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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Financial Highlights for the Year Ended 31 December 2018:

	For the year ended 31 December		
	2018	2017	Change
	RMB'000	*RMB'000*	%
Operating Results			
Revenue	**257,199**	276,499	(7)
Profit for the year	**137,287**	160,636	(15)
Basic earnings per share *(RMB cents)*	**8.58**	10.04	(15)
Dividend			
— Final dividend per share *(HK cents)*	**1.0**	2.0	(50)

BUSINESS REVIEW AND PLAN

Company Financial Performance

Our revenue for the year ended 31 December 2018 amounted to approximately RMB257.2 million, representing a year-on-year decrease of 7%. The revenue from art auction business and art pawn loan business have recorded decreases of 7% for both businesses.

Profit for the year for the year ended 31 December 2018 amounted to approximately RMB137.3 million, representing a year-on-year decrease of 15%.

Company Business Highlights

	Year ended 31 December		Change
Operating Information	**2018**	2017	%
Aggregate transaction value of art auction (RMB million)	**638**	764	(16)
Aggregate transaction value of spring auction (RMB million)	**243**	213	14
Aggregate transaction value of autumn auction (RMB million)	**229**	439	(48)
Aggregate transaction value of pure online auction (RMB million)	**129**	112	15
Aggregate transaction value of special collection auctions (RMB million)	**37**	–	–
Overall commission rate for art auction business (%)	**22**	19	3
Total new loan amount granted secured by artwork (RMB million)	**683**	708	(4)
Loan default rate (%)	**0**	0	–

Business Plan For 2019

The Company has planned to organize our spring auction in Yixing City and autumn auction in Shanghai in June and December 2019 respectively. Meanwhile, we are actively exploring to host an extra autumn auction in a first tier city in China. In addition, we plan to organise four pure online auctions in 2019. The Company will seek for merger and acquisition co-operation with suitable companies in art pawn loan and auction industry with synergy effects which can enhance overall strength in art finance services with the Company.

The board (the "**Board**") of directors (the "**Directors**") of China Art Financial Holdings Limited (the "**Company**") hereby announces the audited consolidated annual results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2018 (the "**Reporting Year**") together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
Revenue	4		
Interest revenue		**118,909**	128,475
Services revenue		**138,290**	148,024
Total revenue		**257,199**	276,499
Other income		**3,002**	1,463
Other gains and losses		**(1,944)**	(1,131)
Business tax and surcharges		**(1,878)**	(1,893)
Operating expenses		**(10,327)**	(18,710)
Impairment losses, net of reversal		**(3,685)**	(1,749)
Administrative expenses		**(47,444)**	(33,171)
Finance costs		**(32)**	(22)
Profit before tax		**194,891**	221,286
Income tax expense	5	**(57,604)**	(60,650)
Profit for the year		**137,287**	160,636
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,751)**	(161)
Profit and total comprehensive income for the year		**135,536**	160,475
Earnings per share (RMB cents)	7		
Basic		**8.58**	10.04
Diluted		**8.56**	10.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**4,155**	4,416
Deferred tax asset		**1,922**	1,633
		6,077	6,049
Current assets			
Loans to customers for art and asset pawn business	*8*	**396,927**	319,912
Trade receivables, other receivables and prepayments	*9*	**211,018**	344,100
Amount due from a director		**–**	150
Bank balances and cash		**571,596**	527,265
		1,179,541	1,191,427
Current liabilities			
Other payables and accruals	*10*	**250,770**	433,539
Amounts due to directors		**–**	100
Amounts due to related parties		**–**	88
Amount due to immediate holding company		**84,378**	23,196
Obligations under finance leases		**384**	115
Tax liabilities		**21,273**	22,118
		356,805	479,156
Net current assets		**822,736**	712,271
Total assets less current liabilities		**828,813**	718,320
Non-current liability			
Obligations under finance leases		**723**	400
		828,090	717,920
Capital and reserves			
Share capital		**13,995**	13,995
Reserves		**814,095**	703,925
Total equity		**828,090**	717,920

NOTES:

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Laws, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**HKSE**"). The addresses of the registered office, the principal place of business in Hong Kong and principal place of business in the People's Republic of China (the "**PRC**") of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, Room 1907, 19/F, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, Northern side of Jiefang East Road, Yicheng Street, Yixing City, Jiangsu Province, China, respectively.

