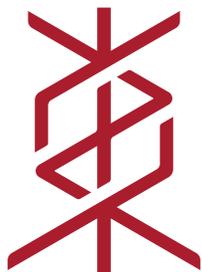


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**東京中央拍賣控股有限公司**  
TOKYO CHUO AUCTION HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 1939)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2022**

FINANCIAL HIGHLIGHTS	Year ended 31 March		Changes
	2022 (HK\$'000)	2021 (HK\$'000)	
Revenue	<b>79,597</b>	80,753	-1.4%
Gross profit	<b>68,969</b>	70,023	-1.5%
Profit before income tax	<b>12,031</b>	11,698	2.8%
Profit attributable to owners of the Company	<b>8,434</b>	8,363	0.8%
Earnings per share Basic and diluted ( <i>HK cents</i> )	<b>1.69</b>	1.67	1.2%
Net profit margin	<b>10.9%</b>	10.6%	
Proposed final dividend per share ( <i>HK cent</i> )	<b>1.0</b>	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 2022 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 March 2021.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

	<i>Note</i>	<b>2022</b> <b>HK\$’000</b>	2021 <b>HK\$’000</b>
<b>Revenue</b>	4	<b>79,597</b>	80,753
Costs of services		<b>(9,541)</b>	(7,714)
Costs of sales of goods		<b>(1,087)</b>	(3,016)
<b>Gross profit</b>		<b>68,969</b>	70,023
Other (losses)/gains, net	5	<b>(3,305)</b>	4,520
Other income	6	<b>1,400</b>	3,425
Provision for allowance for expected credit losses on financial assets		<b>(1,197)</b>	(3,715)
Net impairment loss on intangible assets		—	(430)
Selling and distribution expenses		<b>(20,363)</b>	(21,312)
Administrative expenses		<b>(36,603)</b>	(35,309)
<b>Operating profit</b>		<b>8,901</b>	17,202
Finance income	8	<b>1,196</b>	1,552
Finance costs	8	<b>(1,621)</b>	(1,291)
Finance (costs)/income, net	8	<b>(425)</b>	261
Reversal of impairment loss/(impairment loss) on investment accounted for using the equity method		<b>2,846</b>	(5,136)
Share of result on investment accounted for using the equity method		<b>709</b>	(629)
<b>Profit before income tax</b>	7	<b>12,031</b>	11,698
Income tax expense	9	<b>(3,393)</b>	(3,167)
<b>Profit for the year</b>		<b>8,638</b>	8,531
<b>Profit attributable to:</b>			
Owners of the Company		<b>8,434</b>	8,363
Non-controlling interests		<b>204</b>	168
		<b>8,638</b>	8,531
<b>Earnings per share for profit attributable to owners of the Company</b>			
Basic and diluted (HK cents)	10	<b>HK1.69 cents</b>	HK1.67 cents

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2022**

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Profit for the year</b>	<u>8,638</u>	<u>8,531</u>
<b>Other comprehensive loss:</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on translating foreign operations	<u>(6,082)</u>	<u>(1,135)</u>
<b>Total other comprehensive loss for the year, net of tax</b>	<u>(6,082)</u>	<u>(1,135)</u>
<b>Total comprehensive income for the year</b>	<u>2,556</u>	<u>7,396</u>
<b>Total comprehensive income/(loss) for the year</b>		
<b>attributable to:</b>		
Owners of the Company	<u>2,699</u>	7,332
Non-controlling interests	<u>(143)</u>	<u>64</u>
	<u>2,556</u>	<u>7,396</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 MARCH 2022*

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>6,414</b>	7,701
Right-of-use assets		<b>8,150</b>	14,465
Intangible assets		<b>5,484</b>	7,551
Investment accounted for using the equity method		<b>6,089</b>	2,528
Financial assets at fair value through profit or loss		<b>2,500</b>	—
Deferred income tax assets		<b>1,360</b>	714
Deposits and prepayments		<b>1,080</b>	4,064
		<u><b>31,077</b></u>	<u>37,023</u>
<b>Current assets</b>			
Inventories		<b>136,624</b>	107,989
Financial assets at fair value through profit or loss		—	5,900
Trade and other receivables	12	<b>250,271</b>	261,256
Deposits and prepayments		<b>50,411</b>	23,447
Pledged bank deposits		<b>4,000</b>	5,407
Cash and cash equivalents		<b>108,698</b>	153,631
		<u><b>550,004</b></u>	<u>557,630</u>
<b>Total assets</b>		<u><b>581,081</b></u>	<u>594,653</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>169,730</b>	169,730
Reserves		<b>110,210</b>	112,511
		<u><b>279,940</b></u>	<u>282,241</u>
<b>Non-controlling interests</b>		<u><b>4,081</b></u>	<u>4,224</u>
<b>Total equity</b>		<u><b>284,021</b></u>	<u>286,465</u>

