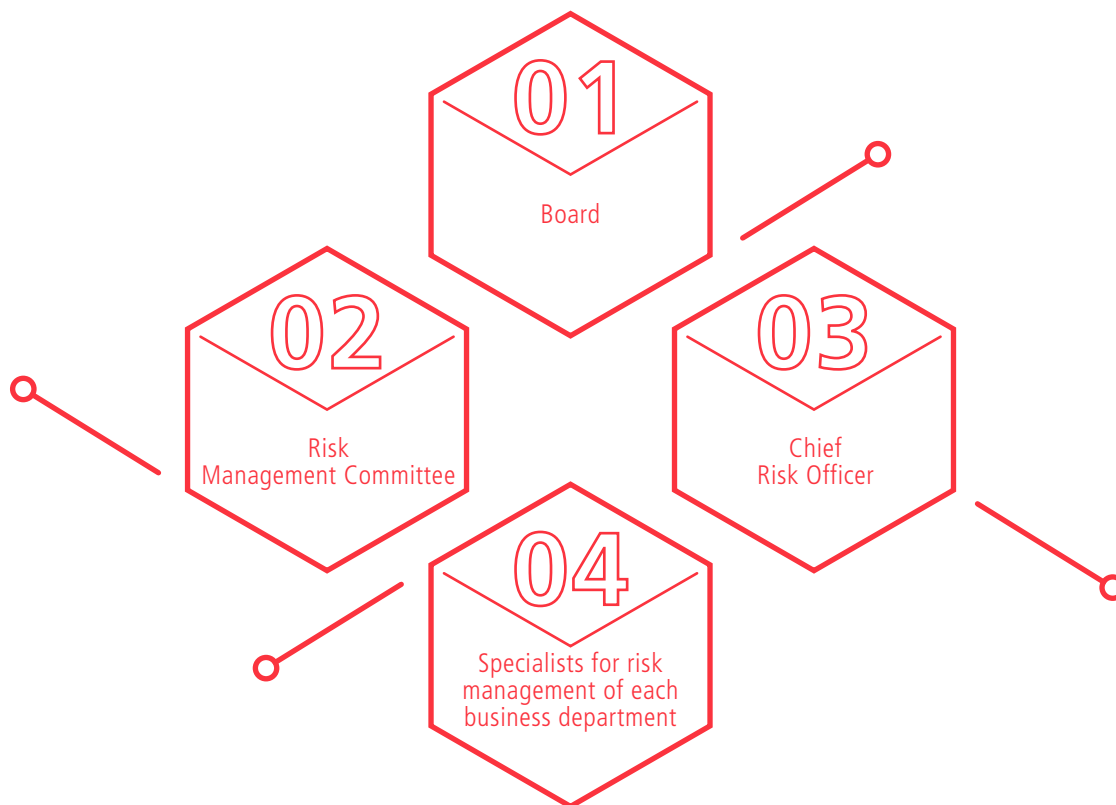
The risk management and internal control system of the Company has been designed based on the following principles:

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 department, 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 specialists 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 14 years of experience of compliance and risk control and management in the financial futures industry.

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

Corporate Governance

I. Overview of Corporate Governance

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

II. Compliance with the Corporate Governance Code

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

III. Compliance with Model Code

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

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

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

IV. Independent Non-executive Directors

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

V. Audit Committee

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

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

On 25 August 2021, the Audit Committee reviewed and confirmed the interim results of the Group for the six months ended 30 June 2021, the Report and the unaudited interim financial statements for the six months ended 30 June 2021 prepared in accordance with the PRC GAAP.

VI. Directors' Responsibility for Financial Statements

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

Other Information

I. Share capital

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

II. Sufficiency of public float

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

III. Interim results

The interim results of the Group for the six months ended 30 June 2021 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 26 August 2021.

IV. Interim dividend

The Board does not recommend to distribute interim dividend for the six months ended 30 June 2021.

V. Purchase, sale and redemption of listed securities

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

VI. Matters in relation to connected transactions

Connected transactions

(I) Connected transactions

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

(II) Connected persons

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

SOHO Holdings

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

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

Holly Corporation

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

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

(III) Continuing connected transactions

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

As the Original SOHO Financial Services Framework Agreement expired on 31 December 2020 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 22 April 2021 (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 2021 amounted to RMB2.60 million, with an actual transaction amount of RMB174.06 in the first half of 2021.

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 2020 and the Group continued to lease the Property from Holly Corporation under the Existing Holly Property Lease Agreement after 31 December 2020, the Company entered into the New Holly Property Lease Agreement with Holly Corporation on 21 May 2021 (after trading hours of the Stock Exchange). The annual cap for 2021 amounted to RMB6.644 million, with an actual transaction amount of RMB3.1628 million in the first half of 2021.

The following table set out the annual caps for continuing connected transactions of the Group in 2021 and the actual transaction amounts for connected transactions of the Group in the first half of 2021. For the six months ended 30 June 2021, the continuing connected transactions of the Group were aggregated as follows:

		First half of 2021	
		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	0.17	2,600
2	Holly Property Lease and Management Services Agreement Expenses incurred by leasing properties by the Group from Holly Corporation	3,162.81	6,644

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

As at 30 June 2021, based on the information available to the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executives of the Company do not have any interests or short positions (i) which are required to be notified the Company or the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions that are deemed to be interested in pursuant to relevant provisions under the SFO), or (ii) which are required to be entered into the register of the Company pursuant to Section 352 of the SFO, or (iii) which are required to be notified the Company or the Hong Kong Stock Exchange pursuant to the Model Code in the Shares, underlying shares or debentures of the Company or any of its associated corporations (as defined under Part XV of the SFO).

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

As at 30 June 2021, 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(有限合伙)) ⁽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(有限合伙)) ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Huang Jieping ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
High Hope Corporation	Domestic Shares	Beneficial owner	63,930,134 (long position)	7.05%	9.73%
Xu Xiping	H Shares	Beneficial owner	15,234,000 (long position)	1.68%	6.10%

Notes:

- (1) The calculation is based on the total number of 907,000,000 Shares in issue of the Company as at 30 June 2021.
- (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 2021.
- (3) On 30 June 2021, 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 2020 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 2021, (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 2021, any other person (other than the Directors, Supervisors or chief executives of the Company) had an interest or short position in the Shares or underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are required to be entered into the register of the Company pursuant to Section 336 of the SFO.

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

IX. Material Litigations and Arbitrations

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

None.

(II) Material litigations and arbitrations

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

None.

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

1. In July 2016, the Company found that an employee ("Mr. A") and his wife entered into personal borrowing contracts with three customers under which the Company was listed as the guarantor without being informed. Among them, cases of two customers ("Customer Y" and "Customer Z") were concluded. The case of the third customer was dismissed by the People's Court of Jinghai District of Tianjin City (the "Jinghai 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 Jinghai Court. Subsequently, the plaintiff withdrew the lawsuit against Gandaji.

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 repayment of the loan and that the Company 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 repayment of the loan and that the Company 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. On 15 December 2020, after the two cases were jointly heard, the Company received the first instance civil judgment from the Jinghai Court, ruling that the defendants Mr. A and his wife shall jointly repay the plaintiff's loan principal and interest of RMB4.46 million within five days from the effective date of the judgment and interest from 27 October 2016 to the date of actual repayment of the loan (based on RMB4.34 million and calculated at a monthly interest rate of 2%); the Company shall assume 50% of the debts which Mr. A and his wife cannot repay. On 28 December 2020, the Company submitted appeal application for the two cases to Jinghai Court. On 22 June 2021, the Company received the second instance civil judgment from the No. 2 Intermediate People's Court of Tianjin that the appeal was dismissed with the original judgment sustained.

On 30 June 2021, the Company paid compensation for the two cases totalling RMB4,701,890.00 to the plaintiff and has fulfilled the payment obligation determined by the judgment of the two cases.

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

- (1) 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 two cases was discussed on 21 November and 14 December 2017, respectively. On 15 January 2018, the Beijing Futures Branch received a civil ruling on dissent of jurisdiction and the two cases were transferred to the jurisdiction of the No. 2 Intermediate People's Court of Beijing ("Beijing No. 2 Intermediate People's Court"). On 6 November 2018, the Beijing Futures Branch received a first instance ruling from Beijing No. 2 Intermediate People's Court which ruled that all the appeal of the two customers were dismissed and the appeal fees (already paid) and appraisal costs for such cases were borne by two plaintiffs. On 26 December 2019, the Beijing Futures Branch received a second instance civil ruling from the Beijing Municipal Higher People's Court, withdrawing the first instance ruling. The two cases were sent to Beijing No. 2 Intermediate People's Court for retrial. On 14 April 2021, the Beijing Futures Branch received the first-instance civil judgment, stating that the Beijing Futures Branch shall compensate the two plaintiffs totalling RMB1,969,920 within ten days from the effective date of the judgment. On 28 April 2021, the Beijing Futures Branch submitted statements of appeal of the two cases to the court. The two cases are currently being referred back to second instance trial.

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

3. Holly Capital Shanghai Hongsu Economic and Trade Branch (“Holly Capital Shanghai Branch”) and a company had a dispute over the purchase of purified terephthalic acid (PTA). Since that company did not provide part of the goods after receiving payment, Holly Capital Shanghai Branch filed a lawsuit to the People’s Court of Qinhuai District, Nanjing City, and the Court put the case on file on 23 December 2020. This case has been transferred to Jiangyin Municipal People’s Court for jurisdiction in accordance with the spirit of the notice issued by Jiangsu Provincial Higher People’s court to intermediate people’s courts throughout the province on 31 August 2020. The claims of the case are as follows: 1. Request to confirm that the plaintiff has ordinary claims against the defendant in RMB10,713,048.00 with interest (based on RMB10,713,048.00 and calculated at 1.5 times of the quoted interest rate of the loan market from 11 June 2020 to the date of actual payment). 2. Order the defendant to bear all the litigation costs, costs of preservation and other legal costs of the case. On 3 February 2021, the Jiangyin Municipal People’s Court ruled to accept a bankruptcy and reorganization case of that company, and on the same day appointed a law firm as the administrator of that company. On 7 July 2021, Holly Capital Shanghai Branch received the first-instance civil judgment, confirming that Holly Capital Shanghai Branch has creditor’s rights to that company of RMB10,713,048 together with interest. Holly Capital Shanghai Branch shall bear RMB1,078 for litigation costs and costs of preservation, and that company shall bear RMB90,000. Neither party has lodged an appeal and the first instance judgment was effective on 23 July 2021. On 14 July 2021, the administrator of that company made a review opinion on the claims of Holly Capital Shanghai Branch with principal amount of RMB10,713,048 and interest of RMB48,590.28 and the total claim amount was RMB10,761,638.28.

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

None.

X. Change of Directors, Supervisors and Senior Management during the Reporting Period

Pursuant to Rule 13.51B of the Listing Rules, as at the end of the Reporting Period, save for the below, there is no change in the biographical information of the Directors, Supervisors and senior management of the Company as disclosed in the 2020 annual report of the Company.

1. The Company

None.

2. Holly Capital

On 13 April 2021, Sun Chaowang resigned as director and general manager of Holly Capital.

3. Holly International Financial

None.

4. Holly Asset

None.

Review Report

XYZH/2021NJAA20143

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

We have reviewed the accompanying interim financial statements of Holly Futures Co., Ltd., (“Holly Futures” or the “Company”) which comprises the consolidated and the parent company’s balance sheet as at 30 June 2021, the consolidated and parent company income statement, cash flow statements and statement of changes in shareholders’ equity and notes to the financial report from January to June 2021. The management of Holly Futures is responsible for fair presentation of the interim financial report. Our responsibility is to issue a report on the interim financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not presented fairly in accordance with “Accounting Standard for Business Enterprises” in all material respects, or incapable of fairly reflecting consolidated and company financial position of Holly Futures as at 30 June 2021, and the consolidated and parent company financial performance and cash flows from January to June 2021.

Shine Wing Certified Public Accountants LLP

Certified Public Accountants registered in the People’s Republic of China
Zhang Yuhu:

Beijing, China

Certified Public Accountants registered in the People’s Republic of China
Luan Yongliang:

Date: 26 August 2021

Consolidated Balance Sheet

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	30-Jun-21	31-Dec-20
Assets:			
Monetary funds	VI, 1	3,047,652,959.80	2,894,295,423.20
Including: Futures margin deposits		2,812,063,079.78	2,660,162,679.92
Currency deposits receivable	VI, 2	2,689,540,102.09	2,131,088,863.50
Pledged deposits receivable	VI, 3	56,540,160.00	64,396,384.00
Settlement deposits receivable	VI, 4	20,000,000.00	20,000,000.00
Derivative financial assets	VI, 5	2,898,843.19	6,219,924.42
Trade receivables	VI, 6	145,545.28	6,841,752.75
Other receivables	VI, 7	24,641,736.63	36,060,100.00
Financial assets held under resale agreements	VI, 8	–	7,853,000.00
Financial investment:			
Financial assets held for trading	VI, 9	1,102,139,819.73	1,014,876,858.36
Inventories	VI, 10	45,524,770.20	48,676,714.04
Long-term equity investments	VI, 11	11,444,631.41	11,431,418.75
Investment in futures membership	VI, 12	1,816,040.00	1,820,820.00
Fixed assets	VI, 13	14,105,236.12	15,406,337.98
Right-of-use assets	VI, 14	13,599,861.46	18,898,649.52
Intangible assets	VI, 15	1,365,654.19	1,857,065.39
Goodwill			
Deferred tax assets	VI, 16	4,338,231.65	8,228,720.18
Other assets	VI, 17	299,348,408.86	61,209,766.78
Total assets		7,335,102,000.61	6,349,161,798.87

Consolidated Balance Sheet (Continued)

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	30-Jun-21	31-Dec-20
Liabilities:			
Short-term borrowings	VI, 18	9,658,965.78	2,052,060.00
Currency deposits payable	VI, 19	5,054,168,979.33	4,247,090,138.08
Pledged deposits payable	VI, 20	32,716,800.00	40,750,944.00
Financial liabilities held for trading	VI, 21	85,776,771.44	
Derivative financial liabilities	VI, 5	7,724,017.28	7,594,514.81
Financial assets sold under agreements to repurchase	VI, 22	33,939,305.19	35,819,204.28
Futures risk reserve	VI, 23	145,642,801.50	140,221,598.23
Futures investors protection funds	VI, 24	291,411.86	369,776.02
Employee benefits payable	VI, 25	20,038,748.00	26,279,433.60
Taxes payable	VI, 26	14,366,842.45	28,658,451.44
Trade Payable	VI, 27	–	7,373,441.99
Contract liabilities	VI, 28	993,773.90	1,859,630.01
Other payables	VI, 29	137,721,014.47	140,609,535.53
Estimated liabilities	VI, 30	1,969,920.97	4,467,575.89
Long-term borrowings	VI, 31	131,211,653.30	
Lease liabilities	VI, 32	13,972,334.09	19,347,767.49
Deferred income tax liabilities			
Other liabilities			
Total liabilities		5,690,193,339.56	4,702,494,071.37

Consolidated Balance Sheet (Continued)

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	30-Jun-21	31-Dec-20
Shareholders' equity			
Share capital	VI, 33	907,000,000.00	907,000,000.00
Capital reserve	VI, 34	533,124,529.52	533,124,529.52
Less: Treasury shares			
Other comprehensive income	VI, 35	-5,031,590.30	-3,692,964.07
Surplus reserve	VI, 36	58,426,314.46	58,426,314.46
General risk reserve	VI, 37	84,305,891.83	84,305,891.83
Retained earnings	VI, 38	67,083,515.54	67,503,955.76
Total equity attributable to owners of the parent company		1,644,908,661.05	1,646,667,727.50
Minority interests			
Total owners' equity		1,644,908,661.05	1,646,667,727.50
Total liabilities and shareholders' equity		7,335,102,000.61	6,349,161,798.87

Zhou Jianqiu
Legal Representative:

Zhou Jianqiu
The person in charge of accounting affairs:

Chen Rongping
The head of the accounting department:

Balance Sheet of the Parent Company

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	30-Jun-21	31-Dec-20
Assets:			
Monetary funds		2,940,436,958.48	2,833,195,961.37
Including: Futures margin deposits		2,787,321,781.48	2,644,187,524.11
Currency deposits receivable		2,643,254,909.23	2,080,281,631.24
Pledged deposits receivable		56,540,160.00	64,396,384.00
Settlement deposits receivable		20,000,000.00	20,000,000.00
Derivative financial assets			
Trade receivables			
Other receivables		10,101,524.29	11,855,879.63
Financial assets held under resale agreements		–	7,853,000.00
Financial investment:			
Financial assets held for trading		910,305,559.26	877,206,629.58
Inventories			
Long-term equity investments	XVI, 1	407,686,711.22	407,673,498.56
Investment in futures membership		1,400,000.00	1,400,000.00
Fixed assets		13,726,429.19	14,930,892.15
Right-of-use assets		11,140,220.08	15,586,598.97
Intangible assets		866,406.19	1,352,081.39
Goodwill			
Deferred tax assets		1,036,847.93	5,037,888.73
Other assets		240,754,126.69	51,250,553.33
Total assets		7,257,249,852.56	6,392,020,998.95

Balance Sheet of the Parent Company (Continued)

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	30-Jun-21	31-Dec-20
Liabilities:			
Short-term borrowings			
Currency deposits payable		5,165,870,223.11	4,347,104,746.35
Pledged deposits payable		56,540,160.00	64,396,384.00
Financial liabilities held for trading			
Derivative financial liabilities			
Financial assets sold under agreements to repurchase		33,939,305.19	34,197,000.00
Futures risk reserve		145,642,801.50	140,221,598.23
Futures investors protection funds payable		291,411.86	369,776.02
Employee benefits payable		19,944,651.23	25,612,318.28
Taxes payable		3,208,929.53	21,588,141.97
Trade Payable			
Contract liabilities			
Other payables		58,342,357.17	84,740,615.66
Estimated liabilities		1,969,920.97	4,467,575.89
Long-term borrowings		109,508,255.92	
Lease liabilities		11,485,615.37	15,994,832.46
Deferred income tax liabilities			
Other liabilities			
Total liabilities		5,606,743,631.85	4,738,692,988.86

Balance Sheet of the Parent Company (Continued)

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	30-Jun-21	31-Dec-20
Shareholders' equity			
Share capital		907,000,000.00	907,000,000.00
Capital reserve		526,722,489.33	526,722,489.33
Less: Treasury shares			
Other comprehensive income		67.87	-371,801.28
Surplus reserve		58,426,314.46	58,426,314.46
General risk reserve		84,305,891.83	84,305,891.83
Retained earnings		74,051,457.22	77,245,115.75
Total equity attributed to owners		1,650,506,220.71	1,653,328,010.09
Total liabilities and shareholders' equity		7,257,249,852.56	6,392,020,998.95

Zhou Jianqiu*Legal Representative:***Zhou Jianqiu***The person in charge of accounting affairs:***Chen Rongping***The head of the accounting department:*

Consolidated Income Statement

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	January-June 2021	January-June 2020
I. Total income from operation		777,776,964.49	638,980,591.91
Net fee and commission income	VI, 39	141,345,295.32	84,480,596.74
Including: Net fee income from brokerage operations		135,117,839.40	80,459,932.44
Net fee income from assets management operations		6,227,455.92	4,020,664.30
Net interest income	VI, 40	38,426,229.11	41,759,666.14
Including: interest income		38,874,154.41	42,124,729.06
Interest expense		447,925.30	365,062.92
Investment gain (loss denoted by "-")	VI, 41	323,058.74	25,051,176.07
Including: investment gain of associate and joint venture		13,221.42	-736,982.63
Derecognised income of financial assets measured at amortised cost (loss denoted by "-")			
Other income	VI, 42	3,178,866.31	262,040.52
Gains on change in fair value(loss denoted by "-")	VI, 43	7,428,358.37	19,013,676.21
Exchange gains(loss denoted by "-")	VI, 44	-979,760.16	1,213,026.92
Income from other business activities	VI, 45	588,187,600.92	467,260,707.40
Asset disposal gain (loss denoted by "-")	VI, 46	-132,684.12	-60,298.09
II. Total operating expense		715,590,657.22	581,225,289.02
Appropriation for futures risk reserve	VI, 47	5,421,203.27	3,356,295.31
Taxes and surcharges	VI, 48	1,188,411.77	564,101.75
General and administrative expenses	VI, 49	128,550,214.97	115,280,906.91
Credit impairment loss	VI, 50	-681,117.57	
Other assets impairment loss			
Other general expenses	VI, 51	581,111,944.78	462,023,985.05
III. Profit from operations (loss denoted by "-")		62,186,307.27	57,755,302.89
Add: Non-operating income	VI, 52	538,581.07	432,045.29
Less: Non-operating expenses	VI, 53	2,298,991.62	1,085,711.19
IV. Total profit (loss denoted by "-")		60,425,896.72	57,101,636.99
Less: Income tax expense	VI, 54	15,124,459.03	13,513,932.86
V. Net profit (loss denoted by "-")		45,301,437.69	43,587,704.13
(I) Classification by continuity of operations			
1. Net profit of operation on a going concern basis (Net loss denoted by "-")		45,301,437.69	43,587,704.13
2. Net profit of operation on a terminated operation (Net loss denoted by "-")			
(II) Classification by ownership			
1. Net income attributable to owners of the parent company (Net loss denoted by "-")		45,301,437.69	43,587,704.13
2. Profit and loss of minority shareholders (Net loss denoted by "-")			

