

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-38036

TAKUNG ART CO., LTD

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

26-4731758

(I.R.S. Employer Identification No.)

Flat/RM 03-04 20/F Hutchison House 10 Harcourt Road, Central, Hong Kong

(Address of principal executive offices) (Zip Code)

+852 3158 0977

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of shares of common stock issued and outstanding as of August 11, 2017 is 11,188,882.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

TAKUNG ART CO., LTD AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Stated in U.S. Dollars except Number of Shares)

	June 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 15,547,604	\$ 13,395,337
Restricted cash	19,020,425	21,743,360
Account receivables, net	2,509,428	3,058,568
Prepayment and other current assets	1,140,497	968,446
Loan receivables	6,680,115	6,374,046
Total current assets	44,898,069	45,539,757
Non-current assets		
Property and equipment, net	2,074,072	2,065,182
Intangible assets	20,409	20,546
Deferred tax assets	266,515	243,772
Other non-current assets	416,517	428,764
Total non-current assets	2,777,513	2,758,264
Total assets	\$ 47,675,582	\$ 48,298,021
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Current liabilities		
Accrued expenses and other payables	\$ 992,784	\$ 608,883
Customer deposits	19,020,425	21,743,360
Advance from customers	16,560	360,248
Short-term borrowings from third parties	6,244,811	6,308,513
Amount due to related party	1,024,918	1,031,805
Tax payables	865,267	549,897
Total current liabilities	28,164,765	30,602,706
Deferred tax liabilities	51,759	62,618
Total non-current liabilities	51,759	62,618
Total liabilities	28,216,524	30,665,324
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock (1,000,000,000 shares authorized; \$0.001 par value; 11,188,882 shares issued and outstanding as of June 30, 2017; 11,169,276 shares issued and outstanding as of December 31, 2016)	11,189	11,169
Additional paid-in capital	5,852,488	5,532,426
Retained earnings	14,292,329	13,172,671
Accumulated other comprehensive loss	(696,948)	(1,083,569)
Total stockholders' equity	19,459,058	17,632,697
Total liabilities and stockholders' equity	\$ 47,675,582	\$ 48,298,021

The accompanying notes are an integral part of these consolidated financial statements.

TAKUNG ART CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Stated in U.S. Dollars except Number of Shares)
(UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017 <u>(Unaudited)</u>	2016 <u>(Unaudited)</u>	2017 <u>(Unaudited)</u>	2016 <u>(Unaudited)</u>
Revenue				
Listing fee revenue	\$ 843,205	\$ 3,002,474	\$ 3,151,151	\$ 5,197,538
Commission revenue	1,803,212	926,789	3,473,825	2,070,260
Gross management fee revenue	272,420	431,584	564,971	560,075
Annual fee revenue	236	268	719	429
Authorized agent subscription revenue	-	322,158	-	643,741
Total revenue	<u>2,919,073</u>	<u>4,683,273</u>	<u>7,190,666</u>	<u>8,472,043</u>
Cost of revenue	<u>(267,508)</u>	<u>(275,416)</u>	<u>(530,167)</u>	<u>(537,483)</u>
Gross profit	<u>2,651,565</u>	<u>4,407,857</u>	<u>6,660,499</u>	<u>7,934,560</u>
Operating expenses:				
General and administrative expenses	(2,238,889)	(1,770,351)	(4,812,280)	(3,331,724)
Selling expenses	<u>(310,332)</u>	<u>(703,366)</u>	<u>(647,859)</u>	<u>(1,341,575)</u>
Income from operations	<u>102,344</u>	<u>1,934,140</u>	<u>1,200,360</u>	<u>3,261,261</u>
Other income and expenses:				
Other income	141,853	99,887	254,211	150,530
Loan interest expense	(153,812)	-	(303,703)	-
Exchange gain (loss)	228,014	(538,006)	348,951	(418,550)
Total other income (loss)	<u>216,055</u>	<u>(438,119)</u>	<u>299,459</u>	<u>(268,020)</u>
Income before provision for income taxes	318,399	1,496,021	1,499,819	2,993,241
Provision for income taxes	<u>(72,280)</u>	<u>(379,178)</u>	<u>(380,161)</u>	<u>(780,346)</u>
Net income	<u>\$ 246,119</u>	<u>\$ 1,116,843</u>	<u>\$ 1,119,658</u>	<u>\$ 2,212,895</u>
Foreign currency translation adjustment	<u>252,094</u>	<u>(3,934)</u>	<u>386,621</u>	<u>8,150</u>
Comprehensive income	<u>\$ 498,213</u>	<u>\$ 1,112,909</u>	<u>\$ 1,506,279</u>	<u>\$ 2,221,045</u>
Earnings per common share– basic	<u>\$ 0.02</u>	<u>\$ 0.11</u>	<u>\$ 0.10</u>	<u>\$ 0.21</u>
Earnings per common share– diluted	<u>0.02</u>	<u>0.10</u>	<u>0.10</u>	<u>0.20</u>
Weighted average number of common shares outstanding-basic	<u>11,188,882</u>	<u>10,632,276</u>	<u>10,963,724</u>	<u>10,632,276</u>
Weighted average number of common shares outstanding-diluted	<u>11,416,886</u>	<u>11,311,385</u>	<u>11,716,288</u>	<u>11,232,989</u>

The accompanying notes are an integral part of these consolidated financial statements.

TAKUNG ART CO., LTD AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(Stated in U.S. Dollars)
(UNAUDITED)

	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Cash flows from operating activities:		
Net income	\$ 1,119,658	\$ 2,212,895
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	347,906	239,700
Changes in exchange rate	(206,399)	539,986
Stock-based compensation	320,082	659,774
Amortization of prepaid interest expense	161,604	1,663
Changes in operating assets and liabilities:		
Account receivables	549,140	(551,839)
Deposit	-	104,079
Prepayment	(159,804)	349,671
Other non-current assets	-	(196,199)
Restricted cash	2,722,935	(9,481,227)
Due from director	-	502
Customer deposits	(2,722,935)	9,481,227
Advance from customer	(343,688)	260,353
Deferred tax assets	(22,743)	(49,709)
Deferred tax liabilities	(10,859)	(45,037)
Tax payable	315,370	309,536
Accrued expenses and other payables	383,901	259,138
Net cash provided by operating activities	2,454,168	4,094,513
Cash flows from investing activities:		
Purchase of property and equipment	(343,670)	(884,555)
Purchase of held-to-maturity investments	-	(9,780,466)
Purchase of available-for-sales investment	(35,991,917)	-
Maturity and redemption of available-for-sales investment	35,991,917	-
Loan to third parties	(3,608,264)	-
Repayment from loan to third parties	3,456,109	-
Net cash used in investing activities	(495,825)	(10,665,021)
Effect of exchange rate change on cash and cash equivalents	193,924	(104,339)
Net increase in cash and cash equivalents	2,152,267	(6,674,847)
Cash and cash equivalents, beginning balance	13,395,337	10,769,456
Cash and cash equivalents, ending balance	\$ 15,547,604	\$ 4,094,609
Supplemental cash flows information:		
Cash paid for interest	\$ 284,560	\$ -
Cash paid for income tax	\$ -	\$ 563,021

The accompanying notes are an integral part of these consolidated financial statements.