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Other payables	1,016	1,555
Lease liabilities	2,456	9,100
Borrowings	38,807	42,983
Deferred income tax liabilities	2,534	3,580
	<u>44,813</u>	<u>57,218</u>
<b>Current liabilities</b>		
Other payables and accruals	220,852	214,937
Lease liabilities	6,592	6,490
Borrowings	21,138	26,894
Current income tax liabilities	3,665	2,649
	<u>252,247</u>	<u>250,970</u>
<b>Total liabilities</b>	<u>297,060</u>	<u>308,188</u>
<b>Total equity and liabilities</b>	<u><u>581,081</u></u>	<u><u>594,653</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. Ando 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\$**”), which is the same as the functional currency of the Company, 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 the applicable requirements of the Hong Kong Companies Ordinance (Cap.622).

#### *(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”)

### *Amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”) for the first time which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	— Covid-19-Related Rent Concession
Amendment to HKFRS 16	— Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	— Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standard Board issued on June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs 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 on 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 <sup>3</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKFRS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvement to HKFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

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 2022 and 2021 are as follows:

	<b>Operation of art auction and related business HK\$'000</b>	<b>Artwork sales HK\$'000</b>	<b>Total HK\$'000</b>
<b>Year ended 31 March 2022</b>			
Segment revenue from external customers	78,146	1,451	79,597
Costs of services/sales	<u>(9,541)</u>	<u>(1,087)</u>	<u>(10,628)</u>
<b>Segment results</b>	<b><u>68,605</u></b>	<b><u>364</u></b>	<b>68,969</b>
Other losses, net			(3,305)
Other income			1,400
Provision for allowance for expected credit losses (“ECL”) on financial assets	(1,197)	—	(1,197)
Selling and distribution expenses			(20,363)
Administrative expenses			<u>(36,603)</u>
<b>Operating profit</b>			<b>8,901</b>
Finance costs, net			(425)
Reversal of impairment losses on investment accounted for using the equity method			2,846
Share of result on investment accounted for using the equity method			<u>709</u>
<b>Profit before income tax</b>			<b>12,031</b>
Income tax expense			<u>(3,393)</u>
<b>Profit for the year</b>			<b><u>8,638</u></b>

	Operation of art auction and related business <i>HK\$'000</i>	Artwork sales <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2021</b>			
Segment revenue from external customers	77,466	3,287	80,753
Costs of services/sales	<u>(7,714)</u>	<u>(3,016)</u>	<u>(10,730)</u>
<b>Segment results</b>	<b><u>69,752</u></b>	<b><u>271</u></b>	70,023
Other gains, net			4,520
Other income			3,425
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>
<b>Operating profit</b>			17,202
Finance income, net			261
Impairment losses on investment accounted for using the equity method			(5,136)
Share of result on investment accounted for using the equity method			<u>(629)</u>
<b>Profit before income tax</b>			11,698
Income tax expense			<u>(3,167)</u>
<b>Profit for the year</b>			<b><u>8,531</u></b>

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	<b>26,893</b>	32,342
Japan	<u>52,704</u>	<u>48,411</u>
	<b><u>79,597</u></b>	<b><u>80,753</u></b>

All customers individually accounted for less than 10% of the Group's revenue for the year ended 31 March 2022 (2021: less than 10%).

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:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	6,222	15,071
Japan	14,906	18,710
Taiwan	<u>8,589</u>	<u>2,528</u>
	<u><b>29,717</b></u>	<u><b>36,309</b></u>

#### 4 REVENUE

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from art auction and related business	78,146	77,466
Artwork sales	<u>1,451</u>	<u>3,287</u>
	<u><b>79,597</b></u>	<u><b>80,753</b></u>

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

#### 5 OTHER (LOSSES)/GAINS, NET

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Exchange gain/(loss)	343	(119)
Fair value (loss)/gain on financial assets at fair value through profit or loss (“FVTPL”)	(3,400)	5,268
Written off of property, plant and equipment	(248)	—
Others	<u>—</u>	<u>(629)</u>
	<u><b>(3,305)</b></u>	<u><b>4,520</b></u>

## 6 OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government grants ( <i>Note (i)</i> )	33	2,527
Compensation received	797	494
Others ( <i>Note (ii)</i> )	570	404
	<u>1,400</u>	<u>3,425</u>

*Notes:*

- (i) During the year ended 31 March 2022, the Group recognised government grants of approximately HK\$33,000 (2021: HK\$2,527,000), which mainly represented COVID-19-related subsidies in Employment Support Scheme provided by the Hong Kong government and Japan government.
- (ii) Others mainly represented sales tax refunded, bidding deposits forfeited and penalties from the buyers.

