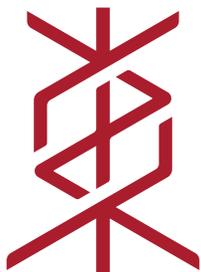


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**東京中央拍賣控股有限公司**  
TOKYO CHUO AUCTION HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 1939)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2023**

FINANCIAL HIGHLIGHTS	Year ended 31 March		Changes
	2023 (HK\$'000)	2022 (HK\$'000)	
Revenue	72,762	79,597	-8.6%
Gross profit	53,321	68,969	-22.7%
(Loss)/profit before income tax	(8,479)	12,031	N/A
(Loss)/profit attributable to owners of the Company	(8,286)	8,434	N/A
(Loss)/earnings per share Basic and diluted (HK cents)	(1.66)	1.69	N/A
Net (loss)/profit margin	(11.4%)	10.9%	
Proposed final dividend per share (HK cent)	—	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 2023 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 March 2022.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

	<i>Note</i>	<b>2023</b> <b>HK\$’000</b>	2022 <i>HK\$’000</i>
<b>Revenue</b>	4	<b>72,762</b>	79,597
Costs of services		<b>(7,851)</b>	(9,541)
Costs of sales of goods		<b>(11,590)</b>	(1,087)
<b>Gross profit</b>		<b>53,321</b>	68,969
Other losses, net	5	<b>(1,712)</b>	(3,305)
Other income	6	<b>1,470</b>	1,400
Provision for allowance for expected credit losses on financial assets		<b>(2,382)</b>	(1,197)
Selling and distribution expenses		<b>(24,937)</b>	(20,363)
Administrative expenses		<b>(34,250)</b>	(36,603)
<b>Operating (loss)/profit</b>		<b>(8,490)</b>	8,901
Finance income	8	<b>176</b>	1,196
Finance costs	8	<b>(1,037)</b>	(1,621)
Finance costs, net	8	<b>(861)</b>	(425)
Reversal of impairment loss on investment accounted for using the equity method		—	2,846
Share of result on investment accounted for using the equity method		<b>872</b>	709
<b>(Loss)/profit before income tax</b>	7	<b>(8,479)</b>	12,031
Income tax credit/(expense)	9	<b>197</b>	(3,393)
<b>(Loss)/profit for the year</b>		<b>(8,282)</b>	8,638
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		<b>(8,286)</b>	8,434
Non-controlling interests		<b>4</b>	204
		<b>(8,282)</b>	8,638
<b>(Loss)/earnings per share for (loss)/profit attributable to owners of the Company</b>			
Basic and diluted (HK cents)	10	<b>HK(1.66) cents</b>	HK1.69 cents

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2023**

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
<b>(Loss)/profit for the year</b>	<u><b>(8,282)</b></u>	<u>8,638</u>
<b>Other comprehensive loss:</b>		
Item that may be reclassified subsequently to profit or loss		
Exchange difference on translating foreign operations	<u><b>(7,651)</b></u>	<u>(6,082)</u>
<b>Total other comprehensive loss for the year, net of tax</b>	<u><b>(7,651)</b></u>	<u>(6,082)</u>
<b>Total comprehensive (loss)/income for the year</b>	<u><b>(15,933)</b></u>	<u>2,556</u>
<b>Total comprehensive (loss)/income for the year</b>		
<b>attributable to:</b>		
Owners of the Company	<u><b>(15,623)</b></u>	2,699
Non-controlling interests	<u><b>(310)</b></u>	<u>(143)</u>
	<u><b>(15,933)</b></u>	<u>2,556</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 MARCH 2023*

	<i>Note</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		5,984	6,414
Right-of-use assets		3,364	8,150
Intangible assets		3,792	5,484
Investment accounted for using the equity method		5,846	6,089
Financial assets at fair value through profit or loss		850	2,500
Deferred income tax assets		1,363	1,360
Deposits and prepayments		30	1,080
		<u>21,229</u>	<u>31,077</u>
<b>Current assets</b>			
Inventories		129,248	136,624
Trade and other receivables	12	181,807	250,271
Deposits and prepayments		60,885	50,411
Current income tax recoverable		1,552	—
Pledged bank deposits		4,000	4,000
Cash and cash equivalents		67,280	108,698
		<u>444,772</u>	<u>550,004</u>
<b>Total assets</b>		<u><b>466,001</b></u>	<u><b>581,081</b></u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		169,730	169,730
Reserves		89,587	110,210
		<u>259,317</u>	<u>279,940</u>
<b>Non-controlling interests</b>		<u>3,771</u>	<u>4,081</u>
<b>Total equity</b>		<u><b>263,088</b></u>	<u><b>284,021</b></u>