TAKUNG ART CO., LTD AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars except Number of Shares)
(UNAUDITED)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Takung Art Co., Ltd and Subsidiaries (“Takung”, the “Company”, “we”, “us” and “our”), a Delaware corporation (formerly Cardigant Medical Inc.) through Hong Kong Takung Assets and Equity of Artworks Exchange Co., Ltd. (“Hong Kong Takung”), a Hong Kong company and our wholly owned subsidiary, operates an electronic online platform located at www.takungae.com for artists, art dealers and art investors to offer and trade in valuable artwork.

Hong Kong Takung was incorporated in Hong Kong on September 17, 2012 and operates an electronic online platform for offering and trading artwork. For the period from September 17, 2012 (inception) to December 31, 2012, there was no operation except the issuance of shares for subscription receivable. We generate revenue from our services in connection with the offering and trading of artwork on our system, primarily consisting of listing fees, trading commissions, and management fees. We conduct our business primarily in Hong Kong, People’s Republic of China.

Takung (Shanghai) Co., Ltd (“Shanghai Takung”) is a limited liability company, with a registered capital of \$1 million, located in the Shanghai Pilot Free Trade Zone. Shanghai Takung was incorporated on July 28, 2015. It is engaged in providing services to its parent company Hong Kong Takung by receiving deposits from and making payments to online artwork traders of Takung for and on behalf of Takung.

Shanghai Takung set up a new office in Hangzhou, PRC on November 20, 2016 for technology development. Takung Cultural Development (Tianjin) Co., Ltd (“Tianjin Takung”) is a limited liability company, with a registered capital of \$1 million located in Pilot Free Trade Zone. Tianjin Takung was incorporated on January 27, 2016.

Tianjin Takung provides technology support services to Hong Kong Takung and Shanghai Takung and also carries out marketing and promotion activities in mainland China.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated balance sheet as of December 31, 2016, which has been derived from audited financial statements, and the unaudited interim consolidated financial statements as of June 30, 2017 and for the three months ended and six months ended June 30, 2017 and 2016 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and disclosures, which are normally included in financial statements prepared in accordance with U.S. GAAP, have been condensed or omitted pursuant to such rules and regulations, although the management believes that the disclosures made are adequate to provide for fair presentation. The interim financial information should be read in conjunction with the Financial Statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, previously filed with the SEC.

This basis of accounting involves the application of accrual accounting and consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The Company's financial statements are expressed in U.S. dollars.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of the Company's consolidated financial position as of June 30, 2017, its consolidated results of operations and cash flows for the six-month periods ended June 30, 2017 and 2016, as applicable, have been made. The interim results of operations are not necessarily indicative of the operating results for the full fiscal year or any future periods.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amount of revenues and expenses during the reporting periods. Actual results could differ materially from those results.

Foreign Currency Translation and Transaction

The functional currency of Hong Kong Takung and Shanghai Takung are the Hong Kong Dollar ("HKD").

The functional currency of Tianjin Takung is the Renminbi ("RMB").

The reporting currency of the Company is the United States Dollar ("USD").

Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting periods. Exchange differences arising on the settlement of monetary items and on re-translation of monetary items at period-end are included in income statement of the period.

For the purpose of presenting these financial statements, the Company's assets and liabilities with functional currency of HKD are expressed in USD at the exchange rates on the balance sheet dates, which are 7.8055 and 7.7534 as of June 30, 2017 and December 31, 2016 respectively; stockholder's equity accounts are translated at historical rates, and income and expense items are translated at the weighted average exchange rates during the periods, which are 7.7740 and 7.7671 for the six months ended June 30, 2017 and 2016 respectively. For Renminbi currency, the Company's assets and liabilities are expressed in USD at the exchange rate on the balance sheet dates, which is 6.7793 and 6.9430 as of June 30, 2017 and December 31, 2016 respectively; stockholder's equity accounts are translated at historical rates, and income and expense items are translated at the weighted average exchange rates during the periods, which is 6.8716 and 6.5352 for the six months ended June 30, 2017 and 2016 respectively.

The resulting translation adjustments are reported under accumulated other comprehensive gain in the stockholder's equity section of the balance sheets.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Gains or losses on dispositions of property and equipment are included in operating income or expense. Major additions, renewals and betterments are capitalized, while maintenance and repairs are expensed as incurred.

Depreciation and amortization are provided over the estimated useful lives of the assets using the straight-line method from the time the assets are placed in service.

We develop systems solutions for solely internal use. Certain costs incurred in connection with developing or obtaining internal use software are capitalized. Unamortized capitalized costs are included in computer trading and clearing system, within property and equipment, net in the Consolidated Balance Sheets. Capitalized software costs are amortized on a straight-line basis over the estimated useful lives of the software of 5 years. Amortization of these costs is included in depreciation and amortization expense in the Consolidated Statements of Income.

Estimated useful lives are as follows, taking into account the assets' estimated residual value:

Classification	Estimated useful life
Furniture, fixtures and equipment	5 years
Leasehold improvements	Shorter of the remaining lease terms and the estimated 3 years
Computer trading and clearing system	5 years

Concentration of customers

There are no revenues from customers that individually represent greater than 10% of the total revenues during six-month period ended June 30, 2017 and 2016.

Recent Accounting Pronouncements

Revenue Recognition: In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers: Topic 606* (ASU 2014-09), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for us in our first quarter of fiscal 2018 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09 (full retrospective method); or (ii) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU 2014-09 (modified retrospective method). We are currently assessing the impact to our consolidated financial statements, and have not yet selected a transition approach.

Disclosure of Going Concern Uncertainties: In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (ASU 2014-15), to provide guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for us in our fourth quarter of fiscal 2017 with early adoption permitted. We do not believe the impact of our pending adoption of ASU 2014-15 on the Company's financial statements will be material.

Financial instrument: In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is not permitted. Accordingly, the standard is effective for us on September 1, 2018. We are currently evaluating the impact that the standard will have on our consolidated financial statements.

Leases: In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-2”), which provides guidance on lease amendments to the FASB Accounting Standard Codification. This ASU will be effective for us beginning in May 1, 2019. We are currently in the process of evaluating the impact of the adoption of ASU 2016-2 on our consolidated financial statements.

Stock-based Compensation: In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (ASU 2016-09). ASU 2016-09 changes how companies account for certain aspects of stock-based awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for us in the first quarter of 2018, and earlier adoption is permitted. We are still evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

Financial Instruments - Credit Losses: In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): The amendments in this Update require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The amendments broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The use of forecasted information incorporates more timely information in the estimate of expected credit loss, which will be more decision useful to users of the financial statements. ASU 2016-13 is effective for the Company for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is allowed as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is still evaluating the effect that this guidance will have on the Company’s consolidated financial statements and related disclosures.

Statement of Cash Flows: In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): The amendments in this Update apply to all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230. The amendments in this Update provide guidance on the following eight specific cash flow issues. The amendments are an improvement to GAAP because they provide guidance for each of the eight issues, thereby reducing the current and potential future diversity in practice described above. ASU 2016-15 is effective for the Company for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is still evaluating the effect that this guidance will have on the Company’s consolidated financial statements and related disclosures.

Statement of Cash Flows: In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): “Restricted Cash” (“ASU 2016-18”). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This update is effective in fiscal years, including interim periods, beginning after December 15, 2017 and early adoption is permitted. The adoption of this guidance will result in the inclusion of the restricted cash balances within the overall cash balance and removal of the changes in restricted cash activity, which are currently recognized in Other financing activities, on the Statements of Consolidated Cash Flows. Furthermore, an additional reconciliation will be required to reconcile Cash and cash equivalents and restricted cash reported within the Consolidated Balance Sheets to sum to the total shown in the Statements of Consolidated Cash Flows. The Company anticipates adopting this new guidance effective January 1, 2018. The Company is currently evaluating this guidance and the impact it will have on the Consolidated Financial Statements and disclosures.

