



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



2023

INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fan Zhijun (*Chairman*)

Mr. Liu Xudong (appointed on 7 February 2023)

Non-executive Director

Mr. Chen Yunwei

Independent Non-executive Directors

Mr. Leung Shu Sun Sunny

Mr. Liu Jian (resigned on 18 January 2023)

Ms. Shao Qiongqiong (appointed on 7 February 2023)

Ms. Yin Xuhong

COMPANY SECRETARY

Mr. Im Kai Chuen Stephen

AUTHORISED REPRESENTATIVES

Mr. Fan Zhijun

Mr. Im Kai Chuen Stephen

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Dawning House

145 Connaught Road Central

Sheung Wan

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

AUDITOR

Ascenda Cachet CPA Limited

LEGAL ADVISERS AS TO HONG KONG LAWS

Ince & Co

COMPANY'S WEBSITE

www.cnavartfin.com.hk

STOCK CODE

1572

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2023 (the “**Period Under Review**”), the international and domestic markets continued to experience extreme challenging situation. 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 Pawn Loan Business

During the Period Under Review, the revenue derived from the art and asset pawn loan business was approximately RMB6.2 million, representing a decrease of approximately 68.9% from approximately RMB19.9 million for the corresponding period last year. The decrease was due to the fact that the management continued to adopt a prudent and conservative attitude in granting pawn loans. Additionally, the PRC central bank had consistently lowered interest rates during the period, which has resulted in a decline in the market advantage of pawn loan business. Therefore, the total amount of the art and asset pawn loans was reduced, and the monthly composite administrative fees charged for pawn loans were reduced. The profits derived from art and asset pawn loan business was approximately RMB8.0 million, representing a decrease of approximately 62.1% from approximately RMB21.2 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. As results, the art and asset pawn loan business did not experience any default in the first half of 2023.

Art and Asset Auction Business

With the nationwide loosening the restriction of COVID-19 control measures and the reopening all borders in the PRC in early January 2023, the Group intends to organise more large scale auction and related activities, and the Group has been communicating with the PRC local government for the suitability of holding large scale auction and related activities. Meanwhile, the Group is actively looking for new auction formats. The Group intends to organise one to two more mid to large scale art auctions in the second half of 2023 to improve its revenue for Auction Business.

During the Period Under Review, the revenue from the art and asset auction business was approximately RMB112,000, representing an increase of approximately 83.6% from approximately RMB61,000 for the same period in 2022. Loss of art and asset auction business was approximately RMB273,000 (2022: RMB392,000). The decrease in loss was mainly due to the increase in revenue generated from this business during the period.

Art and Asset Sales Business

The Group proactively prepared for the sales of art and assets and performed well in the relevant preparatory work for the art and asset sales business.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately 68.4% to approximately RMB6.3 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 decrease in loan interest rate for the first half of 2023.

Other income

Our other income increased by approximately 3.2% to approximately RMB1.4 million for the Period Under Review as compared to the corresponding period last year, primarily due to increase in bank interest income during the Period Under Review.

Other net loss

Our other net loss amounted to approximately RMB0.2 million for the Period Under Review as compared to other net loss of approximately RMB0.3 million for the corresponding period last year, primarily due to the exchange losses arising from the depreciation of RMB during the Period Under Review.

Operating expenses

Our operating expenses decreased by approximately 8.4%, to approximately RMB0.8 million for the Period Under Review as compared to the corresponding period last year, primarily due to the decrease in staff costs for operating businesses.

Net impairment losses reversed

For the Period Under Review, the net impairment losses reversed was approximately RMB2.8 million, representing an increase by approximately RMB0.5 million as compared to the corresponding period last year.

Administrative expenses

Our administrative expenses increased by approximately 61.4% as compared to the corresponding period last year and was approximately RMB3.9 million for the Period Under Review, primarily due to the increase in legal and professional fees incurred for administrative purpose.

Reportable segment profit

As a result of the foregoing, the reportable segment profit decreased by approximately RMB13.0 million from approximately RMB20.7 million for the six months ended 30 June 2022 to approximately RMB7.7 million for the six months ended 30 June 2023.

