



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: 03678.HK ; 001236.SZ

2023 INTERIM REPORT



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Definitions

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

Articles of Association	the Articles of Association of Holly Futures Co., Ltd. currently in force, 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
A Shares Prospectus	the prospectus in relation to the A Share Offering published on 5 July 2022
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 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	Corporate Governance Code contained in Appendix 14 to the Listing Rules of Hong Kong Stock Exchange
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	director(s) of the Company
End of Reporting Period	30 June 2023
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)

Futures and Derivatives Law	the Futures and Derivatives Law of the People's Republic of China, implemented on 1 August 2022
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 Shares 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 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 International Asset Management	Holly International Asset Management Company Limited (弘業國際資產管理有限公司) (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 International Financial	Holly International Financial Holdings Limited (弘業國際金融控股有限公司) (formerly known as Holly Su Futures (Hongkong) Co., Limited (弘蘇期貨(香港)有限公司)), a company incorporated under the laws of Hong Kong with limited liability on 20 October 2011 and a wholly-owned subsidiary of our Company which is licensed to carry on Type 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
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	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to 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 China, Macau Special Administrative Region and Taiwan Region
R&D	research and development
Report	the interim report for 2023 of the Company
Reporting Period	the six months ended 30 June 2023
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)	A Share(s) and H Share(s) of the Company
Shareholder(s)	holder(s) of the Shares
Shenzhen Stock Exchange	the Shenzhen Stock Exchange
Soho Assets Operation	Jiangsu SOHO Assets Operation Group Co., Ltd. (江蘇蘇豪資產運營集團有限公司), a limited liability company established under the laws of the PRC and a direct wholly-owned subsidiary of SOHO Holdings
SOHO Culture Group	SOHO Culture Group Company Limited (蘇豪文化集團有限公司) (formerly known as Artall Culture Group Company Limited (愛濤文化集團有限公司)), a limited liability company established under the laws of the PRC on 26 January 1999 and a wholly-owned subsidiary of the Company' Controlling Shareholder
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
SOHO Holly	Soho Holly Corporation (蘇豪弘業股份有限公司) (formerly known as Jiangsu Holly Corporation (江蘇弘業股份有限公司)), 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
Soho Real Estate	Jiangsu SOHO Real Estate Operation and Management Co., Ltd. (江蘇蘇豪不動產經營管理有限公司), a limited liability company established under the laws of the PRC and a direct wholly-owned subsidiary of Soho Assets Operation
SuHui Asset	Jiangsu Su Hui Asset Management Company Limited (江蘇蘇匯資產管理有限公司), a limited liability company established under the laws of the PRC and the controlling shareholder of High Hope Corporation
Supervisor(s)	supervisor(s) of the Company
Straddling buy and sell positions	a behavior of two parties to the transaction acting as sellers and buyers respectively to issue a transaction entrustment order to securities or futures brokers and complete the transaction in accordance with the agreed types of transaction, price, quantity

Company Profile

I. BASIC INFORMATION ABOUT THE COMPANY

1. NAME OF COMPANY

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

Chinese abbreviation (in the PRC): 弘業期貨

English name: Holly Futures Co., Ltd.

2. LEGAL REPRESENTATIVE

Ms. Zhou Jianqiu

3. AUTHORISED REPRESENTATIVES OF THE COMPANY

Ms. Zhou Jianqiu and Mr. Huang Haiqing

4. REGISTERED CAPITAL

RMB1,007,777,778

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: Building 3, No. 399 Jiang Dong Zhong Road, Jianye District, Nanjing, Jiangsu Province, the PRC (Postal code: 210019)

Office address of the Company: Building 3, No. 399 Jiang Dong Zhong Road, Jianye District, Nanjing, Jiangsu Province, the PRC (Postal code: 210019)

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 BOARD

Executive Directors	Ms. Zhou Jianqiu (Chairlady) Mr. Chu Kairong
Non-executive Directors	Mr. Xue Binghai Mr. Jiang Lin Mr. Shan Bing
Independent Non-executive Directors	Mr. Huang Dechun Mr. Lo Wah Wai Mr. Zhang Hongfa (Appointed on 21 July 2023) Mr. Wang Yuetang (Resigned on 21 July 2023)

9 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. Shan Bing Mr. Zhang Hongfa (Appointed on 21 July 2023) Mr. Wang Yuetang (Resigned on 21 July 2023)
Nomination Committee	Ms. Zhou Jianqiu (Chairlady) Mr. Huang Dechun Mr. Zhang Hongfa (Appointed on 21 July 2023) Mr. Wang Yuetang (Resigned on 21 July 2023)
Risk Management Committee	Mr. Zhang Hongfa (Chairman) (Appointed on 21 July 2023) Mr. Wang Yuetang (Resigned on 21 July 2023) Mr. Chu Kairong Mr. Xue Binghai Mr. Jiang Lin
Strategic Committee	Ms. Zhou Jianqiu (Chairlady) Mr. Xue Binghai Mr. Zhang Hongfa (Appointed on 21 July 2023) Mr. Wang Yuetang (Resigned on 21 July 2023)

10 SUPERVISORY COMMITTEE

Ms. Yu Hong (Chairlady of the Supervisory Committee)
Mr. Chen Liang
Ms. Zhang Lei (Appointed on 20 March 2023)
Ms. Yao Aili (Resigned on 20 March 2023)

III. CONTACT INFORMATION

11 SECRETARY TO THE BOARD

Secretary to the Board: Mr. Huang Haiqing

Address: Building 3, No. 399 Jiang Dong Zhong Road, Jianye District, Nanjing, Jiangsu Province, the PRC (Postal code: 210019)

Tel: 025-52278884

Email: zqb@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 under the Financial Reporting Council Ordinance

14 LEGAL ADVISERS OF THE COMPANY

As to Hong Kong Law: DeHeng Law Offices (Hong Kong) LLP

As to PRC Law: Allbright Law Offices Nanjing

Jingtian & Gongcheng Law Firm in Beijing

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
 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
 China Zheshang Bank Co., Ltd.

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

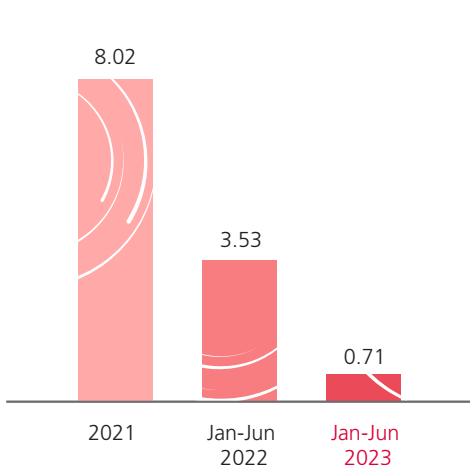
Unless otherwise specified, the accounting data and financial indicators contained in this report are prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, financial data are presented in whole figure. Difference exists in the mantissa 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 2023	Jan-Jun 2022	Change in amount	Change
Operating income	91,099	75,474	15,625	21%
Total profit	1,026	4,603	-3,577	-78%
Net profit-attributable to Shareholders of the Company	713	3,525	-2,812	-80%
Net cash inflow from operating activities	-145,341	338,683	-484,024	-143%
Earnings per Share (RMB/Share)				
Basic earnings per Share	0.0071	0.0389		
Diluted earnings per Share	0.0071	0.0389		
Profitability indicators				
Weighted average return on net assets (%)	0.39%	2.07%		

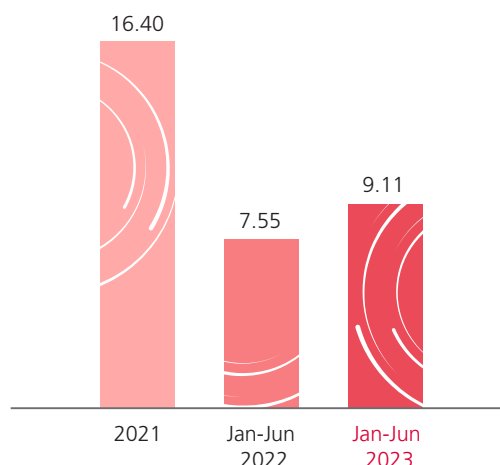
Scale indicators (RMB 0'000)			Change in the end of the current period as compared to the end of the prior year	
	As of 30 June 2023	As of 31 December 2022	Change in amount	Change
Total assets	961,687	1,048,393	-86,706	-8%
Total liabilities	776,720	864,660	-87,940	-10%
Customers' equity payable	716,931	807,393	-90,462	-11%
Equity attributable to Shareholders of the Company	184,966	183,732	1,234	1%
Total share capital (0'000)	100,778	100,778		
Net assets value per share attributable to Shareholders of the Company (RMB per share)				
	1.84	1.82		
Gearing ratio (%)^{Note 1}	24%	24%		

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

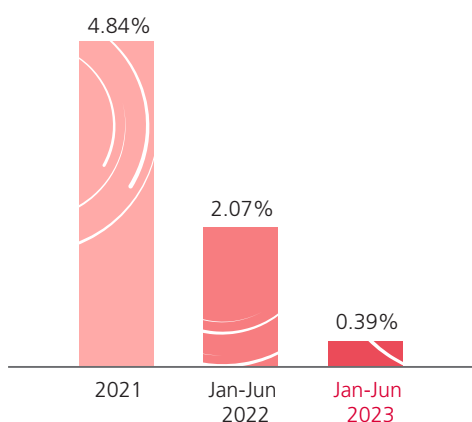
Net profit-attributable to shareholders of the Company (RMB10 million)



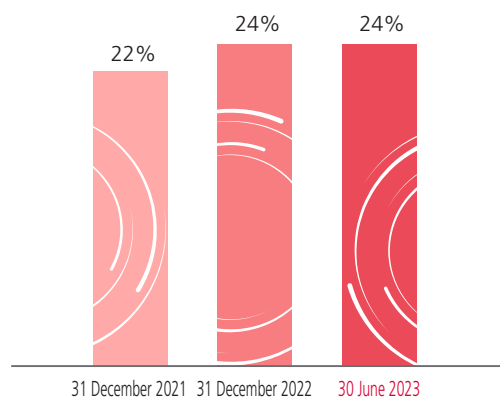
Operating income (RMB100 million)



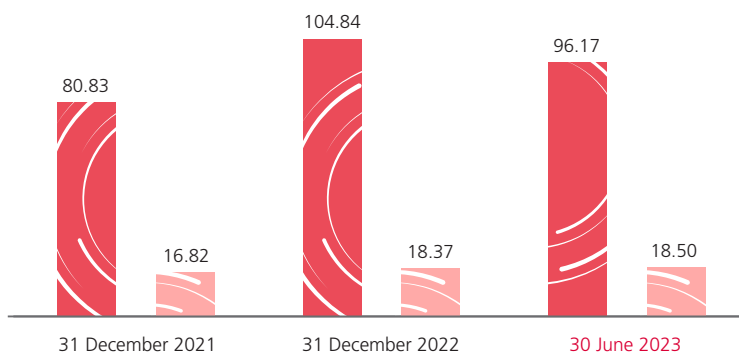
Weighted average return on net assets



Gearing Ratio (Excluding customers' 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 2023 amounted to RMB746 million, representing a decrease of RMB168 million as compared with RMB914 million as at the end of 2022. 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 2023	As of 31 December 2022	Warning level	Minimum/ Supervision level
Net capital (RMB million)	746	914	36	30
Net capital/total risk capital reserves (%)	227%	244%	120%	100%
Net capital/net assets (%)	40%	49%	24%	20%
Current assets/current liabilities (%)	398%	440%	120%	100%
Total liabilities/net assets (%)	20%	20%	120%	150%
Proprietary settlement reserve funds (RMB million)	400	623	–	10

Management Discussion and Analysis

I. Overall Operating Conditions

In the first half of 2023, facing various challenges in the market, the Company made full efforts in advancing production and operation, continuously motivating its staff to steadily carry out their work in an orderly manner. The Company focused on its main business and responsibility, overcoming difficulties to achieve the “multi-billion” target. With advantages of being an “A+H” listed company, the Company actively explored further paths of development with an aim to surpassing its competitors, and the quality of development has steadily improved. 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 is more cyclical due to the impact of the macro economy. 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.

As of 30 June 2023, total assets of the Group amounted to RMB9,617 million, net assets attributable to the Group amounted to RMB1,850 million. Our operating income increased 21% year-on-year, and the average daily customers’ equity increased 7.03% year-on-year. The Company received honors such as “Jiangsu Distinguished Enterprise of Social Responsibility”, the “Excellent Member Prize” and “Excellent Member in Market Growth” of the 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, 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 listed in the PRC and receiving certain percentage of handling fees from clients. As of 30 June 2023, the Company had 45 branches and sub-branches located in several municipalities, in Jiangsu Province, and in other economically developed cities in the PRC.

In the first half of 2023, the market size of futures brokerage business of the Company remained at a relatively stable level. As of 30 June 2023, the Company's customers' equity amounted to RMB7.169 billion. The turnover (bilateral statistics, the same below) from brokerage of the Company amounted to RMB2,493.344 billion. The brokerage volume of the Company amounted to 39.331 million lots.

(2) Asset management business

As of 30 June 2023, the Company's AUM amounted to RMB16.842 billion, representing a decrease of 16.56% compared to RMB20.184 billion as at the end of 2022, remaining in the top three in the futures industry. The asset management business recorded a handling fee income of RMB2.8802 million, representing a decrease of 35% as compared to RMB 4.44 million for the same period of last year. As the manager of asset management plans, the Company launched four new products during the period, of which two were collective products and two were one-to-one special account products. In addition, as the investment advisor of other asset management products, the Company launched one new product, which is higher than the industry average. A total of 31 asset management products are in operation.

In face of high market volatility in 2023, the Company strengthened its bond investment research and stabilized its scale of management. Based on the refined management of existing products, newly registered products include pure fixed income, fixed income + arbitrage, mixed and FOF, which helped seek development opportunities in the transformation of its asset management business. First, prioritize customer demands and introduce products under the Grand Stability series with flexible subscription and redemption procedures. Second, innovate product design and launch debt securities with high credit rating+ FOF strategy products. Third, leverage the flexibility of stock index futures trading and issue hybrid products benchmarked against the CSI 500 Index. Fourth, complement each other's advantages and continue exploring and deepening cooperation with enterprises within the Group.

(3) Commodity trading and risk management business

In the first half of 2023, after optimizing its business structure and personnel deployment, Holly Capital achieved a significant increase in operational performance. From January to June, the company achieved operating revenue of RMB793 million, a year-on-year increase of 31%, and a total profit of RMB21.13 million, a year-on-year increase of 104%.

During the first half of the year, the “Insurance + Futures” projects continued to be carried out, involving a total of 115 projects with a total insured value of RMB775 million, covering four types of agricultural products across eight provinces, and yielded remarkable results. Cooperative agreements for “Futures + Insurance + Bank” services for rural revitalization were signed with institutions including Jiangsu Rural Credit Union Federation and the Jiangsu branch offices of PICC, CPIC, Pacific Insurance, China Life Property & Casualty. and Jiangsu Province Animal Agriculture Association Continued support was provided for the policy-based pilot project of “Insurance + Futures” for pigs in Jiangsu Province, with projects conducted in seven cities within the province, ensuring a coverage of live pig value reaching RMB574 million. Projects involving “Insurance + Futures” for rubber were approved by the Shanghai Futures Exchange in Mengxi County, Yunnan Province, and Baisha County, Hainan Province. The initiation of a new agricultural project for “Insurance + Futures” was approved by Zhengzhou Commodity Exchange for Shaanxi Yanchuan apples. Various “Insurance + Futures” projects for distinctive agricultural products were carried out in rural revitalization areas across the country, safeguarding agricultural industries by securing prices. Notably, the first-ever “Insurance + Futures” project for dairy cow feed costs was initiated in Qinghai Province, while the debut project targeting pulp as the commodity was conducted in Bobai, Guangxi, providing over RMB4.6 million in price risk coverage for more than 700 tons of pulp harvested by local timber planters. The claims ratio reached 215%, more than six times the farmers’ premium contribution.

(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 2023, the Group achieved disposition and dividend gains of RMB-1.73 million from financial assets investment business. Gains on change in fair value amounting to RMB26.4 million was mainly attributed to the Company’s enhanced financial asset investment strategy during the first half of 2023. Meanwhile, the financial market’s recovery enabled the making of certain profit in the financial asset investment operations.

(5) Overseas financial services business

In the first half of 2023, Holly International Financial continuously optimized its traditional business and expanded innovative business. The equity of the futures business grew by 10.26% year-on-year; the equity of securities business grew by 40.14% year-on-year; and the fund management scale dropped by 49.40% year-on-year.

In terms of the futures business, Holly International Financial endeavoured to enhance its research, risk control, and customer service capabilities. In terms of securities business, through the introduction of a quality business team, Holly International Financial securities business has improved across the board in terms of equity, turnover and fee income. In asset management and innovative business, Holly International Financial explored opportunities in QFII and income swaps to accumulate customer resources. In proprietary investment business, adjusted the financial assets investment scale based on market conditions, cleared high-risk investment projects, and improved stability and sustainability of its proprietary investment income.

(6) Fund sales business

The Company newly added 120 agency fund products from January to June 2023, increasing the total number of agency fund products to 2,020, with scale of sales amounted to RMB63.0787 million. The Company screened quality private equity fund managers and on the premise of fully evaluating the risks and benefits, explored the potential investment opportunities and expanded its sales scale. In the first half of 2023, the Company completed the development and testing of the “high-end wealth management” sales module for Holly Features Private Equity Fund and intended to officially launch private placement distribution business in the second half of the year.

III. Outlook and Future Plans

The overall development strategy of the Company is: striving to become an integrated derivatives service provider 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, namely 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) Uphold Steady Progress and Continuously Improve Operational Quality and Efficiency

1. Stabilize the brokerage business as its “foundation”. With a customer-centered approach, closely follow customer demands, be competitive in the market, and seize business opportunities. Enhance the comprehensive capabilities of the “Five-in-One” service entity and strengthen customer loyalty. Integrate various resources such as asset management, risk management and international business to create unique flagship products, fostering innovation in business development to increase revenue, as well as upgrading traditional brokerage business to optimize existing operation and diversify business revenue to create new sources of growth. Implement differentiated management, guiding branch institutions for segmentation and positioning of their work focus based on regional industry characteristics and product advantages, adjusting strategies according to local conditions to enhance branch institutions’ scale and contribution to profitability. Fully leverage the “A+H” brand effect to continuously enhance market competitiveness, increase market share, and strive to achieve customers’ equity surpassing RMB10 billion.
2. Make steady improvement in asset management business quality. While maintaining a stable scale in asset management, enrich the product system, strengthen active management capabilities, and increase asset management revenue. Enhance cooperation with high-quality private equity institutions, conduct due diligence on private equity institutions, and enhance research and investment capabilities. Establish an in-house investment team to improve the yield of self-managed products and expand the scale of proprietary products. Implement the “Fixed income+” and “capital preservation+” strategies, establish a comprehensive risk management system with the primary goal of controlling the risk of massive drawdown, and achieve sustainable growth of asset value under established risk preferences and expected returns.
3. Vigorously expand international business. Holly International Financial continues to nurture the “vitality” of its main business development, make good use of the Holly International Financial platform, expand cross-border income swap business, complete the construction of business architecture system as soon as possible, and open up the domestic and overseas service platform. Adjust the structure of proprietary investments, control venture capital investments, increase the proportion of conservative investments, and strengthen risk control.

4. Optimize and strengthen risk management businesses. Holly Capital continues to make simultaneous efforts in the three major businesses of futures and spot, over-the-counter, and market-making. In terms of futures and spot business, introduce teams or key personnel specialized in related varieties and expand the coverage of futures and spot varieties. Steadily promote basis trading and option trading, expand the depth and breadth of services for terminal enterprises, increase revenue and profits under prudent risk control. In terms of over-the-counter business, strengthen interaction with the business departments of futures companies and optimize over-the-counter options quotations. In the market-making business, further optimize market-making strategies and improve overall profitability. Enhance and refine the “Insurance + Futures” model, continuously explore the use of futures and over-the-counter options to provide high-quality risk management services for various agricultural operators, and contribute to rural revitalization. Continuously develop high-speed trading systems, iterate and update trading strategies, and create new growth points for portfolio business.