Business Combination: In January 2017, the FASB issued Accounting Standards Update No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* (ASU 2017-01), which revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. This guidance will be effective for us in the first quarter of 2018 on a prospective basis, and early adoption is permitted. We do not expect the standard to have a material impact on our consolidated financial statements.

Stock-based Compensation: In May 2017, the FASB issued ASU No. 2017-09, “Compensation—Stock compensation (Topic 718): Scope of modification accounting” (“ASU 2017-09”). The purpose of the amendment is to clarify which changes to the terms or condition of a share-based payment award require an entity to apply modification accounting. For all entities that offer share based payment awards, ASU 2017-09 are effective for interim and annual reporting periods beginning after December 15, 2017. The Company is currently assessing the impact of ASU 2017-09 on its condensed consolidated financial statements.

Except for the ASU above, in the period from January 1, 2017 to August 2017, the FASB has issued ASU No. 2017-01 through ASU 2017-011, which are not expected to have a material impact on the consolidated financial statements upon adoption.

3. PREPAYMENT AND OTHER CURRENT ASSETS

Prepayment and other current assets mainly consist of the prepaid services for development, maintenance of online trading system, the advertising and promotional services, prepaid financial advisory and banking services, as well as other current assets. The prepayment was \$1,140,497 and \$968,446 as of June 30, 2017 and December 31, 2016, respectively.

	June 30, 2017	December 31, 2016
	(Unaudited)	
Advertising and promotional services	536,470	296,163
Prepaid professional fee	185,937	-
Prepaid rental expense	145,009	60,822
Prepaid insurance	102,805	31,082
Prepaid maintenance of trading system	50,017	17,514
Staff advance	4,790	28,806
Prepaid financial advisory and banking services	97,884	201,808
Short-term borrowings to third party	-	259,254
Other current assets	17,585	72,997
Prepayment and other current assets	<u>\$ 1,140,497</u>	<u>\$ 968,446</u>

4. ACCOUNT RECEIVABLES, NET

Account receivables consisted of the following:

	June 30, 2017	December 31, 2016
	(Unaudited)	
Listing fee	\$ 434,309	\$ 1,403,255
Authorized agent subscription revenue	924,751	995,453
Monthly commission fee	1,096,223	605,677
Others	54,145	54,183
Less: allowance for doubtful accounts	-	-
Account receivables, net	<u>\$ 2,509,428</u>	<u>\$ 3,058,568</u>

5. LOAN RECEIVABLES

The following table sets forth a summary of the loan agreements in loan receivables balance:

<u>Date</u>	<u>Borrower</u>	<u>Lender</u>	<u>Original Amount (RMB)</u>	<u>June 30, 2017 (USD)</u> (Unaudited)	<u>December 31, 2016 (USD)</u>	<u>Annual Interest Rate</u>	<u>Repayment Due Date</u>
7/15/2016	Xiaohui Wang	Shanghai Takung	10,080,000	\$ -	\$ 1,451,822	0%	3/31/2017
8/24/2016	Xiaohui Wang	Shanghai Takung	13,350,000	\$ -	\$ 1,922,800	0%	3/31/2017
11/14/2016	Xiaohui Wang	Shanghai Takung	10,275,000	\$ 1,515,643	\$ 1,479,908	0%	10/31/2017
12/9/2016	Xiaohui Wang	Tianjin Takung	10,550,000	\$ 1,556,208	\$ 1,519,516	0%	11/30/2017
1/4/2017	Xiaohui Wang	Tianjin Takung	24,461,505	\$ 3,608,264	\$ -	0%	12/31/2017
			Total	\$ 6,680,115	\$ 6,374,046		

All the transactions were aimed to meet the Company's working capital needs in US Dollars.

- The interest-free loans (the "RMB Loans") that Shanghai Takung and Tianjin Takung entered were guaranteed by Chongqing Wintus (New Star) Enterprises Group ("Chongqing"). Xiaohui Wang ("Ms. Wang") is a national of the People's Republic of China. Ms. Wang is a shareholder and the legal representative of Chongqing. Both Chongqing and Ms. Wang are the non-related parties to the Company.
- In the meantime, Hong Kong Takung entered into loan agreements (the "US Dollar Loans") with Merit Crown Limited, a Hong Kong company ("Merit Crown") with interest accruing at a rate of 8% per annum (See Note 8). Merit Crown is a non-related party to the Company.

Through an understanding between Ms. Wang and Merit Crown, the US Dollar Loans are "secured" by the RMB Loans. It is the understanding between the parties that when the US Dollar Loans are repaid, the RMB Loans will be repaid at the same time.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	June 30, 2017	December 31, 2016
	(Unaudited)	
Furniture, fixtures and equipment	\$ 149,378	\$ 100,386
Leasehold improvements	352,086	298,965
Computer trading and clearing system	3,054,061	2,802,430
Sub-total	3,555,525	3,201,781
Less: accumulated depreciation	(1,481,453)	(1,136,599)
Property and equipment, net	<u>\$ 2,074,072</u>	<u>\$ 2,065,182</u>

Depreciation expense was \$179,764 and \$136,727 for the three months ended June 30, 2017 and 2016, respectively, and \$347,906 and \$239,700 for the six months ended June 30, 2017 and 2016, respectively.

7. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables as of June 30, 2017 and December 31, 2016 consisted of:

	June 30, 2017	December 31, 2016
	(Unaudited)	
Trading and clearing system	\$ 89,664	\$ 61,735
Accruals for professional fees	98,037	49,952
Accruals for consulting fees	299,869	290,773
Accruals for rental	47,006	7,613
Payroll payables	355,100	141,022
Accruals for business trip expense	29,606	-
Other payables	73,502	57,788
Total accrued expenses, account & other payables	<u>\$ 992,784</u>	<u>\$ 608,883</u>

8. SHORT-TERM BORROWINGS FROM THIRD PARTIES

The following table sets forth a summary of the loan agreements in loan receivables balance:

<u>Date</u>	<u>Borrower</u>	<u>Lender</u>	<u>Original Amount (HKD)</u>	<u>June 30, 2017 (USD) (Unaudited)</u>	<u>December 31, 2016 (USD)</u>	<u>Annual Interest Rate</u>	<u>Repayment Due Date</u>
7/15/2016	Hong Kong Takung	Merit Crown Limited	11,700,000	\$ 1,498,943	\$ 1,509,015	8%	12/31/2017
8/24/2016	Hong Kong Takung	Merit Crown Limited	15,596,100	\$ 1,998,091	\$ 2,011,518	8%	12/31/2017
11/18/2016	Hong Kong Takung	Merit Crown Limited	11,479,102	\$ 1,470,643	\$ 1,480,525	8%	10/31/2017
12/9/2016	Hong Kong Takung	Merit Crown Limited	11,787,600	\$ 1,510,166	\$ 1,520,314	8%	11/30/2017
	Less: Discount loan payable			\$ 233,032	\$ 212,859		
			Total	\$ 6,244,811	\$ 6,308,513		

The US Dollar Loans are to provide Hong Kong Takung with sufficient US Dollar-denominated currency to meet its working capital requirements. It is “secured” by the aforementioned RMB Loans (See Note 5) of equivalent amount by its subsidiary to an individual and guarantor affiliated with the lender of the US Dollar Loans. It is the understanding between the parties that when the US Dollar Loans are repaid, the RMB Loans will similarly be repaid.

