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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 2025**

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 2025 (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 2025

	<i>Notes</i>	2025 RMB'000	2024 <i>RMB'000</i>
Revenue	4	133,650	71,344
Other income		796	1,265
Other net gain/(loss)		525	(173)
Cost of inventories sold		(115,500)	(48,680)
Net impairment losses recognised		(651)	(203)
Staff costs		(6,364)	(5,941)
Depreciation of property, plant and equipment		(235)	(156)
Depreciation of right-of-use assets		(750)	(640)
Loss on disposal of property, plant and equipment		(78)	–
Advertising and promotional expenses		(2,905)	(2,904)
Other expenses		(6,203)	(5,660)
Finance costs		(736)	(36)
Profit before tax		1,549	8,216
Income tax expenses	5	(2,037)	(3,693)
(Loss)/profit for the year attributable to owners of the Company	6	(488)	4,523
Other comprehensive income/(expense)			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
– Exchange differences arising on translation of foreign operations		179	(158)
– Release of exchange differences upon deregistration of foreign operations		18	–
Other comprehensive income/(expense) for the year, net of tax		197	(158)
Total comprehensive (expense)/income for the year attributable to owners of the Company		(291)	4,365
(Loss)/earnings per share (RMB cents)	8		
Basic		(0.03)	0.27
Diluted		(0.03)	0.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	<i>Notes</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		360	190
Right-of-use assets		695	743
Deferred tax assets		1,258	1,123
		<u>2,313</u>	<u>2,056</u>
Current assets			
Inventories	9	382,600	32,000
Loan receivables	10	498,481	447,255
Other receivables, deposits and prepayments		1,133	11
Tax recoverable		–	287
Bank balances and cash		262,710	653,570
		<u>1,144,924</u>	<u>1,133,123</u>
Current liabilities			
Accruals and other payables	11	7,609	16,180
Lease liabilities		353	465
Tax payable		858	826
Borrowings	12	28,255	7,243
		<u>37,075</u>	<u>24,714</u>
Net current assets		<u>1,107,849</u>	<u>1,108,409</u>
Total assets less current liabilities		<u>1,110,162</u>	<u>1,110,465</u>
Non-current liabilities			
Deferred tax liabilities		<u>174</u>	<u>186</u>
Net assets		<u>1,109,988</u>	<u>1,110,279</u>
Capital and reserves			
Share capital	13	14,793	14,793
Reserves		<u>1,095,195</u>	<u>1,095,486</u>
Total equity		<u>1,109,988</u>	<u>1,110,279</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 No. 200 Jiefang East 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 HKFRS Accounting Standards as 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 HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards as issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	Lack of exchangeability
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The application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRS Accounting Standards in issue but are not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Classification and measurement of financial instruments ¹
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual improvements to HKFRS Accounting Standards — Volume 11 ¹
Amendments to HKFRS 9 and HKFRS 7	Contracts referencing nature-dependent electricity ¹
HKFRS 18	Presentation and disclosure in financial statements ²
HKFRS 19 and its amendments	Subsidiaries without public accountability: Disclosures ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³

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

² Effective for annual periods beginning on or after 1 January 2027.

³ Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards 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 HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards 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.

4. REVENUE AND SEGMENT INFORMATION

Revenue

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Interest revenue from art and asset pawn business	7,678	16,499
Sales of artwork from art and asset sales business	125,823	54,451
Auction revenue from art and asset auction business	149	394
Total	<u>133,650</u>	<u>71,344</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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
By types of asset sold		
Zisha artwork	80,646	36,619
Calligraphies and paintings	45,177	17,832
Total	<u>125,823</u>	<u>54,451</u>
By geographical location		
The PRC, excluding Hong Kong	<u>125,823</u>	<u>54,451</u>

