



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

2022
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
Articles of Association	the Articles of Association of Holly Futures Co., Ltd. currently in force, as amended, supplemented or otherwise modified from time to time
A Shares	domestic listed ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the Shenzhen Stock Exchange (Stock Code: 001236)
A Share Offering	initial public offering of 100,777,778 A Shares of the Company which are listed on the Main Board of the Shenzhen Stock Exchange on 5 August 2022
A Shareholders	holders of A Shares
AUM	the amount of assets under management
Board	the board of directors of the Company
Chairman	the chairman of the Company
Chief Risk Officer	the chief risk officer of the Company
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 and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the Main Board of the Shenzhen Stock Exchange, respectively
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
Controlling Shareholder	SOHO Holdings unless the context requires otherwise
Corporate Governance Code	The Corporate Governance Code contained in Appendix 14 of the Listing Rules of Hong Kong Stock Exchange
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. As mentioned in the announcement of the Company dated 4 August 2022, the Company completed the A Share Offering, all of its 657,300,000 domestic shares were converted into the same number of A shares

end of Reporting Period	30 June 2022
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
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), Zhengzhou Commodity Exchange (鄭州商品交易所), Shanghai International Energy Exchange (上海國際能源交易中心), Guangzhou Futures Exchange (廣州期貨交易所)
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
H Share Offering	global offering of 227,000,000 H Shares offered by the Company and 22,700,000 H Share offering by the selling shareholders which are listed on the Hong Kong Stock Exchange on 30 December 2015
H Shares Prospectus	the prospectus in relation to the H Share Offering published on 16 December 2015
H Shareholders	holders of H Shares
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 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 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 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
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 Rules of Hong Kong Stock Exchange	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
Listing Rules of Shenzhen Stock Exchange	the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (2022 Revised)
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 of Hong Kong Stock Exchange
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 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 Region
R&D	research and development
Report	the interim report for 2022 of the Company
Reporting Period	the six months ended 30 June 2022
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 as of the end of the Reporting Period and A Share(s) and H Share(s) of the Company since 5 August 2022
Shareholder(s)	holder(s) of the Shares
Shenzhen Stock Exchange	the Shenzhen Stock Exchange
SOHO Holdings	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) (formerly known as Jiangsu Silk Group Company Limited (江蘇省絲綢集團有限公司)), a wholly state-owned limited liability company established under the laws of the PRC on 29 April 1994, which is the Controlling Shareholder and one of the promoters of the Company
Supervisor(s)	supervisor(s) of the Company
Straddling buy and sell positions	a behavior of two parties to the transaction acting as sellers and buyers respectively to issue a transaction entrustment order to securities or futures brokers and complete the transaction in accordance with the agreed types of transaction, price, quantity

Company Profile

I. COMPANY INFORMATION

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. LEGAL REPRESENTATIVE

Ms. Zhou Jianqiu

3. AUTHORISED REPRESENTATIVES OF THE COMPANY

Ms. Zhou Jianqiu and Mr. Huang Haiqing

4. REGISTERED CAPITAL

RMB907,000,000 as of the end of the Reporting Period; RMB1,007,777,778 since 5 August 2022

5. QUALIFICATIONS FOR BUSINESSES IN CHINA

Commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management, sales of funds, trading participant for stock options, inter-bank bond transactions

6. 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

7. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

II. List of Board, Supervisory Committee and Special Committees

8. The 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. Huang Dechun Mr. Lo Wah Wai

9. The Special Committees of the Board

Audit Committee	Mr. Lo Wah Wai (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

10. SUPERVISORY COMMITTEE

Ms. Yu Hong (Chairlady of the Supervisory Committee)
Mr. Chen Liang
Ms. Yao Aili

III. CONTACT DETAILS

11. 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

12. JOINT COMPANY SECRETARIES

Mr. Huang Haiqing and Ms. Chan Yin Wah

IV. OTHER INFORMATION

13. STATUTORY AUDIT INSTITUTIONS OF THE COMPANY

ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥))

Public Interest Entity Auditor recognised in accordance with the Financial Reporting Council Ordinance

14. LEGAL ADVISERS OF THE COMPANY

As to Hong Kong Law: Chung's Lawyers in association with DeHeng Law Offices

As to PRC Law: Allbright Law Offices Nanjing

15. PRINCIPAL BANKERS

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

V. SUMMARY OF THE COMPANY STOCKS

Type of stocks	Stock exchanges	Stock code	Share registrars
A Shares	Shenzhen Stock Exchange	001236	China Securities Depository and Clearing Corporation Limited Shenzhen Branch
H Shares	Hong Kong Stock Exchange	03678	Computershare Hong Kong Investor Services Limited

Financial Summary

I. Major accounting data and financial indicators

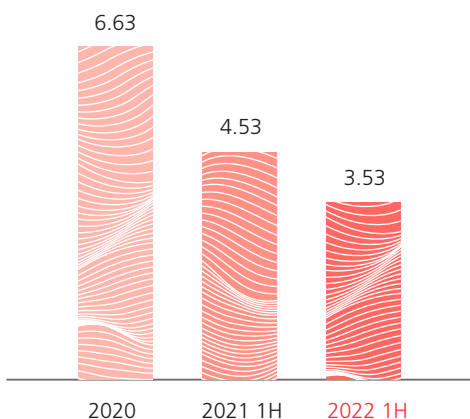
Unless otherwise specified, the accounting data and financial indicators contained in this report are prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, financial data are presented in whole figure. Difference exists in the mantissa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

RMB 0'000			Change in current period as compared to the prior period	
	Jan-Jun 2022	Jan-Jun 2021	Change in amount	Change
Operating income	75,474	77,778	-2,304	-3%
Total profit	4,603	6,043	-1,440	-24%
Net profit-attributable to Shareholders of the Company	3,525	4,530	-1,005	-22%
Net cash inflow from operating activities	338,682	28,891	309,791	1,072%
Earnings per Share (RMB/Share)				
Basic earnings per Share	0.0389	0.0499		
Diluted earnings per Share	0.0389	0.0499		
Profitability indicators				
Weighted average return on net assets (%)	2.07%	2.73%		

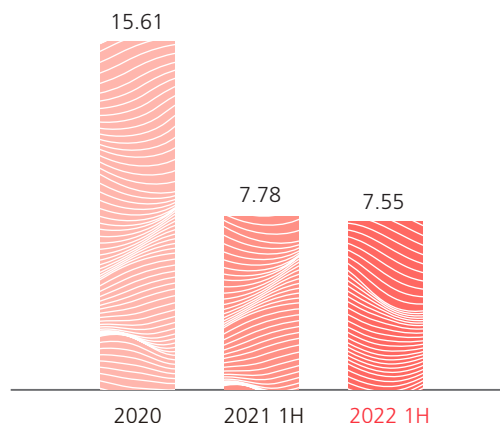
Scale indicators (RMB 0'000)			Change in the end of the current period as compared to the end of the prior year	
	As of 30 June 2022	As of 31 December 2021	Change in amount	Change
Total assets	1,236,612	808,310	428,302	53%
Total liabilities	1,064,301	640,093	424,208	66%
Customers' equity payable	1,001,135	593,063	408,072	69%
Equity attributable to Shareholders of the Company	172,311	168,217	4,094	2%
Total share capital (0'000)	90,700	90,700		
Net assets value per share attributable to Shareholders of the Company (RMB per share)				
	1.90	1.85		
Gearing ratio (%)^{Note 1}	27%	22%		

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

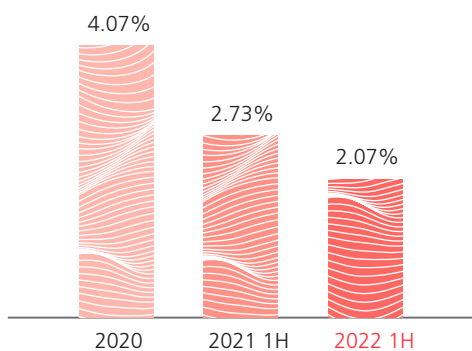
Net profit-attributable to shareholders of the Company (RMB 10 million)



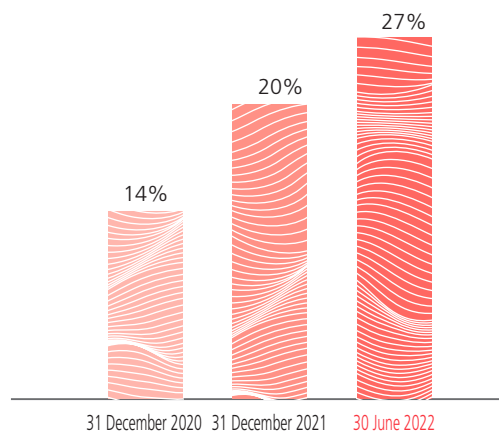
Operating income (RMB100 million)



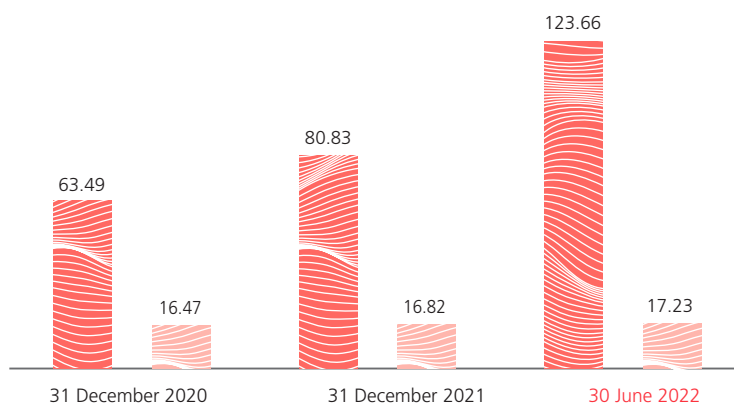
Weighted average return on net assets



Gearing Ratio (Excluding customer equity payable)



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 2022 amounted to RMB760 million, representing an increase of RMB51 million as compared with RMB709 million as at the end of 2021. During the Reporting Period, various risk control indicators of the Company including the Net Capital met the regulatory requirements. (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 of the PRC)

	As of 30 June 2022	As of 31 December 2021	Warning level	Minimum/ Supervision level
Net Capital (RMB million)	760	709	36	30
Net Capital/total risk capital reserves (%)	168%	209%	120%	100%
Net Capital/net assets (%)	44%	42%	24%	20%
Current assets/current liabilities (%)	515%	526%	120%	100%
Total liabilities/net assets (%)	21%	21%	120%	150%
Proprietary settlement reserve funds (RMB million)	311	386	–	10

Management Discussion and Analysis

I. Overall Operating Conditions

Since 2022, in view of the complex and severe international environment and the spread of pandemic across China, the adverse impact has increased significantly. The unexpected factors that have had a severe impact have posed unprecedented challenges to the business development of the Company. Faced with an exceptionally complex and difficult situation, under the strong leadership of the Board, the Company focused on the three major issues of “preventing the pandemic, stabilizing the economy, and realizing development security”, insisted on taking the lead in stability and seeking progress in the midst of stability, strengthened its responsibility, withstood tremendous pressure, overcame numerous difficulties, strived hard and forged ahead, and successfully landed on the A-share market and achieved a smooth listing in both H+A markets.

The Group engages in the futures industry. The operating results of futures companies are correlated with the trend of the securities and futures market, and the operating income and profit level of the futures industry are strongly cyclical due to the macroeconomic impact. The Company's futures business is also dependent on and benefits from China's economic growth and the development and performance of China's capital markets, which are affected by various factors such as the economic environment, regulatory policies, investors' risk appetite and international markets. In the first half of 2022, due to the impact of macro factors such as financial market conditions, the Group experienced a certain decline in its operating results. As of 30 June 2022, total assets of the Group amounted to RMB12,366 million, representing an increase of 53% as compared to the beginning of the period. Net assets attributable to the Group amounted to RMB1,723 million, representing an increase of 2% as compared to the beginning of the period. In the first half of 2022, the Company achieved a 0.64% share in market turnover. Our operating income decreased 3% year-on-year; net profit decreased 22% year-on-year; total profit decreased 24% 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 by 69% as compared to the beginning of the period. Turnover from brokerage and brokerage transaction volume decreased by 32% and 31.42% year-on-year respectively. The Company was awarded the “Civilized Unit of Jiangsu Province” (江蘇省文明單位), the “Excellent Member Prize” (優秀會員獎) by Shanghai Futures Exchange, and the “Excellent Member Prize” (優秀會員獎) by Dalian Commodity Exchange. Holly Asset Management, a subsidiary of the Company was awarded the “Excellent Futures Market Maker” (優秀期貨做市商) by Zhengzhou Commodity Exchange.

II. Analysis of Principal Businesses

The Company's business scope includes: commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management and fund sales. In addition, the Company is also engaged in financial asset investment business. Holly Capital, a wholly-owned subsidiary of the Company, is principally engaged in commodity trading and risk management business. Holly International Financial, a wholly-owned subsidiary of the Company, is principally engaged in offshore securities and futures trading services.

With the continuous deepening of reform in the capital market, the expansion of the new pattern of two-way opening of the financial market, the accelerated penetration of financial technology into the futures industry and the increasingly fierce competition in the market, the traditional profit model and business practices of futures companies are facing challenges. The Company continued to facilitate business innovation activities and promote new businesses, new products, services and management models to continuously enhance its innovation capabilities. The launch of innovative business is a supplement to the existing product lines and business scope, which can effectively release business space, expand customer resources and revenue sources to enhance profitability. It is also conducive to improving customer structure and business operation mode to satisfy all-round and diversified business needs of customers, thereby further enhancing its brand influence.

(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 2022, the Company had 45 branches and sub-branches located in several municipalities, in Jiangsu Province, and in other economically developed cities in the PRC.

For the first half of 2022, the futures brokerage business of the Company was maintained at a fairly good level. As of 30 June 2022, the Company's client balance amounted to RMB10.011 billion, representing an increase of 69% as compared to RMB5.931 billion as at the end of 2021. The turnover (bilateral statistics, the same below) from brokerage of the Company amounted to RMB3,302.663 billion, representing a year-on-year decrease of 32% as compared with RMB4,856.839 billion for the same period of 2021. The brokerage volume of the Company amounted to 42,927,300 lots, representing a decrease of 31% as compared to 62,593,400 lots for the same period of 2021, with a market share of 0.64%. The handling fees of the Group from futures brokerage business amounted to RMB142 million, representing a year-on-year increase of 5% as compared with RMB135 million in the corresponding period of 2021.

(2) Asset management business

As of 30 June 2022, the Company's AUM amounted to RMB23.506 billion, representing a decrease of 0.37% compared to RMB23.593 billion as at the end of 2021, remaining in the top three in the futures industry. The asset management business recorded a handling fee income of RMB4.44 million, representing a decrease of 29% as compared to the same period of 2021. As the manager of asset management plans, the Company developed six new products, of which two were collective products and four were one-to-one special account products, which is higher than the industry average. In addition, as the investment advisor of private equity products, the Company developed one new product. A total of 34 asset management products are in operation.

The Company has continued to enhance the realization of its asset management products and services and increase its business innovation. In line with the regulatory trend in the industry, the Company focused on the management effectiveness of compliance and risk control and actively built a diversified business system, striving to promote the transformation towards active management business. In the first half of 2022, the Company's asset management centre issued its first tranche of asset management product on specialized themes, with another record high actual return for quantitative CTA-type products. Riding on the solid returns of FOF products in the past two years, the Company has increased the number of issuance of FOF-type products with trust companies, private equity companies and other partners by taking up the role of investment advisor.

(3) Commodity trading and risk management business

In the first half of 2022, Holly Capital overcame various difficulties and further strengthened its team, achieving operating revenue of RMB606 million from January to June, and total profit of RMB10.36 million. With a stable team in both its spot and futures trading businesses, risk control was further improved. As for variation basis trading business, the Company steadily promoted the integration of production and research with more effort put into cooperation with physical entities, and formed industrial synergy through sharing of resources and complementary advantages, thereby achieving a matching spot trade amount of RMB588 million. The over-the-counter options business was developed steadily, with industrial customers accounting for over 50% and notional principal amount of new transactions of RMB6.1 billion, representing an increase of 200% compared with that of the corresponding period last year, serving 22 small and medium-sized enterprises with a trading volume of RMB3 billion. As for market making business, the Company was awarded as an excellent futures market maker by the ZCE by continuing to optimize the market-making strategies and trading system. 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 Company focused on the national strategy and responded to the call of the central government and the industry, continued to promote the revitalization of villages with "Insurance + Futures" projects and made a number of achievements in the first half of the year.

1. Obtained approval for a number of "Insurance + Futures" projects from exchanges. The Company has successfully participated in three soybean county projects in the DCE, established three live pig price decentralization pilot projects and successfully obtained approval of two rubber projects in Mengla County in Yunnan and Chengmai County in Hainan from the SHFE. Of which, this is the fourth year that the Company has carried out the project in Mengla County in Yunnan, continuing to consolidate the achievements of poverty alleviation. The Company has also awarded the ZCE's apple new agricultural entity innovation project in Huanglong County in Shaanxi and the peanut project in Liaoning.
2. Achieved greater breakthroughs in commercial projects. This year, a total of 35 commercial projects involving soybeans, corn, eggs and live pigs were implemented in Jiangsu Xuzhou, Guizhou Hezhang, Xinjiang, Heilongjiang, with an insured value of over RMB100 million.
3. Promoted the implementation of the policy-based "Insurance + Futures" projects in Jiangsu Province. On 28 June 2022, the Company cooperated with insurance companies in Xuzhou and Huaian to implement the first batch of financially subsidized live pig "Insurance + Futures" projects in the province, which are the first to test the principle of "government-led, financially subsidized, market-operated", and are an innovative model of financial and fiscal linkage to serve the revitalization of villages in Jiangsu Province. The projects have received widespread publicity and attention.

(4) Financial assets investment business

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 2022, the Group achieved disposition and dividend gains of RMB-10.26 million from financial assets investment business. This was mainly due to the impact of financial market volatility in the first half of 2022, which resulted in a certain level of losses on some of the financial assets invested by the Company.