The weighted average interest rate of outstanding short-term borrowings was 8% per annum as of June 30, 2017 and December 31, 2016. The fair values of the short-term borrowings approximate their carrying amounts. The weighted average short-term borrowing was \$6,244,811 and \$1,678,803 for the six months period ended June 30, 2017 and year ended December 31, 2016, respectively. The interest expenses for the short-term borrowings were \$131,564 and \$0 for the three months ended June 30, 2017 and 2016, respectively and \$261,121 and \$0 for the six months ended June 30, 2017 and 2016, respectively.

9. RELATED PARTY BALANCES AND TRANSACTIONS

The following is a list of related parties to which the Company has transactions with:

- (a) Jianping Mao (“Mao”), the wife of the Vice General Manager of Hong Kong Takung.

Amount due to related party

Amount due to related party consisted of the following as of the periods indicated:

	<u>June 30, 2017 (Unaudited)</u>	<u>December 31, 2016</u>
Mao (a)	\$ 1,024,918	\$ 1,031,805
Total	<u>1,024,918</u>	<u>1,031,805</u>

Related party transactions

There were no significant transactions with related parties during six months ended June 30, 2017 and 2016.

10. INCOME TAXES

United States of America

As of June 30, 2017 and December 31, 2016, the Company in the United States had \$3,603,591 and \$2,212,890 in net operating loss carried forward available to offset future taxable income, respectively. Federal net operating losses can generally be carried forward twenty years. The federal corporate net operating loss carryover is expired in 20 taxable years following the taxable year of the loss.

The Company believes that it is more likely than not that these net accumulated operating losses will not be utilized in the future. Therefore, the Company has provided a full valuation allowance for the deferred tax assets arising from the losses at the U.S. during the six months ended June 30, 2017 and year ended December 31, 2016 amounting to \$1,267,451 and \$962,012, respectively. Accordingly, the Company has no net deferred tax assets under the US entity.

Hong Kong

The provision for current income taxes of the subsidiary operating in Hong Kong has been calculated by applying the current rate of taxation of 16.5% for the six months ended June 30, 2017 and 2016, if applicable.

PRC

In accordance with the relevant tax laws and regulations of the PRC, a company registered in the PRC is subject to income taxes within the PRC at the applicable tax rate on taxable income. All the PRC subsidiaries were subject to income tax at a rate of 25%.

The income tax provision consists of the following components:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current	\$ 63,765	\$ 473,294	\$ 413,763	\$ 876,927
Deferred	8,515	(94,116)	(33,602)	(96,581)
Total Provision for Income Taxes	<u>\$ 72,280</u>	<u>\$ 379,178</u>	<u>\$ 380,161</u>	<u>\$ 780,346</u>

A reconciliation between the Company's actual provision for income taxes and the provision at the statutory rate is as follow:

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Income before income tax expense	\$ 318,399	\$ 1,496,021	\$ 1,499,819	\$ 2,993,241
Computed tax expense with statutory tax rate	52,537	246,843	247,472	493,885
Impact of different tax rates in other jurisdictions	(8,506)	(89,725)	(161,600)	(231,889)
Non-deductible items:				
Tax effect of non-deductible expenses	164,382	(26,317)	184,900	21,625
Previous years unrecognized taxation effect	(196,050)	-	(196,050)	-
Changes in valuation allowance	59,917	248,377	305,439	496,725
Total Provision for Income Taxes	<u>\$ 72,280</u>	<u>\$ 379,178</u>	<u>\$ 380,161</u>	<u>\$ 780,346</u>

11. COMMITMENTS AND CONTINGENCIES

Operation Commitments

The total future minimum lease payments under the non-cancellable operating lease with respect to the office and the dormitory as of June 30, 2017 are payable as follows:

Six months ending December 31, 2017	\$ 466,764
Year ending December 31, 2018	660,002
Year ending December 31, 2019	161,672
Year ending December 31, 2020	14,751
Year ending December 31, 2021	14,751
Year ending December 31, 2022 and thereafter	52,242
Total	<u>\$ 1,370,182</u>

Rental expense of the Company was \$203,607 and \$111,987 for the three months ended June 30, 2017 and 2016, respectively, and \$428,154 and \$228,926 for the six months ended June 30, 2017 and 2016, respectively.

12. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted-average number of common shares and dilutive potential common shares outstanding during the period.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Numerator:				
Net income	\$ 246,119	1,116,843	\$ 1,119,658	2,212,895
Denominator:				
Weighted-average shares outstanding				
Weighted-average shares outstanding - Basic	<u>11,188,882</u>	<u>10,632,276</u>	<u>10,963,724</u>	<u>10,632,276</u>
Stock options and restricted shares	228,004	679,109	752,564	600,713
Weighted-average shares outstanding - Diluted	<u>11,416,886</u>	<u>11,311,385</u>	<u>11,716,288</u>	<u>11,232,989</u>
Earnings per share				
-Basic	<u>0.02</u>	<u>0.11</u>	<u>0.10</u>	<u>0.21</u>
-Diluted	<u>0.02</u>	<u>0.10</u>	<u>0.10</u>	<u>0.20</u>

Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock.

There were dilutive effects of 487,000 shares for the six months period ended June 30, 2017 and 2016. The 487,000 restricted shares of Common Stock (the "Compensation Shares") related to the Consulting Agreement with Regeneration Capital Group, LLC ("Regeneration") were placed in an escrow account and were subject to Regeneration's performance condition. The shares were released from escrow account and transferred to Regeneration since the Company successfully listed on NYSE on March 22, 2017.

13. SUBSEQUENT EVENT

The Company evaluated and concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with our financial statements and related notes thereto.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and other reports filed by us from time to time with the Securities and Exchange Commission (collectively the “Filings”) contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, our management as well as estimates and assumptions made by our management. When used in the filings the words “anticipate”, “believe”, “estimate”, “expect”, “future”, “intend”, “plan” or the negative of these terms and similar expressions as they relate to us or our management identify forward-looking statements. Such statements reflect the current view of our management with respect to future events and are subject to risks, uncertainties, assumptions and other factors as they relate to our industry, our operations and results of operations, and any businesses that we may acquire. Should one or more of the events described in these risk factors materialize, or should our underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned.

Although we believe that the expectations reflected in the forward looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the U.S. federal securities laws, we do not intend to update any of the forward-looking statements to conform them to actual results. The following discussion should be read in conjunction with our pro forma financial statements and the related notes that will be filed herein.

Overview

We were incorporated in Delaware under the name Cardigant Medical Inc. on April 17, 2009. Our initial business plan was to focus on the development of novel biologic and peptide based compounds and enhanced methods for local delivery for the treatment of vascular disease including peripheral artery disease and ischemic stroke.

Hong Kong Takung is a limited liability company incorporated on September 17, 2012 under the laws of Hong Kong, Special Administrative Region, China. Although Takung was incorporated in 2012, it did not commence business operations until late 2013.

As a result of the transfer of the excluded assets pursuant to the Contribution Agreement and the acquisition of all the issued and outstanding shares of Hong Kong Takung, we are no longer conducting the Cardigant Business and have now assumed Hong Kong Takung's business operations as it now our only operating wholly-owned subsidiary.