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

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
By types of asset auctioned		
Commercial properties	108	391
Residential properties	41	–
Others	–	3
	<hr/>	<hr/>
Total	149	394
	<hr/> <hr/>	<hr/> <hr/>
By geographical location		
The PRC, excluding Hong Kong	149	394
	<hr/> <hr/>	<hr/> <hr/>

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 gain/(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
2025				
Segment revenue	7,678	149	125,823	133,650
Segment costs	(4,394)	(810)	(120,720)	(125,924)
Net impairment losses recognised	(651)	–	–	(651)
Segment results	<u>2,633</u>	<u>(661)</u>	<u>5,103</u>	7,075
Other income				796
Other net gain				525
Central administrative expenses				(6,111)
Finance costs				<u>(736)</u>
Profit before tax				<u><u>1,549</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
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>	13,401
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>

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>
2025				
Segment information included in the measure of segment results or assets:				
Depreciation of property, plant and equipment	235	–	–	235
Depreciation of right-of-use assets	296	227	227	750
Additions to property, plant and equipment	499	–	–	499
Additions to right-of-use assets	702	–	–	702
Loss on disposal of property, plant and equipment	78	–	–	78
	<u> </u>	<u> </u>	<u> </u>	<u> </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>
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> </u>	<u> </u>	<u> </u>	<u> </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	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
The PRC, excluding Hong Kong (place of domicile)	<u>133,650</u>	<u>71,344</u>	<u>1,055</u>	<u>933</u>

Information about major customers

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

	2025 RMB'000	2024 RMB'000
Customer A	46,770 ¹	18,408 ¹
Customer B	16,018 ¹	10,177 ¹
Customer C	25,204 ¹	—
Customer D	18,142 ¹	— ²
Customer E	<u>17,699¹</u>	<u>—²</u>

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

² The corresponding revenue did not contribute 10% or more of the Group's total revenue for the respective reporting period.

5. INCOME TAX EXPENSES

	2025 RMB'000	2024 RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")	2,184	3,746
Deferred tax credit	<u>(147)</u>	<u>(53)</u>
	<u>2,037</u>	<u>3,693</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 2025 and 2024.

No provision for Hong Kong Profits Tax was made during the years ended 31 December 2025 and 2024 as the Group did not have assessable profits arising in Hong Kong during both years.

6. (LOSS)/PROFIT FOR THE YEAR

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
(Loss)/profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	235	156
Depreciation of right-of-use assets	750	640
Interest expenses on lease liabilities	22	36
Interest expenses on borrowings	714	–
Loss on disposal of property, plant and equipment	78	–
Net impairment losses recognised on loans to customers for art and asset pawn business	<u>651</u>	<u>203</u>

7. DIVIDEND

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: Nil).

8. (LOSS)/EARNINGS PER SHARE

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
(Loss)/earnings		
(Loss)/profit for the year for the purpose of calculating basic and diluted (loss)/earnings per share	<u>(488)</u>	<u>4,523</u>
	2025 '000	2024 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	<u>1,690,500</u>	<u>1,686,538</u>

Diluted (loss)/earnings per share for the years ended 31 December 2025 and 2024 are the same as the basic (loss)/earnings per share as the Company has no potential dilutive ordinary shares outstanding during both years.

9. INVENTORIES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Zisha artwork	39,750	32,000
Calligraphies and paintings	<u>342,850</u>	<u>–</u>
	<u>382,600</u>	<u>32,000</u>

The cost of inventories recognised as expenses and included in “cost of inventories sold” amounted to RMB115,500,000 for the year ended 31 December 2025 (2024: RMB48,680,000).

10. LOAN RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Art and asset pawn loans to customers	503,160	451,283
Less: Impairment allowances	<u>(4,679)</u>	<u>(4,028)</u>
	<u>498,481</u>	<u>447,255</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 5% to 12% (2024: 6% to 12%) per annum during the year ended 31 December 2025. 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:

	2025	2024
	RMB'000	RMB'000
Within 1 month	276,471	278,832
1–3 months	221,931	160,419
3–6 months	79	8,004
	<u>498,481</u>	<u>447,255</u>
Total	<u>498,481</u>	<u>447,255</u>

As at 31 December 2025 and 2024, all loan receivables were not yet past due based on the contractual due dates as stipulated in pawn tickets.

