



中國藝術金融控股有限公司

China Art Financial Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1572

2026

Interim Report



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Changsheng (*Co-Chairman*) (appointed on 23 January 2026)
Mr. Chen Xiaobing (*Co-Chairman*) (resigned on 3 June 2026)
Mr. Wu Bo (appointed on 23 January 2026 and resigned on 26 June 2026)
Mr. Xiong Ke (appointed on 23 January 2026 and resigned on 26 June 2026)
Mr. Tang Yimo (appointed on 26 June 2026)
Mr. Chen Peng (appointed on 26 June 2026)
Mr. Yan Chuanjiang (appointed on 26 June 2026)

Non-executive Director

Mr. Tian Rui (*Co-Chairman*)
Ms. Fan Qinzhi (appointed on 23 January 2026)

Independent Non-executive Directors

Mr. Leung Shu Sun Sunny
Mr. Wang Xiaoyong (appointed on 26 June 2026)
Mr. Chan Chun Kit (appointed on 26 June 2026)
Mr. Deng Guohong (appointed on 26 June 2026)
Ms. Shao Qiongqiong (resigned on 26 June 2026)
Ms. Yin Xuhong (resigned on 26 June 2026)
Mr. Lu Qinglu (appointed on 23 January 2026 and resigned on 26 June 2026)

COMPANY SECRETARY

Mr. Ng Kam Ming

AUTHORISED REPRESENTATIVES

Mr. Liu Changsheng (appointed on 3 June 2026)
Mr. Chen Xiaobing (resigned on 3 June 2026)
Mr. Ng Kam Ming

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit E, 43/F
Enterprise Square Three
No. 39 Wang Chiu Road
Kowloon Bay
Kowloon

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

No. 200 Jiefang East Road,
Yicheng Street,
Yixing City,
Jiangsu Province,
China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Center
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS IN HONG KONG

Bank of Communications (Hong Kong) Limited
CMB Wing Lung Bank Limited

PRINCIPAL BANKS IN THE PRC

Jiangsu Yixing Rural Commercial Bank
China Construction Bank

AUDITOR

Ascenda Cachet CPA Limited
*Certified Public Accountants and
Registered Public Interest Entity Auditor*

COMPANY'S WEBSITE

www.cnartfin.com.hk

STOCK CODE

1572

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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) were 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 participation.

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.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2026, the interest or short position of the Directors and chief executive (including supervisors) of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”)) which are required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 of the Listing Rules were as follows:

Name of Director/ Chief Executive	Capacity	Number of Shares (Note 1)	Approximate percentage of Shareholding in the Company
Ms. Fan Qinzhi	Interests of controlled corporation and held jointly with other persons (Notes 1 and 2)	1,000,768,000 (L) 996,000,000 (S)	59.20% 58.92%

Notes:

- (1) Intelligenesis Investment Co., Ltd (the “**Intelligenesis Inv**”) is held as to 69.5% by Golden Sand Investment Company Limited (the “**Golden Sand Inv**”), which is in turn held as to 74.1% by Mauve Jade Investment Limited (the “**Mauve Jade Inv**”), which is in turn held as to 67.2% by Mr. Fan Zhijun and 32.8% by Ms. Fan Qinzhi. By virtue of the SFO, Mauve Jade Inv and Ms. Fan Qinzhi are deemed to be interested in the same parcel of shares in which Intelligenesis Inv is interested.
- (2) Mr. Fan Zhijun, Ms. Fan Qinzhi, Mr. Fan Yajun, Ms. Wu Jian and Ms. Xu Min together control 1,000,768,000 shares representing approximately 59.20% interest of the total issued share capital of our Company through Mauve Jade Inv, Golden Sand Inv and Intelligenesis Inv. Mr. Fan Zhijun, Ms. Fan Qinzhi, Mr. Fan Yajun, Ms. Wu Jian and Ms. Xu Min have entered into a confirmation (“**Act-in-Concert Confirmation**”) dated 15 April 2016 according to which, among other things, they acknowledge and confirm that they shall act in concert and give unanimous consent, approval or rejection on any material issues and decisions in relation to the business of our Group and in the event of any contrary view within the concert group, the view of Mr. Fan Zhijun shall prevail. By virtue of the Act-in-Concert Confirmation, each of Mr. Fan Zhijun, Ms. Fan Qinzhi, Mr. Fan Yajun, Ms. Wu Jian and Ms. Xu Min are deemed to be interested in such 1,000,768,000 shares representing 59.20% interest in the total issued share capital of our Company.

