CHINA ART FINANCIAL HOLDINGS LIMITED
中國藝術金融控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1572)

PROFIT WARNING

This announcement is made by China Art Financial Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (the "**SFO**") (Chapter 571 of the Laws of Hong Kong).

The board of directors (the "**Director(s)**") of the Company (the "**Board**") wishes to inform shareholders of the Company (the "**Shareholders**") and potential investors that, based on a preliminary review by the Board on the latest unaudited management accounts of the Group, which have not been reviewed or audited by the independent auditors and/or the audit committee of the Company, and taking into consideration of the information currently available to the Board, the Group is likely to record a significant reduction in profit for the year ending 31 December 2020 in the range of 57% to 74% from the corresponding period in 2019 which recorded a net profit of RMB107.5 million (the "**Profit Warning**"). The expected reduction in profit is mainly attributable to the following:

(1) all the Group's auctions for the year ending 31 December 2020 been suspended or deferred due to crowd control measures and outbreak of coronavirus in the People's Republic of China, and the autumn auction which would normally be held in November every year has to be cancelled. The autumn auction in 2019 accounted for approximately 11% of the revenue of the Group for the year ended 31 December 2019. The Group will likely record no revenue from the art and asset auction business for the year ending 31 December 2020 which contributed approximately 45% of the revenue of the Group for the year ended 31 December 2019;

(2) the volume of art and asset pawn loans has significantly reduced as the management adopted a prudent and conservative approach in granting loans amid the coronavirus pandemic and adverse global financial market; and

(3) the monthly composite administrative fee charged for pawn loan has been reduced.

The information contained in this announcement is only based on the information currently available to the Company and a preliminary review by the Board on the unaudited management accounts of the Group for the ten months ended 31 October 2020, which have not been reviewed or audited by the independent auditors and/or the audit committee of the Company. The actual financial results of the Group for the year ending 31 December 2020 may differ from what is disclosed in this announcement. Shareholders and potential investors are advised to read carefully about the announcement of the Company for the annual results for the year ended 31 December 2020 (the "**2020 Annual Results Announcement**"), which is expected to be published in March 2021 in accordance with the requirements of the Listing Rules.

Reference is made to the announcements of the Company (i) dated 13 May 2020 relating to the appointment of Mr. Yuen Tsz Chun Frank of Frank Forensic and Corporate Recovery Limited as the receiver (the "**Receiver**") over 1,000,384,000 shares of the Company (the "**Charged Shares**"); (ii) dated 21 May 2020 relating to the possible transaction in which the Receiver may look for potential purchaser(s) for the Charged Shares (the "**Possible Transaction**") (the "**Rule 3.7 Announcement**"); and (iii) dated 22 June 2020, 22 July 2020, 21 August 2020, 21 September 2020, 21 October 2020 and 23 November 2020 relating to the monthly update of the Possible Transaction.

Following the publication of the 3.7 Announcement, the Company is required to comply with the relevant requirements under the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Pursuant to Rule 10 of the Takeovers Code, the Profit Warning constitutes a profit forecast and should be reported on by the Company's financial adviser and auditors or reporting accountants in accordance with Rule 10.4 of the Takeovers Code. In view of the requirements of timely disclosures of the inside information under Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO, the Company is required to issue this announcement as soon as practicable and given the time constraints, the Company has encountered genuine practical difficulties (time-wise or otherwise) in meeting the requirements set out in Rule 10.4 of the Takeovers Code.

Pursuant to Rule 10.4 of the Takeovers Code and Practice Note 2 of the Takeovers Code, the reports from the Company's financial adviser and auditors on the Profit Warning are required to be included in the next document to be sent to the Shareholders (the "**Shareholders' Document**"). It is expected that the 2020 Annual Results Announcement will be published prior to the despatch of the next Shareholders' Document. If this is the case, the requirement under Rule 10 of the Takeovers Code to report on the Profit Warning will be superseded by the publication of the 2020 Annual Results Announcement. Otherwise, the Profit Warning shall be reported on in accordance with Rule 10 of the Takeovers Code and the relevant reports will be included in the next Shareholders' Document.

Shareholders and potential investors should note that the Profit Warning does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code, and therefore they are advised to exercise caution in placing reliance on the Profit Warning in assessing the merits and demerits of the Possible Transaction.

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

Hong Kong, 3 December 2020

As at the date of this announcement, the Board comprises (1) Mr. Fan Zhijun and Mr. Li Cheng as the executive Directors and (2) Mr. Leung Shu Sun, Sunny, Mr. Liu Jian and Ms. Yin Xu Hong as the independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.