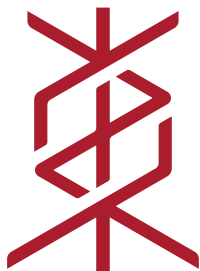


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**東京中央拍賣控股有限公司**  
TOKYO CHUO AUCTION HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 1939)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

**FINANCIAL HIGHLIGHTS**

- The unaudited consolidated revenue of the Group for the six months ended 30 September 2022 amounted to approximately HK\$45.4 million, decreased by approximately 4.4% of as compared with the same period in 2021 (six months ended 30 September 2021: approximately HK\$47.5 million).
- The unaudited consolidated profit attributable to the owners of the Company for the six months ended 30 September 2022 amounted to approximately HK\$7.6 million (six months ended 30 September 2021: approximately HK\$11.6 million).
- For the six months ended 30 September 2022, the basic and diluted earnings per share were HK1.52 cents (six months ended 30 September 2021: HK2.32 cents).
- The Board has resolved not to declare interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Tokyo Chuo Auction Holdings Limited (the “**Company**”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2022 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2021.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	5	<b>45,433</b>	47,474
Cost of services		<b>(1,999)</b>	(2,638)
Cost of sales of goods		<b>(6,034)</b>	(463)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>37,400</b>	44,373
Other losses — net	6	<b>(275)</b>	—
Other income	7	<b>585</b>	277
Selling and distribution expenses	8	<b>(11,938)</b>	(12,027)
Administrative expenses	8	<b>(15,393)</b>	(17,622)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>10,379</b>	15,001
Finance income	9	<b>31</b>	1,383
Finance costs	9	<b>(581)</b>	(840)
Share of result of associate		<b>553</b>	262
		<hr/>	<hr/>
<b>Profit before income tax</b>		<b>10,382</b>	15,806
Income tax expense	10	<b>(2,581)</b>	(3,809)
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>7,801</b>	11,997
		<hr/>	<hr/>
<b>Profit attributable to:</b>			
Owners of the Company		<b>7,622</b>	11,583
Non-controlling interests		<b>179</b>	414
		<hr/>	<hr/>
		<b>7,801</b>	11,997
		<hr/>	<hr/>
<b>Earnings per share for profit attributable to owners of the Company</b>			
Basic and diluted (HK cents)	11	<b>HK1.52 cents</b>	HK2.32 cents
		<hr/>	<hr/>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<u>7,801</u>	<u>11,997</u>
<b>Other comprehensive loss:</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	<u>(14,825)</u>	<u>(336)</u>
<b>Total other comprehensive loss for the period, net of tax</b>	<u>(14,825)</u>	<u>(336)</u>
<b>Total comprehensive (loss)/income for the period</b>	<u>(7,024)</u>	<u>11,661</u>
<b>Total comprehensive (loss)/income for the period attributable to:</b>		
Owners of the Company	(6,576)	11,280
Non-controlling interests	<u>(448)</u>	<u>381</u>
	<u><u>(7,024)</u></u>	<u><u>11,661</u></u>

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2022**

		<b>Unaudited</b>	Audited
		<b>30 September</b>	31 March
		<b>2022</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>5,404</b>	6,414
Right-of-use assets		<b>4,776</b>	8,150
Intangible assets		<b>3,990</b>	5,484
Investment accounted for using the equity method		<b>5,755</b>	6,089
Financial asset at fair value through profit or loss		<b>2,500</b>	2,500
Deferred income tax assets		<b>1,112</b>	1,360
Deposits and prepayments	14	<b>1,075</b>	1,080
		<u><b>24,612</b></u>	<u>31,077</u>
<b>Current assets</b>			
Inventories		<b>129,729</b>	136,624
Trade and other receivables	13	<b>250,958</b>	250,271
Deposits and prepayments	14	<b>37,095</b>	50,411
Pledged bank deposits		<b>4,000</b>	4,000
Cash and cash equivalents		<b>82,226</b>	108,698
		<u><b>504,008</b></u>	<u>550,004</u>
<b>Total assets</b>		<u><b>528,620</b></u>	<u>581,081</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	<b>169,730</b>	169,730
Reserves		<b>98,634</b>	110,210
		<u><b>268,364</b></u>	<u>279,940</u>
<b>Non-controlling interests</b>		<b>3,633</b>	4,081
<b>Total Equity</b>		<u><b>271,997</b></u>	<u>284,021</u>

