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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2022

Reference is made to the annual report of China Art Financial Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2022 published on 27 April 2023 (the “**2022 Annual Report**”). Unless otherwise stated, terms used in this announcement shall have the same meanings as those defined in the 2022 Annual Report.

This announcement is made to provide supplementary information to the 2022 Annual Report under the section headed “Management Discussion and Analysis — Outlook and Prospects” in relation to the business plans and strategies for the Group’s art and asset auction business (the “**Auction Business**”) and art and asset pawn business (the “**Pawn Business**”).

AUCTION BUSINESS

Holding more auctions events

With the nationwide loosening the restriction of COVID-19 control measures and the reopening all borders in the PRC in early January 2023, the Company intends to organise more large scale auction and related activities and the Group has been communicating with the PRC local government for the suitability of holding large scale auction and related activities. In addition to the resumption of the two principal auctions for artworks which the Group holds every year, the Company intends to organise one to two more mid to large scale art auctions in the second half of 2023 to improve its revenue for Auction Business. To secure the source of suitable artworks, the Company will enter into artworks production and consignment agreements with more well-known artists and the Company is in the course of identifying such artists with high-quality artworks. The Company estimates that the capital required will not exceed RMB1 million which will be supported by the Group’s internal funding.

PAWN BUSINESS

Regular reviewing the Group's loan granting terms and policy

While the Group will continue to adopt a conservative approach in granting pawn loans to new customers, the Group's management will closely monitor and regular review the pawn market condition so that the Group could timely and moderately adjust their loan granting terms and policy with the view of gradually improving the Group's interest and service revenues. Particularly, in the second half of 2022, the Company has started to adjust their relevant charging standards with reference to the changes in the loan prime rate of the People's Bank of China from time to time.

Further growing and diversifying our loan portfolios

To expand our client base in terms of the Pawn Business, the Company plans to further grow and diversify the collateral compositions to include property of great market demand and high collateral value such as real estates. The Company is in the course of revising its loan portfolios and intends to introduce new loan portfolios in the third quarter of 2023 with real estate as part of the collateral compositions in Wuxi City, PRC. Currently, the Company is in the process of identifying external property valuer for providing property assessment and valuation services and real estate legal expert for providing professional advice on the regulatory requirements concerning the use of real estates as collaterals at a total fixed annual service fees not exceeding RMB400,000, the costs of which will be supported by the Group's internal funding.

Expanding our loan offices network

It has always been the Group's long-term objective to expand the network of our loan offices. The Group plans to open 2 new loan offices in major cities in PRC, where the Company is still in the process of searching and expects to identify and confirm suitable locations in the second half of 2023. The Company estimates that the capital required will be approximately RMB20 million which will be supported by the Group's internal funding.

Overall, the Board is of the view that the above business plans and strategies will allow the Company to improve its revenue directly by holding more auction events in addition to the resumption of the two principal auctions, and also enable the Company to broaden its client base and deepen its market penetration in respect of the Pawn Business, thereby enhancing the Company's overall financial performance.

BUSINESS PROSPECTS

Although the Company's revenue has a decrease of 36% for the financial year of 2022 when compared to that of 2021, the Company is still making profits, recording profit before tax of approximately RMB21.9 million. The significant drop of the Company's revenue in the financial year of 2022 was owing to the impact of coronavirus pandemic and adverse global financial market. Considering the economic environment in the PRC has shown signs of improvement following the nationwide loosening the restriction of COVID-19 control measures and the reopening of all borders in early January 2023, the Board anticipates that this will have a positive impact on the Company's revenue in 2023. With the aid of the business plans and strategies mentioned above in this announcement and on the assumption that such plans being carried out as expected, the Board anticipates that the Company's financial performance from 2023 onwards will gradually enhance.

The information provided in this supplemental announcement does not affect other information contained in the 2022 Annual Report. Save as disclosed above, the contents of the 2022 Annual Report remain unchanged.

By order of the Board
CHINA ART FINANCIAL HOLDINGS LIMITED
Fan Zhijun
Chairman

Hong Kong, 10 May 2023

As at the date of this announcement, the Board comprises (1) Mr. Fan Zhijun and Mr. Liu Xudong as the executive Directors and (2) Mr. Chen Yunwei as the non-executive Director and (3) Mr. Leung Shu Sun, Sunny, Ms. Shao Qiongqiong and Ms. Yin Xuhong as the independent non-executive Directors.