Hong Kong Takung operates an electronic online platform located at <http://eng.takungae.com> for artists, art dealers and art investors to offer and trade in valuable artwork.

Through Hong Kong Takung, we offer on-line listing and trading services that allow artists/art dealers/owners to access a much bigger art trading market where they can engage with a wide range of investors that they might not encounter without our platform. Our platform also makes investment in high-end and expensive artwork more accessible to ordinary people without substantial financial resources.

We generate revenue from our services in connection with the offering and trading of artwork on our system, primarily consisting of listing fees, trading commissions, management fees and authorized agent subscription.

On July 28, 2015, Hong Kong Takung incorporated a wholly owned subsidiary, Takung (Shanghai) Co., Ltd. ("Shanghai Takung"), in Shanghai Free-Trade Zone (SFTZ) in Shanghai, China, with a registered capital of \$1 million. Shanghai Takung is engaged in providing services to its parent company Hong Kong Takung by receiving deposits from and making payments to online artwork traders for and on behalf of Hong Kong Takung.

On January 27, 2016, Hong Kong Takung incorporated another subsidiary, Takung Cultural Development (Tianjin) Co., Ltd ("Tianjin Takung"), a limited liability company, with a registered capital of \$1 million in Tianjin Pilot Free Trade Zone in Tianjin, People's Republic of China. Tianjin Takung provides technology development services to Hong Kong Takung and Shanghai Takung, and also carries out marketing and promotion activities in mainland China.

Recently Shanghai Takung set up an office in Hangzhou to carry out technology development.

Since July 28, 2016, we have expanded access to our trading platform to residents of Russia, Mongolia, Australia and New Zealand – our first major expansion of operations outside of China. To further stimulate trading interest, we have added selected portfolios from these countries to our platform, which now numbers 199 artworks including three Russian painting portfolios and fifteen Mongolian paintings.

Our headquarters are located in Hong Kong, Special Administrative Region, People's Republic of China and we conduct our business primarily in Hong Kong, Shanghai and Tianjin. Recently, we set up a new office in Hangzhou to conduct technology development. Our principal executive offices are located at Flat/RM 03-04, 20/F, Hutchison House, 10 Harcourt Road, Central Hong Kong.

Our common stock began trading on the NYSE American under the symbol "TKAT" on March 22, 2017.

Results of Operation of Takung

The following discussion should be read in conjunction with the unaudited consolidated Financial Statements of the Company for the three-month and six-month period ended June 30, 2017 and 2016 and related notes thereto.

THREE-MONTH PERIOD ENDED JUNE 30, 2017 COMPARED TO THREE-MONTH PERIOD ENDED JUNE 30, 2016

Revenue

The following tables set forth our consolidated statements of income data:

	Three Months Ended	
	June 30,	
	2017	2016
	(Unaudited)	(Unaudited)
Revenue	\$ 2,919,073	\$ 4,683,273
Cost of revenue	(267,508)	(275,416)
Selling expense	(310,332)	(703,366)
General and administrative expense	(2,238,889)	(1,770,351)
Total costs and expenses	(2,816,729)	(2,749,133)
Income from operations	102,344	1,934,140
Interest and other income (loss), net	216,055	(438,119)
Income before provision for income taxes	318,399	1,496,021
Provision for income taxes	(72,280)	(379,178)
Net income	\$ 246,119	\$ 1,116,843

The following tables set forth our consolidated statements of income data (as a percentage of revenue):

	Three Months Ended	
	June 30,	
	2017	2016
	(Unaudited)	(Unaudited)
Revenue	100%	100%
Cost of revenue – Direct revenue	(9)	(6)
Selling expense	(11)	(15)
General and administrative expense	(76)	(38)
Total costs and expenses	(96)	(59)
Income from operations	4	41
Interest and other income (loss), net	6	(9)
Income before provision for income taxes	10	32
Provision for income taxes	(2)	(8)
Net income	8%	24%

Listing fee revenue was \$843,205 and \$3,002,474; commission revenue was \$1,803,212 and \$926,789; gross management fee revenue was \$272,420 and \$431,584; annual fee revenue was \$236 and \$268; authorized agent subscription revenue was \$0 and \$322,158 for the three months ended June 30, 2017 and 2016, respectively.

(i) *Listing fee revenue*

Listing fee revenue is calculated based on a percentage of the listing value and transaction value of artworks.

Listing value is the total offering price of an artwork when the ownership units are initially listed on our trading platform. We utilize an appraised value as a basis to determine the appropriate listing value for each artwork, or portfolio of artworks.

During the three months ended June 30, 2017, there were 2 pieces of painting, 7 pieces of precious stones and 5 pieces of jewelry listed on our platform. Their total listing values were \$514,537 (HK\$4,000,000) for the 2 pieces of painting, \$1,029,073 (HK\$ 8,000,000) for the 7 pieces of precious stones and \$295,859 (HK\$2,300,000) for the 5 pieces of jewelry, of which 46%-47% (for the 2 pieces of painting), 41.9%-47% (for the 7 pieces of precious stones) and 41%-45% (for the 5 pieces of jewelry) of the listed values were charged as listing fees, respectively.

Compared to the corresponding period ended June 30, 2016, there were 7 pieces of painting, 32 pieces of precious stones, 3 pieces of jewelry, 2 pieces of antique mammoth ivory carvings, 6 pieces of amber, and 2 pieces of porcelain painting in pastel successfully listed on our system. The total listing values were \$1,416,229 (HK\$11,000,000) for the 7 pieces of painting, \$3,128,580 (HK\$24,300,000) for the 32 pieces of precious stones, \$502,118 (HK\$3,900,000) for the 3 pieces of jewelry, \$386,244 (HK\$3,000,000) for 2 pieces of antique mammoth ivory carvings, \$1,673,726 (HK\$13,000,000) for 6 pieces of amber, and \$334,745 (HK\$2,600,000) for 2 pieces of porcelain painting in pastel, of which 48% (for the 7 pieces of painting), 30%-32.5% (for the 32 pieces of precious stones), 45%-46% (for the 3 pieces of jewelry), 47% (for the 2 pieces of antique mammoth ivory carvings), 45%-46% (for the 6 pieces of amber), and 45%-46% (for 2 piece of porcelain painting in pastel) of the listed values were charged as listing fees, respectively.

The decrease in number of pieces listed, listing values and corresponding listing fees charged during the three months ended June 30, 2017 compared to the same period ended June 30, 2016 resulted in a decrease in listing fee revenue in the current period. The decrease in number of pieces listed was due to a new listing category ("A-tier") implemented on July 3, 2017. A-tier is aim to meet an elevated set of standards including higher levels of liquidity, market value, number of owners and number of VIP traders. Therefore, some artworks were deferred its listing until July.

(ii) *Commission fee revenue*

For non-VIP Traders, the commission revenue was calculated based on a percentage of transaction value of artworks, which we charge trading commissions for the purchase and sale of the ownership shares of the artworks. The commission is typically 0.3% of the total amount of each transaction, but as an initial promotion, we currently charge a reduced fee of 0.2% (resulting in an aggregate of 0.4% for both buy and sell transactions) of the total transaction amount with the minimum charge of \$0.13 (HK\$1). The commission is accounted for as revenue and immediately deducted from the proceeds from the sales of artwork units when a transaction is completed.