		<b>Unaudited</b>	Audited
		<b>30 September</b>	31 March
		<b>2022</b>	2022
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payable	17	<b>960</b>	1,016
Lease liabilities		<b>674</b>	2,456
Borrowings	16	<b>29,715</b>	38,807
Deferred income tax liabilities		<b>2,534</b>	2,534
		<u><b>33,883</b></u>	<u>44,813</u>
<b>Current liabilities</b>			
Trade and other payables and accruals	17	<b>199,972</b>	220,852
Lease liabilities		<b>4,935</b>	6,592
Borrowings	16	<b>14,685</b>	21,138
Current income tax liabilities		<b>3,148</b>	3,665
		<u><b>222,740</b></u>	<u>252,247</u>
Total liabilities		<u><b>256,623</b></u>	<u>297,060</u>
Total equity and liabilities		<u><b>528,620</b></u>	<u>581,081</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Tokyo Chuo Auction Holdings Limited is a limited liability company incorporated in Hong Kong. The address of the Company's registered office is Room 2601, 26/F, Wing on Centre, No. 111 Connaught Road Central, Hong Kong.

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

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

This interim condensed consolidated financial information is presented in Hong Kong dollars ("**HK\$'000**") unless otherwise stated and has been approved for issue by the Board on 29 November 2022.

## 2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2022 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The consolidated financial information relating to the year ended 31 March 2022 that is included in the interim condensed consolidated financial information for the six months ended 30 September 2022 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

### 3 CHANGE IN ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation in the Interim Financial Statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2022.

The condensed consolidated financial information of the Group has been prepared in accordance with the same accounting policies adopted in the Group's annual financial statements for the year ended 31 March 2022, except for the adoption of the revised HKFRSs (which include all HKFRSs, HKASs and Interpretations) as below:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

These amendments have had no material effect on how the Group's results and financial position for the current or prior periods that have been presented in this condensed consolidated financial information. The Group has not applied any other new standards or interpretation that is not yet effective for the current accounting period.

#### **4 ESTIMATES**

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

In preparing the interim condensed and assumption information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those that were applied to the consolidated financial statements for the year ended 31 March 2022.

#### **5 REVENUE AND SEGMENT INFORMATION**

##### **Segment information**

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

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



The segment information provided to the CODM for current period and comparative figures are as follows:

	<b>Unaudited</b>		
	<b>For the six months ended</b>		
	<b>30 September 2022</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	38,712	6,721	45,433
Costs of service/sales	<u>(1,999)</u>	<u>(6,034)</u>	<u>(8,033)</u>
<b>Segment results</b>	<u>36,713</u>	<u>687</u>	<u>37,400</u>
Other losses — net			(275)
Other income			585
Selling and distribution expenses			(11,938)
Administrative expenses			<u>(15,393)</u>
<b>Operating profit</b>			10,379
Share of result of an associate accounted for using the equity method			553
Finance costs — net			<u>(550)</u>
<b>Profit before income tax</b>			10,382
Income tax expense			<u>(2,581)</u>
<b>Profit for the period</b>			<u><u>7,801</u></u>

Unaudited  
For the six months ended  
30 September 2021

	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	46,991	483	47,474
Costs of service/sales	<u>(2,638)</u>	<u>(463)</u>	<u>(3,101)</u>
<b>Segment results</b>	<u>44,353</u>	<u>20</u>	<u>44,373</u>
Other income			277
Selling and distribution expenses			(12,027)
Administrative expenses			<u>(17,622)</u>
<b>Operating Profit</b>			15,001
Share of result of an associate accounted for using the equity method			262
Finance income — net			<u>543</u>
<b>Profit before income tax</b>			15,806
Income tax expense			<u>(3,809)</u>
<b>Profit for the period</b>			<u><u>11,997</u></u>

**Revenue**

	Unaudited Six months ended 30 September	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from art auction and related business	38,712	46,991
Artwork sales	<u>6,721</u>	<u>483</u>
	<u><u>45,433</u></u>	<u><u>47,474</u></u>

All customers individually accounted for less than 10% of the Group's revenue during the six months ended 30 September 2022 (30 September 2021: same).

