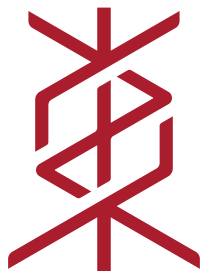


*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 2024**

FINANCIAL HIGHLIGHTS	Year ended 31 March		Changes
	2024 (HK\$'000)	2023 (HK\$'000)	
Revenue	57,852	72,762	-20.5%
Gross profit	46,779	53,321	-12.3%
Loss before income tax	(26,389)	(8,479)	211.2%
Loss attributable to owners of the Company	(26,890)	(8,286)	224.5%
Loss per share Basic and diluted (HK cents)	(5.38)	(1.66)	224.1%
Net loss margin	(46.5%)	(11.4%)	
Proposed final dividend per share (HK cent)	—	—	

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 2024 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 March 2023.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 MARCH 2024**

	<i>Note</i>	<b>2024</b> <b>HK\$’000</b>	2023 <i>HK\$’000</i>
<b>Revenue</b>	4	<b>57,852</b>	72,762
Costs of services		<b>(4,175)</b>	(7,851)
Costs of sales of goods		<b>(6,898)</b>	(11,590)
<b>Gross profit</b>		<b>46,779</b>	53,321
Other gains or losses, net	5	7	(1,712)
Other income	6	<b>1,380</b>	1,470
Provision for allowance for expected credit losses on financial assets		<b>(6,778)</b>	(2,382)
Selling and distribution expenses		<b>(23,803)</b>	(24,937)
Administrative expenses		<b>(43,498)</b>	(34,250)
<b>Operating loss</b>		<b>(25,913)</b>	(8,490)
Finance income	8	<b>226</b>	176
Finance costs	8	<b>(1,045)</b>	(1,037)
Finance costs, net	8	<b>(819)</b>	(861)
Share of result on investment accounted for using the equity method		<b>343</b>	872
<b>Loss before income tax</b>	7	<b>(26,389)</b>	(8,479)
Income tax (expense)/credit	9	<b>(537)</b>	197
<b>Loss for the year</b>		<b>(26,926)</b>	(8,282)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(26,890)</b>	(8,286)
Non-controlling interests		<b>(36)</b>	4
		<b>(26,926)</b>	(8,282)
<b>Loss per share for profit attributable to owners of the Company</b>			
Basic and diluted (HK cents)	10	<b>HK (5.38) cents</b>	HK (1.66) cents

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2024**

	<b>2024</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss for the year</b>	<u>(26,926)</u>	<u>(8,282)</u>
<b>Other comprehensive loss:</b>		
Items that may be reclassified subsequently to profit or loss		
Exchange difference on translating foreign operations	<u>(6,583)</u>	<u>(7,651)</u>
<b>Total comprehensive loss for the year, net of tax</b>	<u>(6,583)</u>	<u>(7,651)</u>
<b>Total comprehensive loss for the year</b>	<u><u>(33,509)</u></u>	<u><u>(15,933)</u></u>
<b>Total comprehensive loss for the year attributable to:</b>		
Owners of the Company	<u>(33,048)</u>	<u>(15,623)</u>
Non-controlling interests	<u>(461)</u>	<u>(310)</u>
	<u><u>(33,509)</u></u>	<u><u>(15,933)</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 MARCH 2024*

	<i>Note</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		8,341	5,984
Right-of-use assets		9,978	3,364
Intangible assets		2,246	3,792
Investment accounted for using the equity method		5,010	5,846
Finance asset at fair value through profit or loss		—	850
Deferred income tax assets		1,337	1,363
Deposits and prepayments		1,586	30
		<u>28,498</u>	<u>21,229</u>
<b>Current assets</b>			
Inventories		128,588	129,248
Trade and other receivables	12	158,160	181,807
Deposits and prepayments		26,147	60,885
Current income tax recoverable		—	1,552
Financial asset at fair value through profit or loss		2,500	—
Pledged bank deposits		4,000	4,000
Cash and cash equivalents		48,744	67,280
		<u>368,139</u>	<u>444,772</u>
<b>Total assets</b>		<u><u>396,637</u></u>	<u><u>466,001</u></u>
<b>Equity</b>			
<b>Equity attributable to owners of the company</b>			
Share capital		169,730	169,730
Reserves		65,906	89,587
		<u>235,636</u>	259,317
<b>Non-controlling interests</b>		<u>3,310</u>	<u>3,771</u>
<b>Total equity</b>		<u><u>238,946</u></u>	<u><u>263,088</u></u>