(5) Overseas financial services business

In the first half of 2022, the equity of Holly International Financial's futures business grew by 41.05% year-on-year; the assets of securities business grew by 339.72% year-on-year; and the fund management scale grew by 16.86% year-on-year. Through the introduction of a quality business team, the Company's securities business has improved across the board in terms of equity, turnover and fee income. The Company will continue to deepen its corporative relationship with existing clients and further expand its business scale by focusing on clients' needs, providing differentiated services and helping client grow and develop their businesses. The US stock trading function was also launched.

(6) Fund sales business

The Company newly added 251 agency fund products, increasing the total number of agency fund products to 1,783, with scale of fund sales grew by 137% year-on-year to RMB166 million from January to June 2022. The Company screened quality private equity fund managers and conducted 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. The online account opening and redemption module for institutional clients were officially launched and are available for use.

III. Outlook and Future Plans

The overall development strategy of the Company is: striving to become an international listed financial company with “more improved mixed ownership system, more flexible organisations and mechanisms and more effective risk management and control”.

The Company will focus on five cores of brokerage business, risk management, wealth management, asset management and international business on the premise of well-managed and well-controlled of risks and continue on its expansion of both online and offline “platforms” to leverage the Company’s licensing advantages in risk management, asset management and international business, accelerate innovation development and explore the development of futures derivatives investment banking business. The Company will also continue to expand the breadth and depth of the Company’s “five in one” service model for the real economy, make full use of the “horse racing” mechanism for win-win cooperation, and strive to build a comprehensive derivatives service system that meets the needs of futures options, OTC, spot futures, domestic and overseas market, facilitating the transformation of the Company from a platform service provider to an integrated professional investment banking provider.

The Company will highlight the two main lines of deepening reform and upgrading, releasing dividends through reform to promote healthy development of the enterprise, and seek opportunities through transformation to promote sustainable development of the enterprise. With enhancing its core competitiveness as its goal, the Company will deepen reform, transformation and upgrade to further optimize the allocation of resources and adjust the industrial structure, promoting and safeguarding the quality development of the Company.

The Company will focus on the following tasks.

(1) All round deepening of 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. Continued deepening of reforms. The Company has successfully returned to the A-Share market, and has become the first “A+H” list company among the industry. The Company has completed the three-year action of state-owned enterprise reform with high quality. Taking the A Shares Offering as an opportunity, the Company will make full use of the proceeds, strive to improve the quality and efficiency of our main business and enhance the contribution of our innovative business, laying a solid foundation for share price maintenance. The Company will also increase the R&D and application of financial technology to enhance customer experience and asset management, transforming into a fin-tech enterprise. By further studying the pathways and methods of platforms of listed companies, the Company will provide adequate capital protection for strengthening talents, risk control, technology and R&D.
2. Our construction of the cadre force will be comprehensively strengthened. The Company has always adhered to the development concept of “people-oriented and talent-based corporation” by implementing the contractual reform of the managerial staff and the implementation plan of the tenure system to fully stimulate the vitality and creativity of the managerial staff and enhance the market-oriented and modernized operation of the enterprise. The Company has also adhered to the employment concept of “promotion and demotion” and normalized the training for the middle management by selecting key personnel with strong political background, outstanding performance, excellent moral character and positive personality to take up middle management positions, while demoting middle management cadres who are unable to adapt to market competition. By improving the two-way flow of human resources, a sound talent competition mechanism and competitive atmosphere will be formed.

(2) 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 “online and offline” platform, 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” 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. Taking the “Product-based Business Department”, 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. We will also improve and refine the assessment mechanism of the sales department so that its business development will be based on a two-wheel drive model of wealth management and institutional business. On top of its brokerage business, the Company will develop a diversified wealth management business featuring derivatives and a diversified institutional business with risk management as its core, nurturing the market from the ground up, optimising investor education and establishing a platform for the integration of industry and finance. We will also explore the establishment of a “professional, digital and scenario-based” investment education platform and allow investment education to be directly linked to the cultivation of industrial client market through the innovative “online + offline” investment education approach. We will promote the building a well-known brand in investment education based on our advantageous species, while setting up provincial “investor education” bases and seeking the opportunity to set up national “investor education” bases, bring the investment education work to a higher and deeper level.

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 highly rated bonds, arbitrage, FOF and CTA strategies, the Company insists on training and recruiting talents to enhance its independent management capability and build an asset management business team with its own characteristic.
3. The risk management business strives to make new breakthroughs. The Company will vigorously develop commodity dealers with futures risk management 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. By continuously adapting to market changes, will continue to expand the scale of agency sales of public funds, increase fund promotion and training, and adhere to the bottom line of compliance, promoting quality business development with an intelligent and professional online and offline integration model. We will promote private placement agency sales business to build a diversified financial and strategic product system and a sound differentiated service model to continuously enhance user loyalty and favorability. We will also 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, futures 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 management teams 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 CSRC 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 collaborate with other Hong Kong financial institutions to develop IPO and bond underwriting businesses.

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

1. Focus on “technology empowerment” to build a digital platform. The Company is committed to the R&D and investment in financial technology. With cloud computing as the basis and intelligence as the goal, the Company will conduct project development, system optimization, cloud platform construction and system operation and maintenance. 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. The financial technology department is committed to building a new media matrix to provide innovative services at “zero distance”. Of which, the official account of the Company has expanded in audience size and the video account of the Company has continued to post quality videos, and the “Holly Futures Pioneer” WeChat account and the “Holly Futures Investment Education Base” WeChat public account have been created. The Company has also promoted the strategy of “Technology of Holly Futures” and developed an application for Holly Futures to provide 7*24-hour information and fast access to basic business transactions. 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. To better serve our customers, the Company launched the mobile CRM – Holly Futures Zhike (弘業知客). The Information Technology Department continued to strengthen its financial technology capabilities and enhance customer experience by focusing on data centre optimization, core system upgrade and system security maintenance.
2. Bring together “investment and research capabilities” to create value through research. 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. The Company will focus on enhancing R&D capabilities and conduct forward-looking research on “carbon peaking and carbon neutral” and power futures, laying the foundation for the development of new species of customers. The Company has participated in the “enterprise risk management programme” and “Entering the Corporate, Serving the Entity” of exchanges to establish a platform for market cultivation and promotion of innovative business.
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.

IV. 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. However, affected by the financial market and other macro factors, the overall operating results showed a certain degree of decline. For the six months ended 30 June 2022, the Group achieved total operating income of RMB755 million, representing a decrease of 3% as compared with the same period of 2021. The net profit attributable to shareholders of the Company amounted to RMB35.25 million, representing a decrease of 22% as compared with the same period of 2021. The earnings per Share amounted to RMB0.0389 and the weighted average return on net assets was 2.07%, representing a year-on-year decrease of 0.66 percentage point.

(2) Asset structure and asset quality

As of 30 June 2022, the total assets of the Group amounted to RMB12,366 million, representing an increase of 53% as compared with RMB8,083 million at the end of 2021; the total liabilities amounted to RMB10,643 million, representing an increase of 66% as compared with RMB6,400 million at the end of 2021. Net assets attributable to shareholders of the Company amounted to RMB1,723 million, representing an increase of 2% 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 of 30 June 2022, the total assets of the Group comprises of current assets of RMB12,027 million (accounting for 97.26%) and non-current assets of RMB339 million (accounting for 2.74%). Total assets mainly include cash assets of RMB11,053 million (accounting for 89.38%), assets for investment of RMB865 million (accounting for 6.99%), receivables of RMB44 million (accounting for 0.36%), inventories of RMB49 million (accounting for 0.39%), work in progress of RMB275 million (accounting for 2.22%), and other assets of RMB81 million (accounting for 0.65%).

As of 30 June 2022, the liabilities deducting customers' equity amounted to RMB632 million, representing an increase of 34% as compared with RMB470 million at the end of 2021. The increase was mainly due to the increase in financial liabilities held for trading as a result of the increase in the size of the structured entities included in the scope of consolidation, as well as the increase in bond repurchase business and standard bill pledge business. The gearing ratio of the Group was 27%, representing an increase of 5 percentage points as compared with the end of 2021. The operating leverage was 1.37 times, representing an increase of 7% as compared with 1.28 times at the end of 2021.

Note: (gearing ratio = (total liabilities – customers' equity payable)/(total assets – customers' equity payable)).

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 2022 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 RMB3,393 million in the first half of 2022.

Net cash generated from operating activities of the Group amounted to RMB3,387 million in the first half of 2022, representing a period-to-period increase of RMB3,098 million as compared with RMB289 million for the same period in 2021; net cash generated from investing activities amounted to RMB-43 million in the first half of 2022, representing a period-to-period increase of RMB245 million as compared with the net cash generated from investing activities amounting to RMB-289 million for the same period in 2021; net cash flow generated from financing activities amounted to RMB40 million on the first half of 2022, representing a period-to-period decrease of RMB91 million as compared with the net cash generated from financing activities amounting to RMB131 million for the same period in 2021; net increase in cash and cash equivalents amounted to RMB3,393 million in first half of 2022, representing a period-to-period increase of RMB3,264 million as compared with RMB129 million for the same period in 2021.

(6) Significant investment

There is no significant investment during the Reporting Period.

(7) Contingent liabilities

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

(8) Charges on assets

For details, please refer to VIII to the management discussion and analysis of this report.

V. Material Financing of the Company

(1) Equity financing

On 17 March 2022, the 31st working meeting in 2022 of the 18th Issuance Review Committee of the CSRC reviewed the application of the A Share Offering, the Company's application for the issuance of A Shares was passed. On 23 June 2022, the A Share Offering of the Company has been officially approved by the CSRC with the permission to issue up to 100,777,778 A Shares for a period of 12 months from the date of approval. On 2 August 2022, the Company received a net proceeds of RMB161,354,358.20 from the offering, of which the increased share capital was RMB100,777,778.00 and the increased capital reserve was RMB60,576,580.20. The registered capital and share capital after the change are RMB1,007,777,778.00. On 5 August 2022, the A Shares of the Company were officially listed and trading on the Main Board of the Shenzhen Stock Exchange with the stock code 001236.

(2) Debt financing

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

VI. Investments during the Reporting Period

(1) 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 H Share, raising total proceeds of approximately HK\$607 million.

According to the use of proceeds from global offering as set out in the H Shares 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 2022, the Company has not obtained approval from the relevant regulatory authorities for the above application for changing the use of raised proceeds.

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

As of 30 June 2022, the raised proceeds were utilised as follows, which were in line with the purposes set out in the H Shares Prospectus:

Title of the projects intended to be financed	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	17,157	16,500	657
Developing asset management business	13,404	13,404	–
Developing the commodity trading and risk management business	10,723	9,784	939
Developing and strengthening the existing futures brokerage business*	5,361	52	5,309
Purchasing IT equipment and software	2,681	2,681	–
General working capital of the Group	4,289	4,289	–
Total	53,615	46,710	6,905

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

In order to enhance the efficiency of the utilisation of the proceeds, as of 30 June 2022, 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 H Shares Prospectus and as amended in the 2018 annual general meeting of the Company in due course in the second half of 2022 as and when appropriate (subject to the regulatory approval).

Since 5 August 2022, the A Shares of the Company are listed and traded on the Main Board of the Shenzhen Stock Exchange. The issue price of the A Shares was set as RMB1.86 per A share, with a total of 100,777,778 A Shares were issued at a par value of RMB1.00 per A Share. After deducting the A Share issue expenses (exclusive of tax), the net proceeds from the A Share Offering amounted to RMB161,354,358.20. The proceeds arising from the A Share Offering will be mainly used to (i) supplement the capital of the Company and its domestic subsidiaries, optimise the construction of multi-layer network structure, enhance the service capacity in futures brokerage and risk management business of the Company; (ii) supplement the capital of the overseas subsidiaries to provide protection for their relevant business expansion; (iii) strengthen investment in research and development and investment advisory business to promote the development and deployment of innovative businesses; (iv) enhance the development of wealth management business and promote the transformation and upgrading of the corporate; (v) strengthen the construction of information technology systems and enhance the capability of middle- and back-offices services; and (vi) seeking mergers and acquisitions to enhance the Company’s market competitiveness and integrated financial services capabilities and achieve leapfrog development. Please refer to the Overseas Regulatory Announcement – Initial Share Issue (A Shares) Prospectus of the Company dated 5 July 2022 for further details of the proceeds of the A Share Offering and the intended use of the proceeds.

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

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

(4) Future plans for significant investment and fixed assets

None.

VII. Share Option Scheme

No share option scheme has been adopted by the Company and its subsidiaries.

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

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

IX. Employees, Remuneration Policies and Training

As of the end of the Reporting Period, the Group had a total of 653 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 2022, the total remuneration of employees, including remuneration of Directors, amounted to approximately RMB76.4276 million. Details of which are set out in Note VI, 24 and Note VI, 45 to the unaudited interim financial statements 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.

X. 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 information technology risk.

In the first half of 2022, the Company adopted effective measures to deal with the risks proactively, thereby safeguarding the safety and high efficiency of the business activities.

(1) 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.

(2) 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 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 the employees of the Company.

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' entrustment 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.

(3) Market Risk

Market risk refers to the risk of decrease in revenue or asset loss of the Company resulting from macroeconomic conditions, such as fluctuations in risk factors, including stock prices, interest rates, exchange rates and commodities.

During the Reporting Period, in view of the complex and severe international environment and the spread of pandemic across China, the adverse impact has increased significantly. The Company's main business and financial asset investment business were both challenged by the highly unusual economic development unexpected factors that have had a severe impact. In respect of investments in equity securities, the Company continued to promote investment transformation towards diminishing orientation, flexibly adjusted hedging positions according to market changes, and ensured the downside risks of investment portfolios, while actively exploring market opportunities. The Company adhered to the concept of controlling risks through hedging in controlling risk exposures, and managed the market risk of holding assets through various risks control measures.

In terms of traditional brokerage business, 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.

(4) Credit Risk

Credit risk refers to the risk of loss of the Company's assets due to default by the financing customer, the issuer of the product or bond, or default by the counterparty.

When a futures broker accepts an order from clients to trade futures for them in accordance with their trading instructions, 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 strictly control the account opening process. The Company has established a strict investor suitability management system to take investor suitability seriously and fully 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 investor education and training to ensure that the customers understand the risks involved in futures trading adequately and continually improve clients' risk resilience.

(5) Information Technology Risk

Information technology risk mainly refers to exposure to losses caused by the failure of the information system to continuously ensure the stable, efficient and safe operation of transaction and business management in terms of business realization, timely response, solving capacity and data security, resulting from abnormal operation of the Company's information system or data corruption or leakage caused by various internal or external reasons.

The business lines and the middle and back office management of the Company are highly depended on the information technology system, which has become the key support to the operation of businesses of the Company. During the Reporting Period, the Company continued to increase investment in information technology to improve the management system and process of information technology risks, strengthened quality control for information technology, strengthened the investigation and governance for information technology risks and improved the monitoring system, further improving the effectiveness of risk management. The Company continues to improve its information technology risk contingency plans and conducts regular contingency drills. During the Reporting Period, the Company's information system was operated safely and stably. No major information technology risk events occurred.

XI. 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 thirteen consecutive years since 2009 when the rating of futures companies was first introduced.

(1) Risk Management Principles

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

1. Preventing operation, compliance, market and credit risks;
2. Ensuring the safety and integrity of the assets of the Company’ customers and the Company’s own assets;
3. Ensuring the reliability, completeness and timeliness of the business records, financial records and other information of the Company;
4. Enhancing the operation efficiency and the efficiency in future business development of the Company.

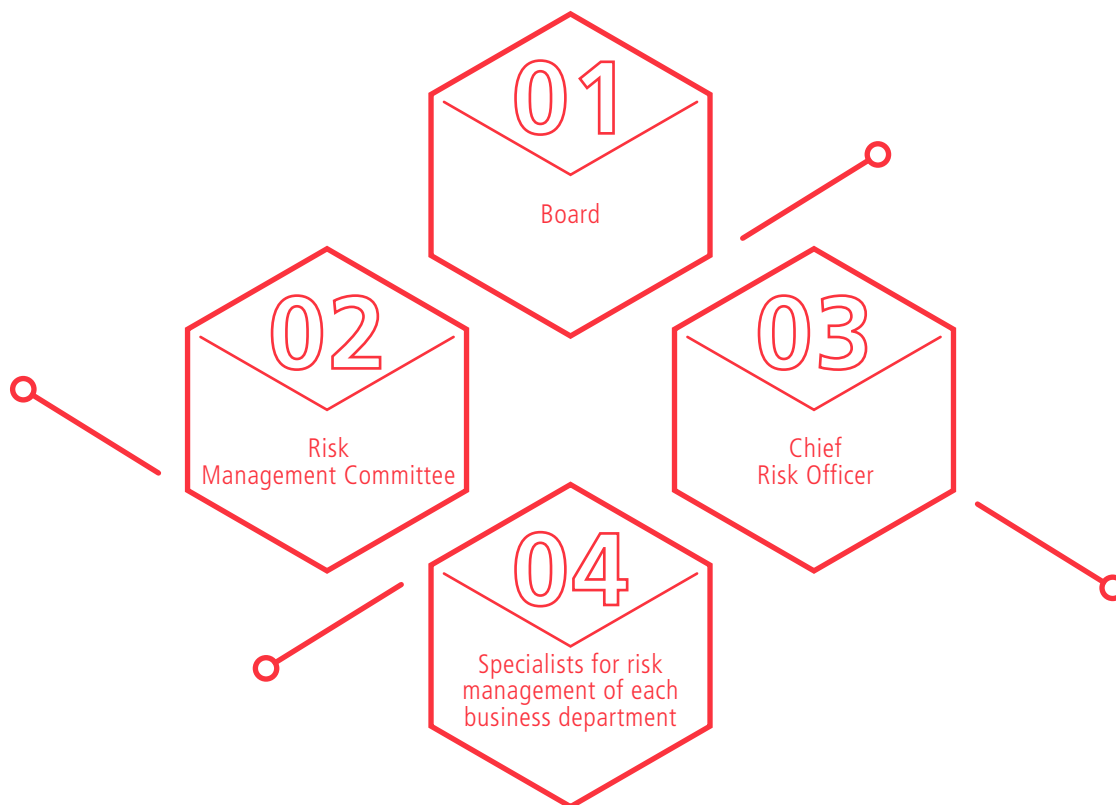
The risk management and internal control system of the Company has been designed based on the following principles:

1. **Comprehensiveness:** The Company has developed a comprehensive and unified risk management system which covers the entire process of the Company’s business and the various processes of different departments and individual employees permeating through decision-making, execution, supervision and evaluation. Each department and individual employee must have a clearly defined role and responsibility in the risk management process;
2. **Sustainability:** The Company takes the initiative in actively setting risk management objectives and implementing risk management measures with proper supervision and evaluation on a sustainable basis;
3. **Independency:** The compliance and risk control department, 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;
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.

