

# 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 2017



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Fan Zhijun (*Chairman and Chief Executive Officer*)

Mr. Zhang Bin

### Independent Non-executive Directors

Mr. Leung Shu Sun Sunny

Mr. Liu Jian

Mr. Chu Xiaoliang

## COMPANY SECRETARY

Mr. Tang Man Joe

## AUTHORISED REPRESENTATIVES

Mr. Fan Zhijun

Mr. Tang Man Joe

## 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 Communication Co., Ltd. Hong Kong Branch

## PRINCIPAL BANK IN CHINA

Jiangsu Yixing Rural Commercial Bank

## AUDITORS

Deloitte Touche Tohmatsu

*Certified Public Accountants*

## LEGAL ADVISERS AS TO HONG KONG

Chiu & Partners

## COMPLIANCE ADVISER AS TO HONG KONG

Halcyon Capital Limited

## COMPANY'S WEBSITE

[www.cnartfin.com.hk](http://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

# Financial Highlights

	Six months ended 30 June		Change %
	2017 RMB'000	2016 RMB'000	
<b>Operating Results</b>			
Revenue	<b>114,059</b>	66,322	72
Profit attributable to owners of the Company	<b>64,261</b>	27,915	130
Basic earnings per share (RMB cents)	<b>4.02</b>	2.73	47
	<b>As at 30 June 2017 RMB'000</b>	<b>As at 31 December 2016 RMB'000</b>	<b>Change %</b>
<b>Financial Position</b>			
Total assets	<b>840,170</b>	699,752	20
Loans to customers	<b>251,511</b>	234,183	7
Net assets	<b>620,401</b>	618,856	0.3

# Management Discussion and Analysis

## BUSINESS REVIEW AND PLAN

### Company Financial Performance

Our revenue increased by 72%, while two main business of China Art Financial Holdings Limited (the “Company”) achieved a balanced and rapid growth. The revenue from art auction business and art pawn loan business have recorded increases of 64% and 81%, respectively.

Profit attributable to equity owners of the Company recorded a period-on-period increase of 130%, offsetting by the amortization of charges of approximately RMB8.5 million for the six months ended 30 June 2017 (the “Period Under Review”) arising from issuance of share options by the Company on 2 June 2017 (please refer to section “Share Option Scheme” for details).

### Company Business Highlights

Operating Information	Six months ended 30 June		Change
	2017	2016	%
Aggregate transaction value of art auction (RMB million)	<b>270.0</b>	182.9	48
Aggregate transaction value of spring auction (RMB million)	<b>213.4</b>	164.6	30
Aggregate transaction value of pure online auction (RMB million)	<b>56.6</b>	18.3	209
Overall commission rate for art auction business (%)	<b>21</b>	20	5
Total new loan amount granted secured by artwork (RMB million)	<b>316.6</b>	287.1	10
Impaired loan rate (%)	<b>0</b>	0	–

### Business Plan for second half of the year

The Company has planned to organize our first autumn auction in Hong Kong in late November 2017. Meanwhile, we actively prepare for the autumn auction to be held in Yixing in late December 2017. In addition, we plan to organise two pure online auctions in the second half of 2017. In April 2017, the Company completed the capital injection of RMB70 million into its wholly-owned subsidiary Jiangsu Hexin Pawn Company Limited (the “Hexin Pawn”), with an aim to expand art pawn loan business in the second half of the year. The Company will seek for merger and acquisition co-operation with suitable companies in art pawn loan and auction industry which can create synergy effects with the Company as disclosed in the prospectus of the Company dated 27 October 2016 (the “Prospectus”).

## 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 2017, the Group’s revenue was approximately RMB114.1 million, representing an increase of approximately 72% from RMB66.3 million for the same period in 2016. The profit attributable to owners of the Company was approximately RMB64.3 million, representing an increase of approximately 130% from RMB27.9 million for the same period in 2016.

# Management Discussion and Analysis

## 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 RMB57.0 million, representing an increase of approximately 64% from RMB34.7 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 RMB52.4 million, representing an increase of approximately 56% as compared with that for the same period last year.

During the Period Under Review, the Group held one spring auction and two pure online art auctions. The aggregate transaction value (excluding buyer commission) amounted to RMB270.0 million, representing an increase of approximately 48% from approximately RMB182.9 million for the same period in 2016.

