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## **TOKYO CHUO AUCTION HOLDINGS LIMITED**

**東京中央拍賣控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 1939)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019**

<b>FINANCIAL HIGHLIGHTS</b>	<b>Year ended 31 March,</b>		<b>Changes</b>
	<b>2019</b>	<b>2018</b>	
	<b>(HK\$'000)</b>	<b>(HK\$'000)</b>	
Revenue	<b>166,091</b>	173,266	-4.1%
Gross profit	<b>126,181</b>	132,319	-4.6%
Profit before income tax	<b>15,298</b>	57,982	-73.6%
Profit attributable to owners of the Company	<b>8,632</b>	44,063	-80.4%
Adjusted profit*	<b>27,986</b>	54,828	-49.0%
Earnings per share			
Basic and diluted <i>(HK cents)</i>	<b>1.99</b>	11.75	-83.1%
Net profit margin	<b>5.2%</b>	25.4%	
Adjusted profit margin**	<b>16.8%</b>	31.6%	
Proposed final dividend per share <i>(HK cents)</i>	<b>2.0</b>	Nil	

\* Adjusted profit is calculated as profit for the Reporting Period excluding the listing expenses and changes in fair value of convertible notes (the "Fair Value Loss").

\*\* Adjusted profit margin is calculated by dividing adjusted profit by revenue.

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 2019 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 March 2018.

**CONSOLIDATED INCOME STATEMENT**  
*FOR THE YEAR ENDED 31 MARCH 2019*

	<i>Note</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue</b>	6	<b>166,091</b>	173,266
Costs of services	9	<b>(34,668)</b>	(32,797)
Costs of sales of goods	9	<b>(5,242)</b>	(8,150)
<b>Gross profit</b>		<b>126,181</b>	132,319
Other losses, net	7	<b>(4,043)</b>	(433)
Other income	8	<b>1,836</b>	2,568
Net impairment losses on financial assets	9	<b>(1,194)</b>	—
Selling and distribution expenses	9	<b>(41,717)</b>	(26,765)
Administrative expenses	9	<b>(66,075)</b>	(49,468)
<b>Operating profit</b>		<b>14,988</b>	58,221
Finance income	10	<b>582</b>	10
Finance costs	10	<b>(272)</b>	(249)
Finance income/(costs), net	10	<b>310</b>	(239)
<b>Profit before income tax</b>		<b>15,298</b>	57,982
Income tax expense	11	<b>(6,677)</b>	(14,053)
<b>Profit for the year</b>		<b>8,621</b>	43,929
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		<b>8,632</b>	44,063
Non-controlling interests		<b>(11)</b>	(134)
		<b>8,621</b>	43,929
<b>Earnings per share for profit attributable to owners of the Company</b>			
Basic and diluted ( <i>HK cents</i> )	12	<b>HK1.99 cents</b>	HK11.75 cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the year</b>	<u>8,621</u>	<u>43,929</u>
<b>Other comprehensive (loss)/income:</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	<u>(1,872)</u>	<u>4,089</u>
<b>Total other comprehensive (loss)/income for the year, net of tax</b>	<u>(1,872)</u>	<u>4,089</u>
<b>Total comprehensive income for the year</b>	<u>6,749</u>	<u>48,018</u>
<b>Total comprehensive income/(loss) for the year attributable to:</b>		
Owners of the Company	6,887	47,721
Non-controlling interests	<u>(138)</u>	<u>297</u>
	<u>6,749</u>	<u>48,018</u>

**CONSOLIDATED BALANCE SHEET**  
*AS AT 31 MARCH 2019*

	<i>Note</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>10,942</b>	13,400
Intangible assets		<b>590</b>	558
Deferred income tax assets		<b>1</b>	876
Deposits and prepayments	15	<b>10,943</b>	16,506
		<u><b>22,476</b></u>	<u>31,340</u>
<b>Current assets</b>			
Inventories		<b>20,898</b>	23,050
Trade and other receivables	14	<b>225,367</b>	423,661
Deposits and prepayments	15	<b>14,841</b>	7,187
Tax recoverable		<b>10,599</b>	—
Amount due from a related company		—	14,716
Pledged bank deposits		<b>20,300</b>	—
Cash and cash equivalents		<b>236,522</b>	70,382
		<u><b>528,527</b></u>	<u>538,996</u>
<b>Total assets</b>		<u><b>551,003</b></u>	<u>570,336</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	16	<b>169,730</b>	—
Reserves		<b>110,556</b>	103,669
		<u><b>280,286</b></u>	<u>103,669</u>
<b>Non-controlling interests</b>		<u><b>6,602</b></u>	<u>6,740</u>
<b>Total equity</b>		<u><b>286,888</b></u>	<u>110,409</u>

	<i>Note</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payable	18	<b>6,884</b>	6,149
Finance lease liabilities	17	<b>359</b>	793
Borrowings	17	<b>2,603</b>	4,093
Deferred income tax liabilities		<b>2,574</b>	2,591
		<u><b>12,420</b></u>	<u>13,626</u>
<b>Current liabilities</b>			
Trade and other payables and accruals	18	<b>213,301</b>	370,820
Amount due to the controlling shareholder		—	11,686
Amount due to a former director		—	1,000
Finance lease liabilities	17	<b>422</b>	467
Borrowings	17	<b>32,439</b>	43,972
Current income tax liabilities		<b>5,533</b>	18,356
		<u><b>251,695</b></u>	<u>446,301</u>
<b>Total liabilities</b>		<u><b>264,115</b></u>	<u>459,927</u>
<b>Total equity and liabilities</b>		<u><b>551,003</b></u>	<u>570,336</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. 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 consolidated financial statements is presented in Hong Kong dollars (“HK\$’000”), unless otherwise stated.