2) Deepen Reform and Innovation, Transform the Layout, and Explore New Development Paths

1. Deepen reform and innovation. Implement market value management to enhance market recognition and value realization. Follow the principles of benchmarking the market, determining salaries based on positions, and rewarding based on performance to further improve employee compensation and benefits. Take measures such as closure, suspension, merger, and transformation to gradually transform branch institutions from extensive development model to high-quality development model, with a focus on improving the layout of branch institutions. Focus on building “beautiful business departments” and explore the creation of “Five Aura” goals, including “operational innovation and efficiency beauty, party-building leadership and image beauty, standardized regulatory management beauty, cultural enrichment and humanistic beauty, and clean and orderly environment beauty” for each branch institution. Concentrate efforts on building an “empowering” and “intelligent” headquarters, strengthen service capability for branch institutions, and create synergy for high-quality development of the Company.
2. Optimize business layout. With the promulgation and implementation of the Futures and Derivatives Law and the release of the Draft Measures for the Supervision and Administration Measures of Futures Companies (期貨公司監督管理辦法), the Company’s core competitiveness and sustainable development model have been changed, ushering in a “multi-wheel drive” development. Futures companies and risk management subsidiaries can cultivate and develop multiple businesses and form a business direction of “9+4”, including brokerage business, trading consultancy, market-making, derivative trading, asset management, IB (Introducing Broker) business, sales agent business, futures proprietary trading, and futures margin financing for futures companies, as well as basis trading, cooperative hedging, storage and logistics, and warehouse receipt services for risk management companies. The Company will accelerate its transformation and explore business models that combine futures and spot markets, commodities and finance, on-exchange and off-exchange, and domestic and international markets. Strengthen research on new businesses and new models, and make preparations for the gradual return of market-making and derivative business to futures companies.
3. Tap into profit growth points. The Company will seize the new opportunities brought by the restructuring and integration of the controlling shareholder, leverage the functions of futures, and find the right direction to play the role in enhancing the safety and stability of the industrial and supply chain for the new group. Utilize top-level connections, market connections, and service connections to provide multi-level and multi-channel services to physical enterprises. Strengthen active management capabilities, improve the yield of asset management products, and enhance the profitability of asset management business. Make good use of the Holly Capital and Holly International Financial platforms, learn from the experiences of securities companies in cross-border derivative business, expand cross-border profit swap businesses, and establish a winning position in the new development track.

(3) Focus on Technological Empowerment to Enhance Company's Core Competitiveness

1. Focusing on "Holly Technology": The Company will establish a dual identity as a platform-based company and a fintech company, with data elements as the core resource, financial technology as the central engine, and financial services as the core scenario. Key areas include: (1) Enhancing information technology governance, increasing investment in information technology, emphasizing the construction of the information technology workforce, and improving intelligent hardware and software development. (2) Actively cultivating independent research and development capabilities, promoting digital transformation, accelerating the construction of proprietary APP, and enhancing technical support for company development. (3) Further solidifying the data foundation, improving the data governance system, coordinating data asset management, and unlocking value from accumulated data. (4) Focusing on building a comprehensive live streaming platform, utilizing the Company's professional hardware and software platform for live streaming rooms to enhance streaming effects; optimizing streaming quality through a specialized new media production team.
2. Strengthening "Investment and Research Innovation": Enhancing investment and research capabilities, with a focus on industry, product, and trading research capabilities, fostering more outstanding investment and research talents. Prioritizing both rigid talent acquisition and flexible intellectual input, strengthening collaboration with higher education institutions and research institutes to innovate and develop together. Deepen, refine, summarize and enhance the investment research framework to establish the "professional" brand image of the Company. The Company make full use of cooperative research, intelligent quantitative research, field research, high-end closed-door meetings to enhance professional service capabilities, deepen the industrial research system and realize research from a comprehensive perspective.
3. Valuing "Talent Development": Accelerating the formation of a high-quality talent pool for the future in accordance with requirements for leadership, versatility, expertise, and service orientation, constructing a multi-level talent structure. Strengthening cooperation with universities and colleges, proactively targeting high-quality talent sources, and improving the conversion rate of campus recruitment. Accelerating the supply of research talents through postdoctoral workstations and effectively utilizing such platform. Establishing a comprehensive internal talent development system that serves the Company's strategy, aligns with business needs, and enhances capabilities; increasing talent exchange between the headquarters, branches, and subsidiaries to further optimize talent allocation. Creating an atmosphere of dedication, supporting true contributors, taking responsibility for actions, and promoting an ethos of accountability.
4. Building a "Culturally Strong Enterprise": Cultivating a corporate culture characterized by "Unity, Excellence, Gratitude, and Happiness." Unity is the mission, excellence is the core, gratitude is the source, and happiness is the goal. Upholding the core values of "Integrity, Excellence, Innovation, and Win-Win." Integrity is the guideline for company operations and employee behavior; excellence is the driving force to be pursued in management and service; innovation is the process from nothing to something, from something to superior, adhering to strategic, organizational, technological, and market innovation; win-win is the objective for achieving mutual success with customers and society.

(4) Lead in Green Finance to Assist the Entity's Green, Low-Carbon and High-Quality Development

Actively develop green finance is the call of the times and the inevitable choice to promote China's economic and social development of high quality and low carbon, and is also an important bridge to realize the transition from "green mountains" to "golden mountains". As an important part of the financial system, the futures and derivatives market effectively connects the industrial chain, service chain and ecological chain, and guides real enterprises to rationally allocate resources and realize green and sustainable development. Futures companies are an important medium for "green" futures varieties to serve the real economy, closely follow the market demand for risk management, actively promote the core functions of futures, support the high-quality development of energy conservation and environmental protection, new energy and other green industries, and solidly promote the reduction of carbon emissions in traditional energy, industry, transportation and other high-carbon areas to provide strong financial support for the development of green and low-carbon. strong financial support for green and low-carbon development.

The Company successfully held the "2023 Green Financial Service Entity and Futures Mainly for Rural Revitalization Conference", and jointly initiated the establishment of the first professional carbon futures research center in China with Sino Research Institute of Green Finance, in order to practice the green development strategy and promote the construction of a green financial system. As a next step, the Company will rely on the current financial market system of the State, focus on green and low-carbon development, accelerate the research and development and layout of green and low-carbon derivatives, and build a diversified and serialized green derivatives system. It will promote derivative product innovation and explore products including carbon forwards, carbon options, carbon bonds and carbon insurance. Focusing on areas such as the construction of a green, low-carbon and recycling development system and the green upgrading of infrastructure, it strengthens industry-financing synergies with the chemical industry, iron and steel, textile, photovoltaic, energy and other industries, serves the transformation and upgrading of traditional industries, and assists in risk management of new green industries. We strive to explore the path and methods of green finance empowering social governance, strengthen rural field visits and research, innovate financial products and services to meet the financial needs of rural areas, and assist in the smooth implementation of the rural revitalization strategy. We will continue to improve the "insurance + futures" model, give full play to the functions and advantages of green finance, and cultivate financial businesses in new and green agriculture, so as to provide more convenient and sustainable financial support for the agricultural industry.

IV. Working Capital, Financial Resources and Capital Structure

(1) Profitability analysis

During the Reporting Period, the Company seized the opportunities of industrial innovation and development and gradually enhanced its comprehensive strength. However, affected by various factors including decline in turnover of the Company's futures brokerage business, reduction in refund of handling fee from futures exchange and decrease in market interest rate, the Company's brokerage business saw a year-on-year decline in handling fee, net commission income and net interest income, resulted in a certain decline of overall operating performance. For the six months ended 30 June 2023, the Group achieved total operating income of RMB911 million, representing an increase of 21% as compared with the same period of 2022. The net profit attributable to shareholders of the Company amounted to RMB7.13 million, representing a decrease of 80% as compared with the same period of 2022. The earnings per Share amounted to RMB0.0071 and the weighted average return on net assets was 0.39%, representing a year-on-year decrease of 1.68 percentage points.

(2) Asset structure and asset quality

As of 30 June 2023, the total assets of the Group amounted to RMB9,617 million, representing a decrease of 8% as compared with RMB10.484 billion at the end of 2022; the total liabilities amounted to RMB7,767 million, representing a decrease of 10% as compared with RMB8,647 million at the end of 2022. Net assets attributable to shareholders of the Company amounted to RMB1,850 million, representing an increase of 1% as compared with RMB1,837 million at the end of 2022.

The asset structure remained stable while the quality and liquidity of assets were well maintained. The Group's total assets recorded a decrease as compared to the beginning of the Reporting Period, mainly due to the decrease in customers' equity. As of 30 June 2023, the total assets of the Group comprises current assets of RMB9,193 million (accounting for 95.59%) and non-current assets of RMB424 million (accounting for 4.41%). Total assets mainly included cash assets of RMB8,345 million (accounting for 86.78%), assets for investment of RMB641 million (accounting for 6.67%), receivables of RMB72 million (accounting for 0.75%), inventories of RMB14 million (accounting for 0.15%), and other assets of RMB545 million (accounting for 5.66%).

As of 30 June 2023, the liabilities deducting customers' equity amounted to RMB598 million, representing an increase of 4% as compared with RMB573 million at the end of 2022, remaining stable overall. The gearing ratio of the Group was 24% with little change from the end of the 2022. The operating leverage was 1.32 times, representing an increase of 1% as compared with 1.31 times at the end of 2022.

As at 30 June 2023, the Group's total borrowings amounted to RMB124.9265 million (end of 2022: RMB89.1746 million), of which RMB77.9279 million was payable within one year, RMB27.9710 million was repayable within one to two years and RMB19.0276 million was repayable within two to five years. The interest rate for all the above borrowings is between 3.45% and 4.50%. The currency of all borrowings is RMB. Details of the Group's borrowings are set out in Note VI, 20 and 32 to the unaudited interim financial statements and the liquidity risk profile is set out in Note IX, (III) to the unaudited interim financial statements.

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 predictable” 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 2023 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 RMB-1,589 million in the first half of 2023.

Net cash generated from operating activities of the Group amounted to RMB-1,453 million in the first half of 2023, representing a period-to-period decrease of RMB4,840 million as compared with RMB3,387 million for the same period in 2022; net cash generated from investing activities amounted to RMB-167 million in the first half of 2023, representing a period-to-period decrease of RMB124 million as compared with the net cash generated from investing activities amounting to RMB-43 million for the same period in 2022; net cash flow generated from financing activities amounted to RMB26 million in the first half of 2023, representing a period-to-period decrease of RMB14 million as compared with the net cash generated from financing activities amounting to RMB40 million for the same period in 2022; net increase in cash and cash equivalents amounted to RMB-1,589 million in the first half of 2023, representing a period-to-period decrease of RMB4,982 million as compared with RMB3,393 million for the same period in 2022.

(6) Significant investment

There is no significant investment during the Reporting Period.

(7) Contingent liabilities

For details, please refer to VIII of the Management Discussion and Analysis section of this report and Note XII of the unaudited interim financial statements.

(8) Charges on assets

For details, please refer to VIII of the Management Discussion and Analysis section of this report.

V. Material Financing of the Company

(1) Equity financing

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

(2) Debt financing

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

VI. Investments during the Reporting Period

(1) Use of proceeds

H Shares

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 (comprising 227,000,000 H Shares offered by the Company and 22,700,000 H Shares offered by the selling Shareholders) under the global offering. The number of Shares offered to the public in Hong Kong was 24,970,000 H Shares, representing 10% of the total number of offer shares offered under the Global Offering. The number of offer shares under the International Placing was 224,730,000 H Shares, representing 90% of the total number of offer shares offered under Global Offering, with an issue price of HKD2.43 per Share, raising total proceeds of approximately HKD607 million. The net proceeds raised by the Company amounted to approximately HKD536 million (after deducting the Group's underwriting fees and all related expenses).

According to the use of proceeds from H Share Offering as set out in the H Shares Prospectus, the Group intended to use the proceeds to: develop the Hong Kong and global futures business of the Group; develop the asset management business; develop the commodity trading and risk management business; develop and strengthen the existing futures brokerage business; purchase information technology equipment and software; and serve as general working capital of the Group.

After deducting all listing expenses, transferred payments of the social insurance and the part used in developing Hong Kong and global futures business, the total proceeds of the Company were remitted to the PRC and converted to RMB.

The Company held the 2018 annual general meeting on 6 June 2019 and passed to transfer the remaining fund of HKD50 million which were 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. The Company obtained approval from the relevant regulatory authorities for the above application for changing the use of proceeds, and completed the implementation.

The Company held the first extraordinary general meeting of 2022 on 22 November 2022 and transferred the remaining fund of HKD19.05 million which were originally intended to be used for "developing and strengthening the existing futures brokerage business", "developing the Hong Kong and global futures business" and "developing the commodity trading and risk management business" to "purchasing information technology equipment and software".

A Shares

According to the "Approval of the Initial Public Offering of Shares by Holly Futures Co., Ltd." (Zheng Jian Xu Ke [2022] No. 1135) approved by the CSRC, the Company was permitted to make a public offering of 100,777,778 RMB ordinary shares with par value RMB1 each to the public at an effective issue price of RMB1.86 per Share. As of 2 August 2022, the Company had raised gross proceeds of RMB187,446,667.08 through the public offering of 100,777,778 RMB ordinary shares to the public, and the actual net proceeds raised after deduction of issue expenses amounted to RMB161,354,358.20, translating to net proceeds of approximately RMB1.60 per Share. According to the description of the use of proceeds in the A Shares Prospectus, all proceeds raised from the A Share Offering of the Company, after deducting the issue expenses, will be used for capital replenishment of the Company, which is necessary for the Company's development and achievement of its strategic objectives, enhancement of its core competitiveness, integration of resources and promotion of the rapid development of various businesses. The above proceeds were transferred to the designated account of the Company on 2 August 2022 and the availability of funds has been verified by ShineWing Certified Public Accountants, which has issued the relevant Capital Verification Report.

The Company's proceeds of RMB161,354,358.20 have been fully utilized for capital replenishment. As of 31 December 2022, the proceeds have been fully utilized and the designated accounts for the proceeds have been cancelled.

(2) Use of proceeds for committed items

H Shares

As of 30 June 2023, the abovementioned proceeds raised from H Share Offering, for the purposes as set out in the H Shares Prospectus, were used as follows:

Description	Proceeds raised Usable amount as of		Balance HKD'0,000
	End of Reporting Period HKD'0,000	Proceeds raised Accumulated amount used HKD'0,000	
Development of the future business in Hong Kong and throughout world ^{1, 2}	21,500	21,500	–
Development of the asset management business	13,404	13,404	–
Development of the commodity trading and risk management business ²	9,784	9,784	–
Development and enhancement of the existing futures brokerage business ²	52	52	–
Purchasing IT equipment and software ²	4,586	3,290	1,296
General working capital	4,289	4,289	–
Total	53,615	52,319	1,296

Note 1: The Company held the 2018 annual general meeting on 6 June 2019 and transferred the remaining fund of HKD50 million which were originally intended to be used for "developing and strengthening the existing futures brokerage business" to "developing the Hong Kong and global futures business". It was approved by the regulatory authorities and implementation was completed.

Note 2: The Company held the first extraordinary general meeting of 2022 on 22 November 2022 and transferred the remaining fund of HKD19.0539 million which were originally intended to be used for "developing and strengthening the existing futures brokerage business", "developing the Hong Kong and global futures business" and "developing the commodity trading and risk management business" to "purchasing IT equipment and software".

In order to enhance the efficiency of the utilisation of the proceeds, as of 30 June 2023, 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 2022 first extraordinary general meeting of the Company in due course according to business needs.

A Shares

As of 30 June 2023, the above proceeds from the A Shares Offering have been fully utilized for capital replenishment and the designated accounts for the proceeds have been cancelled.

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

In January 2023, the Company injected RMB100 million into the capital of Holly Capital. After the capital increase, the registered capital of Holly Capital was changed to RMB500 million. Except for such capital contribution, there was no investment in other subsidiaries and joint stock companies by the Company during the Reporting Period.

(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

As of 30 June 2023, the Company had no material acquisition or disposal of subsidiaries, associates and joint ventures.

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 671 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 2023, the total remuneration of employees, including remuneration of Directors, amounted to approximately RMB83.3748 million. Details of which are set out in Note VI, 28 and Note VI, 48 of 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 focusing 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 and internal control risk, professional conduct risk, market risk, credit risk, information technology risk and ESG (Environmental, Social and Governance) risks.

In the first half of 2023, 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 occur in actual operation, despite the fact that the Company can identify potential risks, its assessment of the risks involved and the corresponding measures to deal with them may not be fully effective. Due to the Company's large number of branches, it cannot guarantee that every employee will comply fully with its risk management and internal control policies. The Company's risk management and internal control policies do not necessarily protect the Company from all risks, and in certain circumstance, this could potentially have a material adverse impact on the business, financial condition and operating results of the Company.

(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 professional conduct risk mainly 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 triple pressure of demand contraction, supply disruption and weakening expectations, the foundation of economic recovery of China was somewhat shaken. 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, due to various factors such as reduction in refund of handling fee from futures exchange and decrease in market interest rate, the Company's brokerage business saw a significant decline in handling fee, net commission income and net interest income. The continuous decline in the net commission rate of the brokerage business is attributed to intensified competition, increased market transparency, and weak customer loyalty. Loose monetary policies, intensified government macroeconomic regulation and continuous lowering of market deposit rates have also posed challenges to the Company's traditional brokerage business. 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.

(vi) ESG (Environmental, Social and Governance) Risks

1. Compliance risks

ESG information disclosure requirements for the "A+H" listed companies are gradually becoming more stringent. For example, in June 2021, the Ministry of Ecology and Environment issued the "Reform Plan for the Legal Disclosure System of Environmental Information", which sets the establishment of a mandatory environmental information disclosure system by 2025 as the main work target and requires the CSRC to further revise the format of filing for information disclosure of listed enterprises; in November 2022, the Hong Kong Stock Exchange issued the "2022 Analysis of ESG Practice Disclosure", which sets out the requirements that companies should review their progress against various ESG targets, and disclose their supply chain risk management and green procurement practices, among other enhancements. The Company should continue to optimize its ESG reporting to demonstrate the initiatives to meet environmental commitments, social responsibility and strengthen internal governance.

2. Environmental pollution risks

The impact of financial institutions on the environment is not only in the form of emissions of waste and water, but also in the form of indirect environmental pollution through financial behaviors such as investment and credit, which may lead to more serious environmental problems. The financial risks associated with environmental issues can be minimized by channeling capital into the development and use of energy efficient and environmentally friendly products through financial behavior.

The integration of ESG factors into asset management and the ability of companies to take advantage of green finance-related opportunities is a concern for mainstream international ESG rating agencies in the financial sector, while the United Nations Principles for Responsible Investment (UNPRI) encourages all investment companies to adhere to and practice ESG requirements, incorporating ESG issues into the investment analysis and decision-making process. In September 2022, Mr. Fang Xinghai mentioned at the 2022 China (Zhengzhou) International Futures Forum that the launch of new products such as carbon emissions should be actively explored to enhance the breadth and depth of serving the real economy. Futures companies have taken on more practical functions of serving the real economy – building a bridge between the green industry and the application of financial instruments (including futures hedging, optimizing risk management, stabilizing corporate operations, providing management advice, etc.), contributing to the realization of the "dual carbon" objective and empowering the green industry with futures.

At present, the Company has undertaken the development of green financial derivatives to help the green industry to hedge risks and operate soundly. The Company plans to incorporate ESG factors into the decision-making process in the development of green financial derivatives to promote the adjustment of the business model towards sustainable development. At the same time, the Company will actively promote social responsibility in asset management and incorporate ESG factors into our investment process and decision-making.

3. Data security risks

Privacy and data security issues are part of the ESG disclosure requirements of the Hong Kong Stock Exchange and are of interest to mainstream international ESG rating agencies. For example, in MSCI ratings, the performance of financial sector privacy and data security issues will affect the overall rating outcome of a company. Companies should assess the amount of personal data they collect, the vulnerability of potential data leakage and their personal data protection systems.

At present, the Company has established a number of information security and privacy protection systems and adopted a number of security measures to ensure the security of customer information, and all employees of the Company have undergone training on computer network security protection. The Company will carry out an information security audit to assess internal and external information security risks. At the same time, the Company will strengthen the management of IT suppliers, incorporate ESG factors into the code of conduct for suppliers and introduce an ESG evaluation system in the management of suppliers.

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 "Class A of the A Category" for regulatory purpose for the past fifteen consecutive years since 2009 when the rating of futures companies was first introduced.