11. ACCRUALS AND OTHER PAYABLES

	2025	2024
	RMB'000	RMB'000
Accrued expenses	3,609	4,482
Amounts due to directors of the Company's subsidiaries (<i>Note a</i>)	58	4,897
Amount due to a former director (<i>Note b</i>)	–	5,564
Other payables	1,882	858
Other tax payables	2,060	379
	<u>7,609</u>	<u>16,180</u>

Notes:

	2025	2024
	RMB'000	RMB'000
(a) Name of director of the Company's subsidiaries		
Mr. Fan Zhijun	9	4,897
Mr. Wang Li	49	–
	<u>58</u>	<u>4,897</u>

The amounts due to directors of the Company's subsidiaries were 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.

- (b) The amount due to Mr. Fan Zhixin, the former director of the Company, was non-trade nature, unsecured, interest-free and repayable on demand. Mr. Fan Zhixin resigned as the executive director of the Company on 8 December 2025.

12. BORROWINGS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Unsecured revolving loan (<i>Note a</i>)	12,811	–
Unsecured fixed interest loan (<i>Note b</i>)	8,218	–
Loan from a former director (<i>Note c</i>)	7,226	7,243
	<u>28,255</u>	<u>7,243</u>

Notes:

- (a) During the year ended 31 December 2025, the Company entered into a credit facility agreement with an independent third party, pursuant to which the lender agreed to grant an unsecured revolving credit facility up to HK\$30,000,000 to the Company for a term of 12 months from the drawdown date. Any amounts drawn from the credit facility bear interest at 5% per annum.
- (b) During the year ended 31 December 2025, the Company entered into a loan agreement with an independent third party, pursuant to which the lender agreed to grant an unsecured loan of HK\$9,000,000 to the Company at a fixed interest rate of 10% per annum for a term of 12 months from the drawdown date.
- (c) Ms. Lam Siu Mui (“**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. Ms. Lam resigned as the chief executive officer of the Company on 2 May 2025.

As at 31 December 2024, the loan from a former director was unsecured, interest-free and repayable on or before 30 April 2025.

On 29 August 2025, the Company received a statutory demand from the legal representative of Ms. Lam demanding the Company to repay the outstanding loan together with interest. The Company entered into settlement agreements with Ms. Lam and agreed to repay HK\$8,000,000 to Ms. Lam on or before 31 January 2026, which comprised of the principal loan amount together with the accrued interest. Subsequent to 31 December 2025, the Company fully settled the outstanding loan and accrued interest to Ms. Lam in January 2026.

13. SHARE CAPITAL

	Number of shares	Amount	
	'000	HK\$'000	Equivalent to RMB'000
<i>Ordinary shares of HK\$0.01 each</i>			
Authorised			
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	5,000,000	50,000	43,420
Issued and fully paid			
At 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 January 2025 and 31 December 2025	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 2025, 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 RMB7.7 million, representing a decrease of approximately 53% from approximately RMB16.5 million in the year ended 31 December 2024 (the “**Corresponding Year**”). The decrease was due to the decrease of interest rate of art and asset pawn loans during the Reporting Year and the relocation of address of principal place of business in PRC resulted in a temporary suspension of new business from March to May 2025.

The profits derived from the art and asset pawn business during the Reporting Year was approximately RMB2.6 million, representing a decrease of approximately 78% from approximately RMB12.0 million for the Corresponding Year.

The Group implemented a risk management system which we 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. The Group’s risk management achieved remarkable results, of which 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.