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Other payables	—	1,016
Lease liabilities	<b>1,513</b>	2,456
Borrowings	<b>30,735</b>	38,807
Deferred income tax liabilities	<b>2,210</b>	2,534
	<u><b>34,458</b></u>	<u>44,813</u>
<b>Current liabilities</b>		
Other payables and accruals	<b>146,596</b>	220,852
Lease liabilities	<b>2,597</b>	6,592
Borrowings	<b>18,597</b>	21,138
Current income tax liabilities	<b>665</b>	3,665
	<u><b>168,455</b></u>	<u>252,247</u>
<b>Total liabilities</b>	<u><b>202,913</b></u>	<u>297,060</u>
<b>Total equity and liabilities</b>	<u><b>466,001</b></u>	<u>581,081</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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).

The Company has delivered the statutory annual consolidated financial statements for the year ended 31 March 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance, and will deliver the statutory annual consolidated financial statements for the year ended 31 March 2023 in due course.

The Company's independent auditor has reported on those financial statements. The independent auditors' 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 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 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 HKICPA for the first time, which are mandatorily effective for their annual reporting period commencing 1 April 2022 for the preparation of consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</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	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

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 2023 and 2022 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 2023</b>			
Segment revenue from external customers	59,838	12,924	72,762
Costs of services/sales	<u>(7,851)</u>	<u>(11,590)</u>	<u>(19,441)</u>
<b>Segment results</b>	<b><u>51,987</u></b>	<b><u>1,334</u></b>	<b>53,321</b>
Other losses, net			(1,712)
Other income			1,470
Provision for allowance for expected credit losses (“ECL”) on financial assets	(2,382)	—	(2,382)
Selling and distribution expenses			(24,937)
Administrative expenses			<u>(34,250)</u>
<b>Operating loss</b>			<b>(8,490)</b>
Finance costs, net			(861)
Share of result on investment accounted for using the equity method			<u>872</u>
<b>Loss before income tax</b>			<b>(8,479)</b>
Income tax credit			<u>197</u>
<b>Loss for the year</b>			<b><u>(8,282)</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 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>	68,969
Other loss net			(3,305)
Other income			1,400
Provision for allowance for ECL on financial assets	(1,197)	—	(1,197)
Selling and distribution expenses			(20,363)
Administrative expenses			<u>(36,603)</u>
<b>Operating profit</b>			8,901
Finance income, net			(425)
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>			12,031
Income tax expense			<u>(3,393)</u>
<b>Profit for the year</b>			<b><u>8,638</u></b>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	19,368	26,893
Japan	<u>53,394</u>	<u>52,704</u>
	<b><u>72,762</u></b>	<b><u>79,597</u></b>

All customers individually accounted for less than 10% of the Group's revenue for the year ended 31 March 2023 (2022: 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	2,237	6,222
Japan	10,933	14,906
Taiwan	6,696	8,589
	<u>19,866</u>	<u>29,717</u>

#### 4 REVENUE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from art auction and related business	59,838	78,146
Artwork sales	12,924	1,451
	<u>72,762</u>	<u>79,597</u>

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

#### 5 OTHER LOSS, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Exchange (loss)/gain	(62)	343
Fair value loss on financial assets		
at fair value through profit or loss (“FVTPL”)	(1,650)	(3,400)
Written off of property, plant and equipment	—	(248)
	<u>(1,712)</u>	<u>(3,305)</u>

## 6 OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government grants ( <i>Note (i)</i> )	620	33
Compensation received	244	797
Others ( <i>Note (ii)</i> )	606	570
	<u>1,470</u>	<u>1,400</u>

