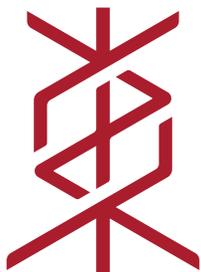


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東京中央拍賣控股有限公司
TOKYO CHUO AUCTION HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 1939)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2021**

FINANCIAL HIGHLIGHTS	Year ended 31 March		Changes
	2021 (HK\$'000)	2020 (HK\$'000)	
Revenue	80,753	107,589	-24.9%
Gross profit	70,023	75,937	-7.8%
Profit before income tax	11,698	10,461	11.8%
Profit attributable to owners of the Company	8,363	8,444	-1.0%
Earnings per share Basic and diluted (<i>HK cents</i>)	1.67	1.69	-1.2%
Net profit margin	10.6%	7.7%	
Proposed final dividend per share (<i>HK cents</i>)	1.0	1.0	

The board (the “**Board**”) of directors (the “**Directors**”) of Tokyo Chuo Auction Holdings Limited (the “**Company**”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2021 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 March 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2021

	<i>Note</i>	2021 HK\$’000	2020 <i>HK\$’000</i>
Revenue	4	80,753	107,589
Costs of services		(7,714)	(26,594)
Costs of sales of goods		(3,016)	(5,058)
Gross profit		70,023	75,937
Other losses, net	5	(748)	(460)
Other income	6	8,693	14,497
Provision for allowance for expected credit losses (“ECL”) on financial assets		(3,715)	(3,789)
Net impairment losses on intangible assets		(430)	—
Selling and distribution expenses		(21,312)	(27,918)
Administrative expenses		(35,309)	(48,687)
Operating profit		17,202	9,580
Finance income	8	1,552	2,195
Finance costs	8	(1,291)	(1,447)
Finance income, net	8	261	748
Impairment losses on investment accounted for using the equity method		(5,136)	—
Share of result of an associate accounted for using the equity method		(629)	133
Profit before income tax	7	11,698	10,461
Income tax expense	9	(3,167)	(2,219)
Profit for the year		8,531	8,242
Profit/(loss) attributable to:			
Owners of the Company		8,363	8,444
Non-controlling interests		168	(202)
		8,531	8,242
Earnings per share for profit attributable to owners of the Company			
Basic and diluted (HK cents)	10	HK1.67 cents	HK1.69 cents

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	HK\$'000	HK\$'000
Profit for the year	<u>8,531</u>	<u>8,242</u>
Other comprehensive (loss)/income:		
Exchange difference on translating foreign operations	<u>(1,135)</u>	<u>985</u>
Total other comprehensive (loss)/income for the year, net of tax	<u>(1,135)</u>	<u>985</u>
Total comprehensive income for the year	<u><u>7,396</u></u>	<u><u>9,227</u></u>
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	<u>7,332</u>	<u>9,421</u>
Non-controlling interests	<u>64</u>	<u>(194)</u>
	<u><u>7,396</u></u>	<u><u>9,227</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Assets			
Non-current assets			
Property, plant and equipment		7,701	8,996
Right-of-use assets		14,465	22,042
Intangible assets		7,551	958
Investment accounted for using the equity method		2,528	7,930
Financial asset at fair value through profit or loss		—	632
Deferred income tax assets		714	1,266
Deposits and prepayments		4,064	4,194
		<u>37,023</u>	<u>46,018</u>
Current assets			
Inventories		107,989	53,858
Financial assets at fair value through profit or loss		5,900	—
Trade and other receivables	12	261,256	232,899
Deposits and prepayments		23,447	91,290
Pledged bank deposits		5,407	5,443
Cash and cash equivalents		153,631	82,577
		<u>557,630</u>	<u>466,067</u>
Total assets		<u>594,653</u>	<u>512,085</u>
Equity			
Equity attributable to owners of the Company			
Share capital		169,730	169,730
Reserves		112,511	110,179
		<u>282,241</u>	<u>279,909</u>
Non-controlling interests		<u>4,224</u>	<u>4,160</u>
Total equity		<u>286,465</u>	<u>284,069</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Liabilities		
Non-current liabilities		
Other payables	1,555	1,454
Lease liabilities	9,100	16,129
Borrowings	42,983	186
Deferred income tax liabilities	3,580	2,596
	<u>57,218</u>	<u>20,365</u>
Current liabilities		
Other payables and accruals	214,937	153,192
Lease liabilities	6,490	6,850
Borrowings	26,894	38,927
Current income tax liabilities	2,649	8,682
	<u>250,970</u>	<u>207,651</u>
Total liabilities	<u>308,188</u>	<u>228,016</u>
Total equity and liabilities	<u><u>594,653</u></u>	<u><u>512,085</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Tokyo Chuo Auction Holdings Limited (the “**Company**”) is a limited liability company incorporated in Hong Kong. Its ultimate controlling party is Mr. Audo Shokei, who is also the chairman and executive director of the Company. The address of the Company’s registered office is Room 2601, 26/F, Wing on Centre, No. 111 Connaught Road Central, Hong Kong.