For selected VIP Traders, we ran a discount program for them starting from April 1, 2015, when their trading volumes of the certain artworks reached an agreed level in each month, a contractually determined flat rate of trading commission was applied to the transactions of these certain artworks. Any trading commission charges incurred by the VIP Traders over the flat rate would be waived. The discounted rate varied between selected artworks. This discount program ended on March 31, 2016.

For selected Traders, starting from April 1, 2016, we charged a predetermined monthly fee (unlimited trades for specific artworks) for specific artworks. These Traders are selected by authorized agents and reviewed by us. After review, we negotiate individually with each one of them to determine a fixed monthly fee. Different Traders may have different rates but once negotiated and agreed to, the monthly fee is fixed.

Commission rebate programs are offered to Traders and service agents. We would rebate 5% of the commission earned from the transactions of new Traders referred by the existing Traders. The rebate rate was adjusted from 15% to 5%, starting from January 1, 2017. For service agents, we rebate a total of 40% to 60% of the commission earned from transactions with new Traders to the service agents when they bring in an agreed number of Traders to the trading platform. For service agents who have individual referrers referring Traders to us, we will, after rebating such individual referrers 15% of the commission earned from the transactions of new Traders they referred, deduct such 15% of the commission from the rebates payable to the service agents to which such individual referrers belong. The commission rebate is recognized as reduction of the commission revenue.

The rebates and discounts are recognized as a reduction of revenue in the same period the related revenue is recognized.

Our trading volume and transaction value amounts increased significantly from 2015 when we commenced operations in Shanghai and consequently added a significant number of Traders from mainland China as they could now settle their trades in Renminbi. This trend continued into 2017. Trading volume increased by 365% and trading amount by 223% for the three months ended June 30, 2017 compared to corresponding period in 2016.

In spite of this, total commission revenue increased by \$876,423 or 95% for the three months ended June 30, 2017 to \$1,803,212 compared to \$926,789 for the three months ended June 30, 2016 primarily because of the change in our commission fee policy. From April 1, 2016 onwards, selected Traders pay a predetermined monthly fixed fee for their trades in specific artworks while our other non-VIP Traders continue to pay a commission calculated based on a percentage of transaction value of artworks.

(iii) *Management fee revenue*

We charge Traders a management fee to cover the costs of insurance, storage, and transportation for an artwork and trading management of artwork units, which are calculated at \$0.0013 (HK\$0.01) per 100 artwork units per day. The management fee is deducted from proceeds from the sale of artwork units.

During the three-month period ended June 30, 2017, management fee revenue decreased by \$159,164, from \$431,584 for the three months ended June 30, 2016 to \$272,420. From September 1, 2016, we waived management fees for certain VIP Traders. We recognized these promotions as a reduction of revenue, which was recognized upon the completion of the transactions. Although the listed artworks increased, the management fee decreased by the promotions.

(iv) *Other revenue*

During the three-month period ended June 30, 2017, annual fee revenue decreased by \$32, from \$268 for the three-month period ended June 30, 2016 to \$236.

During the three-month period ended June 30, 2017, authorized agent subscription was \$0 comparing to \$322,158 for the three months ended June 30, 2016.

Cost of Revenue

Cost of revenue for the three months ended June 30, 2017 and 2016 was \$267,508 and \$275,416, respectively. Our cost of revenue primarily includes internet service fee, depreciation and amortization of hardware and software for our trading platform.

In the third quarter of 2014, we entered into an agreement with a third party service provider, Shenzhen Qianrong Cultural Investment Development Co., Ltd (“Qianrong”), to provide software development services with a total contract amount of \$902,592 (HK\$6,995,000). The services contracted for are divided into different modules, according to different upgrades and new functionalities. As of June 30, 2017 and 2016, nine out of the ten modules have been completed and are operational. We capitalized (with a total cost of \$1,069,853 (HK\$8,295,000)) and amortized these costs once the modules were completed.

Gross Profit

Gross profit was \$2,651,565 for the three months ended June 30, 2017, compared to \$4,407,857 for the three months ended June 30, 2016. The decrease was due to the less artworks listed on our platform.

Listing fees contributed 28.9% of the total revenue for the three months ended June 30, 2017 compared to 64.1% in the corresponding period in 2016, while commission revenue contributed 61.8% for the three months ended June 30, 2017 compared to 19.8% in the corresponding period in 2016. Although there was an increase in commission revenue in the current period, the positive factors were offset by a decrease in listing fees due to less artworks listing on the platform during the current period. Consequently, we posted a comparable gross profit margin of 91% for the three months ended June 30, 2017 compared to 94% for the same period in 2016.

Operating Expenses

Selling expenses were \$310,332, or 11% of net sales, for the three months ended June 30, 2017 compared to \$703,366, or 15% of net sales, for the comparable period in 2016, a decrease of 4%. Selling expenses consist primarily of marketing expenses.

General and administrative expenses for the three months ended June 30, 2017 were \$2,238,889 compared to \$1,770,351 for the three months ended June 30, 2016. The substantial increase was primarily due to an increase in salaries by \$442,027 because of an increase in employee headcount and an increase in travelling expenses by \$126,355 which were incurred to attend to the listing of our common stock on the NYSE American.

The following table sets forth the main components of the Company's general and administrative expenses for the three months ended June 30, 2017 and 2016.

	Three months ended June 30, 2017		Three months ended June 30, 2016	
	(Unaudited)		(Unaudited)	
	Amount(\$)	% of Total	Amount(\$)	% of Total
Consultancy fee	\$ 62,953	2.8%	\$ 129,895	7.3%
Legal and professional fees	215,636	9.6%	234,130	13.2%
Salary and welfare	1,103,599	49.3%	661,572	37.4%
Office, insurance and rental expenses	387,615	17.3%	382,345	21.6%
Non-deductible input VAT expense	6,903	0.3%	-	-%
Traveling and accommodation fees	176,655	7.9%	50,300	2.8%
Share based compensation	137,353	6.1%	219,039	12.4%
Others	148,175	6.7%	93,070	5.3%
Total general and administrative expense	\$ 2,238,889	100.0%	\$ 1,770,351	100.0%

Net Income

We had a net income for the three months ended June 30, 2017 of \$246,119 compared to net income of \$1,116,843 for the three months ended June 30, 2016.

The decrease in net income during this current period was due to a decrease of revenue by \$1,764,200, as discussed in the previous paragraphs.

SIX-MONTH PERIOD ENDED JUNE 30, 2017 COMPARED TO SIX-MONTH PERIOD ENDED JUNE 30, 2016

Revenue

The following tables set forth our consolidated statements of income data:

	Six Months Ended June 30,	
	2017	2016
	(Unaudited)	(Unaudited)
Revenue	\$ 7,190,666	\$ 8,472,043
Cost of revenue	(530,167)	(537,483)
Selling expense	(647,859)	(1,341,575)
General and administrative expense	(4,812,280)	(3,331,724)
Total costs and expenses	(5,990,306)	(5,210,782)
Income from operations	1,200,360	3,261,261
Interest and other income (loss), net	299,459	(268,020)
Income before provision for income taxes	1,499,819	2,993,241
Provision for income taxes	(380,161)	(780,346)
Net income	<u>\$ 1,119,658</u>	<u>\$ 2,212,895</u>

The following tables set forth our consolidated statements of income data (as a percentage of revenue):

	Six Months Ended June 30,	
	2017	2016
	(Unaudited)	(Unaudited)
Revenue	100%	100%
Cost of revenue – Direct revenue	(7)	(6)
Selling expense	(9)	(17)
General and administrative expense	(67)	(39)
Total costs and expenses	(83)	(62)
Income from operations	17	38
Interest and other income (loss), net	4	(3)
Income before provision for income taxes	21	35
Provision for income taxes	(5)	(9)
Net income	<u>16%</u>	<u>26%</u>

Listing fee revenue was \$3,151,151 and \$5,197,538; commission revenue was \$3,473,825 and \$2,070,260; gross management fee revenue was \$564,971 and \$560,075; annual fee revenue was \$719 and \$429; authorized agent subscription revenue was \$0 and \$643,741 for the six months ended June 30, 2017 and 2016, respectively.

