

Interim Report
2021



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

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1572

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fan Zhijun (*Chairman*)

Mr. Li Cheng

Ms. Lam Siu Mui (appointed on 23 April 2021)

Non-executive Directors

Mr. Wang Shoulei (appointed on 23 April 2021)

Mr. Chen Yunwei (appointed on 23 April 2021)

Independent Non-executive Directors

Mr. Leung Shu Sun Sunny

Mr. Liu Jian

Ms. Yin Xuhong

COMPANY SECRETARY

Ms. Li Yuen Shan (appointed on 13 April 2021)

Mr. Wong Hong Tak Hagan (resigned on 13 April 2021)

AUTHORISED REPRESENTATIVES

Mr. Fan Zhijun

Ms. Li Yuen Shan (appointed on 13 April 2021)

Mr. Wong Hong Tak Hagan (resigned on 13 April 2021)

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room A, 16/F

Yue On Commercial Building

385-387 Lockhart Road, Wan Chai

Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

63 Jingyi South 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

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Center

183 Queen's Road East

Wanchai

Hong Kong

PRINCIPAL BANKS IN HONG KONG

Bank of Communications (Hong Kong) Limited

CMB Wing Lung Bank Ltd.

PRINCIPAL BANKS IN THE PRC

Jiangsu Yixing Rural Commercial Bank

China Construction Bank

AUDITORS

Ascenda Cachet CPA Limited

LEGAL ADVISERS AS TO HONG KONG LAWS

Raymond Siu & Lawyers

Deacons

COMPANY'S WEBSITE

www.cnavtfin.com.hk

STOCK CODE

1572

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2021 (the “**Period Under Review**”), the international and domestic markets continued to experience extreme challenging situation. Governments around the world had been continuously implementing measures to fight against the coronavirus disease 2019 (the “**COVID-19**”) pandemic, restricting the mobility and implementing various social distancing measures. As such, business activities have been inevitably affected. The Company and its subsidiaries (collectively referred to as, the “**Group**”) have adjusted their marketing strategies from time to time in response to the highly unstable environment.

Art and Asset Auction Business

Due to the outbreak of COVID-19 pandemic, art museums, galleries and other art institutions were required to close for a long period of time and the public is required to maintain social distance. Business travels and physical meetings have been mostly suspended. We experienced difficulties in soliciting artworks and meetings with the collectors as those activities will expose our staff to health risk. After taking into account the risks and benefits associated with auctions related activities, we decided to cancel most of the auctions so as to protect our staff and business partners and fight against the pandemic.

During the Period Under Review, the revenue from the art auction segment of the Company was approximately RMB0.2 million, whereas there was no revenue for the corresponding period in 2020. Profits of art auction segment was RMB8,000 (2020: RMB4.3 million). The decrease was mainly due to the absence of interest income earned from the loans to customers for artwork auction financing during the Period Under Review as the loans were fully settled by the customers during the corresponding period in 2020.

Art and Asset Pawn Loan Business

During the Period Under Review, the revenue derived from the pawn loan segment was approximately RMB20.7 million, representing a decrease of approximately 16.2% from approximately RMB24.7 million for the corresponding period last year. The decrease was the result of the reduction in the amount of art and asset pawn loans as the management continued to adopt a prudent and conservative approach in granting loans amid the COVID-19 pandemic and adverse global financial market and reduced monthly composite administrative fees charged for pawn loans. The profits derived from pawn loan segment was RMB20.4 million, representing a decrease of approximately 16.4% from approximately RMB24.4 million for the corresponding period last year.

The Group has implemented a risk management system which the Group believes to be effective in reducing various risks involved in our art and asset pawn loan 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 external authoritative authentication institutions as the 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 2021.

Art and Asset Sales Business

The Group has launched a new line of service, namely art and asset sales business, since 2020. Due to the outbreak of COVID-19 pandemic and the adverse market conditions, most of the collectors have not been able to sell their artworks through art auctions. As the Group is engaged in the business of solicitation and promotion of artwork for sales, the said business is expected to generate additional trading and agency incomes to the Group in the future.

There was no revenue and profits derived from the art and asset sales segment for the Period Under Review due to the continuing implementation of social distancing measures in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately 19.4% to approximately RMB20.9 million for the Period Under Review as compared to the corresponding period last year, primarily due to (i) the reduction in the average loan balance of art and asset pawn loans; and (ii) the absence of art and asset sales during the first half of 2021.

Other income

Our other income decreased by approximately 65.7% to approximately RMB1.5 million for the Period Under Review as compared to the corresponding period last year, primarily due to no interest income earned from the loans to customers for artwork auction financing during the Period Under Review.

Other gains and losses

Our other gains amounted to approximately RMB1.3 million for the Period Under Review as compared to a loss of approximately RMB2.4 million for the corresponding period last year, primarily due to the exchange gain arisen from the appreciation of RMB during the Period Under Review.