The Company's immediate holding company and ultimate holding company are Intelligenesis Investment Co. Ltd. and Mauve Jade Investment Limited, respectively, both of which are limited companies incorporated in the British Virgin Islands (the "**BVI**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's wholly-owned subsidiaries, 宜興市漢信資訊技術服務有限公司 Yixing Hanxin Information Technology Service Co., Ltd. ("**WFOE-Pawn**") and 宜興市紫玉資訊技術服務有限公司 Yixin 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 ("**Hexin Pawn**") and 江蘇和信拍賣有限公司 ("**Hexin Auction**"), respectively, which constitute the contractual arrangements (the "**Contractual Arrangements**") for the art and asset pawn business and art and asset auction business respectively. These 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 "**Prospectus**").

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 interest in Hexin Pawn and Hexin Auction from the shareholders of Hexin Pawn and Hexin Auction; and
- obtain a pledge over the entire equity interest of Hexin Pawn and Hexin Auction from the shareholders of the Hexin Pawn and Hexin Auction as collateral security under the Contractual Arrangements.

Pursuant to the above Contractual Arrangements entered into between the Group and all the equity holders of Hexin Pawn and Hexin Auction, these 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The 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.

3.2 Application of HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 "Revenue from Contracts with Customers"

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

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

The Group recognises pawn loan revenue from art and asset pawn business and auction revenue from art and asset auction business.

Pawn loan revenue from art and asset pawn business represents interest revenue on loans to customers for art and asset pawn business recognised using the effective interest method, which falls outside the scope of HKFRS 15.

Auction revenue from art and asset auction business is recognised at a point in time under HKFRS 15 when customers obtain control of the auction services rendered by the Group, which is the same as the revenue recognition under HKAS 18. Accordingly, there is no material impact on the Group's opening retained profits upon initial application of HKFRS 15.

HKFRS 9 "Financial Instruments"

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

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

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

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

(i) Classification and subsequent measurement

Financial assets previously classified as loans and receivables under HKAS 39 are classified as financial assets at amortised cost under HKFRS 9. Financial liabilities at amortised cost under HKAS 39 will continue to be measured at amortised cost under HKFRS 9.

(ii) Impairment under ECL model

The Group applies HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including loans to customers for art and asset pawn business, other receivables and amount due from a director and bank balances, are measured on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional impairment loss on trade receivables in respect of art and asset auction business of RMB329,000 has been recognised against retained profits, which is charged against the balance through the use of an allowance account. Deferred tax arising on such additional impairment of RMB54,000 has been recognised against retained profits as at 1 January 2018.

The closing impairment allowances as at 31 December 2017 for loans to customers in respect of art and asset pawn business and trade receivables in respect of art and asset auction business can be reconciled to the opening impairment allowances as at 1 January 2018 as follows. None of the other financial assets have impairment allowances as at 31 December 2017 and 1 January 2018.

	Loans to customers for art and asset pawn business *RMB'000*	**Trade receivables** *RMB'000*
At 31 December 2017	6,529	–
Amount remeasured through opening retained profits	–	329
At 1 January 2018	6,529	329

Impact on opening consolidated statement of financial position arising from application of new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 *RMB'000* (audited)	HKFRS 9 *RMB'000*	**1 January 2018** ***RMB'000*** **(restated)**
Deferred tax asset	1,633	54	**1,687**
Trade receivables, other receivables and prepayments	344,100	(329)	**343,771**
Reserves — retained profits	703,925	(275)	**703,650**

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRs that have been issued but are not yet effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

4. REVENUE AND SEGMENT INFORMATION

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

	2018 *RMB'000*	2017 *RMB'000*
Interest revenue:		
Pawn loan revenue from art and asset pawn business	**118,909**	128,475
Services revenue:		
Auction revenue from art and asset auction business	**138,290**	148,024
Total	**257,199**	276,499

The segment information reported externally was analysed based on the art and asset pawn business and the art and asset auction business, which is consistent with the internal information that is regularly reviewed by the executive directors and chief executive 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 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 other income, other gains and losses, central administrative expenses and finance costs. Segment assets and liabilities are allocated to each segment excluding deferred tax asset, amount due from a director, bank balances and cash, certain other payables and accruals and amount(s) due to related parties, directors and immediate holding company. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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*
2018			
Segment revenue	**118,909**	**138,290**	**257,199**
Segment costs	**(1,189)**	**(9,138)**	**(10,327)**
Business tax and surcharges	**(896)**	**(982)**	**(1,878)**
Impairment losses, net of reversal	**2,390**	**(6,075)**	**(3,685)**
Segment results	**119,214**	**122,095**	**241,309**
Other income			**3,002**
Other gains and losses			**(1,944)**
Central administrative expenses			**(47,444)**
Finance costs			**(32)**
Profit before tax			**194,891**