(2) 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 over ten 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. Description of Corporate Governance

As a public company listed in both domestic and overseas, the Company has been operating business in a standard manner and in strict compliance with the requirements set forth in the laws, regulations and regulatory documents of the PRC and the overseas jurisdiction where the shares of the Company are listed, and has made continuous efforts to maintain and enhance the good image of the Company in the market. During the Reporting Period, the Company keeps improving its corporate governance structure, compliance risk control and internal control system according to the requirements under the Company Law, the Securities Law, the Measures for the Supervision and Administration of Futures Companies, the Rules for Corporate Governance of Listed Companies, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of Hong Kong Stock Exchange and other relevant laws and regulations as well as the Articles of Association, in order to establish a modern corporate system, and shape a corporate governance structure where checks and balances among the general meeting, the Board, the Supervisory Committee and the operation management are maintained, with each of them being separated from the other and performing its own functions and responsibilities corresponding to its position within the specified terms of reference, thereby ensuring all the operational activities of the Company are carried out smoothly and in accordance with relevant laws and regulations. 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.

(1) Compliance with the Corporate Governance Code

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

(2) Compliance with the 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 complied with 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 aware of any non-compliance of the Model Code by its relevant employees.

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 of Hong Kong Stock Exchange and to protect the interest of the Shareholders.

(3) 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 of Hong Kong Stock Exchange. The Company has appointed a total of three independent non-executive Directors, namely Mr. Wang Yuetang, Mr. Huang Dechun and Mr. Lo Wah Wai.

(4) 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 of Hong Kong Stock Exchange, with written terms of reference. The written terms of reference of the Audit Committee were adopted in compliance with Code Provisions D.3.3 and D.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 for 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 of the end of the Reporting Period, the Audit Committee comprises three members, including two independent non-executive Directors, namely Mr. Lo Wah Wai (chairman) and Mr. Huang Dechun, as well as a non-executive Director, namely Mr. Xue Binghai.

On 29 August 2022, the Audit Committee reviewed and confirmed the interim results of the Group for the six months ended 30 June 2022, the 2022 Interim Report and the unaudited interim financial statements for the six months ended 30 June 2022 prepared in accordance with the PRC GAAP.

(5) 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 end of the Reporting Period, the total share capital of the Company amounted to RMB907,000,000, divided into 907,000,000 Shares of RMB1.00 each.

As mentioned in the announcement of the Company dated 4 August 2022, the Company completed the A Share Offering, of which 657,300,000 Domestic Shares were fully converted into the same number of A Shares and 100,777,778 new A Shares were issued. The A Shares are listed and available for trading on the Shenzhen Stock Exchange since 5 August 2022 and have to comply with the relevant rules and regulations of the Listing Rules of Shenzhen Stock Exchange.

II. Amendments to the Articles of Association

The Company has not made any amendments to the Articles of Association during the Reporting Period. Upon completion of the A Share Offering and listing and trading on the Shenzhen Stock Exchange on 5 August 2022, the amended Articles of Association became effective on the same date. For details, please refer to the announcements of the Company dated 26 March 2021, 14 May 2021 and 4 August 2022 and Appendix XI to the circular dated 23 April 2021.

III. 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 of Hong Kong Stock Exchange.

IV. Interim results

The interim results of the Group for the six months ended 30 June 2022 were published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (<http://www.ftol.com.cn>) on 29 August 2022.

V. Interim dividend

In view of the long-term development and interests of investors, the Company is expected to make the following profit distribution plan: the Board proposed distribution of cash interim dividend as of 30 June 2022 of RMB0.03 (tax inclusive) ("2022 Interim Dividend") to A Shareholders and H Shareholders of the Company. In view of the completion of the listing of the A Shares of the Company, the proposed distribution of profit is based on the total issued share capital of 1,007,777,778 shares of the Company after the listing of A Shares and the total amount to be distributed is RMB30,233,333.34 (tax inclusive) among which, the number of A Shares is 758,077,778 with a cash dividend of RMB22,742,333.34 (tax inclusive); the number of H Shares is 249,700,000 with a cash dividend of RMB7,491,000 (tax inclusive). The actual total amount to be paid is determined based on the total share capital of the Company as at the record date of entitlement. The proposed distribution of the 2022 Interim Dividend is subject to the approval of the Shareholders at the 2022 first extraordinary general meeting of the Company. The Company will make separate announcement(s) on the record date of entitlement of the interim dividend and the closure of the register of members. Please refer to the circular of the 2022 first extraordinary general meeting to be published by the Company in due course for details and the actual arrangement regarding the distribution of interim dividend. Regarding the distribution of the 2022 Interim Dividend, the dividend payable to A Shareholders will be in RMB while those payable to H Shareholders of the Company will be in Hong Kong Dollars. The exchange rate shall be calculated on the basis of the average benchmark exchange rate between RMB and Hong Kong Dollars as announced by the People's Bank of China for the five working days prior to the date of the 2022 first extraordinary general meeting of the Company.

VI. 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.

VII. 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 of Hong Kong Stock Exchange 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 statements 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 30 June 2022, SOHO Holdings directly and indirectly 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) international trade; (iii) housing leasing; and (iv) production, R&D and sales of cocoon 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 30 June 2022, 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 constructions; (ii) wholesale and operation of coal, wholesale of dangerous chemicals (specific projects to be operated pursuant to the requirements of relevant license); (iii) wholesale and retail of 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, real estate leasing, online sales of commodities, construction of online shopping platforms, sales of cosmetics; sales of primary agricultural products, bulk food (including refrigerated and frozen food), and sales of prepackaged food (including refrigerated and frozen food); domestic and foreign engineering construction projects bidding agency; international and domestic bidding agency; sales and maintenance of fire trucks, rescue and firefighting equipment and facilities, and security equipment.

(III) Continuing connected transactions

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

Pursuant to the Financial Services Framework Agreement entered into between the Company and SOHO Holdings on 22 April 2021 (after trading hours of the Hong Kong Stock Exchange). The Group provided a variety of financial services to SOHO Holdings and its subsidiaries, including futures brokerage services, and asset management services. The annual cap for 2022 amounted to RMB2.60 million, with an actual transaction amount of RMB208,200 in the first half of 2022.

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 2021 and the Group continued to lease the Property from Holly Corporation under the Existing Holly Property Lease Agreement after 31 December 2021, the Company entered into the New Holly Property Lease Agreement with Holly Corporation on 29 December 2021 (after trading hours of the Stock Exchange). The annual cap for 2022 amounted to approximately RMB6.644 million, with an actual transaction amount of RMB3.1638 million in the first half of 2022.

The following table set out the annual caps for continuing connected transactions of the Group in 2022 and the actual transaction amounts for connected transactions of the Group in the first half of 2022. For the six months ended 30 June 2022, the continuing connected transactions of the Group were aggregated as follows:

		First half of 2022	
		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	208.25	2,600
2	Holly Property Lease and Management Services Agreement		
	Expenses incurred by leasing properties by the Group from Holly Corporation	3,163.81	6,644

VIII. 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 2022, 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).

IX. Interests and short positions of substantial shareholders in Shares and underlying Shares of the Company

As at 30 June 2022, 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 Shares 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. (江蘇蘇豪控股集團有限公司) ⁽³⁾	Domestic Shares	Beneficial owner and interest in controlled corporations	431,642,122 (long position)	47.59%	65.67%
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Domestic Shares	Beneficial owner	147,900,000 (long position)	16.31%	22.50%
Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司)	Domestic Shares	Beneficial owner	143,548,000 (long position)	15.83%	21.84%
Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)) ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	143,548,000 (long position)	15.83%	21.84%
Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)) ⁽⁴⁾	Domestic Shares	Interest in controlled corporations	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 corporations	143,548,000 (long position)	15.83%	21.84%
Huang Jieping (黃捷萍) ⁽⁴⁾	Domestic Shares	Interest in controlled corporations	143,548,000 (long position)	15.83%	21.84%
Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司)	Domestic Shares	Beneficial owner	63,930,134 (long position)	7.05%	9.73%
Xu Xiping (徐錫萍)	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 2022.
- (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 2022.
- (3) As at 30 June 2022, Jiangsu SOHO Holding Group Co., Ltd. (i) directly held 275,456,777 Domestic Shares; (ii) was the beneficial owner of 21.81% 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 2021 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, As at 30 June 2022, (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 2022, 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 30 June 2022, 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, international trade, housing leasing, and manufacturing, R&D and sales of cocoon silk, textile and clothing.

X. 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. 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, appraisal costs of RMB35,200 for such cases were borne by two plaintiffs. On 28 April 2021, the Beijing Futures Branch submitted statements of appeal of the two cases to the court. The two plaintiffs also filed their appeal briefs with the Court during the appeal period. On 11 October 2021, Beijing Higher People's Court held a hearing for the two cases. On 19 April 2022, the Beijing Futures Branch of the Company received the second-instance civil judgment from the Beijing Higher People's Court that appeal was dismissed with the original judgment sustained.

On 9 May 2022, the Company paid compensation for the case totalling RMB1,934,700 to the two plaintiffs in accordance with the judgment, after deducting the appraisal costs of the case and has fulfilled the payment obligation determined by the judgment of the two cases.

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

None.

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

None.

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

Pursuant to Rule 13.51B of the Listing Rules of Hong Kong Stock Exchange, as of 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 2021 annual report of the Company.

1. The Company

None.

2. Holly Capital

On 12 May 2022, Zhou Jianqiu resigned as a director of Holly Capital.

On 12 May 2022, Huang Xingming resigned as a director of Holly Capital.

On 12 May 2022, Chu Kairong was appointed as the chairman and general manager of Holly Capital.

On 12 May 2022, Huang Haiqing was appointed as a director of Holly Capital.

On 12 May 2022, Wu Jiufeng resigned as the chairman and general manager of Holly Capital, and was appointed as a director of Holly Capital.

3. Holly International Financial

On 12 April 2022, Huang Haiqing was appointed as a director of Holly International Financial.

4. Holly Asset Management

None.

Review Report

XYZH/2022NJAA20158

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 2022, 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 2022. 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 2022.

Shine Wing Certified Public Accountants LLP

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

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

Beijing, China

29 August 2022

Consolidated Balance Sheet

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

Item	Note	30-Jun-22	31-Dec-21
Assets:			
Monetary funds	VI, 1	7,536,812,255.03	4,143,641,973.33
Including: Futures margin deposits		7,244,452,355.04	3,959,706,206.55
Currency deposits receivable	VI, 2	2,504,259,046.74	2,025,860,140.16
Pledged deposits receivable	VI, 3	991,770,498.40	668,817,393.60
Settlement deposits receivable	VI, 4	20,000,000.00	20,000,000.00
Derivative financial assets	VI, 5	9,871,158.50	465,835.77
Trade receivables			
Other receivables	VI, 6	44,345,072.41	24,951,725.11
Financial assets held under resale agreements	VI, 7	–	6,719,000.00
Financial investment:			
Financial assets held for trading	VI, 8	846,829,186.47	840,419,634.46
Inventories	VI, 9	48,686,145.22	9,531.74
Long-term equity investments	VI, 10	8,203,412.73	7,036,127.76
Investment in futures membership	VI, 11	1,827,595.00	1,808,800.00
Fixed assets	VI, 12	12,980,627.29	14,899,414.00
Work in progress	VI, 13	274,716,656.66	–
Right-of-use assets	VI, 14	32,900,612.87	24,655,989.58
Intangible assets	VI, 15	752,789.54	1,025,204.63
Goodwill			
Deferred tax assets	VI, 16	7,547,290.85	7,394,041.07
Other assets	VI, 17	24,615,340.54	295,396,263.71
Total assets		12,366,117,688.25	8,083,101,074.92

Consolidated Balance Sheet (Continued)

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

Item	Note	30-Jun-22	31-Dec-21
Liabilities:			
Short-term borrowings			
Currency deposits payable	VI, 18	9,036,416,322.74	5,261,811,881.42
Pledged deposits payable	VI, 19	974,938,338.40	668,817,393.60
Financial liabilities held for trading	VI, 20	114,652,344.11	86,471,254.16
Derivative financial liabilities	VI, 5	15,899,936.78	1,514,054.34
Financial assets sold under agreements to repurchase	VI, 21	48,051,155.15	32,625,838.11
Futures risk reserve	VI, 22	157,119,049.72	151,215,411.17
Futures investors protection funds	VI, 23	198,232.66	522,926.88
Employee benefits payable	VI, 24	577,259.68	20,659,015.94
Taxes payable	VI, 25	8,498,830.47	6,015,879.24
Trade payables			
Contract liabilities	VI, 26	716,855.00	1,000,000.00
Other payables	VI, 27	149,517,825.37	26,281,420.68
Estimated liabilities	VI, 28		1,969,920.97
Long-term borrowings	VI, 29	103,175,661.98	117,197,967.93
Lease liabilities	VI, 30	33,245,922.67	24,831,103.80
Deferred income tax liabilities			
Other liabilities			
Total liabilities		10,643,007,734.73	6,400,934,068.24

Consolidated Balance Sheet (Continued)

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

Item	Note	30-Jun-22	31-Dec-21
Shareholders' equity:			
Share capital	VI, 31	907,000,000.00	907,000,000.00
Capital reserve	VI, 32	537,826,419.52	537,826,419.52
Less: Treasury shares			
Other comprehensive income	VI, 33	-1,697,145.94	-7,385,168.45
Surplus reserve	VI, 34	66,606,194.62	66,606,194.62
General risk reserve	VI, 35	92,485,771.99	92,485,771.99
Retained earnings	VI, 36	120,888,713.33	85,633,789.00
Total equity attributable to owners of the parent company		1,723,109,953.52	1,682,167,006.68
Minority interests			
Total owners' equity		1,723,109,953.52	1,682,167,006.68
Total liabilities and shareholders' equity		12,366,117,688.25	8,083,101,074.92

Balance Sheet of the Parent Company

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

Item	Note	30-Jun-22	31-Dec-21
Assets:			
Monetary funds		7,402,710,712.48	4,038,043,781.83
Including: Futures margin deposits		7,175,010,387.08	3,933,237,738.95
Currency deposits receivable		2,429,978,032.42	1,963,110,837.41
Pledged deposits receivable		991,770,498.40	668,817,393.60
Settlement deposits receivable		20,000,000.00	20,000,000.00
Derivative financial assets			
Trade receivables			
Other receivables		29,993,981.69	12,925,889.39
Financial assets held under resale agreements		–	6,719,000.00
Financial investment:			
Financial assets held for trading		631,557,699.90	672,947,193.56
Inventories			
Long-term equity investments		554,445,492.54	553,278,207.57
Investment in futures membership		1,400,000.00	1,400,000.00
Fixed assets		12,747,329.98	14,621,800.48
Work in progress		231,343,101.49	–
Right-of-use assets		32,138,068.48	23,052,131.01
Intangible assets		239,675.54	534,644.63
Goodwill			
Deferred tax assets		2,039,760.12	4,412,785.28
Other assets		14,514,704.98	245,798,360.21
Total assets		12,354,879,058.02	8,225,662,024.97

Balance Sheet of the Parent Company (Continued)

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

Item	Note	30-Jun-22	31-Dec-21
Liabilities:			
Short-term borrowings			
Currency deposits payable		9,271,950,434.45	5,510,697,950.46
Pledged deposits payable		991,770,498.40	668,817,393.60
Financial liabilities held for trading			
Derivative financial liabilities			
Financial assets sold under agreements to repurchase		33,703,953.43	32,625,838.11
Futures risk reserve		157,119,049.72	151,215,411.17
Futures investors protection funds payable		198,232.66	522,926.88
Employee benefits payable		542,208.00	20,160,381.89
Taxes payable		8,394,845.54	4,763,065.21
Trade payables			
Contract liabilities			
Other payables		41,083,539.63	19,411,278.81
Estimated liabilities		–	1,969,920.97
Long-term borrowings		86,039,261.78	97,775,228.50
Lease liabilities		32,472,266.14	23,223,933.96
Deferred income tax liabilities			
Other liabilities			
Total liabilities		10,623,274,289.75	6,531,183,329.56

Balance Sheet of the Parent Company (Continued)

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

Item	Note	30-Jun-22	31-Dec-21
Shareholders' equity:			
Share capital		907,000,000.00	907,000,000.00
Capital reserve		531,424,379.33	531,424,379.33
Less: Treasury shares			
Other comprehensive income		49.45	70.39
Surplus reserve		66,606,194.62	66,606,194.62
General risk reserve		92,485,771.99	92,485,771.99
Retained earnings		134,088,372.88	96,962,279.08
Total equity attributed to owners		1,731,604,768.27	1,694,478,695.41
Total liabilities and shareholders' equity		12,354,879,058.02	8,225,662,024.97