Operating expenses

Our operating expenses decreased by approximately 29.9%, to approximately RMB0.9 million for the Period Under Review as compared to the corresponding period last year, primarily due to the decrease in depreciation expenses of property, plant and equipment and right-of-use assets for operating businesses.

Net impairment losses reversed

For the Period Under Review, the net impairment losses reversed was approximately RMB0.4 million, representing a decrease by approximately RMB1.5 million as compared to the corresponding period last year.

Administrative expenses

Our administrative expenses decreased by approximately 14.0% as compared to the corresponding period last year and was approximately RMB4.0 million for the Period Under Review, primarily due to the decrease in depreciation expenses of property, plant and equipment, and right-of-use assets for administrative purpose.

Reportable segment profit

As a result of the foregoing, the reportable segment profit decreased by approximately RMB9.3 million from approximately RMB29.7 million for the six months ended 30 June 2020 to approximately RMB20.4 million for the six months ended 30 June 2021.

Profit before tax

As a result of the foregoing, our profit before tax for the Period Under Review decreased by approximately 19.8% as compared to the corresponding period last year and amounted to approximately RMB19.2 million for the Period Under Review, primarily due to the decrease in total revenue during the Period Under Review.

Income tax expenses

Our income tax expenses for the Period Under Review decreased by approximately 22.7% as compared to the corresponding period last year and amounted to approximately RMB5.4 million, primarily due to the decrease in our Group's taxable income.

Profit for the period

As a result of the foregoing, our profit for the Period Under Review decreased by approximately 18.6% as compared to the corresponding period last year and amounted to approximately RMB13.8 million for the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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 condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2021 and 2020:

	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Net cash generated from operating activities	80,227	166,674
Net cash (used in)/generated from investing activities	(700)	2,140
Net cash generated from financing activities	6,080	2,340

As at 30 June 2021, the Group's total bank balances and cash increased by 10.3% to approximately RMB913.3 million from approximately RMB827.7 million as at 31 December 2020, which was mainly due to the reduction in loan receivables. As at 30 June 2021 and 31 December 2020, the Group did not have any bank borrowings and no significant 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 operations in the PRC. Except for certain monetary assets and liabilities which were 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 2021, despite the exchange rates of RMB fluctuated 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 if and when necessary.

Gearing Ratio

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

Contingent Liabilities

As at 30 June 2021, the Group did not have any material contingent liabilities nor any other off-balance sheet commitments and arrangements.

Capital Expenditures

Our capital expenditures primarily comprised expenditures on property, plant and equipment, which amounted to RMB110,000 and RMB13,000, for the six months ended 30 June 2021 and 2020, respectively.

Capital Commitments

As at 30 June 2021, the Group did not have material capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

Subsequent Event

Except as disclosed elsewhere in this report, there was no significant event taken place subsequent to 30 June 2021 and up to the date of this report.

Human Resources and Training

As at 30 June 2021, the Group had a total of 30 employees (as at 31 December 2020: 27 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 arrangements during the six months ended 30 June 2021. The Group reviews its foreign exchange risks periodically and will consider using derivatives financial instruments to hedge against such risks if and when necessary.

USE OF 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).

Change of use of proceeds

The Group recently provides art finance services under three business segments, namely (i) art and asset pawn loan business; (ii) art and asset auction business and (iii) art and asset sales business. The Group has established good and stable relationship with artwork artists, agents, merchants, collectors and art galleries (collectively, the "**Artwork Sellers**") which enables the Group to source high-value artworks. The Group also has a professional authentication and appraisal team (the "**Appraisal Team**") to check the authenticity and assess the value of the artworks.

Due to the outbreak of COVID-19 pandemic and the adverse market conditions, some of the Artwork Sellers have not been able to sell their artworks and were willing to sell them at a significant discount. Leveraging on the Group's relationships with the Artwork Sellers and the expertise of the Appraisal Team, the Group believes that it will be able to identify suitable artworks for trading. The Group intends to sell the artworks acquired at its future auctions and/or private sales and expects that it will be able to generate profits for the Group through (i) gain on the difference between their acquisition price and sale price; and (ii) auction commissions when selling the artworks through its future auctions.

The Company observed that the outcomes of investment made in strengthening of online platform is below expectation and the high net worth buyers prefer viewing and inspecting the artworks in person instead of viewing the photos of the artworks online. The Board therefore considers that further investment in strengthening online auction platform and developing online loan financing platform may not enable the Group to make a breakthrough in its business and generate satisfactory financial results and return for the Group.

Having considered the above, the Board is of the view that the unutilised net proceeds originally allocated for strengthening online auction platform and developing online loan financing platform can be better utilised for business development of the Group by reallocating to trading of artworks.

On 29 July 2020 (the "**Date of Reallocation**"), the Board has resolved to reallocate the unutilised net proceeds, which were originally allocated for strengthening online auction platform and developing online loan financing platform, for trading of artworks.