	Art and asset pawn business	Art and asset auction business	Total
	RMB'000	*RMB'000*	*RMB'000*
2017			
Segment revenue	128,475	148,024	276,499
Segment cost	(2,982)	(15,728)	(18,710)
Business tax and surcharges	(990)	(903)	(1,893)
Impairment losses, net of reversal	(1,749)	–	(1,749)
Segment result	122,754	131,393	254,147
Other income			1,463
Other gains and losses			(1,131)
Central administrative expenses			(33,171)
Finance costs			(22)
Profit before tax			221,286

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	**Art and asset auction business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
2018			
Assets			
Segment assets	**245,562**	**366,538**	**612,100**
Other unallocated assets			
Deferred tax asset			**1,922**
Bank balances and cash			**571,596**
Consolidated total assets			**1,185,618**
Liabilities			
Segment liabilities	**7,157**	**263,354**	**270,511**
Other unallocated liabilities			
Other payables and accruals			**2,639**
Amount due to immediate holding company			**84,378**
Consolidated total liabilities			**357,528**

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

Other segment information

	Art and asset pawn business ***RMB'000***	**Art and asset auction business** ***RMB'000***	**Total** ***RMB'000***
2018			
Segment information included in the measure of segment results or assets:			
Additions of property, plant and equipment	**–**	**1,135**	**1,135**
Depreciation of property, plant and equipment	**830**	**566**	**1,396**
2017			
Segment information included in the measure of segment results or assets:			
Additions of property, plant and equipment	2,723	1,674	4,397
Depreciation of property, plant and equipment	995	226	1,221
Loss on disposals of property, plant and equipment	2	–	2

Geographical information

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

	Revenue from external customers		**Non-current assets (Note)**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**241,062**	255,903	**2,774**	2,780
Hong Kong	**16,137**	20,596	**1,381**	1,636
	257,199	276,499	**4,155**	4,416

Note: Non-current assets exclude deferred tax asset.

Information about major customers

There was no revenue from transactions with a single external customer that contributes over 10% or more of the Group's total revenue for the years reported.

5. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("EIT")	**57,839**	60,969
Hong Kong Profits Tax	**–**	119
	57,839	61,088
Deferred tax credit	**(235)**	(438)
	57,604	60,650

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 subsidiaries is 25% for both years.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits that arises in or is derived from Hong Kong during the year ended 31 December 2017. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2018 as the relevant subsidiaries in Hong Kong had no assessable profits.

6. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
2017 Final — HK2.0 cents (2017: 2016 Final — HK3.0 cents) per ordinary share	**25,799**	42,724
2016 Special — HK2.0 cents per ordinary share	**–**	28,484
	25,799	71,208

The Board recommends the payment of a final dividend for the year ended 31 December 2018 of HK1.0 cent (equivalent to RMB0.9 cent) (2017: HK2.0 cents, equivalent to RMB1.7 cents) per share (the "**Proposed Final Dividend**") amounting to HK$16,000,000 (2017: HK$32,000,000). The Proposed Final Dividend will be payable in cash. The aggregate amount of the final dividend (2017: final and special dividends) declared and paid during the year ended 31 December 2018 amounted to HK$32,000,000 (equivalent to RMB25,799,000) (2017: HK$80,000,000, equivalent to RMB71,208,000).

The Proposed Final Dividend for the year ended 31 December 2018 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and has not been recognised as liabilities at the end of the reporting period.

7. EARNINGS PER SHARE

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

	2018	2017
	RMB'000	*RMB'000*
Earnings:		
Profit for the year for the purpose of calculating basic and diluted earnings per share	**137,287**	160,636

	2018	2017
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,600,000,000**	1,600,000,000
Effect of dilutive potential ordinary shares on share options	**3,248,724**	3,361,653
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,603,248,724**	1,603,361,653

8. LOANS TO CUSTOMERS FOR ART AND ASSET PAWN BUSINESS

	2018	2017
	RMB'000	*RMB'000*
Art and asset pawn loans to customers, gross	**401,066**	326,441
Less: Impairment allowances	**(4,139)**	(6,529)
Art and asset pawn loans to customers, net	**396,927**	319,912

The art and asset pawn loans to customers are arising from the Group's art and asset pawn business. The loan periods granted to customers are normally within three months. At the maturity of the loan period, a borrower 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 provided to customers carry fixed interest rates ranging from 36% to 48% (2017: 32.4% to 48%) per annum during the year ended 31 December 2018. Loans to customers are 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 artworks 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.