Profit before tax

As a result of the foregoing, our profit before tax for the Period Under Review decreased by approximately 71.7% as compared to the corresponding period last year and amounted to approximately RMB5.6 million for the Period Under Review, primarily due to the decrease in revenue and increase in administrative expenses during the Period Under Review.

Income tax expenses

Our income tax expenses for the Period Under Review decreased by approximately 62.6% as compared to the corresponding period last year and amounted to approximately RMB2.2 million, primarily due to decrease in taxable profit for the Period Under Review.

Profit for the period

As a result of the foregoing, our profit for the Period Under Review decreased by approximately 75.6% as compared to the corresponding period last year and amounted to approximately RMB3.4 million for the six months ended 30 June 2023.

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 2023 and 2022:

	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Net cash generated from operating activities	248,496	139,178
Net cash generated from investing activities	1,436	3,135
Net cash generated from/(used in) financing activities	2,747	(292)

As at 30 June 2023, the Group's total bank balances and cash increased by 41.3% to approximately RMB865.1 million from approximately RMB612.4 million as at 31 December 2022, which was mainly due to the reduction in loan receivables. As at 30 June 2023 and 31 December 2022, 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 2023, 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

The gearing ratio, calculated on the basis of total interest bearing borrowings (including loan from a former director and amount due to a director) to equity (including all capital and reserves), was 0.9% (31 December 2022: 0.7%).

Contingent Liabilities

As at 30 June 2023 and 31 December 2022, the Group did not have any material contingent liabilities nor any other off-balance sheet commitments and arrangements.

Capital Expenditures

As at 30 June 2023 and 31 December 2022, the Group did not have capital expenditures on property, plant and equipment.

Capital Commitments

As at 30 June 2023 and 31 December 2022, the Group did not have material capital commitments.

Subsequent Event

Except as disclosed elsewhere in this report, there was no significant event taken place subsequent to 30 June 2023 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources and Training

As at 30 June 2023, the Group had a total of 23 employees (as at 31 December 2022: 28 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 2023. 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 2023 and revised allocation of the net proceeds from the IPO on the Date of Reallocation and the unutilised net proceeds as at 30 June 2023 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 2023
	<i>HK\$ million</i>	<i>% of net proceeds</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>% of revised allocation</i>	<i>HK\$ million</i>	
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 December 2023.

OUTLOOK AND PROSPECTS

Although the Group's revenue has a decrease of 68.4% during the Period Under Review as compared to the corresponding period last year, the Group is still making profits, recording profit before tax of approximately RMB5.6 million. The significant drop of the Group's revenue during the Period Under Review was adverse global financial market. Considering the economic environment in the PRC has shown signs of improvement, the Board plans to re-evaluate the marketing strategy for art and asset pawn business, formulate an operation plan that meets the market interest rate level, explores new customers and increases the pawn loan scale. At the same time, new types of art and asset auctions and the commencement of artwork trading are expected to have a positive impact on the Group's revenue in 2023.

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 2023, 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 Intelligenesis Investment Co., Ltd (the "Intelligenesis Inv"), which is owned as to 69.5% by Golden Sand Investment Company Limited (the "Golden Sand Inv"), which is in turn held as to 74.1% by Mauve Jade Investment Limited (the "Mauve Jade Inv"), which is in turn held as to 67.2% by Mr. Fan Zhijun and 32.8% by Ms. Fan Qinzhi. Ms. Fan Qinzhi is the daughter of Mr. Fan Zhijun.

OTHER INFORMATION

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%

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 2023, 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.

OTHER INFORMATION

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

As at 30 June 2023, 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%
Intelligenesis 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%
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%
Arab Osman Mohammed	Agent (Note 9)	1,000,384,000 (L)	59.62%
Lai Wing Lun	Agent (Note 9)	1,000,384,000 (L)	59.62%

OTHER INFORMATION

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.
- (9) Messrs Osman Mohammed Arab and Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited were appointed as joint and several receivers and managers on 1 August 2022 in respect of 1,000,384,000 ordinary shares of the Company pursuant to the relevant share charge.