## 7 PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging/(crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	1,087	3,016
Rental and setup costs for auction and preview exhibition venues	3,428	2,554
Expenses relating to short term lease	561	459
Employee benefit expenses	23,341	23,345
Depreciation of property, plant and equipment	1,067	2,508
Depreciation of right-of-use assets	6,437	6,702
Amortisation of intangible assets	1,812	694
Provision for allowance for ECL on financial assets	1,197	3,715
Net impairment loss on intangible assets	—	430
(Reversal of impairment loss)/impairment loss on investment accounted for using the equity method	(2,846)	5,136
Auditor's remuneration		
— Audit services	1,650	1,650
— Non-audit services	—	—
	<u>1,650</u>	<u>1,650</u>

## 8 FINANCE (COSTS)/INCOME, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance income:		
— Interest income on bank deposits	67	106
— Interest income from consignor advance	<u>1,129</u>	<u>1,446</u>
	<u>1,196</u>	<u>1,552</u>
Finance costs:		
— Imputed interest of provision for reinstatement cost	(130)	(118)
— Interest expense on lease liabilities	(356)	(536)
— Interest expense on bank and other borrowings	<u>(1,135)</u>	<u>(637)</u>
	<u>(1,621)</u>	<u>(1,291)</u>
Finance (costs)/income, net	<u>(425)</u>	<u>261</u>

## 9 INCOME TAX EXPENSE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax		
— Hong Kong	1,357	308
— Japan	<u>3,278</u>	<u>1,261</u>
Total current income tax	4,635	1,569
Under provision in prior years		
— Hong Kong	165	—
Deferred income tax	<u>(1,407)</u>	<u>1,598</u>
Income tax expense	<u>3,393</u>	<u>3,167</u>

**(a) Hong Kong profits tax**

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 is not qualifying for the two-tiered profits tax rates regime, which 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 2022 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 37.2% for the year ended 31 March 2022 (2021: 36.1%).

**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 years ended 31 March 2022 and 2021.

	2022	2021
Profit attributable to the owners of the Company ( <i>HK\$'000</i> )	<u>8,434</u>	<u>8,363</u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<u>500,000</u>	<u>500,000</u>
Basic earnings per share ( <i>HK cents</i> )	<u><u>1.69</u></u>	<u><u>1.67</u></u>

**(b) Diluted earnings per share**

No diluted earnings per share for both 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

## 11 DIVIDEND

### Proposed dividend

On 29 June 2022, the Directors of the Company have proposed a final dividend of HK1 cent per ordinary share in respect of the year ended 31 March 2022 (2021: HK1 cent), amounting to HK\$5,000,000 (2021: 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 2022.

### 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Final dividend in respect of the previous financial year ended 31 March 2021, approved and payable during the year, of HK1 cent (31 March 2020: HK1 cent) per share	<u>5,000</u>	<u>5,000</u>

## 12 TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	22,951	21,083
Less: Allowance for ECL	<u>(2,469)</u>	<u>(1,294)</u>
Trade receivables — net	20,482	19,789
Other receivables		
— Receivables from buyers in respect of auction and related business ( <i>Note (i)</i> )	177,899	172,734
— Consignor advance ( <i>Note (ii)</i> )	47,839	67,302
— Input value-added tax recoverable	1,601	100
— Others	<u>2,450</u>	<u>1,331</u>
Trade and other receivables	<u>250,271</u>	<u>261,256</u>

As at 31 March 2022, the fair value of trade and other receivables of the Group were approximately the same as their carrying amounts (2021: same).

*Notes:*

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

- (ii) Included in other receivables are advances of approximately HK\$47,839,000 made to certain consignors as at 31 March 2022 (2021: HK\$67,302,000) upon consignment of auction articles to the Group. As at 31 March 2022, these advances bore interest at 0% to 12% per annum (2021: interest at 0% to 12% per annum).

