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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)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of China Art Financial Holdings Limited (the “**Company**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2024 (the “**Reporting Year**”) together with comparative figures for the previous year as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2024

	<i>Notes</i>	2024 RMB'000	2023 <i>RMB'000</i>
Revenue	4	71,344	59,742
Other income		1,265	2,103
Other net loss		(173)	(51)
Cost of inventories sold		(48,680)	(35,353)
Net impairment losses (recognised)/reversed		(203)	1,724
Staff costs		(5,941)	(3,468)
Depreciation of property, plant and equipment		(156)	(156)
Depreciation of right-of-use assets		(640)	(419)
Advertising and promotional expenses		(2,904)	(1,165)
Other expenses		(5,660)	(6,428)
Finance costs		(36)	(36)
Profit before tax		8,216	16,493
Income tax expenses	5	(3,693)	(5,474)
Profit for the year attributable to owners of the Company	6	4,523	11,019
Other comprehensive expense			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(158)	(80)
Total comprehensive income for the year attributable to owners of the Company		4,365	10,939
Earnings per share (RMB cents)	8		
Basic		0.27	0.66
Diluted		0.27	0.66

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	<i>Notes</i>	2024 RMB'000	2023 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		190	344
Right-of-use assets		743	1,383
Deferred tax assets		<u>1,123</u>	<u>1,230</u>
		2,056	2,957
Current assets			
Inventories	9	32,000	10,600
Loan receivables	10	447,255	422,426
Other receivables		11	–
Tax recoverable		287	–
Bank balances and cash		<u>653,570</u>	<u>695,818</u>
		1,133,123	1,128,844
Current liabilities			
Accruals and other payables	11	23,423	23,065
Lease liabilities		465	630
Tax payable		<u>826</u>	<u>2,700</u>
		24,714	26,395
Net current assets		<u>1,108,409</u>	<u>1,102,449</u>
Total assets less current liabilities		<u>1,110,465</u>	<u>1,105,406</u>
Non-current liabilities			
Deferred tax liabilities		186	346
Lease liabilities		<u>–</u>	<u>465</u>
		186	811
Net assets		<u>1,110,279</u>	<u>1,104,595</u>
Capital and reserves			
Share capital	12	14,793	14,679
Reserves		<u>1,095,486</u>	<u>1,089,916</u>
Total equity		<u>1,110,279</u>	<u>1,104,595</u>

NOTES:

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the registered office, the principal place of business in Hong Kong and the principal place of business in the People’s Republic of China (the “**PRC**”) of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands; Unit E, 43/F, Enterprise Square Three, No. 39 Wang Chiu Road, Kowloon, Hong Kong, and 63 Jingyi South Road, Yicheng Street, Yixing City, Jiangsu Province, the PRC, respectively.

The Company’s immediate holding company and ultimate holding company are Intelligenesis Investment Co., Ltd. and Mauve Jade Investment Limited, respectively, both of which are limited liability companies incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis and are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

The Company’s wholly-owned subsidiaries established in the PRC, 宜興市漢信信息技術服務有限公司 Yixing Hanxin Information Technology Service Co., Ltd. (“**WFOE-Pawn**”) and 宜興市紫玉信息技術服務有限公司 Yixing Ziyu Information Technology Service Co., Ltd. (“**WFOE-Auction**”), entered into two series of agreements with 江蘇和信典當有限公司 Jiangsu Hexin Pawn Co., Ltd. (“**Hexin Pawn**”) and 江蘇和信拍賣有限公司 Jiangsu Hexin Auction Co., Ltd. (“**Hexin Auction**”), respectively, which constitute the contractual arrangements (the “**Contractual Arrangements**”) for the art and asset pawn business, art and asset auction business, and art and asset sales business. The Contractual Arrangements effectively transfer the controls over economic benefits and pass the risks associated therewith of Hexin Pawn and Hexin Auction to WFOE-Pawn and WFOE-Auction respectively. The Contractual Arrangements with Hexin Pawn include: (i) Hexin Pawn composite services agreement, (ii) Hexin Pawn option agreement, (iii) Hexin Pawn proxy agreement, and (iv) Hexin Pawn equity pledge agreement; and the Contractual Arrangements with Hexin Auction include: (i) Hexin Auction composite services agreement, (ii) Hexin Auction option agreement, (iii) Hexin Auction proxy agreement, and (iv) Hexin Auction equity pledge agreement. Details of the Contractual Arrangements are set out in the section headed “Contractual Arrangements” of the prospectus of the Company dated 27 October 2016 (the “**Prospectus**”).