Aging analysis of loans to customers

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**38,763**	88,800
2–3 months	**315,835**	172,690
3–6 months	**42,329**	58,422
Total	**396,927**	319,912

9. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2018	2017
	RMB'000	*RMB'000*
Trade receivables for art and asset auction business, gross	**42,593**	53,961
Less: Impairment allowances	**(710)**	–
Trade receivables for art and asset auction business, net	**41,883**	53,961
Other receivables and prepayments:		
Receivables from customers in respect of art and asset auction business	**167,535**	289,389
Other receivables and deposits	**1,600**	734
Prepayments	**–**	16
	169,135	290,139
Total	**211,018**	344,100

As at 31 December 2018 and 1 January 2018, trade receivables for art and asset auction business arise from contracts with customers which amounted to RMB41,883,000 and RMB53,632,000, respectively.

Buyers of artworks are required to settle the entire purchase price of the artworks within 7 days after the date of auction. An artwork will only be delivered to its buyer after full payment is settled. Net sale proceeds (being the hammer price after deducting the seller's commission and the personal income tax) will be paid to the seller subsequently. The commission income from buyer is recognised as trade receivables for art and asset auction business and the unsettled hammer price is recognised as other receivables from customers in respect of art and asset auction business.

The following is an aged analysis of gross amount of trade receivables for art and asset auction business presented based on the invoice dates.

	2018	2017
	RMB'000	*RMB'000*
Less than 60 days	**42,593**	53,961

10. OTHER PAYABLES AND ACCRUALS

	2018	2017
	RMB'000	*RMB'000*
Payables on behalf of customers in respect of art and asset auction business	**224,807**	405,835
Other payables for art and asset auction business	**377**	3,441
Accrued staff costs	**1,004**	1,675
Other tax payables	**13,143**	13,940
Security deposits received for auctions	**8,800**	4,293
Others	**2,639**	4,355
	250,770	433,539

After the purchase cost and all outstanding commission receivable from the buyer are fully settled, net sale proceeds (being the hammer price after deducting the seller's commission and the personal income tax) will be paid to the seller within 60 days from date of auction or receipt of settlement from buyer, whichever is later. 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 60 days after the date of auction services.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2018, the Group actively responded to the changes of the global and regional economic environment and took initiative to seek for new opportunity for market development. The Group's auction and pawn loan business segments achieved satisfying results. For the year ended 31 December 2018, the Group's revenue was approximately RMB257.2 million, representing an decrease of 7% from RMB276.5 million for the same period in 2017. The profit for the year was approximately RMB137.3 million, representing an decrease of 15% from RMB160.6 million for the same period in 2017.

Art Auction Business

The Group's art auction business continued to expand our geographic presence in China. During the Reporting Year, revenue from the art and asset auction segment of the Company was approximately RMB138.3 million, representing a decrease of 7% from RMB148.0 million for the same period last year. Profits of art and asset auction segment was RMB122.1 million, representing a decrease of 7% from RMB131.4 million for the same period last year.

During the Reporting Year, the Group held two spring auctions in Hong Kong and Yixing, autumn auction in Shanghai, four pure online art auctions and two special collection auctions. The aggregate transaction value (excluding buyer commission) amounted to RMB637.9 million, representing a decrease of approximately 17% from approximately RMB764.2 million for the same period last year.

In December 2018, the Group successfully organized its first autumn auction in Shanghai. The total hammer price for the auction lots (excluding buyer commission) reached RMB228.7 million. On top of the spring and autumn auctions, we held two special collection auctions in Yixing and Nanjing in 2018. With specific themes, we were able to attract collectors of the specific collections.

Since the launch of pure online art auctions in 2016, the Group has achieved continuing growth in the online platform. During the Reporting Year, the Company held four (2017: four) pure online art auctions. The total hammer price for the auction lots (excluding buyer commission) reached RMB129.2 million, representing an increase of approximately 16% from approximately RMB111.7 million for the same period last year.