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

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<i><b>HK\$'000</b></i>	<i>HK\$'000</i>
Hong Kong	<b>12,125</b>	15,015
Japan	<b>33,308</b>	32,459
	<b>45,433</b>	47,474

Information on segment assets and segment liabilities of the Group are not reviewed by CODM for the purpose of resource allocation and performance assessment as at 30 September 2022 and 31 March 2022 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>Unaudited</b>	Audited
	<b>30 September</b>	31 March
	<b>2022</b>	2022
	<i><b>HK\$'000</b></i>	<i>HK\$'000</i>
Hong Kong	<b>4,721</b>	6,222
Japan	<b>10,524</b>	14,906
Taiwan	<b>8,255</b>	8,589
	<b>23,500</b>	29,717

## 6 OTHER LOSSES — NET

	Unaudited Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Exchange loss	<u>275</u>	<u>—</u>

## 7 OTHER INCOME

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

## 8 PROFIT BEFORE INCOME TAX

	Unaudited Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Cost of inventories sold	6,034	463
Rental and setup costs for auction and preview exhibition venues	257	242
Employee benefit expenses	10,790	10,749
Depreciation of property, plant and equipment	657	475
Depreciation of right-of-use assets	3,004	3,222
Amortization of intangible assets	<u>252</u>	<u>1,175</u>

## 9. FINANCE (COSTS)/INCOME — NET

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Finance income:</b>		
Interest income on bank deposits	31	2
Interest income from consignor advance	—	1,381
	<u>31</u>	<u>1,383</u>
<b>Finance costs:</b>		
Imputed interest of provision for reinstatement cost	—	(33)
Interest expense on lease liabilities	(138)	(494)
Interest expense on bank and other borrowings	(443)	(313)
	<u>(581)</u>	<u>(840)</u>
Finance (costs)/income — net	<u><u>(550)</u></u>	<u><u>543</u></u>

## 10 INCOME TAX EXPENSE

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
— Hong Kong	814	422
— Japan	1,767	3,533
	<u>2,581</u>	<u>3,975</u>
Total current income tax	<u>2,581</u>	3,975
Deferred income tax	—	(166)
	<u>2,581</u>	<u>3,809</u>
Income tax expense	<u><u>2,581</u></u>	<u><u>3,809</u></u>

**(a) Hong Kong profit tax**

For the six months ended 30 September 2022 and 30 September 2021, 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%. The assessable profits of corporations is not qualifying for the two tiered profits rates regime, which will continue to be taxed at a flat rate of 16.5%.

**(b) Japan corporate income tax**

Japan corporate income tax has been calculated on the estimated assessable profit for the six months ended 30 September 2022 and 30 September 2021 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 rates of approximately 33.0% for the Reporting Period (30 September 2011: 33.0%).

**11 EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the six months ended 30 September 2022 and 30 September 2021.

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit attributable to the owners of the Company ( <i>HK\$'000</i> )	<u>7,622</u>	<u>11,583</u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<u>500,000</u>	<u>500,000</u>
Basic earnings per share ( <i>HK cents</i> )	<u><u>HK1.52 cents</u></u>	<u><u>HK2.32 cents</u></u>

No diluted profit per share has been presented because there was no potential dilutive ordinary share in issue for the six months ended 30 September 2022 and 30 September 2021.

## 12 DIVIDEND

### Interim dividend

The Board has resolved not to declare interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

### Final dividend

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year ended 31 March 2022, approved and payable during the interim period, of HK 1 cent (31 March 2021: HK 1 cent) per share	<u>5,000</u>	<u>5,000</u>

## 13 TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 September 2021 HK\$'000	Audited As at 31 March 2021 HK\$'000
Trade receivables	25,066	22,951
Less: loss allowances	<u>(2,434)</u>	<u>(2,469)</u>
Trade receivables — net	22,632	20,482
Other receivables		
— Receivables from buyers in respect of auction and related business ( <i>Note 1</i> )	166,252	177,899
— Consignor advances ( <i>Note 2</i> )	56,668	47,839
— Input value-added tax recoverable	2,596	1,601
— Others	<u>2,810</u>	<u>2,450</u>
Trade and other receivables	<u>250,958</u>	<u>250,271</u>

As at 30 September 2022 and 31 March 2022, the fair value of trade and other receivables of the Group approximated their carrying amounts.