Save as disclosed above and in the “SHARE-BASED PAYMENTS” disclosure in notes to the condensed consolidated financial statements, as at 30 June 2026, none of the directors and chief executive (including supervisors) of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2026, the following parties (other than the directors and chief executive (including supervisors) of the Company) had interests and short positions of 5% or more of the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of interest/Capacity	Number of Shares (Note 1)	Approximate percentage of Shareholding in the Company
Intelligenesis Inv	Beneficial owner	1,000,768,000 (L) 996,000,000 (S)	59.20% 58.92%
Golden Sand Inv	Interest of controlled corporation (Note 2)	1,000,768,000 (L) 996,000,000 (S)	59.20% 58.92%
Mauve Jade Inv	Interest of controlled corporation (Note 3)	1,000,768,000 (L) 996,000,000 (S)	59.20% 58.92%
Mr. Fan Zhijun	Interests of controlled corporation and held jointly with other persons (Notes 3 and 4)	1,000,768,000 (L) 996,000,000 (S)	59.20% 58.92%
Mr. Fan Yajun	Interests held jointly with other persons (Note 4)	1,000,768,000 (L) 996,000,000 (S)	59.20% 58.92%
Ms. Zhou Jianyuan	Interest of spouse (Note 5)	1,000,768,000 (L) 996,000,000 (S)	59.20% 58.92%
Ms. Wu Jian	Interests held jointly with other persons (Note 4)	1,000,768,000 (L) 996,000,000 (S)	59.20% 58.92%
Mr. Xu Zhongliang	Interest of spouse (Note 6)	1,000,768,000 (L) 996,000,000 (S)	59.20% 58.92%
Ms. Xu Min	Interests held jointly with other persons (Note 4)	1,000,768,000 (L) 996,000,000 (S)	59.20% 58.92%
Winwin International Strategic Investment Funds SPC (“WIS”)	Security interest (Note 7)	1,000,384,000 (L)	59.18%
Mr. Arab Osman Mohammed	Agent (Note 8)	1,000,384,000 (L)	59.18%
Mr. Lai Wing Lun	Agent (Note 8)	1,000,384,000 (L)	59.18%

OTHER INFORMATION

Notes:

- (1) The letter “L” denotes the substantial shareholders’ long position in the shares/underlying shares. The letter “S” denotes the person’s short position in the shares/underlying shares.
- (2) The said 1,000,768,000 shares is held in the name of Intelligenesis Inv. Intelligenesis Inv is held as to 69.5% by Golden Sand Inv. By virtue of the SFO, Golden Sand Inv is deemed to be interested in the same parcel of shares in which Intelligenesis Inv is interested.
- (3) Intelligenesis Inv is held as to 69.5% by Golden Sand Inv, which is in turn held as to 74.1% by Mauve Jade Inv, which is in turn held as to 67.2% by Mr. Fan Zhijun and 32.8% by Ms. Fan Qinzhi. By virtue of the SFO, Mauve Jade Inv and Ms. Fan Qinzhi are deemed to be interested in the same parcel of shares in which Intelligenesis Inv is interested.
- (4) Mr. Fan Zhijun, Ms. Fan Qinzhi, Mr. Fan Yajun, Ms. Wu Jian and Ms. Xu Min together control 1,000,768,000 shares representing approximately 59.20% interest of the total issued share capital of our Company through Mauve Jade Inv, Golden Sand Inv and Intelligenesis Inv. By virtue of the Act-in-Concert Confirmation, each of Mr. Fan Zhijun, Ms. Fan Qinzhi, Mr. Fan Yajun, Ms. Wu Jian and Ms. Xu Min are deemed to be interested in such 1,000,768,000 shares representing 59.20% interest in the total issued share capital of our Company.
- (5) Ms. Zhou Jianyuan is the spouse of Mr. Fan Yajun. By virtue of the SFO, Ms. Zhou Jianyuan is deemed to be interested in the same parcel of shares in which Mr. Fan Yajun is interested.
- (6) Mr. Xu Zhongliang is the spouse of Ms. Wu Jian. By virtue of the SFO, Mr. Xu Zhongliang is deemed to be interested in the same parcel of shares in which Ms. Wu Jian is interested.
- (7) WIS, acting for and on behalf of Win Win Stable No.1 Fund SP, had security interest in 1,000,384,000 shares of the Company.
- (8) Mr. Arab Osman Mohammed and Mr. Lai Wing Lun of Acclime Corporate Advisory (Hong Kong) Limited (formerly known as RSM Corporate Advisory (Hong Kong) Limited) were appointed as joint and several receivers and managers on 1 August 2022 in respect of 1,000,384,000 ordinary shares of the Company pursuant to the relevant share charge.

Save as disclosed above, as at 30 June 2026, no person or corporation had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 to employees of the Group, directors of the Company and its subsidiaries.

During the Period Under Review, no share options were granted, exercised, cancelled, lapsed and/or outstanding under the Share Option Scheme.

Further details of the Share Option Scheme are set out in the notes to the condensed consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

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

OTHER INFORMATION

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).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 six months ended 30 June 2026.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company’s issued Shares during the six months ended 30 June 2026 and as at the date of this report.

COMPLIANCE WITH CORPORATE GOVERNANCE REPORT

The Company has complied with 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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2026

		Six months ended 30 June	
	Note	2026 RMB'000 (unaudited)	2025 RMB'000 (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	4	(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		(973)	(85)
Profit before tax		2,531	1,195
Income tax expenses	5	(2,062)	(940)
Profit for the period	6	469	255
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
— 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
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)	8		
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	9	243	360
Right-of-use assets	9	292	695
Deferred tax assets		1,327	1,258
		1,862	2,313
Current assets			
Inventories	10	396,400	382,600
Loan receivables	11	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	12	7,590	7,609
Lease liabilities		178	353
Tax payable		489	858
Borrowings	13	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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2026

	Attributable to owners of the Company						Non-controlling interests		Total
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (Note)	Capital reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	RMB'000	RMB'000
At 1 January 2025 (audited)	14,793	199,999	82,786	172,301	(1,394)	641,794	1,110,279	-	1,110,279
Profit for the period	-	-	-	-	-	255	255	-	255
Other comprehensive income for the period	-	-	-	-	136	-	136	-	136
Total comprehensive income for the period	-	-	-	-	136	255	391	-	391
Appropriation to statutory reserve	-	-	158	-	-	(158)	-	-	-
At 30 June 2025 (unaudited)	14,793	199,999	82,944	172,301	(1,258)	641,891	1,110,670	-	1,110,670
At 1 January 2026 (audited)	14,793	199,999	83,003	172,301	(1,197)	641,089	1,109,988	-	1,109,988
Profit for the period	-	-	-	-	-	419	419	50	469
Other comprehensive income for the period	-	-	-	-	188	-	188	-	188
Total comprehensive income for the period	-	-	-	-	188	419	607	50	657
Appropriation to statutory reserve	-	-	99	-	-	(99)	-	-	-
At 30 June 2026 (unaudited)	14,793	199,999	83,102	172,301	(1,009)	641,409	1,110,595	50	1,110,645

