

***Transcript of***  
***Takung Art Co., Ltd.***  
**Investor Conference Call**  
**September 28, 2016**

**OPERATOR:** Hello, and welcome to Takung Art Company's conference call. Your hosts this morning are Chairman and Chief Executive Officer Mr. Mike Xiao and Chief Financial Officer Mr. Leslie Chow. At the request of Takung, today's call is being recorded and will be available for replay on Takung's corporate website: [takungart.com](http://takungart.com). Through midnight, October 5, 2016, this recording will also be available by phone at 877-481-4010 for domestic callers, and 919-882-2331 for international callers, using confirmation number 10088. I would like to now inform all parties that your lines have been placed in a listen-only mode until the question-and-answer segment of this call begins. To ask a question in that segment, you will receive instructions from the operator. At this point, I would like to turn the call over to Mr. Rick Eisenberg, Managing Director of Public Relations with Asia IR-PR.

**RICK:** Thank you, operator. And thanks, everyone, for joining us on this call. Before we begin, I'd like to read you our Forward Looking Statements provision. "During today's conference call, company representatives may make forward-looking statements. Any statements made in this presentation about

future operating results or other future events are forward-looking statements under the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Please know that actual results achieved by the company may differ materially from such forward-looking statements. A discussion of factors that could cause such differences appears in the Risk Factors sections of the company's 10-K."

And now, Takung's CFO, Mr. Leslie Chow, will present an analysis of the company's ongoing expansion of trading activity and how it is contributing to Takung's profitable growth. After he finishes, both he and the company's CEO, Mike Xiao, will be answering your questions. With that, I'd like to turn the call over to Leslie.

**LESLIE:** Thank you, Rick, and thank you everyone for joining us this morning. Takung's shareholder base has grown steadily over the past two months, and we wanted to give all our shareholders the opportunity to go deeper into the mechanics of our trading platform and understand 1) why it has been so successful; 2) what controls we have in place to insure its smooth and orderly operation; and 3) how the number of traders and trading activity are being grown and managed to secure the company's long-term profitable growth and success.

First, the positive impact of Takung's novel approach to shared-art-ownership may seem obvious from the total trading transactions we have been reporting on a monthly basis. In our second full year of operations – calendar 2015 – transactions totaled \$2.3 *billion* US dollars. As impressive as this number was, monthly transaction growth began to accelerate even more rapidly in the current year, and we reported almost \$1 Billion last month alone. With these kinds of results, I would like to address some questions we have received about how and why the Takung platform has been so successful.

As many of you know, in the early years of this century, China's fine art market began to gain wide popularity, and by 2008 had surpassed the U.S. as the world's largest. Last year, though, due to a slowing of the Chinese economy, its art market contracted by about 23%. And the same trend seems to have continued in the first half of 2016. This tells us, of course, that many prospective buyers of fine art lost some of the financial resources necessary to purchase these artworks. However, at the end of 2015, the average disposable annual income of a Chinese household had increased more than *fifteen fold* since 1990. What does this tell us? Simply, that although the majority of these households lacked the disposable income necessary to purchase a whole piece of fine art, they could be able to purchase *partial* ownership in pieces of fine art.

So Takung has provided this opportunity: an online trading platform that offers safety, liquidity and a diverse collection of valuable works of art and precious gems. At the same time, our platform gives artists and art owners access to tens of thousands of investors -- far more than they would likely be able to reach by exhibiting in galleries or auction houses.

Nearly three years after the launch of this platform, we have not seen any meaningful competition – which has enabled the Takung brand to get *stronger and stronger*. Which brings us to the next topic – the integrity and reliability of the platform itself, and how it drives Takung's revenue and profit.

First, we are very proud of the fact that, since our platform was first launched in December 2013, there has been an over-subscription from traders on *every one* of our 152 artwork listings. This is strong indication of how popular the listings have been; and, due to this strong demand, the price on each listing has usually appreciated rapidly after being listed. What's been the cumulative effect of this rise in price? In the last year, the total value of our online portfolio has appreciated over 700 percent -- far outperforming the broad Chinese art market as well as most other investment opportunities.

To prevent excessive speculation, however, Takung has implemented certain trading rules to curb “over-heating.” First, none of Takung’s platform traders are permitted to have margin accounts. Each trader can only buy units up to the cash value in his or her account. There is no margin or loans against purchases. However, we do offer immediate settlement on all trades, so new units of art ownership *can* be purchased with proceeds from a sale of other units, but only *after* the sales transaction has been completed.

Second, we impose a daily price fluctuation limit of 10% for both upward and downward movements for trading in all of our listed artwork units, except for the first day of listing, on which there is an 80 percent price limit. Additionally, in order to minimize the trading impact occurring from a “block trade,” the maximum trading quantity of artwork units for each order cannot exceed five percent of the total artwork units offered for sale. And the real-time cumulative net purchase volume or the real-time cumulative net sales volume of artwork units for a trader on a single trading day shall not exceed five percent of the total artwork units offered for sale.