MANAGEMENT DISCUSSION AND ANALYSIS

The unutilised net proceeds as at 30 June 2021 and revised allocation of the net proceeds from the IPO on the Date of Reallocation are set out as follows:

	Planned use of proceeds as disclosed in the prospectus of the Company dated 27 October 2016		Utilisation as at the Date of Reallocation	Unutilised net proceeds as at the Date of Reallocation		Revised allocation of the net proceeds		Unutilised net proceeds as at 30 June 2021
	HK\$ million	% of net proceeds	HK\$ million	HK\$ million	HK\$ million	% of revised allocation	HK\$ million	
Increase the registered capital of Hexin Pawn	118.9	50	118.9	-	118.9	50	-	
Strengthening online auction platform and developing online loan financing platform	47.5	20	2.0	45.5	2.0	1	-	
Establishment of new loan offices in other part of China and new auction branches or subsidiaries in Beijing, Shanghai and Hong Kong	47.5	20	47.5	-	47.5	20	-	
Trading of artworks	-	-	-	-	45.5	19	45.5	
Funding of general operations	23.8	10	23.8	-	23.8	10	-	
Total	237.7	100	192.2	45.5	237.7	100	45.5	

The unutilised net proceeds is intended to be fully utilised for trading of artworks by 31 December 2021.

OUTLOOK AND PROSPECTS

We continued to face challenges due to the outbreak of the COVID-19 even though it is basically under control in mainland China. The national GDP of the PRC resumed its growth and recorded a year-on-year increase of approximately 12.7% for the first half of 2021. Our business activities are resuming to normal gradually. The Sino-U.S. tension and COVID-19 pandemic around the globe continued to be the concerns of the market. Though the market is recovering, it is expected to be very volatile and tough.

OTHER INFORMATION

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 2021, 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 of Hong Kong Limited (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") were as follows:

(i) Long positions in the shares:

Name of Director	Capacity	Number of Shares (Note 1)	Approximate Percentage of Shareholding
Fan Zhijun	Interest of controlled corporation	1,000,768,000 (L) (Note 2)	59.64%
		1,000,384,000 (S)	59.62%

Notes:

- (1) The letter "L" denotes the Director's long position in the shares/underlying shares. The letter "S" denotes the person's short position in the shares/underlying shares.
- (2) These shares are held by Intelligensis Investment Co., Ltd (the "Intelligensis 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.

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	15%
Fan Zhijun	Hexin Auction (Note 2)	Beneficial owner	85%

OTHER INFORMATION

Notes:

- (1) 15% of the registered capital in Hexin Pawn is beneficially owned by Mr. Fan Zhijun, among which, 10% of the registered capital is registered under the name of Mr. Fan Zhijun and 5% 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 38% 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 38% of the registered capital of Hexin Pawn.
- (2) 85% of the registered capital in 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 and in the “SHARE-BASED PAYMENTS” disclosure in notes to the condensed consolidated financial statements, as at 30 June 2021, 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 2021, 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:

Name of Shareholder	Nature of interest/Capacity	Number of Shares (Note 1)	Approximate percentage of Shareholding in the Company
Ms. Zhang Xiaoxing	Interest of spouse (Note 2)	1,000,768,000 (L)	59.64%
		1,000,384,000 (S)	59.62%
Intelligensis Inv	Beneficial owner	1,000,768,000 (L)	59.64%
		1,000,384,000 (S)	59.62%
Golden Sand Inv	Interest of controlled corporation (Note 3)	1,000,768,000 (L)	59.64%
		1,000,384,000 (S)	59.62%
Mauve Jade Inv	Interest of controlled corporation (Note 4)	1,000,768,000 (L)	59.64%
		1,000,384,000 (S)	59.62%
Ms. Fan Qinzhi	Interests of controlled corporation and held jointly with other persons (Notes 3 and 4)	1,000,768,000 (L)	59.64%
		1,000,384,000 (S)	59.62%
Mr. Fan Yajun	Interests held jointly with other persons (Note 5)	1,000,768,000 (L)	59.64%
		1,000,384,000 (S)	59.62%
Ms. Zhou Jianyuan	Interest of spouse (Note 6)	1,000,768,000 (L)	59.64%
		1,000,384,000 (S)	59.62%
Ms. Wu Jian	Interests held jointly with other persons (Note 5)	1,000,768,000 (L)	59.64%
		1,000,384,000 (S)	59.62%
Mr. Xu Zhongliang	Interest of spouse (Note 7)	1,000,768,000 (L)	59.64%
		1,000,384,000 (S)	59.62%

OTHER INFORMATION

Name of Shareholder	Nature of interest/Capacity	Number of Shares (Note 1)	Approximate percentage of Shareholding in the Company
Ms. Xu Min	Interests held jointly with other persons (Note 5)	1,000,768,000 (L)	59.64%
		1,000,384,000 (S)	59.62%
Winwin International Strategic Investment Funds SPC (“WIS”)	Security interest (Note 8)	1,000,384,000 (L)	59.62%