Consolidated Income Statement (Continued)

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	January-June 2021	January-June 2020
VI. Other comprehensive income, net of tax		-1,710,504.14	3,301,680.41
Net comprehensive income after tax attributable to owners of the parent company			
(I) Other comprehensive income that cannot be reclassified into profits/losses			
1. Changes arising from re-measurement of defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profits/losses under the equity method			
3. Changes in fair value of other equity instruments investment			
4. Change in fair value of the Enterprise's own credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		-1,710,504.14	3,301,680.41
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Reserve for cash flow hedging			
5. Exchange rate differences of financial statements denominated in foreign currency			
6. Others			
Net comprehensive income after tax attributable to minority shareholders			
VII.Total comprehensive income		43,590,933.55	46,889,384.54
(I) Total comprehensive income attributable to owners of the parent		43,590,933.55	46,889,384.54
(II) Total comprehensive income attributable to minority shareholders			
VIII.Earnings per share:			
(1) Basic earnings per share		0.0499	0.0481
(2) Diluted earning per share		0.0499	0.0481

Zhou Jianqiu
Legal Representative:

Zhou Jianqiu
The person in charge of accounting affairs:

Chen Rongping
The head of the accounting department:

Income Statement of the Parent Company

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	January-June 2021	January-June 2020
I. Total income from operation		175,811,469.97	156,601,935.87
Net fee and commission income	XVI, 2	115,015,811.60	70,802,390.96
Including: Net fee income from brokerage operations		108,465,997.42	66,501,577.63
Net fee income from assets management operations		6,549,814.18	4,300,813.33
Net interest income	XVI, 3	37,993,960.96	41,467,717.69
Including: interest income		38,441,886.26	41,832,780.61
Interest expense		447,925.30	365,062.92
Investment gain(loss denoted by“-”)	XVI, 4	15,614,594.83	19,190,753.15
Including: investment gain of associate and joint venture		13,221.42	-736,982.63
Derecognised income of financial assets measured at amortised cost (loss denoted by“-”)			
Other income		555,461.35	262,040.52
Gains on change in fair value(loss denoted by“-”)	XVI, 5	7,027,445.75	22,453,643.19
Exchange gains(loss denoted by“-”)		-806,764.23	1,636,631.85
Income from other business activities		543,643.83	849,056.60
Asset disposal gain (loss denoted by “-”)		-132,684.12	-60,298.09
II. Total operating expense		118,132,582.35	100,410,095.30
Appropriation for futures risk reserve		5,421,203.27	3,356,295.31
Taxes and surcharges		743,169.53	381,934.49
General and administrative expenses		111,910,297.75	96,671,865.50
Credit impairment loss		57,911.80	
Other assets impairment loss			
Other general expenses			
III. Profit from operations (loss denoted by “-”)		57,678,887.62	56,191,840.57
Add: Non-operating income		458,603.74	407,723.62
Less: Non-operating expenses		2,248,991.62	1,073,480.24
IV. Total profit (loss denoted by “-”)		55,888,499.74	55,526,083.95
Less: Income tax expense		13,360,280.36	14,071,325.31
V. Net profit (loss denoted by “-”)		42,528,219.38	41,454,758.64
(I) Net profit of operation on a going concern basis (Net loss denoted by “-”)		42,528,219.38	41,454,758.64
(II) Net profit of operation on a terminated operation (Net loss denoted by “-”)			

Income Statement of the Parent Company (Continued)

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	January-June 2021	January-June 2020
VI. Other comprehensive income, net of tax		-8.76	131,626.75
(I) Other comprehensive income that cannot be reclassified into profits/losses			
1. Changes arising from re-measurement of defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profits/losses under the equity method			
3. Changes in fair value of other equity instruments investment			
4. Change in fair value of the Enterprise's own credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified into profit or loss		-8.76	131,626.75
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		-8.76	131,626.75
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Reserve for cash flow hedging			
5. Exchange rate differences of financial statements denominated in foreign currency			
6. Others			
VII. Total comprehensive income		42,528,210.62	41,586,385.39

Zhou Jianqiu*Legal Representative:***Zhou Jianqiu***The person in charge of accounting affairs:***Chen Rongping***The head of the accounting department:*

Consolidated Statement of Cash Flows

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	January-June 2021	January-June 2020
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		665,802,761.18	536,083,883.84
Cash received from interest, fees and commissions		174,878,552.48	108,263,940.70
Net decrease in currency deposits receivable and pledged deposits receivable			
Net increase in currency deposits payable and pledged deposits payable		799,044,697.25	2,380,636,932.57
Net decrease in restricted monetary funds			
Net decrease in term deposits with original maturity over three months			
Cash received from other operating activities	VI, 55	93,209,010.57	40,638,904.35
Subtotal of cash inflows from operating activities		1,732,935,021.48	3,065,623,661.46
Cash paid for goods and services		657,523,377.30	573,109,590.10
Cash paid for interest, fee and commissions		253,767.14	553,401.20
Net increase in currency deposits receivable and pledged deposits receivable		550,357,012.52	1,703,480,533.49
Net decrease in currency deposits payable and pledged deposit payable			
Net decrease from disposal of financial assets relating to risk management business		12,580,011.74	3,666,373.17
Net increase in restricted monetary funds		13,547,483.10	799,781.78
Cash paid to and for employees		92,120,423.38	65,807,424.75
Cash paid for general and administrative expenses		15,082,227.04	26,871,793.38
Payments of various taxes		35,993,271.36	8,314,106.80
Cash paid for other operating activities	VI, 55	66,566,387.57	21,028,241.55
Subtotal of cash outflows from operating activities		1,444,023,961.15	2,403,631,246.22
Net cash flow from operating activities		288,911,060.33	661,992,415.24

Consolidated Statement of Cash Flows (Continued)

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	January-June 2021	January-June 2020
II. Cash flow from investing activities:			
Cash received from disposal of investments		1,503,951,603.66	1,601,637,123.54
Cash received from investment income		151,070.08	9,824,169.92
Cash received from disposal of associates			
Cash received from dividend distribution from associates			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,970.15	18,602.87
Other cash received relating to investing activities			
Subtotal of cash inflows form investing activities		1,504,111,643.89	1,611,479,896.33
Cash paid for investment		1,554,147,676.20	2,025,804,064.30
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		238,644,868.25	5,062,989.89
Cash paid for investment on associates			
Other cash paid for relating to investing activities			
Subtotal of cash outflows from investing activities		1,792,792,544.45	2,030,867,054.19
Net cash flow from investing activities		-288,680,900.56	-419,387,157.86

Consolidated Statement of Cash Flows (Continued)

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	January-June 2021	January-June 2020
III. Cash flow from financing activities:			
Cash received from introducing investment			
Cash received from borrowings		199,497,972.00	
Net cash received from sales of repurchase business		-2,327,824.39	82,461,870.85
Other cash received relating to financing activities			
Subtotal of cash inflows from financing activities		197,170,147.61	82,461,870.85
Cash paid for repayment of debts		10,995,430.00	
Cash paid for distribution of dividend and profit or repayment of interest		47,061,676.08	
Cash paid for repayment of principal and interest of lease liabilities		7,412,749.91	11,362,217.85
Other cash paid relating to financial activities	VI, 55	754,716.98	2,962,071.42
Subtotal of cash outflows from financing activities		66,224,572.97	14,324,289.27
Net cash flow from financing activities		130,945,574.64	68,137,581.58
IV. Effect of change in foreign exchange rate on cash and cash equivalent			
		-2,508,868.81	4,348,399.35
V. Net increase in cash and cash equivalents			
Add: Beginning balance of cash and cash equivalents		2,854,855,864.32	2,373,190,813.90
VI. Ending balance of cash and cash equivalents	VI, 55	2,983,522,729.92	2,688,282,052.21

Zhou Jianqiu*Legal Representative:***Zhou Jianqiu***The person in charge of accounting affairs:***Chen Rongping***The head of the accounting department:*

Statement of Cash Flows of the Parent Company

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	January-June 2021	January-June 2020
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services			95,872,791.75
Cash received from interest, fees and commissions		148,116,800.61	
Net decrease in currency deposits receivable and pledged deposits receivable			
Net increase in currency deposits payable and pledged deposits payable		810,909,252.76	2,368,169,903.27
Net decrease in restricted monetary funds			
Net decrease in term deposits with original maturity over three months			
Cash received from other operating activities		2,859,682.25	13,562,683.31
Subtotal of cash inflows from operating activities		961,885,735.62	2,477,605,378.33
Cash paid for goods and services			553,401.20
Cash paid for interest, fee and commissions		253,767.14	
Net increase in currency deposits receivable and pledged deposits receivable		555,117,053.99	1,690,176,163.09
Net decrease in currency deposits payable and pledged deposit payable			
Net decrease from disposal of financial assets relating to risk management business			
Net increase in restricted monetary funds		8,915,463.59	1,725.08
Cash paid to and for employees		80,553,248.87	57,631,909.54
Cash paid for general and administrative expenses		11,740,769.38	21,524,593.65
Payments of various taxes		34,833,720.79	7,392,456.44
Cash paid for other operating activities		41,310,616.96	6,572,072.32
Subtotal of cash outflows from operating activities		732,724,640.72	1,783,852,321.32
Net cash flow from operating activities		229,161,094.90	693,753,057.01

Statement of Cash Flows of the Parent Company (Continued)

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	January-June 2021	January-June 2020
II. Cash flow from investing activities:			
Cash received from disposal of investments		1,477,734,658.10	1,476,768,400.84
Cash received from investment income		6,744,955.77	6,546,879.22
Cash received from disposal of associates			
Cash received from dividend distribution from associates			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,970.15	18,602.86
Other cash received relating to investing activities			
Subtotal of cash inflows form investing activities		1,484,488,584.02	1,483,333,882.92
Cash paid for investment		1,487,009,361.30	1,823,867,811.96
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		192,990,062.09	4,803,847.32
Cash paid for investment on associates			
Other cash paid for relating to investing activities			
Subtotal of cash outflows from investing activities		1,679,999,423.39	1,828,671,659.28
Net cash flow from investing activities		-195,510,839.37	-345,337,776.36

Statement of Cash Flows of the Parent Company (Continued)

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	Note	January-June 2021	January-June 2020
III. Cash flow from financing activities:			
Cash received from introducing investment			
Cash received from borrowings		117,037,680.00	
Net cash received from sales of repurchase business		-705,620.11	67,234,937.08
Other cash received relating to financing activities			
Subtotal of cash inflows from financing activities		116,332,059.89	67,234,937.08
Cash paid for repayment of debts		7,802,512.00	
Cash paid for distribution of dividend and profit or repayment of interest		47,061,676.08	
Cash paid for repayment of principal and interest of lease liabilities		6,554,785.78	10,428,071.47
Other cash paid relating to financial activities		754,716.98	2,910,003.63
Subtotal of cash outflows from financing activities		62,173,690.84	13,338,075.10
Net cash flow from financing activities		54,158,369.05	53,896,861.98
IV. Effect of change in foreign exchange rate on cash and cash equivalent		-626,278.96	1,636,631.85
V. Net increase in cash and cash equivalents		87,182,345.62	403,948,774.48
Add: Beginning balance of cash and cash equivalents		2,794,025,651.56	2,204,931,512.87
VI. Ending balance of cash and cash equivalents		2,881,207,997.18	2,608,880,287.35

Zhou Jianqiu

Legal Representative:

Zhou Jianqiu

The person in charge of accounting affairs:

Chen Rongping

The head of the accounting department:

Consolidated Statement of Changes in Owners' Equity

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	January-June 2021								
	Equity attributable to owners of the parent company								
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Minority shareholders' equity	Total owners' equity
I. Ending balance of last year	907,000,000.00	533,124,529.52	-	-3,692,964.07	58,426,314.46	84,305,891.83	67,503,955.76		1,646,667,727.50
Add: Changes in accounting policies									-
Correction of previous error									-
Other				371,877.91			-371,877.91		-
II. Opening balance of the current year	907,000,000.00	533,124,529.52	-	-3,321,086.16	58,426,314.46	84,305,891.83	67,132,077.85		1,646,667,727.50
III. Increase/decrease of the current period (loss denoted by "-")	-	-	-	-1,710,504.14	-	-	-48,562.31		-1,759,066.45
(I) Total comprehensive income				-1,710,504.14			45,301,437.69		43,590,933.55
(II) Owners' capital injected and reduced	-	-							-
1. Ordinary shares invested by owners									-
2. Capital invested by holders of other equity instruments									-
3. Amounts of share-based payments included in owners' equity									-
4. Others									-
(III) Profit distribution	-	-			-	-	-45,350,000.00		-45,350,000.00
1. Withdrawal of surplus reserve	-	-					-		-
2. Withdrawal of general risk provisions							-		-
3. Distribution to owners							-45,350,000.00		45,350,000.00
4. Others									-
(IV) Internal carryover of owners' equity	-	-			-		-		-
1. Transfer of capital reserves into paid-in capital (or share capital)									-
2. Transfer of surplus reserves into paid-in capital (or share capital)									-
3. Surplus reserves for making up losses									-
4. Carry-Forward of Retained Earnings by Changes in Defined Benefit Plan									-
5. Other comprehensive income transferred to retained earnings									-
6. Others									-
(V) Others									-
IV. Ending balance of the current period	907,000,000.00	533,124,529.52	-	-5,031,590.30	58,426,314.46	84,305,891.83	67,083,515.54		1,644,908,661.05

Consolidated Statement of Changes in Owners' Equity (Continued)

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	January-June 2020								Total owners' equity
	Equity attributable to owners of the parent company							Minority shareholders' equity	
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings		
I. Ending balance of last year	907,000,000.00	533,124,529.52	-	5,859,775.20	50,483,605.59	76,363,182.96	26,136,918.24		1,598,968,011.51
Add: Changes in accounting policies							-		-
Correction of previous error									-
Other									
II. Opening balance of the current year	907,000,000.00	533,124,529.52	-	5,859,775.20	50,483,605.59	76,363,182.96	26,136,918.24		1,598,968,011.51
III. Increase/decrease of the current period (loss denoted by "-")	-	-	-	3,301,680.41	-	-	34,517,704.13		37,819,384.54
(I) Total comprehensive income				3,301,680.41			43,587,704.13		46,889,384.54
(II) Owners' capital injected and reduced	-	-							-
1. Ordinary shares invested by owners									-
2. Capital invested by holders of other equity instruments									-
3. Amounts of share-based payments included in owners' equity		-							-
4. Others									-
(III) Profit distribution	-	-			-	-	-9,070,000.00		-9,070,000.00
1. Withdrawal of surplus reserve							-		-
2. Withdrawal of general risk provisions							-		-
3. Distribution to owners							-9,070,000.00		-9,070,000.00
4. Others									-
(IV) Internal carryover of owners' equity	-	-			-		-		-
1. Transfer of capital reserves into paid-in capital (or share capital)									-
2. Transfer of surplus reserves into paid-in capital (or share capital)									-
3. Surplus reserves for making up losses									-
4. Carry-Forward of Retained Earnings by Changes in Defined Benefit Plan									-
5. Other comprehensive income transferred to retained earnings									-
6. Others									-
(V) Others									-
IV. Ending balance of the current period	907,000,000.00	533,124,529.52	-	9,161,455.61	50,483,605.59	76,363,182.96	60,654,622.37		1,636,787,396.05

Zhou Jianqiu

Legal Representative:

Zhou Jianqiu

The person in charge of accounting affairs:

Chen Rongping

The head of the accounting department:

Statement of Changes in owners' Equity of the Parent Company

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	January-June 2021							
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Total owners' equity
I. Ending balance of last year	907,000,000.00	526,722,489.33	-	-371,801.28	58,426,314.46	84,305,891.83	77,245,115.75	1,653,328,010.09
Add: Changes in accounting policies								-
Correction of previous error								-
Other				371,877.91			-371,877.91	
II. Opening balance of the current year	907,000,000.00	526,722,489.33	-	76.63	58,426,314.46	84,305,891.83	76,873,237.84	1,653,328,010.09
III. Increase/decrease of the current period (loss denoted by "-")								
(I) Total comprehensive income	-	-	-	-8.76	-	-	-2,821,780.62	-2,821,789.38
(II) Owners' capital injected and reduced	-	-		-8.76			42,528,219.38	42,528,210.62
1. Ordinary shares invested by owners								-
2. Capital invested by holders of other equity instruments								-
3. Amounts of share-based payments included in owners' equity								-
4. Others								-
(III) Profit distribution	-	-			-	-	-45,350,000.00	-45,350,000.00
1. Withdrawal of surplus reserve								-
2. Withdrawal of general risk provisions								-
3. Distribution to owners							-45,350,000.00	-45,350,000.00
4. Others								-
(IV) Internal carryover of owners' equity	-	-			-			-
1. Transfer of capital reserves into paid-in capital (or share capital)								-
2. Transfer of surplus reserves into paid-in capital (or share capital)								-
3. Surplus reserves for making up losses								-
4. Carry-Forward of Retained Earnings by Changes in Defined Benefit Plan								-
5. Other comprehensive income transferred to retained earnings								-
6. Others								-
(V) Others								-
IV. Ending balance of the current period	907,000,000.00	526,722,489.33	-	67.87	58,426,314.46	84,305,891.83	74,051,457.22	1,650,506,220.71

Statement of Changes in owners' Equity of the Parent Company (Continued)

Prepared by: Holly Futures Co., Ltd. Unit: RMB

Item	January-June 2020							Total owners' equity
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	
I. Ending balance of last year	907,000,000.00	526,722,489.33	-	-544,586.56	50,483,605.59	76,363,182.96	22,773,444.81	1,582,798,136.13
Add: Changes in accounting policies							-	-
Correction of previous error								-
Other								
II. Opening balance of the current year	907,000,000.00	526,722,489.33	-	-544,586.56	50,483,605.59	76,363,182.96	22,773,444.81	1,582,798,136.13
III. Increase/decrease of the current period (loss denoted by "-")								
(I) Total comprehensive income	-	-	-	131,626.75	-	-	32,384,758.64	32,516,385.39
(II) Owners' capital injected and reduced	-	-		131,626.75			41,454,758.64	41,586,385.39
1. Ordinary shares invested by owners								-
2. Capital invested by holders of other equity instruments								-
3. Amounts of share-based payments included in owners' equity								-
4. Others								-
(III) Profit distribution	-	-					-9,070,000.00	-9,070,000.00
1. Withdrawal of surplus reserve								-
2. Withdrawal of general risk provisions								-
3. Distribution to owners							-9,070,000.00	-9,070,000.00
4. Others								-
(IV) Internal carryover of owners' equity	-	-						-
1. Transfer of capital reserves into paid-in capital (or share capital)								-
2. Transfer of surplus reserves into paid-in capital (or share capital)								-
3. Surplus reserves for making up losses								-
4. Carry-Forward of Retained Earnings by Changes in Defined Benefit Plan								-
5. Other comprehensive income transferred to retained earnings								-
6. Others								-
(V) Others								-
IV. Ending balance of the current period	907,000,000.00	526,722,489.33	-	-412,959.81	50,483,605.59	76,363,182.96	55,158,203.45	1,615,314,521.52

Zhou Jianqiu

Legal Representative:

Zhou Jianqiu

The person in charge of accounting affairs:

Chen Rongping

The head of the accounting department:

Notes to the financial statements

(Unless otherwise specified, notes to the financial statements are expressed in RMB)

I. General information of the Company

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

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

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

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

I. General information of the Company (continued)

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

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

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

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

I. General information of the Company (continued)

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

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

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

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

The Company is headquartered in Nanjing. As of 30 June 2021, it had a total of 6 sub-branches and 39 branches in the PRC. The scope of business of the Company is commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management, fund sales (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws).

II. Scope of consolidated financial statements

The Group's Consolidated Financial Statements included directly or indirectly controlled subsidiaries and structured entities.

For details, please refer to the relevant content of "Note VII. Changes in the scope of consolidated statements" and "Note VIII. Interests in other entities".

III. Basis for preparation of financial statements

(I) Basis of preparation

The financial statements of the Group have been prepared on the going-concern basis and transactions and events actually occurred in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance and relevant provisions and based on the accounting policies and estimates stated in "Note IV. Significant accounting policies and accounting estimates".

(II) Going concern

The Group is able to continue as a going concern for at least the next 12 months from the end of the Reporting Period, and there is no material matters affecting its operation as a going concern.

IV. Significant accounting policies and accounting estimates

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

The financial statements of the Group have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, and present truly and completely the financial position, operating results and cash flows of the Company.

2. Accounting year

The accounting year of the Group is from 1 January to 31 December of each calendar year.