Consolidated Income Statement

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

Item	Note	January-June 2022	January-June 2021
I. Total income from operations		754,744,074.16	777,776,964.49
Net fee and commission income	VI, 37	145,949,979.25	141,345,295.32
Including: Net fee income from brokerage operations		141,509,969.37	135,117,839.40
Net fee income from assets management operations		4,440,009.88	6,227,455.92
Net interest income	VI, 38	49,213,667.55	38,426,229.11
Including: interest income		49,581,948.23	38,874,154.41
Interest expense		368,280.68	447,925.30
Investment gain (loss denoted by "-")	VI, 39	-25,663,806.86	323,058.74
Including: investment gain of associates and joint ventures		1,167,305.91	13,221.42
Derecognised income of financial assets measured at amortised cost (loss denoted by "-")			
Other income	VI, 40	324,275.54	3,178,866.31
Gains on change in fair value (loss denoted by "-")	VI, 41	-5,624,500.99	7,428,358.37
Exchange gains (loss denoted by "-")		2,639,036.48	-979,760.16
Income from other business activities	VI, 42	587,924,746.06	588,187,600.92
Asset disposal gain (loss denoted by "-")		-19,322.87	-132,684.12
II. Total operating expense		709,013,880.94	715,590,657.22
Appropriation for futures risk reserve	VI, 43	5,903,638.55	5,421,203.27
Taxes and surcharges	VI, 44	1,042,700.01	1,188,411.77
General and administrative expenses	VI, 45	113,862,622.92	128,550,214.97
Credit impairment loss	VI, 46	373,276.78	-681,117.57
Other assets impairment loss			
Other general expenses	VI, 47	587,831,642.68	581,111,944.78
III. Profit from operations (loss denoted by "-")		45,730,193.22	62,186,307.27
Add: Non-operating income	VI, 48	337,404.53	538,581.07
Less: Non-operating expenses	VI, 49	32,618.26	2,298,991.62
IV. Total profit (loss denoted by "-")		46,034,979.49	60,425,896.72
Less: Income tax expense	VI, 50	10,780,055.16	15,124,459.03
V. Net profit (loss denoted by "-")		35,254,924.33	45,301,437.69
(I) Classification by continuity of operations			
1. Net profit of operation on a going concern basis (Net loss denoted by "-")		35,254,924.33	45,301,437.69
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 "-")		35,254,924.33	45,301,437.69
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 2022	January-June 2021
VI. Other comprehensive income, net of tax		5,688,022.51	-1,710,504.14
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		5,688,022.51	-1,710,504.14
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		-20.94	-8.76
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		5,688,043.45	-1,710,495.38
6. Others			
Net comprehensive income after tax attributable to minority shareholders			
VII.Total comprehensive income		40,942,946.84	43,590,933.55
(I) Total comprehensive income attributable to owners of the parent		40,942,946.84	43,590,933.55
(II) Total comprehensive income attributable to minority shareholders			
VIII.Earnings per share			
(1) Basic earnings per share		0.0389	0.0499
(2) Diluted earnings per share		0.0389	0.0499

Income Statement of the Parent Company

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

Item	Note	January-June 2022	January-June 2021
I. Total income from operations		156,012,463.06	175,811,469.97
Net fee and commission income		123,374,767.45	115,015,811.60
Including: Net fee income from brokerage operations		118,091,219.18	108,465,997.42
Net fee income from assets management operations		5,283,548.27	6,549,814.18
Net interest income		49,714,441.42	37,993,960.96
Including: interest income		50,082,722.10	38,441,886.26
Interest expense		368,280.68	447,925.30
Investment gain (loss denoted by "-")		-7,690,891.63	15,614,594.83
Including: investment gain of associates and joint ventures		1,167,305.91	13,221.42
Derecognised income of financial assets measured at amortised cost (loss denoted by "-")			
Other income		316,317.33	555,461.35
Gains on change in fair value (loss denoted by "-")		-12,425,534.61	7,027,445.75
Exchange gains (loss denoted by "-")		2,544,107.90	-806,764.23
Income from other business activities		198,578.07	543,643.83
Asset disposal gain (loss denoted by "-")		-19,322.87	-132,684.12
II. Total operating expense		106,237,019.65	118,132,582.35
Appropriation for futures risk reserve		5,903,638.55	5,421,203.27
Taxes and surcharges		824,792.72	743,169.53
General and administrative expenses		99,645,495.02	111,910,297.75
Credit impairment loss		-136,906.64	57,911.80
Other assets impairment loss			
Other general expenses			
III. Profit from operations (loss denoted by "-")		49,775,443.41	57,678,887.62
Add: Non-operating income		161,791.34	458,603.74
Less: Non-operating expenses		32,618.26	2,248,991.62
IV. Total profit (loss denoted by "-")		49,904,616.49	55,888,499.74
Less: Income tax expense		12,778,522.69	13,360,280.36
V. Net profit (loss denoted by "-")		37,126,093.80	42,528,219.38
(I) Net profit of operation on a going concern basis (Net loss denoted by "-")		37,126,093.80	42,528,219.38
(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 2022	January-June 2021
VI. Other comprehensive income, net of tax		-20.94	-8.76
(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		-20.94	-8.76
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		-20.94	-8.76
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		37,126,072.86	42,528,210.62

Consolidated Statement of Cash Flows

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

Item	Note	January-June 2022	January-June 2021
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		662,135,937.32	665,802,761.18
Cash received from interest, fees and commissions		199,102,862.70	174,878,552.48
Net decrease in currency deposits receivable and pledged deposits receivable			
Net increase in currency deposits payable and pledged deposits payable		4,080,725,386.12	799,044,697.25
Net decrease in restricted monetary funds		3,415,408.35	
Net decrease in term deposits with original maturity over three months			
Cash received from other operating activities	VI, 51	130,629,936.66	93,209,010.57
Subtotal of cash inflows from operating activities		5,076,009,531.15	1,732,935,021.48
Cash paid for goods and services		716,776,316.16	657,523,377.30
Cash paid for interest, fee and commissions		66,382.48	253,767.14
Net increase in currency deposits receivable and pledged deposits receivable		801,958,943.57	550,357,012.52
Net decrease in currency deposits payable and pledged deposit payable			
Net decrease from disposal of financial assets relating to risk management business		2,019,294.62	12,580,011.74
Net increase in restricted monetary funds			13,547,483.10
Cash paid to and for employees		96,506,477.77	92,120,423.38
Cash paid for general and administrative expenses		21,183,992.34	15,082,227.04
Payments of various taxes		13,747,236.01	35,993,271.36
Cash paid for other operating activities	VI, 51	36,921,936.72	66,566,387.57
Subtotal of cash outflows from operating activities		1,689,180,579.67	1,444,023,961.15
Net cash flow from operating activities	VI, 51	3,386,828,951.48	288,911,060.33

Consolidated Statement of Cash Flows (Continued)

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

Item	Note	January-June 2022	January-June 2021
II. Cash flow from investing activities:			
Cash received from disposal of investments		2,976,374,132.75	1,503,951,603.66
Cash received from investment income		209,980.32	151,070.08
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		442.48	8,970.15
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		2,976,584,555.55	1,504,111,643.89
Cash paid for investment		3,006,193,978.64	1,554,147,676.20
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		13,870,545.31	238,644,868.25
Cash paid for investment on associates			
Other cash paid for relating to investing activities			
Subtotal of cash outflows from investing activities		3,020,064,523.95	1,792,792,544.45
Net cash flow from investing activities		-43,479,968.40	-288,680,900.56

Consolidated Statement of Cash Flows (Continued)

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

Item	Note	January-June 2022	January-June 2021
III. Cash flow from financing activities:			
Cash received from introducing investment			149,497,972.00
Cash received from borrowings		–	–
Net cash received from sales of repurchase business		15,070,989.79	–
Other cash received relating to financing activities		50,000,000.00	50,000,000.00
Subtotal of cash inflows from financing activities		65,070,989.79	199,497,972.00
Cash paid for repayment of debts		13,335,484.00	10,995,430.00
Cash paid for distribution of dividend and profit or repayment of interest		3,149,720.80	47,061,676.08
Cash paid for repayment of principal and interest of lease liabilities		8,304,740.22	7,412,749.91
Net cash paid for sales of repurchase business		–	2,327,824.39
Other cash paid relating to financial activities	VI, 51	340,566.04	754,716.98
Subtotal of cash outflows from financing activities		25,130,511.06	68,552,397.36
Net cash flow from financing activities		39,940,478.73	130,945,574.64
IV. Effect of change in foreign exchange rate on cash and cash equivalent		9,709,147.85	-2,508,868.81
V. Net increase in cash and cash equivalents		3,392,998,609.66	128,666,865.60
Add: Beginning balance of cash and cash equivalents		4,106,185,249.67	2,854,855,864.32
VI. Ending balance of cash and cash equivalents	VI, 51	7,499,183,859.33	2,983,522,729.92

Statement of Cash Flows of the Parent Company

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

Item	Note	January-June 2022	January-June 2021
I. Cash flow from operating activities:			
Cash received from sale of goods and rendering of services			
Cash received from interest, fees and commissions		191,887,026.29	148,116,800.61
Net decrease in currency deposits receivable and pledged deposits receivable			
Net increase in currency deposits payable and pledged deposits payable		4,084,205,588.79	810,909,252.76
Net decrease in restricted monetary funds		576,828.77	–
Net decrease in term deposits with original maturity over three months			
Cash received from other operating activities		46,254,489.61	2,859,682.25
Subtotal of cash inflows from operating activities		4,322,923,933.46	961,885,735.62
Cash paid for goods and services			
Cash paid for interest, fee and commissions		66,382.48	253,767.14
Net increase in currency deposits receivable and pledged deposits receivable		789,820,299.81	555,117,053.99
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
Cash paid to and for employees		88,157,520.17	80,553,248.87
Cash paid for general and administrative expenses		17,329,920.68	11,740,769.38
Payments of various taxes		30,407,631.25	34,833,720.79
Cash paid for other operating activities		34,312,896.91	41,310,616.96
Subtotal of cash outflows from operating activities		960,094,651.30	732,724,640.72
Net cash flow from operating activities		3,362,829,282.16	229,161,094.90

Statement of Cash Flows of the Parent Company (Continued)

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

Item	Note	January-June 2022	January-June 2021
II. Cash flow from investing activities:			
Cash received from disposal of investments		2,964,817,252.30	1,477,734,658.10
Cash received from investment income		209,980.32	6,744,955.77
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		442.48	8,970.15
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		2,965,027,675.10	1,484,488,584.02
Cash paid for investment		2,937,992,490.79	1,487,009,361.30
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		11,521,926.49	192,990,062.09
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid for relating to investing activities			
Subtotal of cash outflows from investing activities		2,949,514,417.28	1,679,999,423.39
Net cash flow from investing activities		15,513,257.82	-195,510,839.37

Statement of Cash Flows of the Parent Company (Continued)

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

Item	Note	January-June 2022	January-June 2021
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		723,788.07	
Other cash received relating to financing activities			
Subtotal of cash inflows from financing activities		723,788.07	117,037,680.00
Cash paid for repayment of debts		11,703,768.00	7,802,512.00
Cash paid for distribution of dividend and profit or repayment of interest		2,084,733.69	47,061,676.08
Cash paid for repayment of principal and interest of lease liabilities		6,075,632.59	6,554,785.78
Net cash paid for sales of repurchase business		-	705,620.11
Other cash paid relating to financial activities		89,622.64	754,716.98
Subtotal of cash outflows from financing activities		19,953,756.92	62,879,310.95
Net cash flow from financing activities		-19,229,968.85	54,158,369.05
IV. Effect of change in foreign exchange rate on cash and cash equivalents		2,544,107.90	-626,278.96
V. Net increase in cash and cash equivalents		3,361,656,679.03	87,182,345.62
Add: Beginning balance of cash and cash equivalents		4,004,872,501.63	2,794,025,651.56
VI. Ending balance of cash and cash equivalents		7,366,529,180.66	2,881,207,997.18

Consolidated Statement of Changes in Owners' Equity

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

Item	January-June 2022								
	Equity attributable to owners of the parent company							Minority shareholders' equity	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	537,826,419.52	-	-7,385,168.45	66,606,194.62	92,485,771.99	85,633,789.00		1,682,167,006.68
Add: Changes in accounting policies									-
Correction of previous error									-
Other									-
II. Opening balance of the current period	907,000,000.00	537,826,419.52	-	-7,385,168.45	66,606,194.62	92,485,771.99	85,633,789.00		1,682,167,006.68
III. Increase/decrease of the current period (loss denoted by "-")	-	-	-	5,688,022.51	-	-	35,254,924.33		40,942,946.84
(I) Total comprehensive income				5,688,022.51			35,254,924.33		40,942,946.84
(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	-	-			-	-	-		-
1. Withdrawal of surplus reserve							-		-
2. Withdrawal of general risk provisions							-		-
3. Distribution to owners									-
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	537,826,419.52	-	-1,697,145.94	66,606,194.62	92,485,771.99	120,888,713.33		1,723,109,953.52

Consolidated Statement of Changes in Owners' Equity (Continued)

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

Item	January-June 2021									
	Equity attributable to owners of the parent company								Minority shareholders' equity	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	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				371,877.91			-371,877.91		-	
Correction of previous error									-	
Other									-	
II. Opening balance of the current period	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	

Statement of Changes in Owners' Equity of the Parent Company

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

Item	January-June 2022							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	531,424,379.33	-	70.39	66,606,194.62	92,485,771.99	96,962,279.08	1,694,478,695.41
Add: Changes in accounting policies								-
Correction of previous error								-
Other								-
II. Opening balance of the current period	907,000,000.00	531,424,379.33	-	70.39	66,606,194.62	92,485,771.99	96,962,279.08	1,694,478,695.41
III. Increase/decrease of the current period (loss denoted by "-")								
(I) Total comprehensive income	-	-	-	-20.94	-	-	37,126,093.80	37,126,072.86
(II) Owners' capital injected and reduced	-	-		-20.94			37,126,093.80	37,126,072.86
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	-	-						-
1. Withdrawal of surplus reserve								-
2. Withdrawal of general risk provisions								-
3. Distribution to owners								-
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	531,424,379.33	-	49.45	66,606,194.62	92,485,771.99	134,088,372.88	1,731,604,768.27

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

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				371,877.91			-371,877.91	-
Correction of previous error								-
Other								
II. Opening balance of the current period	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 "-")	-	-	-	-8.76	-	-	-2,821,780.62	-2,821,789.38
(I) Total comprehensive income				-8.76			42,528,219.38	42,528,210.62
(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	526,722,489.33	-	67.87	58,426,314.46	84,305,891.83	74,051,457.22	1,650,506,220.71

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 Sponsors' 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 Sponsors' 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 are 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 31 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 held by H Shareholders, representing 27.53% of its total share capital.

The Company is headquartered in Nanjing. As of 30 June 2022, 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 date (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 for the current period.

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 or 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 for the current period.
- 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 or 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 for the current period 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

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

- 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 for the current period 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 for the current period, 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 for the current period 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 for the current period, 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 for the current period, 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 for the current period, 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 for the current period:

- 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 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 for the current period 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 Zi [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 for the current period.

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 non-operating 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 for the current period 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 Group 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 Group 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 Group 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 Group 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

None

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 items of financial statements

1. Monetary funds

Item	30 June 2022	31 December 2021
Cash		
Bank deposit	7,359,531,732.71	4,073,372,703.29
Include: Futures margin	7,244,452,355.04	3,959,706,206.55
Own funds	115,079,377.67	113,666,496.74
Other monetary funds	141,309,203.04	37,885,031.15
Interest receivable on monetary funds	35,971,319.28	32,384,238.89
Total	7,536,812,255.03	4,143,641,973.33
Include: Total amount deposited overseas	100,759,229.60	66,665,380.23

VI. Notes to items of financial statements (continued)

1. Monetary funds (continued)

(1) Breakdown of futures margin deposit

Item	30 June 2022	31 December 2021
CITIC Bank	1,647,336,006.96	1,054,078,895.82
Minsheng Bank	832,017,761.99	883,884,376.49
Industrial Bank Co., Ltd	759,927,851.33	1,157,480,298.10
SPD Bank	47,131,149.79	115,589,915.20
Bank of Communications	690,345,606.52	678,396,184.79
China Guangfa Bank	258,420.79	185,620.99
Bank of China	77,734,304.60	32,236,681.18
Agricultural Bank of China	17,082,373.38	8,220,606.60
China Construction Bank	11,505,599.12	8,958,007.41
China Merchants Bank	11,512,367.79	5,155,922.79
ICBC	3,035,184,679.46	10,389,858.47
Ping An Bank	108,081,175.94	1,572,620.46
China Everbright Bank	6,334,310.39	3,557,218.25
HSBC	746.98	–
Total	7,244,452,355.04	3,959,706,206.55

(2) Use of restricted funds as at the end of the period

See Note VI.52.