During the Reporting Year, the revenue from the art and asset auction business was approximately RMB0.2 million, representing a decrease of approximately 50% from approximately RMB0.4 million in the Corresponding Year. Losses derived from the art and asset auction business was approximately RMB0.7 million (2024: approximately RMB0.4 million) during the Reporting Period. The increase in loss 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 increase in operating costs during the Reporting Year.

Meanwhile, the Group is actively looking for new auction formats.

Art and Asset Sales Business

In 2023, the Group diversified its existing businesses and 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 RMB125.8 million, representing an increase of approximately 1.3 times from approximately RMB54.5 million in the Corresponding Year. As the Group has diversified its existing businesses, 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 RMB5.1 million, representing an increase of approximately 2 times from approximately RMB1.7 million in the Corresponding Year. The increase in the segment profits was primarily attributed to the growth in revenue and an improvement in the overall gross profit margin of artwork trading during the Reporting Year.

FINANCIAL REVIEW

Revenue

Our revenue for the Reporting Year amounted to approximately RMB133.7 million, representing an increase of approximately 88% from approximately RMB71.3 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 during the Reporting Year.

Other Income

Our other income decreased by approximately 38% to approximately RMB0.8 million (2024: approximately RMB1.3 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 Gain/(Loss)

Our other net gain was approximately RMB0.5 million for the Reporting Year while other net loss was approximately RMB0.2 million for the Corresponding Year, primarily due to the exchange gains arising from foreign currency translation recorded during the Reporting Year, whereas net foreign exchange loss recorded in previous year.

Cost of Inventories Sold

Our cost of inventories sold for the Reporting Year amounted to approximately RMB115.5 million (2024: approximately RMB48.7 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

During the Reporting Year, impairment losses on pawn loans amounting to approximately RMB0.7 million (2024: approximately RMB0.2 million) were recognised.

Staff Costs

Our staff costs increased by approximately RMB0.5 million, or approximately 8%, from approximately RMB5.9 million in the Corresponding Year to approximately RMB6.4 million during the Reporting Year. This was primarily attributable to the recruitment of additional management personnel, despite streamlining the overall headcount, resulted in an increased in total staff costs.

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 33%, from approximately RMB0.6 million in the Corresponding Year to approximately RMB0.8 million for the Reporting Year as our Group entered into a new lease for office premises in the PRC during the Reporting Year.

Advertising and Promotional Expenses

Advertising and promotional expenses maintained steadily at approximately RMB2.9 million for the Reporting Year as compared to the Corresponding Year.

Other Expenses

Other expenses increased by approximately RMB0.5 million, or approximately 9%, from approximately RMB5.7 million in the Corresponding Year to approximately RMB6.2 million during the Reporting Year, primarily due to the increase in legal and professional fees, PRC local taxes and surcharges, and office expenses during the Reporting Year.

Profit before Tax

As a result of the foregoing, our profit before tax decreased by approximately RMB6.7 million, or approximately 82%, from approximately RMB8.2 million in the Corresponding Year to approximately RMB1.5 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 increase in operating expenses of our Group.

Income Tax Expenses

Our income tax expenses decreased by approximately RMB1.7 million, or approximately 46%, from approximately RMB3.7 million in the Corresponding Year to approximately RMB2.0 million during the Reporting Year, primarily due to the decrease in our Group's taxable profits during the Reporting Year.

Total Comprehensive (Expense)/Income for the Year

Total comprehensive expense for the year was approximately RMB0.3 million for the Reporting Year while total comprehensive income for the year was approximately RMB4.4 million for the Corresponding Year, primarily due to decrease in segment profits of the Group's art and asset pawn business, and the increase in operating expenses of our Group.

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 2025, net working capital (calculated as current assets less current liabilities) was approximately RMB1,107.8 million, representing an decrease of approximately RMB0.6 million as compared with approximately RMB1,108.4 million as of 31 December 2024. The current ratios (calculated as current assets/current liabilities) are 30.9 times and 45.8 times as of 31 December 2025 and 2024 respectively.