IV. Significant accounting policies and accounting estimates (continued)

3. Operating cycle

The Group adopts 12 months as an operating cycle, which commences on 1 January and ends on 31 December.

4. Functional currency

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and the subsidiaries of the Group on the basis of the currency in which major income and costs are denominated and settled. Some of the Group's subsidiaries have functional currencies that are different from the Company's functional currency. In the preparation of these financial statements, their financial statements in foreign currency have been translated based on the accounting policy set out in Note IV.8.

5. Accounting methods for business combination under common control and not under common control

(1) Business combination under common control

A business combination under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities acquired by the company through a business combination under common control shall be measured at carrying amounts attributable to the owner's equity of acquiree included in the consolidated financial statements of the ultimate controlling party at the date of combination. The difference between the carrying amount of the net assets acquired and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) shall be adjusted to the capital reserve. If the capital reserve is not sufficient to offset, any excess amount shall be adjusted against retained earnings.

The auditing and appraisal fees, legal, legal and consulting fees and other direct related expenses incurred by the company for business combination under common control are charged to the profit or loss during the period in which they are incurred. Handling fees, commissions and other expenses paid for issuance of bonds or other liabilities committed in relation to business combination shall be charged to the initial measuring value of the bonds and other liabilities issued. Handling fees, commissions and other expenses paid for issuance of equity securities in relation to business combination shall be offset against the premium from equity securities and whereas such amount is not sufficient to offset by premium, the excess shall be adjusted against retained earnings.

If the acquiree becomes a subsidiary of the company after business combination under common control, the company shall prepare the consolidated balance sheet, consolidated income statement and consolidated cash flow statement as at the date of combination. If the accounting policies adopted by the acquiree are inconsistent with those of the company, the relevant items of the financial statements of the acquiree shall be adjusted in accordance with the accounting policies of the company on the date of combination and measured at the adjusted carrying amounts. The consolidated income statement will include the incomes, expenses and profits of all parties involving in the combination from the beginning of the period in which such combination happens to the date of combination. The net profit of the acquiree prior to the combination will be reflected as a separate item in the consolidated income statement. The consolidated cash flow statement will include the cash flows of all parties involving in the combination from the beginning of the period in which such combination happens to the date of combination.

IV. Significant accounting policies and accounting estimates (continued)

5. Accounting methods for business combination under common control and not under common control (continued)

(2) Business combination not under common control

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination.

For business combination not under common control, the assets paid and liabilities incurred or committed as a consideration of business combination by the company was measured at fair value on the date of acquisition and the difference between the fair value and its carrying value shall be included in the profit or loss for the period. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, the acquirer shall recognize such difference as goodwill. Where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, the acquirer shall recognize such difference in the profit or loss for the period.

The auditing, legal, appraisal and consulting and other agency fees and related management fees incurred by the company for business combination not under common control are charged to the profit or loss during the period in which they are incurred; the transaction fees related to the issuance of equity securities or debt securities as the consideration of business combination are charged to the initial measuring value of equity securities or debt securities issued.

If the acquiree becomes a subsidiary of the company after business combination not under common control, the company shall establish a record book that states the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries acquired in business combination on the date of acquisition. In preparing the consolidated financial statements, the financial statements of the subsidiaries shall be restated based on the fair value of the identifiable assets, liabilities and contingent liabilities recognised on the date of acquisition.

IV. Significant accounting policies and accounting estimates (continued)

6. Preparation method of consolidated financial statements

(1) Determination principles of consolidation scope

The scope of consolidated financial statements is based on control. Control exists when the investor has power over the investee; and has exposure or rights to variable returns from its involvement with the investee's activities and has the ability to affect those returns through its power over the investee.

(2) Accounting methods of consolidated financial statements

The Group's consolidated financial statements have been prepared in accordance with Accounting Standard for Business Enterprises No.33 – Consolidated Financial Statements and relevant regulations. All material intra-group transactions and balance within the scope of consolidation have been eliminated. The parts of subsidiaries' shareholders' equity not attributable to the parent company are regarded as "non-controlling interests" and stated separately in shareholders' equity in the consolidated financial statements. The share of the subsidiary's current net profit or loss attributable to non-controlling interests is stated under the item of "profit or loss attributable to non-controlling interests" under the item of net profits in the consolidated income statement. When the amount of loss attributable to the non-controlling interests of a subsidiary exceeds the non-controlling interests' share of the opening shareholders' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's accounting policies in preparing the consolidated financial statements.

For subsidiaries acquired through a business combination not under common control, in preparing the consolidated financial statements, adjustments shall be made to their individual financial statements based on the fair values of the identifiable net assets at the acquisition date; for subsidiaries acquired through a business combination under common control, in preparing the consolidated financial statements, adjustments shall be made to the opening balance of the consolidated financial statements and the corresponding items of the comparative statements, as if the reporting entities after the combination had existed from the date when the combining entities first came under control of the ultimate controlling party.

Acquisition of minority interests or disposal of part of the equity interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transaction. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Company loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between the aggregate of the consideration received on disposal and the fair value of any retained interest and the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified as investment income in the period in which control is lost.

IV. Significant accounting policies and accounting estimates (continued)

7. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

8. Foreign currency transactions and foreign currency translation

The Company adopts an independent accounting system to record foreign currency transactions. Foreign currency transactions are initially recorded on the original currency respectively at the dates of the transactions. On the balance sheet date, foreign currency monetary items and foreign currency non-monetary items are treated separately: foreign currency monetary items are translated at the spot exchange rate on the balance sheet data (the central parity of the RMB exchange rate announced by the People's Bank of China), and foreign currency non-monetary items are translated at the spot exchange rate on the transaction date, and the resulting exchange difference is included in the profit and loss for the current period.

For foreign operations, the Group translates all amounts of functional currencies into RMB in preparing the financial statements as follows: for assets and liabilities in the balance sheet, spot exchange rates prevailing on the balance sheet date are used for translation, while, for shareholders' equity, spot exchange rates prevailing on the transaction dates are adopted for items other than "retained earnings". For incomes and expenses in the income statement, the spot exchange rates or its approximate rate prevailing on the transaction dates are used for translation. The resulting differences are recognised in other comprehensive income as unrealized exchange gains and losses and are separately stated under the shareholders' equity item in the consolidated statement.

9. Branch capital management and transaction clearing principles

The capital of branches of the Company is allocated by the headquarters, and the transactions with branch customers are settled at the headquarters. The branches shall carry out transaction order handling and confirmation of settlement order with customers as required.

10. Customer futures deposits

(1) Classification of customer futures deposits

The Company's customer futures deposits include currency deposits and pledged deposits. Currency deposits are the future deposits in the form of currency received by the Company for execution of transactions on behalf of customers. Pledged deposits are the negotiable securities received by the Company for execution of transactions on behalf of customers, which are used to offset the futures deposits

IV. Significant accounting policies and accounting estimates (continued)

10. Customer futures deposits (continued)

(2) Customer futures deposits management

The Company's customer futures deposits are managed in a way that they are deposited in and transferred to designated accounts, operate independently, and are strictly separated from the self-owned funds of the Company.

The Company establishes separate records for customer futures deposits and conducts daily settlement without liabilities. It settles the gains or losses on customers' futures transactions according to the daily mark-to-market system, and calculates transaction fees based on the fee rate agreed with customers and daily trading volume (or trading value) of customers.

(3) Accounting for customer futures deposits

1) *Customer currency deposits*

When the Company accepts customer orders, receives and deposits currency deposits into designated bank accounts, the Company recognises them as monetary funds and currency deposits payable. When the Company accepts customer orders and carries out futures transactions, the Company recognises currency deposits receivable determined by futures exchanges and reduces monetary funds accordingly. In clearing with customers, if customers' futures contracts on that day are profitable, the Company increases currency deposits receivable and currency deposits payable after deducting the commissions to be charged to customers based on the amount of profit stated in the settlement documents issued by futures settlement institutions. If customers' futures contracts on that day are making loss, the Company reduces currency deposits receivable and currency deposits payable after adding the commissions to be charged to customers based on the amount of loss stated in the settlement documents issued by futures settlement institutions.

2) *Pledged deposits of customers*

When the Company submits negotiable securities on behalf of customers to futures exchanges as deposits, it recognises pledged deposits receivable and pledged deposits payable based on the amount of deposits confirmed by futures exchanges. When the Company carries out transactions on behalf of customers through futures exchanges, the accounting treatment is the same as that for customer currency deposits. In case of changes in the value of negotiable securities, futures exchanges will adjust the confirmed deposits amount, and the Company will increase or reduce pledged deposits receivable and pledged deposits payable accordingly. When futures exchanges return negotiable securities to customers, the Company reduces pledged deposits receivable and pledged deposits payable based on the deposits amount confirmed by the futures exchanges.

IV. Significant accounting policies and accounting estimates (continued)

11. Collateral management

The Company accepts standard warehouse receipts registered with exchanges as collaterals. The Company timely completes pledge procedures for collaterals provided by customers in accordance with the requirements of futures exchanges. If a customer incurs loss and fails to meet margin call in a timely manner, the Company will compulsorily liquidate its position as agreed and dispose of the collateral in accordance with the law. The proceeds from collateral disposal will be utilised to compensate for the loss, and any remaining amount will be returned to customers

12. Accounting for physical settlement

Upon expiry of futures contracts, the Company carries out physical settlement in accordance with the rules and procedures set by each futures exchange and conducts accounting based on the incurred amount of purchase settlement and sale settlement.

13. Inventories

Inventories include spot commodities and are initially measured at cost. Cost of inventories comprises costs of purchase and other expenditure incurred in bringing the inventories to their present location and condition. The actual cost of issued inventories is measured using the first-in first-out method.

At the balance sheet date, inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale and relevant taxes. The net realisable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices. Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for obsolete inventories, and is recognised in profit or loss.

The Group maintains a perpetual inventory system.

IV. Significant accounting policies and accounting estimates (continued)

14. Long-term equity investments

(1) Investment cost of long-term equity

1) *Long-term equity investments acquired through business combination*

The initial cost of long-term equity investment acquired through business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity at the combination date in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost of the long-term equity investment and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings.

2) *Long-term equity investments acquired other than through business combination*

Long-term equity investment acquired other than through business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash. For long-term equity investments acquired through issue of equity securities, the Group treats the fair value of the equity securities issued as their initial investment cost.

(2) Subsequent measurement and recognition in profit or loss of long-term equity investment

1) *Investments in subsidiaries*

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

Investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

For the impairment test and provisioning of the investments in subsidiaries, please refer to Note IV. 19.

In the Group's consolidated financial statements, long-term equity investments in subsidiaries are accounted for in accordance with the policies described in Note IV.6.

IV. Significant accounting policies and accounting estimates (continued)

14. Long-term equity investments (continued)

(2) Subsequent measurement and recognition in profit loss of long-term equity investment (continued)

2) *Investments in associates*

An associate is an enterprise over which the Group can exert significant influence (see Note IV.14(3)).

Long-term equity investments in associates are accounted for using the equity method for subsequent measurement, unless the investments meet the conditions for holding for sale.

The accounting treatments under the equity method adopted by the Group are as follows:

- ① Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.
- ② After the acquisition of investment in an associate, the Group recognises its share of the investee's net profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the long-term equity investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. The Group recognises its share of other changes in owners' equity of an associate other than net gains or losses, other comprehensive income or profit distribution ("other changes in owners' equity") in shareholders' equity, and adjusts the carrying amount of the long-term equity investment accordingly.
- ③ In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates under the equity method. Unrealised losses resulting from transactions between the Group and its associates are recognised in full if there is evidence that the losses are the relevant asset impairment losses.

IV. Significant accounting policies and accounting estimates (continued)

14. Long-term equity investments (continued)

(2) Subsequent measurement and recognition in profit loss of long-term equity investment (continued)

2) *Investments in associates (continued)*

- ④ The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

For description of the Group's impairment testing method and provision for impairment method for its investments in associates, please refer to Note IV. 19.

3) *Criteria for determining the existence of significant influence over an investee*

Significant influence refers to the Group's power to participate in making decisions on the financial and operating policies of the investee, but not the power to control, or jointly control, the formulation of such policies with other parties.

15. Fixed assets

(1) Conditions for recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in supply of services or for administrative purposes with useful lives over one accounting year.

The initial cost of a purchased fixed asset comprises the purchase price, related taxes, and any attributable expenditure for bringing the asset to working condition for its intended use.

Where the parts of an item of fixed assets have different useful lives or provide economic benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

IV. Significant accounting policies and accounting estimates (continued)

15. Fixed assets (continued)

(2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its useful life, unless the fixed asset meets the conditions for holding for sale.

The useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Fixed assets	Useful life	Residual value ratio	Depreciation
Motor vehicles	10 years	5%	9.5%
Office equipment	4-5 years	0%-5%	19%-25%
Electronic equipment	3-5 years	0%-5%	19%-33%

Useful lives, estimated residual values and depreciation methods are reviewed for fixed assets by the Group at least at each year-end.

(3) Impairment test and provisioning

For the impairment test and provisioning, please refer to Note IV. 19.

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- ① when the fixed assets is held for disposal; or
- ② when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

IV. Significant accounting policies and accounting estimates (continued)

16. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note IV.19). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset meets the conditions for holding for sale.

The respective amortisation periods for intangible assets are as follows:

Intangible assets	Amortisation period
Software	2 – 4 years
Customer relationship	3.5 years

17. Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment provision (see Note IV.19). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

18. Financial instruments

The financial instruments of the Group include monetary funds, currency deposits receivable, financial assets held for trading, derivative financial assets, financial assets held under resale agreements, receivables, other receivables, currency deposits payable, futures investors protection funds payable, financial liabilities held for trading, derivative financial liabilities, employee benefits payable, other payables and share capital, etc.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial asset (unless it is a trade receivable without a significant financing component) and financial liability is measured at fair value on initial recognition. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable without a significant financing component is initially measured at the transaction price determined according to the accounting policies in Note IV.25.

(2) Classification and subsequent measurement of financial assets

1) *Classification of financial assets of the Group*

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), and at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group classifies financial assets not designated as at FVTPL that meet both of the following conditions into financial assets at amortised cost:

- ① The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows;
- ② The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(2) Classification and subsequent measurement of financial assets (continued)

1) *Classification of financial assets of the Group (continued)*

The Group classifies financial assets not designated as at FVTPL that meet the following conditions as financial assets at FVOCI:

- ① The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows and to sell the financial assets;
- ② The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

For investments in equity instruments not held for trading, the Group may irrevocably designate them as financial assets at FVOCI at initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer's perspective.

Except for the above-mentioned financial assets measured at amortised cost and at FVOCI, the Group classifies all other financial assets into financial assets at FVTPL. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should be measured at amortised cost or FVOCI as financial assets at FVTPL.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the sources of cash flows for financial assets managed by the Group is contractual cash flows, the sale of financial assets or both. The Group determines the business model for managing financial assets based on objective facts and specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely for payment of the principal and the interest based on the amount of principal outstanding. Of which, the principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. In addition, the Group assesses the contractual terms that may result in a change in the time distribution or amount of contractual cash flows generated by the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(2) Classification and subsequent measurement of financial assets (continued)

2) *Subsequent measurement of financial assets of the Group*

① Financial assets at FVTPL

Subsequent to initial recognition, such financial assets are measured at fair value, and the resulting gains or losses (including interest and dividend income) are included in profit or loss, unless the financial asset is a component of hedges.

② Financial assets measured at amortised cost

Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortised cost and are not a component of any hedges are recognised in profit or loss at the time of derecognition or amortization using the effective interest method or recognition of impairment.

③ Debt investments at FVOCI

Subsequent to initial recognition, such financial assets are measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss, and other gains or losses are included in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously recognised in other comprehensive income are transferred to profit or loss.

④ Investments in equity instruments at FVOCI

Subsequent to initial recognition, such financial assets are measured at fair value. Dividend income is recognised in profit or loss, and other gains or losses are recognised in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred to retained earnings.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(3) Classification and subsequent measurement of financial liabilities

The Group classifies financial liabilities into financial liabilities at FVTPL and financial liabilities measured at amortised cost.

① *Financial liabilities at FVTPL*

Such financial liabilities include financial liabilities held for trading (including derivatives which fall under financial liabilities) and financial liabilities designated as at FVTPL.

Subsequent to initial recognition, financial liabilities at FVTPL are subsequently measured at fair value and gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

② *Financial liabilities measured at amortised cost*

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

(4) Offsetting

Financial assets and financial liabilities are presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset, and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- ① the Group currently has a legally enforceable right to set off the recognised amounts;
- ② the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(5) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when one of the following conditions is met:

- ① the Group's contractual rights to the cash flows from the financial asset expire;
- ② the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;
- ③ the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- ① the carrying amount of the financial asset transferred at the date of derecognition;
- ② the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) when its contractual obligation (or part of it) is extinguished.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(6) Impairment

Based on the expected credit loss, the Group conducts impairment accounting for the following items and recognises loss allowance:

- ① Financial assets measured at amortised cost;
- ② Debt investments at FVOCI.

The expected credit loss model is not applicable to other financial assets measured at fair value held by the Group, including debt investments or investments in equity instruments at FVTPL, investments in equity instruments designated as at FVOCI and derivative financial assets.

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating expected credit losses is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime expected credit losses are the expected credit losses of a financial instrument that result from all possible default events over the expected life.

12-month expected credit losses are the portion of expected credit losses of a financial instrument that result from default events that are possible within 12 months after the balance sheet date (or a shorter period if the expected life of the financial instrument is less than 12 months).

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

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(6) Impairment (continued)

Except for trade receivables, the Group measures loss allowance at an amount equal to 12-month expected credit loss for the following financial instruments, and at an amount equal to lifetime expected credit loss for all other financial instruments:

- ① If the financial instrument is determined to have low credit risk at the balance sheet date; or
- ② If the credit risk on a financial instrument has not increased significantly since initial recognition.

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- ① failure to make payments of principal or interest on their contractually due dates;
- ② an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- ③ an actual or expected significant deterioration in the operating results of the debtor;
- ④ existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(6) Impairment (continued)

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

The credit period of trade receivable of the Group is generally 45 days. The Group assumes that the credit risk on a financial instrument has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- ① the counterparty is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- ② the financial asset is over 90 days past due.

At each balance sheet date, the Group assesses whether financial assets measured at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- ① significant financial difficulty of the borrower or issuer;
- ② a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- ③ for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- ④ it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- ⑤ the disappearance of an active market for that financial asset because of financial difficulties of the issuer or borrower.

IV. Significant accounting policies and accounting estimates (continued)

18. Financial instruments (continued)

(6) Impairment (continued)

Expected credit losses are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the expected credit loss amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortised cost, provision is offset against their carrying amounts in the balance sheet. The Group recognises provision for debt investments at FVOCI in other comprehensive income and does not deduct the carrying amount of the financial assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition of the relevant financial asset. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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

19. Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- ① fixed assets
- ② right-of-use assets
- ③ intangible assets
- ④ Goodwill
- ⑤ long-term equity investments, etc.

IV. Significant accounting policies and accounting estimates (continued)

19. Impairment of assets other than inventories and financial assets (continued)

The Group conducts impairment tests on assets with signs of impairment and estimates the recoverable amount of the assets. In addition, the Group estimates the recoverable amounts of goodwill at least annually at each year end, irrespective of whether there is any indication of impairment. The carrying amount of goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note IV.20) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash-generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

If the estimation results of the recoverable amount indicate that the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is written down to the recoverable amount, and an impairment loss is recognised in profit or loss. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups, are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

IV. Significant accounting policies and accounting estimates (continued)

20. Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

21. Employee benefits

(1) Short-term benefits

The Group recognises employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(2) Post-employment benefits – defined contribution plans

The defined contribution plans participated by the Group include:

- ① Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government.
- ② Pursuant to the relevant provisions of the Trial Measures for Enterprise Annuity, the Group's employees participate in the enterprise annuity plans considered and approved at the employee representative meeting and filed with the labour security administrative departments. The contribution amount of enterprise annuity is calculated according to the annuity plan.

Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or include in the cost of assets where appropriate.

IV. Significant accounting policies and accounting estimates (continued)

21. Employee benefits (continued)

(3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- ① When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- ② When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

22. Futures risk reserve

(1) Methods and uses of provision

In accordance with the requirements of the Notice of the Tentative Provisions for the Financial Management of Commodities Futures Trading (Cai Shang [1997] No. 44), the Company appropriates the futures risk reserve based on 5% of the fee income net of relevant expenses payable to futures exchanges. Futures risk reserve is specially used to make up for the loss caused by wrong single transactions of the Company, etc. The appropriation for futures risk reserve ceases when it reaches 10 times the registered capital of the Company.

In case of the following, risk loss is recognised and futures risk reserve is reduced: (1) loss on liquidation of wrong single contracts; (2) unaccountable risk loss due to the Company's own reasons; (3) unrecoverable risk loss due to customers' reasons.