The Company is an investment holding company. The Company’s subsidiaries principally engage in the provision of auction and related services as well as artwork sales in Hong Kong and Japan.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

These consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**”), unless otherwise stated.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.2 Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	— Definition of Material
Amendments to HKFRS 3	— Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	— Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

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

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

The directors anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3 SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified as the executive directors of the Group that make strategic decisions. The CODM assesses the performance of the operating segments based on a measure of gross profit for the purpose of allocating resources.

The management has identified two operating segments based on the types of revenues, namely (i) operation of art auction and related business and (ii) artwork sales.

The segment information provided to the CODM for the years ended 31 March 2021 and 2020 are as follows:

	Operation of art auction and related business HK\$'000	Artwork sales HK\$'000	Total HK\$'000
Year ended 31 March 2021			
Segment revenue from external customers	77,466	3,287	80,753
Costs of services/sales of goods	<u>(7,714)</u>	<u>(3,016)</u>	<u>(10,730)</u>
Segment results	<u>69,752</u>	<u>271</u>	70,023
Other losses, net			(748)
Other income			8,693
Provision for allowance for ECL on financial assets	(3,715)	—	(3,715)
Net impairment losses on intangible assets			(430)
Selling and distribution expenses			(21,312)
Administrative expenses			<u>(35,309)</u>
Operating profit			17,202
Finance income, net			261
Impairment losses on investment accounted for using the equity method			(5,136)
Share of result of an associate accounted for using the equity method			<u>(629)</u>
Profit before income tax			11,698
Income tax expense			<u>(3,167)</u>
Profit for the year			<u>8,531</u>

	Operation of art auction and related business <i>HK\$'000</i>	Artwork sales <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2020			
Segment revenue from external customers	98,019	9,570	107,589
Costs of services/sales of goods	<u>(26,594)</u>	<u>(5,058)</u>	<u>(31,652)</u>
Segment results	<u>71,425</u>	<u>4,512</u>	75,937
Other losses, net			(460)
Other income			14,497
Provision for allowance for ECL on financial assets	(3,789)	—	(3,789)
Selling and distribution expenses			(27,918)
Administrative expenses			<u>(48,687)</u>
Operating profit			9,580
Finance income, net			748
Share of result of an associate accounted for using the equity method			<u>133</u>
Profit before income tax			10,461
Income tax expense			<u>(2,219)</u>
Profit for the year			<u>8,242</u>

Revenue from external customers, by geographical area, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	32,342	61,274
Japan	48,411	<u>46,315</u>
	<u>80,753</u>	<u>107,589</u>

Information on segment assets and segment liabilities of the Group are not reviewed by CODM for the purpose of resource allocation and performance assessment nor otherwise regularly provided to the CODM. As a result, no analysis of segment assets and segment liabilities is presented.

Non-current assets, other than deferred income tax assets, by geographical area are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	15,071	15,765
Japan	18,710	20,425
Taiwan	2,528	8,562
	<u>36,309</u>	<u>44,752</u>

4 REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from art auction and related business	77,466	98,019
Artwork sales	3,287	9,570
	<u>80,753</u>	<u>107,589</u>

All revenue of the Group are recognised at a point in time.

