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

(Incorporated in Hong Kong with limited liability)

(Stock code: 1939)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2020**

FINANCIAL HIGHLIGHTS	Year ended 31 March		Changes
	2020 (HK\$'000)	2019 (HK\$'000)	
Revenue	107,589	166,091	-35.2%
Gross profit	75,937	126,181	-39.8%
Profit before income tax	10,461	15,298	-31.6%
Profit attributable to owners of the Company	8,444	8,632	-2.2%
Earnings per share Basic and diluted (<i>HK cents</i>)	1.69	1.99	-15.1%
Net profit margin	7.7%	5.2%	
Proposed final dividend per share (<i>HK cents</i>)	1.0	2.0	

The board (the “**Board**”) of directors (the “**Directors**”) of Tokyo Chuo Auction Holdings Limited (the “**Company**”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2020 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 March 2019.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	107,589	166,091
Costs of services	7	(26,594)	(34,668)
Costs of sales of goods	7	(5,058)	(5,242)
Gross profit		75,937	126,181
Other losses, net	5	(460)	(4,043)
Other income	6	14,497	1,836
Net impairment losses on financial assets	7	(3,789)	(1,194)
Selling and distribution expenses	7	(27,918)	(41,717)
Administrative expenses	7	(48,687)	(66,075)
Operating profit		9,580	14,988
Finance income	8	2,195	582
Finance costs	8	(1,447)	(272)
Finance income, net	8	748	310
Share of net profit of associate accounted for using the equity method		133	—
Profit before income tax		10,461	15,298
Income tax expense	9	(2,219)	(6,677)
Profit for the year		8,242	8,621
Profit/(loss) attributable to:			
Owners of the Company		8,444	8,632
Non-controlling interests		(202)	(11)
		8,242	8,621
Earnings per share for profit attributable to owners of the Company			
Basic and diluted (HK cents)	10	HK1.69 cents	HK1.99 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	HK\$'000	HK\$'000
Profit for the year	8,242	8,621
Other comprehensive income/(loss):		
Item that may be reclassified subsequently to profit or loss		
Currency translation differences	985	(1,872)
Total other comprehensive income/(loss) for the year, net of tax	985	(1,872)
Total comprehensive income for the year	9,227	6,749
Total comprehensive income for the year attributable to:		
Owners of the Company	9,421	6,887
Non-controlling interests	(194)	(138)
	9,227	6,749

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Assets			
Non-current assets			
Property, plant and equipment		8,996	10,942
Right-of-use assets		22,042	—
Intangible assets		958	590
Investment accounted for using the equity method		7,930	—
Financial asset at fair value through profit or loss		632	—
Deferred income tax assets		1,266	1
Deposits and prepayments	13	4,194	10,943
		<u>46,018</u>	<u>22,476</u>
Current assets			
Inventories		53,858	20,898
Trade and other receivables	12	232,899	225,367
Deposits and prepayments	13	91,290	14,841
Tax recoverable		—	10,599
Pledged bank deposits		5,443	20,300
Cash and cash equivalents		82,577	236,522
		<u>466,067</u>	<u>528,527</u>
Total assets		<u><u>512,085</u></u>	<u><u>551,003</u></u>
Equity			
Equity attributable to owners of the Company			
Share capital	14	169,730	169,730
Reserves		110,179	110,556
		<u>279,909</u>	280,286
Non-controlling interests		<u>4,160</u>	<u>6,602</u>
Total equity		<u><u>284,069</u></u>	<u><u>286,888</u></u>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Liabilities			
Non-current liabilities			
Other payables	16	1,454	6,884
Lease liabilities		16,129	—
Borrowings	15	186	2,962
Deferred income tax liabilities		2,596	2,574
		<u>20,365</u>	<u>12,420</u>
Current liabilities			
Trade and other payables and accruals	16	153,192	213,301
Lease liabilities		6,850	—
Borrowings	15	38,927	32,861
Current income tax liabilities		8,682	5,533
		<u>207,651</u>	<u>251,695</u>
Total liabilities		<u>228,016</u>	<u>264,115</u>
Total equity and liabilities		<u>512,085</u>	<u>551,003</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 with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 11 October 2018. 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.