*Notes:*

- (i) During the year ended 31 March 2023, the Group recognised government grants of approximately HK\$620,000 (2022: HK\$33,000), 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 (LOSS)/PROFIT BEFORE INCOME TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold	11,590	1,087
Rental and setup costs for auction and preview exhibition venues	3,167	3,428
Expenses relating to short term lease	825	561
Employee benefit expenses	23,442	23,341
Depreciation of property, plant and equipment	632	1,067
Depreciation of right-of-use assets	5,969	6,437
Amortisation of intangible assets	1,172	1,812
Provision for allowance for ECL on financial assets	2,382	1,197
Auditor's remuneration		
— Audit services	1,650	1,650
— Non-audit services	—	—
	<u>1,650</u>	<u>1,650</u>

## 8 FINANCE COSTS, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Finance income:		
— Interest income on bank deposits	74	67
— Interest income from consignor advance	<u>102</u>	<u>1,129</u>
	<u>176</u>	<u>1,196</u>
Finance costs:		
— Imputed interest of provision for reinstatement cost	(145)	(130)
— Interest expense on lease liabilities	(206)	(356)
— Interest expense on bank and other borrowings	<u>(686)</u>	<u>(1,135)</u>
	<u>(1,037)</u>	<u>(1,621)</u>
Finance costs, net	<u><u>(861)</u></u>	<u><u>(425)</u></u>

## 9 INCOME TAX CREDIT/(EXPENSE)

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
— Hong Kong	—	1,357
— Japan	—	3,278
— Taiwan	<u>28</u>	<u>—</u>
Total current income tax	28	4,635
Under provision in prior years		
— Hong Kong	—	165
Deferred income tax	<u>(225)</u>	<u>(1,407)</u>
Income tax (credit)/expense	<u><u>(197)</u></u>	<u><u>3,393</u></u>

**(a) Hong Kong profits tax**

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for both years.

No Hong Kong profits tax was provided for the year ended 31 March 2023 as the Group did not derive any estimated assessable profits (2022: income tax expenses included approximately of HK\$1,357,000).

**(b) Japan corporate income tax**

Japan corporate income tax has been calculated on the estimated assessable profit for the year ended 31 March 2023 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, no Japan profits tax was provided for the year ended 31 March 2023 as the Group did not derive any estimated assessable profits (2022: which in aggregate, results in effective statutory income tax rates of approximately 37.2%).

**(c) Taiwan income tax**

Taiwan income tax is calculated at 20% of the estimated assessable profits for both years.

**10 (LOSS)/EARNINGS PER SHARE**

**(a) Basic (loss)/earnings per share**

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2023 and 2022.

	2023	2022
(Loss)/profit attributable to the owners of the Company (HK\$'000)	<u>(8,286)</u>	<u>8,434</u>
Weighted average number of ordinary shares in issue ('000)	<u>500,000</u>	<u>500,000</u>
Basic (loss)/earnings per share (HK cents)	<u>(1.66)</u>	<u>1.69</u>

**(b) Diluted (loss)/earnings per share**

No diluted (loss)/earnings per share for both 2023 and 2022 were presented as there were no potential ordinary shares in issue for both 2023 and 2022.

## 11 DIVIDEND

### Proposed dividend

The Board did not recommend the payment of any dividend for the year ended 31 March 2023 (2022: a final dividend of HK1.0 cent per ordinary share, absorbing a total amount of approximately HK\$5,000,000).

### 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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Final dividend in respect of the previous financial year ended 31 March 2022, approved and payable during the year, of HK1 cent (31 March 2021: HK1 cent) per share	<u>5,000</u>	<u>5,000</u>

## 12 TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	16,507	22,951
Less: Allowance for ECL	<u>(4,824)</u>	<u>(2,469)</u>
Trade receivables — net	11,683	20,482
Other receivables		
— Receivables from buyers in respect of auction and related business ( <i>Note (i)</i> )	113,843	177,899
— Consignor advance ( <i>Note (ii)</i> )	51,699	47,839
— Input value-added tax recoverable	1,081	1,601
— Others	<u>3,501</u>	<u>2,450</u>
Trade and other receivables	<u>181,807</u>	<u>250,271</u>