VI. Notes to items of financial statements (continued)

2. Currency deposits receivable

(1) By exchange/clearer

Item	30 June 2022	31 December 2021
Shanghai Futures Exchange	582,353,672.28	186,376,259.43
Dalian Commodity Exchange	780,600,965.15	654,164,795.52
Zhengzhou Commodity Exchange	529,237,738.58	498,143,426.63
China Financial Futures Exchange	334,354,922.36	399,286,033.93
China Securities Depository and Clearing Corporation Limited	105,632,741.36	103,385,291.13
Shanghai International Energy Exchange	97,797,992.69	121,755,030.77
R.J.O'Brien & Associates LLC	673,813.68	640,197.99
PHILLIP FUTURES PTE LTD	22,032,759.28	27,200,217.85
Phillip Commodities (HK) Limited	11,009,592.66	8,854,413.76
Marex Financial	14,072,190.67	11,734,143.13
G.H. Financials (HongKong) Limited	30,186,927.82	17,614,078.04
Phillip Securities PTE LTD	25,946.09	8,846.86
Hong Kong Exchanges and Clearing Limited	189,311.19	–
Subtotal	2,508,168,573.81	2,029,162,735.04
Less: Provision for impairment	3,909,527.07	3,302,594.88
Total	2,504,259,046.74	2,025,860,140.16

(2) By category

Item	30 June 2022	31 December 2021
Settlement reserve	396,756,484.14	343,966,861.36
Trading margin	2,033,221,548.28	1,619,143,976.05
Offshore futures brokers	78,190,541.39	66,051,897.63
Subtotal	2,508,168,573.81	2,029,162,735.04
Less: Provision for impairment	3,909,527.07	3,302,594.88
Total	2,504,259,046.74	2,025,860,140.16

VI. Notes to items of financial statements (continued)

3. Pledged deposits receivable

(1) Exchanges breakdown

Item	30 June 2022	31 December 2021
Shanghai Futures Exchange	687,288,900.00	428,672,112.00
Zhengzhou Commodity Exchange	96,103,598.40	79,350,321.60
Dalian Commodity Exchange	161,089,200.00	160,794,960.00
Shanghai International Energy Exchange	47,288,800.00	–
Total	991,770,498.40	668,817,393.60

(2) Pledges breakdown

Type of collateral	Market value at 30 June 2022	Discount rate	Amount at 30 June 2022
Shanghai Futures Exchange			
Include: 2020 Book-entry Interest-bearing T-bond (8th Tranche)	433,741,000.00	80%	346,992,800.00
2021 Book-entry Interest-bearing T-bond (11th Tranche)	100,270,000.00	80%	80,216,000.00
2021 Book-entry Interest-bearing T-bond (2nd Tranche)	91,530,000.00	80%	73,224,000.00
2020 Book-entry Interest-bearing T-bond (5th Tranche)	49,370,000.00	80%	39,496,000.00
2020 Book-entry Interest-bearing T-bond (14th Tranche)	50,480,000.00	80%	40,384,000.00
2020 Book-entry Interest-bearing T-bond (13th Tranche)	40,640,000.00	80%	32,512,000.00
2021 Book-entry Interest-bearing T-bond (15th Tranche)	50,260,000.00	80%	40,208,000.00
Standard warrants for aluminium	42,820,125.00	80%	34,256,100.00
Zhengzhou Commodity Exchange			
Include: 2020 Book-entry Interest-bearing T-bond (11th Tranche)	99,089,298.00	80%	79,271,438.40
Standard warrants for cotton	15,545,200.00	80%	12,436,160.00
Standard warrants for jujube	5,495,000.00	80%	4,396,000.00
Dalian Commodity Exchange			
Include: 2016 Book-entry Interest-bearing T-bond (10th Tranche)	101,167,300.00	80%	80,933,840.00
2020 Book-entry Interest-bearing T-bond (3rd Tranche)	100,194,200.00	80%	80,155,360.00
Shanghai International Energy Exchange			
Include: 2021 Book-entry Interest-bearing T-bond (11th Tranche)	50,135,000.00	80%	40,108,000.00
Standard warrants for rubber No. 20	8,976,000.00	80%	7,180,800.00
Total	1,239,713,123.00		991,770,498.40

VI. Notes to items of financial statements (continued)

3. Pledged deposits receivable (continued)

(2) Breakdown of pledges (continued)

(continued)

Type of collateral	Market value at 31 December 2021	Discount rate	Amount at 31 December 2021
Shanghai Futures Exchange			
Include: 2021 Book-entry Interest-bearing T-bond (8th Tranche)	100,280,000.00	80%	80,224,000.00
2020 Book-entry Interest-bearing T-bond (8th Tranche)	433,741,000.00	80%	346,992,800.00
Standard warrants for tin	1,819,140.00	80%	1,455,312.00
Zhengzhou Commodity Exchange			
Include: 2020 Book-entry Interest-bearing T-bond (11th Tranche)	99,187,902.00	80%	79,350,321.60
Dalian Commodity Exchange			
Include: 2016 Book-entry Interest-bearing T-bond (10th Tranche)	101,169,800.00	80%	80,935,840.00
2020 Book-entry Interest-bearing T-bond (3rd Tranche)	99,823,900.00	80%	79,859,120.00
Total	836,021,742.00		668,817,393.60

4. Settlement currency deposits receivable

Item	30 June 2022	31 December 2021
China Financial Futures Exchange	20,000,000.00	20,000,000.00
Total	20,000,000.00	20,000,000.00

VI. Notes to items of financial statements (continued)

5. Derivative financial instruments

30 June 2022			
Item	Nominal amount	Fair value	
		Assets	Liabilities
Commodity derivative financial instruments			
Include: Futures contracts	2,196,832,070.77	132,843,591.67	120,498,360.00
Option contracts	1,455,802,359.19	9,871,158.50	15,899,936.78
Total	3,652,634,429.96	142,714,750.17	136,398,296.78
Less: Settlement amount		132,843,591.67	120,498,360.00
Net amount		9,871,158.50	15,899,936.78

(continued)

31 December 2021			
Item	Nominal amount	Fair value	
		Assets	Liabilities
Commodity derivative financial instruments			
Include: Futures contracts	1,155,503,009.85	38,764,426.92	40,975,213.10
Option contracts	1,188,697,480.04	465,835.77	1,514,054.34
Total	2,344,200,489.89	39,230,262.69	42,489,267.44
Less: Settlement amount		38,764,426.92	40,975,213.10
Net amount		465,835.77	1,514,054.34

VI. Notes to items of financial statements (continued)

6. Other Accounts receivable

(1) Breakdown

Category	30 June 2022				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables after a single bad debt provision	10,713,048.00	19.60	9,106,090.80	85.00	1,606,957.20
Accounts receivable after a combination of bad debt provisions	43,941,042.12	80.40	1,202,926.91	2.74	42,738,115.21
Combination: Risk-free portfolio	25,778,218.99	47.17	–	–	25,778,218.99
Margin and deposit	12,690,849.42	23.22	634,542.47	5.00	12,056,306.95
Other combination	5,471,973.71	10.01	568,384.44	10.39	4,903,589.27
Total	54,654,090.12	100.00	10,309,017.71	–	44,345,072.41

(continued)

Category	31 December 2021				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables after a single bad debt provision	10,713,048.00	30.33	9,106,090.80	85.00	1,606,957.20
Accounts receivable after a combination of bad debt provisions	24,613,016.83	69.67	1,268,248.92	5.15	23,344,767.91
Combination: Risk-free portfolio	4,880,716.81	13.82	–	–	4,880,716.81
Margin and deposit	11,273,842.21	31.91	563,692.10	5.00	10,710,150.11
Other combination	8,458,457.81	23.94	704,556.82	8.33	7,753,900.99
Total	35,326,064.83	100.00	10,374,339.72	–	24,951,725.11

VI. Notes to items of financial statements (continued)

6. Other Accounts receivable (continued)

(2) Accounts receivable after a single bad debt provision

Debtor	30 June 2022			Reason
	Other receivables	Bad debt provision	Provision ratio (%)	
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	-	-

Debtor	31 December 2021			Reason
	Other receivables	Bad debt provision	Provision ratio (%)	
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. (1).

(3) Changes in provision for impairment

Item	Jan-Jun 2022			Total
	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	
Beginning balance	1,268,248.92		9,106,090.80	10,374,339.72
Current provision	-65,322.01		-	-65,322.01
Ending balance	1,202,926.91		9,106,090.80	10,309,017.71

VI. Notes to items of financial statements (continued)

6. Other Accounts receivable (continued)

(4) By category

Item	30 June 2022	31 December 2021
Refundable payment for PTA spot transactions	10,713,048.00	10,713,048.00
Dividends and redemptions receivable from funds and asset management plans	21,831,906.42	1,471,741.45
Securities settlement accounts receivable	3,946,312.57	3,408,975.36
OTC option margin receivable	8,216,552.81	6,849,475.86
Deposit	4,474,296.61	4,424,366.35
Others	5,471,973.71	8,458,457.81
Subtotal	54,654,090.12	35,326,064.83
Less: Provision for impairment	10,309,017.71	10,374,339.72
Total	44,345,072.41	24,951,725.11

7. Financial assets purchased under resale agreements

Item	30 June 2022	31 December 2021
Treasury bond reverse repurchase	–	6,719,000.00
Total	–	6,719,000.00

VI. Notes to items of financial statements (continued)

8. Financial assets held for trading

(1) By item

Item	30 June 2022	31 December 2021
Financial assets at fair value through profit or loss		
Investments in debt instruments	302,479,629.76	223,644,052.46
Investments in equity instruments	544,349,556.71	616,775,582.00
Total	846,829,186.47	840,419,634.46

(2) For details of the financial assets held for trading with commitment conditions or restrictions, see Note VI. 52: Assets with restricted ownership or use rights.

9. Inventory

(1) Classified by inventory

Item	30 June 2022		
	Book balance	Provision for depreciation	Book value
Inventory goods	48,686,145.22		48,686,145.22
Total	48,686,145.22		48,686,145.22

(continued)

Item	31 December 2021		
	Book balance	Provision for depreciation	Book value
Inventory goods	9,531.74		9,531.74
Total	9,531.74		9,531.74

(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.

(3) For details of the restricted inventory at the end of the period, see Note VI.52.

VI. Notes to items of financial statements (continued)

10. Long term equity investment

(1) Classified by long term equity investment

Item	30 June 2022	31 December 2021
Long term equity investment calculated with equity method	8,203,412.73	7,036,127.76
Total long term equity investment	8,203,412.73	7,036,127.76
Less: Provision for impairment on long term equity investment		
Net long term equity investment	8,203,412.73	7,036,127.76

(2) Long term equity investment calculated with equity method

Investees	Amount at 31 December 2021	Change for this year							Amount at 30 June 2022	Provision for impairment at 30 June 2022
		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)	4,787,111.14			1,262,024.03						6,049,135.17
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	2,249,016.62			-94,718.12	-20.94					2,154,277.56
Total	7,036,127.76			1,167,305.91	-20.94					8,203,412.73

VI. Notes to items of financial statements (continued)

11. Futures membership investment

(1) Breakdown

30 June 2022			
Item	Book balance	Provision for depreciation	Book value
Futures membership investment	1,827,595.00		1,827,595.00
Total	1,827,595.00		1,827,595.00

(continued)

31 December 2021			
Item	Book balance	Provision for depreciation	Book value
Futures membership investment	1,808,800.00		1,808,800.00
Total	1,808,800.00		1,808,800.00

(2) Classified by exchange

Item	30 June 2022	31 December 2021
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	427,595.00	408,800.00
Total	1,827,595.00	1,808,800.00

- (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, the main reason for changes in membership of Hong Kong Futures Exchange at the end of the Reporting Periods is changes in exchange rate.

VI. Notes to items of financial statements (continued)

12. Fixed assets

(1) Breakdown of fixed assets

Item	Vehicles	Office furniture	Electronic equipment	Total
I. Book cost				
1. Balance at 31 December 2021	4,530,441.60	647,047.14	50,321,958.08	55,499,446.82
2. Current increase		908,495.57	206,846.47	1,115,342.04
(1) Purchase		908,495.57	206,846.47	1,115,342.04
(2) Transfer from work in progress				
3. Current decrease		129,916.85	268,800.00	398,716.85
(1) Disposal or scrap		129,916.85	268,800.00	398,716.85
(2) Transfer to work in process				
4. Exchange difference		3,904.76	70,598.27	74,503.03
5. Balance at 30 June 2022	4,530,441.60	1,429,530.62	50,330,602.82	56,290,575.04
II. Cumulative depreciation				
1. Balance at 31 December 2021	3,819,348.80	231,810.63	36,548,873.39	40,600,032.82
2. Current increase	41,465.11	47,616.18	2,936,527.87	3,025,609.16
(1) Provision	41,465.11	47,616.18	2,936,527.87	3,025,609.16
3. Current decrease		123,591.50	255,360.00	378,951.50
(1) Disposal or scrap		123,591.50	255,360.00	378,951.50
(2) Transfer to work in process				
4. Exchange difference		3,847.41	59,409.86	63,257.27
5. Balance at 30 June 2022	3,860,813.91	159,682.72	39,289,451.12	43,309,947.75
III. Provision for impairment				
IV. Book value				
1. Book value at 30 June 2022	669,627.69	1,269,847.90	11,041,151.70	12,980,627.29
2. Book value at 31 December 2021	711,092.80	415,236.51	13,773,084.69	14,899,414.00

(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 items of financial statements (continued)

13. Work in Progress

(1) Breakdown of work in progress

Item	30 June 2022		
	Book balance	Provision for depreciation	Book value
Office premises in Financial City	274,716,656.66		274,716,656.66
Total	274,716,656.66		274,716,656.66

(2) Changes in significant work in progress item during the Period

Item name	Beginning balances	Current increase	Current decrease		Other decrease
			Transfer to fixed assets	Ending balance	
Office premises in Financial City		274,716,656.66			274,716,656.66
Total	-	274,716,656.66			274,716,656.66

VI. Notes to items of financial statements (continued)

14. Right-of-use assets

(1) Breakdown of right-of-use assets

Item	Lease housing	Total
I. Book cost		
1. Balance at 31 December 2021	74,881,707.35	74,881,707.35
2. Current increase	14,757,082.89	14,757,082.89
(1) Rent increase	14,757,082.89	14,757,082.89
(2) Business merger increase		
3. Current decrease		
(1) Disposal		
4. Exchange difference	227,677.93	227,677.93
5. Balance at 30 June 2022	89,866,468.17	89,866,468.17
II. Cumulative depreciation		
1. Balance at 31 December 2021	50,225,717.77	50,225,717.77
2. Current increase	6,586,198.67	6,586,198.67
(1) Provision	6,586,198.67	6,586,198.67
3. Current decrease		
(1) Disposal		
4. Exchange difference	153,938.86	153,938.86
5. Balance at 30 June 2022	56,965,855.30	56,965,855.30
III. Provision for impairment		
IV. Book value		
1. Book value at 30 June 2022	32,900,612.87	32,900,612.87
2. Book value at 31 December 2021	24,655,989.58	24,655,989.58

(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 items of financial statements (continued)

15. Intangible assets

(1) Breakdown of intangible assets

Item	Software	Customer relations	Total
I. Book cost			
1. Balance at 31 December 2021	7,726,476.75	6,100,000.00	13,826,476.75
2. Current increase			
(1) Purchase			
3. Current decrease			
(1) Disposal or scrap			
4. Exchange difference	27,253.08		27,253.08
5. Balance at 30 June 2022	7,753,729.83	6,100,000.00	13,853,729.83
II. Cumulative amortisation			
1. Balance at 31 December 2021	6,701,272.12	6,100,000.00	12,801,272.12
2. Current increase	294,969.09		294,969.09
(1) Provision	294,969.09		294,969.09
3. Current decrease			
(1) Disposal or scrap			
4. Exchange difference	4,699.08		4,699.08
5. Balance at 30 June 2022	7,000,940.29	6,100,000.00	13,100,940.29
III. Provision for impairment			
IV. Book value			
1. Book value at 30 June 2022	752,789.54		752,789.54
2. Book value at 31 December 2021	1,025,204.63		1,025,204.63

(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 items of financial statements (continued)

16. Deferred income tax assets

(1) Deferred income tax assets without offset

Item	30 June 2022		31 December 2021	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Employee compensation payable	542,208.00	135,552.00	19,655,122.19	4,913,780.55
Credit impairment loss	10,258,613.55	2,564,653.39	10,326,151.10	2,581,537.78
Accrued expenses	2,373,062.18	593,265.55	3,300,766.11	825,191.53
Provisions			1,969,920.97	492,480.24
Changes in the fair value of derivative financial instruments			3,305,416.91	826,354.23
Changes in the fair value of financial assets/liabilities held for trading	3,911,051.63	977,762.91		
Leasing	334,197.66	83,549.42	171,802.95	42,950.74
Unrealized profit of internal transactions	11,421,868.24	2,855,467.06		
Other	10,855,195.14	1,791,107.20		
Total	39,696,196.40	9,001,357.53	38,729,180.23	9,682,295.07

(2) Deferred income tax liabilities without offset

Item	30 June 2022		31 December 2021	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in the fair value of derivative financial instruments	5,816,266.71	1,454,066.68		
Changes in the fair value of financial assets/liabilities held for trading			9,153,015.98	2,288,254.00
Total	5,816,266.71	1,454,066.68	9,153,015.98	2,288,254.00

VI. Notes to items of 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 2022	Deferred income tax asset or liability balance after offset at 30 June 2022	Deferred income tax assets and liabilities offset amount at 31 December 2021	Deferred income tax asset or liability balance after offset at 31 December 2021
Deferred income tax assets	-1,454,066.68	7,547,290.85	-2,288,254.00	7,394,041.07
Deferred income tax liabilities	-1,454,066.68		-2,288,254.00	

(4) Unrecognised deferred income tax assets breakdown

Item	30 June 2022	31 December 2021
Provision for goodwill impairment	53,167,251.21	53,167,251.21
Deductible losses	60,241,310.17	58,466,875.71
Total	113,408,561.38	111,634,126.92

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

According to prevailing tax laws, the deductible losses Holly International Financial Holdings may be carried forward indefinitely to deduct taxes from the year they are incurred.

VI. Notes to items of financial statements (continued)

17. Other assets

(1) Breakdown

Item	30 June 2022	31 December 2021
Advance payments	7,215,533.10	281,485,696.70
Prepaid expenses	4,586,349.06	6,995,142.68
Taxes to be refunded, deducted and settled	7,706,028.69	1,960,559.20
Overseas futures exchange deposit	1,431,957.99	1,369,016.07
Others	3,675,471.70	3,585,849.06
Total	24,615,340.54	295,396,263.71

18. Currency deposits payable

(1) By customer category

Customer category	30 June 2022		31 December 2021	
	QTY	Amount	QTY	Amount
Natural persons	92,174	3,541,117,501.46	85,991	3,244,516,564.70
Legal persons	3,457	5,495,298,821.28	3,070	2,017,295,316.72
Total	95,631	9,036,416,322.74	89,061	5,261,811,881.42

VI. Notes to items of financial statements (continued)

18. Currency deposits payable (continued)

(2) By exchange

Exchange	30 June 2022		31 December 2021	
	QTY	Amount	QTY	Amount
Domestic futures exchanges				
Include: Shanghai Futures Exchange	2,411	1,057,402,153.00	2,062	520,554,746.95
Dalian Commodity Exchange	2,679	597,069,931.70	2,590	507,598,638.10
China Financial Futures Exchange	349	312,709,433.50	330	362,963,783.28
Zhengzhou Commodity Exchange	2,891	359,245,737.90	2,819	419,692,429.65
Shanghai International Energy Exchange	14	11,101,312.20	106	35,442,258.80
China Securities Depository and Clearing Corporation Limited	123	41,629,153.00	16	7,519,835.67
Subtotal	8,467	2,379,157,721.30	7,923	1,853,771,692.45
Overseas futures brokers	2,107	144,479,660.21	2,095	89,679,035.34
Total	10,574	2,523,637,381.51	10,018	1,943,450,727.79

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.