The Contractual Arrangements are irrevocable and enable the Group to:

- exercise effective financial and operational control over Hexin Pawn and Hexin Auction;
- exercise equity holders' voting rights of Hexin Pawn and Hexin Auction;
- receive all economic returns generated by Hexin Pawn and Hexin Auction in consideration for the exclusive technical services, management support services and consultancy services provided by the Group;
- obtain an irrevocable and exclusive right to purchase the entire equity interests in Hexin Pawn and Hexin Auction from all the equity holders of Hexin Pawn and Hexin Auction; and
- obtain a pledge over the entire equity interests of Hexin Pawn and Hexin Auction from all the equity holders of Hexin Pawn and Hexin Auction as collateral security under the Contractual Arrangements.

Pursuant to the Contractual Arrangements entered into between the Group and all the equity holders of Hexin Pawn and Hexin Auction, the Contractual Arrangements effectively transfer the controls over economic benefits and pass the risks associated therewith of Hexin Pawn and Hexin Auction to WFOE-Pawn and WFOE-Auction, respectively. Accordingly, Hexin Pawn and Hexin Auction are considered as indirect wholly-owned subsidiaries of the Company.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKAS 1	Classification of liabilities as current or non-current
Amendments to HKAS 1	Non-current liabilities with covenants
Amendments to HKFRS 16	Lease liability in a sale and leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 18	Presentation and disclosures in financial statements ³
HKFRS 19	Subsidiaries without public accountability: Disclosures ³
Amendments to HKAS 21 and HKFRS 1	Lack of exchangeability ¹
Amendments to HKFRS 9 and HKFRS 7	Classification and measurement of financial instruments ²
Amendment to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKFRS Accounting Standards	Annual improvements to HKFRS Accounting Standards — Volume 11 ²

¹ Effective for annual periods beginning on or after 1 January 2025.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

⁴ Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 “Presentation and Disclosure in Financial Statements”

HKFRS 18 replaces HKAS 1 “Presentation of Financial Statements”. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, which is renamed as HKAS 8 “Basis of Preparation of Financial Statements”. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 “Statement of Cash Flows”, HKAS 33 “Earnings per Share” and HKAS 34 “Interim Financial Reporting”. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group’s consolidated financial statements.

HKFRS 19 “Subsidiaries without public accountability: Disclosures”

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 “Consolidated Financial Statements”, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company’s subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue

An analysis of the Group’s revenue is as follows:

	2024 <i>RMB’000</i>	2023 <i>RMB’000</i>
Interest revenue from art and asset pawn business	16,499	15,136
Sales of artwork from art and asset sales business	54,451	42,699
Auction revenue from art and asset auction business	394	1,907
Total	<u>71,344</u>	<u>59,742</u>

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

Sales of artwork from art and asset sales business constitute revenue from contracts with customers and are recognised at a point in time upon transferring control of artwork to customers, which generally coincides with the time when the artwork are delivered and titles have been passed to the customers. The customers are required to settle the entire purchase prices of the artwork within 3 days after signing the contracts with the Group.

Auction revenue from art and asset auction business represents primarily buyer’s and seller’s commission from provision of art and asset auction services which is calculated at a percentage of hammer prices of the auction sales. Such revenue constitutes revenue from contracts with customers and is recognised at a point in time upon the fall of hammer when the Group transfers the promised auction services to the customers. The customers are required to settle the buyer’s commission and the seller’s commission to the Group within 15 days and 60 days, respectively, after the date of auction.

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
By types of asset sold		
Zisha artwork	36,619	30,841
Calligraphies and paintings	<u>17,832</u>	<u>11,858</u>
Total	<u><u>54,451</u></u>	<u><u>42,699</u></u>

By geographical location

The PRC, excluding Hong Kong	<u><u>54,451</u></u>	<u><u>42,699</u></u>
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Disaggregation of revenue from contracts with customers for auction revenue from art and asset auction business

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
By types of asset auctioned		
Commercial properties	391	78
Zisha artwork	–	1,748
Others	<u>3</u>	<u>81</u>
Total	<u><u>394</u></u>	<u><u>1,907</u></u>

By geographical location

The PRC, excluding Hong Kong	<u><u>394</u></u>	<u><u>1,907</u></u>
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Segment Information