(2) Accounting

The Company sets aside 5% of net agency fee income after deducting futures exchange fees payable as futures risk reserve, which is included in profit or loss and the "futures risk reserve" item at the same time. If futures risk reserve is utilised for intended uses, the balance of futures risk reserve is reduced to the extent of zero, and any excess is included in profit or loss.

IV. Significant accounting policies and accounting estimates (continued)

23. Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- ① the taxable entity has a legally enforceable right to offset current tax assets and current tax liabilities;
- ② they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

IV. Significant accounting policies and accounting estimates (continued)

24. Provision

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. If there is a continuous range of required expenditure and the probability of various results within the range is the same, the best estimate shall be determined according to the middle value within the range. In other cases, the best estimates are treated as follows:

- ① If the contingency involves a single item, it shall be determined according to the most likely amount;
- ② If the contingency involves multiple projects, it shall be determined according to various possible results and relevant probability calculation.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

25. Revenue

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Group expects to refund to the customer is recognised as refund liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

IV. Significant accounting policies and accounting estimates (continued)

25. Revenue (continued)

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- ① the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- ② the customer can control the asset created or enhanced during the Group's performance;
- ③ the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- ① the Group has a present right to payment for the goods or services;
- ② the Group has transferred physical possession of the goods to the customer;
- ③ the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- ④ the customer has accepted the goods or services.

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on factors other than the passage of time. The Group recognises loss allowances for expected credit loss on contract assets. Receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

IV. Significant accounting policies and accounting estimates (continued)

25. Revenue (continued)

The following is the details of the accounting policies regarding revenue from the Group's principal activities:

(1) Fee income

Fee income from futures and options brokerage is recognised on the date of agency transaction. According to futures and options agency contracts, the Group recognises the fee income based on the fee charged to customers and the net amount after deducting the collected fee paid to the exchange.

Refund and reduction of handling fees from futures exchanges are recognised when the Group receives the same from futures exchanges.

The handling fee for asset management business is recognised when the Group has the right to receive income in accordance with the asset management agreement.

The Group recognises income from risk management business in accordance with the risk management business contracts.

(2) Interest income

Interest income is calculated and determined according to the time of money lending and the effective interest rate.

(3) Investment income

Gains or losses on disposal of financial instruments and dividends received are recognised as investment income on the date of transaction.

(4) Gains or losses on fair value changes

Gains and losses arising from changes in the fair values of financial instruments are recognised on the balance sheet date at the difference between the fair value and the carrying amount.

(5) Income from other business activities

Income from other business activities is mainly from sales of goods and rendering of advisory services. The Group recognises income from sales of goods when the Group has transferred the right to spot goods to the customer after receiving goods payment according to the contract and the customer has obtained control over the goods. The Group recognises income from advisory services according to the performance progress of advisory services.

IV. Significant accounting policies and accounting estimates (continued)

26. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group. Special government grants including investment grants that shall be treated as capital reserve as required by the relevant national documents, are capital investments rather than government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to revenue are grants other than those related to assets. A government grant related to assets is recognised as deferred income and amortised over the useful life of the related asset in a reasonable and systematic manner as other income or non-operating income. A government grant related to revenue that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or nonoperating income in the periods in which the expenses or losses are recognised, otherwise, the grant is included in other income or non-operating income directly.

27. Commission fees

The Group enters into intermediary agreements with brokers, and the commissions paid to brokers are expensed as general and administrative expenses.

28. General risk reserve

The Company appropriates 10% of its net profit for the current period to the general risk reserve in accordance with the Rules on the Accounting by Financial Enterprises and the Implementation Guidance of Rules on the Accounting by Financial Enterprises.

IV. Significant accounting policies and accounting estimates (continued)

29. Lease

A lease is a contract that a lessor transfers the right to use an identified asset for a period of time to a lessee in exchange for consideration.

At inception of a contract, the Group assesses whether the contract is a lease or contains a lease. If one party under the contract transfers one or more of the right to use of the identified asset within a period of time in exchange for consideration, the contract shall be considered as a lease or containing lease.

To assess whether a contract conveys the one or more of rights to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:

- ① Whether an asset is typically identified by being explicitly specified in a contract. An identified asset may be specified by the contract or implicitly specified when the asset is available to the customer to use, and the asset is physically distinguishable. A capacity or other portion of an asset that is not physically distinct is not an identified asset, unless it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from use of the asset. If the supplier has the substantive right to substitute the asset throughout the period of use, the asset is not an identified asset;
- ② Whether the lessee is entitled to the right to obtain substantially all of the economic benefits from use of the identified asset during the period of use;
- ③ Whether the lessee has the right to direct the use of the identified asset during the period of use.

Where the contract contains multiple lease components, the lessee and the lessor shall separate the lease components and account for each individual lease component separately. Where the contract includes both the lease and the non-lease component, the lessee and the lessor shall separate the lease and non-lease components. For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

1) The Group as a lessee

On the commencement date of lease period, the Group recognises right-of-use assets and lease liabilities on leases. The right-of-use assets are initially measured at cost, including the initial measurement amount of lease liability, the lease payment amount paid on or before the commencement date of lease period, net of the relevant amount of lease incentives enjoyed, initial direct costs incurred and the estimate cost of dismantling and removing leased assets, restoring the leased assets or restoring the leased assets to the agreed conditions of the lease term.

IV. Significant accounting policies and accounting estimates (continued)

29. Lease (continued)

1) The Group as a lessee (continued)

The Group depreciates the right-of-use assets using the straight-line method. If it is reasonably certain that the lease will transfer ownership of the underlying asset to the lessee by the end of the lease term, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses are recognised in accordance with the accounting policy described in Note IV.19.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group calculates interest expenses in each period during the lease term based on a constant periodic rate of interest, and recognizes the interest expenses in profit or loss of such period or part of the cost of other related assets. Variable lease payments not included in the measurement of the lease liability are recognised in profit or loss or part of the cost of another related asset as incurred.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments, if either:

- ① there is a change in the amounts expected to be payable under a residual value guarantee;
- ② there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- ③ there is a change in the assessment of an option to purchase the underlying asset, to extend or terminate the lease, or the exercise of the option to extend or terminate the lease is different from the previous assessment.

When the lease liability is re-measured, the Group recognises the carrying amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss of such period .

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases (leases that have a lease term of 12 months or less) and leases of low-value assets, and recognised the lease payments associated with these leases in profit or loss of such period or part of the cost of another related assets on a straight-line basis over the lease term.

IV. Significant accounting policies and accounting estimates (continued)

30. Profit distribution

Profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

31. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties of the Group or the Company based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

32. Segment reporting

Reportable segments are identified based on the structure of the Group's internal organisation, management requirements and internal reporting system. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Reportable segments are identified based on operating segment taking into consideration of the materiality principle.

In preparing segment reports, the Group measures the revenue from inter-segment transactions based on the actual transaction price. The accounting policies adopted for the preparation of segment reports are consistent with those adopted for the preparation of the Group's financial statements.

33. Significant accounting estimates and judgments

The preparation of the financial statements requires management of the Group to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The following accounting estimates and key assumptions carry a significant risk of causing significant adjustments to the carrying amounts of assets and liabilities in future periods.

IV. Significant accounting policies and accounting estimates (continued)

33. Significant accounting estimates and judgments (continued)

(1) Provision for impairment of financial assets

On the basis of expected credit losses, the Company performs the impairment treatment and recognises the provision for impairment losses on debt investments, other debt investments, assets arising from carrying out financing operations (including margin financing and securities lending, agreed repurchase, stock pledge repurchase, etc.), as well as placement (lending) of funds or securities in money market, accounts receivable and financial lease receivables.

Based on the classification and nature of the above financial assets, combined with its own risk management practices and the relevant requirements of the impairment guidelines, the Company establishes an expected credit loss model to measure impairment losses on the above financial instruments based on a probability-weighted average, taking into account the time value of money and reasonable and reliable information about past events, current conditions and projected future economic conditions that can be obtained at the balance sheet date without unnecessary additional costs or effort. The assumptions, parameters, data sources and measurement procedures associated with the expected credit loss model require the Company's professional judgment, and changes in the assumptions of these relevant factors can affect the results of the expected credit loss calculations for financial instruments.

The Company uses an expected credit loss model to evaluate the impairment of financial assets and the application of the expected credit loss model requires making significant judgments and estimates such as the probability of default, the rate of default losses and whether credit risk increases significantly, taking into account all reasonable and reliable information, including forward-looking information. In making these judgments and estimates, the Company extrapolates expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risk and other factors.

(2) Impairment of non-current assets other than financial assets

The Group makes judgement to determine whether non-current assets other than financial assets are likely to be impaired on the balance sheet date. When conducting an impairment test, if the carrying amount of an asset or asset group is higher than its recoverable amount, it indicates that an impairment has occurred. In estimating the present value of future cash flows, the management is required to estimate the expected future cash flow of the asset or asset group, and select an appropriate discount rate to determine the present value of future cash flow.

(3) Fair value of financial instruments

For financial instruments where there is a lack of active market, the Group uses valuation methods to determine their fair value. Valuation methods include referring to the transaction price determined when fair transactions are conducted between economic entities with complete information and willingness to buy and sell in the market, referring to the fair value of another similar financial instrument in the market, or using cash flow discount analysis and option pricing model to estimate. Valuation methods maximise the use of observable market information. However, when observable market information is unavailable, the management will estimate the significant non-observable information included in the valuation methods.

IV. Significant accounting policies and accounting estimates (continued)

33. Significant accounting estimates and judgments (continued)

(4) Income tax and deferred income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. In accordance with relevant tax laws and regulations, the Group carefully evaluates the income tax implications of transactions and make tax provisions accordingly. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available against which the deferred income tax assets can be utilised.

(5) Determination of the consolidated scope

All facts and circumstances shall be considered when assessing whether the Group acts as an investor to control the investee. The definition of control includes the following three elements: 1) the power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) has the ability to affect those returns through its power over the investee. If there are facts and circumstances that indicate that one or more of the factors mentioned above changed, the Group is required to reassess whether it controls the investee.

For structured entities managed and invested by the Group, the Group will assess whether its maximum risk exposure to the structured entities, together with the variable returns generated by the remuneration of its managers, is significant enough to indicate that the Group has control over its structured entities. If the Group has control over the structured entities under management, the structured entities shall be included in the consolidated scope of the consolidated financial statements.

34. Major changes in accounting policies

(1) Significant changes in accounting policies

Nil

V. Taxation

Main types of taxes and corresponding tax rates

The main types of taxes and corresponding tax rates applicable to the Company and its subsidiaries are as follows:

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

The statutory income tax rate applicable to the Company and Holly Capital Management Co., Ltd. (弘業資本管理有限公司) (“Holly Capital”), a domestic subsidiary of the Company, is 25%, and the statutory income tax rate applicable to Holly International Financial Holdings Limited (弘業國際金融控股有限公司) (“Holly International Financial Holdings”) and Holly International Asset Management Company Limited (弘業國際資產管理有限公司) (“Holly International Assets”), being overseas subsidiaries of the Company, is 16.5%.

VI. Notes to Financial Statements

1. Monetary funds

Item	30 June 2021	31 December 2020
Cash		
Bank deposit	2,990,809,914.80	2,865,678,274.33
Incl.: Futures margin	2,812,063,079.78	2,660,162,679.92
Own funds	178,746,835.02	205,515,594.41
Other monetary funds	30,954,988.53	13,872,280.30
Interest receivable on monetary funds	25,888,056.47	14,744,868.57
Total	3,047,652,959.80	2,894,295,423.20
Incl.: Total amount deposited overseas	62,218,401.86	47,283,118.77

VI. Notes to Financial Statements (continued)

1. Monetary funds (continued)

(1) Futures margin deposit breakdown

Item	30 June 2021	31 December 2020
CITIC Bank	1,724,634,569.19	1,175,941,243.75
Minsheng Bank	450,602,940.67	598,246,980.25
Industrial Bank Co., Ltd	465,095,754.98	264,330,493.23
SPD Bank	26,972,405.49	234,823,286.55
Bank of Communications	68,430,990.74	234,384,743.43
China Guangfa Bank	176,660.15	47,069,114.68
Bank of China	30,670,719.47	31,944,736.25
Agricultural Bank of China	12,673,759.65	22,120,070.68
China Construction Bank	10,782,097.47	19,734,353.28
China Merchants Bank	4,539,119.94	14,566,900.53
ICBC	11,917,029.35	11,282,972.50
Ping An Bank	184,099.79	3,439,058.67
China Everbright Bank	5,382,932.89	2,278,726.12
Total	2,812,063,079.78	2,660,162,679.92

(2) Use of restricted funds

See Note VI.56.

VI. Notes to Financial Statements (continued)

2. Currency deposits receivable

(1) By exchange/clearer

Item	30 June 2021	31 December 2020
Shanghai Futures Exchange	743,843,195.79	515,339,412.89
Dalian Commodity Exchange	864,135,036.51	608,526,653.82
Zhengzhou Commodity Exchange	489,391,636.21	386,679,174.75
China Financial Futures Exchange	320,538,221.92	337,670,752.88
China Securities Depository and Clearing Corporation Limited	102,777,385.38	89,795,175.78
Shanghai International Energy Exchange	122,569,433.42	142,270,461.12
R.J.O'Brien & Associates LLC	648,653.64	655,159.69
PHILLIP FUTURES PTE LTD	9,659,747.35	10,754,284.01
Phillip Commodities (HK) Limited	3,329,687.99	4,197,030.91
Marex Financial	6,933,756.28	8,370,091.38
G.H.Financials (HongKong) Limited	28,149,410.38	29,504,731.12
Subtotal	2,691,976,164.87	2,133,762,928.35
Less: Provision for impairment	2,436,062.78	2,674,064.85
Total	2,689,540,102.09	2,131,088,863.50

(2) By category

Item	30 June 2021	31 December 2020
Settlement reserve	606,565,856.79	469,449,597.42
Trading margin	2,036,689,052.44	1,610,832,033.82
Offshore futures brokers	48,721,255.64	53,481,297.11
Subtotal	2,691,976,164.87	2,133,762,928.35
Less: Provision for impairment	2,436,062.78	2,674,064.85
Total	2,689,540,102.09	2,131,088,863.50

VI. Notes to Financial Statements (continued)

3. Pledges deposits receivable

(1) Exchanges breakdown

Item	30 June 2021	31 December 2020
Shanghai Futures Exchange	32,716,800.00	40,750,944.00
Zhengzhou Commodity Exchange	23,823,360.00	23,645,440.00
Total	56,540,160.00	64,396,384.00

(2) Pledges breakdown

Category	Market value at 30 June 2021	Discount rate	Amount at 30 June 2021
Shanghai Futures Exchange Incl.: Standard warrants for bonded copper	40,896,000.00	80%	32,716,800.00
Zhengzhou Commodity Exchange Incl.: Standard warrants for cotton	29,779,200.00	80%	23,823,360.00
Total	70,675,200.00		56,540,160.00

Category	Market value at 31 December 2020	Discount rate	Amount at 31 December 2020
Shanghai Futures Exchange Incl.: Standard warrants for lead	44,115,000.00	80%	35,292,000.00
Standard warrants for silver	5,018,400.00	80%	4,014,720.00
Standard warrants for tin	1,805,280.00	80%	1,444,224.00
Zhengzhou Commodity Exchange Incl.: Standard warrants for cotton	29,556,800.00	80%	23,645,440.00
Total	80,495,480.00		64,396,384.00

VI. Notes to Financial Statements (continued)

4. Settlement currency deposits receivable

Item	30 June 2021	31 December 2020
China Financial Futures Exchange	20,000,000.00	20,000,000.00
Total	20,000,000.00	20,000,000.00

5. Derivative financial instruments

Item	30 June 2021		
	Nominal amount	Fair value	
		Assets	Liabilities
Commodity derivative financial instruments			
Incl.: Futures contracts	527,430,135.69	45,247,745.00	44,770,480.00
Option contracts	560,628,155.11	2,898,843.19	7,724,017.28
Total	1,088,058,290.80	48,146,588.19	52,494,497.28
Less: Settlement amount		45,247,745.00	44,770,480.00
Net amount		2,898,843.19	7,724,017.28

Item	31 December 2020		
	Nominal amount	Fair value	
		Assets	Liabilities
Commodity derivative financial instruments			
Incl.: Futures contracts	2,871,361,685.00	15,878,000.00	16,605,795.00
Option contracts	424,085,189.06	6,219,924.42	7,594,514.81
Total	3,295,446,874.06	22,097,924.42	24,200,309.81
Less: Settlement amount		15,878,000.00	16,605,795.00
Net amount		6,219,924.42	7,594,514.81

VI. Notes to Financial Statements (continued)

6. Accounts receivable

(1) Breakdown

Category	30 June 2021				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Accounts receivable after a combination of bad debt provisions	153,205.56	100.00	7,660.28	5.00	145,545.28
Combination: Trade receivables	153,205.56	100.00	7,660.28	5.00	145,545.28
Total	153,205.56	100.00	7,660.28	–	145,545.28

Category	31 December 2020				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Accounts receivable after a combination of bad debt provisions	7,201,845.00	100.00	360,092.25	5.00	6,841,752.75
Combination: Trade receivables	7,201,845.00	100.00	360,092.25	5.00	6,841,752.75
Total	7,201,845.00	100.00	360,092.25	–	6,841,752.75

VI. Notes to Financial Statements (continued)

6. Accounts receivable (continued)

(2) Accounts receivable after a combination of bad debt provisions

Age	30 June 2021		
	Accounts receivable	Bad debt provision	Provision ratio (%)
<= 1 year	153,205.56	7,660.28	5.00
Total	153,205.56	7,660.28	-

Age	31 December 2020		
	Accounts receivable	Bad debt provision	Provision ratio (%)
<= 1 year	7,201,845.00	360,092.25	5.00
Total	7,201,845.00	360,092.25	-

(3) Top 5 accounts receivable as at the end of the year ranked by debtor

S/N	Debtor	Ending balance	Age	Percentage of total ending balance of accounts receivable (%)	Bad debt provision Ending balance
1	Shanghai Jinjin Industry Co., Ltd. (上海晉金實業有限公司)	83,060.55	Within 1 year	54.22	4,153.03
2	Rudong Zhiyu Metal Material Co.,Ltd . (如東志宇金屬材料有限公司)	70,145.01	Within 1 year	45.78	3,507.25
Total		153,205.56		100.00	7,660.28

VI. Notes to Financial Statements (continued)

7. Other receivables

(1) Breakdown

Category	30 June 2021				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables after a single bad debt provision	10,713,048.00	30.62	9,106,090.80	85.00	1,606,957.20
Other receivables after a combination of bad debt provisions	24,275,638.91	69.38	1,240,859.48	5.15	23,034,779.43
Combination: Risk-free portfolio	5,703,611.67	16.30			5,703,611.67
Margin and deposit	15,011,863.90	42.90	750,593.20	5.00	14,261,270.70
Other combination	3,560,163.34	10.18	490,266.28	13.77	3,069,897.06
Total	34,988,686.91	100.00	10,346,950.28	-	24,641,736.63

Category	31 December 2020				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables after a single bad debt provision	10,713,048.00	23.02	9,106,090.80	85.00	1,606,957.20
Other receivables after a combination of bad debt provisions	35,819,244.89	76.98	1,366,102.09	3.81	34,453,142.80
Combination: Risk-free portfolio	14,030,579.95	30.15	0.00		14,030,579.95
Margin and deposit	10,138,972.35	21.79	506,948.62	5.00	9,632,023.73
Other combination	11,649,692.59	25.04	859,153.47	7.37	10,790,539.12
Total	46,532,292.89	100.00	10,472,192.89	-	36,060,100.00

VI. Notes to Financial Statements (continued)

7. Other receivables (continued)

(2) Accounts receivable after a single bad debt provision

30 June 2021				
Debtor	Other receivables	Bad debt provision	Provision ratio (%)	Reason
Hanbang (Jiangyin) Petrochemical Co., Ltd. (漢邦(江陰)石化有限公司)	10,713,048.00	9,106,090.80	85.00	Not fully recoverable due to improper operation
Total	10,713,048.00	9,106,090.80	--	

31 December 2020				
Debtor	Other receivables	Bad debt provision	Provision ratio (%)	Reason
Hanbang (Jiangyin) Petrochemical Co., Ltd. (漢邦(江陰)石化有限公司)	10,713,048.00	9,106,090.80	85.00	Not fully recoverable due to improper operation
Total	10,713,048.00	9,106,090.80	--	

Note: See Note XII.1. (3).

