China Art Financial Holdings Limited
中國藝術金融控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1572

INTERIM REPORT 2018

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Fan Zhijun *(Chairman)*
Mr. Zhang Bin

Independent Non-executive Directors

Mr. Leung Shu Sun Sunny
Mr. Liu Jian
Mr. Chu Xiaoliang

COMPANY SECRETARY

Mr. Tang Man Joe (resigned on 10 September 2018)
Mr. Wong Hong Tak Hagan (appointed on 10 September 2018)

AUTHORISED REPRESENTATIVES

Mr. Fan Zhijun
Mr. Wong Hong Tak Hagan

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1907, 19/F, China Evergrande Centre
38 Gloucester Road, Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

Northern side of Jiefang East Road
Yicheng Street
Yixing City
Jiangsu Province
China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Center
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANK IN HONG KONG

Bank of Communications (Hong Kong) Limited
Wing Lung Bank Ltd.

PRINCIPAL BANK IN CHINA

Jiangsu Yixing Rural Commercial Bank

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISERS AS TO HONG KONG

Chiu & Partners

COMPANY'S WEBSITE

www.cnartfin.com.hk

STOCK CODE

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited

Stock Code 1572

Management Discussion and Analysis

BUSINESS REVIEW

In response to the complicated international and domestic economic situation, the Company and its subsidiaries (together, the "**Group**") actively adapted to the new normal economic and industry development, grasped the new market trend and achieved satisfactory results in art auction and pawn loan business segments. For the six months ended 30 June 2018, the Group's revenue was approximately RMB129.0 million, representing an increase of approximately 13% from RMB114.1 million for the same period in 2017. The profit attributable to owners of the Company was approximately RMB75.2 million, representing an increase of approximately 17% from RMB64.3 million for the same period in 2017.

Art and Asset Auction Business

The Group's art and asset auction business continued to prosper. During the Period Under Review, revenue from the art and asset auction segment of the Company was approximately RMB66.2 million, representing an increase of approximately 16% from RMB57.0 million for the same period last year, of which, revenue of art auction representing 100% of auction segment revenue. No asset auction was held during the Period Under Review and for the same period last year. Profits of art and asset auction segment was RMB58.3 million, representing an increase of approximately 11.3% as compared with that for the same period last year.

During the Period Under Review, the Group held two spring auctions in Yixing City and Hong Kong, two special collection auctions and one pure online art auction. The aggregate transaction value (excluding buyer commission) amounted to RMB301.9 million, representing an increase of approximately 12% from approximately RMB270.0 million for the same period in 2017.

To capture opportunities from the Chinese online auction market, one of the biggest markets worldwide, the Company held one pure online art auctions in the first half of 2018. The total hammer price for the auction lots (excluding buyer commission) recorded RMB14.1 million, decreased from approximately RMB56.6 million for the two pure online art auctions held in the same period of 2017 as resources of pure online art auction were redeployed to our spring auctions.

Art and Asset Pawn Loan Business

The Group steadily developed its art and asset pawn loan business with remarkable effective in risk management. During the Period Under Review, revenue from the pawn loan segment was approximately RMB62.8 million, representing an increase of approximately 10.0% from approximately RMB57.1 million for the same period last year. Profits of pawn loan segment was RMB65.0 million, representing an increase of approximately 16.7% from approximately RMB55.7 million for the same period last year. As of 30 June 2018, the total amount of new loans granted by the Group amounted to approximately RMB220.6 million.

The breakdown of art and asset pawn loan business of the Group in the first half of 2018 and 2017 was as follows:

	Six months ended 30 June				
	2018		2017		
	RMB'000	**%**	RMB'000	%	% of change
Art pawn loan revenue	**62,775**	**99.9**	53,272	93.3	17.8
Asset pawn loan revenue	**36**	**0.1**	3,797	6.7	(99.1)
Total	**62,811**	**100.0**	57,069	100.0	10.1

Loans secured by artwork	Six months ended 30 June **2018**	2017
Total new loan amount granted (RMB'000)	**220,450**	316,580
Total number of new loans granted	**37**	51
Number of new loans renewed	**19**	18
Renewal ratio of new loan (%)	**51.4**	35.3
Average initial loan term (days)	**80**	67

Loans secured by assets	Six months ended 30 June **2018**	2017
Total new loan amount granted (RMB'000)	**160**	25,312
Total number of new loans granted	**25**	42
Number of new loans renewed	**14**	20
Renewal ratio of new loan (%)	**56.0**	47.6
Average initial loan term (days)	**41**	46

During the Period Under Review, approximately RMB220.5 million of new loan amount the Group granted were secured by artworks. Our artwork collateral portfolio mainly includes zisha artworks as well as paintings and calligraphies and jewel artworks. As at 30 June 2018, the Group charged fixed rates of monthly composite administrative fee for our pawn loan secured by artworks and personal property (both of which are classified as movable properties under the Pawning Measures), real estate and equity interest as collateral generally at the respective rate of 4.0%, 2.7% and 2.4% of the principal amount of the loan respectively.

The Group implemented a risk management system which we believe to be effective in reducing various risks involved in our art and asset pawn business. The Group established a multi-level internal approval system and an effective risk management system, and had a professional internal and external authentication team. The Group also hired third party authoritative authentication institutions as company's independent advisor. The Group's risk management achieved remarkable results, of which the art and asset pawn loan business did not experience any default in the first half of 2018.

The Group adopted the target appraised loan-to-value ratio of not exceeding 75% for artwork as collateral at the time of the collateral appraisal. For asset as collateral, the Group adopted the target appraised loan-to-value ratios of not exceeding 75%, 90% and 50% for real properties, personal properties and equity interest respectively. The Group's art and asset pawn business was funded by our registered capital and retained earnings. As of 30 June 2018, the Group's actual impaired loan ratio was 0%.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately 13% to approximately RMB129.0 million for the six months ended 30 June 2018, primarily due to (i) the steady increase in our art and asset auction revenue of approximately RMB9.2 million as a result of the first spring auction organized in Hong Kong and (ii) the steady increase in our art and asset pawn revenue of approximately RMB5.7 million.

The respective segment revenue of the Group in the first half of 2018 and 2017 was as follows:

	Six months ended 30 June		
	2018	2017	
	RMB'000	RMB'000	% of change
Art and asset auction business	**66,176**	56,990	16
Art and asset pawn business	**62,811**	57,069	10
Total	**128,987**	114,059	13

Other income

Our other income increased by 158% to approximately RMB2.1 million for the six months ended 30 June 2018, primarily due to increase in other income derived from the first spring auction organised in Hong Kong.