## 2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of convertible notes carried at fair value.

The financial information relating to the years ended 31 March 2019 and 2018 included in this preliminary announcement of annual results of FY2018/19 does not constitute the Company’s statutory annual consolidated financial statements for those years 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 is as follows:

The Company has delivered the financial statements for the year ended 31 March 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 March 2019 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

### 3 ACCOUNTING POLICIES

#### (a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2018:

Amendments to HKFRS 1 and HKAS 28	Annual improvements 2014–2016 cycle
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Apart from aforementioned HKFRS 9 and HKFRS 15, there are no other new standards or amendments to standards that are effective for the first time for this financial year that could be expected to have a material impact on the Group.

**(b) New standards and interpretations not yet adopted**

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 April 2018 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
Annual Improvements Project (amendments)	Annual Improvements 2015–2017 Cycle	1 January 2019
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKAS 1 and HKAS 8	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Not yet determined by HKICPA

***HKFRS 16 “Lease”***

*Nature of change*

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-of-use asset) and a financial liability (the lease liability) to pay rentals are recognised on the consolidated balance sheet. In the consolidated income statement, rental expenses are not recognised while amortisation arising from the right-of-use assets and interest expense on the lease liabilities are recognised. The only exceptions are short-term and low-value leases.

*Impact*

The standard will affect primarily the accounting for the Group’s operating leases. As at 31 March 2019, the Group had non-cancellable minimum operating lease commitments of HK\$13,092,000, which are not reflected in the consolidated balance sheet.

Based on management's assessment, the initial adoption of HKFRS 16 in the future will not result in any significant impact on the Group's net financial position and results of operation, notwithstanding the increase in right-of-use assets and lease liabilities in the Group's financial statements. The adoption of HKFRS 16 would also not affect the Group's total cash flows in respect of the leases.

*Mandatory application date/date of adoption by the Group*

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### **4 CHANGES IN ACCOUNTING POLICIES**

The following explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the group's consolidated financial statements.

**(a) HKFRS 9 "Financial Instruments"**

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 9 (7.2.15), comparative figures have not been restated.

However, the Group has reviewed its financial assets and liabilities and assessed that the new standard had no material impact on the Group's financial assets and liabilities.

**(i) Classification and measurement**

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. There were no changes to the classification and measurement of financial instruments.

**(ii) Impairment of financial assets**

The Group's trade receivables, other financial assets carried at amortised cost and financial guarantees are subject to HKFRS 9's new expected credit loss model. The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial. The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL")

rather than only incurred credit losses as is the case under HKAS 39. The impact from the adoption of the new impairment methodology is immaterial to the financial position of the Group as at 1 April 2018 and 31 March 2019.

#### *Trade receivables*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The adoption of the new impairment methodology did not result in significant increase in loss allowance for trade receivables.

#### *Debt investments*

Debt investments at amortised cost are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses. The adoption of the new impairment methodology did not result in significant increase in loss allowance.

### **(b) HKFRS 15 “Revenue from Contracts with Customers”**

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in HKFRS 15, the Group has adopted the modified retrospective method. The impact from the adoption of HKFRS 15 is immaterial to the financial performance of the Group for the year ended 31 March 2019.

## **5 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 the comparative figures are as follows:

	<b>For the year ended 31 March 2019</b>		
	<b>Operation of art auction and related business <i>HK\$'000</i></b>	<b>Artwork sales <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Segment revenue from external customers	146,889	19,202	166,091
Costs of services/sales	<u>(34,668)</u>	<u>(5,242)</u>	<u>(39,910)</u>
<b>Segment results</b>	<b>112,221</b>	<b>13,960</b>	<b>126,181</b>
Other losses, net			(4,043)
Other income			1,836
Net impairment losses on financial assets			(1,194)
Selling and distribution expenses			(41,717)
Administrative expenses			<u>(66,075)</u>
<b>Operating profit</b>			<b>14,988</b>
Finance income, net			<u>310</u>
<b>Profit before income tax</b>			<b>15,298</b>
Income tax expense			<u>(6,677)</u>
<b>Profit for the year</b>			<b><u><u>8,621</u></u></b>

**For the year ended 31 March 2018**

	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	164,596	8,670	173,266
Costs of services/sales	<u>(32,797)</u>	<u>(8,150)</u>	<u>(40,947)</u>
<b>Segment results</b>	131,799	520	132,319
Other losses, net			(433)
Other income			2,568
Selling and distribution expenses			(26,765)
Administrative expenses			<u>(49,468)</u>
<b>Operating profit</b>			58,221
Finance costs, net			<u>(239)</u>
<b>Profit before income tax</b>			57,982
Income tax expense			<u>(14,053)</u>
<b>Profit for the year</b>			<u><u>43,929</u></u>