(3) Changes in provision for impairment

Jan-Jun 2021				
Item	Stage 1 Expected credit loss for future 12 months	Stage 2 Expected credit loss for the lifetime: No credit impairment	Stage 3 Expected credit loss for the lifetime: Credit impaired	Total
Beginning balance	1,366,102.09		9,106,090.80	10,472,192.89
Current provision	-125,242.61			-125,242.61
Ending balance	1,240,859.48		9,106,090.80	10,346,950.28

VI. Notes to Financial Statements (continued)

7. Other receivables (continued)

(4) By category

Item	30 June 2021	31 December 2020
Refundable payment for PTA spot transactions	10,713,048.00	10,713,048.00
Dividends and redemptions receivable from funds and asset management plans	2,911,847.48	10,462,798.73
Securities settlement accounts receivable	2,791,764.18	8,631,466.93
OTC option margin receivable	10,448,762.25	5,566,455.58
Deposit	4,563,101.65	4,572,516.77
Risk of loss receivable	785,771.80	1,632,735.58
Others	2,774,391.55	4,953,271.30
Subtotal	34,988,686.91	46,532,292.89
Less: Provision for impairment	10,346,950.28	10,472,192.89
Total	24,641,736.63	36,060,100.00

8. Financial assets purchased under resale agreements

Item	30 June 2021	31 December 2020
Treasury bond reverse repurchase		7,853,000.00
Total		7,853,000.00

At 31 December 2020, there was no sign of significant impairment on the financial assets purchased under resale agreement, so there was no provision for impairment.

VI. Notes to Financial Statements (continued)

9. Financial assets held for trading

(1) Breakdown

Item	30 June 2021	31 December 2020
Financial assets at fair value through profit or loss		
Investments in debt instruments	210,054,719.75	203,866,828.83
Investments in equity instruments	892,085,099.98	811,010,029.53
Total	1,102,139,819.73	1,014,876,858.36

(2) For details of the financial assets held for trading with commitment conditions or restrictions, see Note VI. 56: Assets with restricted ownership or use rights.

10. Inventory

(1) Category

30 June 2021			
Item	Book balance	Provision for depreciation	Book value
Inventory goods	45,524,770.20		45,524,770.20
Total	45,524,770.20		45,524,770.20

31 December 2020			
Item	Book balance	Provision for depreciation	Book value
Inventory goods	48,676,714.04		48,676,714.04
Total	48,676,714.04		48,676,714.04

(2) At the end of the Reporting Periods, there was no sign of impairment on the inventory, so there was no provision for impairment in respect of inventory.

VI. Notes to Financial Statements (continued)

11. Long term equity investment

(1) Breakdown

Item	30 June 2021	31 December 2020
Long term equity investment calculated with equity method	11,444,631.41	11,431,418.75
Total long term equity investment	11,444,631.41	11,431,418.75
Less: Provision for impairment on long term equity investment		
Net long term equity investment	11,444,631.41	11,431,418.75

(2) Long term equity investment calculated with equity method

Investees	Amount at 31 December 2020	Change for this year							Amount at 30 June 2021	Provision for impairment at 30 June 2021
		Additional investment	Investment reduction	Investment gain/loss recognised with equity method	Other comprehensive income adjustment	Other equity change	Declared cash dividend or profit	Provision for impairment		
I. Joint ventures										
II. Associates										
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創 業投資有限公司)	5,379,849.71			7,279.26						5,387,128.97
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有 限公司)	6,051,569.04			5,942.16	-8.76					6,057,502.44
Total	11,431,418.75			13,221.42	-8.76					11,444,631.41

VI. Notes to Financial Statements (continued)

12. Futures membership investment

(1) Breakdown

30 June 2021			
Item	Book balance	Provision for depreciation	Book value
Futures membership investment	1,816,040.00		1,816,040.00
Total	1,816,040.00		1,816,040.00

31 December 2020			
Item	Book balance	Provision for depreciation	Book value
Futures membership investment	1,820,820.00		1,820,820.00
Total	1,820,820.00		1,820,820.00

(2) Classified by exchange

Item	30 June 2021	31 December 2020
Shanghai Futures Exchange	500,000.00	500,000.00
Dalian Commodity Exchange	500,000.00	500,000.00
Zhengzhou Commodity Exchange	400,000.00	400,000.00
Hong Kong Futures Exchange	416,040.00	420,820.00
Total	1,816,040.00	1,820,820.00

(3) At the end of the Reporting Periods, there was no sign of impairment on futures membership investment, so there was no provision for impairment in respect of futures membership investment.

VI. Notes to Financial Statements (continued)

13. Fixed assets

(1) Fixed assets breakdown

Item	Vehicles	Office furniture	Electronic equipment	Total
I. Book cost				
1. Balance at 31 December 2020	4,530,441.60	3,263,590.26	45,897,192.25	53,691,224.11
2. Current increase		9,900.00	2,276,288.24	2,286,188.24
(1) Purchase		9,900.00	2,276,288.24	2,286,188.24
(2) Transfer from work in progress				
3. Current decrease		2,626,068.91	948,947.41	3,575,016.32
(1) Disposal or scrap		2,626,068.91	948,947.41	3,575,016.32
(2) Transfer to work in process				
4. Exchange difference		-993.07	-17,598.95	-18,592.02
5. Balance at 30 June 2021	4,530,441.60	646,428.28	47,206,934.13	52,383,804.01
II. Cumulative depreciation				
1. Balance at 31 December 2020	3,681,326.03	2,648,466.99	31,955,093.11	38,284,886.13
2. Current increase	76,046.49	50,817.93	3,313,991.70	3,440,856.12
(1) Provision	76,046.49	50,817.93	3,313,991.70	3,440,856.12
3. Current decrease		2,515,656.65	917,705.41	3,433,362.06
(1) Disposal or scrap		2,515,656.65	917,705.41	3,433,362.06
(2) Transfer to work in process				
4. Exchange difference		-724.45	-13,087.85	-13,812.30
5. Balance at 30 June 2021	3,757,372.52	182,903.82	34,338,291.55	38,278,567.89
III. Provision for impairment				
IV. Book value				
1. Book value at 30 June 2021	773,069.08	463,524.46	12,868,642.58	14,105,236.12
2. Book value at 31 December 2020	849,115.57	615,123.27	13,942,099.14	15,406,337.98

(2) As at the end of the Reporting Periods, there was no fixed assets without registered title certificates.

(3) As at the end of the Reporting Periods, there was no sign of impairment on fixed assets, so no provision was made for such impairment.

VI. Notes to Financial Statements (continued)

14. Right-of-use assets

(1) Right-of-use assets breakdown

Item	Lease housing	Total
I. Book cost		
1. Balance at 31 December 2020	55,560,609.47	55,560,609.47
2. Current increase	1,518,008.57	1,518,008.57
(1) Rent	1,518,008.57	1,518,008.57
(2) Business merger increase		
3. Current decrease		
(1) Disposal		
4. Exchange difference	-57,903.72	-57,903.72
5. Balance at 30 June 2021	57,020,714.32	57,020,714.32
II. Cumulative depreciation		
1. Balance at 31 December 2020	36,661,959.95	36,661,959.95
2. Current increase	6,779,175.79	6,779,175.79
(1) Provision	6,779,175.79	6,779,175.79
3. Current decrease		
(1) Disposal		
4. Exchange difference	-20,282.88	-20,282.88
5. Balance at 30 June 2021	43,420,852.86	43,420,852.86
III. Provision for impairment		
IV. Book value		
1. Book value at 30 June 2021	13,599,861.46	13,599,861.46
2. Book value at 31 December 2020	18,898,649.52	18,898,649.52

(2) As at the end of the Reporting Periods, there was no sign of impairment on the right-of-use assets, so there was no provision for such impairment.

VI. Notes to Financial Statements (continued)

15. Intangible assets

(1) Intangible assets breakdown

Item	Software	Customer relations	Total
I. Book cost			
1. Balance at 31 December 2020	7,881,641.78	6,100,000.00	13,981,641.78
2. Current increase			
(1) Purchase			
3. Current decrease	137,735.82		137,735.82
(1) Disposal or scrap	137,735.82		137,735.82
4. Exchange difference	-6,931.08		-6,931.08
5. Balance at 30 June 2021	7,736,974.88	6,100,000.00	13,836,974.88
II. Cumulative amortisation			
1. Balance at 31 December 2020	6,024,576.39	6,100,000.00	12,124,576.39
2. Current increase	374,721.34		374,721.34
(1) Provision	374,721.34		374,721.34
3. Current decrease	26,781.96		26,781.96
(1) Disposal or scrap	26,781.96		26,781.96
4. Exchange difference	-1,195.08		-1,195.08
5. Balance at 30 June 2021	6,371,320.69	6,100,000.00	12,471,320.69
III. Provision for impairment			
IV. Book value			
1. Book value at 30 June 2021	1,365,654.19		1,365,654.19
2. Book value at 31 December 2020	1,857,065.39		1,857,065.39

(2) As at the end of the Reporting Periods, there was no sign of impairment on the intangible assets, so there was no provision for such impairment.

VI. Notes to Financial Statements (continued)

16. Deferred income tax assets

(1) Deferred income tax assets without offset

Item	30 June 2021		31 December 2020	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Employee compensation payable	19,528,455.53	4,882,113.88	25,156,871.24	6,289,217.81
Credit impairment loss	10,298,090.29	2,574,522.57	10,347,043.88	2,586,760.97
Accrued expenses	3,679,800.32	919,950.08	4,525,520.73	1,131,380.18
Provisions	1,969,920.97	492,480.24	4,467,575.89	1,116,893.97
Changes in the fair value of derivative financial instruments	4,347,909.09	1,086,977.27	2,102,385.39	525,596.35
Changes in the fair value of financial assets/liabilities held for trading			908,422.21	227,105.55
Leasing	345,395.29	86,348.83	408,233.50	102,058.38
Total	40,169,571.49	10,042,392.87	47,916,052.84	11,979,013.21

(2) Deferred income tax liabilities without offset

Item	30 June 2021		31 December 2020	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in the fair value of derivative financial instruments				
Changes in the fair value of financial assets/liabilities held for trading	22,816,644.89	5,704,161.22	15,001,172.12	3,750,293.03
Total	22,816,644.89	5,704,161.22	15,001,172.12	3,750,293.03

VI. Notes to Financial Statements (continued)

16. Deferred income tax assets (continued)

(3) Net deferred income tax assets or liabilities after offset

Item	Deferred income tax assets and liabilities offset amount at 30 June 2021	Deferred income tax asset or liability balance after offset at 30 June 2021	Deferred income tax assets and liabilities offset amount at 31 December 2020	Deferred income tax asset or liability balance after offset at 31 December 2020
Deferred income tax assets	-5,704,161.22	4,338,231.65	-3,750,293.03	8,228,720.18
Deferred income tax liabilities	-5,704,161.22		-3,750,293.03	

(4) Unrecognised deferred income tax assets breakdown

Item	30 June 2021	31 December 2020
Provision for goodwill impairment	53,167,251.21	53,167,251.21
Deductible losses	45,416,994.67	40,995,924.94
Total	98,584,245.88	94,163,176.15

(5) The deductible loss of unrecognised deferred income tax assets will be due in the following years

Because Holly International Financial Holdings (弘業國際金控) is not likely to have future taxable profit sufficient to offset related losses, the Group has not recognised deferred income tax assets in respect of the cumulative deductible losses of Holly International Financial Holdings. According to prevailing tax laws, these deductible losses may be carried forward indefinitely to deduct taxes from the year they are incurred.

VI. Notes to Financial Statements (continued)

17. Other assets

(1) Breakdown

Item	30 June 2021	31 December 2020
Advance payments	290,743,886.27	44,093,175.32
Prepaid expenses	5,411,977.38	8,174,721.86
Taxes to be refunded, deducted and settled	1,044,566.38	7,532,600.17
Overseas futures exchange deposit	1,393,261.85	1,409,269.43
Others	754,716.98	
Total	299,348,408.86	61,209,766.78

Advance payments mainly refer to the house purchase price paid in advance to Nanjing Financial City Construction and Development Co., Ltd. (南京金融城建設發展股份有限公司) for the Company to buy the property located in Nanjing Hexi Zijin Financial Center.

18. Short term borrowings

Item	30 June 2021	31 December 2020
Pledged borrowings	9,658,965.78	2,052,060.00
Total	9,658,965.78	2,052,060.00

19. Currency deposits payable

(1) By customer category

Customer category	30 June 2021		31 December 2020	
	QTY	Amount	QTY	Amount
Natural persons	84,709	3,044,174,540.02	82,930	2,599,294,685.74
Legal persons	2,998	2,009,994,439.31	2,891	1,647,795,452.34
Total	87,707	5,054,168,979.33	85,821	4,247,090,138.08

VI. Notes to Financial Statements (continued)

19. Currency deposits payable (continued)

(2) By exchange

Exchange	30 June 2021		31 December 2020	
	QTY	Amount	QTY	Amount
Domestic futures exchanges				
Incl.: Shanghai Futures Exchange	2,319	654,358,562.30	2,110	443,111,322.60
Dalian Commodity Exchange	2,826	599,514,616.62	2,694	387,852,642.14
China Financial Futures Exchange	327	309,691,872.36	287	333,299,674.48
Zhengzhou Commodity Exchange	3,684	360,709,124.56	3,265	277,827,552.05
Shanghai International Energy Exchange	78	15,846,015.00	73	31,005,172.50
China Securities Depository and Clearing Corporation Limited	13	2,518,298.60	20	2,824,859.00
Subtotal	9,247	1,942,638,489.44	8,449	1,475,921,222.77
Overseas futures brokers	2,091	70,541,633.95	2,060	62,112,764.04
Total	11,338	2,013,180,123.39	10,509	1,538,033,986.81

Note: The customer margins stated by exchange shall not include the customer margins deposited in bank accounts or the settlement reserves deposited at the exchanges.

20. Pledged deposits payable

(1) By customer category

Customer category	30 June 2021		31 December 2020	
	QTY	Amount	QTY	Amount
Legal persons	1	32,716,800.00	3	40,750,944.00
Total	1	32,716,800.00	3	40,750,944.00

VI. Notes to Financial Statements (continued)

20. Pledged deposits payable (continued)

(2) By exchange

Exchange	30 June 2021		31 December 2020	
	QTY	Amount	QTY	Amount
Shanghai Futures Exchange	1	32,716,800.00	3	40,750,944.00
Total	1	32,716,800.00	3	40,750,944.00

21. Financial liabilities held for trading

Item	30 June 2021	31 December 2020
Financial liabilities at fair value through profit or loss Incl.: Accounts payable	85,776,771.44 85,776,771.44	

For the financial liabilities at fair value through profit or loss, the changes of their fair values are listed below:

Item	Changes of fair value at 30 June 2021	Cumulative changes of fair values due to changes of their own credit risks
Accounts payable	5,508,804.69	Nil

As of 30 June 2021, there was no different between the book value of financial liabilities measured at fair value through profit or loss and the amount payable to creditors under contract.

VI. Notes to Financial Statements (continued)

22. Financial assets sold under repurchase agreements

(1) By business category

Item	30 June 2021	31 December 2020
Bonds	33,939,305.19	34,197,000.00
Spot goods		1,622,204.28
Total	33,939,305.19	35,819,204.28

(2) Security information

Item	30 June 2021	31 December 2020
Bonds	34,959,533.20	54,333,333.42
Spot goods		1,838,027.90
Total	34,959,533.20	56,171,361.32

23. Futures risk provision

(1) Breakdown

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 30 June 2021
Futures risk provision	140,221,598.23	5,421,203.27		145,642,801.50
Total	140,221,598.23	5,421,203.27		145,642,801.50

VI. Notes to Financial Statements (continued)

24. Payable to futures investors protection fund

(1) Breakdown

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 30 June 2021
Payable to futures investors protection fund	369,776.02	291,389.75	369,753.91	291,411.86
Total	369,776.02	291,389.75	369,753.91	291,411.86

Note: According to the CSRC Decree No. 129: Decision to Modify the Interim Measures for the Administration of Futures Investor Safeguard Funds (dated 8 November 2016) (關於修改〈期貨投資者保障基金管理暫行辦法〉的決定), starting from 8 December 2016, the Company should make payment to this fund at a rate of 600 millionth of the broker transaction volume instead of 60 millionth.

25. Employee compensation payable

(1) Employee compensation payable by category

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 30 June 2021
I. Short-term compensation	26,279,433.60	76,557,909.24	82,798,594.84	20,038,748.00
II. Post-employment benefits-setting up a contribution plan		9,311,758.48	9,311,758.48	
III. Dismissal benefits				
Total	26,279,433.60	85,869,667.72	92,110,353.32	20,038,748.00

VI. Notes to Financial Statements (continued)

25. Employee compensation payable (continued)

(2) Short term compensation

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 30 June 2021	
Salary, bonus, subsidy and allowance	25,782,825.92	64,260,269.50	70,459,237.27	19,583,858.15	
Workers benefits		670,313.61	670,313.61		
Social insurance premiums		6,312,373.68	6,312,373.68		
Incl.: Medical insurance premiums		5,960,292.53	5,960,292.53		
Work injury insurance premiums		79,226.59	79,226.59		
Maternity insurance premiums		272,854.56	272,854.56		
Housing reserve fund		3,911,998.44	3,911,998.44		
Labour union funding and employee education funding	496,607.68	1,402,954.01	1,444,671.84		
					454,889.85
Total	26,279,433.60	76,557,909.24	82,798,594.84		20,038,748.00

(3) Contribution plan

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 30 June 2021
Basic pension		6,123,129.81	6,123,129.81	
Unemployment insurance		191,958.19	191,958.19	
Corporate annuity		2,996,670.48	2,996,670.48	
Total		9,311,758.48	9,311,758.48	

VI. Notes to Financial Statements (continued)

26. Taxes payable

Item	30 June 2021	31 December 2020
Enterprise income tax	4,510,341.21	20,942,367.18
VAT	9,561,184.20	7,465,193.64
Taxes and surcharges	286,457.11	231,960.64
Withholding of personal income tax	8,859.93	18,929.98
Total	14,366,842.45	28,658,451.44

27. Accounts payable

Item	30 June 2021	31 December 2020
Purchase of spot goods		7,373,441.99
Total		7,373,441.99

As at the end of the Reporting Period, the Group had no important account payable aging over 1 year.

28. Contract liabilities

Item	30 June 2021	31 December 2020
Receipts in advance	993,773.90	1,859,630.01
Total	993,773.90	1,859,630.01

VI. Notes to Financial Statements (continued)

29. Other payables

Item	30 June 2021	31 December 2020
Pending settlement of asset management plan	135,708.79	68,226,995.45
Pledge cash payable to standard warrant	23,823,360.00	37,271,225.33
Margins payable	3,625,318.93	13,900,529.62
Advance dividends from associates	3,941,000.00	3,791,000.00
Commission payable	1,443,346.68	1,565,749.01
Auditor's fee payable	380,000.00	1,500,000.00
Related party borrowings	50,916,666.67	
Benefits payable to bank-futures night trading clients	14,514,782.00	
Payable to fund agency	26,516,532.33	50,000.00
Others	12,424,299.07	14,304,036.12
Total	137,721,014.47	140,609,535.53

30. Provisions

Item	30 June 2021	31 December 2020
Expected litigation losses	1,969,920.97	4,467,575.89
Total	1,969,920.97	4,467,575.89

Note: See Note XII.1. (1).

31. Long term borrowings

Item	30 June 2021	31 December 2020
Mortgage borrowings	131,211,653.30	
Total	131,211,653.30	

Note: The Company prepaid the property purchase price to Nanjing Financial City Construction and Development Co., Ltd. for the purchase of the property located in Nanjing Hexi Zijin Financial Center and pre-registration was made, and the collateral for the long term borrowing was the property pre-registered.

VI. Notes to Financial Statements (continued)

32. Lease liability

Item	30 June 2021	31 December 2020
Within 1 year	10,132,161.08	11,717,703.90
1-2 yrs	2,989,504.57	6,495,388.72
2-5 yrs	850,668.44	1,134,674.87
Book value of lease liability	13,972,334.09	19,347,767.49

33. Share capital

Shareholders	Balance at 31 December 2020	Current change (+/-)					Balance at 30 June 2021
		New issue	Bonus issue	Provident fund conversion	Others	Subtotal	
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公 司)	275,456,777.00	0.00	0.00	0.00	0.00	0.00	275,456,777.00
Jiangsu Holly Corporation (Jiangsu Holly Corporation (江蘇弘業股份 有限公司))	147,900,000.00	0.00	0.00	0.00	0.00	0.00	147,900,000.00
Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司)	143,548,000.00	0.00	0.00	0.00	0.00	0.00	143,548,000.00
Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集 團股份有限公司)	63,930,134.00	0.00	0.00	0.00	0.00	0.00	63,930,134.00
Shanghai Mingda Industrial (Group) Company Limited (上海銘大實業(集 團)有限公司)	9,276,631.00	0.00	0.00	0.00	0.00	0.00	9,276,631.00
Jiangsu Hongrui Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公 司)	8,903,113.00	0.00	0.00	0.00	0.00	0.00	8,903,113.00
Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有 限公司)	8,285,345.00	0.00	0.00	0.00	0.00	0.00	8,285,345.00
HK stocks tradable	249,700,000.00	0.00	0.00	0.00	0.00	0.00	249,700,000.00
Total	907,000,000.00	0.00	0.00	0.00	0.00	0.00	907,000,000.00

34. Capital reserve

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 30 June 2021
Share premium	533,124,529.52	0.00	0.00	533,124,529.52
Total	533,124,529.52	0.00	0.00	533,124,529.52

VI. Notes to Financial Statements (continued)

35. Other comprehensive income

Item	Jan-Jun 2021									
	Balance at 31 December 2020	Other changes	Balance at 1 January 2021	Before current income tax	Less: Transfer from previous other comprehensive income to current profit or loss	Less: Transfer from previous other comprehensive income to current retained earnings	Less: Income tax expense	After tax attributable to the parent	After tax attributable to minority shareholders	Balance at 30 June 2021
I. Other comprehensive income that cannot be reclassified into profit or loss										
II. Other comprehensive income to be reclassified into profit and loss										
Incl.: Other comprehensive income that can be converted to profit or loss with equity method	-371,801.28	371,877.91	76.63	-8.76						67.87
Translation difference of foreign currency financial statements	-3,321,162.79		-3,321,162.79	-1,710,495.38						-5,031,658.17
Others										
Total of other comprehensive income	-3,692,964.07	371,877.91	-3,321,086.16	-1,710,504.14						-5,031,590.30

Note: The Group's associate--Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司) adopted new financial instrument standards since 1 January 2021, which resulted in changes of other comprehensive income.