Business tax and surcharges

Our business tax and surcharges increased by approximately 3% to approximately RMB0.9 million for the six months ended 30 June 2018.

Operating expenses

Our operating expenses increased by approximately 58%, to approximately RMB7.5 million for the six months ended 30 June 2018, primarily due to the increase in advertising expenses as a result of strengthening the promotion activities for our first spring auction in Hong Kong.

Reversal of allowance (allowance) on loans to customers for art and asset pawn business, net

For the six months ended 30 June 2018, we recognised an reversal of impairment allowance of approximately RMB3.1 million, primarily due to the decrease in the gross loan amount outstanding from approximately RMB319.9 million as at 31 December 2017 to approximately RMB169.1 million as at 30 June 2018.

Administrative expenses
Our administrative expenses increased by approximately 23% to approximately RMB19.5 million for the six months ended 30 June 2018, primarily due to the increase in staff cost and office expenses as a result of the expansion of operations in Hong Kong.

Reportable segment profit
As a result of the foregoing, reportable segment profit increased by approximately RMB15.1 million from approximately RMB108.1 million for the six months ended 30 June 2017 to approximately RMB123.2 million for the six months ended 30 June 2018.

The respective reportable segment profit of the Group in the first half of 2018 and 2017 is as follows:

	Six months ended 30 June		
	2018	2017	
	RMB'000	RMB'000	% of change
Art and asset auction business	**58,251**	52,404	11
Art and asset pawn business	**64,961**	55,722	17
Segment result	**123,212**	108,126	14

Profit before tax
As a result of the foregoing, our profit before tax increased by approximately 14% to approximately RMB103.9 million for the six months ended 30 June 2018.

Income tax expense
Our income tax expenses increased by approximately 7% to approximately RMB28.7 million for the six months ended 30 June 2018, primarily due to an increase in our Group's taxable income.

Profit for the period
As a result of the foregoing, profit for the period increased by approximately 17% to approximately RMB75.2 million for the six months ended 30 June 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net Cash Flow

The Group maintains a strong and healthy financial position. The Group's principal sources of funds to finance the working capital, capital expenditure and other capital requirements were internally generated by cash flows.

The following table summarises the consolidated statement of cash flows for the six months ended 30 June 2018 and 2017:

	2018	2017
	RMB'000	RMB'000
Net cash from (used in) operating activities	**119,735**	(1,303)
Net cash from (used in) investing activities	**965**	(1,801)
Net cash from (used in) financing activities	**42,030**	(71,206)

As of 30 June 2018, the Group's total bank balances and cash increased by 31% to approximately RMB690.6 million from approximately RMB527.3 million as of 31 December 2017 mainly due to the decrease in loans to customers from approximately RMB319.9 million as of 31 December 2017 to approximately RMB169.1 million as of 30 June 2018. As of 30 June 2018 and 31 December 2017, the Group did not have any bank borrowings and none of the Group's assets were charged.

During the Period Under Review, the Group did not engage in any derivative activities or use any financial instruments to hedge its balance sheet exposures.

The Group principally focused on the operation in the PRC. Except for the certain trade receivables, bank deposits and amount due to immediate holding company denominated in foreign currencies, the Group was not subject to any other material risk directly relating to the foreign exchange fluctuation. For the six months ended 30 June 2018, despite the depreciation of RMB against USD and HKD, the Directors expected any fluctuation of the RMB exchange rate would not materially and adversely affect the operations of the Group. The management will continue to monitor foreign currency exchange exposure and will take prudent measures to minimize the currency translation risk.

Gearing Ratio

Since our Group did not have any interest-bearing borrowings, gearing ratio was not applicable.

Contingent Liabilities

As of the date of this announcement, the Group did not have any material contingent liabilities nor any other off-balance sheet commitments and arrangements.

Capital Expenditure

Our capital expenditures primarily comprised expenditures on property and equipment, which amounted to RMB0.1 million and RMB2.9 million, for the six months ended 30 June 2018 and 2017, respectively.

Capital Commitment

As at 30 June 2018, the Group did not have material capital commitments.

Subsequent Event

No significant event took place after 30 June 2018.

Management Discussion and Analysis

Human Resources and Training

As of 30 June 2018, the Group had a total of 69 employees (as at 31 December 2017: 72 employees). The Group's employee remuneration policy is determined on the basis of their performance, qualifications, experience and prevailing market practice. Remuneration packages comprise salary, medical insurance, mandatory provident fund and year end discretionary bonus.

FOREIGN EXCHANGE RISKS

As most of the Group's monetary assets and liabilities are denominated in Renminbi and the Group conducts its business transactions principally in Renminbi and Hong Kong dollars, the exchange rate risk of the Group is not significant. The Group did not enter into any foreign exchange hedging instruments during the six months ended 30 June 2018.

USE OF NET PROCEEDS

On 8 November 2016 (the "**Listing Date**"), the Company issued 400,000,000 new shares of nominal value of HK$0.01 each in connection with the listing of its shares on the Stock Exchange (the "**IPO**"). The net proceeds after deducting the underwriting commission and issuing expenses arising from the IPO amounted to HK$237.7 million (equivalent to RMB212.6 million).

Up to 30 June 2018, RMB88.7 million has been injected to PRC to increase the registered capital of Hexin Pawn. Approximately RMB7.3 million has been utilised in establishing branch in Hong Kong. RMB21.3 million has been utilised for general operation expenses. The remaining net proceeds of approximately RMB95.4 million were deposited with certain licensed financial institutions as of 30 June 2018.

OUTLOOK AND PROSPECTS

In 2018, China's economy is expected to remain its stability, while the government will gradually reduce its target total outputs and lay more emphasis on its economic structural adjustment. Under the reform of the supply-side and with the acceleration in bringing down overcapacity, as well as the change of growth momentum, the economy is shifting to domestic growth. Thus, sectors such as high-end manufacturing and consumption upgrade may become the new growth factors in the transforming stage of the Chinese economy. Leveraging on the strong and growing demands for mental consumption resulting from the expansion of the middle class in the Mainland, China's economy will be further driven to shift from investment-based to consumption-based, and the artwork market will therefore continue to be prosperous. In the future the development of, domestic art financial industry will remain steadily to grow and will keep optimizing its services to satisfy the growing materialized cultural needs of the public.