19. Pledged deposits payable

(1) By customer category

Customer category	30 June 2022		31 December 2021	
	QTY	Amount	QTY	Amount
Legal persons	9	974,938,338.40	5	668,817,393.60
Total	9	974,938,338.40	5	668,817,393.60

VI. Notes to items of financial statements (continued)

19. Pledged deposits payable (continued)

(2) By exchange

Exchange	30 June 2022	31 December 2021
Shanghai Futures Exchange	687,288,900.00	428,672,112.00
Dalian Commodity Exchange	161,089,200.00	160,794,960.00
Zhengzhou Commodity Exchange	79,271,438.40	79,350,321.60
Shanghai International Energy Exchange	47,288,800.00	
Total	974,938,338.40	668,817,393.60

20. Financial liabilities held for trading

Item	30 June 2022	31 December 2021
Financial liabilities at fair value through profit or loss	114,652,344.11	86,471,254.16
Include: Accounts payable	114,652,344.11	86,471,254.16

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 2022	Cumulative changes of fair values due to changes of their own credit risks
Accounts payable	-408,959.19	None

As of 30 June 2022, 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 items of financial statements (continued)

21. Financial assets sold under repurchase agreements

(1) By business category

Item	30 June 2022	31 December 2021
Bonds	48,051,155.15	32,625,838.11
Total	48,051,155.15	32,625,838.11

(2) Security information

Item	30 June 2022	31 December 2021
Bonds	71,119,031.72	54,775,333.50
Total	71,119,031.72	54,775,333.50

22. Futures risk provision

(1) Breakdown

Item	Balance at 31 December 2021	Current increase	Current decrease	Balance at 30 June 2022
Futures risk provision	151,215,411.17	5,903,638.55		157,119,049.72
Total	151,215,411.17	5,903,638.55		157,119,049.72

VI. Notes to items of financial statements (continued)

23. Payable to futures investors protection fund

(1) Breakdown

Item	Balance at 31 December 2021	Current increase	Current decrease	Balance at 30 June 2022
Payable to futures investors protection fund	522,926.88	198,161.07	522,855.29	198,232.66
Total	522,926.88	198,161.07	522,855.29	198,232.66

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.

24. Employee compensation payable

(1) Classified by employee compensation payable

Item	Balance at 31 December 2021	Current increase	Current decrease	Balance at 30 June 2022
I. Short-term compensation	20,659,015.94	65,938,862.98	86,021,474.43	576,404.49
II. Post-employment benefits-setting up a contribution plan		10,488,784.53	10,487,929.34	855.19
III. Dismissal benefits				
Total	20,659,015.94	76,427,647.51	96,509,403.77	577,259.68

VI. Notes to items of financial statements (continued)

24. Employee compensation payable (continued)

(2) Short term compensation

Item	Balance at 31 December 2021	Current increase	Current decrease	Balance at 30 June 2022
Salary, bonus, subsidy and allowance	20,121,777.68	53,074,192.02	73,195,969.70	
Workers benefits		775,005.99	775,005.99	
Social insurance premiums		6,211,958.72	6,211,958.72	
Include: Medical insurance premiums		5,794,692.87	5,794,692.87	
Work injury insurance premiums		97,926.50	97,926.50	
Maternity insurance premiums		319,339.35	319,339.35	
Housing reserve fund		4,424,814.72	4,424,814.72	
Labour union funding and employee education funding	537,238.26	1,452,891.53	1,413,725.30	576,404.49
Total	20,659,015.94	65,938,862.98	86,021,474.43	576,404.49

(3) Contribution plan

Item	Balance at 31 December 2021	Current increase	Current decrease	Balance at 30 June 2022
Basic pension		7,550,845.18	7,549,989.99	855.19
Unemployment insurance		232,550.30	232,550.30	
Corporate annuity		2,705,389.05	2,705,389.05	
Total		10,488,784.53	10,487,929.34	855.19

25. Taxes payable

Item	30 June 2022	31 December 2021
Enterprise income tax	6,010,786.20	4,087,590.83
VAT	1,833,313.18	1,771,663.92
Taxes and surcharges	643,770.24	148,589.64
Withholding of personal income tax	10,960.85	8,034.85
Total	8,498,830.47	6,015,879.24

VI. Notes to items of financial statements (continued)

26. Contract liabilities

Item	30 June 2022	31 December 2021
Receipts in advance	716,855.00	1,000,000.00
Total	716,855.00	1,000,000.00

27. Other payables

Item	30 June 2022	31 December 2021
Pending settlement of asset management plan	1,153,766.01	1,085,141.20
Pledge cash payable to standard warrant	31,158,271.23	
Margins payable	24,275,053.80	2,034,551.68
Commission payable	1,408,135.79	1,452,492.29
Auditor's fee payable	964,612.35	1,641,219.20
Risk guarantee payable	3,933,281.99	4,247,710.09
Benefits payable to bank-futures night trading clients	21,621,022.86	
Related party borrowings	50,650,000.00	
Others	14,353,681.34	15,820,306.22
Total	149,517,825.37	26,281,420.68

28. Provisions

Item	30 June 2022	31 December 2021
Expected litigation losses		1,969,920.97
Total		1,969,920.97

29. Long term borrowings

Item	30 June 2022	31 December 2021
Mortgage borrowings	102,940,502.00	116,925,986.00
Accrued interest not yet due	235,159.98	271,981.93
Total	103,175,661.98	117,197,967.93

Note: Long term borrowings was utilised to pay 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 registration was made, and the collateral for the long term borrowing was the property registered.

VI. Notes to items of financial statements (continued)

30. Lease liability

Item	30 June 2022	31 December 2021
Within 1 year	11,879,033.69	11,051,398.16
1-2 years	9,972,596.50	7,408,033.43
2-5 years	11,394,292.48	6,371,672.21
Book value of lease liability	33,245,922.67	24,831,103.80

31. Share capital

Shareholders	Balance at 31 December 2021	Current change (+/-)				Subtotal	Balance at 30 June 2022
		New issue	Bonus issue	Provident fund conversion	Others		
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	275,456,777.00						275,456,777.00
Jiangsu Holly Corporation (Jiangsu Holly Corporation (江蘇弘業股份 有限公司))	147,900,000.00						147,900,000.00
Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司)	143,548,000.00						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						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						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						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						8,285,345.00
HK stocks tradable	249,700,000.00						249,700,000.00
Total	907,000,000.00						907,000,000.00

32. Capital reserve

Item	Balance at 31 December 2021	Current increase	Current decrease	Balance at 30 June 2022
Share premium	533,124,529.52			533,124,529.52
Other	4,701,890.00			4,701,890.00
Total	537,826,419.52			537,826,419.52

VI. Notes to items of financial statements (continued)

33. Other comprehensive income

Item	Jan-Jun 2022								Balance at 30 June 2022
	Balance at 31 December 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		
I. Other comprehensive income that cannot be reclassified into profit or loss									
II. Other comprehensive income to be reclassified into profit and loss									
Include: Other comprehensive income that can be converted to profit or loss with equity method	70.39	-20.94				-20.94			49.45
Translation difference of foreign currency financial statements	-7,385,238.84	5,688,043.45				5,688,043.45			-1,697,195.39
Others									
Total of other comprehensive income	-7,385,168.45	5,688,022.51				5,688,022.51			-1,697,145.94

34. Surplus reserve

Item	Balance at 31 December 2021	Current increase	Current decrease	Balance at 30 June 2022
Statutory surplus reserve	66,606,194.62			66,606,194.62
Total	66,606,194.62			66,606,194.62

35. General risk provision

Item	Balance at 31 December 2021	Current increase	Current decrease	Balance at 30 June 2022
General risk provision	92,485,771.99			92,485,771.99
Total	92,485,771.99			92,485,771.99

VI. Notes to items of financial statements (continued)

36. Retained earnings

Item	30 June 2022
Balance at the end of previous period	85,633,789.00
Add: Current net profit attributable to shareholders of parent	35,254,924.33
Less: Statutory surplus reserve	
Appropriation for general risk reserve	
Dividend payable on ordinary shares	
Balance at the end of current period	120,888,713.33

37. Net handling fee and commission income

(1) Net handling fee and commission income breakdown

Item	Jan-Jun 2022	Jan-Jun 2021
Net brokerage fee income	141,509,969.37	135,117,839.40
Asset management business income	4,440,009.88	6,227,455.92
Total	145,949,979.25	141,345,295.32

VI. Notes to items of financial statements (continued)

37. Net handling fee and commission income (continued)

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

Name of administrative regions	Jan-Jun 2022		Jan-Jun 2021	
	Number of branches	Net handling fee and commission income	Number of branches	Net handling fee and commission income
Jiangsu Province	22	122,000,822.08	22	113,109,091.06
Fujian Province	2	4,937,678.37	2	3,353,665.76
Shanghai	2	2,087,054.34	2	4,805,347.49
Zhejiang Province	2	2,999,283.74	2	3,215,489.48
Henan Province	1	897,125.68	1	2,275,334.06
Guangdong Province	3	1,299,169.25	3	1,659,045.39
Beijing	2	756,024.39	2	1,179,402.59
Hong Kong, China	1	1,734,035.01	1	795,612.62
Shandong Province	2	2,942,653.84	2	1,985,290.59
Shaanxi Province	1	773,118.10	1	1,779,901.00
Anhui Province	2	854,060.04	2	1,495,721.93
Liaoning Province	2	960,425.52	2	1,454,050.77
Guangxi Province	1	754,762.47	1	978,175.83
Hunan Province	1	633,624.20	1	1,252,965.13
Chongqing	1	1,583,238.49	1	556,359.05
Sichuan Province	1	206,331.88	1	320,398.62
Shanxi Province	1	378,371.30	1	718,058.76
Hainan Province	1	152,200.55	1	411,385.19
Total	48	145,949,979.25	48	141,345,295.32

VI. Notes to items of financial statements (continued)

38. Net interest income

Item	Jan-Jun 2022	Jan-Jun 2021
Interest income		
Include: Interest income from customer deposit	45,067,304.88	34,160,328.03
Interest income from own funds deposit	4,316,548.67	4,631,408.37
Interest income from repurchase agreements	198,094.68	82,418.01
Total interest income	49,581,948.23	38,874,154.41
Interest expense		
Include: Interest expense on sale and repurchase	368,280.68	447,925.30
Total interest expenses	368,280.68	447,925.30
Net interest income	49,213,667.55	38,426,229.11

39. Investment gains

(1) Breakdown of investment gains

Item	Jan-Jun 2022	Jan-Jun 2021
Long term equity investment gains calculated with cost method		
Long term equity investment gains calculated with equity method	1,167,305.91	13,221.42
Include: Gains on investment in associates	1,167,305.91	13,221.42
Gains on investment in joint ventures		
Investment gains from disposal of long term equity investment		
Financial instrument investment gains	-26,831,112.77	309,837.32
Include: Gains on financial instrument during holding period	5,743,442.82	14,031,202.07
– Financial instrument held for trading	5,743,442.82	14,031,202.07
Proceeds from disposal	-32,574,555.59	-13,721,364.75
– Financial derivatives	-16,575,312.47	-20,621,770.21
– Financial instrument held for trading	-15,999,243.12	6,900,405.46
Others		
Total	-25,663,806.86	323,058.74

VI. Notes to items of financial statements (continued)

39. Investment gains (continued)

(2) Gains on investment in associates

Item	Jan-Jun 2022	Jan-Jun 2021
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	1,262,024.03	7,279.26
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	-94,718.12	5,942.16
Total	1,167,305.91	13,221.42

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

40. Other income

Item	Jan-Jun 2022	Jan-Jun 2021
Government subsidies	192,451.57	3,121,819.70
Individual income tax refund	131,823.97	57,046.61
Total	324,275.54	3,178,866.31

VI. Notes to items of financial statements (continued)

40. Other income (continued)

(1) Breakdown of government subsidies in Jan-Jun 2022

Subsidy	Amount	Related to assets/ gains	Issuing authority	Approval document
Job stabilization subsidy	9,218.37	Related to income	Department of Human Resources and Social Security of Anhui Province, Department of Finance of Anhui Province, Anhui Provincial Tax Services of the State Taxation Administration	Notice on the Implementation of the Policy of Assisting Enterprises to Stabilize Their Jobs
Job stabilization subsidy	1,754.60	Related to income	Department of Human Resources and Social Security Bureau of Chengdu City, Finance Bureau of Chengdu City, Chengdu Municipal Tax Services of the State Taxation Administration	Notice on the Implementation of the Relevant Policies to Help the Development of Enterprises
Job stabilization subsidy	8,945.28	Related to income	Department of Human Resources and Social Security of Fuzhou City, Finance Bureau of Fuzhou City, Fuzhou Municipal Tax Services of the State Taxation Administration	Notice on the Work of Unemployment Insurance to Stabilize Positions and Skills to Prevent Unemployment of the Department of Human Resources and Social Security of Fujian Province, Department of Finance of Fujian Province, Fujian Provincial Tax Services of the State Taxation Administration
Job stabilization subsidy	11,789.22	Related to income	Department of Human Resources and Social Security of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Tax Services of the State Taxation Administration	Notice on the Work of Unemployment Insurance to Stabilize Positions and Skills to Prevent Unemployment of the Department of Human Resources and Social Security of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Tax Services of the State Taxation Administration
Job stabilization subsidy	5,464.58	Related to income	Department of Human Resources and Social Security of Guangxi Zhuang Autonomous Region and Department of Finance of Guangxi Zhuang Autonomous Region Guangxi Zhuang Autonomous Region Tax Service of the State Taxation Administration	Notice on the Work of Unemployment Insurance to Stabilize Positions and Skills to Prevent Unemployment of the Department of Human Resources and Social Security of Guangxi Zhuang Autonomous Region and Department of Finance of Guangxi Zhuang Autonomous Region Guangxi Zhuang Autonomous Region Tax Service of the State Taxation Administration
Job stabilization subsidy	86,572.00	Related to income	Jiangsu People's Government	Notice on Further Helping Market Entities to Alleviate Difficulties and Make Efforts to Stabilize Economic Growth of the Provincial Government

VI. Notes to items of financial statements (continued)

40. Other incomes (continued)

(1) Breakdown of government subsidies in Jan-Jun 2022 (continued)

Subsidy	Amount	Related to assets/ gains	Issuing authority	Approval document
Job stabilization subsidy	14,364.00	Related to income	Department of Human Resources and Social Security of Liaoning Province, Department of Finance of Liaoning Province, Liaoning Provincial Tax Services of the State Taxation Administration	Notice on the Further Improvement of the Relief of Enterprises and Livelihood Protection Work
Job stabilization subsidy	18,101.93	Related to income	Ministry of Human Resources and Social Security, Ministry of Finance, State Administration of Taxation	Notice on the Work of Unemployment Insurance to Stabilize Positions and Skills to Prevent Unemployment of the Ministry of Human Resources and Social Security, Ministry of Finance, State Administration of Taxation
Job stabilization subsidy	4,872.96	Related to income	Shaanxi Provincial People's Government Office	Notice of the Shaanxi Provincial People's Government Office Relating to Certain Measures to Further Increase the Relief and Assistance to Small and Medium-sized Enterprises
Job stabilization subsidy	1,226.28	Related to income	Shenzhen Municipal People's Government	Notice on Certain Measures Relating to the COVID-19 Epidemic to Further Help the Main Market to Alleviate the Difficulties of the Shenzhen Municipal People's Government
Job stabilization subsidy	19,026.00	Related to income	Suzhou Provincial People's Government	Notice on Certain Policy Measures Related to Further Helping the Main Market to Alleviate the Difficulties and Make Efforts to Stabilize Economic Growth of the Suzhou Provincial People's Government
Job stabilization subsidy	11,116.35	Related to income	Department of Human Resources and Social Security of Zhejiang Province, Department of Finance of Zhejiang Province, Zhejiang Provincial Tax Services of the State Taxation Administration	Notice on the Work of Unemployment Insurance to Stabilize Positions and Skills to Prevent Unemployment of Department of Human Resources and Social Security of Zhejiang Province, Department of Finance of Zhejiang Province, Zhejiang Provincial Tax Services of the State Taxation Administration
Total	192,451.57			

VI. Notes to items of financial statements (continued)

41. Gains on changes of fair value

Item	Jan-Jun 2022	Jan-Jun 2021
Financial assets held for trading	-19,833,457.38	15,182,686.76
Include: Financial assets at fair value through profit or loss	-19,833,457.38	15,182,686.76
Financial liabilities held for trading	4,633,498.25	-5,508,804.69
Include: Financial liabilities at fair value through profit or loss	4,633,498.25	-5,508,804.69
Derivative financial assets	103,484,487.48	26,048,663.77
Derivative financial liabilities	-93,909,029.34	-28,294,187.47
Total	-5,624,500.99	7,428,358.37

42. Other operating income

Item	Jan-Jun 2022	Jan-Jun 2021
Spot sales revenue	587,924,746.06	587,643,957.09
Consulting fee income and others		543,643.83
Total	587,924,746.06	588,187,600.92

43. Futures risk provision

Item	Jan-Jun 2022	Jan-Jun 2021
Futures risk provision	5,903,638.55	5,421,203.27
Total	5,903,638.55	5,421,203.27