The segment information reported externally was analysed based on (i) art and asset pawn business, (ii) art and asset auction business, and (iii) art and asset sales business, which is consistent with the internal information that is regularly reviewed by the chief executive officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group by these business activities.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment result represents the result earned by each segment without allocation of other income, other net loss, central administrative expenses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

	Art and asset pawn business RMB'000	Art and asset auction business RMB'000	Art and asset sales business RMB'000	Total RMB'000
2024				
Segment revenue	16,499	394	54,451	71,344
Segment costs	(4,216)	(755)	(52,769)	(57,740)
Net impairment losses recognised	(203)	–	–	(203)
Segment results	<u>12,080</u>	<u>(361)</u>	<u>1,682</u>	<u>13,401</u>
Other income				1,265
Other net loss				(173)
Central administrative expenses				(6,241)
Finance costs				<u>(36)</u>
Profit before tax				<u><u>8,216</u></u>
	Art and asset pawn business RMB'000	Art and asset auction business RMB'000	Art and asset sales business RMB'000	Total RMB'000
2023				
Segment revenue	15,136	1,907	42,699	59,742
Segment costs	(2,814)	(752)	(37,761)	(41,327)
Net impairment losses reversed	1,724	–	–	1,724
Segment results	<u>14,046</u>	<u>1,155</u>	<u>4,938</u>	<u>20,139</u>
Other income				2,103
Other net loss				(51)
Central administrative expenses				(5,662)
Finance costs				<u>(36)</u>
Profit before tax				<u><u>16,493</u></u>

Other segment information

	Art and asset pawn business <i>RMB'000</i>	Art and asset auction business <i>RMB'000</i>	Art and asset sales business <i>RMB'000</i>	Total <i>RMB'000</i>
2024				
Segment information included in the measure of segment results or assets:				
Depreciation of property, plant and equipment	156	–	–	156
Depreciation of right-of-use assets	186	227	227	640
Additions to property, plant and equipment	2	–	–	2
	<u>2</u>	<u>–</u>	<u>–</u>	<u>2</u>
	Art and asset pawn business <i>RMB'000</i>	Art and asset auction business <i>RMB'000</i>	Art and asset sales business <i>RMB'000</i>	Total <i>RMB'000</i>

2023

Segment information included in the
measure of segment results or assets:

Depreciation of property, plant and equipment	156	–	–	156
Depreciation of right-of-use assets	192	113	114	419
Additions to right-of-use assets	–	681	681	1,362
	<u>–</u>	<u>681</u>	<u>681</u>	<u>1,362</u>

Geographical information

The following table sets out information about the geographical locations of the Group's revenue from external customers and specified non-current assets. The geographical location of the Group's revenue from external customers is based on the location of the Group's operations for art and asset pawn business, the location of services rendered for art and asset auction business, and the location of the goods delivered for art and asset sales business. The Group's specified non-current assets comprise property, plant and equipment, and right-of-use assets, and the geographical location of these specified non-current assets is based on the physical location of these assets.

	Revenue from external customers		Specified non-current assets	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
The PRC, excluding Hong Kong (place of domicile)	<u>71,344</u>	<u>59,742</u>	<u>933</u>	<u>1,727</u>

Information about major customers

Revenue from external customers individually contributing 10% or more of the Group's total revenue is as follows:

	2024 RMB'000	2023 RMB'000
Customer A	18,408 ³	– ⁴
Customer B	10,177 ³	7,920 ³
Customer C	–	11,581 ¹
Customer D	– ⁴	9,845 ²
Customer E	<u>–</u>	<u>6,851²</u>

¹ The revenue is derived from art and asset auction business, and art and asset sales business.

² The revenue is derived from art and asset pawn business, and art and asset sales business.

³ The revenue is derived from art and asset sales business.

⁴ The corresponding revenue did not contribute 10% or more of the Group's total revenue for the respective reporting period.

5. INCOME TAX EXPENSES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax (“EIT”)	3,746	5,119
Overprovision in respect of prior years	<u>–</u>	<u>(148)</u>
	3,746	4,971
Deferred tax (credit)/charge	<u>(53)</u>	<u>503</u>
	<u><u>3,693</u></u>	<u><u>5,474</u></u>

Under the PRC EIT law, the tax rate of the Company’s subsidiaries established in the PRC was 25% for the years ended 31 December 2024 and 2023.