Auction Business

Firstly, the Group will continue to expand our auction lot composition to include more art categories with strong market demand. Secondly, the Group is planning to establish new branches or subsidiaries. We intend to extend our business network and geographical presence in major cities in China such as Beijing and Shanghai, and to redeploy our resources from Hong Kong to China. Thirdly, the Group will focus more on online auction and other online operations, including optimizing and enhancing the arrangement of synchronised online and offline biddings at the Autumn Auction, and improving the promotion and service of pure online auctions. The Group will also continue to enrich the functions of our official website so as to facilitate our clients with convenient access to our integrated services. Fourthly, the Group will proactively contact and pay visit to clients and strive to negotiate with additional artwork artists to sign artwork production and consignment agreements with us at the same time so as to enhance our strong business relationship and expand the source of artworks for our auctions.

Pawn Loan Business

In addition to the continuous emphasis on zisha artworks as well as paintings and calligraphies, the Group plans to diversify strategically the collateral composition to include more art categories with strong market demand. The Group will expand loan offices network, setting up new loan offices in cities with relatively strong local economies so that we may extend client base and deepen market penetration. Furthermore, the Group will proactively develop and utilise online platform. We plan to set up an online loan financing platform so that more clients can be aware of and enjoy the Group's pawn loan services.

In addition, the Group will continue to build the one-stop art finance service platform by integrating art pawn loan and art auction businesses, and to further develop our online auction platform and enhance its trading function. The Group will also seek opportunities for mergers and acquisitions of enterprises and IT companies engaged in related businesses, or form an alliance with them to increase the competitiveness of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

1. Directors' Interests in the Company

As at 30 June 2018, the interests of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**")) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules (the "**Listing Rules**") governing the Listing of Securities on the Stock Exchange were as follows:

(i) Long positions in the shares:

Name of Director	Capacity	Number of Shares	Approximate Percentage of Shareholding
Fan Zhijun	Interest of controlled corporation	996,000,000 (Note)	62.25%

Note: These shares are held by Intelligenesis Investment Co., Ltd (the "**Intelligenesis Inv**"), which is owned as to 69.5% by Golden Sand Investment Company Limited (the "**Golden Sand Inv**"), which is in turn held as to 74.1% by Mauve Jade Investment Limited (the "**Mauve Jade Inv**"), which is in turn held as to 67.2% by Mr. Fan Zhijun and 32.8% by Ms. Fan Qinzhi. Ms. Fan Qinzhi is the daughter of Mr. Fan Zhijun.

(ii) Long positions in underlying shares of equity derivatives of the Company — interests in share options of the Company (having been granted and remained outstanding):

Name	Capacity	Number of Shares in the Option	Exercisable Period	Price of Grant (HK$)	Subscription Price per Share (HK$)
Nil	Nil	Nil	Nil	Nil	Nil

2. Directors' interests in associated corporations

Name of Director	Name of Associated Corporation	Capacity	Approximate Percentage of Shareholding
Fan Zhijun	Hexin Pawn (Note 1)	Beneficial owner; interest of controlled corporation	26%
Fan Zhijun	Hexin Auction (Note 2)	Beneficial owner	85%

Notes:

(1) 26% of the registered capital in Hexin Pawn is beneficially owned by Mr. Fan Zhijun, among which, 18% of the registered capital is registered under the name of Mr. Fan Zhijun and 8% of the registered capital is registered under the name of Wuxi Hexin Culture and Art Company Limited (無錫和信文化藝術有限公司) ("**Wuxi Culture**"), which is wholly beneficially owned by Mr. Fan Zhijun. By virtue of the SFO, Mr. Fan Zhijun is deemed to be interested in the registered capital in Hexin Pawn held by Wuxi Culture. Mr. Fan Zhijun, Ms. Fan Qinzhi, Mr. Fan Yajun and Ms. Wu Jian are directly or indirectly interested in 64% of the registered capital of Hexin Pawn. Mr. Fan Zhijun, Ms. Fan Qinzhi, Mr. Fan Yajun, Ms. Wu Jian and Ms. Xu Min have entered into a confirmation ("**Act-in-Concert Confirmation**") dated 15 April 2016 according to which, among other things, they acknowledge and confirm that they shall act in concert and give unanimous consent, approval or rejection on any material issues and decisions in relation to the business of our Group and in the event of any contrary view within the concert group, the view of Mr. Fan Zhijun shall prevail. Solely by virtue of the Act-in-Concert Confirmation, Mr. Fan Zhijun may be deemed to be interested in 64% of the registered capital of Hexin Pawn.

(2) 85% of the registered capital in Jiangsu Hexin Auction Company Limited (the "**Hexin Auction**") is beneficially owned by Mr. Fan Zhijun. Mr. Fan Zhijun, Ms. Wu Jian and Ms. Xu Min are directly interested in 100% of the registered capital of Hexin Auction. Solely by virtue of the Act-in-Concert Confirmation, Mr. Fan Zhijun may be deemed to be interested in 100% of the registered capital of Hexin Auction.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the following parties (other than the Directors and chief executive of the Company) had interests and short positions of 5% or more of the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of Shareholder	Nature of interest/Capacity	Number of Shares	Approximate percentage of Shareholding in our Company
Ms. Zhang Xiaoxing	Interest of spouse (Note 1)	996,000,000	62.25%
Intelligenesis Inv	Beneficial owner	996,000,000	62.25%
Golden Sand Inv	Interest of controlled corporation (Note 2)	996,000,000	62.25%
Mauve Jade Inv	Interest of controlled corporation (Note 3)	996,000,000	62.25%
Ms. Fan Qinzhi	Interests of controlled corporation and held jointly with other persons (Notes 2 and 3)	996,000,000	62.25%
Mr. Fan Yajun	Interests held jointly with other persons (Note 4)	996,000,000	62.25%
Ms. Zhou Jianyuan	Interest of spouse (Note 5)	996,000,000	62.25%
Ms. Wu Jian	Interests held jointly with other persons (Note 4)	996,000,000	62.25%
Mr. Xu Zhongliang	Interest of spouse (Note 6)	996,000,000	62.25%
Ms. Xu Min	Interests held jointly with other persons (Note 4)	996,000,000	62.25%
Mr. Lai Chau Yung	Beneficial owner	204,000,000	12.75%
Ms. Fu Ying	Interest of spouse (Note 7)	204,000,000	12.75%

Notes:

(1) Ms. Zhang Xiaoxing is the spouse of Mr. Fan Zhijun. By virtue of the SFO, Ms. Zhang Xiaoxing is deemed to be interested in the same parcel of shares in which Mr. Fan Zhijun is interested.

(2) The said 996,000,000 shares is held in the name of Intelligenesis Inv. Intelligenesis Inv is held as to 69.5% by Golden Sand Inv. By virtue of the SFO, Golden Sand Inv is deemed to be interested in the same parcel of shares in which Intelligenesis Inv is interested.

