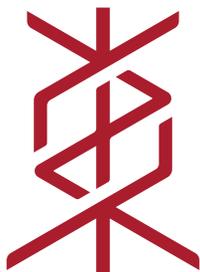


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東京中央拍賣控股有限公司
TOKYO CHUO AUCTION HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 1939)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

FINANCIAL HIGHLIGHTS

- The unaudited consolidated revenue of the Group for the six months ended 30 September 2020 amounted to approximately HK\$18.3 million, decreased by approximately 73.6% as compared with the same period in 2019 (six months ended 30 September 2019: approximately HK\$69.2 million).
- The unaudited consolidated loss attributable to the owners of the Company for the six months ended 30 September 2020 amounted to approximately HK\$5.2 million (six months ended 30 September 2019: profit of approximately HK\$6.1 million).
- For the six months ended 30 September 2020, the basic and diluted loss per share were HK1.03 cents (six months ended 30 September 2019: basic and diluted earning per share: HK1.22 cents).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: 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 2020 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2019.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

		Unaudited	
		Six months ended	
		30 September	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	18,321	69,168
Cost of services	8	(1,315)	(16,457)
Cost of sales of goods	8	—	(1,621)
		<hr/>	<hr/>
Gross profit		17,006	51,090
Other losses — net	6	(5)	(42)
Other income	7	1,245	1,023
Selling and distribution expenses	8	(7,568)	(16,862)
Administrative expenses	8	(16,555)	(27,024)
		<hr/>	<hr/>
Operating (loss)/profit		(5,877)	8,185
Finance income	9	945	389
Finance costs	9	(541)	(311)
Share of result of associate		115	579
		<hr/>	<hr/>
(Loss)/profit before income tax		(5,358)	8,842
Income tax expense	10	—	(2,854)
		<hr/>	<hr/>
(Loss)/profit for the period		(5,358)	5,988
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/profit attributable to:			
Owners of the Company		(5,165)	6,104
Non-controlling interests		(193)	(116)
		<hr/>	<hr/>
		(5,358)	5,988
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
Basic and diluted (HK cents)	11	(HK1.03) cents	HK1.22 cents
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period	<u>(5,358)</u>	<u>5,988</u>
Other comprehensive income:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	<u>1,625</u>	<u>908</u>
Total other comprehensive income for the period, net of tax	<u>1,625</u>	<u>908</u>
Total comprehensive (loss)/income for the period	<u><u>(3,733)</u></u>	<u><u>6,896</u></u>
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	<u>(3,610)</u>	<u>6,980</u>
Non-controlling interests	<u>(123)</u>	<u>(84)</u>
	<u><u>(3,733)</u></u>	<u><u>6,896</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2020

		Unaudited	Audited
		30 September	31 March
		2020	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		8,178	8,996
Right-of-use assets		18,643	22,042
Intangible assets		1,959	958
Investment accounted for using the equity method		8,176	7,930
Financial asset at fair value through profit or loss		150	632
Deferred income tax assets		1,285	1,266
Deposits and prepayments	14	4,254	4,194
		<u>42,645</u>	<u>46,018</u>
Current assets			
Inventories		58,119	53,858
Trade and other receivables	13	211,799	232,899
Deposits and prepayments	14	52,208	91,290
Tax recoverable		—	—
Pledged bank deposits		5,470	5,443
Cash and cash equivalents		138,793	82,577
		<u>466,389</u>	<u>466,067</u>
Total assets		<u>509,034</u>	<u>512,085</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	169,730	169,730
Reserves		101,569	110,179
		<u>271,299</u>	<u>279,909</u>
Non-controlling interests		<u>4,037</u>	<u>4,160</u>
Total Equity		<u>275,336</u>	<u>284,069</u>

		Unaudited	Audited
		30 September	31 March
		2020	2020
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Other payable	17	321	1,454
Lease liabilities		12,822	16,129
Borrowings	16	36,610	186
Deferred income tax liabilities		2,596	2,596
		<u>52,349</u>	<u>20,365</u>
Current liabilities			
Trade and other payables and accruals	17	143,530	153,192
Lease liabilities		6,895	6,850
Borrowings	16	22,210	38,927
Current income tax liabilities		8,714	8,682
		<u>181,349</u>	<u>207,651</u>
Total liabilities		<u>233,698</u>	<u>228,016</u>
Total equity and liabilities		<u>509,034</u>	<u>512,085</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

This 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 27 November 2020.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2020 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The financial information relating to the year ended 31 March 2020 that is included in the interim condensed consolidated financial information for the six months ended 30 September 2020 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 2020 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 accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2020, as described in those annual financial statements. In the Period, the Group has applied, for the first time, the following amendments issued by the HKICPA:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 16	COVID-19-Related Rental Concession
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the above amendments to HKFRSs in the Period has no material effect on the amounts reported in the unaudited condensed consolidated financial information and/or disclosures set out in the unaudited condensed consolidated financial information.