These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

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 financial information relating to the years ended 31 March 2020 and 2019 included in this preliminary announcement of annual results of FY2019/20 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 2019 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 2020 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.

The consolidated financial statements have been prepared under the historical cost basis, as modified by the financial asset at fair value through profit or loss, which is measured at fair value.

(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 2019:

HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
Annual improvements project	Annual Improvements 2015–2017 Cycle

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019. This is disclosed in note 2 (c). 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.

(b) New standards and interpretations not yet adopted

The following are new and amended standards have been issued but not effective for the financial year beginning on 1 April 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by HKICPA

These new standard and amendments to standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The Group does not intend to early adopt these standards before their respective effective dates.

(c) **Changes in accounting policies**

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

HKFRS 16 "Lease"

As indicated in note 2(a) above, the Group has adopted HKFRS 16 Leases retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 0.52% to 4.28% per annum.

(i) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous;
- accounting for operating leases with a remaining lease term of less than 12 months as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) *Measurement of lease liabilities*

	2019
	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	13,092
Add: adjustments as a result of a different treatment of extension and termination options	21,476
Less: discounted using the lessee's incremental borrowing rate at the date of initial application	(5,023)
Less: short-term leases recognised at straight-line basis as expense	<u>(372)</u>
Lease liabilities recognised as at 1 April 2019	<u><u>29,173</u></u>
Of which are:	
Current lease liabilities	6,451
Non-current lease liabilities	<u>22,722</u>
	<u><u>29,173</u></u>

(iii) *Measurement of right-of-use assets*

The associated right-of-use assets for property leases were measured on a retrospective basis if the new rule had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) *Adjustments recognised in the consolidated balance sheet on 1 April 2019*

The change in accounting policy affected the following items in the consolidated balance sheet on 1 April 2019:

- Prepayments — decrease by HK\$342,000
- Right-of-use assets — increase by HK\$28,258,000
- Lease liabilities — increase by HK\$29,173,000
- Deferred tax assets — increase by HK\$213,000
- Other payables — decrease by HK\$518,000

The net impact on retained earnings on 1 April 2019 was a decrease of HK\$526,000.

3 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 the years ended 31 March 2020 and 2019 are as follows:

	Operation of art auction and related business <i>HK\$'000</i>	Artwork sales <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2020			
Segment revenue from external customers	98,019	9,570	107,589
Costs of services/sales	<u>(26,594)</u>	<u>(5,058)</u>	<u>(31,652)</u>
Segment results	71,425	4,512	75,937
Other losses, net			(460)
Other income			14,497
Net impairment losses on financial assets			(3,789)
Selling and distribution expenses			(27,918)
Administrative expenses			<u>(48,687)</u>
Operating profit			9,580
Finance income, net			748
Share of profit of associate accounted for using the equity method			<u>133</u>
Profit before income tax			10,461
Income tax expense			<u>(2,219)</u>
Profit for the year			<u>8,242</u>

	Operation of art auction and related business <i>HK\$'000</i>	Artwork sales <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2019			
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>
Segment results	112,221	13,960	126,181
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>
Operating profit			14,988
Finance income, net			<u>310</u>
Profit before income tax			15,298
Income tax expense			<u>(6,677)</u>
Profit for the year			<u><u>8,621</u></u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	61,274	94,105
Japan	<u>46,315</u>	<u>71,986</u>
	<u><u>107,589</u></u>	<u><u>166,091</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 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	15,765	3,883
Japan	20,425	18,592
Taiwan	8,562	—
	<u>44,752</u>	<u>22,475</u>

4 REVENUE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from art auction and related business	98,019	146,889
Artwork sales	9,570	19,202
	<u>107,589</u>	<u>166,091</u>

All customers individually accounted for less than 10% of the Group's revenue for the year ended 31 March 2020 (2019: Same).