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Other payables	1,200	—
Lease liabilities	6,519	1,513
Borrowings	26,996	30,735
Deferred income tax liabilities	1,959	2,210
	<u>36,674</u>	<u>34,458</u>
<b>Current liabilities</b>		
Other payables and accruals	101,557	146,596
Lease liabilities	4,133	2,597
Borrowings	14,602	18,597
Current income tax liabilities	725	665
	<u>121,017</u>	<u>168,455</u>
<b>Total liabilities</b>	<u>157,691</u>	<u>202,913</u>
<b>Total equity and liabilities</b>	<u><u>396,637</u></u>	<u><u>466,001</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong. Its ultimate controlling party is Mr. Ando Shokei, who is also the chairman and executive director of the Company. The address of the Company's registered office is Room 2601, 26/F, Wing on Centre, No. 111 Connaught Road Central, Hong Kong.

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

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

These consolidated financial statements are presented in Hong Kong Dollar ("**HK\$**"), which is the same as the functional currency of the Company, unless otherwise stated.

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

### 2.1 Basis of Preparation

#### *(a) Statement of compliance*

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and the applicable requirements of the Hong Kong Companies Ordinance (Cap.622).

**(b) Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## 2.2 Application of New and Amendments to HKFRSs

### *New and amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2023 for the preparation of the consolidated financial statements.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### *Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies*

The Group has applied the amendments for the first time in the Year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies.



*Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) — Long Service Payment (“LSP”) offsetting mechanism in Hong Kong*

The Company and its subsidiary are operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “**Abolition**”). The Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

Based on management’s assessment, the change has had no material impact on the Group’s financial positions and performance.

***Amendments to HKFRSs in issue but not yet effective***

The Group has not early applied the following new and amendments to HKFRSs that have issued but not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

The directors anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 3 SEGMENT INFORMATION

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

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

The segment information provided to the CODM for the years ended 31 March 2024 and 2023 are as follows:

	<b>Operation of art auction and related business HK\$'000</b>	<b>Artwork sales HK\$'000</b>	<b>Total HK\$'000</b>
<b>Year ended 31 March 2024</b>			
Segment revenue from external customers	48,671	9,181	57,852
Costs of services/sales	<u>(4,175)</u>	<u>(6,898)</u>	<u>(11,073)</u>
<b>Segment results</b>	<b><u>44,496</u></b>	<b><u>2,283</u></b>	<b>46,779</b>
Other gains or losses, net			7
Other income			1,380
Provision for allowance for expected credit losses (“ECL”) on financial assets	(6,778)	—	(6,778)
Selling and distribution expenses			(23,803)
Administrative expenses			<u>(43,498)</u>
<b>Operation loss</b>			<b>(25,913)</b>
Finance income, net			(819)
Share of result on investment accounted for using the equity method			<u>343</u>
<b>Loss before income tax</b>			<b>(26,389)</b>
Income tax expense			<u>(537)</u>
<b>Loss for the year</b>			<b><u>(26,926)</u></b>

	Operation of art auction and related business <i>HK\$'000</i>	Artwork sales <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2023</b>			
Segment revenue from external customers	59,838	12,924	72,762
Costs of services/sales	<u>(7,851)</u>	<u>(11,590)</u>	<u>(19,441)</u>
<b>Segment results</b>	<b><u>51,987</u></b>	<b><u>1,334</u></b>	53,321
Other losses, net			(1,712)
Other income			1,470
Provision for allowance for ECL on financial assets	(2,382)	—	(2,382)
Selling and distribution expenses			(24,937)
Administrative expenses			<u>(34,250)</u>
<b>Operation loss</b>			(8,490)
Finance income, net			(861)
Share of result on investment accounted for using the equity method			<u>872</u>
<b>Loss before income tax</b>			(8,479)
Income tax credit			<u>197</u>
<b>Loss for the year</b>			<b><u>(8,282)</u></b>

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

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	<b>19,459</b>	19,368
Japan	<b><u>38,393</u></b>	<u>53,394</u>
	<b><u>57,852</u></b>	<u>72,762</u>

All customers individually accounted for less than 10% of the Group's revenue for the year ended 31 March 2024 and 2023.