(3) Intelligenesis Inv is held as to 69.5% by Golden Sand Inv, which is in turn held as to 74.1% by Mauve Jade Inv, which is in turn held as to 67.2% by Mr. Fan Zhijun and 32.8% by Ms. Fan Qinzhi. By virtue of the SFO, Mauve Jade Inv and Ms. Fan Qinzhi are deemed to be interested in the same parcel of shares in which Intelligenesis Inv is interested.

(4) Mr. Fan Zhijun, Ms. Fan Qinzhi, Mr. Fan Yajun, Ms. Wu Jian and Ms. Xu Min together control 996,000,000 shares representing approximately 62.25% interest of the total issued share capital of our Company through Mauve Jade Inv, Golden Sand Inv and Intelligenesis Inv. By virtue of the Act-in-Concert Confirmation, each of Mr. Fan Zhijun, Ms. Fan Qinzhi, Mr. Fan Yajun, Ms. Wu Jian and Ms. Xu Min are deemed to be interested in such 996,000,000 shares representing 62.25% interest in the total issued share capital of our Company.

(5) Ms. Zhou Jianyuan is the spouse of Mr. Fan Yajun. By virtue of the SFO, Ms. Zhou Jianyuan is deemed to be interested in the same parcel of shares in which Mr. Fan Yajun is interested.

(6) Mr. Xu Zhongliang is the spouse of Ms. Wu Jian. By virtue of the SFO, Mr. Xu Zhongliang is deemed to be interested in the same parcel of shares in which Ms. Wu Jian is interested.

(7) Ms. Fu Ying is the spouse of Mr. Lai Chau Yung. By virtue of the SFO, Ms. Fu Ying is deemed to be interested in the same parcel of shares in which Mr. Lai Chau Yung is interested.

Save as disclosed above, as at 30 June 2018, no person or corporation, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted by ordinary resolution passed by the then shareholders of the Company on 14 October 2016. Under the Share Option Scheme, the directors of the Company may grant options to subscribe for shares of the Company to eligible participants, including without limitation to employees of the Group, directors of the Company and its subsidiaries.

On 2 June 2017, the Company granted an aggregate of 79,000,000 share options to eligible grantees (the "**Grantees**"), primarily to provide incentives or rewards to the Grantees, enabling the Grantees to subscribe for an aggregate of 79,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company. The details of the outstanding share options granted are as follows:

						Number of Options			
Name of Grantee	Date of grant	Closing price immediately preceding the date of grant (ie. 1/6/2017)	Exercise price	Weighted average closing price of shares immediately before exercise date	Exercise period	As at 1 January 2018	Granted during the 6 months ended 30 June 2018	Exercised/ lapsed* during the 6 months ended 30 June 2018	As at 30 June 2018
Other participants	2/6/2017	0.76	0.80	N/A	2/6/2017 to 1/6/2022	23,000,000	–	–	23,000,000
Exercisable at the end of the period									23,000,000

Save as disclosed above, no share option was granted, exercised, cancelled or had lapsed under the Share Option Scheme during the Period Under Review.

Further details of the Share Option Scheme are set out in the notes to the condensed consolidated financial statements.

Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period Under Review.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rule 3.21 and 3.22 of the Listing Rules for the purpose, among other duties and functions, of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive directors of the Company, namely Mr. Leung Shu Sun, Sunny (Chairman), Mr. Liu Jian and Mr. Chu Xiaoliang. The unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2018 has been reviewed by the audit committee and the Company's auditors, Deloitte Touche Tohmatsu. The audit committee has no disagreement with the accounting treatment adopted by the Company.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

Other than as disclosed above, during the six months ended 30 June 2018, none of the Company, or any of its subsidiaries, was a party to any arrangement to enable the Directors to have any right to subscribe for securities of the Company or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30 June 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code in the code of conduct for Directors in their dealings in Company's securities. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2018.

The Code sets out two levels of recommendations, namely, (a) code provisions that a listed company must either comply with or explain its non-compliance, and (b) recommended best practices that listed companies are encouraged to comply with but need not disclose in the case of non-compliance.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has complied with the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2018.

Other Information

CONTRACTUAL ARRANGEMENTS

Reasons for using and risks associated with the contractual arrangements

Reference is made to the Prospectus and 2016 annual report of the Company dated 7 April 2017. We conduct our art and asset pawn business and art and asset auction business through Hexin Pawn and Hexin Auction (collectively the "**PRC operating entities**"): (i) Hexin Pawn is engaged in the provision of pawn loan services secured by artworks and assets as collaterals which are regulated under the Pawning Measures; and (ii) Hexin Auction focuses on auction of artworks. In addition to our traditional principal on-site art auctions, we commenced online auctions of artworks since 2015.

The operation of the pawn loan business of Hexin Pawn and online art auction operation of Hexin Auction are, to a certain extent, subject to foreign investment prohibition or restriction in PRC and there are practical difficulties in obtaining governmental approval for foreign investment (including but not limited to the requirement for a foreign investor intending to acquire any equity interest in a value-added telecommunication business (including our online auction operations) in PRC to demonstrate a "good track record and operating experience" in providing value-added telecommunication services overseas ("**Qualification Requirements**")) in these businesses. For such reasons, we do not hold any equity interest in the PRC operating entities, and our Company through our two wholly foreign-owned enterprises established in PRC, namely Yixing Han Xin Information technology service Co., Ltd (the "**WFoe-Pawn**") and Yixing Zi Yu Information technology service Co., Ltd (the "**WFoe-Auction**"), control the PRC operating entities through two sets of agreements. The first set was entered into between WFoe-Pawn, Hexin Pawn as well as Mr. Fan Zhijun, Wuxi Hexin Culture and Art Company Limited (the "**Wuxi Culture**"), Ms. Fan Qinzhi, Zisha Hotel, Mr. Fan Yajun and Ms. Wu Jian (collectively the "**HP equity-holders**") (the "**HP structured Contracts**") and the other set was entered into between WFoe-Auction, Hexin Auction as well as Mr. Fan Zhijun, Ms. Wu Jian and Ms. Xu Min (collectively the "**HA equity-holders**") (the "**HA structured Contracts**"), which constitute the contractual arrangements (the "**Contractual Arrangements**"). The Contractual Arrangements are narrowly tailored to achieve our business purpose and minimise the potential conflict with relevant PRC laws and regulations. The Contractual Arrangements are designed to provide the Group with effective control over the financial and operational policies of the PRC operating entity and, to the extent permitted by the PRC laws and regulations, the right to acquire the equity interests in and/or the assets of the PRC operating entity. Further, pursuant to the Contractual Arrangements, all economic benefits derived from the operation of the PRC operating entity are enjoyed by the Group and the financial results of the PRC operating entity are consolidated into the Group as if it were a wholly-owned subsidiary.