(1) Risk Management Principles

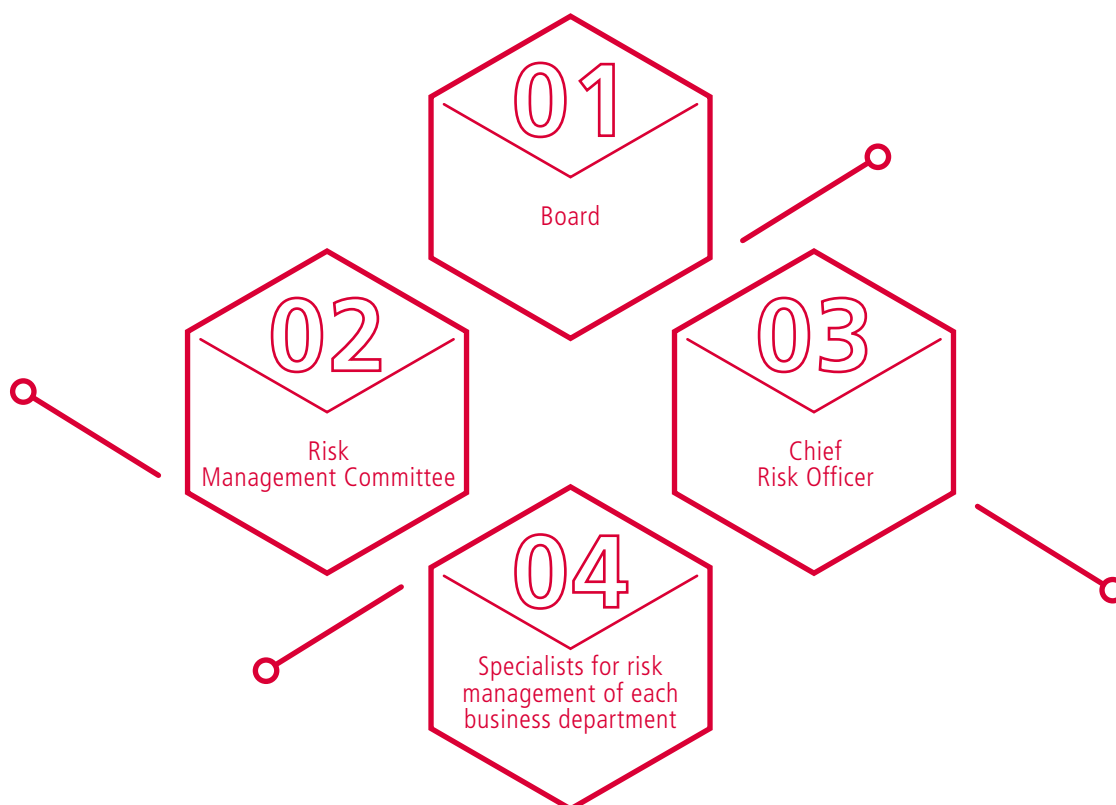
The Company values the importance of the risk management system, which is established to achieve the following business goals:

1. Preventing professional conduct, market and credit risks;
2. Ensuring the safety and integrity of the assets of the Company's customers and the Company's own assets;
3. Ensuring the reliability, completeness and timeliness of the business records, financial records and other information of the Company; and
4. Enhancing the operation efficiency and the efficiency in future business development of the Company. The risk management and internal control system of the Company has been designed based on the following principles:
 - (I) **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;
 - (II) **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;
 - (III) **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;
 - (IV) **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, all with bachelor or higher degrees and one of them is a senior accountant. The risk management committee of the Company is led by Mr. Zhang Hongfa, 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 complying 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. Ms. Zhan Jieying is the Chief Risk Officer and has approximately ten years of experience in the financial 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 on both the domestic and overseas markets, 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 kept improving its corporate governance structure, compliance risk control and internal control system according to the requirements under the Company Law, the Securities Law, the Futures and Derivatives Law, the Measures for the Supervision and Administration of Futures Companies, the Rules for Corporate Governance of Listed Companies, the Corporate Governance Code 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, the Board, the Supervisory Committee and the operation and 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 has complied with all the code provisions set out in part 2 of Corporate Governance Code and has adopted the majority of the recommended practices.

(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 was 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. Huang Dechun and Mr. Lo Wah Wai and Mr. Zhang Hongfa.

(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 2023, the Audit Committee reviewed and confirmed the interim results of the Group for the six months ended 30 June 2023, the 2023 Interim Report and the unaudited interim financial statements for the six months ended 30 June 2023 prepared in accordance with the PRC GAAP.

(5) Directors' Responsibility for the 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 RMB1,007,777,778, divided into 1,007,777,778 ordinary shares, (758,077,778 A Shares and 249,700,000 H Shares respectively) with par value of RMB1.00.

II. Amendments to the Articles of Association

On 29 December 2022, following changes in the Company's registered address and the address of its PRC headquarters, the Board proposed to make corresponding amendments to the Articles of Association. Amendments to the Articles of Association were approved by the Shareholders at the first extraordinary general meeting of 2023 held on 15 February 2023 and has become effective on the same day. For details, please refer to the announcements of the Company dated 29 December 2022 and 15 February 2023, the circular dated 20 January 2023 and the overseas regulatory announcement dated 29 December 2022.

On 29 March 2023, with the revision and approval by the Board, the new rules of procedure of the Audit Committee of the Board of Directors and the new rules of procedure of the Remuneration Committee have come into effect on the same day. For details, please refer to the announcement of the Company dated 29 March 2023.

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 24.78% and the public float of the A Shares of the Company was 10.00%, which were in compliance with the relevant regulations of Rule 8.08 and Rule 13.32 of the Listing Rules.

IV. Interim results

The interim results of the Group for the six months ended 30 June 2023 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 2023.

V. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: RMB0.03 per share (tax inclusive)).

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

During the Reporting Period, the Group conducted its connected transactions in strict compliance with the Listing Rules and the Administrative Measures on Connected Transactions. The connected transactions of the Group were mainly entered into with SOHO Holdings, the Controlling Shareholder of the Company and Soho Real Estate. See Note XI to the 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.

(I) 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 controlled 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 2023, SOHO Holdings directly and indirectly holds approximately 42.83% of equity interest in the Company, and hence is the 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) property leasing; and (iv) production, R&D and sales of mulberry silk, textile and garments.

Soho Real Estate

Soho Real Estate is a limited liability company established under the laws of the PRC on 8 April 1995. As at 30 June 2023, Soho Real Estate is a direct wholly-owned subsidiary of Soho Assets Operation which is a direct wholly-owned subsidiary of SOHO Holdings, the Controlling Shareholder of the Company.

Soho Real Estate is principally engaged in (i) leasing of non-residential real estate; (ii) property management; and (iii) provision of park management, car park and office services.

(II) Continuing connected transactions

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 2023 is set at RMB2.60 million, with an actual transaction amount of RMB140,500 in the first half of 2023.

The following table sets out the annual caps for continuing connected transactions of the Group in 2023 and the actual transaction amounts for connected transactions of the Group in the first half of 2023. For the six months ended 30 June 2023, the continuing connected transactions of the Group were as follows:

		First half of 2023	
		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	141	2,600

(III) Connected transactions

Real Estate Lease Agreement between the Group and Soho Real Estate

On 28 April 2023 (after trading hours of the Hong Kong Stock Exchange), the Company (as the lessee) entered into the New Soho Real Estate Lease Agreement with Soho Real Estate (as the lessor), pursuant to which Soho Real Estate agreed to lease the 31/F to 33/F, Building 3, No. 399 Jiang Dong Zhong Road, Jianye District, Nanjing, Jiangsu Province, the PRC to the Company for office use for a term of three years from 2 March 2023 to 1 March 2026 (both dates inclusive). The total rental fee shall be RMB11,069,154.78.

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 2023, based on the information available to the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executive of the Company do not have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (as defined under Part XV of the SFO) (i) which are required to be notified to 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 to the Company or the Hong Kong Stock Exchange under the Model Code.

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

As at 30 June 2023, to the knowledge of the Directors, Supervisors and the chief executive of the Company, the interests or short positions of substantial shareholders (except the Directors, Supervisors and chief executive 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⁾
SOHO Holdings (蘇豪控股) ⁽³⁾	A Shares	Beneficial owner and interest in controlled corporation	431,642,122 (long position)	42.83%	56.94%
SOHO Holly (蘇豪弘業)	A Shares	Beneficial owner	147,900,000 (long position)	14.68%	19.51%
Holly Su Industrial (弘蘇實業)	A Shares	Beneficial owner	143,548,000 (long position)	14.24%	18.94%
Shenzhen Changhong Investment Partnership (Limited Partnership) (深圳昌鴻投資合夥企業(有限合夥)) ⁽⁴⁾	A Shares	Interest in controlled corporation	143,548,000 (long position)	14.24%	18.94%
Shanghai Taihe Yitian Investment Partnership (Limited Partnership) (上海泰合翌天投資合夥企業(有限合夥)) ⁽⁴⁾	A Shares	Interest in controlled corporation	143,548,000 (long position)	14.24%	18.94%
Zhongshan Yigao Investment Development Co., Ltd. (中山易高投資發展有限公司) ⁽⁴⁾	A Shares	Interest in controlled corporation	143,548,000 (long position)	14.24%	18.94%
Huang Jieping(黃捷萍) ⁽⁴⁾	A Shares	Interest in controlled corporation	143,548,000 (long position)	14.24%	18.94%
High Hope Corporation (匯鴻集團)	A Shares	Beneficial owner	63,930,134 (long position)	6.34%	8.43%
SuHui Asset (蘇匯公司) ⁽⁵⁾	A Shares	Interest in controlled corporation	63,930,134 (long position)	6.34%	8.43%

Notes:

- (1) The calculation is based on the total number of 1,007,777,778 Shares in issue of the Company as at 30 June 2023.
- (2) The calculation is based on the 758,077,778 A Shares in issue and 249,700,000 H Shares in issue of the Company as at 30 June 2023.
- (3) On 30 June 2023, SOHO Holdings (i) directly held 275,456,777 A Shares; (ii) was the beneficial owner of 22.46% equity interest in SOHO Holly (directly holding 147,900,000 A Shares of the Company); and (iii) was the beneficial owner of the entire equity interests of SOHO Culture Group (deemed to be interested in the 8,285,345 A Shares directly held by Holly Logistics). As disclosed in the 2022 annual report of SOHO Holly, according to relevant Chinese laws, SOHO Holdings is deemed to be the controlling shareholder of SOHO Holly. Accordingly, SOHO Holdings is deemed to be interested in the 147,900,000 A Shares of the Company directly held by SOHO Holly and 8,285,345 A Shares of the Company directly held by SOHO Culture Group, and hence was directly and indirectly interested in 431,642,122 A Shares. For further details, please refer to Section XII, Event after the Reporting Period.
- (4) According to the current information available to the Company, on 30 June 2023, (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 Holly Su Industrial.; (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 A Shares directly held by Holly Su Industrial.
- (5) On 30 June 2023, SuHui Asset held 67.41% equity interests in High Hope Corporation. Accordingly, under the SFO, SuHui Asset is deemed to be interested in the 63,930,134 A Shares directly held by High Hope Corporation. For further details, please refer to Section XII, Event after the Reporting Period.

Save as disclosed above, the Directors, Supervisors and chief executive of the Company are not aware that, as at 30 June 2023, any other person (other than the Directors, Supervisors or chief executive 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 2023, SOHO Holdings, the Controlling Shareholder of the Company, held approximately 42.83% 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 controlled 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 authorised, international trading, rental housing, and manufacturing, R&D and sales of mulberry silk, textile and garments.

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

In July 2016, the Company found that an employee ("Mr. A") was suspected of forging the seal of the Company for signing contracts. As stipulated in the contract, the commissioned funds are transferred directly into the private bank account of such employee, and the Company had reported the case to the public security organ. In 2022, the court found that the employee's conduct constituted a criminal offence.

On 1 August 2017, a customer ("Company I") filed three lawsuits to the People's Court of Qinhuai District, Nanjing (the "Qinhuai District Court") requesting the Company for repayment of the principal of wealth management products of RMB21 million with interest of RMB5.04 million, and the Company shall bear the cost of litigation. After the case was heard, on 21 March 2018, the Company received a civil ruling from Qinhuai District Court regarding the three lawsuits, dismissing the claims against Company I. The case was transferred to the public security organ for handling. In June 2018, the Company received a second instance ruling from the Nanjing Intermediate People's Court (the "Nanjing Intermediate Court") regarding the three lawsuits which ruled that the appeal of Company I was dismissed and the original decision was upheld.

On 2 December 2019, Company I filed three lawsuits to the People's Court of Hexi District, Tianjin (the "Tianjin Hexi Court") again requesting the Company and Tianjin Branch for repayment of payments and loss of revenue, totaling RMB38.64 million, and the Company and Tianjin Branch shall bear the cost of litigation. On 30 June 2020, the Company received a first instance civil ruling from the Tianjin Hexi Court regarding the three lawsuits which ruled that the plaintiff breached the rule against double jeopardy and dismissed the claims against the plaintiff, Company I.

On 1 December 2022, Company I filed three lawsuits to the Qinhuai District Court for the third time requesting the Company for repayment of the principal of wealth management products of RMB21 million with the related gains, and the Company shall bear the cost of litigation for such three cases. On 14 February 2023, Qinhuai District Court held a hearing for the three cases. On 21 February 2023, the Company received three civil rulings from the Qinhuai District Court, stating that the plaintiff has withdrew the lawsuits.

(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 under the 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 2022 annual report of the Company.

1. The Company

On 20 March 2023, Ms. Yao Aili resigned, and Ms. Zhang Lei was appointed as an employee representative Supervisor of the Company.

On 5 July 2023, Ms. Zhan Jieying was appointed as the Chief Risk Officer of the Company.

On 21 July 2023, the resignation of Mr. Wang Yuetang, an independent non-executive Director, took effect, and Mr. Zhang Hongfa was appointed as an independent non-executive Director of the Company.

2. Holly Capital

On 5 May 2023, Mr. Ma Dongdong ceased to serve as deputy general manager of Holly Capital.

On 18 May 2023, Mr. Zheng Peiguang ceased to serve as a director of Holly Capital.

On 18 May 2023, Mr. Qiu Xiangjun ceased to serve as a director of Holly Capital.

On 18 May 2023, Ms. Yu Hong ceased to serve as a supervisor of Holly Capital.

On 18 May 2023, Ms. Chen Ling ceased to serve as a director of Holly Capital.

On 18 May 2023, Ms. Zhan Jieying was appointed as a director of Holly Capital.

On 18 May 2023, Mr. Huang Dongyan was appointed as a supervisor of Holly Capital.

3. Holly International Financial

On 1 January 2023, Mr. Sun Haoming was appointed as an executive deputy general manager of Holly International Financial.

On 18 May 2023, Mr. Huang Haiqing was appointed to serve as the chairman of Holly International Financial.

4. Holly International Asset Management

None.

XII. Event after the Reporting Period

On 17 July 2023, the Company received a notification from its controlling shareholder, SOHO Holdings, that with the approval of the Jiangsu Provincial Party Committee and Government, SOHO Holdings, Jiangsu Overseas Group Co., Ltd. (江蘇省海外企業集團有限公司), SuHui Asset (蘇匯公司), Jiangsu Huilong Asset Management Co., Ltd. (江蘇省惠隆資產管理有限公司) and Jiangsu Shuntian International Group Co., Ltd. (江蘇舜天國際集團有限公司) proposed to undergo reorganisation and amalgamation (the “**Reorganisation**”), with SOHO Holdings as the base, all other enterprises are proposed to be merged into SOHO Holdings. Hence, it is planned to transfer 100% equity of Suhui Asset Management, held by the Jiangsu SASAC to SOHO Holdings at nil consideration.

After the completion of the Reorganisation, the controlling shareholder and the actual controller of the Company remains unchanged. After the transfer of Suhui Asset (which holds 67.41% of High Hope Group) to SOHO Holdings at nil consideration, SOHO Holdings will, directly and indirectly, be interested in 495,572,256 Shares of the Company, representing 49.17% of the total share capital of the Company.

On 3 August 2023, the change of business registration for the transfer of Suhui Asset to SOHO Holdings at nil consideration has been completed.

For details, please refer to the Company’s announcements dated 17 July 2023, 21 July 2023, 28 July 2023 and 3 August 2023.

Review Report

XYZH/2023NJAA2B0065

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 2023, the consolidated and parent company’s income statement, cash flow statements and statement of changes in shareholders’ equity and notes to the financial report from January to June 2023. 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 provides 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 parent company’s financial position of Holly Futures as at 30 June 2023, and the consolidated and parent company’s financial performance and cash flows from January to June 2023.

Shine Wing Certified Public Accountants LLP

Certified Public Accountants registered in the People’s Republic of China:
Zhang Yuhu (the engaging partner)Certified Public Accountants registered in the People’s Republic of China:
Luan Yongliang

Beijing, China

29 August 2023

Consolidated Balance Sheet

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

Item	Note	30-Jun-23	1-Jan-23
Assets:			
Monetary funds	VI, 1	4,760,834,182.71	6,348,666,153.74
Including: Futures margin deposits		4,522,052,346.63	6,026,696,688.51
Currency deposits receivable	VI, 2	2,834,317,313.31	2,054,665,070.53
Pledged deposits receivable	VI, 3	750,011,090.00	981,207,968.00
Financing capital	VI, 4	7,749,232.24	5,953,971.21
Derivative financial assets	VI, 5	1,756,251.99	19,223,235.33
Settlement deposits receivable	VI, 6	20,000,000.00	20,000,000.00
Trade receivables			
Receivable financing	VI, 7	12,522,680.00	
Other receivables	VI, 8	31,395,841.57	45,557,381.12
Financial assets held under resale agreements	VI, 9	99,945,385.13	–
Financial investment:			
Financial assets held for trading	VI, 10	631,217,581.01	558,851,538.15
Inventories	VI, 11	13,970,495.87	–
Long-term equity investments	VI, 12	8,314,007.97	8,252,386.71
Investment in futures membership	VI, 13	1,860,990.00	1,846,635.00
Investment properties	VI, 14	48,420,728.00	48,420,728.00
Fixed assets	VI, 15	317,867,271.39	324,646,521.40
Work in progress			–
Right-of-use assets	VI, 16	28,922,844.41	22,154,853.76
Intangible assets	VI, 17	553,188.00	535,962.00
Goodwill			
Deferred tax assets	VI, 18	18,369,238.46	16,637,688.15
Other assets	VI, 19	28,838,080.10	27,308,606.63
Total assets		9,616,866,402.16	10,483,928,699.73

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Consolidated Balance Sheet (Continued)

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

Item	Note	30-Jun-23	1-Jan-23
Liabilities:			
Short-term borrowings	VI, 20	49,778,096.61	
Currency deposits payable	VI, 21	6,424,057,697.15	7,092,720,613.41
Pledged deposits payable	VI, 22	745,257,090.00	981,207,968.00
Financial liabilities held for trading	VI, 23	75,772,531.39	86,445,401.37
Derivative financial liabilities	VI, 5	10,608,841.67	22,573,170.18
Financial assets sold under agreements to repurchase	VI, 24	66,637,310.79	35,197,232.68
Futures risk reserve	VI, 25	164,196,425.45	160,851,377.70
Notes payable	VI, 26	12,660,486.53	
Futures investors protection funds	VI, 27	149,758.33	394,274.29
Employee benefits payable	VI, 28	571,505.97	2,882,801.23
Taxes payable	VI, 29	3,751,603.24	3,148,586.05
Trade payables		–	
Contract liabilities	VI, 30	8,068,474.25	
Other payables	VI, 31	101,156,342.32	149,435,444.94
Long-term borrowings	VI, 32	75,148,397.67	89,174,605.23
Lease liabilities		–	
Estimated liabilities	VI, 33	29,387,855.27	22,573,315.47
Deferred income tax liabilities			
Other liabilities			
Total liabilities		7,767,202,416.64	8,646,604,790.55

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Consolidated Balance Sheet (Continued)

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

Item	Note	30-Jun-23	1-Jan-23
Shareholders' equity:			
Share capital	VI, 34	1,007,777,778.00	1,007,777,778.00
Other equity instruments			
Incl: Preference shares			
Perpetual bond			
Capital reserve	VI, 35	598,402,999.72	598,402,999.72
Less: Treasury shares			
Other comprehensive income	VI, 36	9,481,907.82	4,268,800.09
Surplus reserve	VI, 37	70,228,670.53	70,228,670.53
General risk reserve	VI, 38	96,108,247.90	96,108,247.90
Retained earnings	VI, 39	67,664,381.55	60,537,412.94
Total equity attributable to owners of the parent company		1,849,663,985.52	1,837,323,909.18
Minority interests			
Total shareholders' equity		1,849,663,985.52	1,837,323,909.18
Total liabilities and shareholders' equity		9,616,866,402.16	10,483,928,699.73

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Balance Sheet of the Parent Company