VI. Notes to items of financial statements (continued)

44. Taxes and surcharges

Item	Jan-Jun 2022	Jan-Jun 2021
Urban maintenance and construction tax	194,001.14	535,312.59
Education surcharge	82,721.67	229,206.36
Local education surcharge	55,147.81	152,804.32
Property tax	555,353.44	
Others	155,475.95	271,088.50
Total	1,042,700.01	1,188,411.77

45. Business and management expenses

Item	Jan-Jun 2022	Jan-Jun 2021
Employees' compensation	76,427,647.51	85,869,667.72
Office expenses	13,545,177.79	16,387,303.50
Depreciation & amortization	9,906,776.92	10,594,753.25
Intermediary and consulting service fees	1,041,737.13	1,656,447.62
Rent	4,692,994.20	5,023,249.60
Maintenance cost	1,233,848.57	1,566,096.26
Financial expenses	3,968,924.89	4,064,851.18
Investors protection fund	186,944.39	274,895.85
Others	2,858,571.52	3,112,949.99
Total	113,862,622.92	128,550,214.97

VI. Notes to items of financial statements (continued)

46. Credit impairment loss

Item	Jan-Jun 2022	Jan-Jun 2021
Currency deposits receivable impairment loss	440,814.33	-208,064.64
Accounts receivable bad debt loss		-352,431.97
Other receivables bad debt loss	-67,537.55	-120,620.96
Total	373,276.78	-681,117.57

47. Other operating costs

Item	Jan-Jun 2022	Jan-Jun 2021
Cost of spot sales	587,831,642.68	581,111,944.78
Total	587,831,642.68	581,111,944.78

48. Non-operating income

(1) Breakdown of non-operating income

Item	Jan-Jun 2022	Jan-Jun 2021
Government subsidy	175,612.32	8,338.30
Exchange subsidy	55,852.36	402,607.09
Others	105,939.85	127,635.68
Total	337,404.53	538,581.07

(continued)

Item	Include: Amount included in the current non-recurring profit and loss	
	Jan-Jun 2022	Jan-Jun 2021
Government subsidy	175,612.32	8,338.30
Exchange subsidy	55,852.36	402,607.09
Others	105,939.85	127,635.68
Total	337,404.53	538,581.07

VI. Notes to items of financial statements (continued)

48. Non-operating income (continued)

(2) Breakdown of government subsidies in Jan-Jun 2022

Subsidy	Amount	Related to assets/income	Issuing authority	Approval document
Anti-epidemic Fund Subsidy from the Government of the Hong Kong Special Administrative Region	175,612.32	Related to income	The Government of the Hong Kong Special Administrative Region	Anti-epidemic Fund from the Government of the Hong Kong Special Administrative Region
Total	175,612.32			

49. Non-operating expenses

Item	Jan-Jun 2022	Jan-Jun 2021
Donations and sponsorship expenditures		50,000.00
Provisions		1,969,920.97
Litigation compensation		234,314.11
Others	32,618.26	44,756.54
Total	32,618.26	2,298,991.62

(continued)

Item	Include: Amount included in the current non-recurring profit and loss	
	Jan-Jun 2022	Jan-Jun 2021
Donations and sponsorship expenditures		50,000.00
Provisions		1,969,920.97
Litigation compensation		234,314.11
Others	32,618.26	44,756.54
Total	32,618.26	2,298,991.62

VI. Notes to items of financial statements (continued)

50. Income tax expense

(1) Income tax expense breakdown

Item	Jan-Jun 2022	Jan-Jun 2021
Current income tax expense	10,877,112.25	11,233,970.50
Deferred income tax expense	-97,057.09	3,890,488.53
Total	10,780,055.16	15,124,459.03

(2) Accounting profit and income tax expense adjustments

Item	Jan-Jun 2022
Total profit of the current period	46,034,979.49
Income tax expense calculated at the statutory/applicable tax rate	11,508,744.87
Impact of different tax rates applied to subsidiaries	893,815.39
Impact of non-taxable income	-520,237.37
Impact of non-deductible costs, expenses and losses	825,706.89
Impact of deductible temporary differences or deductible loss of deferred income tax assets unrecognized in current period	
Impact of unrealized profit and loss of internal trading	-1,927,974.63
Income tax expense	10,780,055.16

VI. Notes to items of financial statements (continued)

51. 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 2022	Jan-Jun 2021
Securities settlement or redemption payments received		8,549,773.75
Pending settlement of asset management plan	40,277,998.84	
Standard warranty pledge cash received	31,158,271.23	
Margin and commission received	20,829,068.67	
Funds received from other holders of structured entity	32,814,588.20	80,267,966.75
Non-operating income and other income	661,680.07	3,717,447.38
Others	4,888,329.65	673,822.69
Total	130,629,936.66	93,209,010.57

2) Other cash paid related to operating activities

Item	Jan-Jun 2022	Jan-Jun 2021
Payment of amount to be settled	20,291,540.16	19,559,021.08
Standard warrant pledge payment		13,447,865.33
Margin and commission paid		15,279,919.69
Payment for liquidation or redemption of securities	537,337.21	
Advance payment		8,646,905.78
Payment of Litigation compensation	1,969,920.97	4,467,575.89
Others	14,123,138.38	5,165,099.80
Total	36,921,936.72	66,566,387.57

VI. Notes to items of financial statements (continued)

51. Additional information on cash flow statement (continued)

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

3) Other cash received related to financing activities

Item	Jan-Jun 2022	Jan-Jun 2021
Borrowings from related parties	50,000,000.00	50,000,000.00
Total	50,000,000.00	50,000,000.00

4) Other cash paid related to financing activities

Item	Jan-Jun 2022	Jan-Jun 2021
Expenses related to financing	340,566.04	754,716.98
Total	340,566.04	754,716.98

VI. Notes to items of financial statements (continued)

51. Additional information on cash flow statement (continued)

(2) Additional information on consolidated cash flow statement

Item	Jan-Jun 2022
1. Adjustment of net profit to cash flow from operating activities:	
Net profit	35,254,924.33
Add: Asset impairment provision	-
Credit impairment loss	373,276.78
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	3,025,609.16
Depreciation of right-of-use assets	6,586,198.67
Amortization of intangible assets	294,969.09
Amortization of long-term deferred expenses	-
Loss ("-" for gain) from disposal of fixed assets, intangible assets and other long term assets	19,322.87
Fixed assets scrap loss ("-" for gain)	-
Loss ("-" for gain) from changes in fair value	15,199,959.13
Financial expense ("-" for income)	3,712,400.98
Exchange losses	-2,639,036.48
Investment loss ("-" for gain)	9,088,494.39
Decrease ("-" for increase) of deferred income tax assets	-153,249.78
Increase ("-" for decrease) of deferred income tax liabilities	-
Decrease ("-" for increase) of inventory	-48,676,613.48
Decrease ("-" for increase) of operating receivables	-825,074,994.50
Increase ("-" for decrease) of operating payables	4,183,769,704.84
Net interest income	144,346.93
Futures risk provision	5,903,638.55
Others	-
Net cash flow from operating activities	3,386,828,951.48
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	7,499,183,859.33
Less: Cash balance at the beginning of period	4,106,185,249.67
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	3,392,998,609.66

VI. Notes to items of financial statements (continued)

51. Additional information on cash flow statement (continued)

(3) Cash and cash equivalents

Item	30 June 2022	31 December 2021
Cash		
Include: Cash in hand		
Bank deposit immediately available	7,357,874,656.29	4,068,300,218.52
Other monetary funds immediately available	141,309,203.04	37,885,031.15
Cash equivalents		
Closing balance of cash and cash equivalents	7,499,183,859.33	4,106,185,249.67

52. Assets with restricted ownership or use rights

Item	Book value at 30 June 2022	Reason
Monetary fund	210,212.54	Product raised funds account
Monetary fund	1,446,863.88	OTC option margin
Financial assets held for trading	71,119,031.72	Pledge for sale and repurchase transactions
Inventory	6,271,559.62	Exchange pledged loans (jube)
Inventory	39,713,467.20	Exchange pledged loans (cotton)

VI. Notes to items of financial statements (continued)

53. Foreign currency monetary funds

(1) Foreign currency monetary funds

Item	Foreign currency balance at 30 June 2022	Exchange rate	RMB balance converted at 30 June 2022
Monetary fund			
Include: USD	3,856,672.17	6.7114	25,883,669.62
HKD	146,094,392.44	0.8552	124,938,463.47
JPY	187,664.00	0.0491	9,221.06
Currency deposits receivable	86,859,077.31	0.8552	74,281,014.32
Include: USD			
HKD	86,859,077.31	0.8552	74,281,014.32

(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 as accounting currency

VII.Changes in the scope of consolidated statements

(I) Business combination not under the same control

In Jan-Jun 2022, the Group has no subsidiary acquired through business combination not under the same control.

(II) Business combination under the same control

In Jan-Jun 2022, the Group has no subsidiary acquired through business combination under the same control.

(III) Reverse takeover

In Jan-Jun 2022, the Group had no subsidiary acquired through reverse takeover.

(IV) Disposal of subsidiary

In Jan-Jun 2022, the Group had no disposal of subsidiary.

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

1. New subsidiary

In Jan-Jun 2022, there was no new subsidiary or entity to be consolidated.

2. Reduction of subsidiaries by deregistration or otherwise

In Jan-Jun 2022, there was no reduction of subsidiaries by deregistration or other means.

3. Structured entities

In Jan-Jun 2022, the Group consolidated 1 structured entities, namely, "Holly Portfolio FOF2 Collective Asset Management Plan (弘業博孚利 FOF2 號集合資產管理計劃)" 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 2022.

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%		
				Direct	Indirect	Reason
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.

As of 30 June 2022, the net assets managed under the consolidated asset management plans of the Group and fund amounted to RMB194,863,734.36, and meanwhile, the book value of the Group’s interests in the consolidated asset management plans reached RMB80,211,390.25, which was recognised in “Financial assets held for trading”, “Monetary fund”, “Other receivables” and “Other payable” in these financial statements.

Structured entity name	Type	The Group’s actual capital contribution at the end of period
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)	Asset management plan	RMB5,098,300
Holly Ruixin No.1 Collective Asset Management Plan (弘業瑞鑫 1 號集合資產管理計劃)	Asset management plan	RMB5,000,000
Holly Value Growth CTA1 Collective Asset Management Plan (弘業價值成長 CTA1 號集合資產管理計劃)	Asset management plan	RMB1,500,000
Holly Jingxin Phase I FOF Collective Asset Management Plan (弘業景信一期 FOF 集合資產管理計劃)	Asset management plan	RMB2,000,000
Holly Portfolio FOF2 Collective Asset Management Plan (弘業博孚利 FOF2 號集合資產管理計劃)	Asset management plan	RMB6,000,000
Holly Value Growth CTA2 Collective Asset Management Plan (弘業價值成長 CTA2 號集合資產管理計劃)	Asset management plan	RMB5,000,000
Holly Fixed Income Fund (弘業固定收益基金)	Fund	USD3,560,695.53
Holly Guangye Fund SP (弘業廣業基金 SP)	Fund	USD3,128,802.70
Holly International Global Opportunity Fund SP (弘業國際環球機遇基金 SP)	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 2022/Jan-Jun 2022		
	Hongrui New Era	Hongrui Growth	Total
Current assets	24,924,382.14	434,796.03	25,359,178.17
Non-current assets	2,571,686.79	22,001,028.00	24,572,714.79
Total Assets	27,496,068.93	22,435,824.03	49,931,892.96
Current liabilities		677,476.00	677,476.00
Non-current liabilities		166.47	166.47
Total Liabilities		677,642.47	677,642.47
Net profit	5,736,472.86	-956,652.06	4,779,820.80
Total comprehensive income	5,736,472.86	-956,863.56	4,779,609.30

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

As of 30 June 2022, the net assets of structured entities established by the Group but not included into the consolidated financial statements amounted to RMB23,364,326,618.49.

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 2022 Financial assets held for trading	31 December 2021 Financial assets held for trading
Funds	456,382,129.51	486,081,988.72
Trust schemes	131,888,708.50	126,522,054.80
Asset management plans	10,931,683.56	20,966,041.70
Total	599,202,521.57	633,570,085.22

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 period is as follows:

Item	30 June 2022		31 December 2021	
	Balance in foreign currency	Balance in RMB equivalent	Balance in foreign currency	Balance in RMB equivalent
Monetary funds				
HKD	67,680,816.34	57,879,957.33	67,679,206.96	55,334,519.61
USD	46,974.92	315,267.48	44,625.80	284,520.73

- (2) Analysis of the exchange rates for Renminbi against foreign currencies applied by the Group

Item	Average rates		Reporting date mid-spot rate	
	Jan-Jun 2022	Jan-Jun 2021	30 June 2022	31 December 2021
HKD	0.82836	0.83383	0.85519	0.8176
USD	6.4809	6.4698	6.7114	6.3757

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 2022	31 December 2021
Net profit and shareholders' quality		
Items denominated in HKD	-4,340,996.80	-4,150,088.97
Items denominated in USD	-23,645.06	-21,339.05

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 periods.

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 2022		31 December 2021	
	Actual interest rate	Amount	Actual interest rate	Amount
Fixed interest rate financial instruments				
Financial assets				
Monetary fund				
Include: Futures margin	2.30%-3.00%	3,890,000,000.00	2.45%-3.40%	3,665,000,000.00
Own funds				
Currency deposits receivable and pledged deposits receivable	1.66%-1.85%	712,336,078.77	1.66%-1.85%	514,930,761.04
Financial assets purchased under resale agreements			3.157%-3.517%	6,719,000.00
Financial assets held for trading				
Include: Bonds held for trading	1.00%-7.50%	170,590,921.26	1.00%-7.50%	97,121,997.66
Trust schemes	4.20%-8.10%	131,888,708.50	4.20%-8.10%	126,522,054.80
Financial liabilities				
Short term borrowings				
Financial assets sold under repurchase agreements	2.515%-2.520%	48,037,201.72	2.847%-3.905%	32,601,000.00
Long term borrowings	4.50%	102,940,502.00	4.50%	116,925,986.00
Net amount		4,753,838,004.81		4,254,047,827.50
Floating rate financial instruments				
Financial assets				
Monetary fund				
Include: Futures margin	0.001%-2.40%	3,354,452,355.04	0.001%-2.25%	294,706,206.55
Own funds	0.001%-1.95%	115,079,377.67	0.001%-1.95%	113,666,496.74
Other monetary funds	0.35%	141,309,203.04	0.35%	37,885,031.15
Net amount		3,610,840,935.75		446,257,734.44

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 of 30 June 2022, 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 RMB1,839,266.98; and a decrease in interest rate of 100 basis points would have increased the shareholders' equity and net profit of the Group by RMB1,897,448.29.

As of 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.

② Cash flow sensitivity analysis for floating rate financial instruments

As of 30 June 2022, 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 RMB27,184,959.16; and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB25,108,713.43.

As of 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.

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 half annualised impact on interest expense or income of such a change in interest rates.

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 2022	31 December 2021
Change in share price		
10% increase	4,994,858.84	6,790,065.90
10% decrease	-4,994,858.84	-6,790,065.90
Change in commodity price		
10% increase	27,597,497.59	3,945,856.95
10% decrease	-27,597,497.59	-3,945,856.95

(continued)

Item	Shareholders' equity	
	30 June 2022	31 December 2021
Change in share price		
10% increase	4,994,858.84	6,790,065.90
10% decrease	-4,994,858.84	-6,790,065.90
Change in commodity price		
10% increase	27,597,497.59	3,945,856.95
10% decrease	-27,597,497.59	-3,945,856.95

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.

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 2022, 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 2022	31 December 2021
Monetary fund	7,536,812,255.03	4,143,641,973.33
Currency deposits receivable	2,504,259,046.74	2,025,860,140.16
Financial assets held for trading	846,829,186.47	840,419,634.46
Pledged deposits receivable	991,770,498.40	668,817,393.60
Derivative financial assets	9,871,158.50	465,835.77
Financial assets purchased under resale agreements		6,719,000.00
Accounts receivable	44,345,072.41	24,951,725.11
Total maximum risk exposure	11,933,887,217.55	7,710,875,702.43

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 2022

Item	Current	Within 1 year	1-5 years	Total	Book value at balance sheet date
Currency deposits payable	9,036,416,322.74			9,036,416,322.74	9,036,416,322.74
Pledged deposits payable	974,938,338.40			974,938,338.40	974,938,338.40
Payable to futures investors protection fund		198,232.66		198,232.66	198,232.66
Financial assets sold under repurchase agreements		48,051,155.15		48,051,155.15	48,051,155.15
Financial liabilities held for trading		114,652,344.11		114,652,344.11	114,652,344.11
Derivative financial liabilities		15,899,936.78		15,899,936.78	15,899,936.78
Employee compensation payable		577,259.68		577,259.68	577,259.68
Other payable		149,517,825.37		149,517,825.37	149,517,825.37
Lease liability		15,041,460.53	22,740,146.31	37,781,606.84	33,245,922.67
Long term borrowings		32,198,126.41	79,460,067.08	111,658,193.49	103,175,661.98
Total	10,011,354,661.14	376,136,340.69	102,200,213.39	10,489,691,215.22	10,476,672,999.54

IX. Financial instruments and risk management (continued)

(III) Liquidity risk (continued)

2. 31 December 2021

Item	Current	Within 1 year	1-5 years	Total	Book value at balance sheet date
Currency deposits payable	5,261,811,881.42			5,261,811,881.42	5,261,811,881.42
Pledged deposits payable	668,817,393.60			668,817,393.60	668,817,393.60
Payable to futures investors protection fund		522,926.88		522,926.88	522,926.88
Financial assets sold under repurchase agreements		32,625,838.11		32,625,838.11	32,625,838.11
Financial liabilities held for trading		86,471,254.16		86,471,254.16	86,471,254.16
Derivative financial liabilities		1,514,054.34		1,514,054.34	1,514,054.34
Employee compensation payable		20,659,015.94		20,659,015.94	20,659,015.94
Other payable		26,281,420.68		26,281,420.68	26,281,420.68
Lease liability		11,974,787.90	14,433,350.15	26,408,138.05	24,831,103.80
Long term borrowings		32,859,584.76	95,283,813.50	128,143,398.26	117,197,967.93
Total	5,930,629,275.02	212,908,882.77	109,717,163.65	6,253,255,321.44	6,240,732,856.86

(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 fair values at 30 June 2022			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	475,098,220.09	229,404,632.10	142,326,334.28	846,829,186.47
1. Debt instrument investment	145,282,541.26	25,308,380.00	131,888,708.50	302,479,629.76
2. Equity instrument investment	329,815,678.83	204,096,252.10	10,437,625.78	544,349,556.71
(II) Derivative financial assets	456,440.00		9,414,718.50	9,871,158.50
Total financial assets measured at fair value on an ongoing basis	475,554,660.09	229,404,632.10	151,741,052.78	856,700,344.97
Financial liabilities				
(I) Financial liabilities held for trading			114,652,344.11	114,652,344.11
(II) Derivative financial liabilities	387,200.00		15,512,736.78	15,899,936.78
Total financial liabilities measured at fair value on an ongoing basis	387,200.00	-	130,165,080.89	130,552,280.89
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)

(continued)

Item	Summary of fair values at 31 December 2021			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	464,733,109.40	229,998,295.90	145,688,229.16	840,419,634.46
1. Investment in debt instrument	72,444,667.66	24,677,330.00	126,522,054.80	223,644,052.46
2. Investment in equity instrument	392,288,441.74	205,320,965.90	19,166,174.36	616,775,582.00
(II) Derivative financial assets	34,302.50		431,533.27	465,835.77
Total financial assets measured at fair value on an ongoing basis	464,767,411.90	229,998,295.90	146,119,762.43	840,885,470.23
Financial liabilities				
(I) Financial liabilities held for trading			86,471,254.16	86,471,254.16
(II) Derivative financial liabilities	342,139.17		1,171,915.17	1,514,054.34
Total financial liabilities measured at fair value on an ongoing basis	342,139.17	-	87,643,169.33	87,985,308.50
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 Period.

