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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2026

The board (the "**Board**") of directors (the "**Directors**") of China Art Financial Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2026, together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2026

		Six months ended 30 June	
		2026	2025
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**321,385**	43,220
Other income		**187**	462
Other net gain		**992**	58
Cost of inventories sold		**(304,000)**	(35,600)
Net impairment losses (recognised)/reversed		**(451)**	13
Staff costs		**(3,671)**	(2,896)
Depreciation of property, plant and equipment		**(134)**	(98)
Depreciation of right-of-use assets		**(403)**	(347)
Loss on disposal of property, plant and equipment		**–**	(85)
Advertising and promotional expenses		**(1,450)**	(1,453)
Other expenses		**(8,951)**	(1,994)
Finance costs	*4*	**(973)**	(85)
Profit before tax		**2,531**	1,195
Income tax expenses	*5*	**(2,062)**	(940)
Profit for the period		**469**	255
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**188**	116
Release of translation reserve upon deregistration of foreign operations		**–**	20
		188	136
Total comprehensive income for the period		**657**	391

		Six months ended 30 June	
		2026	2025
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Profit for the period attributable to:			
— Owners of the Company		**419**	255
— Non-controlling interests		**50**	–
		469	255
Total comprehensive income for the period attributable to:			
— Owners of the Company		**607**	391
— Non-controlling interests		**50**	–
		657	391
Earnings per share (RMB cents)	*7*		
Basic and diluted		**0.02**	0.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

	Note	**As at 30 June 2026** *RMB'000* **(unaudited)**	As at 31 December 2025 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment		**243**	360
Right-of-use assets		**292**	695
Deferred tax assets		**1,327**	1,258
		1,862	2,313
Current assets			
Inventories	*8*	**396,400**	382,600
Loan receivables	*9*	**519,429**	498,481
Other receivables, deposits and prepayments		**1,005**	1,133
Tax recoverable		**257**	–
Bank balances and cash		**229,878**	262,710
		1,146,969	1,144,924
Current liabilities			
Accruals and other payables	*10*	**7,590**	7,609
Lease liabilities		**178**	353
Tax payable		**489**	858
Borrowings	*11*	**29,856**	28,255
		38,113	37,075
Net current assets		**1,108,856**	1,107,849
Total assets less current liabilities		**1,110,718**	1,110,162
Non-current liabilities			
Deferred tax liabilities		**73**	174
Net assets		**1,110,645**	1,109,988
Capital and reserves			
Share capital		**14,793**	14,793
Reserves		**1,095,802**	1,095,195
Equity attributable to owners of the Company		**1,110,595**	1,109,988
Non-controlling interests		**50**	–
Total equity		**1,110,645**	1,109,988

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

1. GENERAL AND BASIS OF PREPARATION

(a) General

The condensed consolidated financial statements of China Art Financial Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group's condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

(b) Basis of preparation

The Company's wholly-owned subsidiaries established in the People's Republic of China (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 control 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 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The Group's condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of amendments to HKFRS Accounting Standards, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2026 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2025.

Application of amendments to HKFRS Accounting Standards

In the current interim period, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2026 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature-dependent Electricity*
Annual Improvements to HKFRS Accounting Standards — Volume 11	*Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7*

The application of the amendments to HKFRS Accounting Standards in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest revenue from art and asset pawn business	**3,817**	3,963
Sales of artwork from art and asset sales business	**317,566**	39,159
Auction revenue from art and asset auction business	**2**	98
Total	**321,385**	43,220

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 artworks 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

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
By types of asset sold		
Zisha artwork	**34,513**	37,124
Calligraphies and paintings	**283,053**	2,035
Total	**317,566**	39,159
By geographical location		
The PRC, excluding Hong Kong	**317,566**	39,159

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

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
By types of asset auctioned		
Commercial properties and carparks	**–**	98
Others	**2**	–
	2	98
By geographical location		
The PRC, excluding Hong Kong	**2**	98

The Group has no unsatisfied performance obligations as at the end of each reporting period.