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

Item	Note	30-Jun-23	1-Jan-22
Assets:			
Monetary funds		4,429,135,983.14	6,071,853,272.01
Including: Futures margin deposits		4,371,550,829.82	5,914,339,091.99
Currency deposits receivable		2,776,669,304.71	1,986,377,918.29
Pledged deposits receivable		750,011,090.00	981,207,968.00
Financing capital			
Derivative financial assets			
Settlement deposits receivable		20,000,000.00	20,000,000.00
Trade receivables			
Other receivables		15,146,817.91	22,464,271.03
Financial assets held under resale agreements		92,794,000.00	
Financial investment:			
Financial assets held for trading		546,428,054.63	433,016,584.46
Inventories			
Long-term equity investments	XVI, 1	708,762,587.78	608,700,966.52
Investment in futures membership		1,400,000.00	1,400,000.00
Investment properties		48,420,728.00	48,420,728.00
Fixed assets		273,382,508.07	279,614,122.00
Work in progress			
Right-of-use assets		25,109,339.97	18,370,226.33
Intangible assets			-
Goodwill			
Deferred tax assets		1,285,919.66	1,961,581.02
Other assets		17,759,920.01	25,435,796.37
Total assets		9,706,306,253.88	10,498,823,434.03

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Balance Sheet of the Parent Company (Continued)

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

Item	Note	30-Jun-23	1-Jan-22
Liabilities:			
Short-term borrowings			
Currency deposits payable		6,712,500,573.09	7,276,989,317.85
Pledged deposits payable		750,011,090.00	981,207,968.00
Financial liabilities held for trading			
Derivative financial liabilities			
Financial assets sold under agreements to repurchase		61,563,000.00	31,188,220.04
Futures risk reserve		164,196,425.45	160,851,377.70
Futures investors protection funds payable		149,758.33	394,274.29
Employee benefits payable		435,422.29	1,909,766.03
Taxes payable		1,562,950.23	1,312,561.62
Trade payables			
Contract liabilities			
Other payables		65,169,517.23	90,026,407.83
Long-term borrowings		62,581,704.19	74,324,912.29
Lease liabilities			
Estimated liabilities		25,655,143.62	18,794,178.16
Deferred income tax liabilities			
Other liabilities			
Total liabilities		7,843,825,584.43	8,636,998,983.81

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Balance Sheet of the Parent Company (Continued)

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

Item	Note	30-Jun-23	1-Jan-22
Shareholders' equity:			
Share capital		1,007,777,778.00	1,007,777,778.00
Other equity instruments			
Incl: Preference shares			
Perpetual bond			
Capital reserve		592,000,959.53	592,000,959.53
Less: Treasury shares			
Other comprehensive income		69.21	41.21
Surplus reserve		70,228,670.53	70,228,670.53
General risk reserve		96,108,247.90	96,108,247.90
Retained earnings		96,364,944.28	95,708,753.05
Total equity attributable to shareholders		1,862,480,669.45	1,861,824,450.22
Total liabilities and shareholders' equity		9,706,306,253.88	10,498,823,434.03

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Consolidated Income Statement

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

Item	Note	January-June 2023	January-June 2022
I. Total income from operations		910,986,747.06	754,744,074.16
Net fee and commission income	VI, 40	88,445,261.10	145,949,979.25
Including: Net fee income from brokerage operations		85,565,055.16	141,509,969.37
Net fee income from asset management operations		2,880,205.94	4,440,009.88
Net interest income	VI, 41	42,261,745.52	49,213,667.55
Including: Interest income		42,859,957.74	49,581,948.23
Interest expense		598,212.22	368,280.68
Investment gain (loss denoted by "-")	VI, 42	-1,535,871.97	-25,663,806.86
Including: Investment gain of associates and joint ventures		61,593.26	1,167,305.91
Derecognised income of financial assets measured at amortised cost (loss denoted by "-")			
Other income	VI, 43	58,240.77	324,275.54
Gains on change in fair value (loss denoted by "-")	VI, 44	16,993,096.91	-5,624,500.99
Exchange gains (loss denoted by "-")		427,770.91	2,639,036.48
Income from other business activities	VI, 45	764,358,339.66	587,924,746.06
Asset disposal gain (loss denoted by "-")		-21,835.84	-19,322.87
II. Total operating expense		900,824,040.71	709,013,880.94
Appropriation for futures risk reserve	VI, 46	3,345,047.75	5,903,638.55
Taxes and surcharges	VI, 47	1,778,842.99	1,042,700.01
General and administrative expenses	VI, 48	132,760,398.35	113,862,622.92
Credit impairment loss	VI, 49	591,595.53	373,276.78
Other asset impairment loss			
Other general expenses	VI, 50	762,348,156.09	587,831,642.68
III. Profit from operations (loss denoted by "-")		10,162,706.35	45,730,193.22
Add: Non-operating income	VI, 51	279,170.09	337,404.53
Less: Non-operating expenses	VI, 52	179,328.15	32,618.26
IV. Total profit (loss denoted by "-")		10,262,548.29	46,034,979.49
Less: Income tax expense	VI, 53	3,135,579.68	10,780,055.16
V. Net profit (loss denoted by "-")		7,126,968.61	35,254,924.33
(I) Classification by continuity of operations			
1. Net profit of operation on a going concern basis (Net loss denoted by "-")		7,126,968.61	35,254,924.33
2. Net profit of operation on a discontinued operation (Net loss denoted by "-")			
(II) Classification by ownership			
1. Net income attributable to owners of the parent company (Net loss denoted by "-")		7,126,968.61	35,254,924.33
2. Profit and loss of minority shareholders (Net loss denoted by "-")			

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Consolidated Income Statement (Continued)

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

Item	Note	January-June 2023	January-June 2022
VI. Other comprehensive income, net of tax		5,213,107.73	5,688,022.51
Net other 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		5,213,107.73	5,688,022.51
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		28.00	-20.94
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Credit impairment provisions for other debt investments			
5. Reserve for cash flow hedging			
6. Exchange rate differences of financial statements denominated in foreign currency		5,213,079.73	5,688,043.45
7. Others			
Net other comprehensive income after tax attributable to minority shareholders			
VII.Total comprehensive income		12,340,076.34	40,942,946.84
Total comprehensive income attributable to owners of the parent company		12,340,076.34	40,942,946.84
Total comprehensive income attributable to minority shareholders			
VIII.Earnings per share			
(1) Basic earnings per share		0.0071	0.0389
(2) Diluted earnings per share		0.0071	0.0389

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Income Statement of the Parent Company

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

Item	Note	January-June 2023	January-June 2022
I. Total income from operations		121,615,058.02	156,012,463.06
Net fee and commission income	XVI, 2	69,261,175.71	123,374,767.45
Including: Net fee income from brokerage operations		65,212,439.71	118,091,219.18
Net fee income from asset management operations		3,125,755.35	5,283,548.27
Net interest income	XVI, 3	37,955,663.93	49,714,441.42
Including: Interest income		38,553,876.15	50,082,722.10
Interest expense		598,212.22	368,280.68
Investment gain (loss denoted by "-")	XVI, 4	-3,349,220.44	-7,690,891.63
Including: Investment gain of associates and joint ventures		61,593.26	1,167,305.91
Derecognised income of financial assets measured at amortised cost (loss denoted by "-")			
Other income		54,294.31	316,317.33
Gains on change in fair value (loss denoted by "-")	XVI, 5	14,421,870.89	-12,425,534.61
Exchange gains (loss denoted by "-")		426,744.54	2,544,107.90
Income from other business activities		2,866,364.92	198,578.07
Asset disposal gain (loss denoted by "-")		-21,835.84	-19,322.87
II. Total operating expense		120,241,087.96	106,237,019.65
Appropriation for futures risk reserve		3,345,047.75	5,903,638.55
Taxes and surcharges		1,213,933.48	824,792.72
General and administrative expenses		115,316,843.18	99,645,495.02
Credit impairment loss		365,263.55	-136,906.64
Other asset impairment loss			
Other general expenses			
III. Profit from operations (loss denoted by "-")		1,373,970.06	49,775,443.41
Add: Non-operating income		129,169.33	161,791.34
Less: Non-operating expenses		171,286.80	32,618.26
IV. Total profit (loss denoted by "-")		1,331,852.59	49,904,616.49
Less: Income tax expense		675,661.36	12,778,522.69
V. Net profit (loss denoted by "-")		656,191.23	37,126,093.80
(I) Net profit of operation on a going concern basis (Net loss denoted by "-")		656,191.23	37,126,093.80
(II) Net profit of operation on discontinued operation (Net loss denoted by "-")			

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Income Statement of the Parent Company (Continued)

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

Item	Note	January-June 2023	January-June 2022
VI. Other comprehensive income, net of tax		28.00	-20.94
(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		28.00	-20.94
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		28.00	-20.94
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Credit impairment provisions for other debt investments			
5. Reserve for cash flow hedging			
6. Exchange rate differences of financial statements denominated in foreign currency			
7. Others			
VII. Total comprehensive income		656,219.23	37,126,072.86
VIII. Earnings per share			
(1) Basic earnings per share		0.0007	0.0409
(2) Diluted earnings per share		0.0007	0.0409

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Consolidated Statement of Cash Flows

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

Item	Note	January-June 2023	January-June 2022
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		853,964,108.30	662,135,937.32
Cash received from interest, fees and commissions		142,435,437.33	199,102,862.70
Net increase from disposal of financial assets relating to risk management business		8,155,714.74	
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
Net decrease in restricted monetary funds		355,611.47	3,415,408.35
Net decrease in term deposits with original maturity over three months			
Cash received from other operating activities	VI, 54	58,557,135.01	130,629,936.66
Subtotal of cash inflows from operating activities		1,063,468,006.85	5,076,009,531.15
Cash paid for goods and services		867,329,065.83	716,776,316.16
Cash paid for interest, fees and commissions		262,661.90	66,382.48
Net increase in currency deposits receivable and pledged deposits receivable		548,347,898.69	801,958,943.57
Net decrease in currency deposits payable and pledged deposit payable		904,613,794.26	
Net decrease from disposal of financial assets relating to risk management business			2,019,294.62
Net increase in restricted monetary funds			
Cash paid to and for employees		85,679,967.25	96,506,477.77
Cash paid for general and administrative expenses		25,218,036.86	21,183,992.34
Payments of various taxes		15,471,131.26	13,747,236.01
Cash paid for other operating activities	VI, 54	69,953,989.21	36,921,936.72
Subtotal of cash outflows from operating activities		2,516,876,545.26	1,689,180,579.67
Net cash flow from operating activities		-1,453,408,538.41	3,386,828,951.48

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Consolidated Statement of Cash Flows (Continued)

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

Item	Note	January-June 2023	January-June 2022
II. Cash flow from investing activities:			
Cash received from disposal of investments		7,074,865,534.15	2,976,374,132.75
Cash received from investment income		7,167,258.80	209,980.32
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		22,402.39	442.48
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		7,082,055,195.34	2,976,584,555.55
Cash paid for investment		7,229,071,142.21	3,006,193,978.64
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		20,220,586.90	13,870,545.31
Cash paid for investment on associates			
Other cash paid relating to investing activities			
Subtotal of cash outflows from investing activities		7,249,291,729.11	3,020,064,523.95
Net cash flow from investing activities		-167,236,533.77	-43,479,968.40

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Consolidated Statement of Cash Flows (Continued)

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

Item	Note	January-June 2023	January-June 2022
III. Cash flow from financing activities:			
Cash received from introducing investment			
Cash received from borrowings		49,735,200.00	
Net cash received from sales of repurchase business		30,839,645.85	15,070,989.79
Other cash received relating to financing activities			50,000,000.00
Subtotal of cash inflows from financing activities		80,574,845.85	65,070,989.79
Cash paid for repayment of debts		13,985,484.00	13,335,484.00
Cash paid for distribution of dividend and profit or repayment of interest		31,458,412.25	3,149,720.80
Cash paid for repayment of principal and interest of lease liabilities		7,877,295.36	8,304,740.22
Net cash paid for sales of repurchase business			
Other cash paid relating to financial activities	VI, 54	1,094,339.62	340,566.04
Subtotal of cash outflows from financing activities		54,415,531.23	25,130,511.06
Net cash flow from financing activities		26,159,314.62	39,940,478.73
IV. Effect of change in foreign exchange rate on cash and cash equivalent		5,099,097.59	9,709,147.85
V. Net increase in cash and cash equivalents		-1,589,386,659.97	3,392,998,609.66
Add: Opening balance of cash and cash equivalents		6,316,445,892.54	4,106,185,249.67
VI. Closing balance of cash and cash equivalents	VI, 54	4,727,059,232.57	7,499,183,859.33

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Statement of Cash Flows of the Parent Company

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

Item	Note	January-June 2023	January-June 2022
I. Cash flow from operating activities:			
Cash received from sale of goods and rendering of services			191,887,026.29
Cash received from interest, fees and commissions		120,640,662.53	
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
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		42,887,851.54	46,254,489.61
Subtotal of cash inflows from operating activities		163,528,514.07	4,322,923,933.46
Cash paid for goods and services			66,382.48
Cash paid for interest, fees and commissions		262,661.90	
Net increase in currency deposits receivable and pledged deposits receivable		559,094,508.42	789,820,299.81
Net decrease in currency deposits payable and pledged deposit payable		795,685,622.76	
Net decrease from disposal of financial assets relating to risk management business			
Net increase in restricted monetary funds		470,210.98	
Cash paid to and for employees		74,968,111.57	88,157,520.17
Cash paid for general and administrative expenses		20,147,872.72	17,329,920.68
Payments of various taxes		10,755,976.77	30,407,631.25
Cash paid for other operating activities		13,216,607.39	34,312,896.91
Subtotal of cash outflows from operating activities		1,474,601,572.51	960,094,651.30
Net cash flow from operating activities		-1,311,073,058.44	3,362,829,282.16

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Statement of Cash Flows of the Parent Company (Continued)

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

Item	Note	January-June 2023	January-June 2022
II. Cash flow from investing activities:			
Cash received from disposal of investments		7,066,843,115.84	2,964,817,252.30
Cash received from investment income		5,462,131.16	209,980.32
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		22,402.39	442.48
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		7,072,327,649.39	2,965,027,675.10
Cash paid for investment		7,266,898,078.72	2,937,992,490.79
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		18,880,400.04	11,521,926.49
Net cash paid for acquisition of subsidiaries and other business units		100,000,000.00	
Other cash paid relating to investing activities			
Subtotal of cash outflows from investing activities		7,385,778,478.76	2,949,514,417.28
Net cash flow from investing activities		-313,450,829.37	15,513,257.82

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Statement of Cash Flows of the Parent Company (Continued)

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

Item	Note	January-June 2023	January-June 2022
III. Cash flow from financing activities:			
Cash received from introducing investment			
Cash received from borrowings			
Net cash received from sales of repurchase business		29,774,347.70	723,788.07
Other cash received relating to financing activities			
Subtotal of cash inflows from financing activities		29,774,347.70	723,788.07
Cash paid for repayment of debts		11,703,768.00	11,703,768.00
Cash paid for distribution of dividend and profit or repayment of interest		30,891,393.64	2,084,733.69
Cash paid for repayment of principal and interest of lease liabilities		7,085,503.43	6,075,632.59
Net cash paid for sales of repurchase business			
Other cash paid relating to financial activities		1,094,339.62	89,622.64
Subtotal of cash outflows from financing activities		50,775,004.69	19,953,756.92
Net cash flow from financing activities		-21,000,656.99	-19,229,968.85
IV. Effect of change in foreign exchange rate on cash and cash equivalents		426,744.54	2,544,107.90
V. Net increase in cash and cash equivalents		-1,645,097,800.26	3,361,656,679.03
Add: Opening balance of cash and cash equivalents		6,040,458,833.26	4,004,872,501.63
VI. Closing balance of cash and cash equivalents		4,395,361,033.00	7,366,529,180.66

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Consolidated Statement of Changes in Owners' Equity

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

Item	January-June 2023								
	Equity attributable to owners of the parent company							Minority shareholders' equity	Total owners' equity
	Capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings		
I. Closing balance of last year	1,007,777,778.00	598,402,999.72	-	4,268,800.09	70,228,670.53	96,108,247.90	60,537,412.94		1,837,323,909.18
Add: Changes in accounting policies							-		-
Correction of previous error									-
Business combination under common control									
Other									
II. Opening balance of the current period	1,007,777,778.00	598,402,999.72	-	4,268,800.09	70,228,670.53	96,108,247.90	60,537,412.94		1,837,323,909.18
III. Increase/decrease of the current period (loss denoted by "-")	-	-	-	5,213,107.73	-	-	7,126,968.61		12,340,076.34
(I) Total comprehensive income				5,213,107.73			7,126,968.61		12,340,076.34
(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. Closing balance of the current period	1,007,777,778.00	598,402,999.72	-	9,481,907.82	70,228,670.53	96,108,247.90	67,664,381.55		1,849,663,985.52

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Consolidated Statement of Changes in Owners' Equity (Continued)

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. Closing 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									-	
Business combination under common control									-	
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. Closing 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	

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Statement of Changes in Owners' Equity of the Parent Company

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

Item	January-June 2023							
	Capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Total owners' equity
I. Closing balance of last year	1,007,777,778.00	592,000,959.53	-	41.21	70,228,670.53	96,108,247.90	95,708,753.05	1,861,824,450.22
Add: Changes in accounting policies							-	-
Correction of previous error								-
Others								-
II. Opening balance of the current period	1,007,777,778.00	592,000,959.53	-	41.21	70,228,670.53	96,108,247.90	95,708,753.05	1,861,824,450.22
III. Increase/decrease of the current period (loss denoted by "-")	-	-	-	28.00	-	-	656,191.23	656,219.23
(I) Total comprehensive income				28.00			656,191.23	656,219.23
(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. Closing balance of the current period	1,007,777,778.00	592,000,959.53	-	69.21	70,228,670.53	96,108,247.90	96,364,944.28	1,862,480,669.45

Legal representative:
Zhou Jianqi

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

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

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

Item	January-June 2022							Total owners' equity
	Capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	
I. Closing 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								-
Others								-
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 "-")	-	-	-	-20.94	-	-	37,126,093.80	37,126,072.86
(I) Total comprehensive income				-20.94			37,126,093.80	37,126,072.86
(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. Closing 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

Legal representative:
Zhou Jianqiu

Person in charge of accounting:
Chu Kairong

Person in charge of the accounting firm:
Chen Rongping

Notes to the financial statements

Prepared by Holly Futures Co., Ltd Unit: 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 Building 3, No. 399 Jiang Dong Zhong Road, Jianye District, Nanjing, Jiangsu Province, the PRC. The Company has a registered capital of RMB1,008 million and legal representative is Ms. 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 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.

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.

I. General information of the Company (continued)

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.

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”.

I. General information of the Company (continued)

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 a total of 249,700,000 shares (H Shares) held by public shareholders, representing 27.53% of its total share capital.

On 5 August 2022, according to the Approval of the Initial Public Offering of Shares by Holly Futures Co., Limited (Securities Regulatory Permit [2022] No.1135) approved by the CSRC, the Company was permitted to make a public offering to the public of 100,777,778 ordinary shares of RMB1 each. After the share offering, the total number of shares of the Company was changed to 1,007,777,778 shares with a nominal value of RMB1.00 each and the total share capital was RMB1,007,777,778.

The Company is headquartered in Nanjing. As of 30 June 2023, 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 the relevant disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange 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 and the Group.

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

Assets and liabilities acquired by the Group (as the acquirer) through a business combination under common control shall be measured at carrying amounts attributable to the owner's equity of the 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 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.

(2) Business combination not under common control

The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in the business combination not under common control are measured at fair value on the acquisition date. The combination cost is the sum of fair value of cash or non-cash assets paid, liabilities issued or assumed, equity securities issued, etc. for obtaining control of the acquiree and various direct expenses in business combination (in the business combination accomplished through several transactions, the combination cost is the sum of the cost for each single transaction). Positive balance between the combination cost and the fair value of the identifiable net assets of the acquiree obtained by the Group on the acquisition date shall be recognized as goodwill; if the combination cost is less than the fair value of the identifiable net assets of the acquiree obtained, the fair value of various identifiable assets, liabilities and contingent liabilities obtained in the business combination and the fair value of non-cash assets or equity security issued as consideration of combination shall be re-examined first. If the re-examined combination cost is still less than the fair value of identifiable net assets of the acquiree obtained, the balance shall be included in current non-operating revenue upon combination.

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 insignificant risk of change in value.

8. Foreign currency transactions and foreign currency translation

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

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

9. Branch capital management and transaction clearing principles

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

10. Customer futures deposits

(1) Classification of customer futures deposits

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

IV. Significant accounting policies and accounting estimates (continued)

10. Customer futures deposits (continued)

(2) Customer futures deposits management

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

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

(3) Accounting for customer futures deposits

1) *Customer currency deposits*

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

2) *Pledged deposits of customers*

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

IV. Significant accounting policies and accounting estimates (continued)

11. Collateral management

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

12. Accounting for physical settlement

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

13. Inventories

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

At the balance sheet date, inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale and relevant taxes. The net realisable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices. Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for obsolete inventories, and is recognised in profit or loss 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. 20.