No provision for Hong Kong Profits Tax was made during the years ended 31 December 2024 and 2023 as the Group did not have assessable profits arising in Hong Kong during both years.

6. PROFIT FOR THE YEAR

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Profit for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	156	156
Depreciation of right-of-use assets	640	419
Interest expenses on lease liabilities	36	36
Net impairment losses recognised/(reversed) on loans to customers for art and asset pawn business	<u>203</u>	<u>(1,724)</u>

7. DIVIDEND

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Earnings		
Profit for the year for the purpose of calculating basic and diluted earnings per share	<u>4,523</u>	<u>11,019</u>
	2024 '000	2023 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>1,686,538</u>	<u>1,678,000</u>

Diluted earnings per share for the years ended 31 December 2024 and 2023 are the same as the basic earnings per share as the Company has no potential dilutive ordinary shares outstanding during both years.

9. INVENTORIES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Zisha artwork	32,000	3,800
Calligraphies and paintings	<u>–</u>	<u>6,800</u>
	<u>32,000</u>	<u>10,600</u>

The cost of inventories recognised as expenses and included in “cost of inventories sold” amounted to RMB48,680,000 for the year ended 31 December 2024 (2023: RMB35,353,000).

10. LOAN RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Art and asset pawn loans to customers	451,283	426,251
Less: Impairment allowances	<u>(4,028)</u>	<u>(3,825)</u>
	<u>447,255</u>	<u>422,426</u>

The art and asset pawn loans to customers are arising from the Group's art and asset pawn business. The loan periods initially granted to customers are normally within three months and the maximum tenure of each loan is six months from the date of the loan initially granted. At the maturity of the loan period, a borrower has the obligation to repay the principal amount of the loan or, alternatively, a borrower may make an application for a renewal of the loan prior to or within five days after, the maturity date of the loan period. The loans granted to customers carried effective interest rates ranging from approximately 6% to 12% (2023: 7% to 12%) per annum during the year ended 31 December 2024. Art and asset pawn loans to customers were all denominated in RMB.

All art and asset pawn loans granted are backed by collateral as security. The principal collateral types for loans to customers are the artwork and other assets, mainly Zisha artwork, paintings and calligraphies. The Group is not permitted to sell or repledge the pawn assets in the absence of default by the customers. There have not been any significant changes in the quality of the collateral held.

The ageing analysis of art and asset pawn loans to customers (net of impairment allowances) by issue date of initial pawn tickets upon granting of the pawn loans is set out below:

	2024	2023
	RMB'000	RMB'000
Within 1 month	278,832	102,007
1–3 months	160,419	188,659
3–6 months	8,004	131,760
	<u>447,255</u>	<u>422,426</u>
Total	<u>447,255</u>	<u>422,426</u>

As at 31 December 2024 and 2023, all loan receivables were not yet past due based on the contractual due dates as stipulated in pawn tickets.

11. ACCRUALS AND OTHER PAYABLES

	2024	2023
	RMB'000	RMB'000
Accrued expenses	4,482	3,445
Payables on behalf of customers in respect of art and asset auction business (<i>Note a</i>)	–	281
Loan from a former director (<i>Note b</i>)	7,243	7,154
Amount due to a director (<i>Note c</i>)	5,564	1,788
Amount due to a director of the Company's subsidiaries (<i>Note d</i>)	4,897	4,854
Contract liabilities (<i>Note e</i>)	–	2,000
Other payables	858	1,170
Other tax payables	379	2,373
	<u>23,423</u>	<u>23,065</u>

Notes:

- (a) For the payables of art and asset auction business, after the purchase cost and all outstanding commission receivable from the buyer are fully settled, net sale proceeds (being the hammer price after deducting the seller's commission and the personal income tax) will be paid to the seller within 60 days from date of auction. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

The Group's payables on behalf of customers in respect of art and asset auction business were aged within 60 days as at 31 December 2023 based on the dates of relevant auction services rendered.

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
(b) Name of former director		
Ms. Lam Siu Miu (" Ms. Lam ")	<u>7,243</u>	<u>7,154</u>

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

The loan from a former director was unsecured and interest-free. As at 31 December 2023, the loan from a former director was repayable on or before 30 June 2024. During the year ended 31 December 2024, Ms. Lam agreed to extend the repayable date of the loan to 30 April 2025.