Note: The statutory reserve is non-distributable and the appropriation to this reserve is determined by the board of directors of the Company's subsidiaries established in the People's Republic of China (the "PRC") in accordance with the Articles of Association of these subsidiaries by way of appropriations from their net profits. Statutory reserve can be used to make up for previous year's losses or convert into additional capital of these subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2026

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Cash used in operations	(31,576)	(67,226)
Income tax paid	(2,858)	(1,047)
NET CASH USED IN OPERATING ACTIVITIES	(34,434)	(68,273)
INVESTING ACTIVITIES		
Bank interest received	187	462
Payment for purchase of property, plant and equipment	(17)	–
NET CASH GENERATED FROM INVESTING ACTIVITIES	170	462
FINANCING ACTIVITIES		
Proceeds from borrowings	8,911	2,428
Repayment of borrowings	(7,226)	–
Advance from directors of the Company's subsidiaries	8	–
Repayment of advance from directors of the Company's subsidiaries	(1)	–
Settlement of lease liabilities	(180)	(180)
NET CASH GENERATED FROM FINANCING ACTIVITIES	1,512	2,248
NET DECREASE IN CASH AND CASH EQUIVALENTS	(32,752)	(65,563)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	262,710	653,570
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(80)	2
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD AND REPRESENTED BY BANK BALANCES AND CASH	229,878	588,009

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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

3. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

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	–
Total	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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

3. REVENUE AND SEGMENT INFORMATION (Continued)

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. Segment assets and liabilities are allocated to each segment excluding deferred tax assets, deferred tax liabilities, borrowings, amounts due to directors of the Company's subsidiaries, bank balances and cash, tax recoverable, tax payable, and unallocated corporate assets and liabilities. 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 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 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Segment revenue and results (Continued)

	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 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities 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
As at 30 June 2026 (unaudited)				
Assets				
Segment assets	519,972	5	396,400	916,377
Unallocated assets				
Tax recoverable				257
Deferred tax assets				1,327
Corporate assets				992
Bank balances and cash				229,878
Consolidated total assets				1,148,831
Liabilities				
Segment liabilities	577	–	3,585	4,162
Unallocated liabilities				
Tax payable				489
Borrowings				29,856
Deferred tax liabilities				73
Amounts due to directors of the Company's subsidiaries				16
Corporate liabilities				3,590
Consolidated total liabilities				38,186

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Segment assets and liabilities (Continued)

	Art and asset pawn business RMB'000	Art and asset auction business RMB'000	Art and asset sales business RMB'000	Total RMB'000
As at 31 December 2025 (audited)				
Assets				
Segment assets	499,303	119	382,715	882,137
Unallocated assets				
Deferred tax assets				1,258
Corporate assets				1,132
Bank balances and cash				262,710
Consolidated total assets				1,147,237
Liabilities				
Segment liabilities	998	–	2,474	3,472
Unallocated liabilities				
Tax payable				858
Borrowings				28,255
Deferred tax liabilities				174
Amounts due to directors of the Company's subsidiaries				58
Corporate liabilities				4,432
Consolidated total liabilities				37,249

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

3. REVENUE AND SEGMENT INFORMATION (Continued)

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	
	Six months ended 30 June 2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)	As at 30 June 2026 RMB'000 (unaudited)	As at 31 December 2025 RMB'000 (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 RMB'000 (unaudited)	2025 RMB'000 (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. NET IMPAIRMENT LOSS (RECOGNISED)/REVERSED

	Six months ended 30 June	
	2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
Net impairment losses (recognised)/reversed on loans to customers for art and asset pawn business	(451)	13

The basis of determining the inputs and assumptions and the estimation techniques used for expected credit losses on financial assets in the condensed consolidated financial statements for the six months ended 30 June 2026 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2025.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

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. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Directors' remuneration	180	241
Other staffs salaries and allowances	3,161	2,342
Retirement benefits scheme contributions, excluding those of directors	330	313
Total staff costs	3,671	2,896
Interest expenses on		
— borrowings	968	71
— lease liabilities	5	14
Total finance costs	973	85
Net foreign exchange gain	(108)	(222)
Bank interest income	(187)	(462)
Depreciation for property, plant and equipment	134	98
Depreciation of right-of-use assets	403	347
Loss on disposal of property, plant and equipment	–	85
Loss on deregistration of foreign operations	–	20

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

7. 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).