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. 20.

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. Investment properties

Investment properties of the Group include plants and buildings and are measured by fair value model.

Adoption of fair value measurement model

The Group adopts fair value model to subsequently measure investment properties and does not make provision for depreciation or amortization. The carrying amount of investment properties is adjusted based on their fair value at the balance sheet date, and the difference between the fair value and the original carrying amount is recognized in profit or loss for the current period.

When fair value model is adopted for the measurement of investment properties, a change to the cost mode from the fair value mode is not allowed. When the use of an investment property measure using the fair value model is changed to owner-occupied, the fair value of the property at the date of transfer is used as the carrying value of the owner-occupied property, with the difference between the fair value and the original carrying value included in profit or loss for the period. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to investment properties with the carrying amount determined at the fair value at the date of the transfer. If the fair value at the date of the transfer is less than the original carrying amount of the fixed asset or the intangible asset, the difference is recognized in profit or loss for the current period; otherwise, it is included in other comprehensive income. An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property net of its carrying amount and related taxes and expenses is recognized in profit or loss for the current period. Amounts previously included in other comprehensive income at the original date of transfer, if any, are also carried forward to profit or loss for the period.

IV. Significant accounting policies and accounting estimates (continued)

16. 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)

16. 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 rate	Depreciation
Buildings and structures	10-33 years	5%	2.88%-9.5%
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. 20.

(4) Disposal of fixed assets

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

- ① when the fixed asset 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)

17. 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.20). 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

18. 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 arising from a business combination not involving entities under common control.

Goodwill is stated in the balance sheet at cost less accumulated impairment provision (see Note IV.20). 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.

19. 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)

19. 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.26.

(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)

19. 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)

19. 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)

19. 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)

19. 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.

(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.

IV. Significant accounting policies and accounting estimates (continued)

19. Financial instruments (continued)

(6) Impairment (continued)

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.

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)

19. 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)

19. 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.

20. 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)

20. 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.21) 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)

21. 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.

22. 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)

22. 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.

23. 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)

24. 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)

25. 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.

26. 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)

26. 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, 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;
- 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)

26. Revenue (continued)

The following are 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 the 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)

27. 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.

28. Commission fees

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

29. 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)

30. 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 determine 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 followings:

- 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)

30. 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.20.

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 one of the followings occurs:

- 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 remeasured, 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 remeasurement 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)

31. 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.

32. 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.

33. 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.

34. 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 by the Company's management 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)

34. 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)

34. 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.

35. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

None

(2) Changes in significant accounting estimates

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%
Property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on rental basis, housing property tax is levied at the rate of 12% of the rental income	1.2%, 12%

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”) 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

Unless otherwise stated, in respect of the following data disclosed in the financial statements, the terms “opening”, “closing”, “the period” and “last period” refer to 1 January 2023, 30 June 2023, 1 January 2023 to 30 June 2023, and 1 January 2022 to 30 June 2022, respectively, while the currency unit is RMB yuan.

1. Monetary funds

Item	Closing balance	Opening balance
Cash		
Bank deposit	4,669,920,222.86	6,226,000,243.63
Including: Futures margin	4,522,052,346.63	6,026,696,688.51
Own funds	147,867,876.23	199,303,555.12
Other monetary funds	57,855,963.28	91,518,213.95
Interest receivable on monetary funds	33,057,996.57	31,147,696.16
Total	4,760,834,182.71	6,348,666,153.74
Including: Total amount deposited overseas	289,387,812.71	212,073,061.56

VI. Notes to items of financial statements (continued)

1. Monetary funds (continued)

(1) Breakdown of futures margin deposit

Item	Closing balance	Opening balance
CITIC Bank	1,778,755,945.21	1,641,737,333.30
Minsheng Bank	897,635,071.86	1,002,716,318.51
Industrial Bank Co., Ltd	313,919,272.49	355,889,793.46
SPD Bank	848,683,743.78	980,427,016.13
Bank of Communications	508,216,788.97	232,686,326.14
China Guangfa Bank	1,064,169.92	385,816.19
Bank of China	62,535,725.44	81,242,122.61
Agricultural Bank of China	9,716,207.63	1,554,521,626.16
China Construction Bank	16,321,203.43	6,385,809.20
China Merchants Bank	6,427,843.15	6,168,207.97
ICBC	18,864,175.50	13,659,975.74
Ping An Bank	53,180,388.60	145,813,017.03
China Everbright Bank	6,731,097.53	5,062,612.82
HSBC	713.12	713.25
Total	4,522,052,346.63	6,026,696,688.51

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

See Note VI.55.

VI. Notes to items of financial statements (continued)

2. Currency deposits receivable

(1) By exchange/clearer

Item	Closing balance	Opening balance
Shanghai Futures Exchange	536,504,812.50	228,120,232.44
Dalian Commodity Exchange	558,558,467.13	422,598,170.31
Zhengzhou Commodity Exchange	861,117,830.45	584,716,058.68
China Financial Futures Exchange	601,306,443.64	571,590,270.69
China Securities Depository and Clearing Corporation Limited	128,701,923.69	106,353,948.02
Shanghai International Energy Exchange	64,150,867.24	41,354,277.79
Guangzhou Futures Exchange	26,328,960.06	31,644,960.36
R.J.O'Brien & Associates LLC	725,651.35	699,278.77
PHILLIP FUTURES PTE LTD	18,139,623.90	15,165,647.12
Phillip Commodities(HK) Limited	5,235,360.91	6,455,946.14
Marex Financial	8,201,527.74	17,378,180.64
G.H.Financials(HongKong)Limited	18,615,349.55	28,280,131.35
PHILLIP SECURITIES PTE LTD	1,714,541.03	30,971.06
Phillip Securities Ltd	18,948.19	28,763.86
Hong Kong Exchanges and Clearing Limited	4,652,630.01	938,002.51
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED	926,679.04	
Subtotal	2,834,899,616.43	2,055,354,839.74
Less: Provision for impairment	582,303.12	689,769.21
Total	2,834,317,313.31	2,054,665,070.53

(2) By category

Item	Closing balance	Opening balance
Settlement reserve	470,957,882.76	325,732,190.49
Trading margin	2,305,711,421.95	1,660,645,727.80
Offshore futures brokers	58,230,311.72	68,976,921.45
Subtotal	2,834,899,616.43	2,055,354,839.74
Less: Provision for impairment	582,303.12	689,769.21
Total	2,834,317,313.31	2,054,665,070.53

VI. Notes to items of financial statements (continued)

3. Pledged deposits receivable

(1) Exchanges breakdown

Item	Closing balance	Opening balance
Shanghai Futures Exchange	648,342,710.00	779,930,288.00
Dalian Commodity Exchange	81,451,600.00	161,125,680.00
Shanghai International Energy Exchange	20,216,780.00	40,152,000.00
Total	750,011,090.00	981,207,968.00

(2) Pledges breakdown

Type of collateral	Market value at the end of period	Discount rate	Amount at the end of period
Shanghai Futures Exchange			
Including: 2021 Book-entry Interest-bearing T-bond (12th Tranche)	30,144,270.00	80%	24,115,416.00
2022 Book-entry Interest-bearing T-bond (7th Tranche)	50,123,700.00	80%	40,098,960.00
2020 Book-entry Interest-bearing T-bond (13th Tranche)	40,716,320.00	80%	32,573,056.00
2020 Book-entry Interest-bearing T-bond (17th Tranche)	446,524,900.00	80%	357,219,920.00
Shanghai Copper	40,518,000.00	80%	32,414,400.00
Shanghai Tin	432,280.00	80%	345,824.00
2017 Book-entry Interest-bearing T-bond (4th Tranche)	31,183,440.00	80%	24,946,752.00
2021 Book-entry Interest-bearing T-bond (11th Tranche)	103,610,997.50	80%	82,888,798.00
2021 Book-entry Interest-bearing T-bond (2nd Tranche)	61,231,980.00	80%	48,985,584.00
Rubber	5,942,500.00	80%	4,754,000.00
Shanghai International Energy Exchange			
Including: 2021 Book-entry Interest-bearing T-bond (11th Tranche)	25,270,975.00	80%	20,216,780.00
Dalian Commodity Exchange			
Including: 2016 Book entry Interest bearing T-bond (10th Tranche)	101,814,500.00	80%	81,451,600.00
Total	937,513,862.50	80%	750,011,090.00

VI. Notes to items of financial statements (continued)

3. Pledged deposits receivable (continued)

(2) Pledges breakdown (continued)

(continued)

Type of collateral	Market value at the end of period	Discount rate	Amount at the end of period
Shanghai Futures Exchange			
Including: 2021 Book-entry Interest-bearing T-bond (12th Tranche)			
	30,066,000.00	80%	24,052,800.00
2020 Book-entry Interest-bearing T-bond (5th Tranche)			
	49,550,000.00	80%	39,640,000.00
2020 Book-entry Interest bearing T bond (14th Tranche)			
	50,285,000.00	80%	40,228,000.00
2021 Book-entry Interest bearing T bond (15th Tranche)			
	50,135,000.00	80%	40,108,000.00
2022 Book-entry Interest bearing T bond (7th Tranche)			
	49,695,000.00	80%	39,756,000.00
2020 Book-entry Interest bearing T bond (13th Tranche)			
	40,644,000.00	80%	32,515,200.00
2020 Book-entry Interest bearing T bond (17th Tranche)			
	443,029,000.00	80%	354,423,200.00
Shanghai Copper			
	33,090,000.00	80%	26,472,000.00
Shanghai Tin			
	2,922,360.00	80%	2,337,888.00
2017 Book-entry Interest bearing T bond (4th Tranche)			
	31,050,000.00	80%	24,840,000.00
2021 Book-entry Interest bearing T bond (11th Tranche)			
	102,889,500.00	80%	82,311,600.00
2021 Book-entry Interest bearing T bond (2nd Tranche)			
	91,557,000.00	80%	73,245,600.00
Shanghai International Energy Exchange			
Including: 2021 Book entry Interest bearing T bond (11th Tranche)			
	50,190,000.00	80%	40,152,000.00
Dalian Commodity Exchange			
Including: 2016 Book-entry Interest-bearing T-bond (10th Tranche)			
	101,374,500.00	80%	81,099,600.00
2020 Book-entry Interest-bearing T-bond (3rd Tranche)			
	100,032,600.00	80%	80,026,080.00
Total	1,226,509,960.00	80%	981,207,968.00

VI. Notes to items of financial statements (continued)

4. Advance to customers

(1) Category of advance to customers

Item	Closing balance	Opening balance
Domestic		
Including: Individual		
Institutional		
Less: Provision for impairment		
Subtotal of book value		
Overseas	7,827,507.31	6,014,112.34
Including: Individual	309,999.62	1,926,442.29
Institutional	7,517,507.69	4,087,670.04
Less: Provision for impairment	78,275.07	60,141.13
Subtotal of book value	7,749,232.24	5,953,971.21
Total	7,749,232.24	5,953,971.21

(2) Collateral information

Fair value of collaterals provided by customers to the Company for margin financing and securities lending business:

Item	Closing balance	Opening balance
Stock	40,217,726.46	82,575,118.78
Total	40,217,726.46	82,575,118.78

VI. Notes to items of financial statements (continued)

4. Advance to customers (continued)

(3) Provision for impairment

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss for future 12 months	Expected credit loss for lifetime (No credit impairment)	Expected credit loss for lifetime (Credit impaired)	
Balance as at 1 January 2023	60,141.13			60,141.13
Advance to customers as at 1 January 2023	–	–	–	–
Book balance for the period				
– transfer to Stage 2				
– transfer to Stage 3				
– transfer back to Stage 2				
– transfer back to Stage 1				
Provision in the current period	18,133.94			18,133.94
Reversal in the current period				
Charged in the current period				
Write-off in the current period				
Other changes				
Balance as at 30 June 2023	78,275.07			78,275.07

VI. Notes to items of financial statements (continued)

5. Derivative financial instruments

Item	Closing balance		
	Nominal amount	Fair value	
		Assets	Liabilities
Commodity derivative financial instruments			
Including: Futures contracts	911,594,431.86	50,635,714.80	50,294,411.32
Option contracts	359,691,882.25	1,756,251.99	10,608,841.67
Total	1,271,286,314.11	52,391,966.79	60,903,252.99
Less: Settlement amount		50,635,714.80	50,294,411.32
Net amount		1,756,251.99	10,608,841.67

(continued)

Item	Opening balance		
	Nominal amount	Fair value	
		Assets	Liabilities
Commodity derivative financial instruments			
Including: Futures contracts	1,787,597,053.11	103,337,735.70	111,024,470.58
Option contracts	1,059,821,746.74	19,223,235.33	22,573,170.18
Total	2,847,418,799.85	122,560,971.03	133,597,640.76
Less: Settlement amount		103,337,735.70	111,024,470.58
Net amount		19,223,235.33	22,573,170.18

6. Settlement currency deposits receivable

Item	Closing balance	Opening balance
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)

7. Trade receivables financing

Item	Closing balance	Opening balance
Bank acceptance notes	12,522,680.00	
Total	12,522,680.00	

Changes in increase or decrease in trade receivables financing and changes in fair value during the year:

Category	Opening balance	Closing balance					Provision for impairment
		Initial cost	Interest adjustments	Accrued interest	Fair value movements	Book value	
Bank acceptance notes		12,522,680.00	-	-	-	12,522,680.00	-
Total		12,522,680.00	-	-	-	12,522,680.00	-

8. Other receivables

Item	Closing balance	Opening balance
Interest receivables		
Dividend receivables		
Other receivables	31,395,841.57	45,557,381.12
Total	31,395,841.57	45,557,381.12

8.1 Other receivables

(1) Other receivables by category

Category	Closing balance	Opening balance
Refundable payment receivable PTA spot transactions	10,000,644.61	10,713,048.00
Dividends and redemption receivable from funds and asset management plans	984,579.94	18,651,131.86
Securities settlement accounts receivable	3,063,754.26	8,147,335.09
OTC option margin receivable	12,384,771.81	5,868,816.88
Deposit	4,709,094.46	4,466,565.74
Others	11,068,049.84	7,823,247.48
Total	42,210,894.92	55,670,145.05

VI. Notes to items of financial statements (continued)

8. Other receivables (continued)

(2) Provision for bad debts on other receivables

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss for future 12 months	Expected credit loss for lifetime (No credit impairment)	Expected credit loss for lifetime (Credit impaired)	
Balance as at 1 January 2023	961,390.57	45,282.56	9,106,090.80	10,112,763.93
Other receivables as at 1 January 2023	–	–	–	–
Book balance for the period				
– transfer to Stage 2	-41,997.82	41,997.82		–
– transfer to Stage 3				
– transfer back to Stage 2				
– transfer back to Stage 1				
Provision in the current period	552,352.60	149,936.82		702,289.42
Reversal in the current period				
Charged in the current period				
Write-off in the current period				
Other changes				
Balance as at 30 June 2023	1,471,745.35	237,217.20	9,106,090.80	10,815,053.35

(3) Other receivables by aging

Aging	Closing book balance
Within 1 year (Inclusive)	26,433,754.45
1 to 2 years	1,025,176.30
2 to 3 years	11,178,766.64
Over 3 years	3,573,197.53
Total	42,210,894.92

Note: As of 30 June 2023, there were no other receivables aged over three years with significant individual amounts.

VI. Notes to items of financial statements (continued)

8. Other receivables (continued)

(4) Provision for bad debts on other receivables

Category	Opening balance	Change for the period			Closing balance
		Provision	Recovery or reversal	Amounts charged or written off Others	
Other receivables	10,112,763.93	702,289.42			10,815,053.35
Total	10,112,763.93	702,289.42			10,815,053.35

(5) Closing balance of top five other receivables categorized by debtors

Name	Category	Closing book balance	Aging	Proportion to closing balance of other receivables as at the end of the period	Closing balance of bad debt provision
Hanbang (Jiangyin) Petrochemical Co., Ltd. (漢邦(江陰)石化有限公司)	Refundable payment for PTA spot transactions	10,000,644.61	2-3 years	23.69%	9,106,090.80
China United Property Insurance Co. Ltd., Jiangsu Branch (中華聯合財產保險股份有限公司江蘇分公司)	OTC option margin receivable	4,508,114.78	Within 1 year	10.68%	225,405.74
People's Insurance Company of China Limited, Yancheng Branch (中國人民財產保險股份有限公司鹽城市分公司)	OTC option margin receivable	3,869,640.27	Within 1 year	9.17%	193,482.01
China Pacific Property Insurance Co., Ltd. (中國太平洋財產保險股份有限公司)	OTC option margin receivable	2,334,610.77	Within 1 year	5.53%	116,730.54
Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd. (上海陸家嘴金融貿易區聯合發展有限公司)	Deposit	1,635,445.65	Over 3 years	3.87%	81,772.28
Total	-	22,348,456.08	-	52.94%	9,723,481.37

(6) Borrowings due from employees

As at the end of the Reporting Period, there was no borrowings due from employees.

VI. Notes to items of financial statements (continued)

9. Financial assets purchased under resale agreements

Item	Closing balance	Opening balance
Treasury bond reverse repurchase	99,945,385.13	–
Total	99,945,385.13	–

10. Financial assets held for trading

(1) By item

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss		
Including: Investments in debt instruments	246,720,786.40	154,224,643.74
Investments in equity instruments	384,496,794.61	404,626,894.41
Total	631,217,581.01	558,851,538.15

(2) For details of the financial assets held for trading with commitment conditions or restrictions, see Note VI. 55: Assets with restricted ownership or use rights.

VI. Notes to items of financial statements (continued)

11. Inventory

(1) Classified by inventory

Item	Closing balance		Opening balance	
	Book balance	Provision for decline in value of inventories/ impairment provision of contract performance costs	Book value	Book balance
Inventory goods	13,970,495.87		13,970,495.87	–
Total	13,970,495.87		13,970,495.87	–

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

12. Long term equity investment

Investees	Opening balance (book value)	Additional investment	Change for this period							Closing balance (book value)	Provision for impairment closing balance
			Investment reduction	Investment gain/loss recognised with equity method	Other comprehensive income adjustment	Other equity change	Declared cash dividend or profit	Provision for impairment	Others		
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)	6,105,888.27			63,584.46							6,169,472.73
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	2,146,498.44			-1,991.20	28.00						2,144,535.24
Total	8,252,386.71			61,593.26	28.00						8,314,007.97

VI. Notes to items of financial statements (continued)

13. Futures membership investment

(1) Breakdown

Item	Closing balance		Book value
	Book balance	Provision for impairment	
Futures membership investment	1,860,990.00		1,860,990.00
Total	1,860,990.00		1,860,990.00

(continued)

Item	Opening balance		Book value
	Book balance	Provision for impairment	
Futures membership investment	1,846,635.00		1,846,635.00
Total	1,846,635.00		1,846,635.00

(2) Classified by exchange

Item	Closing balance	Opening balance
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	460,990.00	446,635.00
Total	1,860,990.00	1,846,635.00

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

VI. Notes to items of financial statements (continued)

14. Investment properties

(1) Investment properties measured by fair value model

Item	Buildings and structures	Total
I. Opening balance	48,420,728.00	48,420,728.00
II. Change for the period		
Add: Purchases		
Transfer from inventories/fixed assets/construction in progress		
Increase in business combinations		
Less: Disposal		
Other transfers		
Add: Changes in fair value		
III. Closing balance	48,420,728.00	48,420,728.00

(2) As at the end of the period, there was no investment property in existence without property right certificate.