With the aim of fulfilling the Qualification Requirements, we have taken steps to implement our plan (the "**QR Plan**") as follows: we are currently operating an overseas website targeting clients and other users from Hong Kong, Taiwan and other countries. In the year of 2018, we plan to further develop our overseas website to become a trading and promotional platform for Chinese artists especially for zisha artists. In the long run, our overseas website will be developed into an internet platform to support the future art auctions to be held in Hong Kong. Details of the Qualification Requirement are set out in the section headed "Contractual Arrangements" of the Prospectus. Based on our previous telephone interview with an officer of the Communication Development Division (通信發展司) of the Ministry of Industry and Information Technology of PRC ("**MIIT**") in March 2016, MIIT, having preliminarily our plan to construct an overseas website, confirmed that there is currently no clear guidance as to what would constitute "a good track record" and "operating experience", i.e. the Qualification Requirements and so long as the foreign investor conducts value-added telecommunications business outside PRC, subject to the submission of the application (together with the prescribed documents) under the prescribed procedure for our Group to engage in the provision of value-added telecommunication services in PRC as a foreign investor, the MIIT would consider our application after it has been submitted and may approve such application. Based on our recent inquiry with MIIT, there has been no change to its view as stated above.

Other Information

APPRECIATION

As a final note, I wish to take this opportunity to thank the Directors and staff for their contributions and good performance during the period.

By Order of the Board
China Art Financial Holdings Limited
Fan Zhijun
Chairman

Hong Kong, 28 August 2018

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF CHINA ART FINANCIAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Art Financial Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 17 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2018

Condensed Consolidated Statement of Profit or Loss And Other Comprehensive Income

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	3	**128,987**	114,059
Other income		**2,072**	803
Other gains and losses		**(728)**	(1,932)
Business tax and surcharges		**(883)**	(854)
Operating expenses		**(7,462)**	(4,726)
Reversal of allowance (Allowance) on loans to customers for art and asset pawn business, net		**3,078**	(353)
Allowance on trade receivables		**(508)**	–
Administrative expenses		**(19,463)**	(15,836)
Finance costs		**(1,210)**	–
Profit before tax		**103,883**	91,161
Income tax expense	5	**(28,708)**	(26,900)
Profit for the period	6	**75,175**	64,261
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**362**	–
Total comprehensive income for the period		**75,537**	64,261
Earnings per share (RMB cents)	8		
Basic		**4.70**	4.02
Diluted		**4.69**	4.02

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	NOTES	**As at 30 June 2018 RMB'000 (unaudited)**	As at 31 December 2017 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	**3,820**	4,416
Deferred tax asset		**1,016**	1,633
		4,836	6,049
Current assets			
Loans to customers for art and asset pawn business	10	**169,078**	319,912
Trade receivables, other receivables and prepayments	11	**421,508**	344,100
Amount due from a director	12	**–**	150
Bank balances and cash		**690,639**	527,265
		1,281,225	1,191,427
Current liabilities			
Other payables and accrual	13	**434,371**	433,539
Amounts due to directors	14	**62**	100
Amounts due to related parties	15	**20**	88
Amount due to immediate holding company	16	**66,605**	23,196
Obligations under finance lease	17	**119**	115
Tax liabilities		**16,460**	22,118
		517,637	479,156
Net current assets		**763,588**	712,271
Total assets less current liabilities		**768,424**	718,320
Capital and reserves			
Share capital	18	**13,995**	13,995
Reserves		**754,096**	703,925
Equity attributable to owners of the Company		**768,091**	717,920
Non-current liability			
Obligations under finance lease	17	**333**	400
		768,424	718,320

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	Share option reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017 (audited)	13,995	223,062	24,765	172,301	–	–	184,733	618,856
Profit and total comprehensive income for the year	–	–	–	–	–	–	64,261	64,261
Appropriation to statutory reserve	–	–	8,068	–	–	–	(8,068)	–
Dividends paid	–	(71,208)	–	–	–	–	–	(71,208)
Recognition of equity-settled share-based payments	–	–	–	–	8,492	–	–	8,492
At 30 June 2017 (unaudited)	13,995	151,854	32,833	172,301	8,492	–	240,926	620,401
At 31 December 2017 (audited)	13,995	151,854	42,870	172,301	4,852	(161)	332,209	717,920
Adjustments (Note 2)	–	–	–	–	–	–	(275)	(275)
At 1 January 2018 (restated)	**13,995**	**151,854**	**42,870**	**172,301**	**4,852**	**(161)**	**331,934**	**717,645**
Profit and for the period	**-**	**-**	**-**	**-**	**-**	**-**	**75,175**	**75,175**
Exchange differences on the translation of foreign operation	**-**	**-**	**-**	**-**	**-**	**362**	**-**	**362**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**362**	**75,175**	**75,537**
Appropriation to statutory reserve	**-**	**-**	**8,142**	**-**	**-**	**-**	**(8,142)**	**-**
Dividends declared	**-**	**(25,799)**	**-**	**-**	**-**	**-**	**-**	**(25,799)**
Recognition of equity-settled share-based payments	**-**	**-**	**-**	**-**	**708**	**-**	**-**	**708**
At 30 June 2018 (unaudited)	**13,995**	**126,055**	**51,012**	**172,301**	**5,560**	**201**	**398,967**	**768,091**

Notes:

(a) The statutory reserve is non-distributable and the appropriation to this reserve is determined by the board of directors of subsidiaries established in The People's Republic of China (the "**PRC**") in accordance with the Articles of Association of the subsidiaries by way of appropriations from their net profit. Statutory reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.