Art and Asset Pawn Loan Business

Under the volatile market condition, we adopted a conservative attitude in granting credit during the year for risk management purpose. During the Reporting Year, revenue from the pawn loan segment was approximately RMB118.9 million, representing a decrease of 7% from RMB128.5 million for the same period last year. Profits of pawn loan segment was RMB119.2 million, representing a decrease of 3% from RMB122.8 million for the same period last year. As of 31 December 2018, the total amount of new loans granted by the Group amounted to approximately RMB683.8 million.

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

	Year ended 31 December				
	2018		2017		
	RMB'000	*%*	*RMB'000*	*%*	*% of change*
Art pawn loan revenue	**118,841**	**99.9**	122,763	95.6	(3)
Asset pawn loan revenue	**67**	**0.1**	5,712	4.4	(99)
Total	**118,909**	**100**	128,475	100	(7)

In 2018, approximately RMB683.4 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 31 December 2018, the Group charged fixed rates of monthly composite administrative fee for our pawn loan secured by artworks and personal property (both of which are classified as movable properties under the Pawning Measures), real estate and equity interest as collateral generally at the respective rate of 3.6%, 2.7% and 2.4% of the principal amount of the loan respectively.

	Year ended 31 December	
Loans secured by artwork	**2018**	2017
Total new loan amount granted (RMB'000)	**683,400**	708,270
Total number of new loans granted	**76**	109
Number of new loans renewed	**58**	65
Renewal ratio of new loan (%)	**76.3**	59.6
Average initial loan term (days)	**72**	69

	Year ended 31 December	
Loans secured by assets	**2018**	2017
Total new loan amount granted (RMB'000)	**360**	25,607
Total number of new loans granted	**49**	73
Number of new loans renewed	**41**	50
Renewal ratio of new loan (%)	**83.7**	68.5
Average initial loan term (days)	**42**	41

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 during the Reporting Year.

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 31 December 2018, the Group's loan default rate was 0%.

FINANCIAL REVIEW

Revenue

Our revenue for the year ended 31 December 2018 amounted to approximately RMB257.2 million, representing a year-on-year decrease of 7%, from approximately RMB276.5 million for the year ended 31 December 2017, primarily due to (i) the slight decrease in our art and asset auction revenue of approximately RMB9.7 million as a result of the outbreak of trade war between China and the United States adversely affecting the market sentiment during the year and (ii) the reduction of autumn auction from two autumn auctions in 2017 to one in 2018.

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

	Year ended 31 December		
	2018	2017	
	RMB'000	*RMB'000*	*% of change*
Art and asset auction business	**138,290**	148,024	(7)
Art and asset pawn business	**118,909**	128,475	(7)
Total	**257,199**	276,499	(7)

Business tax and surcharges

Our business tax and surcharges decreased by approximately 1%, from approximately RMB1.89 million for the year ended 31 December 2017 to approximately RMB1.88 million for the year ended 31 December 2018.

Operating expenses

Our operating expenses significantly decreased by approximately RMB8.4 million, or approximately 45%, from approximately RMB18.7 million for the year ended 31 December 2017 to approximately RMB10.3 million for the year ended 31 December 2018, primarily due to the reduction in equity-settled share option expense.

Impairment losses, net of reversal

For the year ended 31 December 2018, we recognised impairment losses, net of reversal of approximately RMB3.7 million primarily due to recognition of impairment loss of RMB3.2 million for trade receivables.

Administrative expenses

Our administrative expenses increased by approximately RMB14.2 million, or approximately 43%, from approximately RMB33.2 million for the year ended 31 December 2017 to approximately RMB47.4 million for the year ended 31 December 2018, primarily due to the enlarged operation scale in Hong Kong and Shanghai during the Reporting Year.

Other gains and losses

Our other gains and losses increased by approximately RMB0.8 million from the losses of approximately RMB1.1 million for the year ended 31 December 2017 to the losses of approximately RMB1.9 million for the year ended 31 December 2018, primarily due to the exchange loss arisen from the depreciation of RMB.

Reportable segment profit

As a result of the foregoing, reportable segment profit decreased by RMB12.8 million from RMB254.1 million for the year ended 31 December 2017 to RMB241.3 million for the year ended 31 December 2018.