15. Fixed assets

Item	Closing book value	Opening book value
Fixed assets	317,867,271.39	324,646,521.40
Disposal of fixed assets		
Total	317,867,271.39	324,646,521.40

VI. Notes to items of financial statements (continued)

15.1 Fixed assets

(1) Details of fixed assets

Item	Buildings and structures	Vehicles	Office furniture	Electronic equipment	Total
I. Book cost					
1. Opening balance	308,986,925.21	4,530,441.60	6,645,464.18	49,000,772.70	369,163,603.69
2. Current increase	692,029.19		61,479.07	2,019,936.51	2,773,444.77
(1) Purchase	692,029.19		61,479.07	2,019,936.51	2,773,444.77
(2) Transfer from construction in progress					
(3) Increase in business combinations					
3. Current decrease				884,764.39	884,764.39
(1) Disposal or scrap				884,764.39	884,764.39
(2) Transfer to construction in progress					
4. Exchange difference			2,982.32	54,830.67	57,812.99
5. Closing balance	309,678,954.40	4,530,441.60	6,709,925.57	50,190,775.49	371,110,097.06
II. Cumulative depreciation					
1. Opening balance		3,894,479.01	419,181.85	40,203,421.43	44,517,082.29
2. Current increase	6,180,159.76	33,665.10	635,954.95	2,662,732.43	9,512,512.24
(1) Provision	6,180,159.76	33,665.10	635,954.95	2,662,732.43	9,512,512.24
3. Current decrease				840,526.16	840,526.16
(1) Disposal or scrap				840,526.16	840,526.16
(2) Transfer to construction in progress					
4. Exchange difference			2,784.70	50,972.60	53,757.30
5. Closing balance	6,180,159.76	3,928,144.11	1,057,921.50	42,076,600.30	53,242,825.67
III. Provision for impairment					
IV. Book value					
1. Closing book value	303,498,794.64	602,297.49	5,652,004.07	8,114,175.19	317,867,271.39
2. Opening book value	308,986,925.21	635,962.59	6,226,282.33	8,797,351.27	324,646,521.40

VI. Notes to items of financial statements (continued)

15.1 Fixed assets (continued)

(2) Fixed assets without registered title certificates

Item	Book value	Reasons for the absence of certificates
Underground parking space in Hexi Financial City	35,000,000.00	Not yet surveyed and mapped by housing management authority

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

16. Right-of-use assets

(1) Right-of-use assets breakdown

Item	Lease housing	Total
I. Book cost		
1. Opening balance	85,283,560.44	85,283,560.44
2. Current increase	14,044,922.12	14,044,922.12
(1) Rent	14,044,922.12	14,044,922.12
(2) Business merger increase		
3. Current decrease		
(1) Disposal		
4. Exchange difference	298,866.85	298,866.85
5. Closing balance	99,627,349.41	99,627,349.41
II. Cumulative depreciation		
1. Opening balance	63,128,706.68	63,128,706.68
2. Current increase	7,398,570.67	7,398,570.67
(1) Provision	7,398,570.67	7,398,570.67
3. Current decrease		
(1) Disposal		
4. Exchange difference	177,227.65	177,227.65
5. Closing balance	70,704,505.00	70,704,505.00
III. Provision for impairment		
IV. Book value	28,922,844.41	28,922,844.41
1. Closing book value	28,922,844.41	28,922,844.41
2. Opening book value	22,154,853.76	22,154,853.76

(2) As at the end of the Reporting Period, 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)

17. Intangible assets

(1) Intangible assets breakdown

Item	Software	Customer relations	Total
I. Book cost			
1. Opening balance	7,781,338.16	6,100,000.00	13,881,338.16
2. Current increase			
(1) Purchase			
3. Current decrease			
(1) Disposal or scrap			
4. Exchange difference	20,815.00		20,815.00
5. Closing balance	7,802,153.16	6,100,000.00	13,902,153.16
II. Cumulative amortisation			
1. Opening balance	7,245,376.16	6,100,000.00	13,345,376.16
2. Current increase			
(1) Provision			
3. Current decrease			
(1) Disposal or scrap			
4. Exchange difference	3,589.00		3,589.00
5. Closing balance	7,248,965.16	6,100,000.00	13,348,965.16
III. Provision for impairment			
IV. Book value			
1. Closing book value	553,188.00		553,188.00
2. Opening book value	535,962.00		535,962.00

(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)

18. Deferred income tax assets

(1) Deferred income tax assets without offset

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Employee compensation payable			1,283,424.23	320,856.06
Credit impairment loss	10,755,755.61	2,688,938.92	10,064,006.47	2,516,001.62
Accrued expenses	818,693.93	204,673.48	562,731.13	140,682.78
Changes in the fair value of derivative financial instruments	8,395,054.71	2,098,763.68	11,209,129.87	2,802,282.47
Changes in the fair value of financial assets/liabilities held for trading			14,210,940.30	3,552,735.08
Unrealized profit of internal transactions	28,639,570.34	7,159,892.59	19,080,531.24	4,770,132.81
Others	41,267,684.43	7,517,836.35	25,094,200.61	3,796,790.54
Total	89,876,759.02	19,670,105.02	81,504,963.85	17,899,481.36

(2) Deferred income tax liabilities without offset

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in the fair value of investment properties	5,047,172.83	1,261,793.21	5,047,172.83	1,261,793.21
Changes in the fair value of financial assets/liabilities held for trading	156,293.42	39,073.35	–	–
Total	5,203,466.25	1,300,866.56	5,047,172.83	1,261,793.21

VI. Notes to items of financial statements (continued)

18. Deferred income tax assets (continued)

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

Item	Deferred income tax assets and liabilities offset Closing amount	Deferred income tax asset or liability balance after offset Closing amount	Deferred income tax assets and liabilities offset Opening amount	Deferred income tax asset or liability balance after offset Opening amount
Deferred income tax assets	- 1,300,866.56	18,369,238.46	-1,261,793.21	16,637,688.15
Deferred income tax liabilities	- 1,300,866.56		-1,261,793.21	

(4) Unrecognised deferred income tax assets breakdown

Item	Closing balance	Opening balance
Provision for goodwill impairment	53,167,251.21	53,167,251.21
Deductible losses	64,946,132.61	60,503,354.48
Total	118,113,383.82	113,670,605.69

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

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

19. Other assets

(1) Breakdown

Item	Closing balance	Opening balance
Advance payments	16,824,811.90	11,477,128.44
Prepaid expenses	3,611,837.46	4,149,603.18
Taxes to be refunded, deducted and settled	6,857,637.40	10,186,154.63
Overseas futures exchange deposit	1,543,793.34	1,495,720.38
Others		
Total	28,838,080.10	27,308,606.63

VI. Notes to items of financial statements (continued)

20. Short-term borrowings

(1) Classified by short-term borrowings

Item	Closing balance	Opening balance
Credit borrowing	49,778,096.61	–
Total	49,778,096.61	–

21. Currency deposits payable

(1) By customer category

Customer category	Closing balance		Opening balance	
	Number	Amount	Number	Amount
Natural persons	92,234	3,614,487,516.46	86,124	3,560,910,941.04
Legal persons	3,457	2,809,570,180.69	2,767	3,531,809,672.37
Total	95,691.00	6,424,057,697.15	88,891.00	7,092,720,613.41

(2) By exchange

Exchange	Closing balance		Opening balance	
	Number	Amount	Number	Amount
Domestic futures exchanges				
Incl.: Shanghai Futures Exchange	2,332	431,995,575.30	1,921	792,479,712.60
Dalian Commodity Exchange	3,130	327,771,415.23	2,644	405,381,873.13
China Financial Futures Exchange	436	599,306,443.64	385	552,803,803.08
Zhengzhou Commodity Exchange	3,674	464,216,809.86	2,704	345,014,968.25
Shanghai International Energy Exchange	105	17,377,449.40	73	14,668,889.00
China Securities Depository and Clearing Corporation Limited	20	9,951,981.80	17	6,421,198.50
Guangzhou Futures Exchange	56	2,572,113.89	9	325,260.00
Subtotal	9,753	1,853,191,789.12	7,753	2,117,095,704.56
Overseas futures brokers	4,790	207,733,313.90	4,917	181,548,922.60
Total	14,543	2,060,925,103.02	12,670	2,298,644,627.16

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.

VI. Notes to items of financial statements (continued)

22. Pledged deposits payable

(1) By customer category

Customer category	Closing balance		Opening balance	
	Number	Amount	Number	Amount
Legal persons	5	745,257,090.00	9	981,207,968.00
Total	5	745,257,090.00	9	981,207,968.00

(2) By exchange

Exchange	Closing balance	Opening balance
Shanghai Futures Exchange	643,588,710.00	779,930,288.00
Dalian Commodity Exchange	81,451,600.00	161,125,680.00
Shanghai International Energy Exchange	20,216,780.00	40,152,000.00
Total	745,257,090.00	981,207,968.00

23. Financial liabilities held for trading

Item	Closing balance	Opening balance
Financial liabilities at fair value through profit or loss	75,772,531.39	86,445,401.37
Incl.: Accounts payable	75,772,531.39	86,445,401.37

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 the end of period	Cumulative changes of fair values due to changes of their own credit risks
Accounts payable	1,220,654.99	Nil

As at the end of the Reporting Period, 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)

24. Financial assets sold under repurchase agreements

(1) By business category

Item	Closing balance	Opening balance
Bonds	66,637,310.79	35,197,232.68
Total	66,637,310.79	35,197,232.68

(2) Security information

Item	Closing balance	Opening balance
Bonds	102,077,615.06	54,624,177.03
Total	102,077,615.06	54,624,177.03

25. Futures risk provision

(1) Breakdown

Item	Opening balance	Current increase	Current decrease	Closing balance
Futures risk provision	160,851,377.70	3,345,047.75		164,196,425.45
Total	160,851,377.70	3,345,047.75		164,196,425.45

(2) Description of provision method and ratio of futures risk provision

The futures risk provision is provided at 5% of the parent company's net agency fee income and is included in the current period's profit or loss.

VI. Notes to items of financial statements (continued)

26. Bills payable

Item	Closing balance	Opening balance
Bank acceptance notes	12,660,486.53	
Total	12,660,486.53	

As of 30 June 2023, there were no bills payable due and unpaid.

27. Payable to futures investors protection fund

(1) Breakdown

Item	Opening balance	Current increase	Current decrease	Closing balance
Payable to futures investors protection fund	394,274.29	149,600.66	394,116.62	149,758.33
Total	394,274.29	149,600.66	394,116.62	149,758.33

(2) Description of provision method and ratio of payable to futures investors protection fund

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 value instead of 60 millionth.

VI. Notes to items of financial statements (continued)

28. Employee compensation payable

(1) Employee compensation payable by category

Item	Opening balance	Current increase	Current decrease	Closing balance
Short-term compensation	2,881,902.96	71,118,397.74	73,428,794.73	571,505.97
Post-employment benefits-defined contribution plan	898.27	12,001,894.58	12,002,792.85	–
Dismissal benefits	–	254,493.00	254,493.00	–
Total	2,882,801.23	83,374,785.32	85,686,080.58	571,505.97

(2) Short term compensation

Item	Opening balance	Current increase	Current decrease	Closing balance
Salary, bonus, subsidy and allowance	2,225,577.39	55,462,258.61	57,588,383.91	99,452.09
Workers benefits	–	1,885,240.49	1,885,240.49	
Social insurance premiums	102,811.06	7,318,575.44	7,421,386.50	
Incl.: Medical insurance premiums	97,374.06	6,857,965.31	6,955,339.37	
Work injury insurance premiums	–	111,873.76	111,873.76	
Maternity insurance premiums	5,437.00	348,736.37	354,173.37	
Housing reserve fund	–	5,408,741.16	5,408,741.16	
Labour union funding and employee education funding	553,514.51	1,043,582.04	1,125,042.67	472,053.88
Total	2,881,902.96	71,118,397.74	73,428,794.73	571,505.97

VI. Notes to items of financial statements (continued)

28. Employee compensation payable (continued)

(3) Contribution plan

Item	Opening balance	Current increase	Current decrease	Closing balance
Basic pension		8,580,858.22	8,580,858.22	-
Unemployment insurance		274,404.84	274,404.84	-
Corporate annuity	898.27	3,146,631.52	3,147,529.79	-
Total	898.27	12,001,894.58	12,002,792.85	-

The Group only has contribution schemes, mainly endowment insurance, annuity, and unemployment insurance, and the Group cannot use the endowment insurance and enterprise annuity deposited for employees, and the Company's employees can only receive their contributions to endowment insurance and enterprise annuity when they reach the retirement age stipulated by the state. Also, the Group does not have defined benefit schemes (defined benefit schemes).

For each of the two financial years ended 30 June 2022 and 2023, there were no forfeited contributions under the Group's defined contribution schemes (represented by employees who left the schemes before the contributions were fully vested) available to the Group to reduce the existing level of contributions.

29. Taxes payable

Item	Closing balance	Opening balance
Enterprise income tax	2,261,925.61	1,576,337.09
VAT	897,700.43	1,085,254.21
Taxes and surcharges	578,116.76	479,247.64
Withholding of personal income tax	13,860.44	7,747.11
Total	3,751,603.24	3,148,586.05

30. Contract liabilities

Item	Closing balance	Opening balance
Receipts in advance	8,068,474.25	
Total	8,068,474.25	

VI. Notes to items of financial statements (continued)

31. Other payables

Item	Closing balance	Opening balance
Interest payable		
Dividend payable		30,233,333.34
Other payables	101,156,342.32	119,202,111.60
Total	101,156,342.32	149,435,444.94

31.1 Dividend payable

Item	Closing balance	Opening balance
Dividend on ordinary shares		30,233,333.34
Total		30,233,333.34

31.2 Other payables

Item	Closing balance	Opening balance
Margins payable	27,539,040.60	51,782,717.89
Construction payable	15,622,048.62	33,069,190.75
Pending settlement of asset management plan	1,094,684.18	9,485,656.83
Risk guarantee payable	4,217,027.56	4,055,950.48
Auditor's fee payable	2,336,240.78	3,440,000.00
Settlement payable	759,470.30	2,535,772.56
Pledge cash payable to standard warrant	4,754,000.00	
Benefits payable to bank-futures night trading clients	35,309,110.93	5,500,000.00
Others	9,524,719.35	9,332,823.09
Total	101,156,342.32	119,202,111.60

VI. Notes to items of financial statements (continued)

32. Long term borrowings

(1) Category of long-term borrowings

Item	Closing balance	Opening balance
Mortgage borrowings principals	74,969,534.00	88,955,018.00
Accrued interest on mortgage borrowings	178,863.67	219,587.23
Total	75,148,397.67	89,174,605.23

(2) Profile of maturity dates of long-term borrowings

Type of borrowings	Closing balance	Opening balance
Mortgage borrowings	75,148,397.67	89,174,605.23
Total	75,148,397.67	89,174,605.23
The carrying amounts of the aforementioned borrowings shall be repaid in the following periods:		
Within one year	28,149,831.67	28,190,555.23
After one year from the balance sheet date but within two years	27,970,968.00	27,970,968.00
After two years from the balance sheet date but within five years	19,027,598.00	33,013,082.00
Total	75,148,397.67	89,174,605.23

33. Lease liability

Item	Closing balance	Opening balance
Within 1 year	15,129,382.72	13,339,653.56
1-2 years	10,789,893.79	8,179,382.17
2-5 years	3,468,578.76	1,054,279.74
Book value of lease liability	29,387,855.27	22,573,315.47

VI. Notes to items of financial statements (continued)

34. Share capital

Shareholders	Opening balance	Current change (+/-)				Subtotal	Closing balance
		New issue	Bonus issue	Provident fund conversion	Others		
Shares with trading moratorium:	657,300,000.00						657,300,000.00
Incl.: 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
Soho Holly Corporation (蘇豪弘業股份有限公司) (former name: 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
Shares without trading moratorium:	350,477,778.00						350,477,778.00
Incl.: HK stocks tradable	249,700,000.00						249,700,000.00
Renminbi ordinary shares	100,777,778.00						100,777,778.00
Total	1,007,777,778.00						1,007,777,778.00

35. Capital reserve

Item	Opening balance	Current increase	Current decrease	Closing balance
Share premium	593,701,109.72			593,701,109.72
Others	4,701,890.00			4,701,890.00
Total	598,402,999.72			598,402,999.72

VI. Notes to items of financial statements (continued)

36. Other comprehensive income

Item	Opening balance	Before current income tax	Amount incurred in the period				After tax attributable to minority shareholders	Closing balance
			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		
I. Other comprehensive income that cannot be reclassified into profit or loss								
II. Other comprehensive income to be reclassified into profit and loss								
Incl.: Other comprehensive income that can be converted to profit or loss with equity method	41.21	28.00				28.00		69.21
Translation difference of foreign currency financial statements	4,268,758.88	5,213,079.73				5,213,079.73		9,481,838.61
Others								
Total align of other comprehensive income	4,268,800.09	5,213,107.73				5,213,107.73		9,481,907.82

37. Surplus reserve

Item	Opening balance	Current increase	Current decrease	Closing balance
Statutory surplus reserve	70,228,670.53			70,228,670.53
Total	70,228,670.53			70,228,670.53

38. General risk provision

Item	Opening balance	Current increase	Current decrease	Closing balance
General risk provision	96,108,247.90			96,108,247.90
Total	96,108,247.90			96,108,247.90

VI. Notes to items of financial statements (continued)

39. Undistributed profit

Item	Current period
Balance at the beginning of current period	60,537,412.94
Add: Current net profit attributable to shareholders of parent company	7,126,968.61
Less: Statutory surplus reserve	
Appropriation for general risk reserve	
Dividend payable on ordinary shares	
Balance at the end of current period	67,664,381.55

40. Net handling fee and commission income

(1) Net handling fee and commission income breakdown

Item	Amount incurred in the current period	Amount incurred in last period
Net brokerage fee income	85,565,055.16	141,509,969.37
Asset management business income	2,880,205.94	4,440,009.88
Total	88,445,261.10	145,949,979.25

VI. Notes to items of financial statements (continued)

40. Net handling fee and commission income (continued)

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

Administrative regions	Amount incurred in the current period		Amount incurred in last period	
	Number of branches	Net handling fee and commission income	Number of branches	Net handling fee and commission income
Jiangsu Province	22	71,089,676.50	22	122,000,822.08
Fujian Province	2	2,423,221.36	2	4,937,678.37
Shanghai	2	1,089,180.46	2	2,087,054.34
Zhejiang Province	2	2,286,480.26	2	2,999,283.74
Henan Province	1	691,545.42	1	897,125.68
Guangdong Province	3	768,836.51	3	1,299,169.25
Beijing	2	704,616.27	2	756,024.39
Hong Kong, China	1	2,684,858.33	1	1,734,035.01
Shandong Province	2	1,395,863.74	2	2,942,653.84
Shaanxi Province	1	649,941.45	1	773,118.10
Anhui Province	2	781,693.66	2	854,060.04
Liaoning Province	2	1,068,156.34	2	960,425.52
Guangxi Province	1	423,598.87	1	754,762.47
Hunan Province	1	464,955.80	1	633,624.20
Chongqing	1	1,300,843.75	1	1,583,238.49
Sichuan Province	1	115,002.08	1	206,331.88
Shanxi Province	1	326,383.98	1	378,371.30
Hainan Province	1	180,406.32	1	152,200.55
Total	48	88,445,261.10	48	145,949,979.25

VI. Notes to items of financial statements (continued)

41. Net interest income

Item	Amount incurred in the current period	Amount incurred in last period
Interest income		
Incl.: Interest income from customer deposit	35,373,590.57	45,067,304.88
Interest income from own funds deposit	6,884,785.91	4,316,548.67
Interest income from repurchase agreements	601,581.26	198,094.68
Total interest income	42,859,957.74	49,581,948.23
Interest expense		
Incl.: Interest expense on sale and repurchase	598,212.22	368,280.68
Total interest expenses	598,212.22	368,280.68
Net interest income	42,261,745.52	49,213,667.55

42. Investment gains

(1) Investment gains breakdown

Item	Amount incurred in the current period	Amount incurred in last period
Long term equity investment gains calculated with cost method		
Long term equity investment gains calculated with equity method	61,593.26	1,167,305.91
Incl.: Gains on investment in associates	61,593.26	1,167,305.91
Gains on investment in joint ventures		
Investment gains from disposal of long term equity investment		
Financial instrument investment gains	-1,597,465.23	-26,831,112.77
Incl.: Grains on financial instrument during holding period	6,565,677.54	5,743,442.82
– Financial instrument held for trading	6,565,677.54	5,743,442.82
Proceeds from disposal	-8,163,142.77	-32,574,555.59
– Financial derivatives	127,676.38	-16,575,312.47
– Financial instrument held for trading	-8,290,819.15	-15,999,243.12
Others		
Total	-1,535,871.97	-25,663,806.86

VI. Notes to items of financial statements (continued)

42. Investment gains (continued)

(2) Gains on investment in associates

Item	Amount incurred in the current period	Amount incurred in last period
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	63,584.47	1,262,024.03
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	-1,991.21	-94,718.12
Total	61,593.26	1,167,305.91

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

43. Other incomes

Item	Amount incurred in the current period	Amount incurred in last period
Government subsidies	35,499.18	192,451.57
Individual income tax refund	22,741.59	131,823.97
Total	58,240.77	324,275.54