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	<b>94,105</b>	89,757
Japan	<u><b>71,986</b></u>	<u>83,509</u>
	<u><u><b>166,091</b></u></u>	<u><u>173,266</u></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 31 March 2018 and 2019 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>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	<b>3,883</b>	5,115
Japan	<u><b>18,592</b></u>	<u>25,349</u>
	<u><u><b>22,475</b></u></u>	<u><u>30,464</u></u>

## 6 REVENUE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue from art auction and related business	146,889	164,596
Artwork sales	<u>19,202</u>	<u>8,670</u>
	<u><u>166,091</u></u>	<u><u>173,266</u></u>

All customers individually accounted for less than 10% of the Group's revenue during the year ended 31 March 2019 (2018: same).

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

## 7 OTHER LOSSES, NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Exchange gain/(loss)	138	(248)
Loss on disposal of property, plant and equipment, net	(98)	(109)
Changes in cash surrender values of key management life insurance contracts	24	(76)
Changes in fair value of convertible notes	<u>(4,107)</u>	<u>—</u>
	<u><u>(4,043)</u></u>	<u><u>(433)</u></u>

## 8 OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Miscellaneous income ( <i>Note (i)</i> )	723	1,374
Others ( <i>Note (ii)</i> )	<u>1,113</u>	<u>1,194</u>
	<u><u>1,836</u></u>	<u><u>2,568</u></u>

*Note:*

- (i) The amount mainly represented miscellaneous handling fees charged to customers during auctions in Japan.
- (ii) Other income mainly represented bidding deposits forfeited and penalties from the buyers.

## 9 EXPENSES BY NATURE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost of inventories sold	5,242	8,150
Rental and setup costs for auction and preview exhibition venues	23,367	23,489
Catalogue expenses	9,722	8,660
Operating lease rentals in respect of rented premises	7,756	6,143
Agency commissions	2,528	2,230
Advertising and promotion expenses	9,181	6,121
Transportation	4,629	3,082
Travelling	5,803	4,486
Entertainment	3,811	1,759
Business hospitality	3,794	1,981
Bank charge	1,075	1,344
Consulting fee	5,190	1,580
Employee benefit expenses	31,891	24,111
Depreciation of property, plant and equipment	2,727	1,896
Amortisation of intangible assets	62	49
Provision for bad and doubtful debts	—	527
Net impairment losses on financial assets	1,194	—
Auditor's remuneration		
— Audit services	2,000	180
— Non-audit services	500	—
Listing expenses	15,258	10,899
Others	13,166	10,493
	<u>148,896</u>	<u>117,180</u>
Total costs of sales of goods, costs of services, net impairment losses on financial assets, selling and distribution expenses and administrative expenses	<u>148,896</u>	<u>117,180</u>

## 10 FINANCE INCOME/(COSTS), NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Finance income:		
— Interest income on bank deposits	582	10
Finance costs:		
— Interest expense on finance lease liabilities	(24)	(61)
— Interest expense on bank and other borrowings	(248)	(188)
	<u>(272)</u>	<u>(249)</u>
Finance income/(costs), net	<u>310</u>	<u>(239)</u>

## 11 INCOME TAX EXPENSE

The amounts of income tax expense charged to the consolidated income statement represent:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current income tax		
— Hong Kong	5,542	9,565
— Japan	260	2,973
	<hr/>	<hr/>
Total current income tax	5,802	12,538
Deferred income tax	875	1,515
	<hr/>	<hr/>
Income tax expense	<u>6,677</u>	<u>14,053</u>

### (a) Hong Kong profits tax

For the year ended 31 March 2019, 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% on the estimated assessable profits. For the year ended 31 March 2018, Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits.

### (b) Japan corporate income tax

Japan corporate income tax has been calculated on the estimated assessable profit for the year ended 31 March 2019 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 34.6% for the year ended 31 March 2019 (2018: 34.8%).

## 12 EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 March 2019.

	2019	2018
Net profit attributable to owners of the Company (HK\$'000)	<u>8,632</u>	<u>44,063</u>
Weighted average number of ordinary shares in issue ('000) (Note)	<u>433,544</u>	<u>374,967</u>
Basic earnings per share (HK cents)	<u><u>1.99</u></u>	<u><u>11.75</u></u>

*Note:*

On 11 October 2018, pursuant to the shareholders' resolution, a bonus issue of 374,967,178 shares were allotted upon successful listing of the Company. The weighted average number of shares for the purpose of basic and diluted earnings per share for the years ended 31 March 2018 and 2019 in connection with such bonus shares issued has been retrospectively adjusted to the beginning of the year.

### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no dilutive potential ordinary shares during the year ended 31 March 2018 and accordingly the diluted earnings per share equals basic earnings per share. For the year 31 March 2019, the potential ordinary shares arising from convertible notes were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted earnings per share for the year ended 31 March 2019 is same as basic earnings per share.