The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective in the unaudited condensed consolidated interim financial information.

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 consolidated 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 2020.

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:

	Unaudited		
	For the six months ended		
	30 September 2020		
	Operation of art auction and related business HK\$'000	Artwork sales HK\$'000	Total HK\$'000
Segment revenue from external customers	18,321	—	18,321
Costs of service/sales	<u>(1,315)</u>	<u>—</u>	<u>(1,315)</u>
Segment results	17,006	—	17,006
Other losses — net			(5)
Other income			1,245
Selling and distribution expenses			(7,568)
Administrative expenses			<u>(16,555)</u>
Operating loss			(5,877)
Share of result of an associate accounted for using the equity method			115
Finance income — net			<u>404</u>
Loss before income tax			(5,358)
Income tax expense			<u>—</u>
Loss for the period			<u><u>(5,358)</u></u>

Unaudited
For the six months ended
30 September 2019

	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	67,584	1,584	69,168
Costs of service/sales	<u>(16,457)</u>	<u>(1,621)</u>	<u>(18,078)</u>
Segment results	51,127	(37)	51,090
Other losses — net			(42)
Other income			1,023
Selling and distribution expenses			(16,862)
Administrative expenses			<u>(27,024)</u>
Operating profit			8,185
Share of result of an associate accounted for using the equity method			579
Finance income — net			<u>78</u>
Profit before income tax			8,842
Income tax expense			<u>(2,854)</u>
Profit for the period			<u><u>5,988</u></u>

Revenue

	Unaudited Six months ended 30 September	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from art auction and related business	18,321	67,584
Artwork sales	<u>—</u>	<u>1,584</u>
	<u>18,321</u>	<u>69,168</u>

All customers individually accounted for less than 10% of the Group's revenue during the six months ended 30 September 2020 (2019: same).

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

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

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	4,865	29,056
Japan	13,456	40,112
	18,321	69,168

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 2020 and 31 March 2020 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:

	Unaudited	Audited
	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	13,643	15,756
Japan	19,391	20,425
Taiwan	8,326	8,562
	41,360	44,752

6 OTHER LOSSES — NET

	Unaudited Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Exchange loss	5	19
Loss on disposal of property, plant and equipment, net	—	23
	<u>5</u>	<u>42</u>

7 OTHER INCOME

Other income mainly represented by the government subsidy grant during the six months ended 30 September 2020 (2019: gains from release of key management life insurance contracts).

8 EXPENSES BY NATURE

	Unaudited Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Cost of inventories sold	—	1,621
Rental and setup costs for auction and preview exhibition venues	163	11,618
Catalogue expenses	1,035	3,926
Agency commissions	1,859	1,321
Advertising and promoting expenses	1,111	2,562
Transportation	250	1,456
Travelling	248	2,219
Entertainment	349	908
Business hospitality	—	1,127
Professional and consulting fee	1,139	2,515
Employee benefit expenses	10,942	17,087
Depreciation of property, plant and equipment	1,619	1,474
Depreciation of right-of-use assets	3,460	4,712
Amortization of intangible assets	17	31
Bank charges	172	2,810
Insurance	237	687
Others	2,837	5,890
	<u>25,438</u>	<u>61,964</u>
Total costs of service/sales of goods, selling and distribution expenses and administrative expenses	<u>25,438</u>	<u>61,964</u>

9 FINANCE INCOME/(COSTS) — NET

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
<i>Finance income:</i>		
Interest income on bank deposits	104	389
Interest income from consignor advance	841	—
	<u>945</u>	<u>389</u>
<i>Finance costs:</i>		
Imputed interest of provision for reinstatement cost	(33)	—
Interest expense on lease liabilities	(261)	(220)
Interest expense on bank and other borrowings	(247)	(91)
	<u>(541)</u>	<u>(311)</u>
Finance income — net	<u>404</u>	<u>78</u>

10 INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Current income tax		
— Hong Kong	—	1,135
— Japan	—	1,719
	<u>—</u>	<u>2,854</u>
Total current income tax	—	2,854
Deferred income tax	—	—
	<u>—</u>	<u>—</u>
Income tax expense	<u>—</u>	<u>2,854</u>

(a) Hong Kong profit tax

For the six months ended 30 September 2020 and 30 September 2019, the Group is eligible to nominate one Hong Kong incorporated entity in the Group to be chargeable at the two tiered profits tax rates, whereby profits tax will be chargeable on the first HK\$2 million of assessable profits at 8.25% and assessable profits above this threshold will be subject to a rate of 16.5%. Hong Kong profits tax of other Hong Kong incorporated entities in the Group has been provided for at the rate of 16.5% on the estimated assessable profits.