On 25 June 2017, the Group successfully organized its first spring auction after listing, receiving an overwhelming market response. The total hammer price for the auction lots (excluding buyer commission) reached RMB213.4 million, representing an increase of approximately 30% from approximately RMB164.6 million of the 2016 spring auction, in which the total hammer price for the zisha artworks amounted to approximately RMB125.3million. During the spring auction, we moderately adjusted buyer commission from 12% to 15%. Total commission received increased from 20% to 23%.

To capture opportunities from the Chinese online auction market, one of the biggest markets worldwide, the Company held two pure online art auctions in the first half of 2017. The total hammer price for the auction lots (excluding buyer commission) reached RMB56.6 million, representing an increase of approximately 209% as compared with a total of approximately RMB18.3 million for the pure online art auctions held in the same period of 2016.

## 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 RMB57.1 million, representing an increase of approximately 81% from approximately RMB31.6 million for the same period last year. Profits of pawn loan segment was RMB55.7 million, representing an increase of approximately 109% from approximately RMB26.7 million for the same period last year. As of 30 June 2017, the total amount of new loans granted by the Group amounted to approximately RMB341.9 million.

The breakdown of art and asset pawn loan business of the Group in the first half of 2017 and 2016 was as follows:

	Six months ended 30 June		2016		
	2017				
	RMB'000	%	RMB'000	%	% of change
Art pawn loan revenue	53,272	93	31,310	99	70
Asset pawn loan revenue	3,797	7	300	1	1,166
Total	57,069	100	31,610	100	81

# Management Discussion and Analysis

<b>Loans secured by artwork</b>	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
Total new loan amount granted (RMB'000)	<b>316,580</b>	287,090
Total number of new loans granted	<b>51</b>	57
Number of new loans renewed	<b>18</b>	20
Renewal ratio of new loan (%)	<b>35.3</b>	35.1
Average initial loan term (days)	<b>67</b>	78

<b>Loans secured by assets</b>	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
Total new loan amount granted (RMB'000)	<b>25,312</b>	2,133
Total number of new loans granted	<b>42</b>	108
Number of new loans renewed	<b>20</b>	55
Renewal ratio of new loan (%)	<b>47.6</b>	50.9
Average initial loan term (days)	<b>46</b>	48

During the Period Under Review, approximately RMB316.6 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 2017, 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 2017.

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 2017, the Group's impaired loan ratio was 0%.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

Our revenue increased by approximately 72% to approximately RMB114.1 million for the six months ended 30 June 2017, primarily due to (i) the significant increase in our art and asset auction revenue of approximately RMB22.3 million as a result of the increase in total hammer price in our spring auction and two online auctions and moderately adjust buyer commission from 12% to 15% (13% if settled before 30 June 2017) during the spring auction and (ii) the significant increase in our art and asset pawn revenue of approximately RMB25.5 million. Meanwhile, in April 2017, the registered capital in Hexin Pawn increased from RMB100 million to RMB170 million, which allowed our Group to lend larger loan amounts for each transaction and increased total funding available for lending.

The respective segment revenue of the Group in the first half of 2017 and 2016 was as follows:

	Six months ended 30 June		% of change
	2017 RMB'000	2016 RMB'000	
Art and asset auction business	56,990	34,712	64
Art and asset pawn business	57,069	31,610	81
Total	114,059	66,322	72

### Other income

Our other income increased by 100% to approximately RMB0.8 million for the six months ended 30 June 2017, primarily due to increase in interest income from bank deposit.

### Business tax and surcharges

Our business tax and surcharges decreased by approximately 55% to approximately RMB0.9 million for the six months ended 30 June 2017. This was primarily due to the implementation of the value-added tax in lieu of business tax commencing from 1 May 2016.

### Operating expenses

Our operating expenses increased by approximately 292%, to approximately RMB4.7 million for the six months ended 30 June 2017, primarily due to (i) the increase in advertising expenses as a result of strengthening the promotion activities for our first spring auction after listing and (ii) the increase in service fees incurred by way of share options granted.

### Allowance recognised on loans to customers for art and asset pawn business

During the six months ended 30 June 2016, we recognised impairment allowance of approximately RMB2.9 million primarily due to the substantial increase in the gross loan amount million as at 30 June 2016. All impairment allowance recognised were related to the loans granted to customers by our Group.

For the six months ended 30 June 2017, we recognised the collectively assessed impairment allowance of approximately RMB0.4 million, primarily due to the increase in the gross loan amount outstanding from approximately RMB239.0 million as at 31 December 2016 to approximately RMB256.7 million as at 30 June 2017.