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

5 OTHER LOSSES, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Exchange (loss)/gain	(175)	138
Loss on disposal of property, plant and equipment, net	—	(98)
Changes in cash surrender values of key management life insurance contracts	32	24
Changes in fair value of convertible notes	—	(4,107)
Fair value loss on financial asset at fair value through profit or loss	(243)	—
Others	(74)	—
	<u>(460)</u>	<u>(4,043)</u>

6 OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Agency income (<i>Note (i)</i>)	14,381	—
Miscellaneous income (<i>Note (ii)</i>)	—	723
Others (<i>Note (iii)</i>)	116	1,113
	<u>14,497</u>	<u>1,836</u>

Notes:

- (i) During the year under review, one of the subsidiary of the Group entered into an agency agreement with an independent third party in providing agency services relating to demolition of a property located in Japan. In return for such services, the Group recognised an agency income of approximately HK\$14,381,000 for the year.
- (ii) The amount mainly represented miscellaneous handling fees charged to customers during auctions in Japan.
- (iii) Others mainly represented bidding deposits forfeited and penalties from the buyers.

7 EXPENSES BY NATURE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold	5,058	5,242
Rental and setup costs for auction and preview exhibition venues	17,869	23,367
Catalogue expenses	5,542	9,722
Operating lease rentals in respect of rented premises	277	7,756
Agency commissions	3,487	2,528
Advertising and promotion expenses	4,676	9,181
Transportation	2,622	4,629
Travelling	3,728	5,803
Entertainment	1,563	3,811
Business hospitality	2,276	3,794
Bank charge	1,608	1,075
Legal and professional fee	3,506	5,190
Employee benefit expenses	31,225	31,891
Depreciation of property, plant and equipment	3,050	2,727
Depreciation of right-of-use assets	6,837	—
Amortisation of intangible assets	62	62
Net impairment losses on financial assets	3,789	1,194
Auditor's remuneration		
— Audit services	2,300	2,000
— Non-audit services	195	500
Listing expenses (<i>Note</i>)	—	15,258
Others	12,376	13,166
	<u>112,046</u>	<u>148,896</u>
Total costs of sales of goods, costs of services, net impairment losses on financial assets, selling and distribution expenses and administrative expenses	<u>112,046</u>	<u>148,896</u>

Note:

For the year ended 31 March 2019, the amount included auditor's remuneration for non-audit services of HK\$2,147,000.

8 FINANCE INCOME, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance income:		
— Interest income on bank deposits	745	582
— Interest income from consignor advance	<u>1,450</u>	<u>—</u>
	<u>2,195</u>	<u>582</u>
Finance costs:		
— Imputed interest of provision for reinstatement cost	(92)	—
— Interest expense on lease liabilities	(712)	—
— Interest expense on bank and other borrowings	<u>(643)</u>	<u>(272)</u>
	<u>(1,447)</u>	<u>(272)</u>
Finance income, net	<u><u>748</u></u>	<u><u>310</u></u>

9 INCOME TAX EXPENSE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax		
— Hong Kong	1,530	5,437
— Japan	1,804	260
— (Over)/under-provision in prior years	<u>(87)</u>	<u>105</u>
Total current income tax	3,247	5,802
Deferred income tax	<u>(1,028)</u>	<u>875</u>
Income tax expense	<u><u>2,219</u></u>	<u><u>6,677</u></u>

(a) Hong Kong profits tax

For the year ended 31 March 2020, the Group is eligible to nominate one Hong Kong incorporated entity in the Group to be chargeable at the two tiered profits tax rates, whereby profits tax will be chargeable on the first HK\$2 million of assessable profits at 8.25% and assessable profits above this threshold will be subject to a rate of 16.5%. Hong Kong profits tax of other Hong Kong incorporated entities in the Group has been provided for at the rate of 16.5% on the estimated assessable profits (2019: same).

(b) Japan corporate income tax

Japan corporate income tax has been calculated on the estimated assessable profit for the year ended 31 March 2020 at the rates of taxations prevailing in Japan in which the Group operates. The Group is subject to national corporate income tax, inhabitant tax, and enterprise tax in Japan, which in aggregate, resulted in effective statutory income tax rates of approximately 34.6% for the year ended 31 March 2020 (2019: 34.6%).

10 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 March 2020 and 2019.