Notes:

- (1) The letter “L” denotes the Director’s long position in the shares/underlying shares. The letter “S” denotes the person’s short position in the shares/underlying shares.
- (2) 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.
- (3) The said 1,000,768,000 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.
- (4) 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.
- (5) Mr. Fan Zhijun, Ms. Fan Qinzhi, Mr. Fan Yajun, Ms. Wu Jian and Ms. Xu Min together control 1,000,768,000 shares representing approximately 59.64% 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 1,000,768,000 shares representing 59.64% interest in the total issued share capital of our Company.
- (6) 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.
- (7) 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.
- (8) WIS, acting for and on behalf of Win Win Stable No.1 Fund SP, had security interest in 1,000,384,000 shares of the Company.

Save as disclosed above, as at 30 June 2021, no person or corporation 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.

OTHER INFORMATION

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 2021	Granted during the 6 months ended 30 June 2021	Exercised/ lapsed during the 6 months ended 30 June 2021	As at 30 June 2021
Other participants	2/6/2017	0.76	0.80	N/A	2/6/2017 to 1/6/2022	8,000,000	-	-	8,000,000
	2/6/2017	0.76	0.80	N/A	2/12/2017 to 1/6/2022	8,000,000	-	-	8,000,000
	2/6/2017	0.76	0.80	N/A	2/6/2018 to 1/6/2022	7,000,000	-	-	7,000,000
Exercisable at the end of the period						23,000,000	-	-	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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

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 with written terms of reference 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 Ms. Yin Xuhong. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 has been reviewed by the audit committee with the assistance of the Company’s auditors, Ascenda Cachet CPA Limited. The audit committee has no disagreement with the accounting treatment adopted by the Company and fairly present the Group’s financial position and results for the six months ended 30 June 2021.

OTHER INFORMATION

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

Other than as disclosed above, during the six months ended 30 June 2021, 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 did not recommend an interim dividend for the six months ended 30 June 2021 (2020: Nil).

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 2021.

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.

UPDATE ON DIRECTORS' INFORMATION

The followings are the changes in Directors' information since the date of 2020 annual report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. On 23 April 2021, Ms. Lam Siu Mui has been appointed as an executive Director of the Company.
2. On 23 April 2021, Mr. Wang Shoulei has been appointed as a non-executive Director of the Company.
3. On 23 April 2021, Mr. Chen Yunwei has been appointed as a non-executive Director of the Company.

Please refer to the announcement of the Company dated 23 April 2021 for the details regarding the appointments of the above Directors.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2021 except that:

Code provision A.2.1

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman of the board and chief executive officer of the listed company should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer of the listed company should be clearly established and set out in writing.

During the Period Under Review, Mr. Fan Zhijun ("Mr. Fan") has stepped down from his role as chief executive officer of the Company (the "Chief Executive Officer") with effect from 14 April 2021 and remains as the Chairman and an executive Director of the Company. Upon Mr. Fan's resignation as the Chief Executive Officer, Mr. Tong Zaan San has been appointed as the Chief Executive Officer with effect from 14 April 2021.

The Company has complied with code provision A.2.1 of the CG Code from 14 April 2021 onwards.

OTHER INFORMATION

CONTRACTUAL ARRANGEMENTS

Reasons for using and risks associated with the Contractual Arrangements

Reference is made to the prospectus of the Company dated 27 October 2016. We conduct our art and asset pawn business and art and asset auction business through our PRC Operating Entities (as defined below): (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 certain extent, subject to foreign investment prohibition or restriction in the 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 the 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 controlling equity interest in Hexin Pawn and Hexin Auction (collectively the “**PRC Operating Entities**”), and our Company, through our three wholly-owned subsidiaries established in the PRC, namely Yixing Han Xin Information Technology Service Co., Ltd (the “**WFOE-Pawn**”), Yixing Zi Yu Information Technology Service Co., Ltd (the “**WFOE-Auction**”) and Yixing Changxiang Materials Trading Company Limited (“**YCMT**”), control the PRC Operating Entities through two sets of agreements and direct shareholding. The first set of agreement 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 of agreement 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 the 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 Entities 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 Entities. Further, pursuant to the Contractual Arrangements, all economic benefits derived from the operation of the PRC Operating Entities are enjoyed by the Group and the financial results of the PRC Operating Entities are consolidated into the Group as if it was a wholly-owned subsidiary.

The Company engaged our PRC legal counsel to review the Contractual Arrangements. Based on the legal opinion of our PRC legal counsel, the Contractual Arrangements are valid, legally binding and enforceable under the current PRC laws.

APPRECIATION

Finally, I wish to take this opportunity to express my sincere gratitude to the Directors, management and staff for their contributions and good performance during the Period Under Review.