The Group grants a 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 of trade receivables, as at 31 March 2022 and 2021, was as follows:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
— Within 30 days	<b>12,434</b>	11,544
— 1 to 3 months	<b>30</b>	978
— 3 to 6 months	<b>86</b>	2,486
— 6 to 12 months	<b>4,825</b>	181
— Over 1 year	<b>5,576</b>	5,894
	<b>22,951</b>	21,083

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

As the COVID-19 pandemic is not yet under control, and 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 a significant impact on the global economy and the financial markets in Hong Kong and Japan may adversely affect the operating environment of the Group. As a result of the travel restrictions and health quarantine arrangements for inbound travellers to Hong Kong and Japan due to the COVID-19 pandemic, the Group allocated more resources to develop an online auction platform with live auctions to improve our operations. During the Reporting Period, with the aim to diversify its business scope and auction channel, the online auction platform was used by the Group's clients, which enabled them to attend and make direct bids during the auctions. During the Reporting Period, the Group launched 6 live auctions in Japan and Hong Kong, which started a newly integrated mode of internet and on-site auctions. As online auction is free from place and time restrictions, it will become a new trend for auction, in which the collectors can follow live broadcasts to make direct bids.

In January 2022, the Group, cooperating with multiple art brands, has launched a new online artworks integrated platform "Bidding Art" to promote Japanese art, and provide diversified services for Japanese art stores to expand from physical operations to online sales, through online cross-border payment, global delivery and other services provided via the platform. The Group will continue to actively explore and develop the online artwork integrated platform, which the Company believes will diversify the Group's business and increase its revenue. At the same time, the launch of the platform will enhance the existing auction business of the Group and provide more flexibility to cope with the uncertainties in the development of the COVID-19 pandemic. During the Reporting Period, the revenue of approximately HK\$137,000 was contributed by the platform.

During the Reporting Period, the Group obtained satisfactory results in each auction session, with an aggregate of 5,230 pieces of auction lots launched in the 6 live auctions in Hong Kong and Japan. A total of 3,009 pieces were successfully sold, representing a success rate of 57.5% and achieved an aggregate hammer price of approximately HK\$140.8 million and JPY2,832.6 million in Hong Kong and Japan, respectively. The Group is actively developing other new auction segments to increase the number and source of customers and to pursue new business opportunities.

## **FINANCIAL REVIEW**

### **Revenue**

During the Reporting Period, the revenue of the Group was approximately HK\$79.6 million (2021: approximately HK\$80.8 million), which represented a decrease of approximately HK\$1.2 million or 1.5% as compared to the same period in 2021. Revenue from art auction and related business was approximately HK\$78.1 million (2021: approximately HK\$77.5 million), while revenue from artwork sales was approximately HK\$1.5 million (2021: approximately HK\$3.3 million). The revenue from art auction and related business during the Reporting Period remained stable as compared to the same period in last year.

### **Gross profit**

During the Reporting Period, gross profit of the Group decreased by approximately HK\$1.0 million or 1.4% to approximately HK\$69.0 million (2021: approximately HK\$70.0 million) as compared to the same period in 2021, which was in line with the decrease in revenue. The overall gross profit margin remained stable at 86.6% for the Reporting Period (2021: 86.7%). The gross profit margins were approximately 87.8% (2021: 90.0%) and approximately 25.1% (2021: 8.2%) for art auction and related business and artwork sales respectively. The overall profit margin during the Reporting Period remained stable as compared to the same period in last year.

### **Other (losses)/gains — net**

Other losses of approximately HK\$3.3 million mainly represented the fair value loss on financial assets at FVTPL for the Reporting Period (2021: gain of approximately HK\$4.5 million represented the fair value gain on financial assets at FVTPL).

### **Other income**

Other income of approximately HK\$1.4 million mainly represented compensation received, sales tax refunded, bidding deposits forfeited and penalties recognised during the Reporting Period (2021: approximately HK\$3.4 million which mainly represented the government grant recognised).

### **Selling and distribution expenses**

Selling and distribution expenses consisted 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\$20.4 million (2021: approximately HK\$21.3 million) of selling and distribution expenses were incurred, representing a decrease of approximately HK\$0.9 million as compared to the same period in 2021, which was in line with the decrease in revenue.

### **Administrative expenses**

Administrative expenses mainly represented employee benefit expenses, travelling expenses, rental expenses and depreciation. During the Reporting Period, administrative expenses increased by approximately 3.7% to approximately HK\$36.6 million (2021: approximately HK\$35.3 million). Such increase in administrative expenses was mainly due to increase in amortization expense and professional and consultancy fee for the Reporting Period.

