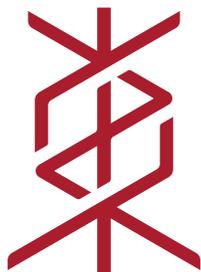


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

FINANCIAL HIGHLIGHTS

- The unaudited consolidated revenue of the Group for the six months ended 30 September 2021 amounted to approximately HK\$47.5 million, increased by approximately 159.6% as compared with the same period in 2020 (six months ended 30 September 2020: approximately HK\$18.3 million).
- The unaudited consolidated profit attributable to the owners of the Company for the six months ended 30 September 2021 amounted to approximately HK\$11.6 million (six months ended 30 September 2020: loss of approximately HK\$5.2 million).
- For the six months ended 30 September 2021, the basic and diluted earnings per share were HK2.32 cents (six months ended 30 September 2020: basic and diluted loss per share: HK1.03 cents).
- The Board has resolved not to declare interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Tokyo Chuo Auction Holdings Limited (the “**Company**”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2021 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

		Unaudited	
		Six months ended	
		30 September	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	47,474	18,321
Cost of services		(2,638)	(1,315)
Cost of sales of goods		(463)	—
		<hr/>	<hr/>
Gross profit		44,373	17,006
Other losses — net	6	—	(5)
Other income	7	277	1,245
Selling and distribution expenses		(12,027)	(7,568)
Administrative expenses		(17,622)	(16,555)
		<hr/>	<hr/>
Operating profit/(loss)		15,001	(5,877)
Finance income	9	1,383	945
Finance costs	9	(840)	(541)
Share of result of an associate		262	115
		<hr/>	<hr/>
Profit/(loss) before income tax	8	15,806	(5,358)
Income tax expense	10	(3,809)	—
		<hr/>	<hr/>
Profit/(loss) for the period		11,997	(5,358)
		<hr/>	<hr/>
Profit/(loss) attributable to:			
Owners of the Company		11,583	(5,165)
Non-controlling interests		414	(193)
		<hr/>	<hr/>
		11,997	(5,358)
		<hr/>	<hr/>
Earnings/(loss) per share for profit/(loss)			
attributable to owners of the Company			
Basic and diluted (HK cents)	11	HK2.32 cents	(HK1.03) cents
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Unaudited	
	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	<u>11,997</u>	<u>(5,358)</u>
Other comprehensive (loss)/income:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	<u>(336)</u>	<u>1,625</u>
Total other comprehensive (loss)/income for the period, net of tax	<u>(336)</u>	<u>1,625</u>
Total comprehensive income/(loss) for the period	<u>11,661</u>	<u>(3,733)</u>
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	11,280	(3,610)
Non-controlling interests	<u>381</u>	<u>(123)</u>
	<u><u>11,661</u></u>	<u><u>(3,733)</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2021

		Unaudited	Audited
		30 September	31 March
		2021	2021
	<i>Notes</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		7,305	7,701
Right-of-use assets		11,661	14,465
Intangible assets		7,086	7,551
Investment accounted for using the equity method		3,015	2,528
Deferred income tax assets		710	714
Deposits and prepayments	14	4,039	4,064
		<u>33,816</u>	<u>37,023</u>
Current assets			
Inventories		110,903	107,989
Financial asset at fair value		5,900	5,900
Trade and other receivables	13	300,236	261,256
Deposits and prepayments	14	13,805	23,447
Pledged bank deposits		4,000	5,407
Cash and cash equivalents		182,923	153,631
		<u>617,767</u>	<u>577,630</u>
Total assets		<u>651,583</u>	<u>594,653</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	169,730	169,730
Reserves		118,791	112,511
		<u>288,521</u>	282,241
Non-controlling interests		<u>4,605</u>	<u>4,224</u>
Total Equity		<u>293,126</u>	<u>286,465</u>

		Unaudited	Audited
		30 September	31 March
		2021	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Other payables	17	2,973	1,555
Lease liabilities		6,327	9,100
Borrowings	16	43,018	42,983
Deferred income tax liabilities		3,415	3,580
		<u>55,733</u>	<u>57,218</u>
Current liabilities			
Trade and other payables and accruals	17	256,369	214,937
Lease liabilities		6,470	6,490
Borrowings	16	35,633	26,894
Current income tax liabilities		4,252	2,649
		<u>302,724</u>	<u>250,970</u>
Total liabilities		<u>358,457</u>	<u>308,188</u>
Total equity and liabilities		<u>651,583</u>	<u>594,653</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Tokyo Chuo Auction Holdings Limited is a limited liability company incorporated in Hong Kong. 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**").