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

Hong Kong, 30 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	3		
Interest revenue		20,746	24,672
Service revenue		172	1,274
Total revenue		20,918	25,946
Other income		1,501	4,375
Other gains and losses		1,302	(2,351)
Operating expenses		(895)	(1,276)
Net impairment losses reversed	4	369	1,934
Administrative expenses		(3,992)	(4,644)
Finance costs		(52)	(107)
Profit before tax		19,151	23,877
Income tax expenses	5	(5,369)	(6,950)
Profit for the period attributable to owners of the Company	6	13,782	16,927
Other comprehensive (expense)/income			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(23)	1,608
Total comprehensive income for the period attributable to owners of the Company		13,759	18,535
Earnings per share (RMB cents)	8		
Basic		0.82	1.01
Diluted		0.82	1.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	764	763
Right-of-use assets	9	1,106	1,368
Deferred tax asset		971	1,063
Loan to a director	11	2,099	-
		4,940	3,194
Current assets			
Loan receivables	10	254,902	326,197
Other receivables and deposits		96	82
Bank balances and cash		913,265	827,661
		1,168,263	1,153,940
Current liabilities			
Accruals and other payables	12	101,911	4,391
Amount due to immediate holding company	13	-	94,693
Lease liabilities		487	524
Tax payable		2,800	2,980
		105,198	102,588
Net current assets		1,063,065	1,051,352
Total assets less current liabilities		1,068,005	1,054,546
Non-current liabilities			
Lease liabilities		423	723
Net assets		1,067,582	1,053,823
Capital and reserves			
Share capital	14	14,679	14,679
Reserves		1,052,903	1,039,144
Total equity		1,067,582	1,053,823

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (Note)	Capital reserve RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020 (audited)	14,679	198,794	71,954	172,301	5,560	(1,157)	547,664	1,009,795
Profit for the period	-	-	-	-	-	-	16,927	16,927
Exchange differences arising on translation of foreign operations	-	-	-	-	-	1,608	-	1,608
Total comprehensive income for the period	-	-	-	-	-	1,608	16,927	18,535
Appropriation to statutory reserve	-	-	1,823	-	-	-	(1,823)	-
At 30 June 2020 (unaudited)	14,679	198,794	73,777	172,301	5,560	451	562,768	1,028,330
At 1 January 2021 (audited)	14,679	198,794	75,794	172,301	5,560	(1,030)	587,725	1,053,823
Profit for the period	-	-	-	-	-	-	13,782	13,782
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(23)	-	(23)
Total comprehensive income for the period	-	-	-	-	-	(23)	13,782	13,759
Appropriation to statutory reserve	-	-	1,568	-	-	-	(1,568)	-
At 30 June 2021 (unaudited)	14,679	198,794	77,362	172,301	5,560	(1,053)	599,939	1,067,582

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	85,683	177,456
Income tax paid	(5,456)	(10,782)
NET CASH GENERATED FROM OPERATING ACTIVITIES	80,227	166,674
INVESTING ACTIVITIES		
Bank interest received	1,482	1,268
Loan advance to a director	(2,080)	-
Proceeds from disposal of property, plant and equipment	8	885
Payment for purchase of property, plant and equipment	(110)	(13)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(700)	2,140
FINANCING ACTIVITIES		
Loan advance from a director	4,743	-
Advance from immediate holding company	1,707	6,189
Repayment of advance from immediate holding company	(12)	(2,523)
Settlement of lease liabilities	(358)	(1,326)
NET CASH GENERATED FROM FINANCING ACTIVITIES	6,080	2,340
NET INCREASE IN CASH AND CASH EQUIVALENTS	85,607	171,154
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	827,661	588,113
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3)	5
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD AND REPRESENTED BY BANK BALANCES AND CASH	913,265	759,272

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL AND BASIS OF PREPARATION

(a) General

The condensed consolidated financial statements of China Art Financial Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) 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 Group’s condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

(b) Basis of preparation

The Company’s wholly-owned subsidiaries established in the PRC, 宜興市漢信信息技術服務有限公司 Yixing Hanxin Information Technology Service Co., Ltd. (“WFOE-Pawn”) and 宜興市紫玉信息技術服務有限公司 Yixing Ziyu Information Technology Service Co., Ltd. (“WFOE-Auction”), entered into two series of agreements with 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”), respectively, which constitute the contractual arrangements (the “Contractual Arrangements”) for art and asset pawn business, art and asset auction business, and art and asset sales business. The Contractual Arrangements effectively transfer the controls over economic benefits and pass the risks associated therewith of Hexin Pawn and Hexin Auction to WFOE-Pawn and WFOE-Auction respectively. The Contractual Arrangements with Hexin Pawn include: (i) Hexin Pawn composite services agreement, (ii) Hexin Pawn option agreement, (iii) Hexin Pawn proxy agreement, and (iv) Hexin Pawn equity pledge agreement; and the Contractual Arrangements with Hexin Auction include: (i) Hexin Auction composite services agreement, (ii) Hexin Auction option agreement, (iii) Hexin Auction proxy agreement, and (iv) Hexin Auction equity pledge agreement. Details of the Contractual Arrangements are set out in the section headed “Contractual Arrangements” of the prospectus of the Company dated 27 October 2016.