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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	12,765	2,237
Japan	9,386	10,933
Taiwan	5,010	6,696
	<u>27,161</u>	<u>19,866</u>

#### 4 REVENUE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from art auction and related business	48,671	59,838
Artwork sales	9,181	12,924
	<u>57,852</u>	<u>72,762</u>

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

#### 5 OTHER GAINS OR LOSS, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Exchange loss	(1,643)	(62)
Fair value gain/(loss) on financial assets at fair value through profit or loss (“FVTPL”)	1,650	(1,650)
	<u>7</u>	<u>(1,712)</u>

## 6 OTHER INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Government grants ( <i>Note (i)</i> )	163	620
Compensation received	528	244
Others ( <i>Note (ii)</i> )	689	606
	<u>1,380</u>	<u>1,470</u>

### Notes:

- (i) During the year ended 31 March 2024, the Group recognised government grants of approximately HK\$163,000 (2023: Nil), which mainly represented the benefit of a government loan at a below-market rate of interest.

During the year ended 31 March 2023, the Group recognised government grants of approximately HK\$620,000, which mainly represented COVID-19-related subsidies in Employment Support Scheme provided by the Hong Kong government and Japan government.

- (ii) Others mainly represented sales tax refunded, bidding deposits forfeited and penalties from the buyers.

## 7 LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of inventories sold	6,898	11,590
Rental and setup costs for auction and preview exhibition venues	1,617	3,167
Expenses relating to short term lease	2,482	825
Employee benefit expenses	20,448	23,442
Equity-settled share-based payment	9,367	—
Depreciation of property, plant and equipment	1,696	632
Depreciation of right-of-use assets	3,973	5,969
Amortisation of intangible assets	1,078	1,172
Provision for allowance for ECL on financial assets	6,778	2,382
Auditor's remuneration		
— Audit services	1,400	1,650
— Non-audit services	—	—
	<u>—</u>	<u>—</u>

## 8 FINANCE COSTS, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Finance income:		
— Interest income on bank deposits	163	74
— Interest income from consignor advance	<u>63</u>	<u>102</u>
	<u>226</u>	<u>176</u>
Finance costs:		
— Imputed interest of provision for reinstatement cost	(39)	(145)
— Interest expense on lease liabilities	(254)	(206)
— Interest expense on bank and other borrowings	<u>(752)</u>	<u>(686)</u>
	<u>(1,045)</u>	<u>(1,037)</u>
Finance cost, net	<u><u>(819)</u></u>	<u><u>(861)</u></u>

## 9 INCOME TAX EXPENSE/(CREDIT)

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current income tax		
— Hong Kong	—	—
— Japan	330	—
— Taiwan	<u>12</u>	<u>28</u>
Total current income tax	342	28
Under-provision in prior years		
— Hong Kong	216	—
Deferred income tax	<u>(21)</u>	<u>(225)</u>
Income tax expense/(credit)	<u><u>537</u></u>	<u><u>(197)</u></u>

### (a) Hong Kong profits tax

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

No Hong Kong profits tax was provided for the years ended 31 March 2024 and 2023 as the Group did not derive any estimated assessable profits.

**(b) Japan corporate income tax**

Japan corporate income tax has been calculated on the estimated assessable profit for the years ended 31 March 2024 and 2023 at the rates of taxations prevailing in Japan in which the Group operates. The Group is subject to national corporate income tax, inhabitant tax, and enterprise tax in Japan, which in aggregate, results in effective statutory income tax rates of approximately 36.2% for the year ended 31 March 2024 (2023: No Japan corporate income tax was provided for the year ended 31 March 2023 as the Group did not derive any estimated assessable profits).