This interim condensed consolidated financial information is presented in Hong Kong dollars ("**HK\$'000**") unless otherwise stated and has been approved for issue by the Board on 29 November 2021.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2021 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The financial information relating to the year ended 31 March 2021 that is included in the interim condensed consolidated financial information for the six months ended 30 September 2021 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

3 CHANGE IN ACCOUNTING POLICIES

Application of new and amendments to HKFRSs

In the current period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the Group's Interim Financial Information:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 2021

The application of the amendments to HKFRSs in the current 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 Interim Financial Information.

4 ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions, the estimates and judgements are continually evaluated and are based on historical experience and other factors including expectation on future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In preparing the interim condensed and assumption information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those that were applied to the consolidated financial statements for the year ended 31 March 2021.

5 REVENUE AND SEGMENT INFORMATION

Segment information

The chief operating decision-maker has been identified as the executive directors of the Group (“CODM”) 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 current period and comparative figures are as follows:

	Unaudited		
	For the six months ended		
	30 September 2021		
	Operation of art auction and related business HK\$'000	Artwork sales HK\$'000	Total HK\$'000
Segment revenue from external customers	46,991	483	47,474
Costs of service/sales	<u>(2,638)</u>	<u>(463)</u>	<u>(3,101)</u>
Segment results	<u>44,353</u>	<u>20</u>	<u>44,373</u>
Other income			277
Selling and distribution expenses			(12,027)
Administrative expenses			<u>(17,622)</u>
Operating loss			15,001
Share of result of an associate accounted for using the equity method			262
Finance income — net			<u>543</u>
Profit before income tax			15,806
Income tax expense			<u>(3,809)</u>
Profit for the period			<u><u>11,997</u></u>

Unaudited
For the six months ended
30 September 2020

	Operation of art auction and related business <i>HK\$'000</i>	Artwork sales <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers	18,321	—	18,321
Costs of service/sales	<u>(1,315)</u>	<u>—</u>	<u>(1,315)</u>
Segment results	<u>17,006</u>	<u>—</u>	<u>17,006</u>
Other losses — net			(5)
Other income			1,245
Selling and distribution expenses			(7,568)
Administrative expenses			<u>(16,555)</u>
Operating loss			(5,877)
Share of result of an associate accounted for using the equity method			115
Finance income — net			<u>404</u>
Loss before income tax			(5,358)
Income tax expense			<u>—</u>
Loss for the period			<u><u>(5,358)</u></u>
Revenue			

	Unaudited Six months ended 30 September	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from art auction and related business	46,991	18,321
Artwork sales	<u>483</u>	<u>—</u>
	<u><u>47,474</u></u>	<u><u>18,321</u></u>

All customers individually accounted for less than 10% of the Group's revenue during the six months ended 30 September 2021 (30 September 2020: same).

All revenues of the Group are recognized at a point in time.

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

	Unaudited	
	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	15,015	4,865
Japan	32,459	13,456
	<u>47,474</u>	<u>18,321</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 as at 30 September 2021 and 31 March 2021 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:

	Unaudited	Audited
	30 September	31 March
	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	14,584	15,071
Japan	15,507	18,710
Taiwan	3,015	2,528
	<u>33,106</u>	<u>36,309</u>

6 OTHER LOSSES — NET

	Unaudited Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange loss	—	5

7 OTHER INCOME

Other income mainly represented bidding deposits forfeited and penalties from the buyers and miscellaneous handling fees charged to customers during the six months ended 30 September 2021 (30 September 2020: the government subsidy grant).