- (c) The amount due to Mr. Fan Zhixin, the executive director of the Company, was non-trade nature, unsecured, interest-free and repayable on demand.
- (d) The amount due to Mr. Fan Zhijun, a director of the Company's subsidiaries, was non-trade nature, unsecured, interest-free and repayable on demand. Mr. Fan Zhijun resigned as the executive director of the Company on 15 September 2023 and remained as the director of the Company's subsidiaries.
- (e) The contract liabilities are the advance payments from customers for the sales of artwork which have not yet been completed.

The movement of contract liabilities are as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
At 1 January	2,000	–
Increase due to cash received, excluding amounts recognised as revenue	–	2,000
Decrease as a result of refund to customers	<u>(2,000)</u>	<u>–</u>
At 31 December	<u>–</u>	<u>2,000</u>

12. SHARE CAPITAL

	Number of shares	Amount	
	'000	HK\$'000	<i>Equivalent to</i> RMB'000
<i>Ordinary shares of HK\$0.01 each</i>			
Authorised			
At 1 January 2023, 31 December 2023 and 31 December 2024	5,000,000	50,000	43,420
Issued and fully paid			
At 1 January 2023, 31 December 2023 and 1 January 2024	1,678,000	16,780	14,679
Issue of new shares (<i>Note</i>)	12,500	125	114
At 31 December 2024	1,690,500	16,905	14,793

Note: On 26 April 2024, the Company completed the issuance of 12,500,000 new ordinary shares of the Company at HK\$0.12 per share to an independent third party. The net proceeds (after deduction of transaction costs of approximately RMB45,000) of approximately RMB1,319,000 were intended to be used for the project of the potential incorporation of a joint venture company, which will provide software service of centralised settlement systems for various community retail scenarios. These shares rank pari passu with the then existing shares of the Company in all respects.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2024, the international and domestic markets continued to experience a challenging situation. The Group had adjusted its marketing strategies from time to time in response to the unstable environment.

Art and Asset Pawn Business

During the Reporting Year, the revenue from the art and asset pawn business was approximately RMB16.5 million, representing an increase of approximately 9% from approximately RMB15.1 million in the year ended 31 December 2023 (the “**Corresponding Year**”). The increase was a result of the increase in loan amounts and loan periods of art and asset pawn loans granted during the Reporting Year.

The profits derived from the art and asset pawn business during the Reporting Year was approximately RMB12.0 million, representing a decrease of approximately 14% from approximately RMB14.0 million for the Corresponding Year.

The Group implemented a risk management system which the Group believes to be effective in reducing various risks involved in our art and asset pawn business. The Group established a multi-level internal approval system and an effective risk management system, and had a professional internal and external authentication team. The Group also hired external authoritative authentication institutions as the Company’s independent advisor. As a result, the art and asset pawn business did not experience any default during the Reporting Year.

Art and Asset Auction Business

The art and asset auction industry in the PRC experienced substantial challenges during the Reporting Year, marked by a decline in auction sales and weakening demand. Such decline was driven by a combination of factors, including economic headwinds, the property sector’s debt crisis, and cautious consumer sentiment, particularly in high net-worth buyers, leading to a noticeable shift from traditional art auctions towards lower-priced alternatives. Accordingly, despite the Group’s efforts in organising various scale auction and related activities, and communicating with the PRC local government for the suitability of holding large scale auction and related activities, the art and asset auction business incurred a loss of approximately RMB0.4 million during the Reporting Year, compared to a profit of RMB1.2 million in the Corresponding Year. Meanwhile, the Group is actively looking for new auction formats.

During the Reporting Year, the revenue from the art and asset auction business was approximately RMB0.4 million, representing a decrease of approximately 79% from approximately RMB1.9 million in the Corresponding Year. Losses derived from the art and asset auction business was approximately RMB0.4 million during the Reporting Period, while the Group recorded profits of approximately RMB1.2 million from the art and asset auction business in the Corresponding Year. The turnaround of segment results of the art and asset auction business was mainly due to the decrease in auction revenue generated from this business and the operating costs remained stable during the Reporting Year.

Art and Asset Sales Business

In 2023, the Group diversified its businesses and has engaged in artwork trading through the art and asset sales business. The Group's strategy is to identify and locate potential buyers for artwork from its customers accrued in the past ten-odd years. Through maintaining regular contact with such customers, engaging external professional experts to provide further art sales training to the existing staff, enlarging potential customer base by marketing and promotion, the Group laid a solid foundation for the development of the art and asset sales business. The Group has extensive business in the art industry, and has a wide customer base in the past ten-odd years. The Group has sourced and purchased purple clayware, calligraphies and painting artwork with good value for money in the market, while increasing the frequency of communication among potential customers at the same time to match interested buyers. Also, based on the enhanced communication with existing customers, the Group would also assist such customers to look for and purchase artworks which they are interested from renowned vendors or collectors in the market.