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 from each segment without allocation of other income, other net gain, central administrative expenses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources 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	**Art and asset auction business**	**Art and asset sales business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Six months ended 30 June 2026 (unaudited)				
Segment revenue	**3,817**	**2**	**317,566**	**321,385**
Segment costs	**(2,023)**	**(423)**	**(310,510)**	**(312,956)**
Net impairment losses recognised	**(451)**	**–**	**–**	**(451)**
Segment results	**1,343**	**(421)**	**7,056**	**7,978**
Other income				**187**
Other net gain				**992**
Central administrative expenses				**(5,653)**
Finance costs				**(973)**
Profit before tax				**2,531**

	Art and asset pawn business	Art and asset auction business	Art and asset sales business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2025 (unaudited)				
Segment revenue	3,963	98	39,159	43,220
Segment costs	(1,991)	(376)	(37,646)	(40,013)
Net impairment losses reversed	13	–	–	13
Segment results	1,985	(278)	1,513	3,220
Other income				462
Other net gain				58
Central administrative expenses				(2,460)
Finance costs				(85)
Profit before tax				1,195

Other segment information

	Art and asset pawn business *RMB'000*	Art and asset auction business *RMB'000*	Art and asset sales business *RMB'000*	Total *RMB'000*
Six months ended 30 June 2026 (unaudited)				
Segment information included in the measure of segment results or assets:				
Additions to property, plant and equipment	**17**	**–**	**–**	**17**
Depreciation of property, plant and equipment	**134**	**–**	**–**	**134**
Depreciation of right-of-use assets	**175**	**114**	**114**	**403**

	Art and asset pawn business *RMB'000*	Art and asset auction business *RMB'000*	Art and asset sales business *RMB'000*	Total *RMB'000*
Six months ended 30 June 2025 (unaudited)				
Segment information included in the measure of segment results or assets:				
Additions to property, plant and equipment	503	–	–	503
Additions to right-of-use assets	702	–	–	702
Depreciation of property, plant and equipment	98	–	–	98
Depreciation of right-of-use assets	120	113	114	347
Loss on disposal of property, plant and equipment	85	–	–	85

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	
			As at	As at
	Six months ended 30 June		**30 June**	31 December
	2026	2025	**2026**	2025
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
The PRC, excluding Hong Kong (place of domicile)	**321,385**	43,220	**535**	1,055

Information about major customers

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

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Customer A	**118,142**[1]	7,080[1]
Customer B	**65,619**[1]	9,912[1]
Customer C	**39,823**[1]	–
Customer D	**38,761**[1]	–
Customer E	**–**	18,142[1]

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

4. FINANCE COSTS

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on		
— borrowings	**968**	71
— lease liabilities	**5**	14
Total	**973**	85

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax ("**EIT**") for the period	**2,232**	944
Underprovision in respect of prior years	**–**	39
	2,232	983
Deferred tax credit	**(170)**	(43)
	2,062	940

Under the PRC EIT Law, the tax rate of the Company's subsidiaries established in the PRC was 25% for the six months ended 30 June 2026 and 2025.

No provision for Hong Kong Profits Tax was made during the six months ended 30 June 2026 and 2025 as the Group did not have assessable profits arising in Hong Kong during both periods.

6. DIVIDEND

The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2026 (six months ended 30 June 2025: Nil).

7. 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:

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**419**	255

	Six months ended 30 June	
	2026	2025
	’000	*’000*
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**1,690,500**	1,690,500

Diluted earnings per share for the six months ended 30 June 2026 and 2025 are the same as the basic earnings per share as the Company has no potential dilutive ordinary shares outstanding during both periods.

8. INVENTORIES

	As at	As at
	30 June	31 December
	2026	2025
	RMB’000	*RMB’000*
	(unaudited)	(audited)
Zisha artwork	**195,800**	39,750
Calligraphies and paintings	**200,600**	342,850
	396,400	382,600

The cost of inventories recognised as expenses and included in “cost of inventories sold” amounted to RMB304,000,000 for the six months ended 30 June 2026 (six months ended 30 June 2025: RMB35,600,000).

9. LOAN RECEIVABLES

	As at 30 June 2026 *RMB'000* (unaudited)	As at 31 December 2025 *RMB'000* (audited)
Art and asset pawn loans to customers	**524,559**	503,160
Less: Impairment allowances	**(5,130)**	(4,679)
	519,429	498,481

The art and asset pawn loans to customers are arising from the Group's art and asset pawn business. The loan periods 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 4% to 12% (six months ended 30 June 2025: 6% to 12%) per annum during the six months ended 30 June 2026. 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:

	As at 30 June 2026 *RMB'000* (unaudited)	As at 31 December 2025 *RMB'000* (audited)
Within 1 month	**475,547**	276,471
1–3 months	**43,856**	221,931
3–6 months	**26**	79
Total	**519,429**	498,481

As at 30 June 2026 and 31 December 2025, all loan receivables were not yet past due based on the contractual due dates as stipulated in pawn tickets.

10. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2026 ***RMB'000*** **(unaudited)**	As at 31 December 2025 *RMB'000* (audited)
Accrued expenses	**2,843**	3,609
Amounts due to directors of the Company's subsidiaries *(Note a)*	**16**	58
Other payables	**1,375**	1,882
Other tax payables	**3,356**	2,060
	7,590	7,609

Note:

(a) **Name of director of the Company's subsidiaries**	**As at 30 June 2026** ***RMB'000*** **(unaudited)**	As at 31 December 2025 *RMB'000* (audited)
Mr. Fan Zhijun	**8**	9
Mr. Wang Li	**–**	49
Mr. Song Zhengrong	**8**	–
	16	58

The amounts due to directors of the Company's subsidiaries were non-trade nature, unsecured, interest-free and repayable on demand.

11. BORROWINGS

	As at 30 June 2026 ***RMB'000*** **(unaudited)**	As at 31 December 2025 *RMB'000* (audited)
Unsecured revolving loan *(Note a)*	**12,569**	12,811
Unsecured fixed interest loans *(Note b)*	**17,287**	8,218
Loan from a former director *(Note c)*	**–**	7,226
	29,856	28,255

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 one year from the date of the loan agreement.

During the six months ended 30 June 2026, the Company entered into loan agreements with independent third parties, pursuant to which the lenders agreed to grant unsecured loans of HK$10,000,000 to the Company at a fixed interest rate of 10% per annum for a term of one year from the respective dates of the loan agreements.

(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.

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. The Company fully settled the outstanding loan and accrued interest to Ms. Lam in January 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2026 (the "**Period Under Review**"), the international and domestic markets continued to experience challenging situation. The Company and its subsidiaries (collectively referred to as, the "**Group**") have adjusted their marketing strategies from time to time in response to the unstable environment.

Art and Asset Pawn Business

During the Period Under Review, the revenue derived from the art and asset pawn business was approximately RMB3.8 million, representing a decrease of approximately 3.7% from approximately RMB4.0 million for the corresponding period in last year. The decrease was due to the decrease in interest rate of art and asset pawn loans.

The profit derived from the art and asset pawn business was approximately RMB1.3 million, representing a decrease of approximately 32.3% from approximately RMB2.0 million for the corresponding period in last year.

The Group implemented a risk management system which we believe 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 third party authoritative authentication institutions as the Group's independent advisor. The Group's risk management achieved remarkable results, of which the art and asset pawn business did not experience any default in the first half of 2026.

Art and Asset Auction Business

During the Period Under Review, the revenue from the art and asset auction business was approximately RMB2,000, representing a decrease of approximately 98.0% from approximately RMB98,000 for the same period in 2025. The loss from the art and asset auction business was approximately RMB0.4 million (six months ended 30 June 2025: approximately RMB0.3 million). The increase in loss was mainly due to the decrease in revenue and the increase in operating costs from this business during the current period.

Art and Asset Sales Business

During the Period Under Review, the revenue from the art and asset sales business was approximately RMB317.6 million representing an increase of approximately 7.1 times from approximately RMB39.2 million for the same period in 2025. The profit from the art and asset sales business during the Period Under Review was approximately RMB7.1 million, representing an increase of approximately 3.7 times from approximately RMB1.5 million for the same period in 2025. The significant increase in revenue from the art and asset sales business was mainly attributable to the higher sales of calligraphies and paintings during the Period Under Review, which was in line with the Group's strategic focus on promoting artworks with clear market demand and value support through its established collector network and sales channels.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately 6.4 times to approximately RMB321.4 million for the Period Under Review as compared to the corresponding period in last year, primarily due to an increase in revenue from sales of artwork through the art and asset sales business.

Other Income

Our other income decreased by approximately 59.5% to approximately RMB0.2 million for the Period Under Review as compared to the corresponding period in last year, primarily due to the decrease in bank interest income during the Period Under Review.

Other Net Gain

Our other net gain increased by approximately 16.1 times to RMB1.0 million for the Period Under Review as compared to the corresponding period in last year, primarily due to the increase in exchange gains arising from foreign currency translation recorded during the period.

Cost of Inventories Sold

Our cost of inventories sold amounted to approximately RMB304.0 million (six months ended 30 June 2025: approximately RMB35.6 million) and the amounts represented the purchase costs of artwork which were sold to our customers through the art and asset sales business for the Period Under Review.

Net Impairment Losses (Recognised)/Reversed

During the Period Under Review, impairment losses on pawn loans amounting to approximately RMB451,000 were recognised while the net impairment losses reversed was approximately RMB13,000 for the corresponding period in last year.

Staff Costs

Our staff costs increased by approximately RMB0.8 million, or approximately 26.8%, from approximately RMB2.9 million for the same period in 2025 to approximately RMB3.7 million for the Period Under Review. The increase was primarily due to the increase in the average number of employees during the Period under Review.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment for the Period Under Review maintained steadily at approximately RMB0.1 million as compared to the corresponding period in last year as our Group did not have material additions or disposals of property, plant and equipment during both periods.