8 PROFIT/(LOSS) BEFORE INCOME TAX

	Unaudited Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	463	—
Rental and setup costs for auction and preview exhibition venues	242	163
Employee benefit expenses	10,749	10,942
Depreciation of property, plant and equipment	475	1,619
Depreciation of right-of-use assets	3,222	3,460
Amortization of intangible assets	1,175	17

9 FINANCE INCOME — NET

	Unaudited	
	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
<i>Finance income:</i>		
Interest income on bank deposits	2	104
Interest income from consignor advance	<u>1,381</u>	<u>841</u>
	<u>1,383</u>	<u>945</u>
<i>Finance costs:</i>		
Imputed interest of provision for reinstatement cost	(33)	(33)
Interest expense on lease liabilities	(494)	(261)
Interest expense on bank and other borrowings	<u>(313)</u>	<u>(247)</u>
	<u>(840)</u>	<u>(541)</u>
Finance income — net	<u><u>543</u></u>	<u><u>404</u></u>

10 INCOME TAX EXPENSE

The amount of income tax charged to the interim condensed consolidated income statements represent:

	Unaudited	
	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Current income tax		
— Hong Kong	422	—
— Japan	<u>3,553</u>	<u>—</u>
Total current income tax	3,975	—
Deferred income tax	<u>(166)</u>	<u>—</u>
Income tax expense	<u><u>3,809</u></u>	<u><u>—</u></u>

(a) Hong Kong profit tax

For the six months ended 30 September 2021 and 30 September 2020, the Group is eligible to nominate one Hong Kong incorporated entity in the Group to be chargeable at the two tiered profits tax rates, whereby profits tax will be chargeable on the first HK\$2 million of assessable profits at 8.25% and assessable profits above this threshold will be subject to a rate of 16.5%. Hong Kong profits tax of other Hong Kong incorporated entities in the Group has been provided for at the rate of 16.5% based on the estimated assessable profits.

(b) Japan corporate income tax

Japan corporate income tax has been calculated on the estimated assessable profit for the six months ended 30 September 2021 and 30 September 2020 at the rates of taxation 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 rate of approximately 33% for the six months ended 30 September 2021 (30 September 2020: no statutory income tax has been made since the Group did not generate any assessable profits arising in Japan).

11 EARNINGS PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the Company's owners by the weighted average number of ordinary shares in issue during the six months ended 30 September 2021 and 30 September 2020.

	Unaudited	
	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Profit/(loss) attributable to the owners of the Company (<i>HK\$'000</i>)	<u>11,583</u>	<u>(5,165)</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>500,000</u>	<u>500,000</u>
Basic earnings/(loss) per share (<i>HK cents</i>)	<u><u>HK2.32 cents</u></u>	<u><u>(HK1.03) cents</u></u>

No diluted earnings/(loss) per share has been presented because there was no potential dilutive ordinary share in issue for the six months ended 30 September 2021 and 30 September 2020.

12 DIVIDEND

Interim dividend

The Board has resolved not to declare interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

Final dividend

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year ended 31 March 2021, approved and payable during the interim period, of HK 1 cent (31 March 2020: HK 1 cent) per share	<u>5,000</u>	<u>5,000</u>

13 TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 September 2021 HK\$'000	Audited As at 31 March 2021 HK\$'000
Trade receivables	21,466	21,083
Less: loss allowances	<u>(1,293)</u>	<u>(1,294)</u>
Trade receivables — net	20,173	19,421
Other receivables		
— Receivables from buyers in respect of auction and related business (<i>Note 1</i>)	190,974	172,734
— Consignor advances (<i>Note 2</i>)	85,380	67,302
— Input value-added tax recoverable	983	100
— Others	<u>2,726</u>	<u>1,331</u>
Trade and other receivables	<u>300,236</u>	<u>261,256</u>

As at 30 September 2021 and 31 March 2021, the fair value of trade and other receivables of the Group was approximated their carrying amounts.