36. Surplus reserve

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 30 June 2021
Statutory surplus reserve	58,426,314.46	0.00	0.00	58,426,314.46
Total	58,426,314.46	0.00	0.00	58,426,314.46

37. General risk provision

Item	Balance at 31 December 2020	Current increase	Current decrease	Balance at 30 June 2021
General risk provision	84,305,891.83	0.00	0.00	84,305,891.83
Total	84,305,891.83	0.00	0.00	84,305,891.83

VI. Notes to Financial Statements (continued)

38. Undistributed profit

Item	30 June 2021
Balance at the end of previous period	67,503,955.76
Add: Others (Note)	-371,877.91
Balance at the beginning of current period	67,132,077.85
Add: Current net profit attributable to shareholders of parent	45,301,437.69
Less: Statutory surplus reserve	
Appropriation for general risk reserve	
Dividend payable on ordinary shares	45,350,000.00
Balance at the end of current period	67,083,515.54

Note: See Note VI. 35.

39. Net handling fee and commission income

(1) Net handling fee and commission income breakdown

Item	Jan-Jun 2021	Jan-Jun 2020
Net brokerage fee income	20,233,798.59	27,176,914.77
Exchange fee reduction deemed as income	114,884,040.81	53,283,017.67
Net brokerage fee income subtotal	135,117,839.40	80,459,932.44
Asset management business income	6,227,455.92	4,020,664.30
Total	141,345,295.32	84,480,596.74

VI. Notes to Financial Statements (continued)

39. Net handling fee and commission income (continued)

(2) Net handling fee and commission income by business offices in administrative regions

Administrative regions	Jan-Jun 2021		Jan-Jun 2020	
	Number of branches	Net handling fee and commission income	Number of branches	Net handling fee and commission income
Jiangsu Province	22	113,109,091.06	22	62,392,788.73
Fujian Province	2	3,353,665.76	2	5,329,290.49
Shanghai	2	4,805,347.49	2	1,609,545.48
Zhejiang Province	2	3,215,489.48	2	2,940,309.98
Henan Province	1	2,275,334.06	1	1,943,810.89
Guangdong Province	3	1,659,045.39	3	1,122,356.74
Beijing	2	1,179,402.59	2	1,112,851.53
Hong Kong, China	1	795,612.62	1	1,416,099.99
Shandong Province	2	1,985,290.59	2	890,834.21
Shaanxi Province	1	1,779,901.00	1	746,715.46
Anhui Province	2	1,495,721.93	2	995,018.01
Liaoning Province	2	1,454,050.77	2	711,179.75
Guangxi Province	1	978,175.83	1	732,291.93
Hunan Province	1	1,252,965.13	1	869,809.47
Chongqing	1	556,359.05	1	471,330.51
Sichuan Province	1	320,398.62	1	414,326.27
Shanxi Province	1	718,058.76	1	468,308.93
Hainan Province	1	411,385.19	1	313,728.37
Total	48	141,345,295.32	48	84,480,596.74

VI. Notes to Financial Statements (continued)

40. Net interest income

Item	Jan-Jun 2021	Jan-Jun 2020
Interest income		
Incl.: Interest income from customer deposit	34,160,328.03	33,057,014.38
Interest income from own funds deposit	4,631,408.37	8,910,319.05
Interest income from repurchase agreements	82,418.01	157,395.63
Other interest income		
Total interest income	38,874,154.41	42,124,729.06
Interest expense		
Incl.: Interest expense on sale and repurchase	447,925.30	365,062.92
Total interest expenses	447,925.30	365,062.92
Net interest income	38,426,229.11	41,759,666.14

41. Investment gains

(1) Investment gains breakdown

Item	Jan-Jun 2021	Jan-Jun 2020
Long term equity investment gains calculated with cost method	13,221.42	-736,982.63
Long term equity investment gains calculated with equity method	13,221.42	-736,982.63
Incl.: Gains on investment in associates		
Gains on investment in joint ventures		
Investment gains from disposal of long term equity investment	309,837.32	25,788,158.70
Financial instrument investment gains	14,031,202.07	9,666,774.29
Incl.: Grains on financial instrument during holding period	14,031,202.07	9,666,774.29
– Financial instrument held for trading	-13,721,364.75	16,121,384.41
Proceeds from disposal	-20,621,770.21	500,101.83
– Financial derivatives	6,900,405.46	15,621,282.58
– Financial instrument held for trading		
Others		
Total	323,058.74	25,051,176.07

VI. Notes to Financial Statements (continued)

41. Investment gains (continued)

(2) Gains of investment in associates

Item	Jan-Jun 2021	Jan-Jun 2020
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	7,279.26	-1,045,661.11
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	5,942.16	308,678.48
Total	13,221.42	-736,982.63

(3) There is no significant restriction on repatriation of investment gains.

42. Other incomes

Item	Jan-Jun 2021	Jan-Jun 2020
Government subsidies	3,121,819.70	262,040.52
Individual income tax refund	57,046.61	
Total	3,178,866.31	262,040.52

VI. Notes to Financial Statements (continued)

42. Other incomes (continued)

(1) Jan-Jun 2021 government subsidies breakdown

Subsidy	Amount	Related to assets/gains	Issuing authority	Approval document
Job stabilization subsidy	13,140.28	Related to income	People's Government of Jiangsu Province	Opinions on Implementing Employment Priority Policies and Further Stabilizing Employment
Job stabilization subsidy	2,953.31	Related to income	People's Government of Guangdong Province	Notice to Issue Several Policies and Measures to Further Stabilize and Promote Employment in Guangdong Province
Futures market construction reward	100,000.00	Related to income	Documents of Dalian Financial Development Bureau	Notice to cash out rewards for futures market construction
Work for training	3,000.00	Related to income	Lianyungang Human Resources and Social Security Bureau	Notice of the Municipal Human Resources and Social Security Bureau and the Municipal Finance Bureau to implement the special support plan for enterprises to stabilize and expand employment
Job stabilization subsidy	664.68	Related to income	Department of Human Resources and Social Security of Anhui Province Department of Finance of Anhui Province	Notice on the use of provincial employment risk reserves to support the stable employment of small, medium and micro enterprises
Job stabilization subsidy	2,256.76	Related to income	Hefei Human Resources and Social Security Bureau	Hefei City's Action Plan for "Welcoming the Spring Festival, Sending Warmth, Stabilizing and Retaining Jobs"
Financial innovation award	377,358.49	Related to income	Nanjing Local Financial Supervision and Administration Bureau	Announcement on commending Nanjing Excellent Financial Innovation project in 2020
Tax refund	2,622,446.18	Related to income	Ministry of Finance/State Administration of Taxation	Notice of the Ministry of Finance and the State Administration of Taxation on the Preferential Policies and Preferential Catalogue of Enterprise Income Tax in Guangdong Hengqin New Area, Fujian Pingtan Comprehensive Experimental Zone, Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone
Total	3,121,819.70			

VI. Notes to Financial Statements (continued)

43. Gains on changes of fair value

Item	Jan-Jun 2021	Jan-Jun 2020
Financial assets held for trading	15,182,686.76	27,289,996.10
Incl.: Financial assets at fair value through profit or loss	15,182,686.76	27,289,996.10
Financial liabilities held for trading	-5,508,804.69	-536,320.74
Incl.: Financial liabilities at fair value through profit or loss	-5,508,804.69	-536,320.74
Derivative financial assets	26,048,663.77	44,805,417.10
Derivative financial liabilities	-28,294,187.47	-52,545,416.25
Total	7,428,358.37	19,013,676.21

44. Exchange gains

Item	Jan-Jun 2021	Jan-Jun 2020
Exchange gains	-979,760.16	1,213,026.92
Total	-979,760.16	1,213,026.92

45. Other operating income

Item	Jan-Jun 2021	Jan-Jun 2020
Spot sales revenue	587,643,957.09	466,411,650.80
Consulting fee income and others	543,643.83	849,056.60
Total	588,187,600.92	467,260,707.40

VI. Notes to Financial Statements (continued)

46. Proceeds from disposal of assets

Item	Jan-Jun 2021	Jan-Jun 2020
Proceeds from disposal of fixed assets	-132,684.12	-60,298.09
Total	-132,684.12	-60,298.09

47. Futures risk provision

Item	Jan-Jun 2021	Jan-Jun 2020
Futures risk provision	5,421,203.27	3,356,295.31
Total	5,421,203.27	3,356,295.31

48. Taxes and surcharges

Item	Jan-Jun 2021	Jan-Jun 2020
Urban maintenance and construction tax	535,312.59	237,060.23
Education surcharge	229,206.36	100,581.89
Local education surcharge	152,804.32	67,054.63
Others	271,088.50	159,405.00
Total	1,188,411.77	564,101.75

VI. Notes to Financial Statements (continued)

49. Business and management expenses

Item	Jan-Jun 2021	Jan-Jun 2020
Employees' compensation	85,869,667.72	68,722,205.00
Office expenses	16,387,303.50	18,473,621.54
Depreciation & amortization	10,594,753.25	13,640,210.82
Insurance	155,993.78	4,864,680.00
Intermediary and consulting service fees	1,141,309.22	2,491,105.21
Rent	5,023,249.60	1,399,203.68
Repair cost	206,151.31	644,273.30
Maintenance cost	1,566,096.26	1,018,144.34
Financial expenses	4,064,851.18	968,787.78
Auditor's fees	383,773.59	450,000.00
Commission expense	131,364.81	553,401.20
Investors protection fund	274,895.85	105,071.96
Others	2,750,804.90	1,950,202.08
Total	128,550,214.97	115,280,906.91

50. Credit impairment loss

Item	Jan-Jun 2021	Jan-Jun 2020
Currency deposits receivable impairment loss	-208,064.64	
Accounts receivable bad debt loss	-352,431.97	
Other receivables bad debt loss	-120,620.96	
Total	-681,117.57	

VI. Notes to Financial Statements (continued)

51. Other operating costs

Item	Jan-Jun 2021	Jan-Jun 2020
Cost of spot sales	581,111,944.78	462,023,985.05
Others		–
Total	581,111,944.78	462,023,985.05

52. Non-operating income

(1) Non-operating income breakdown

Item	Jan-Jun 2021	Jan-Jun 2020
Government subsidy	8,338.30	
Exchange subsidy	402,607.09	359,132.92
Others	127,635.68	72,912.37
Total	538,581.07	432,045.29

Item	Incl.: Amount included in the current non-recurring profit and loss	
	Jan-Jun 2021	Jan-Jun 2020
Government subsidy	8,338.30	
Exchange subsidy	402,607.09	359,132.92
Others	127,635.68	72,912.37
Total	538,581.07	432,045.29

VI. Notes to Financial Statements (continued)

52. Non-operating income (continued)

(2) Jan-Jun 2021 government subsidies breakdown

Subsidy	Amount	Related to assets/income	Issuing authority	Approval document
Employment Support Scheme subsidy	8,338.30	Related to income	The Government of the Hong Kong Special Administrative Region	Employment Support Scheme
Total	8,338.30			

53. Non-operating expenses

Item	Jan-Jun 2021	Jan-Jun 2020
Donations and sponsorship expenditures	50,000.00	1,000,000.00
Provisions	1,969,920.97	
Litigation compensation	234,314.11	
Others	44,756.54	85,711.19
Total	2,298,991.62	1,085,711.19

Item	Incl.: Amount included in the current non-recurring profit and loss	
	Jan-Jun 2021	Jan-Jun 2020
Donations and sponsorship expenditures	50,000.00	1,000,000.00
Provisions	1,969,920.97	
Litigation compensation	234,314.11	
Others	44,756.54	85,711.19
Total	2,298,991.62	1,085,711.19

VI. Notes to Financial Statements (continued)

54. Income tax expense

(1) Income tax expense breakdown

Item	Jan-Jun 2021	Jan-Jun 2020
Current income tax expense	11,233,970.50	9,395,191.47
Deferred income tax expense	3,890,488.53	4,118,741.39
Total	15,124,459.03	13,513,932.86

(2) Accounting profit and income tax expense adjustments

Item	Jan-Jun 2021	Jan-Jun 2020
Total profit of the current period	60,425,896.72	57,101,636.99
Income tax expense calculated at the statutory/applicable tax rate	15,106,474.18	14,275,409.25
Impact of different tax rates applied to subsidiaries	374,688.08	-318,883.65
Impact of previous year's income tax adjustment	-	-
Impact of non-taxable income	-861,930.06	-437,440.08
Impact of non-deductible costs, expenses and losses	-221,971.50	572,909.13
Impact of deductible loss of previous unrecognised deferred income tax assets		-578,061.78
Impact of deductible temporary differences or deductible loss of current unrecognised deferred income tax assets	727,198.33	
Income tax expense	15,124,459.03	13,513,932.86

VI. Notes to Financial Statements (continued)

55. Additional information on cash flow statement

(1) Other cash received/paid related to operating/investing/funding activities

1) Other cash received related to operating activities

Item	Jan-Jun 2021	Jan-Jun 2020
Securities settlement or redemption payments received	8,549,773.75	
Funds received from other holders of structured entity	80,267,966.75	
Standard warranty pledge cash received		16,365,600.00
Margin and commission received		17,044,661.96
Non-operating income and other income	3,717,447.38	694,085.81
Others	673,822.69	6,534,556.58
Total	93,209,010.57	40,638,904.35

2) Other cash paid related to operating activities

Item	Jan-Jun 2021	Jan-Jun 2020
Funds paid by other holders of structured entity		14,551,786.80
Payment of amount to be settled	19,559,021.08	
Standard warrant pledge payment	13,447,865.33	
Margin and commission paid	15,279,919.69	
Advance payment	8,646,905.78	
Litigation compensation	4,467,575.89	
Others	5,165,099.80	6,476,454.75
Total	66,566,387.57	21,028,241.55

3) Other cash paid related to financing activities

Item	Jan-Jun 2021	Jan-Jun 2020
Expenses related to financing	754,716.98	2,962,071.42
Total	754,716.98	2,962,071.42

VI. Notes to Financial Statements (continued)

55. Additional information on cash flow statement (continued)

(2) Additional information on consolidated cash flow statement

Item	Jan-Jun 2021
1. Adjustment of net profit to cash flow from operating activities:	
Net profit	45,301,437.69
Add: Asset impairment provision	
Credit impairment loss	-681,117.57
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	3,440,856.12
Depreciation of right-of-use assets	6,779,175.79
Amortization of intangible assets	374,721.34
Amortization of long-term deferred expenses	
Loss ("-" for gain) from disposal of fixed assets, intangible assets and other long term assets	132,684.12
Fixed assets scrap loss ("-" for gain)	
Loss ("-" for gain) from changes in fair value	-9,673,882.07
Financial expense ("-" for income)	3,321,267.75
Exchange losses	979,760.16
Investment loss ("-" for gain)	-14,108,130.48
Decrease ("-" for increase) of deferred income tax assets	3,890,488.53
Increase ("-" for decrease) of deferred income tax liabilities	
Decrease ("-" for increase) of inventory	3,151,943.84
Decrease ("-" for increase) of operating receivables	-564,572,013.35
Increase ("-" for decrease) of operating payables	804,792,102.98
Net interest income	360,562.21
Futures risk provision	5,421,203.27
Others	
Net cash flow from operating activities	288,911,060.33
2. Major investment and financing activities that do not involve cash receipts and expenditures:	
Conversion of debt into capital	
Convertible corporate bonds due within one year	
Finance lease fixed assets	
3. Net changes in cash and cash equivalents:	
Cash balance at the end of period	2,983,522,729.92
Less: Cash balance at the beginning of period	2,854,855,864.32
Add: Cash equivalent balance at the end of period	
Less: Cash equivalent balance at the beginning of period	
Net increase of cash and cash equivalents	128,666,865.60

VI. Notes to Financial Statements (continued)

55. Additional information on cash flow statement (continued)

(3) Cash and cash equivalents

Item	30 June 2021	31 December 2020
Cash		
Incl.: Cash in hand		
Bank deposit immediately available	2,952,567,741.40	2,840,983,584.02
Other monetary funds immediately available	30,954,988.52	13,872,280.30
Cash equivalents		
Closing balance of cash and cash equivalents	2,983,522,729.92	2,854,855,864.32

56. Assets with restricted ownership or use rights

Item	Book value at 30 June 2021	Reason
Monetary fund	26,640,904.83	Product raised funds account
Monetary fund	6,700,000.00	Court freeze
Monetary fund	4,901,268.58	OTC option margin
Financial assets held for trading	34,959,533.20	Pledge for sale and repurchase transactions
Inventory	33,466,492.00	Exchange pledged loans (cotton)

VI. Notes to Financial Statements (continued)

57. Foreign currency monetary funds

(1) Foreign currency monetary funds

Item	Foreign currency balance at 30 June 2021	Exchange rate	RMB balance converted at 30 June 2021
Monetary fund			
Incl.: USD	3,875,228.12	6.4601	25,034,361.15
HKD	108,034,043.89	0.83208	89,892,967.24
JPY	2,197,663.00	0.05843	128,405.05
EUR	0.01	7.6862	0.08
GBP	0.06	8.9410	0.54
Currency deposits receivable			
Incl.: USD			
HKD	55,625,892.77	0.83208	46,285,192.86

(2) Important overseas business entity

Name of entity	Principal place of business	Accounting currency	Basis for selection of accounting currency
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	Hong Kong	HKD	Local currency

VII.Changes in the scope of consolidated statements

(I) Business combination not under the same control

In Jan-Jun 2021, the Group has no subsidiary acquired through business combination not under the same control.

(II) Business combination under the same control

In Jan-Jun 2021, the Group has no subsidiary acquired through business combination under the same control.

(III) Reverse takeover

In Jan-Jun 2021, the Group had no subsidiary acquired through reverse takeover.

(IV) Disposal of subsidiary

In Jan-Jun 2021, the Group had no disposal of subsidiary.

(V) Changes in the scope of consolidation for other reasons

1. New subsidiary

In Jan-Jun 2021, there was no new subsidiary or entity to be consolidated.

2. Reduction of subsidiaries by deregistration or otherwise

In Jan-Jun 2021, there was no reduction of subsidiaries by deregistration or other means.

3. Structured entities

(1) Structured entities consolidated in Jan-Jun 2021

In Jan-Jun 2021, the Group consolidated 7 structured entities, namely, "Holly Futures Workmanship Balanced FOF No. 1 Collective Asset Management Plan (弘業期貨匠心均衡 FOF 一號集合資產管理計劃)", "Holly Innovation Quantitative Select No. 1 Asset Management Plan (弘業科創量化優選 1 號資產管理計劃)", "Holly Taixiang Balance No. 2 FOF Collective Asset Management Plan (弘業泰享均衡二號 FOF 集合資產管理計劃)", "Holly Value Growth CTA1 Collective Asset Management Plan (弘業價值成長 CTA1 號集合資產管理計劃)", "Holly Jingxin Phase I FOF Collective Asset Management Plan (弘業景信一期 FOF 集合資產管理計劃)", "Holly Private No. 3 FOF Collective Asset Management Plan (弘業私享三號 FOF 集合資產管理計劃)" and "Holly Guangye Fund SP (弘業廣業基金 SP)" where its subsidiary acts as manager, however, such consolidation did not have significant impact on the financial conditions, operating results and cash flow of the Group in Jan-Jun 2021.

VIII. Interests in Other Entities

(I) Interests in subsidiaries

1. Group members

(1) Subsidiaries

Subsidiary name	Principal place of business	Place of registration	Nature	Shareholding%		Reason
				Direct	Indirect	
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	Nanjing	Shenzhen	Commodity trading and risk management	100%		Establishment
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	Hong Kong	Hong Kong	Futures brokerage	100%		Business combination under the same control
Holly International Asset Management Company Limited (弘業國際資產管理有限公司)	Hong Kong	Hong Kong	Assets management		100%	Establishment
Holly International Fund Series SPC (弘業國際基金系列 SPC)	Hong Kong	Cayman	Fund investment		100%	Establishment
Holly International Fixed Income Fund (弘業國際固定收益基金)	Hong Kong	Cayman	Fund investment		100%	Establishment

(2) Structured entities

Under the Accounting Standards for Business Enterprises (“ASBE”) No. 33: Consolidated Financial Statements, the Group regards itself as the manager of structured entities, or as the main responsible person for the structured entities, and the Group will include the structured entities where the Group participates with its own funds, which fall in the definition of “control” in the updated ASBE, into the scope of the consolidated statements.