As at 31 March 2023, the fair value of trade and other receivables of the Group were approximately the same as their carrying amounts (2022: 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\$51,699,000 made to certain consignors as at 31 March 2023 (2022: HK\$47,839,000) upon consignment of auction articles to the Group. As at 31 March 2023, these advances bore interest at 0% to 1% per annum (2022: 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 of trade receivables, as at 31 March 2023 and 2022, was as follows:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
— Within 30 days	<b>11,369</b>	12,434
— 1 to 3 months	<b>122</b>	30
— 3 to 6 months	<b>377</b>	86
— 6 to 12 months	<b>411</b>	4,825
— Over 1 year	<b>4,228</b>	5,576
	<b><u>16,507</u></b>	<u>22,951</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In view of the outbreak of the COVID-19 pandemic since the early 2020, the global economy and the financial markets in Hong Kong, Japan and the People's Republic of China (“PRC”) remain uncertain. The Board considered that such significant impact on the global economy and financial markets had adversely affected the market of Chinese and Japanese artworks, specifically on the unpredictability in the market demand, the value and conditions for artworks and the development of art auction market in general. We aspire to diversify our business scope into the field of contemporary artworks and jewelry, as (1) we believe there would be a large potential demand for jewelry or contemporary artworks by our existing customers, and (2) there is an increasing market demand on jewelry and contemporary artworks in the industry.

During the Reporting Period, the Group obtained satisfactory results in each auction session, with an aggregate of 4,531 pieces of auction lots launched in the 5 auctions in Hong Kong and Japan. A total of 2,394 pieces were successfully sold, representing a success rate of 52.8% and achieved an aggregate hammer price of approximately HK\$67.5 million and JPY2,516.1 million in Hong Kong and Japan, respectively. The Group is actively developing other new auction segments, specially jewelry and contemporary artworks 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\$72.8 million (2022: approximately HK\$79.6 million), which represents a decrease of approximately HK\$6.8 million or 8.5% as compared to the same period in 2022. Revenue from art auction and related business was approximately HK\$59.9 million (2022: approximately HK\$78.1 million), while revenue from artwork sales was approximately HK\$12.9 million (2022: approximately HK\$1.5 million). Such decrease in revenue from art auction and related business for the Reporting Period was mainly due to the uncertainty in the global economy and the financial markets which has adversely affected the market of Chinese and Japanese artworks, in particular, the unpredictability in the market demand, value and conditions for artworks and development of art auction market in general.

## **Gross profit**

During the Reporting Period, gross profit of the Group decreased by approximately HK\$15.7 million or 22.8% to approximately HK\$53.3 million (2022: approximately HK\$69.0 million) as compared to the same period in 2022, which was in line with the decrease in revenue from art auction and related business. The overall gross profit margin was approximately 73.2% for the Reporting Period (2022: 86.6%). The decrease was mainly due to the decrease in revenue from art auction and related business which was partially offset by the increase in costs of sales of goods as a result of the increase in revenue from artwork sales. The gross profit margins were approximately 86.9% (2022: 87.8%) for art auction and related business and approximately 10.3% (2022: 25.1%) for artwork sales respectively.

## **Other loss — net**

Other losses of approximately HK\$1.7 million mainly represented the fair value loss on financial asset at FVTPL for the Reporting Period (2022: loss of approximately HK\$3.3 million mainly represented the fair value loss on financial asset at FVTPL).

## **Other income**

Other income of approximately HK\$1.5 million mainly represented government grant received, compensation received, bidding deposits forfeited and penalties recognised during the Reporting Period (2022: approximately HK\$1.4 million mainly represented compensation received, sales tax refunded, bidding deposits forfeited and penalties 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\$24.9 million (2022: approximately HK\$20.4 million) of selling and distribution expenses were incurred, representing an increase of approximately HK\$4.5 million as compared to the same period in 2022, which was mainly due to the increase in transportations costs, advertising and promotion expenses for the Reporting Period.

## **Administrative expense**

Administrative expenses mainly represented employee benefit expenses, travelling expenses, rental expenses and depreciation. During the Reporting Period, administrative expenses decreased by approximately 6.3% to approximately HK\$34.3 million (2022: approximately HK\$36.6 million). Such decrease in administrative expenses was mainly due to the decrease in amortisation of intangible assets and depreciation for the Reporting Period.

