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NANHUA USA LLC

Nanhua USA LLC

Financial Statement and

Independent Auditor's Report

December 31, 2017

Nanhua USA LLC

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of
Nanhua USA, LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Nanhua USA, LLC the "Company") as of December 31, 2017, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

FGMK, LLC

We have served as the Company's auditor since 2016.

Chicago, Illinois
January 30, 2018

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Nanhua USA LLC
Statement of Financial Condition
December 31, 2017

ASSETS	
Cash	$1,735,991
Cash segregated under federal and other regulations	46,160,428
Deposits with exchange clearing organizations	4,578,373
Memberships in exchanges	3,819,444
Property and equipment, net	124,666
Other assets	145,620
	$56,564,522
LIABILITIES AND MEMBER'S EQUITY	
Liabilities	
Payables	
Customers and non-customers	$34,038,936
Accounts payable, accrued expenses and other liabilities	222,996
	34,261,932
MEMBER'S EQUITY	22,302,590
	$56,564,522

Nanhua USA LLC

Notes to Financial Statement

December 31, 2017

1. COMPANY BACKGROUND INFORMATION

Nanhua USA LLC (the “Company”) was organized on August 5, 2013 in the State of Delaware. Nanhua USA LLC is a single member limited liability company wholly-owned by HGNH Financial LLC (the “Parent”). HGNH Financial LLC is controlled and a majority-owned subsidiary of HGNH International. The Company’s principal business activity is clearing exchange traded futures and options contracts for an affiliate. The Company is a member of the National Futures Association (“NFA”) and registered as a futures commission merchant (“FCM”) with the Commodity Futures Trading Commission (“CFTC’’). The Company is a clearing member of the Chicago Mercantile Exchange, the Dubai Mercantile Exchange and ICE Futures U.S. Exchange. Additionally, Nanhua is applying as a clearing member of the OCC Exchange and trading member of Nasdaq Futures Inc (“NFX”) and CBOE Future Exchanges (“CFE”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(1) Basis of Presentation: The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are presented in U.S. dollars and reflect all adjustments which are, in the opinion of management, necessary consistent reporting of the financial position, results of operations and cash flows for the periods presented.

(2) Use of Estimates: The preparation of the financial statements in conformity with U.S. GAAP, requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(3) Cash and Cash Equivalents: The Company considers marketable securities with original maturities of ninety days or less to be cash equivalents. Cash equivalents include cash funds segregated or in separate accounts as required by the Securities Exchange Act of 1934 and the Commodity Exchange Act (“CEAct”). Cash in the amount of $94,000 is restricted to the extent that it serves as collateral for a letter of credit.

(4) Revenue Recognition: Futures and options transactions and the related commission revenue and expenses are recognized on trade date.

(5) Translation of Foreign Currencies: Assets and liabilities denominated in foreign currencies are translated to U.S dollars at year-end exchange rates, while income and expense items are translated at average rates of exchange for the year.

(6) Depreciation: Furniture and equipment are depreciated over the estimated useful lives of the assets using straight-line methods. Leasehold improvements are amortized over the term of the associated lease.

(7) Memberships in Exchanges: Memberships in exchanges include trading rights and shares of exchange stock required to be held for membership and clearing privileges. The exchange common stock and trading rights are carried at cost and are evaluated periodically for impairment.

(8) Receivable from and Payable to Customers: Receivable from and payable to customers arise primarily from futures and options on futures transactions and include gains and losses on open trades. Securities, primarily U.S. Government obligations, owned by customers and held by the Company as collateral or as margin and the fair value of customers' options positions are not reflected in the statement of financial condition.

(9) Income Taxes: The Company is a single member LLC which has elected to be taxed as a corporation. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit, or portion thereof will not be realized. As of December 31, 2017, there are no material deferred tax assets or liabilities.

The Company recognizes and measures its unrecognized tax benefits or liabilities in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, Income Taxes. Under this guidance the Company estimates the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. The level of unrecognized tax benefits or liabilities is adjusted when there is more information available, or when an event occurs that requires a change. The Company applied this accounting policy to the tax positions for all open years. The Company did not have any unrecognized tax positions as of December 31, 2017.