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

	Year ended 31 December		
	2018	2017	
	RMB'000	*RMB'000*	*% of change*
Art and asset auction business	**122,095**	131,393	(7)
Art and asset pawn business	**119,214**	122,754	(3)
Segment result	**241,309**	254,147	(5)

Profit before tax

As a result of the foregoing, our profit before tax decreased by approximately RMB26.4 million, or approximately 12%, from approximately RMB221.3 million for the year ended 31 December 2017 to approximately RMB194.9 million for the year ended 31 December 2018.

Income tax expense

Our income tax expenses decreased by approximately RMB3.1 million, or approximately 5%, from approximately RMB60.7 million for the year ended 31 December 2017 to approximately RMB57.6 million for the year ended 31 December 2018, primarily due to a decrease in our Group's taxable income.

Profit and total comprehensive income for the year

Profit and total comprehensive income for the year decreased by approximately RMB25.0 million, or approximately 16%, from approximately RMB160.5 million for the year ended 31 December 2017 to approximately RMB135.5 million for the year ended 31 December 2018, primarily due to a decrease in profit for the year.

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. As of 31 December 2018, net working capital (calculated as current assets less current liabilities) was RMB822.7 million, representing an increase of RMB110.4 million as compared with RMB712.3 million as of 31 December 2017. The current ratios (calculated as current assets/current liabilities) are 3.3 times and 2.5 times as of 31 December 2018 and 31 December 2017 respectively.

The following table summarises the consolidated statement of cash flows for the two years ended 31 December 2018 and 2017:

	2018	2017
	RMB'000	*RMB'000*
Net cash from operating activities	**12,612**	116,274
Net cash from (used in) investing activities	**1,774**	(2,422)
Net cash from (used in) financing activities	**31,676**	(48,022)

As of 31 December 2018, the Group's total bank balances and cash increased by 8% to RMB571.6 million from RMB527.3 million as of 31 December 2017. As of 31 December 2018, the Group had obligations under finance leases amounting to approximately RMB1.1 million (2017: RMB0.5 million).

During the year, 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. The Group was not subject to any other material risk and amount due to immediate holding company directly relating to the foreign exchange fluctuation. For the year ended 31 December 2018, despite the depreciation of RMB against USD and HKD, the Directors expected any fluctuation of the RMB exchange rate would not materially and adversely affect the operations of the Group. The management will continue to monitor foreign currency exchange exposure and will take prudent measures to minimize the currency translation risk.

Gearing Ratio

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

Contingent Liabilities

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

Capital Expenditure

Our capital expenditures primarily comprised expenditures on property and equipment, which amounted to approximately RMB1.1 million and RMB4.4 million for the years ended 31 December 2018 and 2017 respectively.

Capital Commitment

As at 31 December 2018, the Group did not have material capital commitments.

Subsequent Event

No significant event took place subsequent to 31 December 2018.

Human Resources and Training

As of 31 December 2018, the Group had a total of 45 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 year ended 31 December 2018.

SHARE OPTION SCHEME

The share option scheme (the "**Share Option Scheme**") was adopted by ordinary resolution passed by the 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 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 at an exercise price of HK$0.80 per share to eligible grantees (the "**Grantees**"), primarily to provide incentives or rewards to the Grantees. 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 Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")). Among the 79,000,000 share options granted, 28,000,000, 28,000,000 and 23,000,000 share options vested on the date of grant, 2 December 2017 and 2 June 2018 respectively. Such grant of share options enabled 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. Subject to the terms of the Share Option Scheme, the share options granted are valid for a period of 5 years commencing from the date of grant. 56,000,000 share options were forfeited during the year ended 31 December 2017. The fair value of options granted was determined using the binomial option pricing model which amounted to approximately RMB19.4 million and RMB0.7 million was charged to profit or loss account of the Group during the Reporting Year.

Save as disclosed above, no share option was granted, exercised, cancelled or had lapsed under the Share Option Scheme during the Reporting Year. As at 31 December 2018, an aggregate of 23,000,000 share options in the shares of the Company were outstanding.

OUTLOOK AND PROSPECTS

In 2019, the trade dispute between China and the United States is expected to approach to the end together with China central government's "tax reduction and fee reduction" economic relief measurements proposed and completion of deleveraging in the first quarter of 2019. China's economy is expected to remain its stability under the improving market conditions. Leveraging on the strong and growing demands for mental consumption resulting from the expansion of the middle class in the Mainland, China's economy will be further driven to shift from investment-based to consumption-based, and the artwork market will therefore continue to be prosperous. In the future the development of, domestic art financial industry will remain steadily to grow and will keep optimizing its services to satisfy the growing materialized cultural needs of the public.