Save as disclosed above, as at 30 June 2023, 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 (i.e. 1/6/2017)	Exercise price	Weighted average closing price of shares immediately before exercise date	Exercise period	Number of Options			
						As at 1 January 2022	Granted during the 6 months ended 30 June 2022	Lapsed during the 6 months ended 30 June 2022	As at 30 June 2022, 31 December 2022 and 30 June 2023
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)	-

During the six months ended 30 June 2022, all of the share options were lapsed.

Save as disclosed above, no other share option was granted, exercised, cancelled or 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), Ms. Shao Qionqiong and Ms. Yin Xuhong. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 has been reviewed by the audit committee. The audit committee has no disagreement with the accounting treatment adopted by the Company.

OTHER INFORMATION

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

Other than as disclosed above, during the six months ended 30 June 2023, 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 2023 (2022: 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 2023.

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 AND CHIEF EXECUTIVE OFFICER INFORMATION

The following is updated information of the directors and the chief executive officer required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Liu Jian has resigned his position as an independent non-executive Director with effect from 18 January 2023.
2. Mr. Liu Xudong was appointed as an executive Director with effect from 7 February 2023.
3. Ms. Shao Qiongqiong was appointed as an independent non-executive Director with effect from 7 February 2023.

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 2023.

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, 31 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3		
Interest revenue		6,195	19,892
Service revenue		112	61
Total revenue		6,307	19,953
Other income		1,436	1,392
Other net loss		(211)	(332)
Operating expenses		(755)	(824)
Net impairment losses reversed	4	2,767	2,276
Administrative expenses		(3,886)	(2,407)
Finance costs		(10)	(90)
Profit before tax		5,648	19,968
Income tax expenses	5	(2,213)	(5,918)
Profit for the period attributable to owners of the Company	6	3,435	14,050
Other comprehensive (expense)/income			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(200)	60
Total comprehensive income for the period attributable to owners of the Company		3,235	14,110
Earnings per share (RMB cents)	8		
Basic		0.20	0.84
Diluted		0.20	0.84

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		380	500
Right-of-use assets		409	511
Deferred tax asset		695	1,387
		1,484	2,398
Current assets			
Loan receivables	9	247,464	493,489
Other receivables		157	153
Tax recoverable		31	88
Bank balances and cash		865,098	612,418
		1,112,750	1,106,148
Current liabilities			
Accruals and other payables	10	15,751	13,147
Lease liabilities		217	212
Tax payable		1,375	1,308
		17,343	14,667
Net current assets		1,095,407	1,091,481
Total assets less current liabilities		1,096,891	1,093,879
Non-current liabilities			
Lease liabilities		-	223
Net assets		1,096,891	1,093,656
Capital and reserves			
Share capital	11	14,679	14,679
Reserves		1,082,212	1,078,977
Total equity		1,096,891	1,093,656

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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 2022 (audited)	14,679	198,794	78,615	172,301	5,560	(1,107)	610,267	1,079,109
Profit for the period	-	-	-	-	-	-	14,050	14,050
Exchange differences arising on translation of foreign operations	-	-	-	-	-	60	-	60
Total comprehensive income for the period	-	-	-	-	-	60	14,050	14,110
Transfer to retained profits upon lapse of share options	-	-	-	-	(5,560)	-	5,560	-
Appropriation to statutory reserve	-	-	1,646	-	-	-	(1,646)	-
At 30 June 2022 (unaudited)	14,679	198,794	80,261	172,301	-	(1,047)	628,231	1,093,219
At 1 January 2023 (audited)	14,679	198,794	80,696	172,301	-	(1,156)	628,342	1,093,656
Profit for the period	-	-	-	-	-	-	3,435	3,435
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(200)	-	(200)
Total comprehensive income for the period	-	-	-	-	-	(200)	3,435	3,235
Appropriation to statutory reserve	-	-	657	-	-	-	(657)	-
At 30 June 2023 (unaudited)	14,679	198,794	81,353	172,301	-	(1,356)	631,120	1,096,891