The Contractual Arrangements are irrevocable and enable the Group to:

- exercise effective financial and operational control over Hexin Pawn and Hexin Auction;
- exercise equity holders’ voting rights of Hexin Pawn and Hexin Auction;
- receive 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;
- obtain an irrevocable and exclusive right to purchase the entire equity interests in Hexin Pawn and Hexin Auction from all the equity holders of Hexin Pawn and Hexin Auction; and
- obtain a pledge over the entire equity interests of Hexin Pawn and Hexin Auction from all the equity holders of Hexin Pawn and Hexin Auction as collateral security under the Contractual Arrangements.

Pursuant to the Contractual Arrangements entered into between the Group and all the equity holders of Hexin Pawn and Hexin Auction, the Contractual Arrangements effectively transfer the controls over economic benefits and pass the risks associated therewith of Hexin Pawn and Hexin Auction to WFOE-Pawn and WFOE-Auction, respectively. Accordingly, Hexin Pawn and Hexin Auction are considered as indirect wholly-owned subsidiaries of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES

The Group's condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	COVID-19 - Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

The application of the amendments to HKFRSs in the current interim period has no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest revenue:		
Interest revenue from art and asset pawn business	20,746	24,672
Service revenue:		
Auction revenue from art and asset auction business	172	-
Agency service revenue from art and asset sales business	-	1,274
	172	1,274
Total	20,918	25,946

Interest revenue on loans to customers for art and asset pawn business is recognised using the effective interest method.

Auction revenue from art and asset auction business represents primarily buyer's and seller's commission from provision of art and asset auction services which is calculated at a percentage of hammer prices of the auction sales. Such revenue constitutes revenue from contracts with customers and is recognised at a point in time upon the fall of hammer when the Group transfers the promised auction services to the customers.

Agency service revenue from art and asset sales business is recognised at a point in time when the services are rendered which is the time when the Group concludes the contracts with the relevant buyers and sellers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

Disaggregation of revenue from contracts with customers for auction revenue from art and asset auction business

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
By type of asset		
Real properties	172	-
By geographical location		
The PRC, excluding Hong Kong	172	-

Disaggregation of revenue from contracts with customers for agency service revenue from art and asset sales business

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
By type of artwork		
Zisha artwork	-	1,274
By geographical location		
The PRC, excluding Hong Kong	-	1,274

The Group has no unsatisfied performance obligations as at the end of each reporting period.

Segment information

The segment information reported externally was analysed based on (i) art and asset pawn business, (ii) art and asset auction business, and (iii) art and asset sales business, which is consistent with the internal information that is regularly reviewed by the chief executive officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group by these business activities.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of certain other income, other gains and losses, central administrative costs and finance costs. Segment assets and liabilities are allocated to each segment excluding deferred tax asset, loans from/(to) a director, bank balances and cash, tax payable, unallocated corporate assets and liabilities, amount due to immediate holding company, and payable to the Assignee. 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 2021

3. REVENUE AND SEGMENT INFORMATION (Continued)

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	Art and asset sales business RMB'000	Total RMB'000
Six months ended 30 June 2021 (unaudited)				
Segment revenue	20,746	172	-	20,918
Segment costs	(731)	(164)	-	(895)
Net impairment losses reversed	369	-	-	369
Segment results	20,384	8	-	20,392
Other income				1,501
Other gains and losses				1,302
Central administrative expenses				(3,992)
Finance costs				(52)
Profit before tax				19,151
Six months ended 30 June 2020 (unaudited)				
Segment revenue	24,672	-	1,274	25,946
Interest income for artwork auction financing from art and asset auction business	-	3,107	-	3,107
Segment costs	(967)	(32)	(277)	(1,276)
Net impairment losses reversed	669	1,265	-	1,934
Segment results	24,374	4,340	997	29,711
Other income				1,268
Other gains and losses				(2,351)
Central administrative expenses				(4,644)
Finance costs				(107)
Profit before tax				23,877

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Segment assets and liabilities

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	Art and asset sales business RMB'000	Total RMB'000
As at 30 June 2021 (unaudited)				
Assets				
Segment assets	256,464	258	–	256,722
Unallocated assets				
Deferred tax asset				971
Loan to a director				2,099
Bank balances and cash				913,265
Corporate assets				146
Consolidated total assets				1,173,203
Liabilities				
Segment liabilities	983	159	–	1,142
Unallocated liabilities				
Tax payable				2,800
Loan from a director				4,770
Payable to the Assignee				95,310
Corporate liabilities				1,599
Consolidated total liabilities				105,621