(i) *Listing fee revenue*

During the six months ended June 30, 2017, there were 32 sets of artwork listed for trade on our platform —comprising 2 sets of paintings and calligraphies, with a total listing value of \$514,537 (HK\$4,000,000), 15 pieces of jewelry with a total listing value of \$5,531,268 (HK\$43,000,000), 14 pieces of precious stones with a total listing value of \$2,083,873 (HK\$16,200,000) and 1 piece of porcelains with a total listing value of \$38,590 (HK\$300,000), of which 46%-47% (for 2 piece of paintings), 33.5%-47.2% (for the 15 pieces of jewelry), 31.5%-47% (for the 14 pieces of precious stones) and 46% (for the 1 pieces of porcelains) of the listed values were charged as listing fees, respectively.

Compared to the corresponding period ended June 30, 2016, there were 8 pieces of painting, 45 pieces of precious stones, 6 pieces of jewelry, 3 pieces of antique mammoth ivory carvings, 11 pieces of amber, and 2 pieces of porcelain painting in pastel successfully listed on our system. The total listing values were \$1,544,978 (HK\$12,000,000) for 8 pieces of painting, \$4,699,307 (HK\$36,500,000) for the 45 pieces of precious stones, \$1,068,609 (HK\$8,300,000) for the 6 pieces of jewelry, \$514,993 (HK\$4,000,000) for the 3 pieces of antique mammoth ivory carvings, \$4,261,563 (HK\$33,100,000) for 11 pieces of amber, and \$334,745 (HK\$2,600,000) for 2 pieces of porcelain painting in pastel, of which 48% (for the 8 pieces of painting), 29%-47% (for the 45 pieces of precious stones), 45%-46% (for the 6 pieces of jewelry), 47% (for the 3 pieces of antique mammoth ivory carvings), 45%-48% (for the 11 pieces of amber), and 45%-46% (for 2 pieces of porcelain painting in pastel) of the listed values were charged as listing fees, respectively.

The decrease in number of pieces listed, listing values and corresponding listing fees charged during the six months ended June 30, 2017 compared to the same period ended June 30, 2016 resulted in a decrease in listing fee revenue in the current period. The decrease in number of pieces listed was due to a new listing category ("A-tier") implemented on July 3, 2017. A-tier is aim to meet an elevated set of standards including higher levels of liquidity, market value, number of owners and number of VIP traders. Therefore, some artworks were deferred its listing until July.

(ii) *Commission fee revenue*

Our trading volume and transaction value amounts increased significantly from 2015 when we commenced operations in Shanghai and consequently added a significant number of Traders from mainland China as they could now settle their trades in Renminbi. This trend continued into 2017. Trading volume increased by 427% and trading amount increased by 324% for the six months ended June 30, 2017 compared to corresponding period in 2016.

In spite of this, total commission revenue increased by \$1,403,565 or 68% for the six months ended June 30, 2017 to \$3,473,825 compared to \$2,070,260 for the six months ended June 30, 2016 primarily because of the change in our commission fee policy. From April 1, 2016 onwards, selected Traders pay a predetermined monthly fixed fee for their trades in specific artworks while our other non-VIP Traders continue to pay a commission calculated based on a percentage of transaction value of artworks.

(iii) *Management fee revenue*

During the six-month period ended June 30, 2017, management fee revenue increased by \$4,896, from \$560,075 for the six months ended June 30, 2016 to \$564,971. From September 1, 2016, we waived management fees for certain VIP Traders. We recognized these promotions as a reduction of revenue, which was recognized upon the completion of the transactions. Therefore, the management fee increased slightly with the increased listed artworks albeit with the promotions.

(iv) *Other revenue*

During the six-month period ended June 30, 2017, annual fee revenue increased by \$290, from \$429 for the six-month period ended June 30, 2016 to \$719.

During the six-month period ended June 30, 2017, authorized agent subscription was \$0 comparing to \$643,741 for the six months ended June 30, 2016.

Cost of Revenue

Cost of revenue for the six months ended June 30, 2017 and 2016 was \$530,167 and \$537,483, respectively. Our cost of revenue primarily includes internet service fee, depreciation and amortization of hardware and software for our trading platform.

In the third quarter of 2014, we entered into an agreement with a third party service provider, Shenzhen Qianrong Cultural Investment Development Co., Ltd ("Qianrong"), to provide software development services with a total contract amount of \$902,592 (HK\$6,995,000). The services contracted for are divided into different modules, according to different upgrades and new functionalities. As of June 30, 2017 and 2016, nine out of the ten modules have been completed and are operational. We capitalized (with a total cost of \$1,069,853 (HK\$8,295,000)) and amortized these costs once the modules were completed.

Gross Profit

Gross profit was \$6,660,499 for the six months ended June 30, 2017, compared to \$7,934,560 for the six months ended June 30, 2016. The decrease was due to the less artworks listed on our platform.

Listing fees contributed 43.8% of the total revenue for the six months ended June 30, 2017 compared to 61.3% in the corresponding period in 2016, while commission revenue contributed 48.3% for the six months ended June 30, 2017 compared to 24.4% in the corresponding period in 2016. Although there was an increase in commission revenue in the current period, the positive factors were offset by a decrease in listing fees due to less artworks listing on the platform during the current period. Consequently, we posted a comparable gross profit margin of 93% for the six months ended June 30, 2017 compared to 94% for the same period in 2016.

Operating Expenses

Selling expenses were \$647,859, or 9% of net sales, for the six months ended June 30, 2017 compared to \$1,341,575, or 17% of net sales, for the comparable period in 2016, a decrease of 8%. Selling expenses consist primarily of marketing expenses.

General and administrative expenses for the six months ended June 30, 2017 were \$4,812,280 compared to \$3,331,724 for the three months ended June 30, 2016. The substantial increase was primarily due to an increase in salaries by \$1,055,855 because of an increase in employee headcount and an increase in travelling expenses by \$379,495 which were incurred to attend to the listing of our common stock on the NYSE American.

The following table sets forth the main components of the Company's general and administrative expenses for the six months ended June 30, 2017 and 2016.

	Six months ended June 30, 2017		Six months ended June 30, 2016	
	Amount(\$)	% of Total	Amount(\$)	% of Total
Consultancy fee	\$ 141,171	2.9%	\$ 268,801	8.1%
Legal and professional fees	515,400	10.7%	481,578	14.5%
Salary and welfare	2,157,943	44.8%	1,102,088	33.1%
Office, insurance and rental expenses	822,514	17.1%	563,728	16.9%
Non-deductible input VAT expense	9,445	0.2%	-	-%
Traveling and accommodation fees	492,170	10.2%	112,675	3.4%
Share based compensation	424,023	8.8%	659,775	19.8%
Others	249,614	5.3%	143,079	4.2%
Total general and administrative expense	<u>\$ 4,812,280</u>	<u>100.0%</u>	<u>\$ 3,331,724</u>	<u>100.0%</u>

Net Income

We had a net income for the six months ended June 30, 2017 of \$1,119,658 compared to net income of \$2,212,895 for the six months ended June 30, 2016.