8. EARNINGS PER SHARE

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

	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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2026, the Group acquired property, plant and equipment amounting to RMB17,000 (six months ended 30 June 2025: RMB503,000).

During the six months ended 30 June 2025, the Group disposed of property, plant and equipment with net carrying amount of RMB85,000 (six months ended 30 June 2026: Nil).

During the six months ended 30 June 2025, the Group entered into a lease agreement for leasing office and pawn shop premises, and therefore recognised addition to right-of-use assets of RMB702,000 (six months ended 30 June 2026: Nil).

10. INVENTORIES

	As at 30 June 2026 RMB'000 (unaudited)	As at 31 December 2025 RMB'000 (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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

11. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

12. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

13. 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.

14. SHARE-BASED PAYMENTS

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed by the Company on 14 October 2016 for the primary purpose of providing incentives to directors and eligible participants, and will expire on 13 October 2026. Under the Scheme, the board of directors of the Company may grant options to (i) any employee ("**Eligible Employee**") (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest; (ii) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group to subscribe for shares in the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

14. SHARE-BASED PAYMENTS (Continued)

The total number of shares which may be allotted and issued upon the exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Company's shares in issue on the date on which the Company's shares commenced dealings on the Stock Exchange, being 160,000,000 shares, representing approximately 9.46% of the issued shares (excluding any treasury shares) of the Company as at the date of this report.

The number of shares issued and to be issued in respect of which option granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to director, chief executive officer or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding independent non-executive directors who or whose associates is the proposed grantee of the options). Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in aggregate over 0.1% of the Company's shares in issue or with a value based on the closing price of the shares at the date of each offer for the grant in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

An option may be accepted by a participant within 21 days from the date of the offer for the grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of the offer for the grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Scheme for the holding of an option before it can be exercised. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The Scheme will remain in force for a period of 10 years commencing on the date on which the Scheme is adopted. As at the date of this report, the remaining life of the Scheme is approximately 1.5 months. As at 31 December 2025 and 30 June 2026, the number of share options available for grant under the mandate limit of the Scheme was 81,000,000 shares of the Company, which represented approximately 4.79% of the issued share capital of the Company as at 31 December 2025 and 30 June 2026.

During the six months ended 30 June 2026 and 2025, no share options were granted, exercised, cancelled, lapsed and/or outstanding under the Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

15. RELATED PARTY DISCLOSURES

Other than those disclosed in the condensed consolidated statement of financial position and other notes to the condensed consolidated financial statements, the Group also had the following significant transactions with its related parties.

- (a) At the end of the reporting period, the Group had the following outstanding balance with Ms. Fan Qinzhi (“**Ms. Fan**”), the non-executive director of the Company, and her family member:

	30 June 2026 RMB'000 (unaudited)	31 December 2025 RMB'000 (audited)
Lease liabilities due to Ms. Fan and her family member (Note)	178	353

Note: The Group is the lessee in respect of office and pawn shop premises rented by Ms. Fan and her family member for a fixed lease term of two years. The annual rent is RMB360,000 which is payable in advance by two installments bi-annually.

- (b) During the period, the Group entered into the following significant transactions with its related parties:

	Six months ended 30 June 2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
Interest expenses on lease liabilities to Ms. Fan and her family member	5	–

- (c) **Compensation of key management personnel**

The remuneration of key management personnel during the period is as follows:

	Six months ended 30 June 2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
Salaries and other benefits	705	943
Retirement benefit scheme contributions	103	85
	808	1,028

The remuneration of key management personnel is determined by reference to the performance of individuals and market trend.