*Notes:*

- (i) Other receivables from buyers in respect of auction and related business represent the purchase price of the auction articles receivable on behalf of sellers.
- (ii) Included in other receivables are advances of approximately HK\$56,668,000 made to certain sellers as at 30 September 2022 (31 March 2022: approximately HK\$47,839,000) upon consignment of auction articles to the Group. As at 30 September 2022 and 31 March 2022, these advances bore interest at 0% to 12% per annum.

The Group grants credit period of 7 days for commission receivables and 30 days for receivables from artwork sales. The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 30 September 2022 and 31 March 2022, was as follows:

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2022</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>31 March</b> <b>2022</b> <b>HK\$'000</b>
Within 30 days	<b>17,072</b>	12,434
1 to 3 months	<b>315</b>	30
3 to 6 months	<b>589</b>	86
6 to 12 months	<b>1,712</b>	4,825
Over 1 year	<b>5,378</b>	5,576
	<b>25,066</b>	22,951

The Group does not hold any collateral as security over these debtors as at 30 September 2022 and 31 March 2022.



## 14 DEPOSITS AND PREPAYMENTS

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2022</b> <i>HK\$'000</i>	<b>Audited</b> <b>As at</b> <b>31 March</b> <b>2022</b> <i>HK\$'000</i>
<b>Current portion:</b>		
Prepayments to sellers for auctioned artwork ( <i>Note</i> )	<b>15,144</b>	32,590
Deposits and prepayments	<b>21,951</b>	17,821
	<b>37,095</b>	50,411
<b>Non-current portion:</b>		
Rental and other deposits	<b>1,075</b>	1,080
	<b>38,170</b>	51,491

As at 30 September 2022 and 31 March 2022, the fair value of deposits of the Group approximately their carrying amounts.

*Note:*

As at 30 September 2022, prepayments to sellers for auctioned artwork represent the amounts advanced to sellers of artwork of approximately HK\$15,144,000 (31 March 2022: approximately HK\$32,590,000). Amounts may be advanced to sellers prior to receiving full payment of the auction purchase prices from the relevant buyers and the Group will keep the related auctioned artworks under its custody. As at 30 September 2022 and 31 March 2022, such prepayments were interest-free and the respective auctioned artwork was kept under the Group's custody.

## 15 SHARE CAPITAL

<b>Ordinary Shares</b>	<b>Number of</b> <b>Shares</b>	<b>Share</b> <b>capital</b> <i>HK\$'000</i>
Issued and fully paid: At 30 September 2022 (unaudited) and 31 March 2022 (audited)	<b>500,000,000</b>	<b>169,730</b>

## 16 BORROWINGS

	<b>Unaudited</b> As at <b>30 September</b> <b>2022</b> <i>HK\$'000</i>	Audited As at 31 March 2022 <i>HK\$'000</i>
<b>Bank borrowings</b>		
Secured	9,106	14,676
Unsecured	<u>35,294</u>	<u>45,269</u>
	<u><b>44,400</b></u>	<u><b>59,945</b></u>
	<b>Unaudited</b> As at <b>30 September</b> <b>2022</b> <i>HK\$'000</i>	Audited As at 31 March 2022 <i>HK\$'000</i>
The carrying amounts of the above borrowings are repayable*:		
Within one year	14,258	13,854
With a period of more than one year but not exceeding two years	8,947	4,564
With a period of more than two years but not exceeding five years	10,567	12,987
With a period of more than five years	<u>10,201</u>	<u>21,256</u>
	<u><b>43,973</b></u>	<u><b>52,661</b></u>
The carrying amounts of bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	427	7,284
With a period of more than one year but not exceeding two years	<u>—</u>	<u>—</u>
	<u><b>427</b></u>	<u><b>7,284</b></u>
	<b>44,400</b>	59,945
Less: Amounts due within one year shown under current liabilities	<u>(14,685)</u>	<u>(21,138)</u>
Amounts shown under non-current liabilities	<u><b>29,715</b></u>	<u><b>38,807</b></u>