## **Finance costs — Net**

The Group recorded finance costs of approximately HK\$861,000 (2022: finance costs amounted to approximately HK\$425,000) 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 credit/(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. Income tax credit for the Reporting Period included the current tax charged of approximately HK\$28,000 and deferred tax credit of approximately HK\$225,000 (2022: income tax expenses of approximately HK\$4.8 million and deferred tax credit of approximately HK\$1.4 million).

## **(Loss)/Profit attributable to owners of the Company**

During the Reporting Period, the Company recorded a loss attributable to owners of the Company of approximately HK\$8.3 million (2022: profits attributable to owners of the Company approximately HK\$8.4 million), which was mainly due to the decrease in revenue from art auction and related business, and increase in impairment loss on financial assets for the Reporting Period.

## **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 2023, the Group had current assets of the approximately HK\$444.8 million (as at 31 March 2022: approximately HK\$550.0 million) while the Group's cash and cash equivalents amounted to approximately HK\$67.3 million (as at 31 March 2022: approximately HK\$108.7 million).

As at 31 March 2023, the Group has interest-bearing bank borrowings of approximately HK\$49.3 million (as at 31 March 2022: approximately HK\$59.9 million) and of which approximately HK\$18.6 million (as at 31 March 2022: approximately HK\$21.1 million) was repayable within one year.

As at 31 March 2023 and 2022, the Group did not have other borrowings.

As at 31 March 2023, 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 2022: net cash position).

## **IMPORTANT EVENT AFFECTING THE GROUP SINCE 31 MARCH 2023**

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

## **PROPOSED FINAL DIVIDENDS**

The Board did not recommend the payment of any dividend for the year ended 31 March 2023 (2022: a final dividend of HK1.0 cent per ordinary share, absorbing a total amount of approximately HK\$5,000,000).

## **CAPITAL COMMITMENTS**

As at 31 March 2023, the Group had no material capital commitment (as at 31 March 2022: Nil).

## **CONTINGENT LIABILITIES AND GUARANTEES**

As at 31 March 2023, the Group did not provide any guarantees for any third party and had no significant contingent liabilities (as at 31 March 2022: 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 2023, 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 also 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 2023, bank deposits amounting to HK\$4.0 million (2022: HK\$4.0 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 2023 (2022: Nil).

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 31 March 2023, the Group had 21, 19, 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.

On 24 April 2023, 48,000,000 share options were granted to certain Director, senior managements and employees of the Group, as disclosed in the announcement of the Company dated 24 April 2023.

## **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 2023, 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 1 April 2022 (HK\$ million)	Amount utilised during the year ended 31 March 2023 (HK\$ million)	Amount utilised as at 31 March 2023 (HK\$ million)	Unutilised Net Proceeds as at 31 March 2023 (HK\$ million)
(i) Strengthening and expanding existing auction business	62.7	(22.8)	(39.9)	—	(39.9)	—
(ii) Enhancing marketing and promotional activities	22.0	—	(18.7)	(3.3)	(22.0)	—
(iii) Recruiting high-calibre managers and experts	8.8	—	(6.9)	(1.9)	(8.8)	—
(iv) Developing the Group's ERP system	5.5	(4.5)	(1.0)	—	(1.0)	—
(v) Supplementing the Group's working capital and for general corporate purposes	11.0	—	(11.0)	—	(11.0)	—
(vi) Developing an artwork business for online trading and information platform	—	27.3	(1.9)	(4.7)	(6.6)	20.7
	<u>110.0</u>	<u>—</u>	<u>(79.4)</u>	<u>(9.9)</u>	<u>(89.3)</u>	<u>20.7</u>

The unutilised Net Proceeds as at 31 March 2023 are expected to be fully utilised on or before 31 March 2025.

## PROSPECTS AND FUTURE PLAN

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 the 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, jewelry and contemporary artworks segments to diversify its auction channel and jewelry, which allow the Group to expand its current business and provide more flexibility to cope with the economic uncertainty in the near future. 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 2023, 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 2023 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 HKICPA 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 2023

*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.*