(b) Capital reserve represents: (a) special capital contribution from a shareholder in previous year amounting to RMB8,360,000; (b) RMB73,500,000 arising from the Reorganisation in 2016; and (c) On 15 April 2016, the equity holder, Mr. Fan Zhijun, has contributed additional equity interest in 江蘇和信典當有限公司 Jiangsu Hexin Pawn Co., Ltd ("**Hexin Pawn**") and 江蘇和信拍賣有限公司 Jiangsu Hexin Auction Co., Ltd. ("**Hexin Auction**") to the Group upon completion of the Contractual Arrangements as defined in note 2 in the Group's annual financial statements for the year ended 31 December 2016. Accordingly, Hexin Pawn and Hexin Auction became wholly owned subsidiaries of the Group subsequent to the Reorganisation as defined in note 2 in the Group's annual financial statements for the year ended 31 December 2016. These Contractual Arrangements effectively transfer the economic benefits and pass the risks associated with Hexin Pawn and Hexin Auction to the Group by receiving all economic returns generated by Hexin Pawn and Hexin Auction in consideration for the exclusive technical services, management support services and consultancy services provided by the Group. As a result, starting from 15 April 2016, the entirety of profit and total comprehensive income of Hexin Pawn and Hexin Auction has become attributable to owners of the Company. Accordingly, no equity interests of Hexin Pawn and Hexin Auction is entitled to the non-controlling interests. The aggregate equity interests of the non-controlling interests of Hexin Pawn and Hexin Auction amounting to RMB90,441,000 was eliminated and transferred to capital reserve as a deemed contribution from a shareholder.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	NOTE	Six months ended 30 June **2018** **RMB'000** **(unaudited)**	 2017 RMB'000 (unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**119,735**	(1,303)
INVESTING ACTIVITIES			
Bank interest income		**929**	788
Repayment from a director		**150**	–
Purchase of property, plant and equipment		**(114)**	(2,593)
Cash inflow arising on acquisition	19	**–**	4
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**965**	(1,801)
FINANCING ACTIVITIES			
Dividends paid		**–**	(71,208)
Interest paid		**(1,210)**	–
Advance from a director		**–**	2
Repayment to directors		**(38)**	–
Repayment to related parties		**(68)**	–
Settlement of obligations under finance lease		**(63)**	–
Advance from an immediate holding company		**43,409**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**42,030**	(71,206)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**162,730**	(74,310)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**527,265**	463,080
Effect of foreign exchanges		**644**	(647)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD AND REPRESENTED BY			
Bank balances and cash		**690,639**	388,123

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

— Art and asset pawn business
— Art and asset auction business

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits, or other components of equity, as appropriate and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Taking into account the changes in accounting policy arising from initial application of HKFRS 15, the directors of the Company considered that the initial application of HKFRS 15 has no material effect on the interim condensed consolidated financial statements of the Group.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customer are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Group's financial assets are subsequently measured at amortised cost.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. The directors of the Company considered that there is no material effect on the interim consolidation financial statement of the Group.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including loans to customers for art and asset pawn business, trade receivables, receivables from customers in respect of art and asset auction business, other receivables, amount due from a director and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for loans to customers for art and asset pawn business and trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) 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. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments including loans to customers for art and asset pawn business, trade receivables, other receivables and amount due from a director where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	**Trade receivables** RMB'000	**Deferred tax assets** RMB'000
Closing balance at 31 December 2017 — HKAS 39		53,961	1,633
Effect arising from initial application of HKFRS 9			
Remeasurement			
Impairment under ECL model	(a)	(329)	54
Opening balance at 1 January 2018		53,632	1,687

(a) Impairment under ECL model

The Group applies HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all loans to customers for art and asset pawn business, trade receivables and receivables from customers in respect of art and asset auction business. To measure the ECL, trade receivables and loans to customers for art and asset pawn business have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of bank balances, other receivables and amounts due from directors are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB 329,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards , amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (audited) RMB'000	HKFRS 9 RMB'000	**1 January 2018 (Restated) RMB'000**
Non-current Assets			
Property, plant and equipment	4,416	–	**4,416**
Deferred tax asset	1,633	54	**1,687**
	6,049	54	**6,103**
Current Assets			
Loans to customers for art and asset pawn business	319,912	–	**319,912**
Trade receivables, other receivables and prepayments	344,100	(329)	**343,771**
Amounts due from directors	150	–	**150**
Bank balances and cash	527,265	–	**527,265**
	1,191,427	(329)	**1,191,098**
Current liabilities			
Other payables and accruals	433,539	–	**433,539**
Amounts due to directors	100	–	**100**
Amounts due to related parties	88	–	**88**
Amount due to immediate holding company	23,196	–	**23,196**
Obligations under finance lease	115	–	**115**
Tax liabilities	22,118	–	**22,118**
	479,156	–	**479,156**
Net current assets	712,271	(329)	**711,942**
Total assets less current liabilities	718,320	(275)	**718,045**
Capital and reserves			
Share capital	13,995	–	**13,995**
Reserves	703,925	(275)	**703,650**
	717,920	(275)	**717,645**
Non-current liability			
Obligations under finance lease	400	–	**400**
	718,320	(275)	**718,045**

3. REVENUE

An analysis of the Group's revenue is as follows:

	For the six months ended 30 June 2018		
	Art and asset pawn business RMB'000 (unaudited)	Art and asset auction business RMB'000 (unaudited)	Total RMB'000 (unaudited)
Types of good or services			
Pawn business			
— Art pawn loan	62,775	–	62,775
— Asset pawn loan	36	–	36
	62,811	–	62,811
Auction business			
— Zisha Artworks	–	22,366	22,366
— Calligraphies and Paintings	–	30,668	30,668
— Jewel Artworks	–	11,514	11,514
— Others	–	1,628	1,628
	–	66,176	66,176
Total	62,811	66,176	128,987
Timing of revenue recognition			
Over time	62,811	–	62,811
A point in time	–	66,176	66,176
Total	62,811	66,176	128,987

4. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of services rendered in the PRC and Hong Kong, art and asset pawn business and art and asset auction business which is consistent with the internal information that are regularly reviewed by the executive directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group by these two services rendered.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of central administration costs, other income and other gains and losses. Segment assets and liabilities are allocated to each segment excluding deferred tax asset, bank balances and cash, other payables and accrual, amounts due to related parties, directors and immediate holding company. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

4. SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

	Art and asset pawn business RMB'000	Art and asset auction business RMB'000	Total RMB'000
Six months ended 30 June 2018			
Segment revenue	**62,811**	**66,176**	**128,987**
Segment cost	**(457)**	**(7,005)**	**(7,462)**
Business tax and surcharges	**(471)**	**(412)**	**(883)**
Reversal of allowance on loans to customers for art and asset pawn business	**3,078**	**–**	**3,078**
Allowance on trade receivables	**–**	**(508)**	**(508)**
Segment result	**64,961**	**58,251**	**123,212**
Other income			**2,072**
Other gains and losses			**(728)**
Central administrative expenses			**(19,463)**
Financial costs			**(1,210)**
Profit before tax			**103,883**

	Art and asset pawn business RMB'000	Art and asset auction business RMB'000	Total RMB'000
Six months ended 30 June 2017			
Segment revenue	57,069	56,990	114,059
Segment cost	(542)	(4,184)	(4,726)
Business tax and surcharges	(452)	(402)	(854)
Allowance on loans to customers for art and asset pawn business	(353)	–	(353)
Segment result	55,722	52,404	108,126
Other income			803
Other gains and losses			(1,932)
Central administrative expenses			(15,836)
Profit before tax			91,161

4. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

The following is an analysis of the Group's assets and liabilities by operating and reportable segment.