VI. Notes to items of financial statements (continued)

43. Other incomes (continued)

(1) Government subsidies included in profit or loss for the period

Subsidy	Amount	Related to assets/gains	Issuing authority	Approval document
Job stabilization subsidy	10,500.00	Related to income	Nanjing Municipal Bureau of Human Resources and Social Security	Notice on the Work of Unemployment Insurance to Stabilize Positions and Skills to Prevent Unemployment
Job stabilization subsidy	750.00	Related to income	Zhengzhou Healthcare Security Administration of Zhengzhou Finance Bureau State Administration of Taxation, Zhengzhou Municipal Bureau of Taxation	Notice of the Zhengzhou Airport Economic Comprehensive Experimental Area Land and Resources Bureau on the Phased Reduction of the Payment Rates of Basic Medical Insurance for Zhengzhou Workers
Job stabilization subsidy	250.00	Related to income	Zhengzhou Healthcare Security Administration of Zhengzhou Finance Bureau State Administration of Taxation, Zhengzhou Municipal Bureau of Taxation	Notice of the Zhengzhou Airport Economic Comprehensive Experimental Area Land and Resources Bureau on the Phased Reduction of the Payment Rates of Basic Medical Insurance for Zhengzhou Workers
Job stabilization subsidy	10,775.00	Related to income	Municipal Bureau of Human Resources and Social Security and the Municipal Bureau of Finance, The People's Bank of China Sub-branch	Notice on the Publication of the Implementation Details of Further Improving the Work of Stabilizing Employment
Job stabilization subsidy	5,714.00	Related to income	General Office of the State Council	Notice of the General Office of the State Council on Optimizing and Adjusting Policies and Measures for Stabilizing Employment and Promoting Development to Benefit Citizens
Job stabilization subsidy	6,272.45	Related to income	General Office of the State Council	Notice of the General Office of the State Council on Optimizing and Adjusting Policies and Measures for Stabilizing Employment and Promoting Development to Benefit Citizens
Job stabilization subsidy	1,237.73	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
Total	35,499.18			

VI. Notes to items of financial statements (continued)

44. Gains on changes of fair value

Item	Amount incurred in the current period	Amount incurred in last period
Financial assets held for trading	26,396,639.08	-19,833,457.38
Incl.: Financial assets at fair value through profit or loss	26,396,639.08	-19,833,457.38
Investment properties		
Financial liabilities held for trading	-11,928,925.70	4,633,498.25
Incl.: Financial liabilities at fair value through profit or loss	-11,928,925.70	4,633,498.25
Derivative financial instruments	2,525,383.53	9,575,458.14
Total	16,993,096.91	-5,624,500.99

45. Other operating income

Item	Amount incurred in the current period	Amount incurred in last period
Spot sales revenue	761,491,974.74	587,924,746.06
Consulting fee income and others	1,698,113.21	
Leasing income	1,168,251.71	
Total	764,358,339.66	587,924,746.06

46. Futures risk provision

Item	Amount incurred in the current period	Amount incurred in last period
Futures risk provision	3,345,047.75	5,903,638.55
Total	3,345,047.75	5,903,638.55

VI. Notes to items of financial statements (continued)

47. Taxes and surcharges

Item	Amount incurred in the current period	Amount incurred in last period
Urban maintenance and construction tax	131,025.09	194,001.14
Education surcharge	55,541.78	82,721.67
Local education surcharge	37,027.90	55,147.81
Property tax	1,160,817.86	555,353.44
Others	394,430.36	155,475.95
Total	1,778,842.99	1,042,700.01

48. Operating and management expenses

Item	Amount incurred in the current period	Amount incurred in last period
Employees' compensation	83,374,785.32	76,427,647.51
Office expenses	15,219,422.37	13,545,177.79
Depreciation & amortization	16,911,082.91	9,906,776.92
Rent	2,511,737.77	4,692,994.20
Financial expenses	3,068,453.17	3,968,924.89
Insurance, intermediary and consulting service fees	2,639,080.02	1,091,951.91
Investors Protection Fund	141,137.60	186,944.39
Maintenance cost	3,752,553.90	1,233,848.57
Others	5,142,145.29	2,808,356.74
Total	132,760,398.35	113,862,622.92

49. Credit impairment loss

Item	Amount incurred in the current period	Amount incurred in last period
Currency deposits receivable impairment loss	-124,289.69	440,814.33
Other receivables bad debt loss	700,352.32	-67,537.55
Advance to customers bad debt loss	15,532.90	
Total	591,595.53	373,276.78

VI. Notes to items of financial statements (continued)

50. Other operating costs

Item	Amount incurred in the current period	Amount incurred in last period
Cost of spot sales	762,348,156.09	587,831,642.68
Total	762,348,156.09	587,831,642.68

51. Non-operating income

(1) Non-operating income breakdown

Item	Amount incurred in the current period	Amount incurred in last period	Amount included in non-recurring profit or loss for the current period
Government subsidy		175,612.32	
Exchange subsidy	97,169.81	55,852.36	97,169.81
Others	182,000.28	105,939.85	182,000.28
Total	279,170.09	337,404.53	279,170.09

(continued)

Item	Including: Amount included in non-recurring profit or loss for the current period	
	Amount incurred in the current period	Amount incurred in last period
Government subsidy		175,612.32
Exchange subsidy	97,169.81	55,852.36
Others	182,000.28	105,939.85
Total	279,170.09	337,404.53

VI. Notes to items of financial statements (continued)

52. Non-operating expenses

Item	Amount incurred in the current period	Amount incurred in last period	Amount included in non-recurring profit or loss for the current period
Late payment fee	138,004.82	147.20	138,004.82
Others	41,323.33	32,471.06	41,323.33
Total	179,328.15	32,618.26	179,328.15

53. Income tax expense

(1) Income tax expense breakdown

Item	Amount incurred in the current period	Amount incurred in last period
Current income tax expense	4,693,175.21	10,877,112.25
Deferred income tax expense	-1,557,595.53	-97,057.09
Total	3,135,579.68	10,780,055.16

(2) Accounting profit and income tax expense adjustments

Item	Amount incurred in the current period
Total profit of the current period	10,262,548.29
Income tax expense calculated at the statutory/applicable tax rate	2,565,637.06
Impact of different tax rates applied to subsidiaries	224,199.02
Impact of accelerated deduction on R&D expenses	
Impact of non-taxable income	-244,922.18
Impact of non-deductible costs, expenses and losses	590,665.78
Income tax expense	3,135,579.68

VI. Notes to items of financial statements (continued)

54. 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	Amount incurred in the current period	Amount incurred in last period
Pending settlement payments received	52,559,243.68	40,277,998.84
Standard warranty pledge cash received	4,754,000.00	31,158,271.23
Margin and commission received		20,829,068.67
Funds received from other holders of structured entity		32,814,588.20
Non-operating income and other income	337,410.86	661,680.07
Others	906,480.47	4,888,329.65
Total	58,557,135.01	130,629,936.66

2) Other cash paid related to operating activities

Item	Amount incurred in the current period	Amount incurred in last period
Funds paid to other holders of structured entity	22,601,795.68	
Payment of amount to be settled	8,391,833.57	20,291,540.16
Donations and sponsorship expenditures		
Margin and commission paid	30,759,632.22	
Securities settlement or redemption payments		537,337.21
Litigation compensation		1,969,920.97
Others	8,200,727.74	14,123,138.38
Total	69,953,989.21	36,921,936.72

3) Other cash received related to financing activities

Item	Amount incurred in the current period	Amount incurred in last period
Relate party borrowings		50,000,000.00
Total		50,000,000.00

4) Other cash paid related to financing activities

Item	Amount incurred in the current period	Amount incurred in last period
Expenses related to financing	1,094,339.62	340,566.04
Total	1,094,339.62	340,566.04

VI. Notes to items of financial statements (continued)

54. Additional information on cash flow statement (continued)

(2) Additional information on consolidated cash flow statement

Item	Amount incurred in the current period
1. Adjustment of net profit to cash flow from operating activities:	
Net profit	7,126,968.61
Add: Asset impairment provision	
Credit impairment loss	591,595.53
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	9,512,512.24
Depreciation of right-of-use assets	7,398,570.67
Amortization of intangible assets	
Amortization of long-term deferred expenses	
Loss ("-" for gain) from disposal of fixed assets, intangible assets and other long term assets	21,835.84
Fixed assets scrap loss ("-" for gain)	
Loss ("-" for gain) from changes in fair value	-14,467,713.38
Financial expense ("-" for income)	2,760,788.44
Exchange losses	-427,770.91
Investment loss ("-" for gain)	1,663,548.35
Decrease ("-" for increase) of deferred income tax assets	-1,557,595.53
Increase ("-" for decrease) of deferred income tax liabilities	
Decrease ("-" for increase) of inventory	-13,970,495.87
Decrease ("-" for increase) of operating receivables	-552,322,947.80
Increase ("-" for decrease) of operating payables	-903,079,513.31
Net interest income	-3,369.04
Futures risk provision	3,345,047.75
Others	
Net cash flow from operating activities	-1,453,408,538.41
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	4,727,059,232.57
Less: Cash balance at the beginning of period	6,316,445,892.54
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	-1,589,386,659.97

VI. Notes to items of financial statements (continued)

54. Additional information on cash flow statement (continued)

(3) Cash and cash equivalents

Item	Closing balance	Opening balance
Cash		
Incl.: Cash in hand		
Bank deposit immediately available	4,669,203,269.29	6,224,927,678.59
Other monetary funds immediately available	57,855,963.28	91,518,213.95
Cash equivalents		
Closing balance of cash and cash equivalents	4,727,059,232.57	6,316,445,892.54

55. Assets with restricted ownership or use rights

Item	Closing book value	Reason
Monetary fund	716,953.57	Product raised funds account
Financial assets held for trading	102,077,615.06	Pledge for sale and repurchase
Fixed assets	269,002,582.54	Mortgage of long-term borrowings
Investment properties	48,420,728.00	Mortgage of long-term borrowings
Inventories	5,259,174.31	Warranty pledge

VI. Notes to items of financial statements (continued)

56. Foreign currency monetary funds

(1) Foreign currency monetary funds

Item	Foreign currency balance at the end of the period	Exchange rate	RMB balance converted at the end of the period
Monetary fund			
Incl.: USD	21,645,135.35	7.2258	156,403,419.00
HKD	142,611,987.01	0.92198	131,485,399.78
JPY	187,664.00	0.050094	9,400.84
GBP	676,377.87	9.1432	6,184,258.14
Advance to customers			
Incl.: HKD	8,489,888.40	0.92198	7,827,507.31
Currency deposits receivable			
Incl.: HKD	57,648,008.60	0.92198	53,150,310.97

(2) Important overseas business entity

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

VII.Changes in the scope of consolidated statements

(I) Business combination not under the same control

In Jan-Jun 2023, the Group had no subsidiary acquired through business combination not under the same control.

(II) Business combination under the same control

In Jan-Jun 2023, the Group had no subsidiary acquired through business combination under the same control.

(III) Reverse takeover

In Jan-Jun 2023, the Group had no subsidiary acquired through reverse takeover.

(IV) Disposal of subsidiary

In Jan-Jun 2023, the Group had no disposal of subsidiary.

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

1. New subsidiary

In Jan-Jun 2023, there was no new subsidiary or entity to be consolidated.

2. Reduction of subsidiaries by deregistration or otherwise

In Jan-Jun 2023, there was no reduction of subsidiaries by deregistration or other means.

3. Structured entities

In Jan-Jun 2023, the Group consolidated 3 structured entity, namely, "Holly Jinghe Collective Asset Management Plan (弘業景和集合資產管理計劃)"、"Holly Volatility Gain Phase I Collective Asset Management Plan (弘業波動增益1期集合資產管理計劃)" and "Holly Hongsheng FOF2301 Single Asset Management Plan (弘業弘升FOF2301單一資產管理計劃)", and such above consolidations did not have significant impact on the financial conditions, operating results and cash flow of the Group in Jan-Jun 2023.

VIII. Interests in Other Entities

(I) Interests in subsidiaries

1. Group members

(1) Subsidiaries

Subsidiary name	Principal place of business	Place of registration	Nature	Shareholding %		Reason
				Direct	Indirect	
Holly Capital Management Co., Ltd. (弘業資本管理有限公司) ^{Note}	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	Asset 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

Note: A domestic enterprise registered under the PRC law.

VIII. Interests in Other Entities (continued)

(I) Interests in subsidiaries (continued)

1. Group members (continued)

(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 falls within the definition of “control” in the updated ASBE, into the scope of the consolidated statements.

On 30 June 2023, the net assets managed under the consolidated asset management plans and funds amounted to RMB153,627,119.99, and meanwhile, the book value of the Group’s interests in the consolidated asset management plans reached RMB77,854,588.60, 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 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	RMB2,000,000
Holly Jingxin Phase I FOF Collective Asset Management Plan (弘業景信一期 FOF 集合資產管理計劃)	Asset management plan	RMB2,000,000
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	RMB985,000
Holly Junrong Xiangyu CTA22 Collective Asset Management Plan (弘業珺容翔宇 CTA22 號集合資產管理計劃)	Asset management plan	RMB2,200,000
Holly Volatility Gain Phase I Collective Asset Management Plan (弘業波動增益 1 期集合資產管理計劃)	Asset management plan	RMB2,000,000
Holly Jinghe Collective Asset Management Plan (弘業景和集合資產管理計劃)	Asset management plan	RMB5,000,000
Holly Hongsheng FOF2301 Single Asset Management Plan (弘業弘升 FOF2301 單一資產管理計劃)	Asset management plan	RMB10,000,000
Holly International Fixed Income Fund (弘業國際固定收益基金)	Fund	USD1,990,366.59
Holly International Guangye Fund SP (弘業國際廣業基金 SP)	Fund	USD4,923,647.60
Holly International Global Opportunity Fund SP (弘業國際環球機遇基金 SP)	Fund	USD2,276,999.60

2. The Group had no significant non-wholly owned subsidiary.

3. The Group had no financial or other support from any structured entity to be included in the consolidated financial statements.

4. The Group had no control over any subsidiary in which the Group’s interests had changed.

5. As at 30 June 2023, no subsidiaries of the Company issued share capital or debt securities.

VIII. Interests in Other Entities (continued)

(II) Interests in joint ventures or associates

1. Key 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 financial statements of the Company.

2. Financial highlights of key associates

Item	Closing balance/Amount incurred in the current period	
	Hongrui New Era	Hongrui Growth
Current assets	25,534,598.29	336,772.56
Non-current assets	2,508,459.59	22,000,931.90
Total Assets	28,043,057.88	22,337,704.46
Current liabilities		677,687.40
Non-current liabilities		232.97
Total Liabilities		677,920.37
Net profit	289,020.34	-20,111.24
Total comprehensive income	289,020.34	-19,828.49

VIII. Interests in Other Entities (continued)

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

3. Summary of insignificant associates

Nil

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 included into the consolidated financial statements

On 30 June 2023, the net assets of structured entities established by the Group but not included into the consolidated financial statements amounted to RMB16,783,183,731.50.

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	Closing balance Financial assets held for trading	Opening balance Financial assets held for trading
Funds	289,757,093.97	289,206,523.08
Trust schemes	135,227,419.45	63,981,165.75
Asset management plans	10,530,431.36	520,484.54
Total	435,514,944.78	353,708,173.37

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

IX. Financial Instruments and Risk Management

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

(I) Market Risk

1. Foreign currency risk

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

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

Item	30 June 2023		31 December 2022	
	Balance in foreign currency	Balance in RMB equivalent	Balance in foreign currency	Balance in RMB equivalent
Monetary funds				
HKD	12,686,215.23	11,696,436.72	17,681,157.12	15,794,047.22
USD	44,647.19	322,611.70	44,635.41	310,867.81

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

Item	Average rates		Reporting date mid-spot rate	
	Jan-Jun 2023	Jan-Jun 2022	30 June 2023	31 December 2022
HKD	0.88396	0.82836	0.92198	0.89327
USD	6.9291	6.4809	7.2258	6.9646

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 period 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 2023	31 December 2022
Net profit and shareholders' equality		
Items denominated in HKD	-877,232.75	-1,184,553.54
Items denominated in USD	-24,195.88	-23,315.09

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 Period.

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 the period

Item	30 June 2023		31 December 2022	
	Actual interest rate	Amount	Actual interest rate	Amount
Fixed interest rate financial instruments				
Financial assets				
Monetary fund				
Incl.: Futures margin	1.80%-5.14%	3,740,658,987.61	1.80%-5.11%	4,057,694,911.57
Own funds	4.37%-4.58%	52,284,854.36	4.30%-4.58%	48,822,241.76
Currency deposits receivable and pledged deposits receivable	1.50%-1.66%	593,628,803.76	1.50%-1.85%	522,268,722.13
Financial assets purchased under resale agreements	3.123%	99,945,385.13		
Financial assets held for trading				
Incl.: Bonds held for trading	3.08%-6.4%	163,041,878.48	3.00%-5.2%	138,554,616.34
Trust schemes	4.30%-7.00%	83,678,907.92	5.40%-7.00%	15,670,027.40
Financial liabilities				
Short term borrowings	3.45%	49,735,200.00		
Financial assets sold under repurchase agreements	3.985%-4.005%	66,637,310.79	2.495%-2.600%	35,195,012.64
Long term borrowings	4.50%	74,969,534.00	4.50%	88,955,018.00
Net amount		4,541,896,772.47		4,658,860,488.56
Floating rate financial instruments				
Financial assets				
Monetary fund				
Incl.: Futures margin	0.001%-3.50%	781,393,359.02	0.001%-1.80%	1,969,001,776.94
Own funds	0.001%-1.70%	95,583,021.86	0.001%-1.75%	150,481,313.36
Other monetary funds	0.35%	57,855,963.28	0.35%	91,518,213.95
Net amount		934,832,344.17		2,211,001,304.25

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 2023, 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 RMB23,766,347.86; and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB23,548,223.26.

As of 31 December 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 RMB22,990,874.50; and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB22,653,542.55.

② Cash flow sensitivity analysis for floating rate financial instruments

As of 30 June 2023, 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 RMB7,101,360.86; and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB6,152,679.92.

As of 31 December 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 RMB16,582,509.78; and a decrease in interest rate of 100 basis points would have reduced the shareholders' equity and net profit of the Group by RMB15,072,016.37.

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

IX. Financial Instruments and Risk Management (continued)

(I) Market Risk (continued)

3. Other price risk

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

Sensitivity analysis

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

Item	Net profit	
	30 June 2023	31 December 2022
Change in share price		
10% increase	1,960,777.13	4,067,717.11
10% decrease	-1,960,777.13	-4,067,717.11
Change in commodity price		
10% increase	-2,658,588.65	20,183,052.48
10% decrease	2,658,588.65	-20,183,052.48

(continued)

Item	Shareholders' equity	
	30 June 2023	31 December 2022
Change in share price		
10% increase	1,960,777.13	4,067,717.11
10% decrease	-1,960,777.13	-4,067,717.11
Change in commodity price		
10% increase	-2,658,588.65	20,183,052.48
10% decrease	2,658,588.65	-20,183,052.48

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 be exposed to the risk for share and commodity price as at the end of the relevant period), there may be temporary changes in the net profit and shareholders' equity of the Group. In addition, it is assumed that the fair values of the equity investments and hedging investments of the Group will change based on historical correlation between relevant stock market indexes and commodity futures prices, with all other variables held constant. The analysis is performed on the same basis using identical methods for previous years.