(b) Japan corporate income tax

Japan corporate income tax has been calculated on the estimated assessable profit for the six months ended 30 September 2020 and 30 September 2019 at the rates of taxation prevailing in Japan in which the Group operates. The Group is subject to national corporate income tax, inhabitant tax, and enterprise tax in Japan, no statutory income tax has been made since the Group did not generate any assessable profits arising in Japan for the six months ended 30 September 2020 (2019: in aggregate, resulted in effective statutory income tax rate of approximately 35.0%).

11 EARNINGS/(LOSS) PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the six months ended 30 September 2020 and 30 September 2019.

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit attributable to the owners of the Company (HK\$'000)	<u>(5,165)</u>	<u>6,104</u>
Weighted average number of ordinary shares in issue ('000)	<u>500,000</u>	<u>500,000</u>
Basic (loss)/earnings per share (HK cents)	<u><u>(HK1.03) cents</u></u>	<u><u>HK1.22 cents</u></u>

No diluted (loss)/profit per share has been presented because there was no potential dilutive ordinary share in issue for the six months ended 30 September 2020 and 30 September 2019.

12 DIVIDEND

Interim dividend

The Group does not recommend the payments of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: 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	
	2020	2019
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year ended 31 March 2020, approved and payable during the interim period, of HK 1 cent (31 March 2019: HK 2 cents) per share	<u>5,000</u>	<u>10,000</u>

13 TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Trade receivables	14,963	20,239
Less: loss allowances	<u>(828)</u>	<u>(818)</u>
Trade receivables — net	14,135	19,421
Other receivables		
— Receivables from buyers in respect of auction and related business (<i>Note 1</i>)	108,413	110,983
— Consignor advances (<i>Note 2</i>)	85,912	86,252
— Input value-added tax recoverable	621	399
— Others	<u>2,718</u>	<u>15,844</u>
Trade and other receivables	<u>211,799</u>	<u>232,899</u>

As at 30 September 2020 and 31 March 2020, the fair value of trade and other receivables of the Group approximated their carrying amounts.

Note:

1. Other receivables from buyers in respect of auction and related business represent the purchase price of the auction articles receivable on behalf of sellers.
2. Included in other receivables are advances of approximately HK\$85,912,000 made to certain sellers as at 30 September 2020 (31 March 2020: approximately HK\$86,252,000) upon consignment of auction articles to the Group. As at 30 September 2020 and 31 March 2020, 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 2020 and 31 March 2020, was as follows:

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Within 30 days	2,521	3,245
1 to 3 months	1,720	—
3 to 6 months	—	6,052
6 to 12 months	5,173	5,428
Over 1 year	5,549	5,514
	<u>14,963</u>	<u>20,239</u>

The Group does not hold any collateral as security over these debtors as at 30 September 2020 and 31 March 2020.

14 DEPOSITS AND PREPAYMENTS

	Unaudited As at 30 September 2020 <i>HK\$'000</i>	Audited As at 31 March 2020 <i>HK\$'000</i>
Current portion:		
Prepayments to sellers for auctioned artwork (<i>Note</i>)	37,845	79,687
Deposits and prepayments	<u>14,363</u>	<u>11,603</u>
	<u>52,208</u>	<u>91,290</u>
Non-current portion:		
Rental and other deposits	<u>4,254</u>	<u>4,194</u>
	<u>56,462</u>	<u>95,484</u>

As at 30 September 2020 and 31 March 2020, the fair value of deposits of the Group was approximately their carrying amounts.

Note:

As at 30 September 2020, prepayments to sellers for auctioned artwork represent the amounts advanced to sellers of artwork of approximately HK\$37,845,000 (31 March 2020: approximately HK\$79,687,000). 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.