Notes:

- 1 Other receivables from buyers in respect of auction and related business represent the purchase price of the auction articles receivable on behalf of sellers.
- 2 Other receivables of the Group include advances of approximately HK\$85,380,000 made to certain sellers as at 30 September 2021 (31 March 2021: approximately HK\$67,302,000) upon consignment of auction articles to the Group. As at 30 September 2021 and 31 March 2021, these advances bore 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 provision for impairment, as at 30 September 2021 and 31 March 2021, was as follows:

	Unaudited As at 30 September 2021 HK\$'000	Audited As at 31 March 2021 HK\$'000
Within 30 days	15,632	11,544
1 to 3 months	260	978
3 to 6 months	493	2,486
6 to 12 months	123	181
Over 1 year	4,958	5,894
	21,466	21,083

The Group did not hold any collateral as security over these debtors as at 30 September 2021 and 31 March 2021.

14 DEPOSITS AND PREPAYMENTS

	Unaudited As at 30 September 2021 <i>HK\$'000</i>	Audited As at 31 March 2021 <i>HK\$'000</i>
Current portion:		
Prepayments to sellers for auctioned artwork (<i>Note</i>)	319	10,686
Deposits and prepayments	<u>13,486</u>	<u>12,761</u>
	13,805	23,447
Non-current portion:		
Rental and other deposits	<u>4,039</u>	<u>4,064</u>
	<u>17,844</u>	<u>27,511</u>

As at 30 September 2021 and 31 March 2021, the fair value of deposits of the Group was approximated to their carrying amounts.

Note:

As at 30 September 2021, prepayments to sellers for auctioned artwork amounted to approximately HK\$319,000 (31 March 2021: approximately HK\$10,686,000). Amounts may be advanced to sellers prior to receiving full payment of the auction purchase prices from the relevant buyers and the Group will keep the related auctioned artworks under its custody. As at 30 September 2021 and 31 March 2021, such prepayments were interest-free and the related auctioned artwork was kept under the Group's custody.

15 SHARE CAPITAL

Ordinary Shares	Number of Shares	Share capital <i>HK\$'000</i>
Issued and fully paid: At 30 September 2021 (unaudited) and 31 March 2021 (audited)	<u>500,000,000</u>	<u>169,730</u>

16 BORROWINGS

	Unaudited As at 30 September 2021 <i>HK\$'000</i>	Audited As at 31 March 2021 <i>HK\$'000</i>
Bank borrowings (<i>Notes</i>)	78,651	69,792
Other borrowings	—	85
	<u>78,651</u>	<u>69,877</u>
Secured	14,839	19,082
Unsecured	63,812	50,795
	<u>78,651</u>	<u>69,877</u>

The carrying amounts of the above borrowings are repayable (including a repayment on demand clause)*:

	Unaudited As at 30 September 2021 <i>HK\$'000</i>	Audited As at 31 March 2021 <i>HK\$'000</i>
Within one year	35,633	25,787
With a period of more than 1 year but not exceeding 2 years	2,878	2,900
With a period of more than 2 years but not exceeding 5 years	12,477	13,622
With a period of more than five years	<u>27,663</u>	<u>27,568</u>
	78,651	69,877
Less: Amounts shown under current liabilities	<u>(35,633)</u>	<u>(26,894)</u>
Amounts shown under non-current liabilities	<u>43,018</u>	<u>42,983</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