# Management Discussion and Analysis

## Administrative expenses

Our administrative expenses increased by approximately 305% to approximately RMB15.8 million for the six months ended 30 June 2017, primarily due to (i) the increase of approximately RMB1.9 million mainly as a result of professional fee incurred after listing in 2017 and (ii) the increase in general staff cost of approximately RMB6.5 million that was mainly attributable to the salaries as a result of the expansion of operations after listing and the non-cash equity-settled share-based payment expenses of approximately RMB5.4 million relating to 79,000,000 options granted during the Period Under Review.

## Reportable segment profit

As a result of the foregoing, reportable segment profit increased by approximately RMB47.9 million from approximately RMB60.2 million for the six months ended 30 June 2016 to approximately RMB108.1 million for the six months ended 30 June 2017.

The respective reportable segment profit of the Group in the first half of 2017 and 2016 is as follows:

	Six months ended 30 June		% of change
	2017 RMB'000	2016 RMB'000	
Art and asset auction business	52,404	33,500	56
Art and asset pawn business	55,722	26,731	109
Segment result	108,126	60,231	80

## Listing expenses

Our listing expenses for the six months ended 30 June 2016 amounted to approximately RMB10.9 million, which primarily consisted of the service fees we paid to auditors and other professional parties in connection with our preparation for the listing of our shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## Profit before tax

As a result of the foregoing, our profit before tax increased by approximately 100% to approximately RMB91.2 million for the six months ended 30 June 2017.

## Income tax expense

Our income tax expenses increased by approximately 88% to approximately RMB26.9 million for the six months ended 30 June 2017, primarily due to an increase in our Group's taxable income.

## Profit and total comprehensive income for the period attributable to owners of the Company and non-controlling interests

Primarily due to an increase in our profit for the period, (i) profit and total comprehensive income for the period attributable to owners of the Company increased by approximately 130% to approximately RMB64.3 million for the six months ended 30 June 2017, while (ii) no profit and total comprehensive income for the period attributable to non-controlling interests realised.

The changes in our profit and total comprehensive income attributable to owners of the Company were mainly caused by the increase in the profit generated from our PRC operating entities. On 15 April 2016, our Group entered into the two series of agreements (as amended and supplemented by supplemental agreements entered into on 24 October 2016) which constitute the contractual arrangements. These contractual arrangements effectively transfer the economic benefits and pass the risks associated therewith of our two operating subsidiaries in PRC to our Group. As a result, starting from 15 April 2016, the entirety of our profit and total comprehensive income has become attributable to owners of our Company. Accordingly, no profit and total comprehensive income attributable to non-controlling interests realised for the six months ended 30 June 2017.

# Management Discussion and Analysis

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

### 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 2017 and 2016:

	2017 RMB'000	2016 RMB'000
Net cash used in operating activities	(1,303)	(175,961)
Net cash (used in) from investing activities	(1,801)	436
Net cash (used in) from financing activities	(71,206)	10,257

As of 30 June 2017, the Group's total bank balances and cash decreased by 16% to approximately RMB388.1 million from approximately RMB463.1 million as of 31 December 2016 due mainly to the payment of the final dividend and special dividend and loans to customers increased to approximately RMB256.6 million as of 30 June 2017 from approximately RMB239.0 million as of 31 December 2016. As of 30 June 2017 and 31 December 2016, 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 bank deposits 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 2017, despite the appreciation 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.

### Net Current Assets

As of 30 June 2017, net working capital (calculated as current assets less current liabilities) was approximately RMB615.5 million, representing a slight decrease of approximately RMB0.9 million as compared with approximately RMB616.4 million as of 31 December 2016. The current ratios (calculated as current assets/current liabilities) are 3.8 times and 8.6 times as of 30 June 2017 and 31 December 2016 respectively.

### Net Assets

As of 30 June 2017, net assets was approximately RMB620.4 million, representing an increase of approximately RMB1.5 million as compared with approximately RMB618.9 million as of 31 December 2016. The increase in net assets was less than the profit for the period due mainly to the payment of the final dividend and special dividend amounted to HK\$80 million during the Period Under Review.

### 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 report, the Group did not have any material contingent liabilities nor any other off-balance sheet commitments and arrangements.

# Management Discussion and Analysis

## Capital Expenditure

Our capital expenditures primarily comprised expenditures on property and equipment, which amounted to RMB2.9 million and nil, respectively, for the six months ended 30 June 2017 and 2016.

## Capital Commitment

As at 30 June 2017, the Group did not have material capital commitments.

## Subsequent Event

Save as disclosed in this report, no significant event has happened after 30 June 2017.