	Art and asset pawn business RMB'000	Art and asset auction business RMB'000	Total RMB'000
As at 30 June 2018			
Assets			
Segment assets	**171,387**	**423,019**	**594,406**
Other unallocated assets			
Deferred tax asset			**1,016**
Bank balances and cash			**690,639**
Consolidated total assets			**1,286,061**
Liabilities			
Segment liabilities	**5,077**	**418,185**	**423,262**
Other unallocated liabilities			
Other payables and accrual			**28,021**
Amounts due to related parties			**20**
Amounts due to directors			**62**
Amount due to immediate holding company			**66,605**
Consolidated total liabilities			**517,970**

	Art and asset pawn business RMB'000	Art and asset auction business RMB'000	Total RMB'000
As at 31 December 2017			
Assets			
Segment assets	322,451	345,977	668,428
Other unallocated assets			
Deferred tax asset			1,633
Amount due from a director			150
Bank balances and cash			527,265
Consolidated total assets			1,197,476
Liabilities			
Segment liabilities	7,490	444,327	451,817
Other unallocated liabilities			
Other payables and accruals			4,355
Amounts due to related parties			88
Amounts due to directors			100
Amount due to immediate holding company			23,196
Consolidated total liabilities			479,556

4. SEGMENT INFORMATION (Continued)

Other segment information

	Art and asset pawn business RMB'000	Art and asset auction business RMB'000	Total RMB'000
(unaudited)			
Six months ended 30 June 2018			
Segment information included in the measure of segment results or assets:			
Addition to property, plant and equipment	**–**	**114**	**114**
Depreciation of property, plant and equipment	**455**	**256**	**711**
Reversal of allowance on loans to customers for art and asset pawn business, net	**(3,078)**	**–**	**(3,078)**
Allowance on trade receivables	**–**	**508**	**508**
(unaudited)			
Six months ended 30 June 2017			
Segment information included in the measure of segment results or assets:			
Addition to property, plant and equipment	2,488	405	2,893
Depreciation of property, plant and equipment	413	57	470
Allowance on loans to customers for art and asset pawn business, net	353	–	353

Geographical information

The Group's revenue from external customers is derived from its operations and services rendered in the PRC and Hong Kong, and non-current assets of the Group are located in the PRC and Hong Kong.

	Revenue from external customers Six months ended 30 June		Non-current assets	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
PRC	**111,021**	114,059	**2,246**	2,780
Hong Kong	**17,966**	–	**1,574**	1,636
	128,987	114,059	**3,820**	4,416

Information about major customers

There was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue for the period reported.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax ("**EIT**")	**28,354**	26,988
Hong Kong Profit Tax	**1,223**	–
	29,577	26,988
Deferred tax	**(869)**	(88)
	28,708	26,900

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Laws of Cayman Islands, and accordingly, is exempted from payment of Cayman Islands income tax.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit that arises in or is derived from Hong Kong during the period. No provision for Hong Kong Profits Tax has been made in the previous period's consolidated financial statements as the income of the Group neither arose in nor was derived from Hong Kong in the previous year.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration	**321**	1,140
Other staffs' salaries and allowances	**6,957**	1,620
Retirement benefits scheme contributions	**216**	152
Equity-settled share option expense	**708**	8,492
Total staff costs	**8,202**	11,404
Exchange loss	**898**	2,074
Depreciation for property, plant and equipment	**711**	470

7. DIVIDENDS

	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
2017 Final — HK2.0 (2017: 2016 Final — HK 3.0) cents per ordinary share	**25,799**	42,724
2017 Special — Nil (2017: 2016 Special — HK2.0) cents per ordinary share	**–**	28,484
Total	**25,799**	71,208

8. EARNINGS PER SHARE

	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to the owners of the Company)	**75,175**	64,261

	Six months ended 30 June 2018	2017
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,600,000,000**	1,600,000,000
Effect of dilutive potential ordinary shares on share options	**4,354,890**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,604,354,890**	1,600,000,000

The calculation of diluted earnings per share for the six months ended 30 June 2017 did not assume the exercise of the Company's options as the exercise prices of the options are higher than the average market prices of the Company's shares for the period.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately RMB114,000 (six months ended 30 June 2017: RMB2,893,000).

10. LOANS TO CUSTOMERS FOR ART AND ASSET PAWN BUSINESS

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Art and asset pawn loans to customers, gross	**172,529**	326,441
Less: impairment allowances	**(3,451)**	(6,529)
Art and asset pawn loans to customers, net	**169,078**	319,912

The art and asset pawn loans to customers are arising from the Group's art and asset pawn business. The loan periods granted to customers are normally within three months. At the maturity of the loan period, a borrower is under the obligation to repay the principal amount of the loan or, alternatively, a borrower may make an application for a renewal of the loan prior or within five days after the maturity date of the loan period. The loans provided to customers bore fixed interest rates ranging from 32% to 48% (2017: 30% to 48%) per annum during the six months ended 30 June 2018. Loans to customers are all denominated in RMB.

(a) Aging analysis of loans to customers

The aging analysis of loans to customers net of impairment allowances by issue date of initial pawn tickets are set out below:

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Within 1 month	**27,593**	88,800
2–3 months	**101,653**	172,690
3–6 months	**39,832**	58,422
Total	**169,078**	319,912

(b) Reconciliation of allowance account for losses on loans to customers

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Impairment allowances:		
At beginning of period/year	**6,529**	4,780
Impairment losses recognised	**–**	1,749
Reversal of impairment loss	**(3,078)**	–
At end of period/year	**3,451**	6,529

11. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Trade receivables for art and asset auction business, gross	**69,251**	53,961
Less: impairment allowances	**(837)**	–
Trade receivables for art and asset auction business, net	**68,414**	53,961
Other receivables and prepayments:		
Receivables from customers in respect of art and asset auction business	**349,783**	289,389
Other receivables and deposit	**1,568**	734
Prepayments	**1,743**	16
Total	**421,508**	344,100
Movement in the impairment allowance for trade receivables		
At beginning of period/year	**329**	–
Impairment losses recognised	**508**	–
At end of period/year	**837**	–

Buyers of artworks are required to settle the entire purchase price of the artworks within seven days after the date of auction. An artwork will only be delivered to its buyer after full payment is settled. Net sale proceeds (being the hammer price after deducting the seller's commission and the personal income tax) will be paid to the seller subsequently. The commission income from buyer is recognised as trade receivables for art and asset auction business and the unsettled hammer price is recognised as other receivables from customers in respect of art and asset auction business. In determining the recoverability of a trade receivable for art and asset auction business and other receivables from customers in respect of art and asset auction business, the Group considers any change in the credit quality of the trade receivables and other receivables from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due. An aggregate amount of trade receivables and other receivables of RMB27,381,000 and RMB125,643,000 were subsequently settled up to the date of the approval of consolidated financial statements, respectively.

11. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (Continued)

The following is an aged analysis of trade receivables for art and asset auction business presented based on the invoice dates, net of allowance for doubtful debts.

	2018 RMB'000 (unaudited)	2017 RMB'000 (audited)
Less than 60 days	**52,656**	53,961
180–365 days	**15,758**	–
Total	**68,414**	53,961

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB33,284,000 (2017: RMB 53,961,000) which are past due as at the reporting date. The Group does not hold any collateral over these balances. The directors of the Company assessed impairment based on the ECL model upon the application of HKFRS 9 as at 1 January 2018 and 30 June 2018.

12. AMOUNT DUE FROM A DIRECTOR

Particulars of amount due from a director are disclosed as follows:

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Mr. Fan Zhijun	**–**	150

	Maximum amount outstanding during six months ended 30 June 2018 RMB'000 (unaudited)	year ended 31 December 2017 RMB'000 (audited)
Mr. Fan Zhijun	**150**	150

The amount due from a director was unsecured, interest-free and repayable on demand.

13. OTHER PAYABLES AND ACCRUAL

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Payables on behalf of customers in respect of art and asset auction business	**382,763**	405,835
Other payables for art and asset auction business	**711**	3,441
Accrued staff costs	**437**	1,675
Other tax payables	**9,546**	13,940
Deposit received from customers	**12,894**	4,293
Dividend payable	**25,798**	–
Others	**2,222**	4,355
	434,371	433,539

After the purchase cost and all outstanding commission receivable from the buyer are fully settled, net sale proceeds (being the hammer price after deducting the seller's commission and the personal income tax) will be paid to the seller within 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Payables on behalf of customers in respect of art and asset auction business		
0–60 days	**228,761**	405,835
61–90 days	**–**	–
Over 90 days	**154,002**	–
	382,763	405,835

14. AMOUNTS DUE TO DIRECTORS

Particular of amounts due to directors are disclosed as follows:

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Mr. Fan Zhijun	**2**	39
Mr. Zhang Bin	**60**	61
Total	**62**	100

The amounts due to directors are non-trade nature, unsecured, interest-free and repayable on demand.

15. AMOUNTS DUE TO RELATED PARTIES

Particular of amounts due to related parties are disclosed as follows:

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Mr. Fan Zhixin	**17**	17
Ms. Fan Qinzhi	**1**	15
Mr. Fan Yajun	**1**	1
Ms. Wu Jian	**1**	1
Mr. Tang Man Joe	**–**	48
Ms. Li Simo	**–**	6
Total	**20**	88

The amounts due to related parties are non-trade nature, unsecured, interest-free and repayable on demand.

16. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company is non-trade nature, unsecured, interest-free and repayable on demand.

17. OBLIGATIONS UNDER FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)	**As at 30 June 2018 RMB'000 (unaudited)**	As at 31 December 2017 RMB'000 (audited)
Amount payable under finance lease:				
Within one year	**136**	135	**119**	115
Within a period of more than one year but not more than two years	**136**	135	**125**	121
Within a period of more than two years but not more than five years	**215**	292	**208**	279
	487	562	**452**	515
Less: future finance charges	**(35)**	(47)	**–**	–
Present value of lease obligations	**452**	515	**452**	515
Less: Amount due for settlement within one year			**(119)**	(115)
Amounts due after one year			**333**	400

During the period ended 30 June 2018, the Group leased its motor vehicle under finance lease. The lease term is four years. For the period ended 30 June 2018, the average effective borrowing rate is 4.43% (2017: 4.43%) per annum. The lease is on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

18. SHARE CAPITAL

	Number of shares	Nominal value	
		HK$'000	*RMB'000*
Ordinary shares of HK$0.01 each			
Authorised			
At 1 January 2018 and 30 June 2018	5,000,000,000	50,000	43,420
Issued and fully paid			
At 1 January 2018 and 30 June 2018	1,600,000,000	16,000	13,995

19. ACQUISITION OF A SUBSIDIARY

During the prior period, the Group acquired the entire equity interest of 宜興程翔物資貿易有限公司 Yixing Chengxiang Materials Trading Company Limited ("**Chengxiang Materials**") at a cash consideration of RMB84,000 from Mr. Fan Zhijun and Mr. Zhang Bin, who are directors of the Company; Mr. Fan Yajun, Mr. Fan Zhixin and Ms. Wu Jian, who are key management personnel of the Group and Ms. Fan Qinzhi is the close family member of a director of the Company; and Mr. Wang Jiansong and Ms. Xu Min, who are shareholders of the Company's immediate holding company and intermediate holding company respectively. Chengxiang Material is an inactive company.

Details of the net assets acquired in respect of the above transaction are summarised below:

	RMB'000
Consideration satisfied by:	
Consideration payable:	
Amounts due to directors	62
Amounts due to related parties	20
Other payables	2
	84

	RMB'000
Net assets acquired:	
Amount due from a director	80
Bank balances and cash	4
	84

	RMB'000
Consideration payable	84
Cash inflow arising on acquisition:	
Bank balances and cash acquired	4

20. SHARE-BASED PAYMENTS

The Company's share option scheme (the "**Scheme**"), was adopted pursuant to a resolution passed by the Company on 14 October 2016 for the primary purpose of providing incentives to directors and eligible participants, and will expire on 13 October 2026.

The table below discloses movement of the Company's share options held by the Group's employees:

	Number of share options under share option scheme
Outstanding as at 1 January 2018 and 30 June 2018	23,000,000

The Group recognised the total expense of RMB708,000 for the six months ended 30 June 2018 (six months 30 June 2017: RMB8,492,000) in relation to share options granted to the Group's employees by the Company. Accordingly, the amount for share options was credited to share option reserve.

21. RELATED PARTY DISCLOSURES

(a) During the period, the Group entered into the following significant transactions with Mr. Fan Zhijun:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Rental of offices	**450**	300

(b) During the period ended 30 June 2017, 宜興市漢金文化藝術有限公司 Yixing Hanjin Culture and Art Company Limited ("**Yixing Hanjin**"), a wholly owned subsidiary of the Group agreed to pay RMB84,000 to acquire Chengxiang Materials, which was held by the directors, related parties of the Company and Mr. Wang Jiansong and Ms. Xu Min. Details are set out in note 19.