IX. Financial Instruments and Risk Management (continued)

(II) Credit Risk

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

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

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

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

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

As to accounts receivable and other receivables, the Group would regularly 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 2023, 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 2023	31 December 2022
Monetary fund	4,760,834,182.71	6,348,666,153.74
Currency deposits receivable	2,834,317,313.31	2,054,665,070.53
Pledged deposits receivable	750,011,090.00	981,207,968.00
Derivative financial assets	1,756,251.99	19,223,235.33
Advance to customers	7,749,232.24	5,953,971.21
Financial assets held for trading	631,217,581.01	558,851,538.15
Financial assets purchased under resale agreements	99,945,385.13	–
Accounts receivable	31,395,841.57	45,557,381.12
Accounts receivable financing	12,522,680.00	
Total maximum risk exposure	9,129,749,557.96	10,014,125,318.08

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 2023

Item	Current	Within 1 year	1-5 years	Total	Book value at balance sheet date
Currency deposits payable	6,424,057,697.15			6,424,057,697.15	6,424,057,697.15
Pledged deposits payable	745,257,090.00			745,257,090.00	745,257,090.00
Payable to futures investors protection fund		149,758.33		149,758.33	149,758.33
Short-term borrowings		51,284,244.25		51,284,244.25	49,778,096.61
Financial assets sold under repurchase agreements		66,637,310.79		66,637,310.79	66,637,310.79
Financial liabilities held for trading		75,772,531.39		75,772,531.39	75,772,531.39
Derivative financial liabilities		10,608,841.67		10,608,841.67	10,608,841.67
Employee compensation payable		571,505.97		571,505.97	571,505.97
Other payables		101,156,342.32		101,156,342.32	101,156,342.32
Lease liability		16,242,952.06	14,688,706.90	30,931,658.96	29,387,855.27
Long term borrowings		30,875,209.72	48,756,594.39	79,631,804.11	75,148,397.67
Total	7,169,314,787.15	353,298,696.50	63,445,301.29	7,586,058,784.94	7,578,525,427.17

IX. Financial Instruments and Risk Management (continued)

(III) Liquidity risk (continued)

2. 31 December 2022

Item	Current	Within 1 year	1-5 years	Total	Book value at balance sheet date
Currency deposits payable	7,092,720,613.41			7,092,720,613.41	7,092,720,613.41
Pledged deposits payable	981,207,968.00			981,207,968.00	981,207,968.00
Payable to futures investors protection fund		394,274.29		394,274.29	394,274.29
Financial assets sold under repurchase agreements		35,197,232.68		35,197,232.68	35,197,232.68
Financial liabilities held for trading		86,445,401.37		86,445,401.37	86,445,401.37
Derivative financial liabilities		22,573,170.18		22,573,170.18	22,573,170.18
Employee compensation payable		2,882,801.23		2,882,801.23	2,882,801.23
Other payables		149,435,444.94		149,435,444.94	149,435,444.94
Lease liability		14,213,322.78	15,925,890.93	30,139,213.71	22,573,315.47
Long term borrowings		31,536,668.07	63,950,994.04	95,487,662.11	89,174,605.23
Total	8,073,928,581.41	342,678,315.54	79,876,884.97	8,496,483,781.92	8,482,604,826.80

(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. Period-end fair value of assets and liabilities measured at fair value

Item	Summary of Fair value at the end of the period			Total
	Fair value measurement within level 1	Fair value measurement within level 2	Fair value measurement within level 3	
I. Ongoing fair value measurement				
(I) Financial assets held for trading	310,590,329.86	230,431,280.62	90,195,970.53	631,217,581.01
1. Financial assets at FVTPL	310,590,329.86	230,431,280.62	90,195,970.53	631,217,581.01
(1) Debt instrument investment	152,637,668.47	10,404,210.00	83,678,907.92	246,720,786.39
(2) Equity instrument investment	157,952,661.39	220,027,070.62	6,517,062.61	384,496,794.62
(II) Derivative financial assets	80,912.50		1,675,339.49	1,756,251.99
(III) Investment properties		48,420,728.00		48,420,728.00
1. Buildings for rent		48,420,728.00		48,420,728.00
Total assets measured at fair value on an ongoing basis	310,671,242.36	278,852,008.62	91,871,310.02	681,394,561.00
(V) Financial liabilities held for trading			75,772,531.39	75,772,531.39
(VI) Derivative financial liabilities	294,482.50		10,314,359.17	10,608,841.67
Total financial liabilities measured at fair value on an ongoing basis	294,482.50		86,086,890.56	86,381,373.06
II. Non-ongoing fair value measurement				
Total financial assets measured at fair value not on an ongoing basis				
Total financial liabilities measured at fair value not on an ongoing basis				

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

(1) Level 1 fair value measurement

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

X. Fair Value Disclosure Management (continued)

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

1. Period-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.

For investment property items where the fair value is available from the real estate market with examples of transactions comparable to the subject of the valuation and where earnings can be ascertained, the market approach or the income approach is used for valuation.

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. Period-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 opening balance and closing balance of the assets and liabilities of recurring level 3 fair value measurement is as follows:

Item	Opening balance	Total gains or losses for the year included in profit or loss	Purchase	Settlement and sale	Closing balance	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 Including: Investments in debt instruments	15,670,027.40	1,908,813.00	73,000,000.00	6,899,932.48	83,678,907.92	678,907.92
Investment in equity instrument	12,352,520.30	-731,559.55		5,103,898.13	6,517,062.61	-482,937.39
Derivative financial assets	17,921,740.33	-16,246,400.84			1,675,339.49	1,675,339.49
Subtotal of financial assets	45,944,288.02	-15,069,147.40	73,000,000.00	12,003,830.61	91,871,310.02	1,871,310.02
Financial liabilities						
Financial liabilities held for trading Including: Financial liabilities designated as at FVTPL	86,445,401.37	-345,100.93	19,237,983.86	29,565,752.91	75,772,531.39	1,220,654.99
Derivative financial liabilities	21,213,100.18	-10,898,741.01			10,314,359.17	10,314,359.17
Subtotal of financial liabilities	107,658,501.55	-11,243,841.94	19,237,983.86	29,565,752.91	86,086,890.56	11,535,014.16
Net amount	-61,714,213.53	-3,825,305.46	53,762,016.14	-17,561,922.30	5,784,419.46	-9,663,704.14

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

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

XI. Related Parties and Transactions with Related Parties

(I) Relations with related parties

1. Controlling shareholder and ultimate controller

(1) *Controlling shareholder and ultimate controller*

Parent name	Place of registration	Business nature	Registered capital	Parent's shareholding percentage of the Company	Parent's voting power percentage of the Company	Ultimate controller of the Company
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Jiangsu Province	Financial investment, industrial investment, operation and management of state-owned assets within the scope of authorization; international trade; housing leasing; production, research and development and sales of cocoon silk, textile and clothing	2,000,000,000.00	27.33%	27.33%	People's Government of Jiangsu Province

(2) *Changes in controlling shareholder's registered capital*

Nil

2. Subsidiaries of the Company

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

3. Associates of the Company

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

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

(I) Relations with related parties (continued)

4. Other important related parties of the Company

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
Soho Holly Corporation(蘇豪弘業股份有限公司)(former name: Jiangsu Holly Corporation(江蘇弘業股份有限公司))	Shareholder of the Group/Company
Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司)	Shareholder of the Group/Company
Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司)	Shareholder of the Group/Company
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 Digital Technology Co., Ltd. (江蘇蘇豪數位科技有限公司)	Controlled by the same ultimate holding company
Soho Culture Group Company Limited(蘇豪文化集團有限公司)(former name: Artall Culture Group Company Limited(愛濤文化集團有限公司))	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 Private Equity Fund Management Co., Ltd. (江蘇蘇豪私募基金管理有限公司)	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 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
Aitao Cultural (UK) Co., Ltd. (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
Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司)	Controlled by the same ultimate holding company
Jiangsu SOHO Real Estate Operation and Management Co., Ltd. (江蘇蘇豪不動產經營管理有限公司)	Controlled by the same ultimate holding company
Ms. Zhan Jieying	Senior management

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

(II) Related party transactions

1. Purchase of goods/Acceptance of services

Related parties	Related party transaction	Amount incurred in the current period	Number of transactions approved	Whether the transaction limit is exceeded	Amount incurred in last period
Jiangsu Financial Holdings Co., Ltd. (江蘇金融控股有限公司)	Labour cost	167,068.44	167,068.44	否	111,828.60
Jiangsu SOHO Health Industry Co., Ltd. (江蘇蘇豪健康產業有限公司)	Procurement cost				8,035.40
Jiangsu Soho Digital Technology Co., Ltd. (江蘇蘇豪數位科技有限公司)	Procurement cost	34,325.67	34,325.67	否	
Jiangsu Holly Environmental Technology Industrial Co., Ltd. (江蘇弘業環保科技產業有限公司)	Procurement cost				1,159.29
Jiangsu Holly International Engineering Co., Ltd. (江蘇弘業國際技術工程有限公司)	Safety production fee	10,619.47	10,619.47	否	27,982.30
Total		212,013.58	212,013.58		149,005.59

2. Sales of goods/Provision of services

Related parties	Related party transaction	Amount incurred in the current period	Amount incurred in last period
Jiaingsu SOHO Investment Group Co., Ltd. (江蘇蘇豪投資集團有限公司)	Asset management business income/Others	18,012.20	3,102.23
Jiangsu Artall Cultural Industry Co., Ltd. (江蘇愛濤文化產業有限公司)	Asset management business income	9,080.48	26,552.85
Soho Holly Corporation (蘇豪弘業股份有限公司)	Asset management business income	4,377.08	26,552.85
Jiangsu Chemical Fertilizer Co., Ltd. (江蘇省化肥工業有限公司)	Fee income	1,060.68	820.75
Jiangsu Holly Yongchang (Hong Kong) Co., Limited (江蘇弘業永昌(香港)有限公司)	Asset management business income	102,084.02	122,934.61
Aitao Cultural (UK) Co., Ltd. (愛濤文化(英國)中心有限公司)	Asset management business income	2,850.94	24,346.91
Artall Culture Trade (Netherland) Company Limited (愛濤文化貿易(荷蘭)有限公司)	Asset management business income		24,346.91
Jiangsu Financial Holdings Co., Ltd. (江蘇金融控股有限公司)	Asset management business income	2,987.55	
Total		140,452.95	228,657.12

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

(II) Related party transactions (continued)

3. Related lease

(1) Lease

Name of lessor	Type of leased assets	Rental expenses relating to short-term lease and leases of low value assets after simplified handling (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rental paid		Interest expense of lease liabilities		Addition of right-of-use assets	
		Amount incurred in the current period	Amount incurred in last period	Amount incurred in the current period	Amount incurred in last period	Amount incurred in the current period	Amount incurred in last period	Amount incurred in the current period	Amount incurred in last period	Amount incurred in the current period	Amount incurred in last period
Soho Holly Corporation (蘇豪弘業股份有限公司)	Buildings and structures	404,803.14	3,163,805.42								
Jiangsu SOHO Real Estate Operation and Management Co., Ltd. (江蘇蘇豪不動產經營管理有限公司)	Buildings and structures					1,192,518.27		40,761.70			10,297,691.47
Total		404,803.14	3,163,805.42			1,192,518.27		40,761.70			10,297,691.47

4. Borrowings from related parties

(1) Borrowings from related parties

Related party	Amount incurred in the current period			
	Opening balance	Current increase	Current decrease	Closing balance
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)				
Total				

(continued)

Related party	Amount incurred in last period			
	Opening balance	Current increase	Current decrease	Closing balance
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 Transactions with Related Parties (continued)

(II) Related party transactions (continued)

4. Borrowings from related parties (continued)

(2) Interest on borrowings from related parties

Related parties	Amount incurred in the current period	Amount incurred in last period	Descriptions
Interest expenses for funds borrowed from related parties		650,000.00	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 of RMB50 million, at interest rate 6%, due in five months from 13 April to 16 September.

5. Other related party transactions

Related parties	Item	Related party transaction	Amount incurred in the current period	Amount incurred in last period
Soho Holly Corporation (蘇豪弘業股份有限公司)	N/A	Net investment/disposal of in asset management plans	-5,268,551.22	-10,210,099.26
Jiangsu SOHO Artall Culture Group Co., Ltd. (江蘇蘇豪愛濤文化有限公司)	N/A	Net investment/disposal of in asset management plans	-5,184,752.03	-10,210,198.52
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
Aitao Cultural (UK) Co., Ltd. (愛濤文化(英國)中心有限公司)	N/A	Net investment/disposal of in asset management plans	-5,376,819.81	
Jiangsu Financial Holdings Co., Ltd. (江蘇金融控股有限公司)	N/A	Net investment/disposal of in asset management plans	5,780,640.00	
Ms. Zhan Jieying	N/A	Net investment/disposal of in asset management plans	500,000.00	

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

(III) Related party transaction balance

1. Amount due from related parties

Item	Related party transaction	Related parties	Closing book value	Opening book value
Prepayments	Housing leasing cost	Soho Holly Corporation (蘇豪弘業股份有限公司)	202,401.57	3,300,000.00
Other receivables	Housing leasing deposits	Soho Holly Corporation (蘇豪弘業股份有限公司)	71,000.00	

2. Amounts due to related parties

Item	Related parties	Closing balance	Opening balance
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	Jiangsu Chemical Fertilizer Co., Ltd. (江蘇省化肥工業有限公司)	931,410.90	1,781,250.52
Currency deposits payable	Soho Culture Group Co., Ltd. (蘇豪集團文化有限公司)	1,500.00	1,500.00
Currency deposits payable	Soho Holly Corporation (蘇豪弘業股份有限公司)	2,000.00	
Other payables- Dividend payable	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)		8,263,703.31
Other payables- Dividend payable	Soho Holly Corporation (蘇豪弘業股份有限公司)		4,437,000.00
Other payables- Dividend payable	Jiangsu Holly Su Industrial Co., Ltd. (江蘇弘蘇實業有限公司)		4,306,440.00
Other payables- Dividend payable	Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團股份有限公司)		1,917,904.02
Other payables- Dividend payable	Jiangsu Holly International Logistics Corporation (江蘇弘業國際物流有限公司)		248,560.35

3. Others

Related parties	Item	Related party transaction	Closing balance	Opening balance
Jiangsu SOHO Private Equity Fund Management Co., Ltd. (江蘇蘇豪私募基金管理有限公司)	Financial assets held for trading	Private Equity	5,044,486.65	

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

(IV) Remuneration of directors, supervisors and staff

1. Compensation of senior management

Item	Amount incurred in the current period	Amount incurred in last period
Compensation of senior management	1,920,841.45	1,626,631.59

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. 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. From January to June, 2023, Holly Capital Shanghai Branch cooperated with the management of Hanbang Petrochemical for many times to deal with matters related to the reorganization of bankruptcy.

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 of 2020.

Except for the above-mentioned matters, as of 30 June 2023, 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 2023, 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	Closing balance	Opening balance
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

Save for the above, as of the date of this Report, the Company had 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

Item	Futures Brokerage and Asset Management Business Division	Commodity Trading and Risk Management Business Division	Offset between divisions	Total
External operating income	149,969,041.39	761,017,705.67		910,986,747.06
Inter-divisional operating income	-22,379,047.47	31,938,086.57	-9,559,039.10	
Operating expenses	-128,845,617.96	-771,978,422.75		-900,824,040.71
Non-operating income and expenditure	-50,158.82	150,000.76		99,841.94
Gross profit	-1,305,782.86	21,127,370.25	-9,559,039.10	10,262,548.29
Income tax expense	-223,926.16	-5,301,413.30	2,389,759.78	-3,135,579.68
Net profit	-1,529,709.02	15,825,956.95	-7,169,279.32	7,126,968.61
Total assets	9,476,753,062.54	669,683,099.80	-529,569,760.18	9,616,866,402.16
Total liabilities	8,139,476,742.13	128,655,864.35	-500,930,189.84	7,767,202,416.64
Other important items:				
Including: Net interest income	41,244,477.44	1,017,268.08		42,261,745.52
Depreciation and amortization	16,156,460.39	754,622.52		16,911,082.91
Increase in non-current assets other than long-term equity investment	2,520,498.29	191,819.20		2,712,317.49

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
Mainland China	905,038,624.09
Hong Kong, China	5,948,122.97
Total	910,986,747.06

(II) As of 30 June 2023, the Group had no other contingencies to be disclosed.

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	Closing balance	Opening balance
Investment in subsidiaries	700,448,579.81	600,448,579.81
Investment in joint ventures or associates	8,314,007.97	8,252,386.71
Total long term equity investment	708,762,587.78	608,700,966.52
Less: Provision for long term equity investment impairment		
Net long term equity investment	708,762,587.78	608,700,966.52

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	Opening balance	Current increase	Current decrease	Closing balance	Provision for impairment in current period	Provision for impairment in closing balance
Holly Capital Management Co., Ltd. (弘業資本管理有限公司)	400,000,000.00	100,000,000.00		500,000,000.00		
Holly International Financial Holdings Limited (弘業國際金融控股有限公司)	200,448,579.81			200,448,579.81		
Total	600,448,579.81	100,000,000.00		700,448,579.81		

Note: In May 2021, the 74th board meeting of the 5th session of Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) and the 23rd board meeting of the 3rd session of Holly Futures Co., Ltd. (弘業期貨股份有限公司) resolved to approve the capital increase of RMB260 million by Holly Futures Co., Ltd. (弘業期貨股份有限公司) to Holly Capital Management Co., Ltd. (弘業資本管理有限公司). The capital increase will be implemented in two tranches over two years, with the first tranche of RMB150 million completed in October 2021, increasing the registered capital of Holly Capital to RMB390 million. Another portion of capital increase of RMB10 million was completed in December 2022, and payment of the remaining RMB100 million was made in January 2023.

(3) Investment in associates or joint ventures

Invested company	Opening balance (carrying amount)	Current changes							Closing balance (carrying amount)	Provision for impairment in closing balance
		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		
Associates										
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	6,105,888.27			63,584.46						6,169,472.73
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	2,146,498.44			-1,991.20	28.00					2,144,535.24
Total	8,252,386.71		0.00	61,593.26	28.00					8,314,007.97

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

2. Net handling fee and commission income

(1) Breakdown of net handling fee and commission income

Item	Amount incurred in the current period	Amount incurred in last period
Net brokerage fee income	65,212,439.71	118,091,219.18
Asset management business income	3,125,755.35	5,283,548.27
Investment advisory income	922,980.65	
Total	69,261,175.71	123,374,767.45

(2) Branches and fee income by administrative region

Administrative region	Amount incurred in the current period		Amount incurred in last period	
	Number of branches	Fee income	Number of branches	Fee income
Jiangsu Province	21	54,590,449.44	21	101,159,645.29
Fujian Province	2	2,423,221.36	2	4,937,678.37
Shanghai	2	1,089,180.46	2	2,087,054.34
Zhejiang Province	2	2,286,480.26	2	2,999,283.74
Henan Province	1	691,545.42	1	897,125.68
Guangdong Province	3	768,836.51	3	1,299,169.25
Beijing	2	704,616.27	2	756,024.39
Shandong Province	2	1,395,863.74	2	2,942,653.84
Shaanxi Province	1	649,941.45	1	773,118.10
Anhui Province	2	781,693.66	2	854,060.04
Liaoning Province	2	1,068,156.34	2	960,425.52
Guangxi Province	1	423,598.87	1	754,762.47
Hunan Province	1	464,955.80	1	633,624.20
Chongqing	1	1,300,843.75	1	1,583,238.49
Sichuan Province	1	115,002.08	1	206,331.88
Shanxi Province	1	326,383.98	1	378,371.30
Hainan Province	1	180,406.32	1	152,200.55
Total	46	69,261,175.71	46	123,374,767.45

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

3. Net interest income

Item	Amount incurred in the current period	Amount incurred in last period
Interest income		
Including: Interest income from customer fund deposits	32,310,362.65	45,066,501.83
Interest income from own fund deposits	5,641,932.24	4,818,125.59
Interest income from repurchase agreements	601,581.26	198,094.68
Total interest income	38,553,876.15	50,082,722.10
Interest expense		
Include: Interest expense on sale and repurchase	598,212.22	368,280.68
Total interest expense	598,212.22	368,280.68
Net interest income	37,955,663.93	49,714,441.42

4. Investment gains

(1) Breakdown of investment gains

Item	Amount incurred in the current period	Amount incurred in last period
Long term equity investment gains calculated with cost method		
Long term equity investment gains calculated with equity method	61,593.26	1,167,305.91
Including: Gains on the investment in associates	61,593.26	1,167,305.91
Gains on the investment in joint ventures		
Proceeds from disposal of long term equity investment		
Financial instrument investment gains	-3,410,813.70	-8,858,197.54
Including: Gains on financial instrument during holding period	4,860,549.90	7,481,382.11
– Financial instrument held for trading	4,860,549.90	7,481,382.11
Proceed of disposal	-8,271,363.60	-16,339,579.65
– Financial instrument held for trading	-8,271,363.60	-16,339,579.65
Total	-3,349,220.44	-7,690,891.63

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	Amount incurred in the current period	Amount incurred in last period
Jiangsu Hongrui New Era Venture Capital Co., Ltd. (江蘇弘瑞新時代創業投資有限公司)	63,584.47	1,262,024.03
Jiangsu Hongrui Growth Venture Capital Co., Ltd. (江蘇弘瑞成長創業投資有限公司)	-1,991.21	-94,718.12
Total	61,593.26	1,167,305.91

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

5. Gains from changes in fair value

Item	Amount incurred in the current period	Amount incurred in last period
Financial assets held for trading	14,421,870.89	-12,425,534.61
Including: Financial assets at fair value through profit or loss	14,421,870.89	-12,425,534.61
Total	14,421,870.89	-12,425,534.61

XVII. Approval of financial report

This financial report was approved by the Board of Directors of the Company on 29 August 2023.

Additional information on the financial statements

1. Extraordinary profit and loss statement

Item	Amount for the current period
Profit or loss on disposal of non-current assets	-21,835.84
Government grants recognised through profit or loss for the period	35,499.18
Other non-operating income and expenses other than the foregoing items	122,583.53
Other profit and loss items falling within the meaning of extraordinary profit and loss	
Subtotal	136,246.87
Less: Effect of income tax	69,246.43
Effect of minority interests (after tax)	
Total	67,000.44

2. Returns on net assets and earnings per share

Profit of the Reporting Period	Weighted average return on net assets (%)	Earnings per share (RMB/share)	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the parent company	0.39	0.0071	0.0071
Net profit attributable to ordinary shareholders of the parent company after extraordinary items	0.38	0.0070	0.0070

Holly Futures Co., Ltd.
29 August 2023