## 13 DIVIDEND

No dividend has been paid or declared by the Company or companies now comprising the Group during the year ended 31 March 2019 (2018: Nil).

On 27 June 2019, the directors have proposed a final dividend of HK2.0 cents per ordinary share in respect of the year ended 31 March 2019 (2018: Nil), amounting to approximately HK\$10,000,000 (2018: Nil), 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 2019.

## 14 TRADE AND OTHER RECEIVABLES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	47,574	45,979
Less: loss allowances	<u>(540)</u>	<u>(202)</u>
Trade receivables — net	<b>47,034</b>	45,777
Other receivables		
— Receivables from buyers in respect of auction and related business	150,187	338,395
— Consignor advance	23,917	15,151
— Input value-added tax recoverable	2,877	23,257
— Others	<u>1,352</u>	<u>1,081</u>
Trade and other receivables	<u><b>225,367</b></u>	<u>423,661</u>

As at 31 March 2019 and 2018, the fair value of trade and other receivables of the Group approximate their carrying amounts.

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 31 March 2019 was as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
— Within 30 days	23,828	21,597
— 1 to 3 months	12,500	—
— 3 to 6 months	6,920	20,243
— 6 to 12 months	4,301	2,667
— Over 1 year	<u>25</u>	<u>1,472</u>
	<u><b>47,574</b></u>	<u>45,979</u>

## 15 DEPOSITS AND PREPAYMENTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current portion:		
— Deposits and prepayments	<u>14,841</u>	<u>7,187</u>
Non-current portion:		
— Rental and other deposits	4,380	4,236
— Key management life insurance contracts ( <i>Note (i)</i> )	<u>6,563</u>	<u>12,270</u>
	<u>10,943</u>	<u>16,506</u>
	<u>25,784</u>	<u>23,693</u>

As at 31 March 2019 and 2018, the fair value of deposits of the Group approximated their carrying amounts.

*Note:*

(i) Certain key management life insurance contracts were terminated in July and August 2018.

## 16 SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
<b>Ordinary shares</b>		
Issued and fully paid:		
<b>As 1 April 2018</b>	100	—
Bonus issue ( <i>Note (i)</i> )	374,967,178	—
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs ( <i>Note (ii)</i> )	96,520,000	127,004
Conversion of convertible notes to ordinary shares ( <i>Note (iii)</i> )	<u>28,512,722</u>	<u>42,726</u>
<b>At 31 March 2019</b>	<u>500,000,000</u>	<u>169,730</u>

*Note:*

- (i) On 11 October 2018, a bonus issue of 374,967,178 shares were allotted to Mr. Ando Shokei upon successful listing of the Company.
- (ii) In October 2018, the Company issued 96,520,000 ordinary shares at HK\$1.50 per share, and raised gross proceeds of approximately HK\$144,780,000. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 11 October 2018. The gross proceeds, net of underwriting commissions and other issuance costs, are capitalised as share capital accordingly.
- (iii) Pursuant to a written resolution of the sole director of the Company dated 24 April 2018, the Company entered into agreements with six independent investors in relation to their subscriptions of the Company's convertible notes totaling approximately HK\$38,800,000. The outstanding principal amount of these convertible notes shall be automatically and mandatorily converted into fully paid shares of the Company upon successful initial public offering in recognised stock exchange according to a formula prescribed in the subscription agreements. The convertible notes bear interest at 1% per annum. The convertible notes will mature upon 12 months from the date of the subscription, subject to mutual agreement between the independent investors and the Company to extend for a further 12-month period. If the initial public offering does not take place before the maturity date, the Company shall redeem the outstanding amount of the convertible notes with additional interest of 7% per annum. The Company may redeem all of the outstanding principal amount of the convertible notes with terms set out in the subscription agreements on or at any time after 31 December 2018 until the maturity date.

All of the convertible notes were converted into 28,512,722 ordinary shares on 11 October 2018. The principal amount of convertible notes and the cumulative changes in fair value are capitalised as share capital accordingly.

## 17 BORROWINGS AND FINANCE LEASE LIABILITIES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Non-current</b>		
Bank borrowings ( <i>Note (a)</i> )	2,603	4,093
Finance lease liabilities ( <i>Note (b)</i> )	359	793
	<u>2,962</u>	<u>4,886</u>
<b>Current</b>		
Bank borrowings ( <i>Note (a)</i> )	32,439	43,972
Finance lease liabilities ( <i>Note (b)</i> )	422	467
	<u>32,861</u>	<u>44,439</u>
Total borrowings	<u><u>35,823</u></u>	<u><u>49,325</u></u>

**(a) Bank borrowings**

As at 31 March 2018 and 2019, all the bank borrowings are denominated in Japanese Yen.

As at 31 March 2018, the Group's banking facilities are guaranteed by (i) personal guarantees from Mr. Ando, (ii) corporate guarantee from a related party, and (iii) third party corporate guarantee. The personal guarantees provided by the Group's director were released in April and May 2018. Corporate guarantee provided by a related company and third party corporate were released in May 2018, May 2018 and April 2018 respectively.

The effective interest rates of bank borrowings as at 31 March 2019 were 0.3% to 0.8% per annum (2018: 0.8% to 2.4% per annum).