## Human Resources and Training

As of 30 June 2017, the Group had a total of 41 employees (as at 31 December 2016: 38 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 2017.

## 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 2017, HK\$120.0 million has been injected to PRC to increase the registered capital of Hexin Pawn. The remaining net proceeds of RMB117.7 million were deposited with certain licensed financial institutions as of 30 June 2017.

## MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES OR JOINT VENTURES

The Group had no material acquisition or disposal of subsidiaries, associated companies or joint ventures during the six months ended 30 June 2017. In addition, the Group had no significant investments held during the six months ended 30 June 2017.

## OUTLOOK

The economic stability of China is continuously enhanced based on the overall steady economy growth of China as well as on the fact that the adaptability of enterprises to market conditions has been constantly raising and the economic structure of China has been gradually enhancing in the second half of 2017, which supports a medium to high growth rate, and the stable and positive momentum will be continued. Looking forward, since the PRC government actively promotes close cooperation between the financial and cultural sectors, the Chinese art finance industry is expected to maintain a steady growth. Meanwhile, it is expected that significant financial innovations in artwork and collection assets will be emerged.

# Management Discussion and Analysis

## **Auction Business**

Firstly, the Group will set up new branches or subsidiaries. We intend to extend our business network and geographical presence in major cities in China such as Beijing, Shanghai and Hong Kong. Secondly, the Group will continue to expand our auction lot composition to include more art categories with strong market demand. Thirdly, the Group will place more focus on online auction and other online operation, including optimizing and enhancing its service of synchronised online biddings at each year's Spring Auction and Autumn Auction, and improving the promotion and service of pure online auctions. The Group will also continue to enrich the functions of its 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 more artwork artists to sign artwork production and consignment agreement with us at the same time so as to solidify the good business relationship between both parties and expand the source of artworks for our auctions.

## **Pawn Loan Business**

The Group will increase the registered capital of Hexin Pawn so as to enlarge our funding available for lending. Secondly, the Group will focus on growing our loan portfolio. In addition to the continuous emphasis on zisha artworks as well as paintings and calligraphies, the Group plans to diversify strategically our collateral composition to include more art categories with strong market demand. Thirdly, 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. Lastly, the Group will develop and utilise online platform. We plan to set up an online loan financing platform so that more clients can know 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, as well as further develop online auction platform and enhance trading function of the platform. 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 Company's competitiveness.

## **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.

## **PERMITTED INDEMNITY PROVISION**

According to the Company's Articles of Association, each Director is entitled to the compensation out of the assets of the Company for all losses or liabilities incurred due to the execution of his/her duties or taken place related to such execution. The Company has taken out the appropriate Directors' and officers' liability insurance policy for the Directors and officers of the Group as a means of security.

## **EQUITY-LINKED AGREEMENT**

Apart from the Share Option Scheme of the Company, the Company has not entered into any equity-linked agreement during the Period Under Review or there was not any subsisting equity-linked agreement entered into by the Company at the end of the Reporting Year.

# Management Discussion and Analysis

## 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 2017, 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 <sup>(Note)</sup>	62.25%

Note: These shares are held by Intelligenes Investment Co., Ltd (the "Intelligenes 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

# Management Discussion and Analysis

## 2. DIRECTORS' INTERESTS IN ASSOCIATED CORPORATIONS

<b>Name of Director</b>	<b>Name of Associated Corporation</b>	<b>Capacity</b>	<b>Approximate Percentage of Shareholding</b>
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 2017, 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.

# Management Discussion and Analysis

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

As at 30 June 2017, 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%
Intelligenes 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 Intelligenes Inv. Intelligenes 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 Intelligenes Inv is interested.
- (3) Intelligenes 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 Intelligenes 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 Intelligenes 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 2017, 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.

# Management Discussion and Analysis

## 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:

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	Number of Options			
						As at 1 January 2017	Granted during the 6 months ended 30 June 2017	Exercised/ lapsed* during the 6 months ended 30 June 2017	As at 30 June 2017
Consultant	2/6/2017	0.76	0.80	N/A	2/6/2017 to 1/6/2022	-	28,000,000	-	28,000,000
Employees (None of the Grantees of the share options is a director, chief executive or substantial shareholder of the Company, or any of their respective associates as defined under the Listing Rules)	2/6/2017	0.76	0.80	N/A	2/6/2017 to 1/6/2022	-	51,000,000	-	51,000,000
						-	79,000,000	-	79,000,000

Under the Share Option Scheme, 79,000,000 share options were granted on 2 June 2017 (the “Date of Grant”). The vesting schedule of above share options granted is as follows:

- 28,000,000 share options was vest on the date of grant;
- 28,000,000 share options will vest on 2 December 2017; and
- 23,000,000 share options will vest on 2 June 2018.