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Segment assets and liabilities (Continued)

	Art and asset pawn business RMB'000	Art and asset auction business RMB'000	Art and asset sales business RMB'000	Total RMB'000
As at 31 December 2020 (audited)				
Assets				
Segment assets	327,832	384	-	328,216
Unallocated assets				
Deferred tax asset				1,063
Bank balances and cash				827,661
Corporate assets				194
Consolidated total assets				1,157,134
Liabilities				
Segment liabilities	2,323	917	-	3,240
Unallocated liabilities				
Amount due to immediate holding company				94,693
Tax payable				2,980
Corporate liabilities				2,398
Consolidated total liabilities				103,311

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

	Art and asset pawn business RMB'000	Art and asset auction business RMB'000	Art and asset sales business RMB'000	Total RMB'000
Six months ended 30 June 2021 (unaudited)				
Segment information included in the measure of segment results or assets:				
Additions to property, plant and equipment	110	-	-	110
Depreciation of property, plant and equipment	73	27	-	100
Depreciation of right-of-use assets	102	95	-	197
Six months ended 30 June 2020 (unaudited)				
Segment information included in the measure of segment results or assets:				
Additions to right-of-use assets	-	410	-	410
Additions to property, plant and equipment	13	-	-	13
Depreciation of property, plant and equipment	118	55	-	173
Depreciation of right-of-use assets	184	218	-	402

Geographical information

The following table sets out information about the geographical locations of the Group's revenue from external customers and specified non-current assets. The geographical location of the Group's revenue from external customers is based on the location of the Group's operations for art and asset pawn business, and the location of services rendered for art and asset auction business, and art and asset sales business. The Group's specified non-current assets comprise property, plant and equipment, and right-of-use assets, and the geographical location of these specified non-current assets is based on the physical location of these assets.

	Revenue from external customers		Non-current assets	
	Six months ended 30 June 2021	2020	As at 30 June 2021	As at 31 December 2020
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (audited)
The PRC, excluding Hong Kong (place of domicile)	20,918	25,946	1,562	1,655
Hong Kong	-	-	308	476
	20,918	25,946	1,870	2,131

Information about major customers

All external customers individually accounted for less than 10% of the Group's total revenue for the six months ended 30 June 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. NET IMPAIRMENT LOSS REVERSED

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net impairment losses reversed:		
Loans to customers for art and asset pawn business	369	670
Loans to customers for artwork auction financing from art and asset auction business	-	654
Net impairment losses reversed on loan receivables	369	1,324
Trade receivables for art and asset auction business	-	122
Other receivables from customers in respect of art and asset auction business	-	488
	369	1,934

The basis of determining the inputs and assumptions and the estimation techniques used for expected credit losses on financial assets in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")	5,277	6,523
Hong Kong Profits Tax	-	-
Deferred tax charge	5,277	6,523
	92	427
	5,369	6,950

Under the PRC EIT Law, the tax rate of the Company's subsidiaries established in the PRC was 25% for the six months ended 30 June 2021 and 2020.

No provision for Hong Kong Profits Tax was made during the six months ended 30 June 2021 and 2020 as the Group did not have assessable profits arising in Hong Kong during both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Directors' remuneration	385	305
Other staffs salaries and allowances	1,994	1,739
Retirement benefits scheme contributions, excluding those of directors	79	34
Total staff costs	2,458	2,078
Net foreign exchange (gains)/losses	(1,107)	1,943
Bank interest income	(1,482)	(1,268)
Interest income on loan to a director	(19)	-
Depreciation for property, plant and equipment	100	634
Depreciation of right-of-use assets	257	828
Interest income for artwork auction financing from art and asset auction business	-	(3,107)
Interest expenses on loan from a director	27	-
Interest expenses on lease liabilities	25	107
Loss on disposal of property, plant and equipment	-	157
Loss on write-off of property, plant and equipment	-	263

7. DIVIDEND

The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Profit for the period for the purpose of calculating basic and diluted earnings per share	13,782	16,927
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,678,000	1,678,000
Effect of dilutive potential ordinary shares from share options	-	-
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,678,000	1,678,000

No dilutive potential ordinary shares from share options was presented for the six months ended 30 June 2021 and 2020 as the exercise prices of the Company's outstanding share options were higher than the average market prices of the Company's ordinary shares during both periods.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group acquired property, plant and equipment amounting to RMB110,000 (six months ended 30 June 2020: RMB13,000).

The Group disposed of property, plant and equipment with net book value of RMB8,000 during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB1,042,000).