During the Reporting Year, the revenue from the art and asset sales business was approximately RMB54.5 million, representing an increase of approximately 28% from approximately RMB42.7 million in the Corresponding Year. As the Group diversified its businesses and began engaging in artwork trading in the Corresponding Year, the revenue from the art and asset sales business were solely derived from the artwork trading. The profits from the art and asset sales business during the Reporting Year was approximately RMB1.7 million, representing a decrease of approximately 65% from approximately RMB4.9 million in the Corresponding Year. The decline in the segment profits was primarily due to decrease in overall gross profit margin of artwork trading and increase in operating expenses in this segment during the Reporting Year.

FINANCIAL REVIEW

Revenue

Our revenue for the Reporting Year amounted to approximately RMB71.3 million, representing an increase of approximately 19% from approximately RMB59.7 million in the Corresponding Year. It was primarily due to the increase in revenue from sales of artwork through the art and asset sales business, as well as the increased interest revenue from art and asset pawn business during the Reporting Year.

Other Income

Our other income decreased by approximately 38% to approximately RMB1.3 million (2023: approximately RMB2.1 million) for the Reporting Year as compared to the corresponding the Corresponding Year, primarily due to the decrease in bank interest income during the Reporting Year.

Other Net Loss

Our other net loss increased by approximately 300% to approximately RMB0.2 million (2023: approximately RMB0.05 million) for the Reporting Year as compared to the Corresponding Year, primarily due to the increase in exchange losses arising from foreign currency translation.

Cost of Inventories Sold

Our cost of inventories sold for the Reporting Year amounted to approximately RMB48.7 million (2023: approximately RMB35.4 million) and the amounts represented the purchase costs of artwork which were sold to our customers through the art and asset sales business during the Reporting Year.

Net Impairment Losses (Recognised)/Reversed

During the Reporting Year, impairment losses on pawn loans amounting to approximately RMB0.2 million were recognised, while impairment losses amounting to approximately RMB1.7 million were reversed in the Corresponding Year.

Staff Costs

Our staff costs increased by approximately RMB2.4 million, or approximately 69%, from approximately RMB3.5 million in the Corresponding Year to approximately RMB5.9 million during the Reporting Year due to the recruitment of additional staff members to enhance our Group's business operations and development.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment for the Reporting Year maintained steadily at approximately RMB0.2 million as compared to the Corresponding Year as our Group did not have material additions or disposals of property, plant and equipment during both years.

Depreciation of Right-of-use Assets

Depreciation of right-of-use assets increased by approximately RMB0.2 million, or approximately 50%, from approximately RMB0.4 million in the Corresponding Year to approximately RMB0.6 million for the Reporting Year as our Group entered into a new lease for a safe storehouse in the PRC during the second half of 2023.

Advertising and Promotional Expenses

Advertising and promotional expenses increased by approximately RMB1.7 million to approximately RMB2.9 million for the Reporting Year as our Group increased the expenses in relation to advertisements and promotions to enhance our brand value and to promote the related business activities in the PRC during the Reporting Period.

Other Expenses

Other expenses decreased by approximately RMB0.7 million, or approximately 11%, from approximately RMB6.4 million in the Corresponding Year to approximately RMB5.7 million during the Reporting Year, primarily due to the decrease in legal and professional fees during the Reporting Year.

Profit before Tax

As a result of the foregoing, our profit before tax decreased by approximately RMB8.3 million, or approximately 50%, from approximately RMB16.5 million in the Corresponding Year to approximately RMB8.2 million during the Reporting Year. The reduction in profit before tax mainly resulted from the decrease in segment profits of the Group's art and asset pawn business, and the Group's art and asset sales business, and the increase in operating expenses of our Group.

Income Tax Expenses

Our income tax expenses decreased by approximately RMB1.8 million, or approximately 33%, from approximately RMB5.5 million in the Corresponding Year to approximately RMB3.7 million during the Reporting Year, primarily due to the decrease in our Group's taxable profits during the Reporting Year.