	2020	2019
Net profit attributable to the owners of the Company (HK\$'000)	<u>8,444</u>	<u>8,632</u>
Weighted average number of ordinary shares in issue ('000)	<u>500,000</u>	<u>433,544</u>
Basic earnings per share (HK cents)	<u><u>1.69</u></u>	<u><u>1.99</u></u>

(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 2020 and accordingly the diluted earnings per share equals basic earnings per share. For the year ended 31 March 2019, the potential ordinary shares arising from convertible notes were not included in the calculation of dilutive earnings per share, as their inclusion would be anti-dilutive.

Accordingly, diluted earnings per share for the year ended 31 March 2020 is same as basic earnings per share (2019: same).

11 DIVIDEND

Proposed dividend

On 26 June 2020, the Directors have proposed a final dividend of HK 1.0 cent per ordinary share in respect of the year ended 31 March 2020 (2019: HK 2.0 cents), amounting to approximately HK\$5,000,000 (2019: HK\$10,000,000), which is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31 March 2020.

Final dividend paid

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividend in respect of the previous financial year ended 31 March 2019, approved and payable during the year, of HK 2 cents (31 March 2018: Nil) per share	<u>10,000</u>	<u>—</u>

12 TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	20,239	47,574
Less: loss allowances	<u>(818)</u>	<u>(540)</u>
Trade receivables — net	19,421	47,034
Other receivables		
— Receivables from buyers in respect of auction and related business (<i>Note (i)</i>)	110,983	150,187
— Consignor advance (<i>Note (ii)</i>)	86,252	23,917
— Input value-added tax recoverable	399	2,877
— Others	<u>15,844</u>	<u>1,352</u>
Trade and other receivables	<u>232,899</u>	<u>225,367</u>

As at 31 March 2020, the fair value of trade and other receivables of the Group approximated their carrying amounts (2019: same).

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 HK\$86,252,000 made to certain consignors as at 31 March 2020 (2019: HK\$23,917,000) upon consignment of auction articles to the Group. As at 31 March 2020, these advances bore interest at 0% to 12% per annum (2019: interest free).

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 2020 and 2019, was as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
— Within 30 days	3,245	23,828
— 1 to 3 months	—	12,500
— 3 to 6 months	6,052	6,920
— 6 to 12 months	5,428	4,301
— Over 1 year	5,514	25
	<u>20,239</u>	<u>47,574</u>

13 DEPOSITS AND PREPAYMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current portion:		
— Prepayments to sellers for auctioned artwork	79,687	—
— Deposits and prepayments	11,603	14,841
	<u>91,290</u>	<u>14,841</u>
Non-current portion:		
— Rental and other deposits	4,194	4,380
— Key management life insurance contracts	—	6,563
	<u>4,194</u>	<u>10,943</u>
	<u>95,484</u>	<u>25,784</u>

14 SHARE CAPITAL

	Number of shares		Share capital	
	2020	2019	2020 HK\$'000	2019 HK\$'000
Ordinary shares				
Issued and fully paid:				
At 1 April 2019 and 2018	500,000,000	100	169,730	—
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>)	—	28,512,722	—	42,726
	<u>—</u>	<u>28,512,722</u>	<u>—</u>	<u>42,726</u>
At 31 March 2020 and 2019	<u>500,000,000</u>	<u>500,000,000</u>	<u>169,730</u>	<u>169,730</u>

Notes:

- (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.

15 BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current		
Bank borrowings (<i>Note (a)</i>)	100	2,603
Other borrowings	86	359
	<u>186</u>	<u>2,962</u>
Current		
Bank borrowings (<i>Note (a)</i>)	38,655	32,439
Other borrowings	272	422
	<u>38,927</u>	<u>32,861</u>
Total borrowings	<u><u>39,113</u></u>	<u><u>35,823</u></u>

(a) Bank borrowings

As at 31 March 2020, the bank borrowings of approximately HK\$26,538,000 are denominated in Japanese Yen (“JPY”) and of approximately HK\$12,217,000 are denominated in HK\$ respectively. As at 31 March 2019, all the bank borrowings are denominated in JPY.

As at 31 March 2020, certain Group’s bank facilities are guaranteed by (i) personal guarantee from Mr. Ando, and (ii) corporate guarantee provided by a subsidiary.

During the financial year of 2019, the Group’s banking facilities were 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.

These facilities are secured by certain bank deposits with an aggregate amount of HK\$5,443,000 (2019: HK\$20,300,000).