15 SHARE CAPITAL

Ordinary Shares	Number of Shares	Share capital <i>HK\$'000</i>
Issued and fully paid: At 30 September 2020 (unaudited) and 31 March 2020 (audited)	<u>500,000,000</u>	<u>169,730</u>

16 BORROWINGS, FINANCE LEASE LIABILITIES AND LEASE LIABILITIES

	Unaudited As at 30 September 2020 <i>HK\$'000</i>	Audited As at 31 March 2020 <i>HK\$'000</i>
Non-current		
Bank borrowings (<i>Note (a)</i>)	36,610	100
Other borrowings	—	86
	<u>36,610</u>	<u>186</u>
Current		
Bank borrowings (<i>Note (a)</i>)	21,990	38,655
Other borrowings	220	272
	<u>22,210</u>	<u>38,927</u>
Total borrowings	<u><u>58,820</u></u>	<u><u>39,113</u></u>

(a) Bank borrowings

As at 30 September 2020, the bank borrowings of approximately HK\$52,847,000 (31 March 2020: approximately HK\$26,538,000) are denominated in JPY and of approximately HK\$5,753,000 (31 March 2020: approximately HK\$12,217,000) are denominated in HKD respectively.

As at 30 September 2020, the Group's bank borrowings amounting to approximately HK\$11,748,000 (31 March 2020: approximately HK\$7,210,000) were guaranteed by personal guarantee from Mr. Ando, while bank borrowings amounting to approximately HK\$5,753,000 (31 March 2020: approximately HK\$12,217,000) were subject to corporate guarantee provided by a subsidiary.

The effective interest rate of bank borrowings as at 30 September 2020 were 0.21% to 4.12% per annum (31 March 2020: 0.52% to 4.12%).

As at 30 September 2020, these facilities are secured by certain bank deposits with an aggregate amount of approximately HK\$5,470,000 (31 March 2020: approximately HK\$5,433,000).

As at 30 September 2020 and 31 March 2020, the fair value of bank borrowings was approximately their carrying amounts.

17 TRADE AND OTHER PAYABLES AND ACCRUALS

	Unaudited As at 30 September 2020 <i>HK\$'000</i>	Audited As at 31 March 2020 <i>HK\$'000</i>
Trade payables	—	—
Payables to sellers in respect of auction and related business	128,369	145,484
Deposits received, other payables and accruals	15,482	9,162
	<u>143,851</u>	<u>154,646</u>
Less: Non-current portion:		
Other payables	<u>(321)</u>	<u>(1,454)</u>
Current portion	<u>143,530</u>	<u>153,192</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 2020, all financial trade and other payables of the Group were non-interest bearing, and their fair value was approximately to their carrying amounts due to their short maturities.

As at 30 September 2020 and 31 March 2020, 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:

	Unaudited As at 30 September 2020 <i>HK\$'000</i>	Audited As at 31 March 2020 <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 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 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. 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.

Over the past year, the Group took appropriate actions to improve its operations through different ways, including but not limited to, (i) adopting and utilizing professional as well as history-focused and culture-oriented marketing techniques along with quality services maximize the transaction price 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 finest & rarest whisky and moutai; (iv) recruiting high caliber managers and experts and attract, motivating and retaining quality employees to strengthen both the management and operating teams with a view to support the 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.

The outbreak of the COVID-19 pandemic in early 2020 across different countries was an unforeseen circumstance affecting the economic activities worldwide and creating a great impact on global economy. With the lockdown of major cities around the world, the economic activities are subject to a sharp decline, which affected the operating environment of the Group for the Reporting Period. Due to the result of travel restrictions and health quarantine arrangement for inbound travellers to Hong Kong and Japan due to the COVID-19 pandemic, the Group cancelled its 2020 May auction to be held in Hong Kong (the “**2020 Hong Kong Spring Auction**”) and 2020 September auction to be held in Japan (the “**2020 Japan Autumn Auction**”).

In 2019, with the aim to diversify our business scope and auction channel, we targeted to develop an auction platform to improve our operations. In March 2020, due to the negative impact brought to our operation by the COVID-19 pandemic, the Group allocated more resources to develop an auction platform and the first live auction was launched in June 2020. The online auction platform was used by our clients, which enable our clients using such online auction platform to attend and directly bid during the auction. Subsequently, the Group also launched two live auctions in August 2020 and September 2020. 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 the traditional auction would gradually resume to normal.

REVENUE

During the Reporting Period, the revenue of the Group was approximately HK\$18.3 million (six months ended 30 September 2019: approximately HK\$69.2 million), which represents a decrease of approximately HK\$50.9 million or approximately 73.6% as compared to the same period in 2019. Such decrease in revenue was mainly due to the cancellation of the 2020 Hong Kong Spring Auction and the 2020 Japan Autumn Auction during the Reporting Period, which arose as a result of the travel restrictions and health quarantine arrangement for inbound travellers to Hong Kong and Japan due to the COVID-19 pandemic.