These facilities are secured by certain bank deposits with an aggregate amount of HK\$20.3 million (2018: Nil).

As at 31 March 2018 and 2019, the fair value of bank borrowings approximated their carrying amounts.

Movements in borrowings are analysed as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
As at 1 April	48,065	28,012
Net (repayment)/proceeds of bank borrowings	(11,806)	17,650
Exchange differences	(1,217)	2,403
	<u>35,042</u>	<u>48,065</u>
As at 31 March	<u>35,042</u>	<u>48,065</u>

**(b) Finance lease liabilities**

As at 31 March 2019, the finance leases are secured by the Group's motor vehicles with carrying values of HK\$763,000 (2018: HK\$1,301,000). The rights to the leased asset are reverted to the lessors in the event of default of the lease liabilities by the Group.

**18 TRADE AND OTHER PAYABLES AND ACCRUALS**

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	5,467	4,637
Payables to sellers in respect of auction and related business	197,526	348,035
Deposits received, other payables and accruals	17,192	24,297
	<u>220,185</u>	<u>376,969</u>
Less: Non-current portion:		
— Other payable	(6,884)	(6,149)
	<u>213,301</u>	<u>370,820</u>
Current portion	<u>213,301</u>	<u>370,820</u>

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

As at 31 March 2019 and 2018, all financial trade and other payables of the Group were non-interest bearing, and their fair value approximate to their carrying amounts due to their short maturities.

The non-current other payable represents the Group's obligation to pay for the employee benefits of a director of the Group, which will be settled after 12 months from the balance sheet date.

As at 31 March 2019, the ageing analysis of the trade payables based on invoice date are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	<u>5,467</u>	<u>4,637</u>

## 19 SHARE OPTION SCHEME

The Group has adopted the share option scheme on 13 September 2018 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the new shares. As of the date of this announcement, no share options have been granted under the scheme.

## 20 EVENTS AFTER BALANCE SHEET DATE

On 1 April 2019, the Company entered into a non-legally binding memorandum of understanding with Mr. Chiu Hsin Chun (邱欣俊) in relation to the proposed acquisition by the Group in cash, 34% of the entire issued shares in Mu Chun Tang Auction Co., Ltd.\* (沐春堂拍賣股份有限公司), a Taiwan-based auction house. The transaction has not been completed yet up to the date of this announcement.

On 1 June 2019, the Company entered into a share purchase agreement with Mr. Yodo Hiroaki, a non-controlling interest of Tokyo Chuo Auction Co., Ltd. (株式會社東京中央オークション) (“**TCA Japan**”), in relation to the acquisition of 30 class A shares by the Company, representing 3% of the total number of shares of TCA Japan, at a consideration of JPY21,014,557.

Other than the aforesaid events, the Group had no other material subsequent events as at 31 March 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the Reporting Period, the Group obtained satisfactory results in each auction session, with 7,038 (2018: 7,025) pieces of auction lots launched in the four auctions, 3,991 (2018: 3,938) of which were successfully sold, representing a successful rate of 56.7% (2018: 56.1%) and achieved an aggregate hammer price of approximately HK\$580.5 million (2018: approximately HK\$739.0 million), and total revenue of approximately HK\$166.1 million (2018: approximately HK\$173.3 million). During the Group's Hong Kong autumn auction, the Group held its first ever tea ceremony auction session "ICHIGO ICHIE — The Art of Tea Ceremony" (一期一會•聽茶聞香) to celebrate the special occasion of the 5th anniversary of the establishment of the Company in Hong Kong. Among the tea auction lots, there was a cylinder of pu'er tea, weighing 2,491 grams, called "Century-old Blue Ticket Songping Pu'er Tea Cakes" (百年藍票宋聘號), which was sold at a record-breaking price of HK\$11.9 million, a historic high in tea prices. In addition, the auction also featured regular sessions for Chinese paintings and calligraphies as well as ceramics, and one of the Group auction lots known as "A magnificent and rare yellow and green enamelled vase with motifs of sprigs of flowers, seal mark and period of Yongzheng in Qing Dynasty"(清雍正黃地綠彩福壽祥雲折枝花卉紋橄欖瓶) was concluded at a high hammer price of HK\$40 million. Meanwhile, the Group actively developed other new auction segments to increase the number and sources of customers and pursue new business opportunities. For example, there was a new session called "Arts in Life" in the Group auction held in Tokyo in March 2019.

During the Reporting Period, the Group achieved a revenue of approximately HK\$166.1 million. The profit attributable to owners of the Company was approximately HK\$8.6 million. Basic and diluted earnings per share were approximately HK1.99 cents. Due to the decrease in revenue from auctions and the increase in operating costs, particularly the expenses for listing (the "**Listing Expenses**"), as well as the additional expenses after listing and the Fair Value Loss, there was a decrease in the Group's profitability. Excluding the Listing Expenses and Fair Value Loss, the adjusted profit of the Group was approximately HK\$28.0 million (2018: approximately HK\$54.8 million).

For the sake of strengthening the long term customers relationship, as well as further developing the artworks sourcing network, more expenses have been incurred for these aspect during the Reporting Period, and the management strongly believes that such expenditure will be beneficial to the Group in coming years.