On 30 June 2021, the net assets managed under the consolidated asset management plans and fund amounted to RMB158,268,294.54, and meanwhile, the book value of the Group’s interests in the consolidated asset management plans reached RMB72,491,523.10, which was recognised in “Financial assets held for trading”, “Monetary fund”, “Other receivables” and “Other payable” in these financial statements.

Structured entity name	Date of establishment	Type	The Group’s actual capital contribution at the end of period
Holly Futures Workmanship Balanced FOF No. 1 Collective Asset Management Plan (弘業期貨匠心均衡 FOF 一號集合資產管理計劃)	November 2019	Asset management plan	RMB6,660,000
Holly Innovation Quantitative Select No. 1 Asset Management Plan (弘業科創量化優選 1 號資產管理計劃)	June 2019	Asset management plan	RMB5,107,200
Holly Taixiang Balance No. 2 FOF Collective Asset Management Plan (弘業泰享均衡二號 FOF 集合資產管理計劃)	September 2020	Asset management plan	RMB7,650,000
Holly Value Growth CTA1 Collective Asset Management Plan (弘業價值成長 CTA1 號集合資產管理計劃)	June 2021	Asset management plan	RMB5,000,000
Holly Jingxin Phase I FOF Collective Asset Management Plan (弘業景信一期 FOF 集合資產管理計劃)	June 2021	Asset management plan	RMB5,000,000
Holly Private No. 3 FOF Collective Asset Management Plan (弘業私享三號 FOF 集合資產管理計劃)	June 2021	Asset management plan	RMB4,000,000
Holly Guangye Fund SP (弘業廣業基金 SP)	October 2020	Fund	USD3,128,802.70
Holly International Global Opportunity Fund SP (弘業國際環球機遇基金 SP)	December 2018	Fund	USD2,547,179.40

VIII. Interests in Other Entities (continued)

(I) Interests in subsidiaries (continued)

- The Group had no significant non-wholly owned subsidiary.
- The Group had no financial or other support from any structured entity to be included in the consolidated financial statements.
- The Group had no control over any subsidiary in which the Group's interests had changed.

(II) Interests in joint ventures or associates

1. Important associates

Associates	Principal place of business	Place of registration	Nature	Shareholding%		Accounting method
				Direct	Indirect	
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	Jiangsu	Jiangsu	Risk investment etc.	22.00		Equity method
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	Jiangsu	Jiangsu	Risk investment etc.	9.901		Equity method

Note: Within the Reporting Period, the Group held 9.901% equity of Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司) ("Hongrui Growth"). According to Hongrui Growth's Articles of Association, the Group and the Company would appoint a member of Board of Directors. The Group and the Company would impose significant influence on the invested company through participation in its production or operating decisions; therefore, Hongrui Growth as an associate should be included into the consolidated financial statements of the Company.

2. Financial highlights of key associates

Item	30 June 2021/Jan-Jun 2021		
	Hongrui New Era	Hongrui Growth	Total
Current assets	20,998,161.60	38,263,380.88	85,530,496.10
Non-current assets	3,488,788.26	22,917,561.05	26,406,349.31
Total Assets	24,486,949.86	61,180,941.93	111,936,845.41
Current liabilities			
Non-current liabilities		228.47	228.47
Total Liabilities		228.47	228.47
Net profit	33,087.54	60,015.73	93,103.27
Total comprehensive income	33,087.54	59,927.24	93,014.78

VIII. Interests in Other Entities (continued)

(II) Interests in joint ventures or associates (continued)

3. Summary of insignificant associates
None.
4. Joint ventures or associates were not restricted to transfer funds into the Company.
5. There was no excessive loss incurred by any joint venture or associate of the Group.
6. The Group had no unrecognised commitment related to investment in joint ventures.
7. The Group had no contingent liability related to investment in joint ventures or associates.

(III) Structured entities not consolidated

On 30 June 2021, the net assets of structured entities established by the Group but not included into the consolidated financial statements amounted to RMB22,979,821,862.16.

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

Item	30 June 2021 Financial assets held for trading	31 December 2020 Financial assets held for trading
Funds	736,770,777.94	657,936,247.67
Trust schemes	120,522,109.59	122,180,718.27
Asset management plans	37,521,583.66	59,736,311.27
Wealth management products	1,905,263.10	8,446,452.00
Total	896,719,734.29	848,299,729.21

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

IX. Financial Instruments and Risk Management

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

(I) Market Risk

1. Foreign currency risk

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

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

Item	30 June 2021		31 December 2020	
	Balance in foreign currency	Balance in RMB equivalent	Balance in foreign currency	Balance in RMB equivalent
Monetary funds				
HKD	72,677,577.67	60,473,558.83	77,675,872.85	65,375,121.63
USD	44,623.41	288,271.71	44,716.04	291,767.66

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

Item	average rates		Reporting date mid-spot rate	
	January-June 2021	January-June 2020	30 June 2021	31 December 2020
HKD	0.83383	0.90603	0.83208	0.91344
USD	6.4698	7.0319	6.4601	7.0795

IX. Financial instruments and risk management (continued)

(I) Market Risk (continued)

1. Foreign currency risk (continued)

(3) Sensitivity analysis

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

Item	30 June 2021	31 December 2020
Net profit and shareholders' quality		
Items denominated in HKD	-4,535,516.91	-4,903,134.12
Items denominated in USD	-21,620.38	-21,882.57

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

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

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

IX. Financial instruments and risk management (continued)

(I) Market Risk (continued)

2. Interest rate risk

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

(1) Interest-bearing financial instruments held by the Group at the end of year

Item	30 June 2021		31 December 2020	
	Actual interest rate	Amount	Actual interest rate	Amount
Fixed interest rate financial instruments				
Financial assets				
Monetary fund				
Incl.: Futures margin	2.75%-3.75%	2,685,000,000.00	2.00%-3.75%	2,070,000,000.00
Own funds				
Currency deposits receivable and pledged deposits receivable	1.66%	630,389,216.79	1.66%-1.95%	493,095,037.42
Financial assets purchased under resale agreements			3.16%-3.17%	7,853,000.00
Financial assets held for trading				
Incl.: Bonds held for trading	1%-7.5%	89,532,610.16	0.08%-7.00%	81,686,110.56
Trust schemes	4.2%-8%	120,522,109.59	7.30%-8.10%	122,180,718.27
Financial liabilities				
Short term borrowings	3.85%	9,643,132.00	3.65%	2,052,060.00
Financial assets sold under repurchase agreements	3.445%-3.397%	33,917,000.00	2.98%-3.63%	35,819,204.28
Long term borrowings	4.5%	130,911,470.00		
Net amount		3,350,972,334.54		2,736,943,601.97
Floating rate financial instruments				
Financial assets				
Monetary fund				
Incl.: Futures margin	0.001%-2.40%	127,063,079.78	0.001%-2.70%	590,162,679.92
Own funds	0.001%-1.95%	178,746,835.02	0.001%-2.70%	205,515,594.41
Other monetary funds	0.35%	30,954,988.53	0.35%	13,872,280.30
Net amount		336,764,903.33		809,550,554.63

IX. Financial instruments and risk management (continued)

(I) Market Risk (continued)

2. Interest rate risk (continued)

(2) Sensitivity analysis

① Fair value sensitivity analysis for fixed rate financial instruments

As at 30 June 2021, with all other variables held constant, an increase in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB1,702,811.21; and a decrease in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB1,759,978.21.

As at 31 December 2020, with all other variables held constant, an increase in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB410,516.11; and a decrease in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB424,170.35.

② Cash flow sensitivity analysis for floating rate financial instruments

As at 30 June 2021, with all other variables held constant, an increase in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB2,485,079.54; and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB1,152,642.68.

As at 31 December 2020, with all other variables held constant, an increase in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB6,071,546.62; and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB4,704,079.15.

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

IX. Financial instruments and risk management (continued)

(I) Market Risk (continued)

3. Other price risk

Other price risk refers to the risk that the fair value or future cash flows of equity financial instruments held by the Group will fluctuate due to changes in market price factors other than market interest rates and exchange rates. The Group mainly invests in stocks and funds listed on stock exchanges, and the maximum market price risk is determined by the fair value of the financial instruments held by the Group.

Sensitivity analysis

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

Item	Net profit	
	30 June 2021	31 December 2020
Change in share price		
10% increase	7,465,217.68	3,935,216.16
10% decrease	-7,465,217.68	-3,935,216.16
Change in commodity price		
10% increase	-25,746,126.39	9,017,367.31
10% decrease	25,746,126.39	-9,017,367.31

Item	Shareholders' equity	
	30 June 2021	31 December 2020
Change in share price		
10% increase	7,465,217.68	3,935,216.16
10% decrease	-7,465,217.68	-3,935,216.16
Change in commodity price		
10% increase	-25,746,126.39	9,017,367.31
10% decrease	25,746,126.39	-9,017,367.31

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

IX. Financial instruments and risk management (continued)

(II) Credit Risk

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

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

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

As to currency deposits receivable deposited with domestic exchanges and other financial institutions, the Group believes there is low level of credit risk because such financial institutions have good reputation and asset conditions.

As to currency deposits receivable deposited with overseas futures brokers, at the end of Reporting Period, the Group would prudently make provision for loss equivalent to the expected credit loss within the entire duration, by reference to historic credit loss experience, considering current situation and future economic forecasting.

As to accounts receivable and other receivables, the Group regularly would assess customers trading with credit. According to the assessment results, the Group would select to trade with recognised customers of good standing, and monitor the balance of accounts receivable and other receivables. As to accounts receivable and other receivables, at the end of Reporting Period, the Group would prudently calculate the expected credit loss and make provision for impairment by reference to historic credit loss experience, considering current situation and future economic forecasting, through the Exposure at Default (EAD) at the expected credit loss rate within future 12 months or within the entire duration. As to impaired accounts receivable, the Group would actively urge the debtors to pay by written notice or arbitration, and may make provision for loss equivalent to the expected credit loss within the entire duration after considering the recoverable amount.

As of 30 June 2021, the Group had no external guarantee. Therefore, regardless of the available collateral or other credit enhancements, the maximum credit risk exposure of the Group on the balance sheet date is the book value of the Group's financial assets less the corresponding provision for impairment. The Group's maximum credit risk exposure is listed as follows:

Item	30 June 2021	31 December 2020
Monetary fund	3,047,652,959.80	2,894,295,423.20
Currency deposits receivable	2,689,540,102.09	2,131,088,863.50
Financial assets held for trading	1,102,139,819.73	1,014,876,858.35
Pledged deposits receivable	56,540,160.00	64,396,384.00
Derivative financial assets	2,898,843.19	6,219,924.42
Financial assets purchased under resale agreements		7,853,000.00
Accounts receivable	24,787,281.91	42,901,852.75
Total maximum risk exposure	6,923,559,166.72	6,161,632,306.22

IX. Financial instruments and risk management (continued)

(III) Liquidity risk

Liquidity risk refers to the risk of a shortage of funds for a company to fulfill its obligation of settlement in cash or other financial assets. The Company and its subsidiaries are responsible for their own cash management, including short-term investment and borrowing to meet estimated cash requirements (Any borrowing above the preset upper limit of authority should be approved by the Company's Board of Directors). The Group's policy is to regularly monitor its liquidity requirements to ensure sufficient cash reserves to meet short-term and long-term liquidity requirements.

The remaining contract period of the Group's financial liabilities on the balance sheet date based on the undiscounted contractual cash flows (including interest calculated at the contract rate (if it is a floating rate, the current rate at the end of the year)), and the earliest date of required payment are as follows:

1. 30 June 2021

Item	Current	Within 1 year	1-5 yrs	Total	Book value at balance sheet date
Currency deposits payable	5,054,168,979.33			5,054,168,979.33	5,054,168,979.33
Pledged deposits payable	32,716,800.00			32,716,800.00	32,716,800.00
Payable to futures investors protection fund		291,411.86		291,411.86	291,411.86
Short term borrowings		9,828,762.29		9,828,762.29	9,658,965.78
Financial assets sold under repurchase agreements		33,939,305.19		33,939,305.19	33,939,305.19
Financial liabilities held for trading		85,776,771.44		85,776,771.44	85,776,771.44
Derivative financial liabilities		7,724,017.28		7,724,017.28	7,724,017.28
Employee compensation payable		20,038,748.00		20,038,748.00	20,038,748.00
Other payable		137,721,014.47		137,721,014.47	137,721,014.47
Lease liability		10,507,266.43	3,791,927.19	14,299,193.62	13,972,334.09
Long term borrowings		33,521,043.10	111,422,233.32	144,943,276.42	131,211,653.30
Total	5,086,885,779.33	339,348,340.06	115,214,160.51	5,541,448,279.90	5,527,220,000.74

IX. Financial instruments and risk management (continued)

(III) Liquidity risk (continued)

2. 31 December 2020

Item	Current	Within 1 year	1-5 yrs	Total	Book value at balance sheet date
Currency deposits payable	4,247,090,138.08			4,247,090,138.08	4,247,090,138.08
Pledged deposits payable	40,750,944.00			40,750,944.00	40,750,944.00
Payable to futures investors protection fund		369,776.02		369,776.02	369,776.02
Short term borrowings		2,055,343.30		2,055,343.30	2,052,060.00
Financial assets sold under repurchase agreements		35,912,721.98		35,912,721.98	35,819,204.28
Accounts payable		7,373,441.99		7,373,441.99	7,373,441.99
Employee compensation payable		26,279,433.60		26,279,433.60	26,279,433.60
Other payable		140,609,535.53		140,609,535.53	140,609,535.53
Lease liability		14,069,265.76	6,213,995.71	20,283,261.47	19,347,767.49
Total	4,287,841,082.08	226,669,518.17	6,213,995.71	4,520,724,595.96	4,519,692,300.98

(IV) Operational risk

Operational risk refers to the risk of loss due to unreasonable internal process settings, employee operating errors or failure to strictly implement processes, IT system problems, and external events of a company. In response to operational risks, the Group established a compliant, applicable and clear daily operation system, designed strict business processes and authority division, improved the business system, adopted double reviews for important positions, reduced the probability of human negligence, and established a sound performance examination mechanism. At the same time, by establishing emergency plans, carrying out system testing, and strengthening the construction of emergency backup channels, the Group avoided the risks caused by errors in trading and risk control system. In addition, the Group strengthened internal training, continues to improve the professional capabilities of employees, and reduced the probability and possibility of pricing errors in product design and other aspects.

X. Fair Value Disclosure Management

(I) The amount of assets and liabilities measured at fair value and the levels of fair value measurement

1. Year-end fair value of assets and liabilities measured at fair value

Item	Summary of 30 June 2021 Fair value			Total
	Fair value measurement within level 1	Fair value measurement within level 2	Fair value measurement within level 3	
I. Ongoing fair value measurement				
Financial assets				
(I) Financial assets held for trading	663,357,926.82	298,674,062.80	140,107,830.11	1,102,139,819.73
1. Debt instrument investment	56,659,420.16	32,873,190.00	120,522,109.59	210,054,719.75
2. Equity instrument investment	606,698,506.66	265,800,872.80	19,585,720.52	892,085,099.98
(II) Derivative financial assets	254,410.00		2,644,433.19	2,898,843.19
Total financial assets measured at fair value on an ongoing basis	663,612,336.82	298,674,062.80	142,752,263.30	1,105,038,662.92
Financial liabilities				
(I) Financial liabilities held for trading			85,776,771.44	85,776,771.44
(II) Derivative financial liabilities	372,745.00		7,351,272.28	7,724,017.28
Total financial liabilities measured at fair value on an ongoing basis	372,745.00		93,128,043.72	93,500,788.72
II. Non-ongoing fair value measurement				
Total financial assets measured at fair value not on an ongoing basis				
Total financial liabilities measured at fair value not on an ongoing basis				

X. Fair Value Disclosure Management (continued)

(I) The amount of assets and liabilities measured at fair value and the levels of fair value measurement (continued)

1. Year-end fair value of assets and liabilities measured at fair value (continued)

Item	Summary of fair values at 31 December 2020			Total
	Fair value measurement within level 1	Fair value measurement within level 2	Fair value measurement within level 3	
I. Ongoing fair value measurement				
Financial assets				
(I) Financial assets held for trading	591,656,495.01	257,613,635.36	165,606,727.99	1,014,876,858.36
1. Investment in debt instrument	56,425,900.56	25,260,210.00	122,180,718.27	203,866,828.83
2. Investment in equity instrument	535,230,594.45	232,353,425.36	43,426,009.72	811,010,029.53
(II) Derivative financial assets	2,219,480.00		4,000,444.42	6,219,924.42
Total financial assets measured at fair value on an ongoing basis	593,875,975.01	257,613,635.36	169,607,172.41	1,021,096,782.78
Financial liabilities				
(I) Derivative financial liabilities	1,590,820.00		6,003,694.81	7,594,514.81
Total financial liabilities measured at fair value on an ongoing basis	1,590,820.00		6,003,694.81	7,594,514.81
II. Non-ongoing fair value measurement				
Total financial assets measured at fair value not on an ongoing basis				
Total financial liabilities measured at fair value not on an ongoing basis				

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

(1) Level 1 fair value measurement

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

X. Fair Value Disclosure Management (continued)

(I) The amount of assets and liabilities measured at fair value and the levels of fair value measurement (continued)

1. Year-end fair value of assets and liabilities measured at fair value (continued)

(2) *Level 2 fair value measurement*

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

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

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

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

For futures traded through over-the-counter market, fair value is determined using valuation techniques based on observable commodity futures market data with similar characteristics.

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

For asset management plans for which there is no open market, fair value is determined through quoted net asset values based on the end date of the reporting period.

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

X. Fair Value Disclosure Management (continued)

(I) The amount of assets and liabilities measured at fair value and the levels of fair value measurement (continued)

1. Year-end fair value of assets and liabilities measured at fair value (continued)

(3) Level 3 fair value measurement

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

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

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

X. Fair Value Disclosure Management (continued)

(I) The amount of assets and liabilities measured at fair value and the levels of fair value measurement (continued)

1. Year-end fair value of assets and liabilities measured at fair value (continued)

(3) Level 3 fair value measurement (continued)

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

Item	1 January 2021	Total gains or losses for the year Included in profit or loss	Purchase	Settlement and sale	30 June 2021	For assets held and liabilities assumed at the end of the Period, unrealised gains or losses for the Period included in profit or loss
Financial assets						
Financial assets held for trading						
Included: Investments in debt instruments	122,180,718.27	2,201,689.77	90,000,000.00	93,860,298.45	120,522,109.59	1,522,109.59
Investment in equity instrument	43,426,009.72	1,883,173.60	10,000,000.00	35,723,462.80	19,585,720.52	550,243.05
Derivative financial assets	4,000,444.42	-1,356,011.23			2,644,433.19	2,644,433.19
Subtotal of financial assets	169,607,172.41	2,728,852.14	100,000,000.00	129,583,761.25	142,752,263.30	4,716,785.83
Financial liabilities						
Financial liabilities held for trading						
Including: Financial liabilities designated as at FVTPL		5,508,804.69	80,267,966.75		85,776,771.44	5,508,804.69
Derivative financial liabilities	6,003,694.81	1,347,577.47			7,351,272.28	7,351,272.28
Subtotal of financial liabilities	6,003,694.81	6,856,382.16	80,267,966.75		93,128,043.72	12,860,076.97
Net amount	163,603,477.60	-4,127,530.02	19,732,033.25	129,583,761.25	49,624,219.58	-8,143,291.14

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

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

XI. Related Parties and Transactions with Related Parties

(I) Relations with related parties

1. Controlling shareholder and ultimate controller

(1) *Controlling shareholder and ultimate controller*

Parent name	Place of registration	Business nature	Registered capital	Parent's shareholding percentage of the Company	Parent's voting power percentage of the Company	Ultimate controller of the Company
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Jiangsu Province	Financial investment, industrial investment, operation and management of state-owned assets within the scope of authorization; international trade; housing leasing; production, research and development and sales of cocoon silk, textile and clothing	2,000,000,000.00	30.37%	30.37%	People's Government of Jiangsu Province

(2) *Controlling shareholder's registered capital and its changes*

None.

2. Subsidiaries of the Company

See Note VII. (I) and Note VIII. (I).

3. Associates of the Company

For details of the Company's joint ventures and associates, see Note VIII. (II).