*Notes:*

### **Bank Borrowings**

- (i) The secured variable-rate bank borrowing of approximately HK\$427,000 (31 March 2022: HK\$4,352,000) as at 30 September 2022 was guaranteed by the subsidiary of the Group and pledged by the fixed deposit of approximately HK\$4,000,000 (31 March 2022: HK\$4,000,000). The borrowing is with repayment on demand clause and bearing interest at 2.25% per annum over 1-month HIBOR.
- (ii) The unsecured variable-rate bank borrowing of HK\$Nil (31 March 2022: approximately HK\$2,932,000) as at 30 September 2022 was guaranteed by the HKMC Insurance Limited under the SME Financing Guarantee Scheme. The borrowing is with repayment on demand clause and bearing interest at 2.75% per annum over 1-month HIBOR.
- (iii) The unsecured fixed-rate bank borrowing of approximately HK\$8,679,000 (31 March 2022: HK\$10,324,000) as at 30 September 2022 is repayable on 2030 and bearing interest at 0.9% to 1.11% per annum. It was guaranteed by personal guarantee of Mr. Ando, a director of the Company.
- (iv) The secured fixed-rate bank borrowing of approximately HK\$8,679,000 (31 March 2022: HK\$10,324,000) as at 30 September 2022 is repayable on 2031 and bearing interest at 0.9% per annum. It was secured by property of Mr. Ando and Mrs. Ando, directors of the Company.
- (v) The unsecured fixed-rate bank borrowings with principal amount of approximately HK\$15,765,000 (31 March 2022: HK\$19,356,000) were received from Japanese bank in which interest were subsidised by Japanese government with lower than market rate and the carrying amounts of approximately HK\$15,765,000 (31 March 2022: HK\$19,109,000) as at 30 September 2022 are repayable in full on year 2030. The prevailing market interest rates for equivalent bank borrowings of 1.11% to 1.91%. The difference of between the gross proceeds and the fair value of the bank borrowings are the benefit derived from the interest-free bank borrowings and are recognised as government grant under other income.
- (vi) The unsecured variable-rate bank borrowings of approximately HK\$10,849,000 (31 March 2022: HK\$12,904,000) is repayable within one year and bearing interest at 0.35% to 0.45% per annum over 1-month benchmark interest rate.

## 17 TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2022</b> <i>HK\$'000</i>	<b>Audited</b> <b>As at</b> <b>31 March</b> <b>2022</b> <i>HK\$'000</i>
Trade payables	—	—
Payables to sellers in respect of auction and related business	<b>187,144</b>	207,481
Deposits received, other payables and accruals	<b>13,788</b>	14,387
	<u><b>200,933</b></u>	<u>221,868</u>
Less: Non-current portion:		
Other payables	<u>(960)</u>	<u>(1,016)</u>
Current portion	<u><b>199,972</b></u>	<u>220,852</u>

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

As at 30 September 2022, all financial trade and other payables of the Group were non-interest bearing, and their fair value approximately to their carrying amounts due to their short maturities.

As at 30 September 2022 and 31 March 2022, the non-current other payables represents the Group's obligation to pay for the reinstatement costs to the landlords of the offices in Hong Kong and Japan, which was expected to be settled at the end of the leases.

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

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2022</b> <i>HK\$'000</i>	<b>Audited</b> <b>As at</b> <b>31 March</b> <b>2022</b> <i>HK\$'000</i>
Within 30 days	<u>—</u>	<u>—</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

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

With the latest spread of novel coronavirus disease (COVID-19) in Hong Kong and Japan, the Group plans to diversify its business to maintain a healthy portfolio. Leveraging on the experience of the Directors, the Group seized the opportunity to accelerate the formation of its online system and online auction platform, so as to keep up with the current developing trend, integrate platforms and upgrade its technology to bring new experience of multi-scenario auction for all collectors. The Group will also grasp the chance to enhance the number and scale of online auctions and introduce abundant and diversified collections in hopes of meeting the need of collectors and art enthusiasts who have different interests and preferences. In light of this, the Board intends to further develop its artwork business through for an online trading and information platform. It would be beneficial to the Group, taking into consideration the increasing demand for online sales for auction as a result of, among the others, travel restrictions. The development of online trading and information platform allows the Group to expand its current business and provide more flexibility to cope with the economic uncertainty in the near future.