Depreciation of Right-of-use Assets

Depreciation of right-of-use assets for the Period Under Review maintained steadily at approximately RMB0.4 million as compared to the corresponding period in last year.

Advertising and Promotional Expenses

Advertising and promotional expenses for the Period Under Review maintained steadily at approximately RMB1.5 million as compared to the corresponding period in last year.

Other Expenses

Other expenses increased by approximately 3.5 times, to approximately RMB9.0 million for the Period Under Review as compared to the corresponding period in last year, primarily due to the increase in legal and professional fees, PRC local taxes and surcharges, and office expenses during the reporting period.

Finance costs

Finance costs increased by approximately 10.4 times to approximately RMB1.0 million for the Period Under Review as compared to the corresponding period in last year, primarily due to the increase in borrowings.

Profit before Tax

As a result of the foregoing, our profit before tax for the Period Under Review increased by approximately 1.1 times as compared to the corresponding period in last year and amounted to approximately RMB2.5 million for the Period Under Review, primarily due to the increase in revenue and profit from the art and asset sales business during the Period Under Review.

Income Tax Expenses

Our income tax expenses for the Period Under Review increased by approximately 1.2 times as compared to the corresponding period in last year and amounted to approximately RMB2.1 million, primarily due to the increase in the Group's taxable profits for the Period Under Review.

Profit for the Period

As a result of the foregoing, our profit for the Period Under Review increased by approximately 83.9% as compared to the corresponding period in last year and amounted to approximately RMB0.5 million for the Period Under Review.

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 at 30 June 2026 and 31 December 2025, the net working capital of the Group (calculated as current assets less current liabilities) was RMB1,108.9 million and RMB1,107.8 million, respectively. The current ratios of the Group (calculated as current assets/current liabilities) are 30.1 times and 30.9 times as of 30 June 2026 and 31 December 2025, respectively.

The following table summarises the condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2026 and 2025:

	2026 ***RMB'000*** **(unaudited)**	2025 *RMB'000* (unaudited)
Net cash used in operating activities	**(34,434)**	(68,273)
Net cash generated from investing activities	**170**	462
Net cash generated from financing activities	**1,512**	2,248

As at 30 June 2026, the Group's total bank balances and cash decreased by 12.5% to approximately RMB229.9 million from approximately RMB262.7 million as at 31 December 2025.

During the Period Under Review, 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 operation in the PRC. The Group was not subject to any other material risk directly relating to the foreign exchange fluctuation. For the six months ended 30 June 2026, despite the appreciation of RMB against HKD, the Directors expected any fluctuation of the RMB exchange rate would not have a material adverse effect on the operations of the Group. The management will continue to monitor foreign currency exchange exposure and will take prudent measures to minimise the currency translation risk if and when necessary.

Gearing Ratio

The gearing ratio, calculated on the basis of total borrowings (including borrowings, and amount due to directors of the Company's subsidiaries) to equity (including all capital and reserves) was 2.7% (31 December 2025: 2.6%).

Contingent Liabilities

As at 30 June 2026 and 31 December 2025, the Group did not have any material contingent liabilities nor any other off-balance sheet commitments and arrangements.

Capital Expenditures

During the six months ended 30 June 2026, the Group did not have capital expenditures on property, plant and equipment (six months ended 30 June 2025: approximately RMB0.5 million).

Capital Commitments

As at 30 June 2026 and 31 December 2025, the Group did not have any material capital commitments.

Event After the Reporting Period

There was no significant event taken place subsequent to 30 June 2026 and up to the date of this announcement.

Human Resources and Training

As at 30 June 2026, the Group had a total of 63 employees (as at 31 December 2025: 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.

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 arrangements during the six months ended 30 June 2026. The Group reviews its foreign exchange risks periodically and will consider using derivative financial instruments to hedge against such risks if and when necessary.

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 flows 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 stabilising domestic demand and fostering high-quality development. Government initiatives, particularly in cultural digitisation 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." The Group 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. The Group's objective is to drive the digital transformation and synergistic integration of its 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 norm, and the application of artificial intelligence in areas such as artwork authentication, value discovery, and personalised client engagement is rapidly moving from concept to practical implementation.

Beyond enhancing the physical auction experience through technology, the Group 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 tokenised 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, prioritising capital preservation while cautiously expanding loan offerings to qualified clients. Credit risk remains a concern, particularly as economic uncertainty continues to affect collateral valuations. Enhanced risk assessment frameworks will be a key focus area 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 take 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.