3. RECENT ACCOUNTING PRONOUNCEMENT

In February 2016, FASB issued ASU 2016-2, Leases (Topic 842). FASB issued ASU 2016-02 to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Certain qualitative and quantitative disclosures are required, as well as a retrospective recognition and measurement of impacted lease. The new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating this standard.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 to reporting periods beginning after December 15, 2018. Early adoption is permitted for reporting periods beginning after December 15, 2016. Companies may use either a full retrospective or a modified retrospective approach to adopt this ASU. Management is currently evaluating this standard, including which transition approach to use.

In March 2016, FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). The amendments are intended to improve the operability and understandability of the implementation guidance on principal vensus agent considerations. The effective date for this ASU is the same as the effective date for ASU 2014-09. Management is currently evaluating this standard.

4. SEGREGATION REQUIREMENTS

Pursuant to requirements of the CEAct, funds deposited by customers relating to futures contracts in regulated commodities must be carried in separate bank accounts which are designated as segregated customers' accounts. Funds deposited by customers and other assets which have been segregated as of December 31, 2017, are shown as follows:

Cash	$ 4,873,282
Deposits with exchange clearing	41,288,190
Payable to exchange clearing organization	(1,044)
Total	**$ 46,160,428**

5. DEPOSITS WITH EXCHANGE CLEARING ORGANIZATIONS

The statement of financial condition as of December 31, 2017, includes deposits with exchange clearings organization that represent cash guarantee deposits.

6. GUARANTEES AND INDEMNIFICATIONS

FASB ASC 460, Guarantees, requires the Company to disclose its obligations under certain guarantee arrangements. FASB ASC 460 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. This guidance also defines guarantees as contacts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

The Company is a member of exchanges that trade and clear futures contracts. Associated with its memberships, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange. Although the rules governing different exchange memberships vary, in general the Company's guarantee obligations would arise only if the exchange had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the exchange. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the financial statements for these agreements and management believes that any potential requirement to make payments under these agreements is remote.

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2017:

Electronic equipment	$	45,068
Furniture		69,629
Leasehold improvements		59,162
		173,859
Accumulated depreciation and amortization		(49,193)
Property and equipment	**$**	**124,666**

8. NET CAPITAL REQUIREMENT

As a registered futures commission merchant, Nanhua USA LLC is subject to the net capital requirements under the NFA and CFTC Regulation 1.17 and is required to maintain adjusted net capital equivalent to the greater of $1,000,000 or the sum of 8% of customer and 8% of non-customer risk maintenance margin requirement on all positions, as these terms are defined. As of December 31, 2017, the Company was required to maintain minimum net capital, as defined, of $1,507,378. At December 31, 2017, the Company had adjusted net capital and excess net capital of $18,164,526 and $16,657,148, respectively. The minimum requirements may effectively restrict the payment of equity withdrawals.

9. FINANCIAL INSTRUMENTS

Accounting Standards Codification Topic 815 (ASC 815), Derivatives and Hedging, requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit risk related contingent features in derivative agreements. The disclosure requirements of ASC 815 distinguish between derivatives, which are accounted for as “hedges” and those that do not qualify for such accounting. The Company reflects derivatives at fair value and recognizes changes in fair value through the statement of operations, and such do not quality for ASC 815 hedge accounting treatment. The Company does not engage in the proprietary trading of derivatives.

The Company engages in futures clearing activities in which counterparties will primarily include clearing organizations, other futures commission merchants, and other brokers. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Concentration of Credit Risk: As of December 31, 2017, a significant credit concentration consisted of cash deposited in two banks. The balance in the customer segregated funds account exceeded the Federal Deposit Insurance Corporation's (FDIC) limit of $250,000 by $4,623,163. The balance in the non-segregated account exceeded the FDIC limit by $1,485,991. The Company attempts to mitigate this risk by maintaining deposits with high quality financial institutions. In the event of the insolvency of the financial institution, the recovery of the Company's funds may be limited to its pro-rata share of funds available. Management believes the Company does not have significant exposure to any credit risk on cash.

Customer Activities: The Company executes and clears customer transactions in the purchase and sale of commodity futures contracts (including options on futures contracts), substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions expose the Company to significant off-balance-sheet risk in the event the margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell futures contracts at prevailing market prices in order to fulfill the customer's obligations. The Company controls this risk by monitoring margin collateral levels on a daily basis, on an account by account basis, for compliance with regulatory and internal guidelines and requires additional collateral when necessary. The Company requires a customer to deposit additional margin collateral, or reduce positions, if it is determined that customer's activities may be subject to above normal market risks.