5 OTHER LOSSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Exchange loss	(119)	(175)
Changes in cash surrender values of key management life insurance contracts	—	32
Fair value loss on financial asset at fair value through profit or loss	—	(243)
Others	(629)	(74)
	<u>(748)</u>	<u>(460)</u>

6 OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Agency income (<i>Note (i)</i>)	—	14,381
Government grants (<i>Note (ii)</i>)	2,527	—
Fair value gain on financial asset at fair value through profit or loss	5,268	—
Compensation received	494	—
Others (<i>Note (iii)</i>)	404	116
	<u>8,693</u>	<u>14,497</u>

Notes:

- (i) During the year ended 31 March 2020, one of the subsidiary of the Group entered into an agency agreement with an independent third party in providing agency services relating to demolition of a property located in Japan. In return for such services provided, the Group recognised an agency income of approximately HK\$14,381,000 for the year.
- (ii) During the year ended 31 March 2021, the Group recognised government grants of approximately HK\$2,527,000 mainly in relates to (i) COVID-19-related subsidies of Employee Support Scheme provided by the Hong Kong government and (ii) COVID-19-related subsidies provided by the Japan government.
- (iii) Others mainly represented sales tax refunded, bidding deposits forfeited and penalties from the buyers.

7 PROFIT BEFORE INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	3,016	5,058
Rental and setup costs for auction and preview exhibition venues	2,554	17,869
Expenses relating to short term lease	459	277
Employee benefit expenses	23,345	31,225
Depreciation of property, plant and equipment	2,508	3,050
Depreciation of right-of-use assets	6,702	6,837
Amortisation of intangible assets	694	62
Provision for allowance for ECL on financial assets	3,715	3,789
Net impairment losses on intangible assets	430	—
Impairment losses on investment accounted for using the equity method	5,136	—
Auditor's remuneration		
— Audit services	1,650	2,300
— Non-audit services	—	195
	<u>51,109</u>	<u>61,565</u>

8 FINANCE INCOME, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance income:		
— Interest income on bank deposits	106	745
— Interest income from consignor advance	<u>1,446</u>	<u>1,450</u>
	<u>1,552</u>	<u>2,195</u>
Finance costs:		
— Imputed interest of provision for reinstatement cost	(118)	(92)
— Interest expense on lease liabilities	(536)	(712)
— Interest expense on bank and other borrowings	<u>(637)</u>	<u>(643)</u>
	<u>(1,291)</u>	<u>(1,447)</u>
Finance income, net	<u><u>261</u></u>	<u><u>748</u></u>

9 INCOME TAX EXPENSE

The amounts of income tax expense charged to the consolidated statements of profit or loss and other comprehensive income represent:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax		
— Hong Kong	308	1,530
— Japan	1,261	1,804
— Over-provision in prior years	<u>—</u>	<u>(87)</u>
Total current income tax	1,569	3,247
Deferred income tax	<u>1,598</u>	<u>(1,028)</u>
Income tax expense	<u><u>3,167</u></u>	<u><u>2,219</u></u>

(a) Hong Kong profits tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

(b) Japan corporate income tax

Japan corporate income tax has been calculated on the estimated assessable profit for the year ended 31 March 2021 at the rates of taxations prevailing in Japan in which the Group operates. The Group is subject to national corporate income tax, inhabitant tax, and enterprise tax in Japan, which in aggregate, resulted in effective statutory income tax rates of approximately 36.1% for the year ended 31 March 2021 (2020: 34.6%).

10 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 March 2021 and 2020.

	2021	2020
Net profit attributable to the owners of the Company (HK\$'000)	<u>8,363</u>	<u>8,444</u>
Weighted average number of ordinary shares in issue ('000)	<u>500,000</u>	<u>500,000</u>
Basic earnings per share (HK cents)	<u><u>1.67</u></u>	<u><u>1.69</u></u>

(b) Diluted earnings per share

No diluted earnings per share for both 2021 and 2020 were presented as there were no potential ordinary shares in issue for both 2021 and 2020.

11 DIVIDEND

Proposed dividend

On 28 June 2021, the Directors have proposed a final dividend of HK1.0 cent per ordinary share in respect of the year ended 31 March 2021 (2020: HK1.0 cent), amounting to approximately HK\$5,000,000 (2020: HK\$5,000,000), which is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31 March 2021.