The decrease in net income during this current period was due to a decrease of revenue by \$1,281,377, as discussed in the previous paragraphs.

Liquidity and Capital Resources

The following tables set forth our consolidated statements of cash flow:

	Six months ended June 30	
	2017	2016
	(Unaudited)	(Unaudited)
Net cash provided by operating activities	\$ 2,454,168	\$ 4,094,513
Net cash used in investing activities	(495,825)	(10,665,021)
Effect of exchange rate change on cash and cash equivalents	193,924	(104,339)
Net increase (decrease) in cash and cash equivalents	2,152,267	(6,674,847)
Cash and cash equivalents, beginning balance	13,395,337	10,769,456
Cash and cash equivalents, ending balance	\$ 15,547,604	\$ 4,094,609

Sources of Liquidity

During the six months ended June 30, 2017, net cash generated from operating activities totaled \$2,454,168. Net cash used in investing activities totaled \$495,825. No cash was generated from financing activities during the period. The resulting change in cash for the period was an increase of \$2,152,267. The cash balance at the beginning of the period was \$13,395,337. The cash balance on June 30, 2017 was \$15,547,604.

During the six months ended June 30, 2016, net cash provided by operating activities totaled \$4,094,513. Net cash used in investing activities totaled \$10,665,021. No cash was generated from financing activities during the period. The resulting change in cash for the period was a decrease of \$6,674,847. The cash balance at the beginning of the period was \$10,769,456. The cash balance on June 30, 2016 was \$4,094,609.

As of June 30, 2017, the Company had \$28,164,765 in total current liabilities, which comprised of \$992,784 in accrued expense and other payables, \$19,020,425 in customers' deposits, \$16,560 in advance from customer, \$6,244,811 in loan payable, \$1,024,918 in amount due to related party and \$865,267 in tax payables. As of December 31, 2016, the Company had \$30,602,706 in total current liabilities, which included \$608,883 in accrued expense and other accruals, \$21,743,360 in customers' deposits, \$360,248 in advance from customers, \$6,308,513 in short-term borrowings from third parties, \$1,031,805 in amount due to related party and \$549,897 in tax payables.

The Company had deferred tax liabilities as long-term liability of \$51,759 as of June 30, 2017, and \$62,618 as of December 31, 2016, respectively. The Company's total liabilities as of June 30, 2017 and December 31, 2016 amounted to \$28,216,524 and \$30,665,324, respectively.

The Company is aware of events or uncertainties which may affect its future liquidity because of capital controls in the PRC. The Renminbi is only currently convertible under the "current account", which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account", which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries or variable interest entities. Currently, our PRC subsidiaries, which are wholly-foreign owned enterprises, may purchase foreign currency for settlement of "current account transactions", including payment of dividends to us, without the approval of the State Administration of Foreign Exchange ("SAFE") by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. The existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to our stockholders, including holders of our shares of common stock. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our PRC subsidiaries.

Applicable PRC law permits payment of dividends to us by our operating subsidiaries in China only out of their net income, if any, determined in accordance with PRC accounting standards and regulations. Our operating subsidiaries in China are also required to set aside a portion of their net income, if any, each year to fund general reserves for appropriations until such reserves have reached 50% of the subsidiary's registered capital. These reserves are not distributable as cash dividends. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary. In contrast, there is no foreign exchange control or restrictions on capital flows into and out of Hong Kong. Hence, our Hong Kong operating subsidiary is able to transfer cash without any limitation to the U.S. under normal circumstances.

If our operating subsidiaries were to incur additional debt on their own behalf in the future, the instruments governing the debt may restrict the ability of our operating subsidiaries to transfer cash to our U.S. investors.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, including arrangements that would affect our liquidity, capital resources, market risk support, and credit risk support or other benefits.

Future Financings

We will continue to rely on equity sales of our common shares in order to continue to fund our business operations. Issuances of additional shares will result in dilution to existing stockholders. There is no assurance that we will achieve any additional sales of the equity securities or arrange for debt or other financing to fund our operations and other activities, or if we are able, there is no guarantee that existing shareholders will not be substantially diluted.

Critical Accounting Policies

We regularly evaluate the accounting policies and estimates that we use to make budgetary and financial statement assumptions. A complete summary of these policies is included in the notes to our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

See Note 2 to the financial statements included herewith and Note 2 to the financial statements on Form 10-K for the fiscal year ended December 31, 2016, previously filed with the SEC.

Recent Accounting Pronouncements

See Note 2 to the financial statements included herewith and Note 2 to the financial statements on Form 10-K for the fiscal year ended December 31, 2016, previously filed with the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), under the supervision of and with the participation of our management, which presently comprises our Chief Executive Officer, Mr. Di Xiao and our Chief Financial Officer, Mr. Chun Hin Leslie Chow. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of June 30, 2017 were effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our fiscal quarter ended June 30, 2017 that materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-K.

<u>Exhibit No.</u>	<u>Description</u>
3.1	Certificate of Incorporation (1)
3.2	By-laws of the Company (2)
3.3	Certificate of Amendment of the Certificate of Incorporation (1)
3.4	Certificate of Amendment of the Certificate of Incorporation (1)
3.5	Certificate of Amendment (2)
3.6	Certificate of Amendment of the Certificate of Incorporation (4)
3.7	Certificate of Incorporation of Hong Kong Takung Assets and Equity Artworks Exchange Co., Ltd.(3)
3.8	Articles of Association of Hong Kong Takung Assets and Equity Artworks Exchange Co., Ltd.(3)
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of the Principal Executive Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of the Principal Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*

- (1) Incorporated by reference to the exhibit to our registration statement on Form S-1 filed with the SEC on August 16, 2011.
- (2) Incorporated by reference to the exhibit to our current report on Form 8-K filed with the SEC on March 7, 2013.
- (3) Incorporated by reference to the exhibit to our current report on Form 8-K filed with the SEC on October 22, 2014.
- (4) Incorporated by reference to the exhibit to our current report on Form 8-K filed with the SEC on November 6, 2014.

*Filed herewith.

**Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TAKUNG ART CO., LTD

Date: August 11, 2017

By: /s/ Di Xiao
Di Xiao
Chief Executive Officer
(Principal Executive Officer) and Director

Date: August 11, 2017

By: /s/ Chun Hin Leslie Chow
Chun Hin Leslie Chow
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Di Xiao, certify that:

- (1) I have reviewed this report on Form 10-Q of Takung Art Co., Ltd;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2017

/s/ Di Xiao

Di Xiao
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Chun Hin Leslie Chow, certify that:

- (1) I have reviewed this report on Form 10-Q of Takung Art Co., Ltd;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2017

/s/ Chun Hin Leslie Chow

Chun Hin Leslie Chow

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S. C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Takung Art Co., Ltd (the "Company") on Form 10-Q for the quarter ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Di Xiao, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2017

/s/ Di Xiao

Di Xiao

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S. C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Takung Art Co., Ltd, (the “Company”) on Form 10-Q for the quarter ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, ChunHin Leslie Chow, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2017

/s/ Chun Hin Leslie Chow

Chun Hin Leslie Chow
Chief Financial Officer
(Principal Accounting and Financial Officer)