- (i) Secured variable-rate bank borrowing of approximately HK\$3,669,000 as at 30 September 2021 (31 March 2021: HK\$7,651,000) was guaranteed by a subsidiary of the Company and pledged by the fixed deposit of approximately HK\$4,000,000 (31 March 2021: HK\$4,000,000). The borrowing is with repayment on demand clause and bearing interest at 2.25% per annum over 1-month HIBOR.
- (ii) Unsecured variable-rate bank borrowing of approximately HK\$18,000,000 as at 30 September 2021 (31 March 2021: HK\$5,000,000) was guaranteed by the HKMC Insurance Limited under the SME Financing Guarantee Scheme. The borrowing was with repayment on demand clause and bearing interest at 2.75% per annum over 1-month HIBOR.
- (iii) Unsecured variable-rate bank borrowing of approximately HK\$13,962,000 as at 30 September 2021 (31 March 2021: HK\$14,062,000), which bearing interest at 0.35% to 0.45% per annum over 1-month benchmark interest rate and guaranteed by personal guarantee of Mr. Ando, a director of the Company.
- (iv) Secured variable-rate bank borrowing of approximately HK\$97,000 as at 31 March 2021 was settled during the Reporting Period. The borrowing bears interest at 0.5% per annum over 1-month benchmark interest rate and was secured by the fixed deposit of the Group.
- (v) Unsecured fixed-rate bank borrowing of approximately HK\$11,170,000 as at 30 September 2021 (31 March 2021: HK\$11,249,000) is repayable in 2030 and bearing interest at 0.9% to 1.11% per annum. It was guaranteed by personal guarantee of Mr. Ando, a director of the Company.
- (vi) Secured fixed-rate bank borrowing of approximately HK\$11,170,000 as at 30 September 2021 (31 March 2021: HK\$11,249,000) is repayable in 2031 and bear interest at 0.9% per annum. It was secured by a property of Mr. Ando and Mrs. Ando, directors of the Company.
- (vii) Unsecured fixed-rate bank borrowings with principal amount of approximately HK\$20,944,000 (equivalent to JPY300,000,000) were received from Japanese bank in which interest were subsidised by Japanese government with lower than market rate and the carrying amounts of approximately HK\$20,680,000 as at 30 September 2021 (31 March 2021: HK\$20,484,000) are repayable in full in 2030. The prevailing market interest rates for equivalent bank borrowings of 1.11% to 1.91%. The difference between the gross proceeds and the fair value of the bank borrowings are the benefit derived from the interest-free bank borrowings and are recognised as government grant under other income.

17 TRADE AND OTHER PAYABLES

	Unaudited As at 30 September 2021 <i>HK\$'000</i>	Audited As at 31 March 2021 <i>HK\$'000</i>
Trade payables	—	—
Payables to sellers in respect of auction and related business	249,200	203,767
Deposits received, other payables and accruals	10,142	12,725
	259,342	216,492
Less: Non-current portion: Other payables	(2,973)	(1,555)
Current portion	256,369	214,937

Payables to sellers in respect of auction and related business represent the purchase price of auction articles payables to sellers less seller commissions and other auction related receivables.

As at 30 September 2021 and 31 March 2021, all financial trade and other payables of the Group were non-interest bearing, and their fair value was approximated to their carrying amounts due to their short maturities.

As at 30 September 2021 and 31 March 2021, the non-current other payables represent the Group's obligation to pay the reinstatement costs to the landlords of the offices in Hong Kong and Japan, which was expected to be settled upon the expiry of the respective leases.

Ageing analysis of the trade payables at the respective balances sheet date on invoice date are as follows:

	Unaudited As at 30 September 2021 <i>HK\$'000</i>	Audited As at 31 March 2021 <i>HK\$'000</i>
Within 30 days	—	—

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a well-recognised auction house of Chinese and Japanese artworks in Hong Kong and Japan. We specialise in auctioneering a wide variety of artworks with emphasis on Chinese and Japanese artworks, including Chinese paintings and calligraphies, Chinese antiques and Japanese and Chinese teawares. With over ten years of operating experience in the Chinese and Japanese art auction industry, our “Tokyo Chuo Auction” brand has grown into a well-recognised and trusted auction brand in Hong Kong and Japan. By offering appealing auction artworks and quality auction services, we have successfully gained recognition by our customers and established our market position, well-known brand name and strong competitiveness. We take pride in being an auction house with the ability to explore and disseminate the historical and cultural significance as well as the commercial value of each artwork.