Final dividend paid

Dividends paid and payable to equity shareholders of the Company attributable to the previous financial year, paid and payable during the year.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend in respect of the previous financial year ended 31 March 2020, approved and payable during the year, of HK1 cent (31 March 2019: HK2 cents) per share	<u>5,000</u>	<u>10,000</u>

12 TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	21,083	20,239
Less: allowance for ECL	<u>(1,294)</u>	<u>(818)</u>
Trade receivables — net	19,789	19,421
Other receivables		
— Receivables from buyers in respect of auction and related business (<i>Note (i)</i>)	172,734	110,983
— Consignor advance (<i>Note (ii)</i>)	67,302	86,252
— Input value-added tax recoverable	100	399
— Others	<u>1,331</u>	<u>15,844</u>
Trade and other receivables	<u>261,256</u>	<u>232,899</u>

As at 31 March 2021, the fair value of trade and other receivables of the Group approximated their carrying amounts (2020: same).

Notes:

- (i) Other receivables from buyers in respect of auction and related business represent the purchase price of the auction articles receivable on behalf of sellers.

- (ii) Included in other receivables are advances of HK\$67,302,000 made to certain consignors as at 31 March 2021 (2020: HK\$86,252,000) upon consignment of auction articles to the Group. As at 31 March 2021, these advances bore interest at 0% to 12% per annum (2020: interest at 0% to 12% per annum).

The Group grants credit period of 7 days for commission receivables and 30 days for receivables from artwork sales. The ageing analysis of trade receivables based on invoice date, before allowance for ECL, as at 31 March 2021 and 2020, was as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
— Within 30 days	11,544	3,245
— 1 to 3 months	978	—
— 3 to 6 months	2,486	6,052
— 6 to 12 months	181	5,428
— Over 1 year	5,894	5,514
	21,083	20,239

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In view of the outbreak of the COVID-19 pandemic since early 2020, the global economic and financial markets in Hong Kong and Japan remain uncertain. As the COVID-19 pandemic is not yet under control, travel restrictions and health quarantine arrangements for inbound travellers have been implemented in a majority of cities in the world. The Board considered that such significant impact on the global economy and financial markets in Hong Kong and Japan may adversely affect the operating environment of the Group. As a result of travel restrictions and health quarantine arrangements for inbound travellers to Hong Kong and Japan under the COVID-19 pandemic, the Group cancelled its 2020 May and 2020 November auctions scheduled to be held in Hong Kong (the “**2020 Hong Kong Spring and Autumn Auctions**”) and 2020 September and 2021 March auctions scheduled to be held in Japan (the “**2020 Japan Autumn Auction and 2021 Japan Spring Auction**”).

In 2020, with the aim to diversify its business scope and auction channel, the Group targeted to develop an online auction platform to improve its operations. In March 2020, due to the negative impact brought to its operation by the COVID-19 pandemic, the Group allocated more resources to develop an online auction platform and the first live auction was launched in June 2020. The online auction platform was used by Group’s clients, which enabled them to attend and make direct bids during the auction. The Group launched the first live auction in Japan, during which different sessions were held, including Chinese paintings and calligraphy, collection series from Kanto book-collector, sutra, rubbings of inscriptions, tea ware, scholarly objects, antiques and Arts in Life, which started a newly integrated mode of internet and on-site auctions. As online auction is without restriction in place and time, it will become a new trend for auction, in which the collectors can follow live broadcast to make direct bids. Subsequently, the Group also launched 6 further live auctions during the Reporting Period.

During the Reporting Period, the Group obtained satisfactory results in each auction session, with an aggregate of 5,365 pieces of auction lots launched in the 7 live auctions in Hong Kong and Japan. A total of 3,230 pieces of which were successfully sold, representing a successful rate of 60.2% and achieved an aggregate hammer price of approximately HK\$161.3 million and JPY2,382.2 million in Hong Kong and Japan, respectively. The Group is actively developing other new auction segments to increase the number and sources of customers and pursue new business opportunities.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group was approximately HK\$80.8 million (2020: approximately HK\$107.6 million), which represents a decrease of approximately HK\$26.8 million or 24.9% as compared to the same period in 2020. Revenue from art auction and related business was approximately HK\$77.5 million (2020: approximately HK\$98.0 million), while revenue from artwork sales was approximately HK\$3.3 million (2020: approximately HK\$9.6 million). The decrease in revenue from art auction and related business was mainly due to the cancellation of the 2020 Hong Kong Spring and Autumn Auctions and 2020 Japan Autumn Auction and 2021 Japan Spring Auction as a result of the outbreak and spread of COVID-19.