Now, I would like to address the platform technology itself.. At the beginning of 2016, our platform was transacting buy and sell orders of about 15 million units per day. ; *Now* it is handling about 50 million units per day. That’s a

significant increase, and it's a huge credit to our technology team that the constant surge in trading activity, which includes immediate same-day settlements in customer accounts, has occurred day-in and day-out with few glitches and no major interruptions in service. We made this possible by making sizeable investments in people and technology, implementing critical controls to develop a product and services platform that is best-in-class and, and made sure our customers were satisfied

Having said all this, let's turn our attention to the people who really serve as our backbone: *the traders* on our platform and how their numbers have grown. When we listed our first piece of fine art, *The One Hundred*, back in December 2013, we had only a handful of traders. Today, our platform has attracted tens of thousands of active traders. And the rate at which we are adding them is accelerating. For example, we had an average monthly increase of about 3,700 traders for the first eight months of this year – but so far this month, we have added 9,100 traders; and we are expecting to add more than 10,000 traders in each month for the rest of this year. Plus, we've gone from having about 10 artwork listings on our platform at the end of 2014 to 152 listings today! So, with these impressive increases in numbers of traders, units trading daily, and numbers of listings, Takung is of course enjoying corresponding increases in listing and trading commission revenue.

Now... How far can we take these increases? We believe that, in light of 1) current positive word-of-mouth growth trends; 2) China's growing middle class and its interest in art ownership; and 3) our marketing program introducing our platform to new traders throughout China and other nations into which we will be expanding, that Takung has the ability to grow its trader population to one million within a few years.

Let me tell you a bit more about this marketing program. It has two major components: The first is holding seminars in key population areas of China. The second component, which incentivizes both outside parties and traders, is our service agent program. Service agents are organizations that bring traders onto the Takung platform to register, and then educate them on the trading rules and products on the platform and encourage them to trade. In return, the company rebates to the service agent a pre-determined percentage of commission generated from the traders they have referred – which historically has ranged from 30% to 60% - according to the number of traders the agents bring to the platform and their trading activity. The traders, in turn, receive rebates on their trading commissions depending upon how many other traders they bring onto the platform, and those traders' trading activity. As of today, we are working actively with 24 service agents, all based in different parts of

China.

As a further incentive to attract newcomers to the platform, some initial units of upcoming listings are allocated to newly registered traders. And we recently rolled out the “Traders Encouragement Policy,” which states that if a trader engages in a certain level of trading within a specified period of time – then in the next round of an artwork listing application - additional lottery numbers will be assigned to him or her in order to increase the likelihood of being allocated initial listing units.

So, bottom line, our investment in sales and marketing has been extremely successful in promoting the Takung brand in China, driving listing and commission revenue, and giving us a huge head-start on potential competition. And, as you can see from virtually all of our metrics, we are achieving these objectives at a very rapid rate.

Before taking questions, on behalf of Mike Xiao and the board and our entire executive staff, I want to thank all our shareholders for your continued support, interest and trust. We are exceptionally proud of what Takung has accomplished, and as time goes on, we expect to further demonstrate that our shared-art-ownership model is the right product at the right time in a part of



the world which is fertile ground for the hundreds of millions of middle-class citizens who are appropriate candidates for this type of investment opportunity. Thank you.

**Operator**

We'll go first to the site of Arthur Bellis.

**Q:** Does the company have any plans to take the securities and the stock on a known exchange?

**Leslie Chow – Chief Financial Officer**

Since Takung started trading as a public company, one of management's objectives has been to pursue a listing on one of the national exchanges. Now, after putting appropriate corporate governance in place and having Marcum LLP, a worldwide respected auditing firm as Takung's auditor, we have begun active discussions with one of the major exchanges to list.

**Q:** Is there any projected timing for the results?

**Leslie Chow – Chief Financial Officer**

Unfortunately, we will not be able to project any kind of timings on this process, but our discussions have been going pretty well at the moment. That's basically all that I can say for now.

**Operator**

We'll go next to the site of Mike Edwards.

**Q:** On this issue of listing on an exchange, are your committees in order and all your corporate governance so that you actually could list once the exchange thinks you're qualified?

**Leslie Chow – Chief Financial Officer**

In terms of the corporate governance requirements, we have a board of five people and three of them are independent directors. We also have set up the audit committee, corporate governance committee and also the compensation committee. So we have all the committees in place and it has been working wonderfully for us. We are basically having audit committee calls at least every quarter and we have been able to tap into the knowledge of our audit committee in terms of different kind of

accounting issues and also disclosure issues. So it has been working very well for us as a company to assist us with everything that we have to deal with, the US banks or markets.

**Operator**

It appears we have no further questions at this time. I would like to turn the call back to Mr. Leslie Chow for closing remarks.

**LESLIE:** On behalf of Mike Xiao and our entire management team, I'd like to

thank you all for coming onto this morning's call. If you have any further

questions for us, please feel free to email me at [leslie.chow@takungae.com](mailto:leslie.chow@takungae.com).

Thanks again, and we look forward to sharing additional news with you going forward.