The effective interest rates of bank borrowings as at 31 March 2020 were 0.52% to 4.12% per annum (2019: 0.3% to 0.8% per annum).

As at 31 March 2020, the fair value of bank borrowings approximated their carrying amounts (2019: same).

The Group's bank borrowings are repayable as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	38,655	32,439
Between 1 and 2 years	100	2,403
Between 2 and 5 years	—	200
	<u>38,755</u>	<u>35,042</u>

16 TRADE AND OTHER PAYABLES AND ACCRUALS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	—	5,467
Payables to sellers in respect of auction and related business	145,484	197,526
Deposits received, other payables and accruals	9,162	17,192
	<u>154,646</u>	<u>220,185</u>
Less: Non-current portion:		
— Other payables	<u>(1,454)</u>	<u>(6,884)</u>
Current portion	<u>153,192</u>	<u>213,301</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 2020 and 2019, 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.

As at 31 March 2020, the ageing analysis of the trade payables based on invoice date are as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<u>—</u>	<u>5,467</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 specialize 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 tea wares. With over nine 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. We are successfully recognized by our customers for the appealing auction artworks and our quality auction services to establish the market position, well-known brand name and strong 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.

On 11 October 2018, the Company’s shares were successfully listed (“**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited. This is a significant step of the milestones of the Group. Hong Kong, as a world-renowned financial centre, is also an important hub of arts and culture in Asia. The successfully Listing in Hong Kong has provided the Company with a wider platform, which enables us to rapidly and intensively expand into the Asian and even the global market and ignites the strong growth engine for the Company’s future development.

During the Reporting Period, the Group obtained satisfactory results in each auction session, with an aggregate of 4,190 pieces of auction lots launched in the two auctions in Hong Kong and one auction in Japan. A total of 2,542 pieces of which were successfully sold, representing a successful rate of 60.7% and achieved an aggregate hammer price of approximately HK\$300.6 million and JPY2,005.9 million in Hong Kong and Japan, respectively. The Group is actively developing other new auction segments to increase the number and sources of customers and pursue new business opportunities.

In May 2019, the Group held the 2019 Spring Auction in Hong Kong, during which 8 sessions were held, including “An Important Folding Fan Collection from the Han Le Xuan” (李曉湖先生珍藏成扇專場), “Fine Chinese Modern Painting and Calligraphy” (中國近現代書畫), “An Important Collection of Fine Chinese Paintings from Takahashi Kouhou” (御風而行日本書畫家高橋廣峰重要收藏) and “An Extremely Rare and Important Collection of Buddhist Sutras” (遺珠拾粹宋元明佛教經曲珍藏), offering 988 auction lots, out of which 568 were sold at an aggregate hammer price of approximately HK\$148.7 million. As always, fineness continued to be the principle of this year’s Spring Auction in Hong Kong, featuring a small number of superior auction lots which are well-documented art treasures handed down from generation to generation. In “ICHIGO ICHIE — The Art of Tea Ceremony” (一期一會•聽茶聞會), among the tea auction lots, there was a cylinder of pu’er tea, weighing 2,236 grams, called “A Tong of Fuyuanchang Hao Pu’er Tea Cakes, 1920” (1920年福元昌號), which was sold at a record-breaking

price of HK\$23.5 million, a new historic high in tea prices. Meanwhile, the Group actively developed other new auction segments to increase the number and sources of customers and pursue new business. For example, there was a new session called “Art in Life” (“當代藝術潮玩”) in the auction held by the Group in 2019.

In early September 2019, the Group launched the 2019 Autumn Auction in Japan, during which 8 sessions were held, including “Important Chinese Art — Evening Sale” (長物中國藝術品夜場), “An Important Collection of Fine Chinese Paintings from Takahashi Kouhou” (御風而行日本書畫家高橋廣峰重要收藏), “Chinese Works of Art” (古玩珍藏) and “Refined Delightfulness” (佳趣滿堂), offering 2,393 auction lots, out of which 1,474 were sold at an aggregate hammer price of approximately JPY2,005.9 million.