## **REVENUE**

During the Reporting Period, the revenue of the Group was approximately HK\$45.4 million (six months ended 30 September 2021: approximately HK\$47.5 million), which represents a decrease of approximately HK\$2.1 million or approximately 4.4% as compared to the same period in 2021. Revenue from art auction and related business was approximately HK\$38.7 million (six months ended 30 September 2021: approximately HK\$47.0 million), while revenue from artwork sales was approximately HK\$6.7 million (six months ended 30 September 2021: approximately: HK\$0.5 million). The overall revenue during the Reporting Period remained stable as compared to the same period in 2021.

## **GROSS PROFIT**

During the Reporting Period, gross profit of the Group decreased by approximately 30.1% to approximately HK\$37.4 million (six months ended 30 September 2021: approximately HK\$44.4 million) as compared to the same period in 2021. Meanwhile, the gross profit margin decreased to approximately 69.1% for the Reporting Period from approximately 93.5% recorded for the same period in 2021. The decrease in overall gross profit margin was mainly due to increase in revenue from artwork sales and the gross profit margins were approximately 10.2% for artwork sales during the Reporting Period. The gross profit margins were approximately 94.8% (2021: 94.4%) for art auction and related business during the Reporting Period.

## **OTHER LOSSES**

Other losses of approximately HK\$275,000 represented by exchange loss during the Reporting Period (six months ended 30 September 2021: Nil).

## **OTHER INCOME**

Other income of approximately HK\$585,000 mainly represented by the government grant, the bidding deposits forfeited and penalties from the buyers and miscellaneous handling fee charged to customers during the Reporting Period (six months ended 30 September 2021: the bidding deposits forfeited and penalties from buyers and miscellaneous handling fee charged to customers of approximately HK\$277,000).

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses consist primarily of employee benefit expenses paid to the sales and marketing staffs, advertising and promotion expenses, consultancy fee paid, transportation costs, travelling expenses and entertainment and business hospitality expenses. During the Reporting Period, selling and distribution expenses amounted to approximately HK\$11.9 million (six months ended 30 September 2021: approximately HK\$12.0 million). Selling and distribution expenses during the Reporting Period remained stable as compared to the same period in 2021.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses mainly represent the employee benefit expenses, travelling expenses, rental expenses and depreciation. During the Reporting Period, the administrative expenses of the Group decreased by approximately 12.5% to approximately HK\$15.4 million (six months ended 30 September 2021: approximately HK\$17.6 million). Such decrease in administrative expenses was mainly due to decrease in employee benefits expense and amortization of intangible assets for the Reporting Period.

## **FINANCE INCOME/(COSTS) — NET**

The Group recorded finance income of approximately HK\$31,000 (six months ended 30 September 2021: approximately HK\$1,383,000) and finance costs of approximately HK\$581,000 (six months ended 30 September 2021: approximately HK\$840,000) during the Reporting Period. Finance income mainly represents interest income from bank deposit and interest income from certain consignor advance, and finance costs mainly represent interest expenses on bank and other borrowings and lease liabilities of the Group.

## **INCOME TAX EXPENSES**

Profits tax has been provided for our companies in both Hong Kong and Japan at the applicable rates on the estimated assessable profits. The effective tax rate of the Group during the Reporting Period was 24.9% (six months ended 30 September 2021: 24.1%).

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

During the Reporting Period, the Company recorded a profit attributable to owners of the Company of approximately HK\$7.6 million (six months ended 30 September 2021: approximately HK\$11.6 million), which represents a decrease of approximately HK\$4.0 million or approximately 34.5% as compared to the same period in 2021. The decrease in profit attributable to owners of the Company was mainly due to the decreased in revenue from art auction and related business during 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. As at 30 September 2022, the Group had current assets of the approximately HK\$504.0 million (as at 31 March 2022: approximately HK\$550.0 million) while the Group's cash and cash equivalents amounted to approximately HK\$82.2 million (as at 31 March 2022: approximately HK\$108.7 million).