Gross profit

During the Reporting Period, gross profit of the Group decreased by approximately HK\$5.9 million or 7.8% to approximately HK\$70.0 million (2020: approximately HK\$75.9 million) as compared to the same period in 2020, which was in line with the decrease in revenue. The overall gross profit margin increased to approximately 86.7% for the Reporting Period from approximately 70.6% recorded for the same period in 2020. The gross profit margins were approximately 90.0% (2020: 72.9%) and approximately 8.2% (2020: 47.1%) for art auction and related business and artwork sales respectively. Such increase in overall profit margin was mainly due to increase in profit margin in art auction and related business. The increase in gross profit margin in art auction and related business was mainly due to decrease in rental and expenses for setup for auction and preview exhibition venues for launching live auctions during the Reporting Period.

Other loss — net

Other losses of approximately HK\$748,000 mainly represented the exchange loss for the Reporting Period (2020: loss of approximately HK\$460,000).

Other income

Other income of approximately HK\$8.7 million was mainly represented by the government grant and fair value gain on financial assets at fair value through profit or loss recognised for the Reporting Period (2020: approximately HK\$14.4 million which represented the agency services from demolition of property located in Japan).

Selling and distribution expenses

Selling and distribution expenses consist primarily of employee benefit expenses paid to the Group's sales and marketing staff, advertising and promotion expenses, consultancy fee paid, transportation costs, travelling expenses, entertainment and business hospitality expenses. During the Reporting Period, approximately HK\$21.3 million (2020: approximately HK\$27.9 million) of selling and distribution expenses were incurred, representing a decrease of approximately HK\$6.6 million as compared to the same period in 2020, which was in line with the decrease in revenue.

Administrative expenses

Administrative expenses mainly represent employee benefit expenses, travelling expenses, rental expenses and depreciation. During the Reporting Period, administrative expenses decreased by approximately 27.5% to approximately HK\$35.3 million (2020: approximately HK\$48.7 million). Such decrease in administrative expenses was mainly due to decrease in employee benefits expense, travelling expense and professional and consultancy fee for the Reporting Period.

Finance income — Net

Net finance income recorded amounted to approximately HK\$261,000 (2020: approximately HK\$748,000) for the Reporting Period. Finance income mainly represents interest income from bank deposit and interest income from certain consignor advance, and finance costs mainly represent interest expenses on bank and other borrowings and interest expenses on lease liabilities.

Income tax expense

Profits tax has been provided for by the Group's companies in both Hong Kong and Japan at the applicable rate on the estimated assessable profits. Effective tax rate was approximately 27.1% (2020: approximately 21.2%) for the Reporting Period and no significant fluctuation was noted.

Profit attributable to owners of the Company

During the Reporting Period, the Company recorded a profit attributable to owners of the Company of approximately HK\$8.4 million (2020: approximately HK\$8.4 million). The profit attributable to owners of the Company during the Reporting Period remained stable as compared to the same period in 2020.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated resources, banking facilities and net proceeds from the listing (the “**Listing**”) of the Company’s shares on the Main Board of the Stock Exchange. As at 31 March 2021, the Group had current assets of the approximately HK\$557.6 million (as at 31 March 2020: approximately HK\$466.1 million) while the Group’s cash and cash equivalents amounted to approximately HK\$153.6 million (as at 31 March 2020: approximately HK\$82.6 million).

As at 31 March 2021, the Group has interest-bearing bank borrowings of approximately HK\$69.8 million (as at 31 March 2020: approximately HK\$38.8 million) and of which approximately HK\$26.8 million (as at 31 March 2020: approximately HK\$38.7 million) was repayable within one year.

As at 31 March 2021, the Group had other borrowings of approximately HK\$84,000 (as at 31 March 2020: approximately HK\$358,000) and of which approximately HK\$84,000 (as at 31 March 2020: approximately HK\$272,000) was repayable within one year.

As at 31 March 2021, the Group’s gearing ratio was calculated on the basis of the amount of interest-bearing borrowings less cash and cash equivalents divided by shareholders’ equity, and the Group was in net cash position (as at 31 March 2020: net cash position).