10. RELATED PARTY TRANSACTIONS

Nanhua has agreed to pay income tax return preparation fee of $122 on behalf of HGNH Financial LLC ("HGNH Financial") for the year ended December 31, 2017. As of the date of these financial statements, it is the Company's intention not to seek reimbursement for the costs incurred.

11. COMMITMENTS

Office Rental: The Company conducts its operations in leased office facilities under noncancelable leases that expire at various dates through November 30, 2026. The leases are subject to escalation clauses based on the operating expenses of the lessors. The minimum annual rental commitments under noncancelable operating leases are as follows:

Year Ending December 31,	Amount
2018	$103,117
2019	105,695
2020	108,338
2021	111,046
2022	113,822
Thereafter	473,909
Total	**$ 1,015,927**

The Company has a letter of credit in the amount of $94,000, which has been delivered in connection with an office lease. The letter of credit expires March 31, 2027.

12. SUBSEQUENT EVENTS

The Company's management evaluated events and transactions from December 31, 2017 through the date of this report and did not note any material events requiring disclosure in the Company's financial statements.

Name of Company: NANHUA USA LLC	Employer ID No: 46-3646807	NFA ID No: 0466494

CFTC FORM 1-FR-FCM
STATEMENT OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION
FOR CUSTOMERS TRADING ON U.S. COMMODITY EXCHANGES
AS OF 12/31/2017

SEGREGATION REQUIREMENTS (Section 4d(2) of the CEAct)					
1.	Net ledger balance				
	A. Cash			$ 35,588,086	5000
	B. Securities (at market)			0	5010
2.	Net unrealized profit (loss) in open futures contracts traded on a contract market			(1,612,413)	5020
3.	Exchange traded options				
	A. Market value of open option contracts purchased on a contract market			298,183	5030
	B. Market value of open option contracts granted (sold) on a contract market			(328,323)	5040
4.	Net equity (deficit) (add lines 1, 2, and 3)			$ 33,945,533	5050
5.	Accounts liquidating to a deficit and accounts with debit balances - gross amount	$ 0	5060		
	Less: amount offset by customer owned securities	0	5070	0	5080
6.	Amount required to be segregated (add lines 4 and 5)			$ 33,945,533	5090
FUNDS IN SEGREGATED ACCOUNTS					
7.	Deposited in segregated funds bank accounts				
	A. Cash			$ 4,873,283	5100
	B. Securities representing investments of customers' funds (at market)			0	5110
	C. Securities held for particular customers or option customers in lieu of cash (at market)			0	5120
8.	Margins on deposit with derivatives clearing organizations of contract markets				
	A. Cash			41,288,190	5130
	B. Securities representing investments of customers' funds (at market)			0	5140
	C. Securities held for particular customers or option customers in lieu of cash (at market)			0	5150
9.	Net settlement from (to) derivatives clearing organizations of contract markets			(1,044)	5160
10.	Exchange traded options				
	A. Value of open long option contracts			298,183	5170
	B. Value of open short option contracts			(328,323)	5180
11.	Net equities with other FCMs				
	A. Net liquidating equity			0	5190
	B. Securities representing investments of customers' funds (at market)			0	5200
	C. Securities held for particular customers or option customers in lieu of cash (at market)			0	5210
12.	Segregated funds on hand (describe:)			0	5215
13.	Total amount in segregation (add lines 7 through 12)			$ 46,130,289	5220
14.	Excess (deficiency) funds in segregation (subtract line 6 from line 13)			$ 12,184,756	5230
15.	Management Target Amount Excess funds in segregation			$ 3,500,000	5240
16.	Excess (deficiency) funds in segregation over (under) Management Target Amount Excess			$ 8,684,756	5250

See report of independent registered public accounting firm.

Note: There were no material differences between the preceding computation and the Company's corresponding unaudited Form 1-FR as of December 31, 2017.

Name of Company: NANHUA USA LLC	Employer ID No: 46-3646807	NFA ID No: 0466494

CFTC FORM 1-FR-FCM
STATEMENT OF SEGREGATION REQUIREMENTS AND FUNDS
IN SEGREGATION FOR CUSTOMERS' DEALER OPTIONS ACCOUNTS
AS OF 12/31/2017

1.	Amount required to be segregated in accordance with Commission regulation 32.6			$ 0	5400
2.	Funds in segregated accounts				
	A. Cash	$ 0	5410		
	B. Securities (at market)	0	5420		
	C. Total			0	5430
3.	Excess (deficiency) funds in segregation (subtract line 1. from line 2.C.)			$ 0	5440

See report of independent registered public accounting firm.