The fair value of options granted was determined using the binomial option pricing model which amounted to approximately RMB19.4 million, and RMB8.5 million was charged to profit or loss account of the Group during the Period Under Review.

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



# Management Discussion and Analysis

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed 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 2017 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 2017, 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.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the articles of association of the Company, although there are no restrictions against such rights under the laws in the Cayman Islands.

## **DIVIDEND**

The Board does not recommend an interim dividend for the six months ended 30 June 2017.

## **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 2017.

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 2017 except that:

# Management Discussion and Analysis

## **Code provision A.2.1**

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company consider that having Mr. Fan Zhijun acting as both the chairman and chief executive officer will provide a strong and consistent leadership to the Group and allow for more effective strategic planning and management of the Group. Further, in view of Mr. Fan's experience in the industry, personal profile and role in the Group and historical development of the Group, the Group considers it is to the benefit of the Group in the business prospects that Mr. Fan continues to act as both the chairman and chief executive officer after the Listing. Therefore, the Company currently has no intention to separate the functions of chairman and chief executive officer.

## **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.

# Management Discussion and Analysis

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 2017, 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.

## **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, 22 August 2017

# 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 20 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2017 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 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

22 August 2017

# Condensed Consolidated Statement of Profit or Loss And Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
Revenue	3	114,059	66,322
Other income		803	362
Other gains and losses		(1,932)	(131)
Business tax and surcharges		(854)	(2,006)
Operating expenses		(4,726)	(1,206)
Allowance recognised on loans to customers for art and asset pawn business, net		(353)	(2,879)
Administrative expenses		(15,836)	(3,854)
Listing expenses		-	(10,872)
Profit before tax		91,161	45,736
Income tax expense	5	(26,900)	(14,305)
Profit for the period	6	64,261	31,431
Profit and total comprehensive income for the period attributable to:			
— Owners of the Company		64,261	27,915
— Non-controlling interests		-	3,516
		64,261	31,431
Earnings per share for profit attributable to owners of the Company	8		
Basic (RMB cents)		4.02	2.73
Diluted (RMB cents)		4.02	N/A

# Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	3,665	1,242
Deferred tax asset		1,283	1,195
		<b>4,948</b>	2,437
<b>Current assets</b>			
Loans to customers for art and asset pawn business	10	251,511	234,183
Trade receivables, other receivables and prepayments	11	195,508	52
Amount due from a director	12	80	–
Bank balances and cash		388,123	463,080
		<b>835,222</b>	697,315
<b>Current liabilities</b>			
Other payables and accrual	13	202,015	64,573
Amounts due to directors	14	64	–
Amounts due to related parties	15	20	–
Tax liabilities		17,670	16,323
		<b>219,769</b>	80,896
<b>Net current assets</b>		<b>615,453</b>	616,419
<b>Net assets</b>		<b>620,401</b>	618,856
<b>Capital and reserves</b>			
Share capital	16	13,995	13,995
Reserves		606,406	604,861
<b>Equity attributable to owners of the Company</b>		<b>620,401</b>	618,856

# Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company							Non-controlling interests	Total
	Paid-in capital/ share capital	Share premium	Statutory reserve	Capital reserve	Share option reserve	Retained profits	Sub- total		
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000		
At 1 January 2016 (audited)	73,500	-	12,775	8,360	-	106,807	201,442	86,925	288,367
Profit and total comprehensive income for the period	-	-	-	-	-	27,915	27,915	3,516	31,431
Arising from the Reorganisation	(73,500)	-	-	73,500	-	-	-	-	-
Appropriation to statutory reserve	-	-	4,291	-	-	(4,291)	-	-	-
Special contribution from a shareholder of the Company (note c)	-	-	-	90,441	-	-	90,441	(90,441)	-
At 30 June 2016 (audited)	-	-	17,066	172,301	-	130,431	319,798	-	319,798
At 1 January 2017 (audited)	13,995	223,062	24,765	172,301	-	184,733	618,856	-	618,856
Profit and total comprehensive income for the period	-	-	-	-	-	64,261	64,261	-	64,261
Appropriation to statutory reserve	-	-	8,068	-	-	(8,068)	-	-	-
Dividends paid	-	(71,208)	-	-	-	-	(71,208)	-	(71,208)
Recognition of equity-settled share-based payment (note 17)	-	-	-	-	8,492	-	8,492	-	8,492
At 30 June 2017 (unaudited)	13,995	151,854	32,833	172,301	8,492	240,926	620,401	-	620,401