The following table summarises the consolidated statement of cash flows for the years ended 31 December 2025 and 2024:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	(400,749)	(47,802)
Net cash generated from investing activities	194	1,263
Net cash generated from financing activities	9,745	4,289

As of 31 December 2025, the Group's total bank balances and cash decreased by 59.8% to approximately RMB262.7 million from approximately RMB653.6 million as of 31 December 2024.

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 appreciation 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 borrowings (including borrowings, amount due to a former director and amounts due to directors of the Company's subsidiaries) to equity (including all capital and reserves), was 2.6% (2024: 1.6%).

Contingent Liabilities

As of 31 December 2025 and 2024, the Group did not have any material contingent liabilities nor any other off-balance sheet commitments and arrangements.

Capital Expenditure

For the year ended 31 December 2025, the Group incurred approximately RMB0.5 million for acquisition of property, plant and equipment (2024: RMB2,000).

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 2025.

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 2025 and 2024, 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 2025, 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 2025.

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 2025. In addition, the Group had no significant investments held during the year ended 31 December 2025.

OUTLOOK AND PROSPECTS

Looking ahead to 2026, the global economic landscape is anticipated to enter a phase of differentiated growth, marked by divergent monetary policy trajectories among major economies, which may intensify capital flow and exchange rate volatility. Persistent geopolitical tensions continue to pose risks to global trade and supply chains. Domestically, China's economy is undergoing structural adjustments, with policy support progressively shifting towards stabilizing domestic demand and fostering high-quality development. Government initiatives, particularly in cultural digitization and the promotion of digital economy sectors, are expected to generate sustained, long-term tailwinds for the Group's core business segments.

In this evolving context, the Group will adhere to a core strategy of “Prudent Operations, Technology Enablement, and Ecosystem Synergy.” We will maintain a steadfast focus on risk management and capital preservation while actively seizing strategic opportunities arising from technological innovation and shifts in consumption patterns. Our objective is to drive the digital transformation and synergistic integration of our business units to achieve high-quality and sustainable growth.

Art and Asset Auction Business

The Chinese art market is undergoing a profound value recalibration and channel integration. As market confidence gradually rebuilds, collecting behavior is becoming more rational, with a pronounced focus on works with impeccable provenance and clear academic significance. The convergence of online and offline channels has become the standard, and the application of artificial intelligence in areas such as artwork authentication, value discovery, and personalized client engagement is rapidly moving from concept to practical implementation.

Beyond enhancing the physical auction experience through technology, we will actively monitor and explore the integration potential of Web3 and digital assets. This includes researching the application of blockchain technology for secure, transparent provenance records and studying market developments in digital collectibles and tokenized art assets to understand future engagement models with a new generation of collectors.

Art and Asset Pawn Business

Amid lower interest rates in China, the Group adopts a prudent lending approach, prioritizing capital preservation while cautiously expanding loan offerings to qualified clients. Credit risk remains a concern, particularly with economic uncertainty affecting collateral valuations. Enhanced risk assessment frameworks will be key focus areas to improve loan security and operational efficiency.

Art and Asset Sales Business

The Group’s sales segment faces increased market competition in the current environment, particularly within the mid-tier segment. While this segment has demonstrated a degree of resilience despite broader macroeconomic headwinds, a full recovery in consumer willingness and confidence will require time. In this context, the Group will adopt a more cautious and pragmatic strategy to navigate near-term volatility and solidify the foundation for long-term development.

We will leverage the Group's established collector network to focus on curating and promoting artworks with clear market demand and value support. Our current business strategy primarily involves the planned sale of artwork assets accumulated from past auctions and private acquisitions, aiming to contribute to Group profits through (i) Gains from artwork acquisition and sale price differentials; (ii) agency service income from promoting and facilitating artwork sales; and (iii) auction commissions derived from selling artworks in our upcoming auctions.