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 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	249,893	144,658
Income tax paid	(1,397)	(5,480)
NET CASH GENERATED FROM OPERATING ACTIVITIES	248,496	139,178
INVESTING ACTIVITIES		
Bank interest received	1,436	1,353
Repayment of loan to a director	-	1,782
NET CASH GENERATED FROM INVESTING ACTIVITIES	1,436	3,135
FINANCING ACTIVITIES		
Advance from a director	2,974	-
Settlement of lease liabilities	(227)	(292)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	2,747	(292)
NET INCREASE IN CASH AND CASH EQUIVALENTS	252,679	142,021
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	612,418	717,053
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1	4
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD AND REPRESENTED BY BANK BALANCES AND CASH	865,098	859,078

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2023

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 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the new and 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 2023 for the preparation of the Group's condensed consolidated financial statements:

The application of the new and 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	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest revenue:		
Interest revenue from art and asset pawn business	6,195	19,892
Service revenue:		
Auction revenue from art and asset auction business	112	61
Total	6,307	19,953

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

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.

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
By type of asset		
Materials	81	–
Commercial properties	31	–
Residential properties and car parks	–	61
	112	61
By geographical location		
The PRC, excluding Hong Kong	112	61

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

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 result from each segment without allocation of certain other income, other net loss, central administrative expenses and finance costs. Segment assets and liabilities are allocated to each segment excluding deferred tax asset, loan from a former director, amount due to a director, bank balances and cash, tax recoverable, tax payable, and unallocated corporate assets and liabilities. This is the measure reported to the chief operating decision maker for the purposes of resources 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	Art and asset sales business RMB'000	Total RMB'000
Six months ended 30 June 2023 (unaudited)				
Segment revenue	6,195	112	-	6,307
Segment costs	(915)	(385)	(124)	(1,424)
Net impairment losses reversed	2,767	-	-	2,767
Segment results	8,047	(273)	(124)	7,650
Other income				1,436
Other net loss				(211)
Central administrative expenses				(3,217)
Finance costs				(10)
Profit before tax				5,648

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Segment revenues and results (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
Six months ended 30 June 2022 (unaudited)				
Segment revenue	19,892	61	-	19,953
Segment costs	(956)	(453)	(126)	(1,535)
Net impairment losses reversed	2,276	-	-	2,276
Segment results	21,212	(392)	(126)	20,694
Other income				1,392
Other net loss				(332)
Central administrative expenses				(1,696)
Finance costs				(90)
Profit before tax				19,968

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2023 (unaudited)				
Assets				
Segment assets	248,246	164	-	248,410
Unallocated assets				
Deferred tax asset				695
Bank balances and cash				865,098
Tax recoverable				31
Consolidated total assets				1,114,234
Liabilities				
Segment liabilities	731	68	-	799
Unallocated liabilities				
Tax payable				1,375
Loan from a former director				7,069
Amount due to a director				3,273
Corporate liabilities				4,827
Consolidated total liabilities				17,343

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2022 (audited)				
Assets				
Segment assets	494,493	160	–	494,653
Unallocated assets				
Deferred tax asset				1,387
Bank balances and cash				612,418
Tax recoverable				88
Consolidated total assets				1,108,546
Liabilities				
Segment liabilities	1,188	718	–	1,906
Unallocated liabilities				
Tax payable				1,308
Loan from a former director				7,128
Amount due to a director				244
Corporate liabilities				4,304
Consolidated total liabilities				14,890

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2023				
(unaudited)				
Segment information included in the measure of segment results or assets:				
Depreciation of property, plant and equipment	120	-	-	120
Depreciation of right-of-use assets	102	-	-	102
Six months ended 30 June 2022				
(unaudited)				
Segment information included in the measure of segment results or assets:				
Depreciation of property, plant and equipment	126	5	-	131
Depreciation of right-of-use assets	102	63	-	165

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

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 2023	2022	As at 30 June 2023	As at 31 December 2022
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (audited)
The PRC, excluding Hong Kong (place of domicile)	6,307	19,953	789	1,011
Hong Kong	-	-	-	-
	6,307	19,953	789	1,011

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 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. NET IMPAIRMENT LOSS REVERSED

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net impairment losses reversed on loans to customers for art and asset pawn business	2,767	2,276

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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT") for the period	1,671	4,993
(Overprovision)/underprovision in respect of prior years	(150)	356
Deferred tax charge	1,521	5,349
	692	569
	2,213	5,918

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 2023 and 2022.