Auction Business

In the world of digitalization, the Group is considering to further explore the opportunities in the online auction market by enhancing the functionality of our online auction platform by development of artwork transaction database and artwork mall. Online auction platform provides an accessible market place for the collectors to review the collections available in the Group and draws the attention of potential buyers to our brand and auctions. The Group will continue to expand our auction lot composition to include more art categories with strong market demand. We intend to extend our business network and geographical presence in major cities in China. The Group will proactively contact and pay visit to clients and strive to negotiate with additional artwork artists to sign artwork production and consignment agreements with us at the same time so as to enhance our strong business relationship and expand the source of artworks for our auctions.

Pawn Loan Business

The Group is aware of strong demand on artwork auction financing and considering to develop a new financing option for our auctions. There is a strong demand for pre-auction and post-auction financing from the sellers and buyers. The Group can provide pre-auction financing for sellers of artwork and post-auction financing for buyers to leverage their purchase power, which will enhance the pawn loan business and facilitate the auction business volume.

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

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

USE OF NET PROCEEDS

On 8 November 2016, 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 31 December 2018, RMB89.4 million has been injected to PRC to increase the registered capital of Hexin Pawn. Approximately RMB32.1 million has been utilised in establishing branches in Hong Kong and Shanghai. Approximately RMB21.3 million has been utilised for general operation expenses. The remaining net proceeds of approximately RMB69.8 million were deposited with certain licensed financial institutions as of 31 December 2018.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK1.0 cent per share for the year ended 31 December 2018 (2017: HK2.0 cents) to the shareholders whose names appear on the register of members of the Company on 8 July 2019. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company (the "**AGM**"), the final dividend is expected to be payable on or about 29 July 2019. The aggregate amount shall be paid out of the Company's share premium account if the payment of the dividends is approved by the shareholders at the AGM.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held on Tuesday, 28 May 2019. To ascertain shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by 4:30 p.m. on Wednesday, 22 May 2019.

To ascertain the entitlement to the proposed final dividend for the year ended 31 December 2018, the register of members of the Company will be closed from Monday, 8 July 2019 to Wednesday, 10 July 2019 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend for the year ended 31 December 2018, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by 4:30 p.m. on Friday, 5 July 2019.

CORPORATE GOVERNANCE

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. Since the listing of the Company's shares on the Main Board of the Stock Exchange on 8 November 2016, the Company has continued to apply the principles set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules. For the year ended 31 December 2018, the Board is of the view that the Company has complied with all code provisions set out in the CG Code except Code A.6.7.

Code A.6.7 — Given that the independent non-executive directors and other non-executive directors should attend general meetings. Due to other pre-arranged business commitments which had to be attended, one independent non-executive Director was absent from the annual general meeting of the Company held on 18 May 2018; and one independent non-executive Director was absent from the extraordinary general meeting held on 7 September 2018. However, the other executive Directors and independent non-executive Directors had attended the general meetings to ensure effective communication with the Shareholders.

AUDIT COMMITTEE

An audit committee of the Board ("**Audit Committee**") has been established with written terms of reference to, among other matters, review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises all the independent non-executive Directors. The annual results of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2018.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles or the laws in Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

COMPLIANCE WITH THE QUALIFICATION REQUIREMENT

With the aim of fulfilling the qualification requirement as mentioned in our Prospectus (the "**Qualification Requirement**"), 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 2019, we plan to enhance the functions of our overseas website as a trading and promotional platform for Chinese artists especially for zisha artists. In the long run, our overseas website will be developed as an internet platform to support the future art auctions. Details of the Qualification Requirement are set out in the section headed "Contractual Arrangements" of the Prospectus.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code for the year ended 31 December 2018.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

DISCLOSURE UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the two years ended 31 December 2018 and 2017 included in this preliminary announcement of the annual results for the year ended 31 December 2018 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company will deliver the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnartfin.com.hk). The annual report for the year ended 31 December 2018 of the Company contains all the information required by the Listing Rules, which will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises (1) Mr. Fan Zhijun and Mr. Zhang Bin as the executive Directors and (2) Mr. Leung Shu Sun, Sunny, Mr. Liu Jian and Mr. Chu Xiaoliang as the independent non-executive Directors.