(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 Period 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 Period, 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 2022	Total gains or losses for the year Included in profit or loss	Purchase	Settlement and sale	30 June 2022	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	126,522,054.80	4,036,417.34	55,000,000.00	53,669,763.64	131,888,708.50	1,888,708.50
Investment in equity instrument	19,166,174.36	-88,248.33	5,000,000.00	13,640,300.25	10,437,625.78	372,087.77
Derivative financial assets	431,533.27	8,983,185.23			9,414,718.50	9,414,718.50
Subtotal of financial assets	146,119,762.43	12,931,354.24	60,000,000.00	67,310,063.89	151,741,052.78	11,675,514.77
Financial liabilities						
Financial liabilities held for trading						
Including: Financial liabilities designated as at FVTPL	86,471,254.16	-4,633,498.25	32,814,588.20		114,652,344.11	-408,959.19
Derivative financial liabilities	1,171,915.17	14,340,821.61			15,512,736.78	15,512,736.78
Subtotal of financial liabilities	87,643,169.33	9,707,323.36	32,814,588.20		130,165,080.89	15,103,777.59
Net amount	58,476,593.10	3,224,030.88	27,185,411.80	67,310,063.89	21,575,971.89	-3,428,262.83

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 related parties transactions

(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 related parties transactions (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
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
Jiaingsu 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
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 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
Haian County So HO SILK-MAKING Co., Ltd. (海安市蘇豪制絲有限公司)	Controlled by the same ultimate holding company
Jiangsu Holly International Engineering Co., Ltd. (江蘇弘業國際技術工程有限公司)	Controlled by the same ultimate holding company
Jiangsu Holly Yongchang (Hong Kong) Co., Limited (江蘇弘業永昌(香港)有限公司)	Controlled by the same ultimate holding company
Artall Culture (England) Central Company Limited (愛濤文化(英國)中心有限公司)	Controlled by the same ultimate holding company
Artall Culture Trade (Netherland) Company Limited (愛濤文化貿易(荷蘭)有限公司)	Controlled by the same ultimate holding company
Mr./Ms. CHU	Close family member of senior management

XI. Related parties and related parties transactions (continued)

(II) Related party transactions

1. Acceptance of services

Related parties	Related party transaction	Jan-Jun 2022	Jan-Jun 2021
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Service charge		23,815.63
Jiangsu Artall Space Cultural Company Limited (江蘇愛濤空間文化有限公司)	Decoration and procurement costs		2,657.00
Jiangsu SOHO Health Industry Co., Ltd. (江蘇蘇豪健康產業有限公司)	Procurement cost	8,035.40	
Jiangsu Holly Environment Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司)	Procurement cost	1,159.29	132.74
Jiangsu Holly International Engineering Co., Ltd. (江蘇弘業國際技術工程有限公司)	Publicity cost	27,982.30	
Jiangsu Financial Holding Co., Limited (江蘇金融控股有限公司)	Labour cost	111,828.60	293,508.16
Total		149,005.59	320,113.53

2. Provision of services

Related parties	Related party transaction	Jan-Jun 2022	Jan-Jun 2021
Mr./Ms. CHU	Fee income		2,192.06
Jiangsu SOHO Investment Group Company Limited (江蘇蘇豪投資集團有限公司)	Income from asset management business	3,102.23	
Artall Culture Group Company Limited (愛濤文化集團有限公司)	Income from asset management business	26,552.85	
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Income from asset management business	26,552.85	
Jiangsu Chemical Fertilizer Co., Ltd. (江蘇省化肥工業有限公司)	Fee income	820.75	174.06
Jiangsu Holly Yongchang (Hong Kong) Co., Limited (江蘇弘業永昌(香港)有限公司)	Fee income	122,934.61	
Artall Culture (England) Central Company Limited (愛濤文化(英國)中心有限公司)	Fee income	24,346.91	
Artall Culture Trade (Netherlands) Company Limited (愛濤文化貿易(荷蘭)有限公司)	Fee income	3,936.91	
Total		208,247.11	2,366.12

XI. Related parties and related parties transactions (continued)

(II) Related party transactions (continued)

3. Related lease

Name of Lessor	Type	Jan-Jun 2022	Jan-Jun 2021
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	Housing leasing cost	3,163,805.42	3,162,813.86
Total		3,163,805.42	3,162,813.86

4. Compensation of senior management

Item	Jan-Jun 2022	Jan-Jun 2021
Compensation of senior management	1,626,631.59	3,244,878.72

5. Borrowings from related parties

(1) Borrowings from related parties

Related party	Jan-Jun 2022			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

(continued)

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

XI. Related parties and related parties transactions (continued)

(II) Related party transactions (continued)

5. Borrowings from related parties (continued)

(2) Interest on borrowings from related parties

Related party	Jan-Jun 2022	Jan-Jun 2021	Descriptions
Interest expenses for funds borrowed from related parties	650,000.00	916,666.67	<p>The 5th meeting of the Fourth Board of Director of the Company of 2022 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 five months from 13 April to 16 September.</p> <p>The 21st meeting of the Third Board of Director of the Company of 2021 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 from 12 March to 11 September.</p>

XI. Related parties and related parties transactions (continued)

(II) Related party transactions (continued)

6. Other related party transactions

Related party	Item	Content of related party transaction	Jan-Jun 2022	Jan-Jun 2021
Jiangsu Holly Corporation (江蘇弘業股份有限公司)	N/A	Net investment/disposal of in asset management plans	-10,210,099.26	
Jiangsu Artall Cultural Industry Co., Ltd. (江蘇愛濤文化產業有限公司)	N/A	Net investment/disposal of in asset management plans	-10,210,198.52	
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
Jiangsu SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司)	N/A	Net investment/disposal of in asset management plans	20,000,000.00	
Jiangsu Holly Yongchang (Hong Kong) Co., Limited (江蘇弘業永昌(香港)有限公司)	N/A	Net investment/disposal of in asset management plans	30,201,312.79	

(III) Related party transaction balance

1. Amounts due to related parties

Item	Related parties	30 June 2022	31 December 2021
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)	2,925,943.16	2,843,893.50
Currency deposits payable	Artall Culture Group Co., Ltd. (愛濤文化集團有限公司)	1,500.00	1,500.00

XII. Contingent events

1. Significant pending litigation or arbitration

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. On 28 January 2022, administrator of Hanbang Petrochemical organized and held a creditor meeting of Hanbang Petrochemical, at which the creditors considered and voted on the Draft Plan of Restructuring of Hanbang Petrochemical. On 29 January, the Jiangyin Municipal People's Court ruled that the restructuring plan of Hanbang Petrochemical was approved and the restructuring process of Petrochemical was terminated. On 28 February, Holly Capital Shanghai Branch completed the submission of the relevant documents to the administrator of Hanbang Petrochemical regarding the debt declaration.

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 financial statements.

Except for the above-mentioned matters, as of 30 June 2022, 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 2022, 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 2022	31 December 2021
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. Post-balance sheet events

1. According to “the Approval of the Initial Public Offering of Shares by Holly Futures Co., Limited” (Securities Regulatory Permit No. [2022] 1135) approved by the CSRC, the Company was permitted to make a public offering to the public of RMB100,777,778 ordinary shares (“A” shares) of RMB1 each. On 2 August 2022, the Company received net proceeds raised from the issue of RMB161,354,358.20, of which the increase in share capital was RMB100,777,778.00, and the increase in capital reserve was RMB60,576,580.20. The revised registered capital and share capital were RMB1,007,777,778.00.
2. Profit distribution after the balance sheet date

Item	Content
Profits or dividends to be distributed	30,233,333.34
Profits or dividends declared to distribute after review and approval	–

Note: Pursuant to the resolution of the 7th meeting of the 4th session of the Board of the Company held on 29 August 2022, the above profit distribution proposal is subject to the approval at the general meetings of the Company.

Save for the above, as of the date of this Report, the Company has no post-balance sheet 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 2022 reporting segment

Item	Futures Brokerage and Asset Management Business Division	Commodity Trading and Risk Management Business Division	Offset between divisions	Total
External operating income	176,587,166.17	578,156,907.99		754,744,074.16
Inter-divisional operating income	-23,708,686.22	27,418,655.95	-3,709,969.73	
Operating expenses	-113,794,123.96	-595,219,756.98		-709,013,880.94
Non-operating income and expenditure	304,785.40	0.87		304,786.27
Gross profit	39,389,141.39	10,355,807.83	-3,709,969.73	46,034,979.49
Income tax expense	-5,332,674.04	-2,591,914.06	-2,855,467.06	-10,780,055.16
Net profit	34,056,467.35	7,763,893.77	-6,565,436.79	35,254,924.33
Total assets	12,212,192,270.95	559,859,874.89	-405,934,457.59	12,366,117,688.25
Total liabilities	10,900,084,236.57	140,291,554.57	-397,368,056.41	10,643,007,734.73
Other important items:				
Include: Net interest income	48,555,675.16	657,992.39		49,213,667.55
Depreciation and amortization	9,895,122.47	11,654.45		9,906,776.92
Increase in non-current assets other than long-term equity investment	1,073,000.44	42,341.60		1,115,342.04

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 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:				
Include: 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)

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 2022	Jan-Jun 2021
Mainland China	759,344,225.40	776,492,783.64
Hong Kong, China	-4,600,151.24	1,284,180.85
Total	754,744,074.16	777,776,964.49

XVI. Notes to the principal items in the financial statements of the parent company

1. Long term equity investment

(1) Breakdown of long term equity investment

Item	30 June 2022	31 December 2021
Investment in subsidiaries	546,242,079.81	546,242,079.81
Investment in joint ventures or associates	8,203,412.73	7,036,127.76
Total long term equity investment	554,445,492.54	553,278,207.57
Less: Provision for long term equity investment impairment		
Net long term equity investment	554,445,492.54	553,278,207.57

XVI. Notes to the principal items in the financial statements of the parent company (continued)

1. Long term equity investment (continued)

(2) Investment in subsidiaries

Invested company	Balance at 31 December 2021	Current increase	Current decrease	Balance at 30 June 2022	Provision for impairment in Jan-Jun 2022	Provision for impairment as at 30 June 2022
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	390,000,000.00			390,000,000.00		
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	546,242,079.81			546,242,079.81		

(3) Investment in associates or joint ventures

Invested company	Amount at 31 December 2021	Current changes							Provision for impairment as at 30 June 2022	Amount at 30 June 2022	Provision for impairment as at 30 June 2022	
		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)	4,787,111.14			1,262,024.03							6,049,135.17	
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	2,249,016.62			-94,718.12	-20.94						2,154,277.56	
Total	7,036,127.76			1,167,305.91	-20.94						8,203,412.73	

2. Net handling fee and commission income

(1) Breakdown of net handling fee and commission income

Item	Jan-Jun 2022	Jan-Jun 2021
Net brokerage fee income	118,091,219.18	108,465,997.42
Asset management business income	5,283,548.27	6,549,814.18
Total	123,374,767.45	115,015,811.60

XVI. Notes to the principal items in the financial statements of the parent company (continued)

2. Net handling fee and commission income (continued)

(2) Branches and fee income by administrative region

Administrative region	Jan-Jun 2022		Jan-Jun 2021	
	Number of branches	Fee income	Number of branches	Fee income
Jiangsu Province	21	101,159,645.29	21	87,575,219.96
Fujian Province	2	4,937,678.37	2	3,353,665.76
Shanghai	2	2,087,054.34	2	4,805,347.49
Zhejiang Province	2	2,999,283.74	2	3,215,489.48
Henan Province	1	897,125.68	1	2,275,334.06
Guangdong Province	3	1,299,169.25	3	1,659,045.39
Beijing	2	756,024.39	2	1,179,402.59
Shandong Province	2	2,942,653.84	2	1,985,290.59
Shaanxi Province	1	773,118.10	1	1,779,901.00
Anhui Province	2	854,060.04	2	1,495,721.93
Liaoning Province	2	960,425.52	2	1,454,050.77
Guangxi Province	1	754,762.47	1	978,175.83
Hunan Province	1	633,624.20	1	1,252,965.13
Chongqing	1	1,583,238.49	1	556,359.05
Sichuan Province	1	206,331.88	1	320,398.62
Shanxi Province	1	378,371.30	1	718,058.76
Hainan Province	1	152,200.55	1	411,385.19
Total	46	123,374,767.45	46	115,015,811.60

XVI. Notes to the principal items in the financial statements of the parent company (continued)

3. Net interest income

Item	Jan-Jun 2022	Jan-Jun 2021
Interest income		
Include: Interest income from customer fund deposits	45,066,501.83	34,159,531.95
Interest income from own fund deposits	4,818,125.59	4,199,936.30
Interest income from repurchase agreements	198,094.68	82,418.01
Total interest income	50,082,722.10	38,441,886.26
Interest expense		
Include: Interest expense on sale and repurchase	368,280.68	447,925.30
Total interest expense	368,280.68	447,925.30
Net interest income	49,714,441.42	37,993,960.96

4. Investment gains

(1) Breakdown of investment gains

Item	Jan-Jun 2022	Jan-Jun 2021
Long term equity investment gains calculated with cost method		
Long term equity investment gains calculated with equity method	1,167,305.91	13,221.42
Include: Gains on the investment in associates	1,167,305.91	13,221.42
Gains on the investment in joint ventures		
Proceeds from disposal of long term equity investment		
Financial instrument investment gains	-8,858,197.54	15,601,373.41
Include: Gains on financial instrument during holding period	7,481,382.11	8,943,780.73
– Financial instrument held for trading	7,481,382.11	8,943,780.73
Proceed of disposal	-16,339,579.65	6,657,592.68
– Financial instrument held for trading	-16,339,579.65	6,657,592.68
Total	-7,690,891.63	15,614,594.83

XVI. Notes to the principal items in the financial statements of the parent company (continued)

4. Investment gains (continued)

(2) Gains from investment in associates

Item	Jan-Jun 2022	Jan-Jun 2021
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	1,262,024.03	7,279.26
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	-94,718.12	5,942.16
Total	1,167,305.91	13,221.42

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

5. Gains from changes in fair value

Item	Jan-Jun 2022	Jan-Jun 2021
Financial assets held for trading	-12,425,534.61	7,027,445.75
Include: Financial assets at fair value through profit or loss	-12,425,534.61	7,027,445.75
Total	-12,425,534.61	7,027,445.75

XVII. Approval of financial report

This financial report was approved by the Board of Directors of the Company on 29 August 2022.

Additional information on the financial statements

1. Extraordinary profit and loss statement

Extraordinary profit and loss of the Group under Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public No. 1-Extraordinary Profit and Loss (2008) of the CSRC (see Definitions) are as follows:

Item	Jan-Jun 2022
Profit or loss on disposal of non-current assets	-19,322.87
Tax rebate or tax concessions with unauthorised approval or without official approval documents or on an occasional basis	
Government grants recognised through profit or loss for the period	368,063.89
Other non-operating income and expenses other than the foregoing items	260,997.92
Other profit and loss items falling within the meaning of extraordinary profit and loss	
Subtotal	609,738.94
Less: Effect of income tax	137,544.49
Effect of minority interests (after tax)	
Total extraordinary profit and loss attributable to the owner of the parent company	472,194.45

2. Returns on net assets and earnings per share

The Company's return on net assets and earnings per share as required under "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) – Calculations And Disclosures For The Return On Net Assets And Earnings Per Share (2010 Revision)" issued by the CSRC are as follows:

Profit of the Reporting Period	Reporting Period	Weighted average return on net assets (%)	Earnings per share	
			Basic	Diluted
Net profit attributable to equity holders of the parent company	Jan-Jun 2022	2.0706	0.0389	0.0389
Net profit attributable to equity holders of the parent company after extraordinary items	Jan-Jun 2022	2.0429	0.0383	0.0383

Holly Futures Co., Ltd.
29 August 2022