“Promoting culture and valuing communication” has been the philosophy of the Group. With an aim of facilitating arts and cultural exchanges between China and Japan, the Group organised “Cultural Exhibition in Kyoto City Museum of Art Annex” at Kyoto, Japan in April 2018. Besides, the Group collaborated with Sankeisha Japan (日本三圭社) in publishing a hardcover edition of “Gao Mai — Collections of Painting in Ming Dynasty by Collectors” (高邁 — 明代書畫名家收藏展), which compiles all premium compositions in Ming Dynasty into a single volume for appreciation of Japanese cultural artefacts among enthusiasts in painting and calligraphy. During the Reporting Period, the Group published a series of collections named “A Prime Collection in Japanese Painting and Calligraphy” (日本藏王—亭書畫精選). The two volumes received much support and assistance from Mr. Mii Masahiro (三井雅博) from Sankeisha, Mr. Yamasita Hotai from Suifeng Club and Mr. Jinou from the Association of Chinese Calligrapher in Japan (全日本華人書法家協會). In May 2018, the Group exclusively sponsored the exhibition “Match Made in Heaven” (天作之合) in the 11th International Antiques Fair in Hong Kong, which displayed nearly 200 exquisite boxes dated from ancient to contemporary times for art enthusiasts to appreciate. During the Reporting Period, the Group also held a series of touring exhibitions in major cities in the PRC, Japan and Hong Kong for marketing the Group’s auctions. Such exhibition also further establish the Group’s reputation over different regions and expand its customer base.

## **FINANCIAL REVIEW**

### **Revenue**

During the Reporting Period, the revenue of the Group was approximately HK\$166.1 million (2018: HK\$173.3 million), which represents a decrease of approximately HK\$7.2 million or 4.1% as compared with 2018. Revenue from art auction and related business was approximately HK\$146.9 million (2018: HK\$164.6 million) while revenue from artwork sales was approximately HK\$19.2 million (2018: HK\$8.7 million). The decrease in revenue from art auction and related business was mainly caused by the decrease in hammer price of the auction items, given the average hammer price last year was approximately HK\$188,000, and it was approximately HK\$145,000 during the Reporting Period. The increase in revenue from artwork sales was mainly due to the selling prices of the artwork sold during the Reporting Period were higher than those in 2018.

### **GROSS PROFIT**

During the Reporting Period, gross profit of the Group decreased by approximately HK\$6.1 million or 4.6% to approximately HK\$126.2 million (2018: approximately HK\$132.3 million) as compared with 2018, which is in line with the decrease in revenue. The overall gross profit margin for the Reporting Period was approximately 76.0% which was stable when comparing with 76.4% in 2018. The gross profit margins were approximately 76.4% (2018: 80.1%) and approximately 72.7% (2018: 6.0%) for art auction and related business and artwork sales respectively. The substantial increase of the gross profit margin in artwork sales was due to the upward trend of the values of similar art pieces.

## **OTHER LOSSES, NET**

Other losses, net mainly comprise the changes in fair value of convertible notes, exchange gain/loss, net loss on disposal of property, plant and equipment, and changes in cash surrender values of key management life insurance contracts. Other losses of the Group during the Reporting Period was approximately HK\$4.0 million (2018: approximately HK\$400,000). The increase in other losses for the Reporting Period was approximately HK\$3.6 million, when compared to 2018. The increase was primarily attributable to the changes in fair value of convertible notes which amounted to approximately HK\$4.1 million (2018: Nil).

## **OTHER INCOME**

Other income of the Group during the Reporting Period was approximately HK\$1.8 million (2018: approximately HK\$2.6 million).

Other income decreased by approximately HK\$0.8 million as compared with 2018. The decrease is primarily attributable to the decrease in miscellaneous handling fees charged to customers during auctions held in Japan.

## **NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS**

Net impairment losses on financial assets represents the increase in loss allowance recognised in respect of the trade receivables following the adoption of HKFRS 9 during the Reporting Period. During the Reporting Period, approximately HK\$1.2 million of such losses were incurred (2018: Nil).

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses increased by approximately HK\$14.9 million to HK\$41.7 million for the Reporting Period (2018: approximately HK\$26.8 million). Such increase was mainly caused by the (i) increase in employee benefit expenses of approximately HK\$1.3 million due to general salary inflation and more staff members hired, (ii) increase in transportation costs of approximately HK\$1.6 million as more transportation services had been consumed, (iii) aggregate increase in business hospitality, entertainment expenses and travelling expenses of approximately HK\$5.8 million, which resulted from providing better customer services and expanding customers network, (iv) increase in consulting fee of approximately HK\$2.5 million because of engaging additional experts for authentication process, and (v) increase in other general expenses for marketing activities.