Note: There were no material differences between the preceding computation and the Company's corresponding unaudited Form 1-FR as of December 31, 2017.

Name of Company: NANHUA USA LLC	Employer ID No: 46-3646807	NFA ID No: 0466494

CFTC FORM 1-FR-FCM
STATEMENT OF SECURED AMOUNTS AND FUNDS HELD IN SEPARATE ACCOUNTS
PURSUANT TO COMMISSION REGULATION 30.7
AS OF 12/31/2017

FOREIGN FUTURES AND FOREIGN OPTIONS SECURED AMOUNTS

Amount required to be set aside pursuant to law, rule or regulation of a foreign government or a rule of a self-regulatory organization authorized thereunder			$ 0	5605
1. Net ledger balance - Foreign Futures and Foreign Option Trading - All Customers				
A. Cash			$ 0	5615
B. Securities (at market)			$ 0	5617
2. Net unrealized profit (loss) in open futures contracts traded on a foreign board of trade			$ 0	5625
3. Exchange traded options				
A. Market value of open option contracts purchased on a foreign board of trade			$ 0	5635
B. Market value of open option contracts granted (sold) on a foreign board of trade			$ 0	5637
4. Net equity (deficit) (add lines 1, 2, and 3)			$ 0	5645
5. Accounts liquidating to a deficit and accounts with debit balances - gross amount	$ 0	5651		
Less: amount offset by customer owned securities	$ 0	5652	$ 0	5654
6. Amount required to be set aside as the secured amount - Net Liquidating Equity Method (add lines 4 and 5)			$ 0	5655
7. Greater of amount required to be set aside to a foreign jurisdiction (above) or line 6.			$ 0	5660

See report of independent registered public accounting firm.

Note: There were no material differences between the preceding computation and the Company's corresponding unaudited Form 1-FR as of December 31, 2017.

Name of Company: NANHUA USA LLC	Employer ID No: 46-3646807	NFA ID No: 0466494

CFTC FORM 1-FR-FCM
STATEMENT OF SECURED AMOUNTS AND FUNDS HELD IN SEPARATE ACCOUNTS
PURSUANT TO COMMISSION REGULATION 30.7
AS OF 12/31/2017

FUNDS DEPOSITED IN SEPARATE REGULATION 30.7 ACCOUNTS

1. Cash in Banks					
A. Banks located in the United States		$0	5700		
B. Other banks qualified under Regulation 30.7 Name(s): _	5710	0	5720	$0	5730
2. Securities					
A. In safekeeping with banks located in the United States		$0	5740		
B. In safekeeping with other banks qualified under Regulation 30.7 Name(s): _	5750	0	5760	0	5770
3. Equities with registered futures commission merchants					
A. Cash		$0	5780		
B. Securities		0	5790		
C. Unrealized gain (loss) on open futures contracts		0	5800		
D. Value of long option contracts		0	5810		
E. Value of short option contracts		0	5815	0	5820
4. Amounts held by clearing organizations of foreign boards of trade Name(s): _	5830				
A. Cash		$0	5840		
B Securities		0	5850		
C. Amount due to (from) clearing organization - daily variation		0	5860		
D. Value of long option contracts		0	5870		
E. Value of short option contracts		0	5875	0	5880
5. Amounts held by members of foreign boards of trade Name(s): _	5890				
A. Cash		$0	5900		
B. Securities		0	5910		
C. Unrealized gain (loss) on open futures contracts		0	5920		
D. Value of long option contracts		0	5930		
E. Value of short option contracts		0	5935	0	5940
6. Amounts with other depositories designated by a foreign board of trade Name(s): _	5950			0	5960
7. Segregated funds on hand (describe): _				0	5965
8. Total funds in separate section 30.7 accounts				$0	5970
9. Excess (deficiency) Set Aside Funds for Secured Amount (Subtract line 7 Secured Statement Page 1 from line 8)				$0	5680
10. Management Target Amount for Excess funds in separate 30.7 accounts				0	5980
11. Excess (deficiency) funds in separate 30.7 accounts over (under) Management Target Excess				0	5985

See report of independent registered public accounting firm.

Note: There were no material differences between the preceding computation and the Company's corresponding unaudited Form 1-FR as of December 31, 2017.