### **Finance (costs)/income — Net**

Net finance costs recorded amounted to approximately HK\$425,000 (2021: finance income amounted to approximately HK\$261,000) for the Reporting Period. Finance income mainly represented interest income from bank deposit and interest income from certain consignor advance, and finance costs mainly represented 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 28.2% (2021: approximately 27.1%) 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 (2021: 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 2021.

## **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 2022, the Group had current assets of approximately HK\$550.0 million (as at 31 March 2021: approximately HK\$557.6 million) while the Group’s cash and cash equivalents amounted to approximately HK\$108.7 million (as at 31 March 2021: approximately HK\$153.6 million).

As at 31 March 2022, the Group has interest-bearing bank borrowings of approximately HK\$59.9 million (as at 31 March 2021: approximately HK\$69.8 million) and of which approximately HK\$21.1 million (as at 31 March 2021: approximately HK\$26.8 million) was repayable within one year.

As at 31 March 2022, the Group did not have other borrowings (2021: approximately HK\$85,000 and of which approximately HK\$85,000 was repayable within one year).

As at 31 March 2022, 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).

## **IMPORTANT EVENT AFFECTING THE GROUP SINCE 31 MARCH 2022**

There is no important event affecting the Group that occurred since the end of the Reporting Period.

## **PROPOSED FINAL DIVIDENDS**

The Board recommended the payment of a final dividend of HK1.0 cent per ordinary share (2021: HK1.0 cent), absorbing a total amount of approximately HK\$5,000,000, in respect of the Reporting Period (the “**Proposed Final Dividend**”) (2021: 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 Thursday, 1 September 2022 (the “**AGM**”). The Proposed Final Dividend is expected to be paid on Friday, 30 September 2022 to all shareholders who appears on the register of members of the Company on Friday, 9 September 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 1 September 2022 or any adjournment thereof, the register of members of the Company will be closed from Friday, 26 August 2022 to Thursday, 1 September 2022, both days inclusive, during which no transfer of shares will be effected. 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 (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022) for registration not later than 4:30 p.m. on Thursday, 25 August 2022.

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, 7 September 2022 to Friday, 9 September 2022, both days inclusive, during which 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 (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022) for registration not later than 4:30 p.m. on Tuesday, 6 September 2022.

#### **CAPITAL COMMITMENTS**

As at 31 March 2022, the Group had no material capital commitment (as at 31 March 2021: Nil).

#### **CONTINGENT LIABILITIES AND GUARANTEES**

As at 31 March 2022, 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 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 2022, 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\$4.0 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 2022, bank deposits amounting to HK\$4.0 million (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 31 March 2022 (2021: Nil).

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 31 March 2022, the Group had 20, 16, 1 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 (Cap. 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 option has been granted under the Share Option Scheme during the Reporting Period.

## USE OF PROCEEDS

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 2022, 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 as disclosed in the Announcement (HK\$ million)	Amount utilised as at 31 March 2022 (HK\$ million)	Unutilised Net Proceeds as at 31 March 2022 (HK\$ million)
(i) Strengthening and expanding existing auction business	62.7	(22.8)	(39.9)	—
(ii) Enhancing marketing and promotional activities	22.0	—	(18.7)	3.3
(iii) Recruiting high-calibre managers and experts	8.8	—	(6.9)	1.9
(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	(1.9)	25.4
	<u>110.0</u>	<u>—</u>	<u>(79.4)</u>	<u>30.6</u>

The unutilised Net Proceeds as at 31 March 2022 are expected to be fully utilised on or before 31 March 2023.

## **PROSPECTS AND FUTURE PLAN**

The year of 2021 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 development amid the hard time, expanding its market and satisfying 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 has been expanding 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 expanding from Tokyo to Hong Kong and Taiwan. Moreover, in order to promptly increase 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 strengthened the brand image of the Group and raised 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 aims at maintaining 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. The Group will allocate more resources to develop its online auction platform to diversify its auction channel and increase the Group's online sales. At the same time, it shall keep looking for apposite business partners for collaboration in auction events. Meanwhile, the management will also cooperate with other auction companies and consider making strategic investments in artworks related business, which would help the Group achieve synergies.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

For the year ended 31 March 2022, 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 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’ 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 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 consolidated statement of other comprehensive income and the related notes thereto for the year ended 31 March 2022 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](http://www.hkex.com.hk) and on the website of the Company at [www.chuo-auction.com.hk](http://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, 29 June 2022

*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.*