XI. Related Parties and Transactions with Related Parties (continued)

(I) Relations with related parties (continued)

4. Other important related parties

Other related parties	Relation
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Shareholder of the Group/Company
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Shareholder of the Group/Company
Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司)	Shareholder of the Group/Company
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	Wholly owned subsidiary of the Company
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	Wholly owned subsidiary of the Company
High Hope Zhongding Corporation (江蘇匯鴻國際集團中鼎控股股份有限公司)	Subsidiary controlled by a shareholder of the Group/Company
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	Associate of the Group/Company
Jianguo SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO International Group Corporation (江蘇蘇豪國際集團股份有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO Royal Co., Ltd. (江蘇蘇豪尚品有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO Textile Co., Ltd. (江蘇蘇豪輕紡有限公司)	Controlled by the same ultimate holding company
Jiangsu Artall Space Culture Co., Ltd. (江蘇愛濤空間文化有限公司)	Controlled by the same ultimate holding company
Artall Culture Group Co., Ltd. (愛濤文化集團有限公司)	Controlled by the same ultimate holding company
Jiangsu Artall Cultural Industry Co., Ltd. (江蘇愛濤文化產業有限公司)	Controlled by the same ultimate holding company
Jiangsu Shuyi Textile Co., Ltd. (江蘇舒逸紡織有限公司)	Controlled by the same ultimate holding company
Jiangsu Financial Holdings Co., Ltd. (江蘇金融控股有限公司)	Controlled by the same ultimate holding company
Jiangsu Holly Environmental Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司)	Controlled by the same ultimate holding company
Jiangsu Chemical Fertilizer Co., Ltd. (江蘇省化肥工業有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO Assets Operation Group Co., Ltd. (江蘇蘇豪資產運營集團有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO Media Co., Ltd. (江蘇蘇豪傳媒有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO Health Industry Co., Ltd. (江蘇蘇豪健康產業有限公司)	Controlled by the same ultimate holding company
Jiangsu Kanghong Automobile Sales Service Co., Ltd. (江蘇康泓汽車服務有限公司)	Controlled by the same ultimate holding company
Mr./Ms. ZHAO	Close family member of senior management
Mr./Ms. ZHANG	Close family member of senior management
Mr./Ms. CHU	Close family member of senior management

XI. Related Parties and Transactions with Related Parties (continued)

(II) Related party transactions

1. Acceptance of services

Related parties	Related party transaction	Jan-Jun 2021	Jan-Jun 2020
Jiangsu Financial Holdings Co., Ltd. (江蘇金融控股有限公司)	Labour cost		304,426.08
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Service charge	23,815.63	112,455.82
Jiangsu Artall Cultural Industry Co., Ltd. (江蘇愛濤文化產業有限公司)	Decoration and procurement costs	2,657.00	656.00
Jiangsu SOHO Royal Co., Ltd. (江蘇蘇豪尚品有限公司)	Publicity cost		104,732.00
Jiangsu SOHO Media Co., Ltd. (江蘇蘇豪傳媒有限公司)	Conference cost		45,094.34
Jiangsu SOHO Health Industry Co., Ltd. (江蘇蘇豪健康產業有限公司)	Procurement cost		44,601.77
Jiangsu SOHO Textile Co., Ltd. (江蘇蘇豪輕紡有限公司)	Publicity cost		6,600.00
Jiangsu Holly Environmental Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司)	Procurement cost	132.74	141,512.83
Total		26,605.37	760,078.84

2. Provision of services

Related parties	Related party transaction	Jan-Jun 2021	Jan-Jun 2020
Mr./Ms. CHU	Fee income	2,192.06	2,015.17
Jiangsu Chemical Fertilizer Co., Ltd. (江蘇省化肥工業有限公司)	Fee income	174.06	
Total		2,366.12	2,015.17

3. Related lease

Name of Lessor	Type	Jan-Jun 2021	Jan-Jun 2020
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Housing leasing cost	3,162,813.86	
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Right-of-use assets		3,342,299.37
Total		3,162,813.86	3,342,299.37

XI. Related Parties and Transactions with Related Parties (continued)

(II) Related party transactions (continued)

4. Compensation of senior management

Item	Jan-Jun 2021	Jan-Jun 2020
Compensation of senior management	3,244,878.72	1,513,239.79

5. Borrowings from related parties

(1) Borrowings from related parties

Related party	Jan-Jun 2021			Ending balance
	Beginning balance	Current increase	Current decrease	
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)		50,000,000.00		50,000,000.00
Total		50,000,000.00		50,000,000.00

(2) Interest on borrowings from related parties

Related party	Jan-Jun 2021	Jan-Jun 2020	Descriptions
Interest expenses for funds borrowed from related parties	916,666.67		The 21st meeting of the Third Board of Director of the Company considered and passed the Motion on the Application of Holly Capital Management Co., Ltd. (弘業資本管理有限公司) to Borrow from Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司), under which, the Board agreed on the borrowing amount RMB50 million, at interest rate 6%, due in half a year.

6. Other related party transactions

Related party	Item	Content of related party transaction	January-June 2021	January-June 2020
Jiangsu SOHO Asset Operation Group Co., Ltd. (江蘇蘇豪資產運營集團有限公司)	N/A	Net investment/disposal of in asset management plans	-10,000,000.00	

XI. Related Parties and Transactions with Related Parties (continued)

(III) Related party transaction balance

1. Amounts due to related parties

Item	Related parties	30 June 2021	31 December 2020
Other payable	Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	3,941,000.00	3,791,000.00
Other payable	Jiangsu SOHO International Group Corporation (江蘇蘇豪國際集團股份有限公司)	50,916,666.67	
Currency deposits payable	Mr./Ms. CHU	2,481,655.18	2,314,711.34
Currency deposits payable	Mr./Ms. ZHANG	1,134.49	1,134.49
Currency deposits payable	Jiangsu SOHO International Group Corporation (江蘇蘇豪國際集團股份有限公司)	1,001.00	1,001.00
Currency deposits payable	High Hope Zhongding Corporation (江蘇匯鴻國際集團中鼎控股股份有限公司)	1,001.00	1,001.00
Currency deposits payable	Jiangsu Chemical Fertilizer Co., Ltd. (江蘇省化肥工業有限公司)	1,254,801.50	101,101.00
Currency deposits payable	Artall Culture Group Co., Ltd. (愛濤文化集團有限公司)	1,500.00	1,500.00

2. Amount due from related parties

Item	Related party	30 June 2021	31 December 2020
Prepayments	Jiangsu Holly Corporation (江蘇弘業股份有限公司)		453,350.32

3. Others

Related party	Item	Related party transaction	30 June 2021	31 December 2020
Jiangsu SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司)	Financial assets held for trading	Wealth management product	1,905,263.10	8,446,452.00

XII. Contingent Events

1. Significant pending litigation or arbitration

- (1) In September 2017, two customers of the Company, Mr./Ms. JIAO and Mr./Ms. XING, filed a lawsuit against the Company's Beijing office with the Beijing Dongcheng District People's Court, in respect of a dispute over a contract for entrusted wealth management, alleging that a former employee of the Company marketed wealth management products to him/her, the Beijing office's transfer of the customer's account funds to the Beijing office account for unauthorized futures transactions resulted in a total loss of the customer's account funds.

Mr./Ms. JIAO's claims: (1) the defendant should return the wealth management deposit in the amount of RMB8,352,495 plus interest; and (2) the defendant should bear all the legal costs. Mr./Ms. XING's claims: (1) the defendant should return the wealth management deposit in the amount of RMB1,500,000 plus interest; and (2) the defendant should bear all the legal costs. On 6 November 2018, the Company received the first-instance civil judgment from the Beijing Second Intermediate People's Court, which rejected all the customer's claims. On 26 December 2019, the Company received the second-instance civil ruling from the Beijing Higher People's Court, in which the Court ruled to revoke the first-instance judgment and sent it back to the Beijing Second Intermediate People's Court for retrial. In April 2021, the Beijing Second Intermediate People's Court made a judgment and ordered the Company's Beijing Office to compensate Mr./Ms. JIAO and Mr./Ms. XING respectively for investment losses of RMB1,670,100 and RMB299,800, and ordered Mr./Ms. JIAO and Mr./Ms. XING to bear all the legal costs. The Company has filed an appeal and is currently in the process of the second instance.

As of 30 June 2021, the Company made provision for the above-mentioned judgment loss with an estimated liability of RMB1,969,920.97, in prudent consideration of various factors.

- (2) On 29 April 2020, the plaintiff Mr./Ms. DAI filed a lawsuit against the Company and its employee Mr./Ms. HU, with Nanjing Qixia District People's Court, in respect of a dispute over tort liability, claiming that (1) Mr./Ms. HU should compensate the plaintiff for the investment loss RMB4,002,240 plus the handling fee RMB1,686,710, totaling RMB5,688,950; (2) the Company should bear joint and several liability for compensation; and (3) the defendant should bear all the legal costs. The case will be on trials on 20 July and 24 September 2020 respectively. As of 30 June 2021, the lawsuit is still in the process of first instance.

Based on relevant facts and the opinions of legal counsel, the Company believes that there is no need to provide for estimated liabilities.

XII. Contingent Events (continued)

1. Significant pending litigation or arbitration (continued)

- (3) In December 2020, Holly Capital Shanghai Branch filed a lawsuit to the Qinhuai Court of Nanjing (this case has been transferred to Jiangyin Municipal People's court for jurisdiction in accordance with the notice issued by Jiangsu Provincial Higher People's court to intermediate people's courts throughout the province on 31 August 2020). The claims of the case are as follows: request Hanbang (Jiangyin) Petrochemical Co., Ltd. (漢邦(江陰)石化有限公司) ("Hanbang Petrochemical") to repay RMB10,713,048.00 and interest and bear all litigation fees such as appeal fees and preservation fees. The Jiangyin Municipal People's court made a judgment on 2 July 2021, ruling that Holly Capital Shanghai Branch enjoys RMB10,713,048.00 and interest. The Jiangyin Municipal People's court issued (2021) Su 0281 Po No. 8 "Decision Letter" on 3 February 2021. Hanbang Petrochemical is currently in the stage of bankruptcy and reorganization with Jiangsu Mousheng Lawfirm as the administrator. Holly Capital has submitted the debt declaration documents. On 14 July 2021, the administrator of Hanbang Petrochemical made a review opinion on the claims of Holly Capital Shanghai Branch with a principal amount of RMB10,713,048 and an interest of RMB48,590.28 and a total claim amount of RMB10,761,638.28.

Based on the relevant facts and the principle of prudence, the Company made a single provision for bad debts of RMB9,106,090.80 in the 2020 financial statements.

Except for the above-mentioned matters, as of 30 June 2021, the Group had not been involved in any major legal, arbitration or administrative litigation that may have a material adverse effect on the financial status and operating results of the Group.

2. Other contingent events

As of 30 June 2021, the Group had no other contingencies to be disclosed.

XIII. Commitments

1. Signed foreign investment contracts not fulfilled or not fulfilled in full:

Capital commitment	30 June 2021	31 December 2020
Signed contracts not fulfilled	42,000,000.00	42,000,000.00
Authorized contracts not signed	78,000,000.00	78,000,000.00
Total	120,000,000.00	120,000,000.00

XIV. Subsequent Events

The Company held the 23rd Meeting of the Third Session of the Board on 21 May 2021, which considered and approved the Resolution in relation to the Capital Increase of Holly Capital and agreed to increase the capital of Holly Capital with a total amount of RMB260 million. The capital increase is implemented in two phases within two years, of which the first phase of capital increase amounted to RMB150 million and the second phase of capital increase amounted to RMB110 million. The first phase of capital increase was completed on 23 August 2021.

Save for the above, the Group has no other subsequent events.

XV. Other important matters

(I) Segment reports

The Group has two reporting Segments, 1) Futures Brokerage and Asset Management Business Division, and 2) Commodity Trading and Risk Management Business Division. Each reporting division is a separate business division that offers different products and services. As each division requires different technologies and market strategies, it needs to be managed separately.

The Futures Brokerage and Asset Management Business Division participates in the transactions of commodity futures and financial futures on behalf of customers. Meanwhile, it participates in the development and sales of asset management products and services based on the asset size and customer demands. In addition, this division also operate investment activities in asset management plans, bank wealth management products, listed and unlisted securities, trust schemes, funds, and derivative financial instruments.

The Commodity Trading and Risk Management Business Division participates in the provision of bulk commodity purchase and resale, futures arbitrage, basis trading and hedging services.

Division operating results refer to the income generated by each business division (including foreign transaction income and inter-divisional transaction income), deducting the expenses incurred by each division, the depreciation, amortization and impairment of assets attributable to each division, the net amount of bank deposits and bank borrowings directly attributable to a division after the net interest expenses incurred. The transfer pricing of revenue between the two divisions is calculated on terms similar to other external transactions. The Group did not allocate non-operating income and expenditure and income tax expenses to each division.

XV. Other important matters (continued)

(I) Segment reports (continued)

1. Segment reports of profit (loss), assets and liabilities by business type

1) Jan-Jun 2021 reporting segment

Item	Futures Brokerage and Asset Management Business Division	Commodity Trading and Risk Management Business Division	Offset between divisions	Total
External operating income	205,380,958.47	572,396,006.02		777,776,964.49
Inter-divisional operating income	-28,296,347.08	26,322,694.78	1,973,652.30	
Operating expenses	-123,893,796.17	-591,696,861.05		-715,590,657.22
Non-operating income and expenditure	-1,710,410.55	-50,000.00		-1,760,410.55
Gross profit	51,480,404.67	6,971,839.75	1,973,652.30	60,425,896.72
Income tax expense	13,360,280.36	1,764,178.67		15,124,459.03
Net profit	38,120,124.31	5,207,661.08	1,973,652.30	45,301,437.69
Total assets	7,160,709,756.71	387,467,085.35	-213,074,841.45	7,335,102,000.61
Total liabilities	5,766,132,563.07	130,127,014.22	-206,066,237.73	5,690,193,339.56
Other important items:				
Incl.: Net interest income	37,533,860.66	892,368.45		38,426,229.11
Depreciation and amortization	10,583,486.21	11,267.04		10,594,753.25
Increase in non-current assets other than long-term equity investment	2,286,188.24			2,286,188.24

XV. Other important matters (continued)

(I) Segment reports (continued)

1. Segment reports of profit (loss), assets and liabilities by business type (continued)

2) Jan-Jun 2020 reporting segment

Item	Futures Brokerage and Asset Management Business Division	Commodity Trading and Risk Management Business Division	Offset between divisions	Total
External operating income	169,213,655.41	469,766,936.50		638,980,591.91
Inter-divisional operating income	31,992.81	-31,992.81		
Operating expenses	-109,325,851.66	-471,899,437.36		-581,225,289.02
Non-operating income and expenditure	-642,140.21	-11,525.69		-653,665.90
Gross profit	59,277,656.35	-2,176,019.36		57,101,636.99
Income tax expense	-14,071,325.31	557,392.45		-13,513,932.86
Net profit	45,206,331.04	-1,618,626.91		43,587,704.13
Total assets	6,923,385,774.11	299,325,211.22	-168,267,500.20	7,054,443,485.13
Total liabilities	5,538,216,754.84	47,706,834.44	-168,267,500.20	5,417,656,089.08
Other important items:				
Incl.: Net interest income	41,724,817.06	34,849.08		41,759,666.14
Depreciation and amortization	13,631,222.23	8,988.59		13,640,210.82
Increase in non-current assets other than long-term equity investment	5,058,742.99	4,246.90		5,062,989.89

XV. Other important matters (continued)

(I) Segment reports (continued)

2. Segment reports of profit (loss), assets and liabilities by geographic region

The Group's external transaction income by region is listed below. External transaction income is classified by the location of the clients who accepted services or bought products from the Group.

Item	Total external transaction income	
	Jan-Jun 2021	Jan-Jun 2020
Mainland China	776,492,783.64	627,273,657.25
Hong Kong, China	1,284,180.85	11,706,934.66
Total	777,776,964.49	638,980,591.91

(II) As of 30 June 2021, the Group had no other important matters to be disclosed.

XVI. Notes to Parent's Financial Statements

1. Long term equity investment

(1) Long term equity investment breakdown

Item	30 June 2021	31 December 2020
Investment in subsidiaries	396,242,079.81	396,242,079.81
Investment in joint ventures or associates	11,444,631.41	11,431,418.75
Total long term equity investment	407,686,711.22	407,673,498.56
Less: Provision for long term equity investment impairment		
Net long term equity investment	407,686,711.22	407,673,498.56

XVI. Notes to Parent's Financial Statements (continued)

1. Long term equity investment (continued)

(2) Investment in subsidiaries

Invested company	Balance at 31 December 2020	Current increase	Current decrease	Balance at 30 June 2021	Provision for impairment in 2020	Provision for impairment as at 30 June 2021
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	240,000,000.00			240,000,000.00		
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	156,242,079.81			156,242,079.81		
Total	396,242,079.81			396,242,079.81		

(3) Investment in joint ventures or associates

Invested company	Amount at 31 December 2020	Current changes							Amount at 30 June 2021	Provision for impairment as at 30 June 2021	
		Additional investment	Reduced investment	Investment gain/loss recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declared distribution of cash dividend or profit	Provision for impairment			Other
Associates											
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代 創業投資有限公司)	5,379,849.71			7,279.26						5,387,128.97	
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業 投資有限公司)	6,051,569.04			5,942.16	-8.76					6,057,502.44	
Total	11,431,418.75			13,221.42	-8.76					11,444,631.41	

2. Net handling fee and commission income

(1) Net handling fee and commission income breakdown

Item	Jan-Jun 2021	Jan-Jun 2020
Net brokerage fee income	108,465,997.42	66,501,577.63
Asset management business income	6,549,814.18	4,300,813.33
Total	115,015,811.60	70,802,390.96

XVI. Notes to Parent's Financial Statements (continued)

2. Net handling fee and commission income (continued)

(2) By administrative region

Administrative region	Jan-Jun 2021		Jan-Jun 2020	
	Number of branches	Fee income	Number of branches	Fee income
Jiangsu Province	21	87,575,219.96	21	50,130,682.94
Fujian Province	2	3,353,665.76	2	5,329,290.49
Shanghai	2	4,805,347.49	2	1,609,545.48
Zhejiang Province	2	3,215,489.48	2	2,940,309.98
Henan Province	1	2,275,334.06	1	1,943,810.89
Guangdong Province	3	1,659,045.39	3	1,122,356.74
Beijing	2	1,179,402.59	2	1,112,851.53
Shandong Province	2	1,985,290.59	2	890,834.21
Shaanxi Province	1	1,779,901.00	1	746,715.46
Anhui Province	2	1,495,721.93	2	995,018.01
Liaoning Province	2	1,454,050.77	2	711,179.75
Guangxi Province	1	978,175.83	1	732,291.93
Hunan Province	1	1,252,965.13	1	869,809.47
Chongqing	1	556,359.05	1	471,330.51
Sichuan Province	1	320,398.62	1	414,326.27
Shanxi Province	1	718,058.76	1	468,308.93
Hainan Province	1	411,385.19	1	313,728.37
Total	46	115,015,811.60	46	70,802,390.96

XVI. Notes to Parent's Financial Statements (continued)

3. Net interest income

Item	Jan-Jun 2021	Jan-Jun 2020
Interest income		
Incl.: Interest income from customer fund deposits	34,159,531.95	33,791,376.85
Interest income from own fund deposits	4,199,936.30	7,329,499.82
Interest income from repurchase agreements	82,418.01	711,903.94
Total interest income	38,441,886.26	41,832,780.61
Interest expense		
Incl.: Interest expense on sale and repurchase	447,925.30	365,062.92
Total interest expense	447,925.30	365,062.92
Net interest income	37,993,960.96	41,467,717.69

4. Investment gains

(1) Investment gains breakdown

Item	Jan-Jun 2021	Jan-Jun 2020
Long term equity investment gains calculated with cost method		
Long term equity investment gains calculated with equity method	13,221.42	-736,982.63
Incl.: Gains on the investment in associates	13,221.42	-736,982.63
Gains on the investment in joint ventures		
Proceeds from disposal of long term equity investment		
Financial instrument investment gains	15,601,373.41	19,927,735.78
Incl.: Grains on financial instrument during holding period	8,943,780.73	6,546,879.22
– Financial instrument held for trading	8,943,780.73	6,546,879.22
Proceed of disposal	6,657,592.68	13,380,856.56
– Financial instrument held for trading	6,657,592.68	13,380,856.56
Total	15,614,594.83	19,190,753.15

XVI. Notes to Parent's Financial Statements (continued)

4. Investment gains (continued)

(2) Gains from investment in associates

Item	Jan-Jun 2021	Jan-Jun 2020
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	7,279.26	-1,045,661.11
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	5,942.16	308,678.48
Total	13,221.42	-736,982.63

(3) There is no significant restriction on repatriation of investment gains.

5. Gains from changes in fair value

Item	Jan-Jun 2021	Jan-Jun 2020
Financial assets held for trading	7,027,445.75	22,453,643.19
Incl.: Financial assets at fair value through profit or loss	7,027,445.75	22,453,643.19
Total	7,027,445.75	22,453,643.19

XVII. Approval of Financial Report

This Financial Report was approved by the Board of Directors of the Company on 26 August 2021.