In November 2019, the Group also launched the 2019 Autumn Auction in Hong Kong, during which 8 sessions were held, including “Important Chinese Ceramics and Works of Art” (中國重要瓷器及藝術品), “Fine Chinese Classical Paintings and Calligraphy” (中國古代書畫), “Fine Chinese Modern Paintings and Calligraphy” (中國近現代書畫) and specify for “Finest & Rarest Whisky and Moutai” (珍稀佳釀), “Art in Life” (當代藝術潮玩) and “Fan Collection Owned by Takahashi Kouhou” (日本書畫家高橋廣峰成扇珍藏), offering 809 auction lots, out of which 500 were sold at an aggregate hammer price of approximately HK\$151.9 million.

In February 2020, the Group postponed its 2020 March Spring Auction in Japan (the “**2020 Japan Spring Auction**”) due to the outbreak and spread of the novel coronavirus (“**COVID-19**”). The decision on the postponement of the 2020 Japan Spring Auction was concluded based on the concern for the health and safety of those attending the auction, the impact on the sourcing of artwork, logistical delay in transit of artwork and the escalating difficulties for international travel arising out from the outbreak of COVID-19. Please refer to the announcement of the Company dated 11 February 2020 for further details.

In order to promptly extend our coverage in other key regions in terms of Asian artworks, Taiwan has always been a pivotal area of antiques and artworks capturing a large pool of collectors and artists. On 1 April 2019, the Company entered into a non-legally binding memorandum of understanding with an independent third party in relation to the proposed acquisition by the Group of 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 “**Proposed Acquisition**”). The Proposed Acquisition was completed on 16 August 2019. Through the Proposed Acquisition, the management believes that it will create synergy for both parties, in further developing into Taiwan art market and establishing a deeper cultural network. We believe that the brand of the Group will gain wider recognition in Taiwan and entire Asia through the Proposed Acquisition. Please refer to the section headed “Material Acquisitions and Disposals of Subsidiaries and Associated Companies” below for further details.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group was approximately HK\$107.6 million (2019: approximately HK\$166.1 million), which represents a decrease of approximately HK\$58.5 million or 35.2% as compared to the same period in 2019. Revenue from art auction and related business was approximately HK\$98.0 million (2019: approximately HK\$146.9 million), while revenue from artwork sales was approximately HK\$9.6 million (2019: approximately HK\$19.2 million). The decrease in revenue from art auction and related business was mainly due to the postponement of the 2020 Japan Spring Auction as a result of the outbreak and spread of COVID-19.

Gross profit

During the Reporting Period, gross profit of the Group decreased by approximately HK\$50.3 million or 39.8% to approximately HK\$75.9 million (2019: approximately HK\$126.2 million) as compared to the same period in 2019, which in line with the decrease in revenue. The overall gross profit margin decreased to approximately 70.6% for the Reporting Period from approximately 76.0% recorded for the same period in 2019. The gross profit margins were approximately 72.9% (2019: 76.4%) and approximately 47.1% (2019: 72.7%) for art auction and related business and artwork sales respectively. Such decrease in overall profit margin was mainly due to decrease in profit margin in artwork sales.

Other losses — net

Net other losses of approximately HK\$460,000 (2019: approximately HK\$4.0 million) was recognised for the Reporting Period. The losses for the year ended 31 March 2019 was mainly attributable to the fair value of convertible notes of approximately HK\$4.1 million as one-off expense.

Other income

Other income of approximately HK\$14.5 million (2019: approximately HK\$1.8 million) was recognised for the Reporting Period, which mainly represented the agency services from demolition of property located in Japan. In return for such services, the Group recognised an agency income of approximately HK\$14.4 million for the Reporting Period.

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, approximately HK\$27.9 million (2019: approximately HK\$41.7 million) of selling and distribution expenses were incurred, representing a decrease of approximately HK\$13.8 million as compared to the same period in 2019, which in line with the decrease in revenue.

Administrative expense

Administrative expenses mainly represent the employee benefit expenses, travelling expenses, rental expenses, depreciation and Listing expenses. During the Reporting Period, the administrative expenses decreased by approximately 26.3% to approximately HK\$48.7 million (2019: approximately HK\$66.1 million). Such decrease in administrative expenses was mainly attributable to one-off expenses related to Listing of approximately HK\$15.3 million recorded in the same period in 2019.