## Notes:

- 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 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.
- Capital reserve of RMB8,360,000 as at 1 January 2016 represents special capital contribution from a shareholder in previous year.
- 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 statement 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 statement 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 2017

	Note	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
NET CASH USED IN OPERATING ACTIVITIES		<b>(1,303)</b>	(175,961)
INVESTING ACTIVITIES			
Bank interest income		<b>788</b>	357
Purchase of property, plant and equipment		<b>(2,593)</b>	–
Repayment from a director		–	79
Cash inflow arising on acquisition	18	<b>4</b>	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		<b>(1,801)</b>	436
FINANCING ACTIVITIES			
Dividends paid		<b>(71,208)</b>	–
Advance from a director		<b>2</b>	785
Advance from related parties		–	9,472
NET CASH (USED IN) FROM FINANCING ACTIVITIES		<b>(71,206)</b>	10,257
NET DECREASE IN CASH AND CASH EQUIVALENTS		<b>(74,310)</b>	(165,268)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<b>463,080</b>	292,837
Effect of foreign exchanges		<b>(647)</b>	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD AND REPRESENTED BY			
Bank balances and cash		<b>388,123</b>	127,569



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants 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 “**Listing Rules**”).

## 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 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

### Share based payment arrangements

*Share based payment transactions of the Company*

Equity settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share based transactions are set out in note 17.

The fair value determined at the grant date of the equity settled share based payment is expensed on a straight line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expected immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014–2016 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 3. REVENUE

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
Pawn loan revenue from art and asset pawn business	57,069	31,610
Auction revenue from art and asset auction business	56,990	34,712
Total	114,059	66,322

## 4. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of services rendered in the PRC, art and asset pawn business and art and asset auction business which is consistent with the internal information that are regularly reviewed by the 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, other gains and losses and listing expenses. Segment assets and liabilities are allocated to each segment excluding deferred tax asset, bank balances and cash and other payables and accrual. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 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
(Unaudited)			
<b>Six months ended 30 June 2017</b>			
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

	Art and asset pawn business RMB'000	Art and asset auction business RMB'000	Total RMB'000
(Audited)			
<b>Six months ended 30 June 2016</b>			
Segment revenue	31,610	34,712	66,322
Segment cost	(422)	(784)	(1,206)
Business tax and surcharges	(1,578)	(428)	(2,006)
Allowance on loans to customers for art and asset pawn business	(2,879)	-	(2,879)
Segment result	26,731	33,500	60,231
Other income			362
Other gains and losses			(131)
Central administrative expenses			(3,854)
Listing expenses			(10,872)
Profit before tax			45,736

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 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
<b>(Unaudited)</b>			
<b>As at 30 June 2017</b>			
<b>Assets</b>			
Segment assets	254,935	195,829	450,764
Other unallocated assets			
Deferred tax asset			1,283
Bank balances and cash			388,123
Consolidated total assets			840,170
<b>Liabilities</b>			
Segment liabilities	6,217	212,467	218,684
Other unallocated liabilities			
Other payables and accrual			1,085
Consolidated total liabilities			219,769

	Art and asset pawn business RMB'000	Art and asset auction business RMB'000	Total RMB'000
<b>(Audited)</b>			
<b>As at 31 December 2016</b>			
<b>Assets</b>			
Segment assets	235,303	174	235,477
Other unallocated assets			
Deferred tax asset			1,195
Bank balances and cash			463,080
Consolidated total assets			699,752
<b>Liabilities</b>			
Segment liabilities	5,702	61,513	67,215
Other unallocated liabilities			
Other payables and accrual			13,681
Consolidated total liabilities			80,896

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 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)			
<b>Six months ended 30 June 2017</b>			
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

(Audited)

### Six months ended 30 June 2016

Segment information included in the measure of segment results or assets:

Depreciation of property, plant and equipment	341	57	398
Allowance on loans to customers for art and asset pawn business, net	2,879	-	2,879

### Geographical information

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

### 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current tax		
PRC Enterprise Income Tax ("EIT")	26,988	15,025
Deferred tax	(88)	(720)
	<b>26,900</b>	14,305

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.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong during both periods.

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%.