Looking forward, we recognize the growing discourse around digital assets and new forms of value creation. While our core remains physical artworks, we acknowledge the evolving landscape. Therefore, the Group will cautiously explore adjacent opportunities. This may include evaluating select, high-quality digital art projects or understanding models for RWA tokenization where physical assets are represented digitally.

Exploring Opportunities in the Cultural Sector

Leveraging the resources and expertise accumulated in the art and cultural field, the Group is also closely monitoring potential opportunities along the cultural industry value chain. Among these, cultural exhibitions and cultural education and innovative application of blockchain technology in cultural assets sector are areas we are prudently evaluating as potential directions for future development.

Regarding cultural exhibitions, we are studying the possibility of participating in the operation of exhibition halls and art spaces. This would aim to extend our core competencies in art sourcing, curation, and collector networks into the broader realm of public cultural services. Such initiatives could potentially enhance our brand influence and generate synergies with our core businesses.

In the area of cultural education, we have observed growing market demand for learning in fields such as art appreciation, investment collection, and cultural heritage. We are exploring the feasibility of offering relevant training programs, which would serve to promote art and culture while nurturing potential future collectors, thereby injecting long-term vitality into our core operations.

In the realm of digital innovation, we continue to monitor the market evolution of emerging technologies, including developments in Real World Assets (RWA) digital rights and Non-Fungible Token (NFT) digital economy. With the advancement of blockchain technology, the protection and rights confirmation of cultural and creative intellectual property are ushering in new possibilities. The Group is prudently evaluating the feasibility of applying relevant technologies to artwork trading, including exploring models for the rights confirmation and trading of physical artworks through digital certificates. This initiative is not only expected to introduce new trading models and liquidity to the traditional art market but also help us reach a broader base of digital-native collector demographics, opening up new growth dimensions for the Group's businesses.

Through the above initiatives, the Group is confident in navigating the cyclical fluctuations within the opportunity-filled and challenging environment of 2026. By adhering to refined operations and prudent risk management, we aim to prepare for future market evolution, consolidate our competitive advantages in the ever-changing Chinese art and asset management market, and generate long-term and stable returns for our shareholders.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: 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.

UPDATE ON DIRECTORS AND CHIEF EXECUTIVE OFFICER INFORMATION

The following is updated information of the directors and the chief executive officer required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Ms. Lam Siu Mui has resigned as a chief executive officer of the Company with effect from 2 May 2025.
2. Mr. Zou Chengyu was appointed as a chief executive officer of the Company on 13 May 2025 and resigned on 8 December 2025.
3. Mr. Chen Yunwei has resigned his position as a non-executive Director with effect from 15 September 2025.
4. Mr. Fan Zhixin has resigned his position as an executive Director with effect from 8 December 2025.
5. Mr. Chen Xiaobing was appointed as an executive Director with effect from 8 December 2025.
6. Mr. Liu Changsheng was appointed as an executive Director with effect from 23 January 2026.
7. Mr. Wu Bo was appointed as an executive Director with effect from 23 January 2026.
8. Mr. Xiong Ke was appointed as an executive Director with effect from 23 January 2026.
9. Ms. Fan Qinzhi was appointed as a non-executive Director with effect from 23 January 2026.
10. Mr. Lu Qinglu was appointed as an independent non-executive Director with effect from 23 January 2026.

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 2025 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 2025 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 2025. As at 31 December 2025, the Company did not hold any treasury shares.

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

Hong Kong, 20 March 2026

As at the date of this announcement, the Board comprises (1) Mr. Chen Xiaobing (Co-Chairman), Mr. Liu Changsheng, Mr. Wu Bo, and Mr. Xiong Ke as the executive Directors, (2) Mr. Tian Rui (Co-Chairman) and Ms. Fan Qinzhi as the non-executive Directors and (3) Mr. Lu Qinglu, Mr. Leung Shu Sun, Sunny, Ms. Shao Qionggiong and Ms. Yin Xuhong as the independent non-executive Directors.