Finance income — Net

Net finance income recorded amounted to approximately HK\$748,000 (2019: approximately HK\$310,000) for the Reporting Period. The finance income mainly represents the interest income from bank deposit and interest income from certain consignor advance, and finance costs mainly represents the interest expenses on bank and other borrowings and interest expense on lease liabilities.

Income tax expense

Profits tax has been provided for our companies in both Hong Kong and Japan at the applicable rate on the estimated assessable profits. Effective tax rate was approximately 21.2% (2019: approximately 19.3%, the effective tax rate was calculated by income tax expenses divided by profit before income tax excluding the Listing expenses and fair value loss recognised for the year ended 31 March 2019) for the Reporting Period and no significant fluctuation was noted.

Profit attributable to owners of the Company

During the Reporting Period, the Company recorded a profit attributable to owners of the Company of approximately HK\$8.4 million (2019: approximately HK\$8.6 million). The profit attributable to owners of the Company during the Reporting Period remained stable as compared to the same period in 2019.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated resources, banking facilities and net proceeds from the Listing. As at 31 March 2020, the Group had current assets of the approximately HK\$466.1 million (as at 31 March 2019: approximately HK\$528.5 million) while the Group's cash and cash equivalents amounted to approximately HK\$82.6 million (as at 31 March 2019: approximately HK\$236.5 million).

As at 31 March 2020, the Group has interest-bearing bank borrowings of approximately HK\$38.8 million (as at 31 March 2019: approximately HK\$35.0 million) and of which approximately HK\$38.7 million (as at 31 March 2019: approximately HK\$32.4 million) was repayable within one year.

As at 31 March 2020, the Group had other borrowings of approximately HK\$358,000 (as at 31 March 2019: approximately HK\$781,000) and of which approximately HK\$272,000 (as at 31 March 2019: approximately HK\$422,000) was repayable within one year.

As at 31 March 2020, the Group was in net cash position (as at 31 March 2019: net cash position). 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.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK1.0 cent per ordinary share (2019: HK 2.0 cents), absorbing a total amount of approximately HK\$5,000,000, in respect of the year ended 31 March 2020 (the **"Proposed Final Dividend"**) (2019: HK\$10,000,000), which is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (**"AGM"**) of the Company to be held on Friday, 18 September 2020. The Proposed Final Dividend is expected to be paid on Friday, 16 October 2020 to all shareholders whose names to be appeared on the register of members of the Company on Tuesday, 29 September 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM of the Company to be held on Friday, 18 September 2020 or any adjournment thereof, the register of members of the Company will be closed from Monday, 14 September 2020 to Friday, 18 September 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM of the Company to be held on Friday, 18 September 2020, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 September 2020.

The Proposed Final Dividend is subject to the passing of an ordinary resolution by the shareholders of the Company at the AGM of the Company to be held on Friday, 18 September 2020 or any adjournment thereof. For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from Friday, 25 September 2020 to Tuesday, 29 September 2020, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the Proposed Final Dividend (subject to the approval of the shareholders of the Company at the AGM) all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30p.m. on Thursday, 24 September 2020.

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no material capital commitment (as at 31 March 2019: Nil).

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 March 2020, the Group did not provide any guarantees for any third party and had no significant contingent liabilities (as at 31 March 2019: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 1 April 2019, the Company entered into a non-legally binding memorandum of understanding with an independent third party in relation to the Proposed Acquisition. A formal sale and purchase agreement was entered into the Proposed Acquisition on 16 August 2019 with cash consideration of HK\$8.5 million and completion of the Proposed Acquisition took place immediately following the signing of such agreement.

Please refer to the announcements of the Company dated 1 April 2019 and 16 August 2019 for further details.

Save for the above Proposed Acquisition, there was no material acquisition or disposal of subsidiaries or associated companies of the Company during the Reporting Period.