## **ADMINISTRATIVE EXPENSES**

During the Reporting Period, administrative expenses increased by approximately HK\$16.6 million or 33.5% to approximately HK\$66.1 million (2018: approximately HK\$49.5 million). The increase was primarily due to the (i) increase in employee benefit expenses of approximately HK\$6.4 million because of new staff members hired and the increased staff salaries and bonus under annual salary review scheme, (ii) increase in operating lease rentals in respect of rented premises of approximately HK\$1.6 million for the new office rented in Hong Kong, (iii) increase in Listing Expenses and related expenses of approximately HK\$5.6 million associated with our listing, and (iv) increase in auditor's remuneration and professional expenses of approximately HK\$3.4 million, and such services were only carried out after listing.

## **FINANCE INCOME, NET**

Net finance income recorded for the Reporting Period amounted to approximately HK\$310,000 and it was a cost of approximately HK\$239,000 in 2018. The net income mainly represents the interest income from bank deposit of approximately HK\$582,000, which was offset by the interest expenses on finance lease liabilities and interest expenses on bank and other borrowings.

## **INCOME TAX EXPENSES**

During the Reporting Period, income tax expenses decreased by approximately HK\$7.4 million, to HK\$6.7 million (2018: approximately HK\$14.1 million). The saving in income tax expenses was attributable to the decrease in profit before income tax. Effective tax rate\* was approximately 19.3% (2018: 20.4%) for the Reporting Period and no significant fluctuation was noted.

\* Effective tax rate was calculated by income tax expenses divided by profit before income tax excluding the Listing Expenses and Fair Value Loss.

## **PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY**

Due to the drop in the total hammer price for the Reporting Period, which was mainly affected by the unpredictability in the market demand, value and conditions for artworks and development of art auction market in general, and upsurge in the operating costs and additional one-off expenses such as Listing Expenses and Fair Value Loss, the profit attributable to owners of the Company decreased by approximately HK\$35.5 million or 80.5%, to HK\$8.6 million (2018: approximately HK\$44.1 million). If the one-off listing expenses and Fair Value Loss is not taken into account, the adjusted profit attributable to owners of the Company for the Reporting Period was approximately HK\$28.0 million (2018: approximately HK\$54.9 million).

## **FINANCIAL POSITION AND LIQUIDITY**

The Group generally finances its operations with internally generated resources, banking facilities and net proceed from the listing. As at 31 March 2019, the Group had net current assets of approximately HK\$276.8 million (2018: approximately HK\$92.7 million) while the Group's cash and cash equivalents amounted to approximately HK\$236.5 million (2018: approximately HK\$70.4 million). As at 31 March 2019, the Group had interest-bearing bank borrowings of approximately HK\$35.0 million and of which approximately HK\$32.4 million was repayable within one year. As at 31 March 2019, the Group had finance lease liabilities of approximately HK\$0.8 million and of which approximately HK\$0.4 million was repayable within one year.

As at 31 March 2019, the Group's net 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 (2018: net cash).

## **CAPITAL COMMITMENTS**

As at 31 March 2019, the Group had no any material capital commitment (as at 31 March 2018: Nil).

## **CONTINGENT LIABILITIES**

As at 31 March 2019, the Group did not have any material contingent liabilities (as at 31 March 2018: Nil).

## **MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

Save for the reorganisation of the Group for the purpose of the listing as set out in the section headed "History, Reorganization and Corporate Structure — The Reorganization" in the prospectus of the Company dated 27 September 2018 ("**Prospectus**"), there were no material acquisition or 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, with strong emphasis on 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 2019, the borrowings were mainly denominated in 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\$20.3 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 Japanese Yen and Hong Kong dollars. As 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, the Group does not have a formal foreign currency hedging policy or conducts hedging exercise to reduce its foreign currency exposure. However, 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.

## **USE OF PROCEEDS**

### *From the Global Offering*

The Company's shares were listed on the Main Board of the Stock Exchange on 11 October 2018 ("**Listing Date**") and we received net proceeds (after deduction of underwriting commission and related costs and expenses) from the global offering of

approximately HK\$110.0 million. As at 31 March 2019, we have partially utilized such proceeds in accordance with the intended use of proceeds as disclosed in the Prospectus. During the Reporting Period, the net proceeds had been applied for as follows:

	<b>Actual net proceeds</b> <i>(HK\$ million)</i>	<b>Amount utilised as at 31 March 2019</b> <i>(HK\$ million)</i>	<b>Unutilised net proceeds as at 31 March 2019</b> <i>(HK\$ million)</i>
Strengthening and expanding existing auction business	62.7	1.7	61.0
Enhancing marketing and promotional activities	22.0	0.9	21.1
Recruiting high caliber managers and experts	8.8	—	8.8
Developing the Group's ERP system	5.5	—	5.5
Supplementing the Group's working capital and for general corporate purposes	11.0	—	11.0
	<u>110.0</u>	<u>2.6</u>	<u>107.4</u>

As at the date of this announcement, the Company does not anticipate any change to the above plan of use of proceeds. The remaining unutilised net proceeds as at 31 March 2019 are expected to be fully utilized on or before 31 March 2021.

#### *From the Issue of the Convertible Notes*

Reference is made to the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investments" of the Prospectus. The aggregate net proceeds from the issue of the Convertible Notes (as defined in the Prospectus) was approximately HK\$38.8 million.