PROPOSED FINAL DIVIDENDS

The Board recommended the payment of a final dividend of HK1.0 cent per ordinary share (2020: HK1.0 cents), absorbing a total amount of approximately HK\$5,000,000, in respect of the Reporting Period (the “**Proposed Final Dividend**”) (2020: HK\$5,000,000), which is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Wednesday, 1 September 2021 (the “**AGM**”). The Proposed Final Dividend is expected to be paid on Thursday, 30 September 2021 to all shareholders whose to be appeared on the register of members of the Company on Friday, 10 September 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Wednesday, 1 September 2021 or any adjournment thereof, the register of members of the Company will be closed from Thursday, 26 August 2021 to Wednesday, 1 September 2021, both days inclusive, during which period no transfer of shares will be affected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 25 August 2021.

The Proposed Final Dividend is subject to the passing of an ordinary resolution by the Shareholders at the AGM or any adjournment thereof. For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from Wednesday, 8 September 2021 to Friday, 10 September 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the Proposed Final Dividend (subject to the approval of the Shareholders at the AGM), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 September 2021.

CAPITAL COMMITMENTS

As at 31 March 2021, the Group had no material capital commitment (as at 31 March 2020: Nil).

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 March 2021, the Group did not provide any guarantees for any third party and had no significant contingent liabilities (as at 31 March 2020: Nil).

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not hold any material investments, nor did the Group make any material acquisition and disposal of subsidiaries or associates companies of the Company during the Reporting Period.

TREASURY POLICY

The Group adopted a prudent strategy towards the treasury and funding policies, and attached high importance to the risk control and transactions directly related to the Group's principal business. Funds, primarily denominated in Japanese Yen and Hong Kong dollars, are normally placed with banks in short or medium term deposits for working capital of the Group.

CAPITAL STRUCTURE AND FOREIGN CURRENCY EXPOSURE

During the Reporting Period, the Group's operation was mainly financed by funds generated from its operation, borrowings and net proceeds from the Listing. As at 31 March 2021, the borrowings were mainly denominated in Hong Kong dollars and Japanese Yen, while the cash and cash equivalents held by the Group were mainly denominated in Japanese Yen and Hong Kong dollars. All of the Group's borrowings were floating rate borrowings and were pledged by bank deposits of approximately HK\$5.4 million to secure such bank facilities during the Reporting Period. The Group's revenue is mainly denominated in Japanese Yen and Hong Kong dollars, while its costs and expenses are mainly denominated in Japanese Yen and Hong Kong dollars. As the majority of the Group's assets, liabilities, revenues and payments during the Reporting Period were denominated in either Japanese Yen or Hong Kong dollars, and in view of the prevailing macro-economic environment, the Group may be exposed to the foreign exchange rate risk. The Group will closely monitor the volatility of foreign exchange rate and apply the appropriate hedging strategy as and when appropriate.

CHARGE ON ASSETS

As at 31 March 2021, bank deposits amounting to HK\$5.4 million (2020: HK\$5.4 million) was pledged to a bank to secure general banking facilities granted to the Group.

Other than the aforesaid pledged bank deposits, there was no other charge on assets of the Group as at 31 March 2021.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 March 2021, the Group had 20, 14, 2 and 1 full-time staff based in Japan, Hong Kong, Taiwan and the PRC respectively. The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' base salaries. The Group also made contributions to provident funds, elderly insurance, medical insurance, unemployment insurance and work-related injury insurance in accordance with applicable laws and regulations in Japan, Taiwan and the PRC respectively. The Group has adopted a share option scheme on 13 September 2018 (the "**Share Option Scheme**") as a reward to eligible high-calibre employees and to attract similar high-quality personnel that are valuable to the Group. No share options have been granted under the Share Option Scheme during the Reporting Period.

USE OF PROCEEDS

From the Global Offering

The Company's shares were listed on the Main Board of the Stock Exchange on 11 October 2018 and the Company received net proceeds (the "Net Proceeds") (after deduction of underwriting commission and related costs and expenses) from the global offering of approximately HK\$110.0 million. On 26 March 2021, the Company has resolved to change the use of the unutilised net proceeds of approximately HK\$27.3 million (the "Reallocation"). For details, please refer to the prospectus (the "Prospectus") of the Company dated 27 September 2018 in relation to the global offering and the announcement of the Company dated 26 March 2021 (the "Announcement").