TREASURY POLICY

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

CAPITAL STRUCTURE AND FOREIGN CURRENCY EXPOSURE

During the Reporting Period, the Group's operation was mainly financed by funds generated from its operation, borrowings and net proceeds from the Listing. As at 31 March 2020, the borrowings were mainly denominated in Hong Kong dollars and Japanese Yen, while the cash and cash equivalents held by the Group were mainly denominated in Japanese Yen and Hong Kong dollars. All of the Group's borrowings were floating rate borrowings and were pledged by bank deposits of approximately HK\$5.4 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 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 31 March 2020, bank deposits amounting to HK\$5.4 million (2019: HK\$20.3 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 31 March 2020.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 March 2020, the Group had 20, 14, 2 and 1 full-time staff based in Japan, Hong Kong, Taiwan and the PRC respectively. The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' base salaries. The Group also made contributions to provident funds, elderly insurance, medical insurance, unemployment insurance and work-related injury insurance in accordance with applicable laws and regulations in Japan, Taiwan and the PRC respectively. The Group has adopted a share option scheme on 13 September 2018 (the "**Share Option Scheme**") as a reward to eligible high-caliber employees and to attract similar high-quality personnel that are valuable to the Group. No share options have been granted under the Share Option Scheme during the Reporting Period.

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 and the Company 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 2020, the Company have partially utilized such proceeds in accordance with the intended use of proceeds as disclosed in the prospectus of the Company dated 27 September 2018 ("**Prospectus**"). As at 31 March 2020, the net proceeds had been applied for as follows:

	Actual net proceeds (HK\$ million)	Amount utilised as at 31 March 2020 (HK\$ million)	Unutilised net proceeds as at 31 March 2020 (HK\$ million)
Strengthening and expanding existing auction business	62.7	13.1	49.6
Enhancing marketing and promotional activities	22.0	10.9	11.1
Recruiting high caliber managers and experts	8.8	1.9	6.9
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>36.9</u>	<u>73.1</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 2020 are expected to be fully utilized on or before 31 March 2021.

From the issue of the convertible notes

In April 2018, the Company entered into subscription agreements with six independent investors in relation to their subscription of the convertible notes totaling approximately HK\$38.8 million. 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 recognized stock exchange according to a formula prescribed in the subscription agreements. All of the convertible notes were converted into 28,512,722 ordinary shares on 11 October 2018. For details, please refer to the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investments" of the Prospectus.

As at 31 March 2020, the net proceeds had been applied for as follows:

	Actual net proceeds	Amount utilised as at 31 March 2020	Unutilised net proceeds as at 31 March 2020
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Fund the capital expenditures and working capital of the Group	<u>38.8</u>	<u>38.8</u>	<u>—</u>

As at the 31 March 2020, the Group had utilized the entire amount of the proceeds from the issue of the convertible notes.

PROSPECTS AND FUTURE PLAN

The year of 2019 has been a challenging and promising year for the Group, and we are determined to forge ahead against the market. Moreover, artworks have always been an investment tool of collectors and artwork investors around the world. In this connection, the Group rose up to the market challenges through continuous amid the hard time, expanding market and diversifying demands of collectors and clients.

The Group has been growing since its establishment and during the Reporting Period, the successful Listing in 2018 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 our 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, we have actively explored potential customers and consolidated our competitive strengths in order to broaden the network of the collection community and facilitate the growth of 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 strengthen brand image of the Group and raise our brand awareness. Further raising our brand awareness is the key to the success of our future development.

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 in the artwork auction market. At the same time, we shall keep looking for apposite business partners for collaboration in auction events. Meanwhile, the management will also cooperate with other auction companies and consider to make strategic investments in artworks related business, which can help us to achieve synergies.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 March 2020, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group in all material respects.

CORPORATE GOVERNANCE

The Company has adopted the code of provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules. The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a code of conduct regarding Directors’ securities 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 of the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company’s Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules. It comprises of three independent non-executive Directors namely Ms. Lam Suk Ling, Shirley (chairlady), Mr. Chung Kwok Mo, John and Mr. Chun Chi Man.

The audit committee has reviewed with the management of the Group the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Company’s annual results for the Reporting Period.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited 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 and on the website of the Company at www.chuo-auction.com.hk. The annual report for the Reporting Period containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and will be published on the aforesaid websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

APPRECIATION

On behalf of the Board, I would like to express appreciation to colleagues for their hard work and dedication in the past year. We will remain committed to achieving better results and maximising returns to our shareholders.

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

Hong Kong, 26 June 2020

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.