Total Comprehensive Income for the Year

Total comprehensive income for the year decreased by approximately RMB6.5 million, or approximately 60%, from approximately RMB10.9 million in the Corresponding Year to approximately RMB4.4 million during the Reporting Year, primarily due to a decrease in profit for the Reporting Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net Cash Flow

The Group maintains a strong and healthy financial position. The Group's principal sources of funds to finance the working capital, capital expenditure and other capital requirements were internally generated by cash flows. As of 31 December 2024, net working capital (calculated as current assets less current liabilities) was approximately RMB1,108.4 million, representing an increase of approximately RMB6.0 million as compared with approximately RMB1,102.4 million as of 31 December 2023. The current ratios (calculated as current assets/current liabilities) are 45.8 times and 42.8 times as of 31 December 2024 and 2023 respectively.

The following table summarises the consolidated statement of cash flows for the years ended 31 December 2024 and 2023:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/generated from operating activities	(47,802)	75,612
Net cash generated from investing activities	1,263	2,103
Net cash generated from financing activities	4,289	5,682

As of 31 December 2024, the Group's total bank balances and cash decreased by 6.1% to approximately RMB653.6 million from approximately RMB695.8 million as of 31 December 2023.

During the Reporting Year, the Group did not engage in any derivative activities or use any financial instruments to hedge its balance sheet exposures.

The Group principally focused on the operations in the PRC. The Group was not subject to any other material risk directly relating to the foreign exchange fluctuation. During the Reporting Year, despite the depreciation of RMB against HKD, the Directors expected any fluctuation of the RMB exchange rate would not materially and adversely affect the operations of the Group. The management will continue to monitor foreign currency exchange exposure and will take prudent measures to minimize the currency translation risk.

Gearing Ratio

The gearing ratio, calculated on the basis of total interest bearing borrowings (including loan from a former director, amount due to a director and amount due to a director of the Company's subsidiaries) to equity (including all capital and reserves), was 1.6% (2023: 1.2%).

Contingent Liabilities

As of 31 December 2024 and 2023, the Group did not have any material contingent liabilities nor any other off-balance sheet commitments and arrangements.

Capital Expenditure

For the years ended 31 December 2024 and 2023, the Group did not incur any expenditures on property, plant and equipment.

Debts and Charge on Assets

The Group did not pledge any assets to bank or other financial institutions nor any corporate guarantee given to any entity as at 31 December 2024.

Future Plans for Material Investments and Capital Assets

As at the date of approval of this announcement, the Board had not authorised any plans for material investments or additions of capital assets.

Capital Commitment

As at 31 December 2024 and 2023, the Group did not have material capital commitments.

Events after the reporting period

The Group did not have any significant event after the end of the Reporting Year.

Human Resources and Training

As of 31 December 2024, the Group had a total of 44 employees. The Group's employee remuneration policy is determined on the basis of their performance, qualifications, experience and prevailing market practice. Remuneration packages comprise salary, medical insurance, mandatory provident fund and year end discretionary bonus.

The Group recognizes each role within the organization has unique professional and technical requirements and strives to ensure that its professional training and development programs evolve continuously. For every new joiner, the Group provides comprehensive orientation training and mentoring. The Group is also committed to providing on-the-job training, such as skills development and professional development programs for relevant employees.

Foreign Exchange Risks

As most of the Group's monetary assets and liabilities are denominated in Renminbi and the Group conducts its business transactions principally in Renminbi and Hong Kong dollars, the exchange rate risk of the Group is not significant. The Group did not enter into any foreign exchange hedging instruments during the year ended 31 December 2024.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was adopted by ordinary resolution passed by the then shareholders of the Company on 14 October 2016. Under the Share Option Scheme, the directors of the Company may grant options to subscribe for shares of the Company to eligible participants, including without limitation, employees of the Group, directors of the Company and its subsidiaries.

During the Reporting Year, no share option was granted, exercised, cancelled or lapsed and outstanding under the Share Option Scheme.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

The Group had no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2024. In addition, the Group had no significant investments held during the year ended 31 December 2024.