During the Reporting Period, the net proceeds had been applied for as follows:

	<b>Actual Net proceeds</b> <i>(HK\$ million)</i>	<b>Amount utilized as at 31 March 2019</b> <i>(HK\$ million)</i>	<b>Unutilized net proceeds as at 31 March 2019</b> <i>(HK\$ million)</i>
Fund the capital expenditures and working capital of the Group	38.8	5.0	33.8

As at the date of this announcement, the Company does not anticipate any change to the above plan of use of proceeds. The remaining unutilised net proceeds as at 31 March 2019 are expected to be fully utilized in or around end of 2020.

### **CHARGE ON ASSETS**

As at 31 March 2019, bank deposits amounting to HK\$20.3 million (2018: Nil) was pledged to a bank to secure general banking facilities granted to the Group.

Other than the aforesaid pledged bank deposits, there was no other charge on assets of the Group as at 31 March 2019.

### **EMPLOYEES AND EMOLUMENT POLICY**

As at 31 March 2019, the Group had 23, 15, 3 and 1 fulltime 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 for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, for their contribution to the Group. No share options have been granted since the Listing Date and up to the date of this announcement.

### **SUBSEQUENT EVENTS**

On 1 April 2019, the Company entered into a non-legally binding memorandum of understanding with Mr. Chiu Hsin Chun (邱欣俊) who is, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company ("**Independent Third Party**") within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), in relation to the proposed acquisition by the Group in cash, 34% of the entire issued shares in Mu Chun Tang Auction Co., Ltd.\* (沐春堂拍賣股份有限公司), a Taiwan-based auction house. The transaction has not been completed yet up to the date of this announcement and details of the transaction is set out in the voluntary announcement of the Company dated 1 April 2019.

On 1 June 2019, the Company entered into a share purchase agreement with Mr. Yodo Hiroaki, an Independent Third Party, in relation to the acquisition by the Company the 30 shares of class A shares, represents 3% of the total number of shares, of Tokyo Chuo Auction Co., Ltd. (株式会社東京中央オークション), a direct non-wholly owned subsidiary of the Company, which was purchased with an aggregate amount of JPY21,014,557.

Other than the aforesaid events, the Group had no other material subsequent events as at 31 March 2019.

## **PROSPECTS**

The Group has been growing since its establishment and during the Reporting Period, it was successfully listed on the Main Board of the Stock Exchange as a pioneering corporate with emphasis on artworks auction, expanding from Japan to the entire Asia. The Group has strived to achieve long-term growth at a steady pace. At present, it has established footholds in major cities in Asia with its business extending from Tokyo to Hong Kong and Taiwan. For the entire Asia, the Group has set up branches and representative offices in the Greater China region to create a strong customer network, integrate regional resources, actively promote regional interaction, consolidate foundation and expand operations.

In the future, the Group will aim at keeping stable growth and development, and continuously uphold its principle of sourcing excellent artworks with good provenance to explore and collect more valuable artworks for art enthusiasts from all walks of life. At the same time, the management will also keep an eye on the opportunities to cooperate with other auction companies with a view to developing the Group's business more rapidly.

## **FUTURE PLAN**

In the coming future, we shall further diversify our auction items into various categories such as contemporary artworks from different artists, world-class and limited wine from China, Japan and other European countries, as well as precious jewelry and luxuries. In order to expedite such expansion, we shall keep looking for apposite business partners for collaboration in auction events. Meanwhile, the Board will also consider to make strategic investments in artworks related business, which can help us to achieve synergies.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Since the Listing Date and up to 31 March 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE**

The Board has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as 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 for the period from the Listing Date and up to 31 March 2019.

## **MODEL CODE FOR SECURITIES TRANSACTIONS 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 the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company’s Code for the period from the Listing Date and up to 31 March 2019.

## **PROPOSED FINAL DIVIDEND**

The Board recommended the payment of a final dividend of HK2.0 cents per ordinary share, absorbing a total amount of approximately HK\$10,000,000, in respect of the year ended 31 March 2019 (the “**Proposed Final Dividend**”) (2018: Nil), which is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company to be held in Japan on Sunday, 1 September 2019 (the “**2019 AGM**”). The proposed final dividend is expected to be paid on Friday, 27 September 2019 to all shareholders whose names to be appeared on the register of members of the Company on Tuesday, 10 September 2019.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed during the following periods:

- i. from Monday, 26 August 2019 to Sunday, 1 September 2019 (both days inclusive), for the purpose of determining the right to attend and vote at the 2019 AGM. In order to be eligible to attend and vote at the 2019 AGM, unregistered holders of shares of the Company should ensure that all transfer documents accompanied by the relevant share certificates are lodged for registration with the Company’s share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 23 August 2019; and

- ii. Conditional on the passing of the resolution approving the declaration of the Proposed Final Dividend at the 2019 AGM, from Friday, 6 September 2019 to Tuesday, 10 September 2019 (both days inclusive), for the purpose of determining the entitlement to the Proposed Final Dividend. In order to be qualified for the Proposed Final Dividend (subject to the approval of the shareholders of the Company at the 2019 AGM), unregistered holders of shares of the Company should ensure that all transfer documents accompanied by the relevant share certificates are lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 5 September 2019.

## **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 balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers 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.

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, 27 June 2019

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