The Group will leverage the Group's established collector network to focus on curating and promoting artworks with clear market demand and value support. The Group's 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 its upcoming auctions.

Looking forward, the Group recognises the growing discourse around digital assets and new forms of value creation. While our core business remains physical artworks, the Group acknowledges 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 tokenisation of real-world assets where physical assets are represented digitally.

Exploring Opportunities in the Cultural Sector

Leveraging its accumulated resources and expertise in the art and cultural fields, the Group is actively exploring opportunities in the digitalisation of art and digital asset including:

1. Digitalisation and rights confirmation of art, covering authoritative appraisal, valuation, and digital assets issuance;

2. Financial derivatives of art and digital assets, such as pawnbroking, pledge, instalment payment, auction and internet auction, art digital asset funds, trusts and art insurance; and

3. Tokenisation of art and art digital assets, with a view to enhancing liquidity and expanding market participating.

In addition, the Group is studying the possibility of participating in the operation of exhibition halls and art spaces. This initiative aims to extend its core strengths in art sourcing, curation and collector network to the broader public cultural service sector. The Group is also exploring the feasibility of offering training programmes in art appreciation, investment collection and culture heritage, which would help cultivate future potential collectors.

In digital innovation, the Group continues to monitor the market evolution of emerging technologies, including tokenisation models for real-world assets and digital rights. With the advancement of blockchain technology, the protection and rights confirmation of cultural and creative intellectual property are facing new possibilities. The Group is prudently assessing the feasibility of applying relevant technologies to art transactions, including exploring digital certificates for confirming and trading physical art. This initiative is expected to introduce new trading models and liquidity to the traditional art market while reaching a broader community of digitally native collectors.

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

Neither the Group nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period under Review.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 and 3.22 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose, among other duties and functions, of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive directors of the Company, namely Mr. Leung Shu Sun, Sunny (Chairman), Mr. Wang Xiaoyong and Mr. Chan Chun Kit. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2026 have been reviewed by the audit committee. The audit committee has no disagreement with the accounting treatment adopted by the Company.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

During the six months ended 30 June 2026, none of the Company, or any of its subsidiaries, was a party to any arrangement to enable the Directors to have any right to subscribe for securities of the Company or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIVIDEND

The Board did not recommend an interim dividend for the six months ended 30 June 2026 (2025: Nil).

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. Mr. Liu Changsheng was appointed as an executive Director with effect from 23 January 2026.

2. Mr. Wu Bo was appointed as an executive Director with effect from 23 January 2026 and resigned on 26 June 2026.

3. Mr. Xiong Ke was appointed as an executive Director with effect from 23 January 2026 and resigned on 26 June 2026.

4. Ms. Fan Qinzhi was appointed as a non-executive Director with effect from 23 January 2026.

5. Mr. Lu Qinglu was appointed as an independent non-executive Director with effect from 23 January 2026 and resigned on 26 June 2026.

6. Mr. Chen Xiaobing resigned as an executive Director with effect from 3 June 2026.

7. Mr. Tang Yimo was appointed as an executive Director with effect from 26 June 2026.

8. Mr. Chen Peng was appointed as an executive Director with effect from 26 June 2026.

9. Mr. Yan Chuanjiang was appointed as an executive Director with effect from 26 June 2026.

10. Mr. Wang Xiaoyong was appointed as an independent non-executive Director with effect from 26 June 2026.

11. Mr. Chan Chun Kit was appointed as an independent non-executive Director with effect from 26 June 2026.

12. Mr. Deng Guohong was appointed as an independent non-executive Director with effect from 26 June 2026.

13. Mr. Wang Guofeng was appointed as a chief executive officer of the Company with effect from 26 June 2026.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix C3 of the Listing Rules in 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 six months ended 30 June 2026.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 of the Listing Rules during the six months ended 30 June 2026.

APPRECIATION

Finally, I wish to take this opportunity to express my sincere gratitude to the Directors, management and staff for their contributions and good performance during the Period Under Review.

By Order of the Board
China Art Financial Holdings Limited
Liu Changsheng
Co-Chairman and Executive Director

Hong Kong, 28 August 2026

As at the date of this announcement, the Board comprises (1) Mr. Liu Changsheng (Co-Chairman), Mr. Tang Yimo, Mr. Chen Peng and Mr. Yan Chuanjiang as the executive Directors, (2) Mr. Tian Rui (Co-Chairman) and Ms. Fan Qinzhi as the non-executive Directors and (3) Mr. Leung Shu Sun, Sunny, Mr. Wang Xiaoyong, Mr. Chan Chun Kit and Mr. Deng Guohong as the independent non-executive Directors.