As at 30 September 2022, the Group has interest-bearing bank borrowings of approximately HK\$44.4 million (as at 31 March 2022: approximately HK\$59.9 million) and of which approximately HK\$14.7 million (as at 31 March 2022: approximately HK\$21.1 million) was repayable within one year.

As at 30 September 2022, the Group's gearing ratio was calculated on the basis of the amount of interest-bearing borrowings less cash and cash equivalents divided by shareholders' equity and the Group was in net cash position (as at 31 March 2022: net cash position).

## **CAPITAL COMMITMENTS**

As at 30 September 2022, the Group had no any material capital commitment (as at 31 March 2022: Nil). As at the date of this announcement, the Group had no plan for material investment or capital assets.

## **CONTINGENT LIABILITIES AND GUARANTEES**

As at 30 September 2022, 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 not the Group made any material acquisition and disposal of subsidiaries or associated companies of the Company during the Reporting Period.

## **TREASURY POLICIES**

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

## **DIVIDEND**

The Directors of the Company do not recommend the payment of an interim dividend for the Reporting Period.



## **CAPITAL STRUCTURE AND FOREIGN CURRENCY EXPOSURE**

During the Reporting Period, the Group's operation was mainly financed by funds generated from its operation, borrowings and net proceeds from the listing. As at 30 September 2022, the borrowings were mainly denominated in Japanese Yen and Hong Kong dollars, while the cash and cash equivalents held by the Group were mainly denominated in Japanese Yen and Hong Kong dollars. All of the Group's borrowings were floating rate borrowings and were pledged by bank deposits of approximately HK\$4.0 million to secure such bank facilities during the Reporting Period. The Group's revenue is mainly denominated in Japanese Yen and Hong Kong dollars, while its costs and expenses are mainly denominated in Japanese Yen and Hong Kong dollars. As the majority portion of the Group's assets, liabilities, revenues and payments during the Reporting Period were denominated in either Japanese Yen or Hong Kong dollars, and in view of the prevailing macro-economic environment, the Group may be exposed to 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 30 September 2022, bank deposits amounting to HK\$4.0 million (as at 31 March 2022: HK\$4.0 million) was pledged to a bank to secure general banking facilities granted to the Group.

Other than the aforesaid pledged bank deposits, there was no other charge on assets of the Group as at 30 September 2022 (as at 31 March 2022: Nil).

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 30 September 2022, the Group had 25, 20, 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 (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' base salaries. The Group also made contributions to provident funds, elderly insurance, medical insurance, unemployment insurance and work-related injury insurance in accordance with applicable laws and regulations in Japan, Taiwan and the PRC respectively. The Group has adopted a share option scheme on 13 September 2018 (the "Share Option Scheme") as a reward to eligible high-caliber employees and to attract similar high-quality personnel that are valuable to the Group. No share options have been granted under the Share Option Scheme during the Reporting Period.

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **PROSPECTS**

The year of 2022 has been a challenging year for the Group, and the Group's determined to forge ahead against the market. Moreover, artworks have always been an investment tool of collectors and artwork investors around the world. In this connection, the Group will adhere to our original intention and achieve diversified development simultaneously. In terms of auction lots, the Group will constantly enrich the categories of auction lots to fulfill the diversified preferences of the collectors. Committed to advocate the exchange between Chinese culture and Japanese culture, the Group always emphasises the inherence and promotion of Chinese traditional culture. With encouraging signs of economic recovery following the abatement of COVID-19, management of the Group estimates that the momentum of economic recovery would continue to pick up and traditional auctions would gradually resume to normal.

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

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

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

## **CORPORATE GOVERNANCE**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **AUDIT COMMITTEE**

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

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the website of the Stock Exchange at [www.hkex.com.hk](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 interim report of the Company for the Reporting Period will be despatched to the shareholders of the Company and published on the aforementioned websites in due course in accordance with the Listing Rules.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the shareholders of the Company, business partners and clients of the Group for their immense support and to the Group's management and staff for their dedication and commitment. I look forward to creating a successful year of 2023 with you all.

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

Hong Kong, 29 November 2022

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