GROSS PROFIT

During the Reporting Period, gross profit of the Group decreased by approximately 66.7% to approximately HK\$17.0 million (six months ended 30 September 2019: approximately HK\$51.1 million) as compared to the same period in 2019. Meanwhile, the gross profit margin escalated to approximately 92.9% for the Reporting Period from approximately 73.9% recorded for the same period in 2019. Such decrease in gross profit was in line with decrease in revenue for the Reporting Period and increase in gross profit margin was mainly due to decrease in rental and expenses for setup for auction and preview exhibition venues for launching live auctions during the Reporting Period.

OTHER LOSSES — NET

Other losses of approximately HK\$5,000 mainly represented the exchange loss and loss on disposal of property, plant and equipment for the Reporting Period (six months ended 30 September 2019: approximately HK\$42,000).

OTHER INCOME

Other income of approximately HK\$1.2 million mainly represented by the government subsidy grant for the Reporting Period (six months ended 30 September 2019: approximately HK\$1.0 million represented by the gains from release of key management life insurance contracts).

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\$7.6 millions (six months ended 30 September 2019: approximately HK\$16.9 million) of selling and distribution expenses were incurred and a decrease of approximately HK\$9.3 million was recorded. Such decrease was in line with decrease in revenue for the Reporting Period.

ADMINISTRATIVE EXPENSES

Administrative expenses mainly represent the employee benefit expenses, travelling expenses, rental expenses and depreciation. During the Reporting Period, the administrative expenses decreased by approximately 38.5% to approximately HK\$16.6 million (six months ended 30 September 2019: approximately HK\$27.0 million). Such decrease in administrative expenses was mainly due to decrease in employee benefits expense, travelling expense and professional and consulting fee for the Reporting Period.

FINANCE INCOME/(COSTS) — NET

Net finance income recorded amounted to approximately HK\$945,000 (six months ended 30 September 2019: approximately HK\$389,000) and finance costs was approximately HK\$541,000 (six months ended 30 September 2019: approximately HK\$311,000) 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 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 Group did not generate any assessable profits arising in Hong Kong and Japan for the Reporting Period, the effective interest rate was 0.0% (six months ended 30 September 2019: 32.2%).

(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

During the Reporting Period, the Company recorded a loss attributable to owners of the Company of approximately HK\$5.2 million (six months ended 30 September 2019: profit attributable to the owners of the Company of approximately HK\$6.1 million), which was mainly due to the cancellation of the 2020 Hong Kong Spring Auction and the 2020 Japan Autumn Auction during the Reporting Period, which arose as a result of the travel restrictions and health quarantine arrangement for inbound travellers to Hong Kong and Japan due to the COVID-19 pandemic.

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 2020, the Group had current assets of the approximately HK\$466.4 million (as at 31 March 2020: approximately HK\$466.1 million) while the Group's cash and cash equivalents amounted to approximately HK\$138.8 million (as at 31 March 2020: approximately HK\$82.6 million).

As at 30 September 2020, the Group has interest-bearing bank borrowings of approximately HK\$58.6 million (as at 31 March 2020: approximately HK\$38.8 million) and of which approximately HK\$22.0 million (as at 31 March 2020: approximately HK\$38.7 million) was repayable within one year.

As at 30 September 2020, the Group had other borrowings of approximately HK\$220,000, which was repayable within one year (as at 31 March 2020: approximately HK\$358,000 and of which approximately HK\$272,000 was repayable within one year).

As at 30 September 2020, 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 2020: net cash position).

CAPITAL COMMITMENTS

As at 30 September 2020, the Group had no any material capital commitment (as at 31 March 2020: Nil).

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 September 2020, the Group did not provide any guarantees for any third party and had no significant contingent liabilities (as at 31 March 2020: Nil).

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not hold any material investments, nor 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 2020, 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\$5.5 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 2020, bank deposits amounting to HK\$5.5 million (as at 31 March 2020: HK\$5.4 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 2020 (as at 31 March 2020: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 30 September 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.

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 2020 has been a challenging 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 will adhere to our original intention and achieve diversified developments simultaneously. In terms of auction lots, the Group will constantly enrich the categories of auction lots to fulfill the diversified preferences of the collectors. Committing to advocate the exchange between Chinese culture and Japanese culture, the Group always emphasizes the inherence and promotion of Chinese traditional cultures.

The Group has been growing since its establishment and during the Reporting Period, it was successfully listed on the Main Board of the Stock Exchange 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 have successfully strengthened the brand image of the Group and have raised our brand awareness. Further raising our brand awareness is the key to 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.

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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and on the website of the Company at www.chuo-auction.com.hk. The interim report of the Company for the Reporting Period will be dispatched to 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 a successful year of 2021 with the help of 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, 27 November 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.