## 6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Profit for the period has been arrived at after charging:		
Director's remuneration	1,140	191
Other staff salaries and allowance	10,112	1,568
Retirement benefits scheme contributions	152	93
Total staff costs	<b>11,404</b>	1,852
Exchange loss	2,074	131
Depreciation for property, plant and equipment	470	398

## 7. DIVIDEND

During the current interim period, a final dividend of HK3.0 cents (equivalent to RMB2.7 cents) (six months ended 30 June 2016: nil) per share in respect of the year ended 31 December 2016 and a special dividend of HK2.0 cents (equivalent to RMB1.8 cents) (six months ended 30 June 2016: nil) per share in respect of the year ended 31 December 2016 was declared and paid to the owners of the Company. The aggregate amount of the final dividend and special dividend declared and paid in the interim period amounted to HK\$80,000,000 (equivalent to RMB71,208,000) (six months ended 30 June 2016: nil).

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 8. EARNINGS PER SHARE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Earnings:		
Earnings for the purpose of calculating basic earning per share (profit for the period attributable to the owners of the Company)	<b>64,261</b>	27,915

  

	Six months ended 30 June	
	2017	2016
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<b>1,600,000,000</b>	1,021,935,288

The calculation of the basic earnings per share for the six months ended 30 June 2016 is based on the assumption that the reorganisation and the capitalisation issue of 1,200,000,000 shares has been effective on 1 January 2016 and adjusted for the capital contribution of shareholders in previous years.

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 option were higher than the average market price of the Company's shares for the period.

No diluted earnings per share is presented for the six months ended 30 June 2016 as there was no potential dilutive ordinary shares in issue during that period.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of approximately RMB2,893,000 (six months ended 30 June 2016: nil).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 10. LOANS TO CUSTOMERS FOR ART AND ASSET PAWN BUSINESS

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Art and asset pawn loans to customers, gross	256,644	238,963
Less: impairment allowances		
— Individually assessed	—	—
— Collectively assessed	5,133	4,780
	5,133	4,780
Art and asset pawn loans to customers, net	251,511	234,183

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% (2016: 30% to 48%) per annum during the six months ended 30 June 2017. 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 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 1 month	94,775	83,892
2–3 months	129,321	112,787
3–6 months	27,406	37,504
6–12 months	9	—
Total	251,511	234,183



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 10. LOANS TO CUSTOMERS FOR ART AND ASSET PAWN BUSINESS (Continued)

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Collectively assessed:		
At beginning of period/year	4,780	1,323
Impairment losses recognised	353	3,457
At end of period/year	5,133	4,780

### (c) Net charge of impairment allowance on loans to customers

	Six months ended 30 June 2017 RMB'000 (Unaudited)	Year ended 31 December 2016 RMB'000 (Audited)
Net charge of impairment allowance		
Individually assessed	-	-
Collectively assessed	353	3,457
	353	3,457

## 11. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade receivables for art and asset auction business	25,352	-
Other receivables and prepayments:		
Receivables from customers in respect of art and asset auction business	169,014	-
Prepayments	1,142	52
Total	195,508	52

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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

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 equivalent to 3% of the hammer price) will subsequently be paid to the seller. In determining the recoverability of a trade receivable of art and asset auction services, the Group considers any change in the credit quality of the trade 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 of RMB25,352,000 were subsequently settled.

The Group's trade receivables balance of art and asset auction business are aged within one month after the date of auction services. Thus the Group has not provided for impairment loss as at the end of the reporting period. The Group does not hold any collateral over these balances.

## 12. AMOUNT DUE FROM A DIRECTOR

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

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	<b>As at 31 December 2016 RMB'000 (Audited)</b>
Mr. Fan Zhijun	<b>80</b>	-
	<b>Maximum amount outstanding during six months ended 30 June 2017 RMB'000 (Unaudited)</b>	<b>year ended 31 December 2016 RMB'000 (Audited)</b>
Mr. Fan Zhijun	<b>80</b>	79

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 13. OTHER PAYABLES AND ACCRUAL

	As at <b>30 June</b> <b>2017</b> <b>RMB'000</b> <b>(Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Payables on behalf of customers in respect of art and asset auction business	<b>189,950</b>	35,924
Other payables for art and asset auction business	<b>501</b>	365
Accrued staff costs	<b>184</b>	3,558
Other tax payables	<b>10,293</b>	12,563
Other payable for listing expenses	-	8,147
Others	<b>1,087</b>	4,016
	<b>202,015</b>	64,573

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 equivalent to 3% of the hammer price) 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.

The Group's payables on behalf of customers in respect of art and asset auction business are aged within one month after the date of auction services.