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

On 2 April 2024, the Company entered into a subscription agreement pursuant to which the Company agreed to allot and issue an aggregate of 12,500,000 new ordinary shares of the Company with nominal value of HK\$0.01 each at a subscription price of HK\$0.12 per share to an independent third party in accordance with the terms and conditions of the subscription agreement (the “**Placing**”). The gross proceeds from the subscription was approximately HK\$1,500,000 (equivalent to approximately RMB1,364,000). Completion of the Placing took place on 26 April 2024. The net proceeds (after deduction of transaction costs of approximately HK\$50,000 (equivalent to approximately RMB45,000)) of approximately HK\$1,450,000 (equivalent to approximately RMB1,319,000), representing the net price of approximately HK\$0.116 per subscription

share, were used for the project of the incorporation of a joint venture company, which will provide software service of centralised settlement systems for various community retail scenarios. In particular, approximately HK\$16,000 (equivalent to approximately RMB15,000) was allocated for the incorporation of new joint venture companies, and approximately HK\$614,000 (equivalent to approximately RMB558,000) was designated for human resources and reimbursements for the project of the joint venture companies, which was directly attributable to the planning, development, or related business activities of the project, whereas the remaining approximate sum of HK\$820,000 (equivalent to approximately RMB746,000) was used to cover general operational costs, including unallocated Hong Kong office's operating expenses, professional fees, and others. As at date of this announcement, the net proceeds have been fully utilised according to the intentions previously disclosed in the Company's announcement dated 2 April 2024.

Conversion of Hong Kong dollars into Renminbi is based on the approximate exchange rate of HK\$1 to RMB0.91 as at the date of entering into the subscription agreement published by the China Foreign Exchange Trade System as authorised by the People's Bank of China.

Details of the Placing were set out in the announcements of the Company dated 2 April 2024, 5 April 2024 and 26 April 2024.

OUTLOOK AND PROSPECTS

Looking ahead, the global economic environment is expected to remain challenging due to persistent inflation and ongoing geopolitical tensions. The domestic economy in China continues to face hurdles, particularly related to political tensions with the U.S. It is crucial to remain aware of the external economic factors that could impact our operations. While the recovery in Mainland China post-COVID-19 presents opportunities, we must also navigate the complexities posed by ongoing geopolitical tensions and inflationary pressures. Therefore, our strategies must be agile and responsive to these dynamics.

Art and Asset Auction Business

The Group is actively adjusting the auction strategies to intensify its market promotion efforts both regionally and across multiple channels. We will continue to maintain open communication with local governments in the PRC to ensure the safe and effective operation of our auction activities, and we plan to host more appealing auctions in the future to improve business performance.

Art and Asset Pawn Business

In 2024, the Group has maintained a conservative approach in granting pawn loans to new customers. While there has been a slight recovery in market conditions, credit risk remains a concern, and our priority continues to be minimising credit exposure and ensuring capital safety. We are enhancing our risk management strategies to navigate the evolving market landscape effectively.

Art and Asset Sales Business

Leveraging our established relationships with collectors and the expertise of our appraisal team, we have successfully identified suitable artworks for sale in 2024. Our strategy includes selling artworks acquired at past auctions and private sales, expecting to generate profit for the Group through (i) gains from the difference between acquisition and sale prices; (ii) agency service income from promoting and facilitating artwork sales; and (iii) auction commissions derived from selling artworks in our upcoming auctions.

To further enhance our market position, we plan to develop strategic alliances with galleries, artists, and cultural institutions, which will help us gain access to exclusive artworks and enhance our credibility in the market. Additionally, implementing a robust sales tracking system will allow us to analyze performance metrics and adjust our approach accordingly. We believe that these efforts will significantly contribute to our overall financial performance.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

CORPORATE GOVERNANCE

The Company has adopted the principles of good corporate governance and code provisions set out in Part 2 of the Corporate Governance Code (the “**Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

In the opinion of the Directors, the Company applied and complied with all the code provisions set out in Part 2 of the Code throughout the Reporting Year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct for Directors in their dealings in Company’s securities. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the Reporting Year.

AUDIT COMMITTEE

An audit committee of the Board (“**Audit Committee**”) has been established with written terms of reference to, among other matters, review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises all the independent non-executive Directors. The annual results of the Group for the year ended 31 December 2024 have been reviewed by the Audit Committee.

SCOPE OF WORK OF THE GROUP’S AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group’s auditor, Ascenda Cachet CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Ascenda Cachet CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ascenda Cachet CPA Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities (including sale of treasury shares) of the Company during the year ended 31 December 2024. As at 31 December 2024, the Company did not hold any treasury shares.

By order of the Board
China Art Financial Holdings Limited
Fan Zhixin
Co-Chairman and Executive Director

Hong Kong, 28 March 2025

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