During the six months ended 30 June 2020, the Group entered into a lease agreement for leasing an office premise, and therefore recognised addition to right-of-use assets of RMB410,000 (six months ended 30 June 2021: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. LOAN RECEIVABLES

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Art and asset pawn loans to customers	258,784	330,448
Less: Impairment allowances	(3,882)	(4,251)
	254,902	326,197

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 has 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 to or within five days after, the maturity date of the loan period. The loans granted to customers carried a fixed interest rate of 24% (For the year ended 31 December 2020: fixed interest rates of 12% to 37%) per annum during the six months ended 30 June 2021. Art and asset pawn loans to customers were all denominated in RMB.

All art and asset pawn loans granted are backed by collateral as security. The principal collateral types for loans to customers are the artwork and other assets, mainly Zisha artworks, paintings and calligraphies. The Group is not permitted to sell or repledge the pawn assets in the absence of default by the customers. There have not been any significant changes in the quality of the collateral held.

The ageing analysis of art and asset pawn loans to customers (net of impairment allowances) by issue date of initial pawn tickets upon granting of the pawn loans is set out below:

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Within 1 month	118,964	118,613
1-3 months	93,323	168,371
3-6 months	42,615	39,213
Total	254,902	326,197

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

11. LOAN TO A DIRECTOR

Loan to a director, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name of director	As at	As at	Maximum amount outstanding during the six months ended 30 June 2021
	30 June 2021	31 December 2020	
	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (unaudited)
Mr. Fan Zhijun	2,099	-	2,099

The loan to a director is unsecured, interest bearing at 5% per annum and repayable on or before 25 April 2023.

12. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2021	As at 31 December 2020
	RMB'000 (unaudited)	RMB'000 (audited)
Accrued expenses	1,441	3,330
Payable to the Assignee (note 13)	95,310	-
Loan from a director (note)	4,770	-
Payables for purchase of property, plant and equipment	171	520
Other tax payables	194	516
Others	25	25
	101,911	4,391

Note:

Name of director	As at	As at
	30 June 2021	31 December 2020
	RMB'000 (unaudited)	RMB'000 (audited)
Ms. Lam Siu Mui	4,770	-

The loan from a director is unsecured, interest bearing at 4% per annum and repayable on or before 20 March 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

13. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

As at 31 December 2020, the amount due to Intelligenes Investment Co., Ltd, the Company's immediate holding company, was non-trade in nature, unsecured, interest-free and repayable on demand.

On 20 April 2021, the immediate holding company of the Company (the "Assignor") entered into a deed of assignment with an independent third party (the "Assignee") and the Company, in which the Assignor agreed to assign and the Assignee agreed to accept the assignment of (i) the facility granted by the Assignor to the Company, and (ii) all other present and future indebtedness owed by the Company or its subsidiaries to the Assignor subject to the terms and conditions set out in the deed of assignment. During the six months ended 30 June 2021, the amount due to immediate holding company of the Company amounting to HK\$114,541,000 (equivalent to approximately RMB95,310,000) was reclassified as a payable to the Assignee, which is non-trade in nature, unsecured, interest-free and repayable on demand.

14. SHARE CAPITAL

	Number of shares	Nominal value	
	'000	HK\$'000	Equivalent to RMB'000
<i>Ordinary shares of HK\$0.01 each</i>			
Authorised			
At 1 January 2020, 30 June 2020, 31 December 2020 and 30 June 2021	5,000,000	50,000	43,420
Issued and fully paid			
At 1 January 2020, 30 June 2020, 31 December 2020 and 30 June 2021	1,678,000	16,780	14,679

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

15. 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:

Date of grant	Exercise price	Vesting date	Exercisable period	Number of share options under the Scheme outstanding as at 1 January 2020, 30 June 2020, 31 December 2020 and 30 June 2021
2 June 2017	HK\$0.8	2 June 2017	2 June 2017 to 1 June 2022	8,000,000
2 June 2017	HK\$0.8	2 December 2017	2 December 2017 to 1 June 2022	8,000,000
2 June 2017	HK\$0.8	2 June 2018	2 June 2018 to 1 June 2022	7,000,000
				23,000,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. SHARE-BASED PAYMENTS (Continued)

No equity-settled share option expense was recognised for the six months ended 30 June 2021 and 2020 as all share options were vested in previous periods.

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

16. RELATED PARTY DISCLOSURES

Other than those disclosed in the condensed consolidated statement of financial position and other notes to the condensed consolidated financial statements, the Group also had the following significant transactions with its related parties.

(a) During the period, the Group entered into the following transactions with directors of the Company:

Name of director	Nature of transaction	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Mr. Fan Zhijun	Interest income on loan to a director	19	-
Mr. Fan Zhijun	Interest expenses on lease liabilities	-	99
Ms. Lam Siu Mui	Interest expenses on loan from a director	27	-

(b) Compensation of key management personnel

The remuneration of key management personnel during the period is as follows:

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Salaries and other benefits	1,455	935
Retirement benefit scheme contributions	36	20
	1,491	955

The remuneration of key management personnel is determined by reference to the performance of individuals and market trend.