As at 31 March 2021, the Net Proceeds had been partially utilised by the Company and applied for as follows:

	Planned use of Net Proceeds as disclosed in the Prospectus (HK\$ million)	Amount of Reallocation (HK\$ million)	Amount utilised as at 31 March 2021 (HK\$ million)	Unutilised Net Proceeds as at 31 March 2021 (HK\$ million)
(i) Strengthening and expanding existing auction business	62.7	(22.8)	(39.9)	—
(ii) Enhancing marketing and promotional activities	22.0	—	(15.0)	7.0
(iii) Recruiting high-calibre managers and experts	8.8	—	(4.5)	4.3
(iv) Developing the Group's ERP system	5.5	(4.5)	(1.0)	—
(v) Supplementing the Group's working capital and for general corporate purposes	11.0	—	(11.0)	—
(vi) Developing an artwork business for online trading and information platform	—	27.3	—	27.3
	<u>110.0</u>	<u>—</u>	<u>(71.4)</u>	<u>38.6</u>

The unutilised Net Proceeds as at 31 March 2021 are expected to be fully utilised on or before 31 March 2023.

PROSPECTS AND FUTURE PLAN

The year of 2020 has been a challenging and promising year for the Group, and the Group is determined to forge ahead against the market. Moreover, artworks have always been an investment tool of collectors and artwork investors around the world. In this connection, the Group rose up to the market challenges through continuous amid the hard time, expanding market and diversifying demands of collectors and clients.

The Group has been growing since its establishment and during the Reporting Period. Through its successful Listing in 2018, the Group established itself as a pioneering corporate with emphasis on artworks auction, expanding from Japan to the entire Asia. At present, it has established footholds in major cities in Asia with its business extending from Tokyo to Hong Kong and Taiwan. Moreover, in order to promptly extend its coverage in other key regions in terms of Asian artworks and become one of the international well-known auction houses with Chinese and Japanese art auction business in the future, the Group has actively explored potential customers and consolidated its competitive strengths in order to broaden its network in the collection community and facilitate the growth of its auction business. In addition, the Group's marketing and brand promotion activities are integral parts of its effort to gain acclaim and build its reputation among the high net worth individuals in the Asia-Pacific region, which successfully strengthen brand image of the Group and raise its brand awareness. Further raising the Group's brand awareness is the key to the success of its future development.

In the future, the Group will aim at keeping stable growth and development, and continuously uphold its principle of sourcing excellent artworks with good provenance to explore and collect more valuable artworks for art enthusiasts in the artwork auction market. At the same time, it shall keep looking for apposite business partners for collaboration in auction events. Meanwhile, management will also cooperate with other auction companies and consider making strategic investments in artworks related business, which can help the Group achieve synergies.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 March 2021, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group in all material respects.

CORPORATE GOVERNANCE

The Company has adopted the code of provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions in securities of the Company (the “**Company’s Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company’s Code during the Reporting Period.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules. It comprises of three independent non-executive Directors, namely Ms. Lam Suk Ling, Shirley (chairlady), Mr. Chung Kwok Mo, John and Mr. Chun Chi Man.

The audit committee has reviewed with the management of the Group the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Company’s annual results for the Reporting Period.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in this announcement have been agreed by the Group’s auditor, HLB Hodgson Impey Cheng Limited (“**HLB**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.chuo-auction.com.hk. The annual report for the Reporting Period containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and will be published on the aforesaid websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

APPRECIATION

On behalf of the Board, I would like to express appreciation to our colleagues for their hard work and dedication in the past year. We will remain committed to achieving better results and maximising returns to our shareholders.

By order of the Board
Tokyo Chuo Auction Holdings Limited
東京中央拍賣控股有限公司
Ando Shokei
Chairman

Hong Kong, 28 June 2021

As at the date of this announcement, the executive Directors are Mr. Ando Shokei, Mrs. Ando Eri, Mr. Katsu Bunkai and Mr. Sun Hongyue; and the independent non-executive Directors are Mr. Chung Kwok Mo John, Ms. Lam Suk Ling Shirley and Mr. Chun Chi Man.