Over the past year, the Group committed to enhance its operations through different ways, including but not limited to, (i) adopting and utilising professional as well as history-focused and culture-oriented marketing techniques along with quality services to maximise the transaction price of our auctioned artworks; (ii) further strengthening our market position and market share in the Chinese and Japanese art auction market in Hong Kong and Japan, and enhancing our brand recognition and awareness; (iii) diversifying our business scope by venturing into the field of contemporary artwork and fine & rare whisky and Moutai; (iv) recruiting high caliber managers and experts and attracting, motivating and retaining quality employees to strengthen both the management and operating teams with a view to support sustainable growth; and (v) targeting to expand business footprint to other potential markets with an aim to establish and enhance brand image and brand influence in other major Asian cities and the global market.

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. In view of the travel restrictions and health quarantine arrangements for inbound travellers to Hong Kong and Japan under the COVID-19 pandemic, the Group continues to allocate more resources to develop its online auction platform and launched three online auctions during the Reporting Period. The online auction platform enabled the Group’s customers to attend and make direct bids during the auctions. Different sessions were held during the online auctions, including Chinese paintings and calligraphy, collection series from Kanto book-collector, sutra, rubbings of inscriptions, tea ware, scholarly objects, antiques and Arts in Life. Such online auction platform has started a newly integrated mode of internet and on-site auctions. As online

auction is free from restriction of place and time, the Company believes that it will become a new trend for auction, in which the collectors can follow live broadcasts to make direct bids.

REVENUE

During the Reporting Period, the revenue of the Group was approximately HK\$47.5 million (six months ended 30 September 2020: approximately HK\$18.3 million), which represents an increase of approximately HK\$29.2 million or approximately 159.6% as compared to the same period in 2020. Such increase in revenue was mainly attributable to (i) the gradual recovery of economy and (ii) the Group's breakthrough in the development of online auctions during 2021.

GROSS PROFIT

During the Reporting Period, gross profit of the Group increased by approximately 161.2% to approximately HK\$44.4 million (six months ended 30 September 2020: approximately HK\$17.0 million) as compared to the same period in 2020. Meanwhile, the gross profit margin escalated to approximately 93.5% for the Reporting Period from approximately 92.9% recorded for the same period in 2020. Such increase in gross profit was in line with the increase in revenue for the Reporting Period and the gross profit margin has remained stable.

OTHER INCOME

Other income of approximately HK\$277,000 mainly represented bidding deposits forfeited and penalties from the buyers and miscellaneous handling fees charged to customers during the Reporting Period (six months ended 30 September 2020: approximately HK\$1.2 million represented by the government subsidy grant).

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses consist primarily of employee benefit expenses paid to the sales and marketing staffs, advertising and promotion expenses, consultancy fee paid, transportation costs, travelling expenses and entertainment and business hospitality expenses. During the Reporting Period, selling and distribution expenses of the Group amounted to approximately HK\$12.0 millions (six months ended 30 September 2020: approximately HK\$7.6 million), representing an increase of approximately HK\$4.4 million. Such increase was in line with the increase in revenue for the Reporting Period.

ADMINISTRATIVE EXPENSES

Administrative expenses mainly represent employee benefit expenses, travelling expenses, rental expenses and depreciation. During the Reporting Period, administrative expenses of the Group increased by approximately 6.0% to approximately HK\$17.6 million (six months ended 30 September 2020: approximately HK\$16.6 million) and no significant fluctuation was noted.

FINANCE INCOME/(COSTS) — NET

During the Reporting Period, the Group recorded finance income of approximately HK\$1,383,000 (six months ended 30 September 2020: approximately HK\$945,000) and finance costs of approximately HK\$840,000 (six months ended 30 September 2020: approximately HK\$541,000). The finance income mainly represents the interest income from bank deposit and interest income from certain consignor advance, and finance costs mainly represents the interest expenses relating to bank and other borrowings and lease liabilities of the Group.

INCOME TAX EXPENSES

Profits tax has been provided for our companies in both Hong Kong and Japan at the applicable rates based on the estimated assessable profits. The effective tax rate of the Group during the Reporting Period was 24.1% (six months ended 30 September 2020: no assessable profit, 0.0%).

PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

During the Reporting Period, the Company recorded a profit attributable to owners of the Company of approximately HK\$11.6 million (six months ended 30 September 2020: loss attributable to the owners of the Company of approximately HK\$5.2 million). The turnaround of the Group's performance for the Reporting Period was primarily due to the increase in revenue of approximately 29.2 million or approximately 159.6% 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 its listing. As at 30 September 2021, the Group had current assets of approximately HK\$617.8 million (as at 31 March 2021: approximately HK\$577.6 million) and the Group's cash and cash equivalents amounted to approximately HK\$182.9 million (as at 31 March 2021: approximately HK\$153.6 million).

As at 30 September 2021, the Group had interest-bearing bank borrowings of approximately HK\$78.7 million (as at 31 March 2021: approximately HK\$69.8 million), of which approximately HK\$35.6 million (as at 31 March 2021: approximately HK\$26.8 million) was repayable within one year.

As at 31 March 2021, the Group had other borrowings of approximately HK\$84,000, which was settled during the Reporting Period.

As at 30 September 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 2021: net cash position).

CAPITAL COMMITMENTS

As at 30 September 2021, the Group had no material capital commitment (as at 31 March 2021: Nil).

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 September 2021, the Group did not provide any guarantees for any third party and had no significant contingent liabilities (as at 31 March 2021: Nil).

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

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

TREASURY POLICIES

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.

DIVIDEND

The Board has resolved not to declare interim dividend for the Reporting Period.

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 its listing. As at 30 September 2021 and 31 March 2021, the borrowings were mainly denominated in Japanese Yen and Hong Kong dollars, while the cash and cash equivalents held by the Group were mainly denominated in Japanese Yen and Hong Kong dollars. As at 30 September 2021, all of the Group's borrowings were floating rate borrowings and were pledged by bank deposits of approximately HK\$4.0 million (31 March 2021: approximately HK\$5.4 million) to secure such bank facilities. The Group's revenue, costs and expenses are mainly denominated in Japanese Yen and Hong Kong dollars. As the majority portion 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 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 30 September 2021, bank deposits amounting to HK\$4.0 million (as at 31 March 2021: HK\$5.4 million) were 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 30 September 2021 (as at 31 March 2021: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 30 September 2021, the Group had 20, 16, 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-caliber 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.

EVENTS AFTER THE REPORTING PERIOD

There is no event that will have material impact on the Group from the end of the Reporting Period to the date of this announcement.

PROSPECTS

The year of 2021 has been a challenging yet 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 development amid the hard time, expanding its market and diversifying demands of collectors and clients.

The Group has been growing since its establishment and during the Reporting Period. At present, it has established footholds in several major cities in Asia with its business extending from Tokyo to Hong Kong and Taiwan. Looking ahead, in order to extend its coverage in more key regions and become one of the international well-known auction houses of Chinese and Japanese art auction business in the future, the Group will continue to actively explore potential customers, consolidating its competitive strengths, broadening its network in the collection community and facilitating the growth of its auction business. In addition, since 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, the Group will further strengthen its brand image and raise its brand awareness.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Period.

CORPORATE GOVERNANCE

The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions 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 code of conduct of the Company governing Directors' securities transactions during the Reporting Period.

AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent non-executive Directors, namely, Ms. Lam Suk Ling Shirley, Mr. Chung Kwok Mo John, and Mr. Chun Chi Man. Ms. Lam Suk Ling Shirley is the chairlady of the audit committee. The audit committee of the Company has reviewed and discussed with the management of the Group on the unaudited interim condensed consolidated financial information of the Group for the Reporting Period, including the accounting principles and practices adopted by the Group, and discussed financial related matters. The audit committee has no disagreement with the accounting treatment adopted by the Company in the unaudited interim condensed consolidated financial information of the Group for the Reporting Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 interim report of the Company for the Reporting Period will be despatched to the shareholders of the Company and published on the aforementioned websites in due course in accordance with the Listing Rules.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the shareholders of the Company, business partners and clients of the Group for their immense support and to the Group's management and staff for their dedication and commitment. I look forward to creating a successful year of 2022 with you all.

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, 29 November 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.