No provision for Hong Kong Profits Tax was made during the six months ended 30 June 2023 and 2022 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 2023

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Directors' remuneration	385	449
Other staffs salaries and allowances	682	934
Retirement benefits scheme contributions, excluding those of directors	107	60
Total staff costs	1,174	1,443
Net foreign exchange losses	211	369
Bank interest income	(1,436)	(1,353)
Interest income on loan to a director	-	(39)
Expenses relating to short term lease	100	35
Depreciation for property, plant and equipment	120	131
Depreciation of right-of-use assets	102	165
Interest expenses on loan from a former director	-	74
Interest expenses on lease liabilities	10	16

7. DIVIDEND

The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Profit for the period for the purpose of calculating basic and diluted earnings per share	3,435	14,050
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	1,678,000	1,678,000

Diluted earnings per share for the six months ended 30 June 2023 is the same as the basic earnings per share as the Company has no potential dilutive ordinary shares outstanding during the period.

Diluted earnings per share for the six months ended 30 June 2022 was the same as the basic earnings per share 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 that period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

9. LOAN RECEIVABLES

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Art and asset pawn loans to customers	250,246	499,038
Less: Impairment allowances	(2,782)	(5,549)
	247,464	493,489

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 and the maximum tenure of each loan is six months from the date of the loan initially granted. 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 effective interest rates ranging from 6% to 18% (For the six months ended 30 June 2022: effective interest rate of 18%) per annum during the six months ended 30 June 2023. 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 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Within 1 month	115,787	249,634
1-3 months	112,415	243,834
3-6 months	19,262	21
Total	247,464	493,489

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

10. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Accrued expenses	5,280	5,302
Loan from a former director (Note a)	7,069	7,128
Amount due to a director (Note b)	3,273	244
Other tax payables	99	412
Others	30	61
	15,751	13,147

Notes:

(a)

Name of former director	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Ms. Lam Siu Mui (" Ms. Lam ")	7,069	7,128

Ms. Lam resigned as the executive director of the Company on 21 March 2022 and was appointed as the Chief Executive Officer of the Company on 23 March 2022.

As at 31 December 2022, the loan from a former director was unsecured, interest free and repayable on or before 30 June 2023. During the six months ended 30 June 2023, Ms. Lam agreed to extend the repayable date of the loan to 30 June 2024.

(b) The amount due to Mr. Fan Zhijun, the director of the Company, is non-trade nature, unsecured, interest free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

11. 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 2022, 30 June 2022, 31 December 2022 and 30 June 2023	5,000,000	50,000	43,420
Issued and fully paid			
At 1 January 2022, 30 June 2022, 31 December 2022 and 30 June 2023	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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

12. 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 2022	Lapsed during the period	Outstanding as at 31 December 2022 and 30 June 2023
2 June 2017	HK\$0.8	2 June 2017	2 June 2017 to 1 June 2022	8,000,000	(8,000,000)	-
2 June 2017	HK\$0.8	2 December 2017	2 December 2017 to 1 June 2022	8,000,000	(8,000,000)	-
2 June 2017	HK\$0.8	2 June 2018	2 June 2018 to 1 June 2022	7,000,000	(7,000,000)	-
				23,000,000	(23,000,000)	-

During the six months ended 30 June 2022, all of the share options were lapsed.

No equity-settled share option expense was recognised for the six months ended 30 June 2022 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

13. 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	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Mr. Fan Zhijun	Interest income on loan to a director	-	39
Ms. Lam Siu Mui	Interest expenses on loan from a former director	-	74

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Salaries and other benefits	555	656
Retirement benefit scheme contributions	65	32
	620	688

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