## 14. AMOUNTS DUE TO DIRECTORS

Particular of amounts due to directors are disclosed as follows:

	As at <b>30 June</b> <b>2017</b> <b>RMB'000</b> <b>(Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Mr. Fan Zhijun	<b>4</b>	-
Mr. Zhang Bin	<b>60</b>	-
Total	<b>64</b>	-

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 15. AMOUNTS DUE TO RELATED PARTIES

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

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	<b>As at 31 December 2016 RMB'000 (Audited)</b>
Mr. Fan Zhixin	16	–
Ms. Fan Qinzhi	2	–
Mr. Fan Yajun	1	–
Ms. Wu Jian	1	–
<b>Total</b>	<b>20</b>	<b>–</b>

Mr. Fan Zhixin, Mr. Fan Yajun and Ms. Wu Jian are key management personnel of the Group. Ms. Fan Qinzhi is the close family member of Mr. Fan Zhijun, the director of the Company.

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

## 16. SHARE CAPITAL

	<b>Number of shares</b>	<b>Nominal value</b>	
		<i>HK\$'000</i>	<i>RMB'000</i>
Ordinary shares of HK\$0.01 each			
<b>Authorised</b>			
At 31 December 2016 and 30 June 2017	5,000,000,000	50,000	43,420
<b>Issued and fully paid</b>			
At 31 December 2016 and 30 June 2017	1,600,000,000	16,000	13,995

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 17. 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. Under the Scheme, the board of directors of the Company may grant options to i) any employee ("**Eligible Employee**") (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest; ii) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity; iii) any supplier of goods or services to any member of the Group or any Invested Entity; iv) any customer of any member of the Group or any Invested Entity; v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12 month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding independent non-executive directors who or whose associates is the proposed grantee of the options). Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in aggregate over 0.1% of the Company's shares in issue or with a value based on the closing price of the shares at the date of each offer for the grant, in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the 10 anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 17. SHARE-BASED PAYMENTS (Continued)

The table below discloses movement of the Company's share options held by the Group's senior management, consultant and employees:

	<b>Number of share options</b>
Outstanding as at 1 January 2017	–
Granted during the period	79,000,000
Outstanding as at 30 June 2017	79,000,000

The closing price of the Company's shares immediately before 2 June 2017, the date of grant, was HK\$0.77.

Share options which will be vesting on 2 June 2017, 2 December 2017 and 2 June 2018 respectively have been granted during the period ended 30 June 2017. Fair value of these options were calculated using the binomial model.

The inputs into the model were as follows:

	<b>2 June 2017 share options</b>
Grant date share price	HK\$0.77
Exercise price	HK\$0.80
Expected life	5 years
Expected volatility	55.00%
Dividend yield	3.8%
Risk-free interest rate	1.00%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

Expected volatility was determined by using the historical volatility of the share prices of the Company. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The number of shares in respect of which options had been granted and remained outstanding under the Scheme as at 30 June 2017 was 79,000,000 (30 June 2016: nil), representing approximately 4.9% (30 June 2016: nil) of the shares of the Company as at 30 June 2017.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 17. SHARE-BASED PAYMENTS (Continued)

The estimated fair value of the options granted on 2 June 2017 is RMB19,411,000 (equivalent to HK\$22,217,000).

The exercisable period of the share options is as follows:

- (a) 28,000,000 share options vest on the 2 June 2017 and exercisable from 2 June 2017 to 1 June 2022;
- (b) 28,000,000 share options will vest on 2 December 2017 and exercisable from 2 December 2017 to 1 June 2022; and
- (c) 23,000,000 share options will vest on 2 June 2018 and exercisable from 2 June 2018 to 1 June 2022.

The Group recognised the total expense of RMB 8,492,000 (six months 30 June 2016: nil) for the period ended 30 June 2017 in relation to share options granted by the Company.

## 18. ACQUISITION OF A SUBSIDIARY

During the 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. Qinzhi is the close family member of the 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 Materials is an inactive company.

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

Consideration satisfied by:

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

Net assets acquired:

	RMB’000
Amount due from a director	80
Bank balances and cash	4
	84

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 18. ACQUISITION OF A SUBSIDIARY (Continued)

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



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 19. RELATED PARTY DISCLOSURES

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
Rental of offices	300	300

- (b) During the period, 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 18.

(c) **Other related party transactions**

During the period, the Group entered into the following significant transactions with Mr. Lai Chau Yung, a shareholder of the Company:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
Payments made on behalf of the Group		
Staff cost	-	724
Listing expenses	-	9,044
	-	9,768