**(c) Taiwan income tax**

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

**10 LOSS PER SHARE**

**(a) Basic loss per share**

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2024 and 2023.

	2024	2023
Loss attributable to the owners of the Company ( <i>HK\$'000</i> )	<u>(26,890)</u>	<u>(8,286)</u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<u>500,000</u>	<u>500,000</u>
Basic loss per share ( <i>HK cents</i> )	<u>(5.38)</u>	<u>(1.66)</u>

**(b) Diluted loss per share**

Diluted loss per share for the year ended 31 March 2024 was the same as basic loss per share because the exercise of the Company's outstanding share options would have anti-dilutive effect (2023: diluted loss per share for the year ended 31 March 2023 was same as basic loss per share because there was no potential ordinary shares in issue for the year ended 31 March 2023).

**11 DIVIDEND**

**Proposed dividend**

The Board did not recommend the payment of any dividend for the year ended 31 March 2024 (2023: Nil).

**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.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
No final dividend in respect of the previous financial year ended 31 March 2023, approved and payable (31 March 2022: HK\$1 cents per share)	<u>—</u>	<u>5,000</u>



## 12 TRADE AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	11,114	16,507
Less: Allowance for ECL	<u>(3,697)</u>	<u>(4,824)</u>
Trade receivables — net	7,417	11,683
Other receivables		
— Receivables from buyers in respect of auction and related business ( <i>Note (i)</i> )	83,835	113,843
— Consignor advance ( <i>Note (ii)</i> )	63,021	51,699
— Input value-added tax recoverable	227	1,081
— Others	<u>3,660</u>	<u>3,501</u>
Trade and other receivables	<u><u>158,160</u></u>	<u><u>181,807</u></u>

As at 31 March 2024 and 2023, the fair value of trade and other receivables of the Group were approximately the same as their carrying amounts.

### Notes:

- (i) Other receivables from buyers in respect of auction and related business represent the purchase price of the auction articles receivable on behalf of sellers.
- (ii) Included in other receivables are advances of approximately HK\$63,021,000 made to certain consignors as at 31 March 2024 (2023: HK\$51,699,000) upon consignment of auction articles to the Group. As at 31 March 2024, these advances bore interest at 0% to 12% per annum (2023: interest at 0% to 1% per annum).

The Group grants credit period of 7 days for commission receivables and 30 days for receivables from artwork sales. The ageing analysis of trade receivables based on invoice date, before allowance for ECL of trade receivables, as at 31 March 2024 and 2023, was as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
— Within 30 days	5,677	11,369
— 1 to 3 months	25	122
— 3 to 6 months	1,036	377
— 6 to 12 months	10	411
— Over 1 year	<u>4,366</u>	<u>4,228</u>
	<u><u>11,114</u></u>	<u><u>16,507</u></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In view of the global economy and the financial markets in Hong Kong and the People's Republic of China ("PRC") are being uncertain. The Board considered that such unpredictable impact on the global economy and financial markets had adversely affected our business of Chinese and Japanese artworks, specifically on the unpredictability in the market demand, the value and conditions for artworks and development of art auction market in general. We aspire to diversify our business scope into the field of contemporary artworks and jewelry and further expanding business in Taiwan markets, as (1) we believe there would be a large potential demand for jewelry or contemporary artworks by our existing customers, (2) there is an increasing market demand on jewelry and contemporary artworks in the industry and (3) is targeting to further expand business in Taiwan markets with an aim to establish and enhance brand image and influence in other major Asian cities and the global market.

During the Reporting Period, the Group obtained successful results in each auction session, with an aggregate of 4,934 pieces of auction lots launched in the 7 auctions in Hong Kong and Japan. A total of 3,612 pieces were successfully sold, representing a success rate of 73.2% and achieved an aggregate hammer price of approximately HK\$83.2 million and JPY2,489.5 million in Hong Kong and Japan, respectively. The Group is actively developing other new auction segments, specially jewelry and contemporary artworks to increase the number and sources of customers and pursue new business opportunities.

### **FINANCIAL REVIEW**

#### **Revenue**

During the Reporting Period, the revenue of the Group was approximately HK\$57.9 million (2023: approximately HK\$72.8 million), which represents a decrease of approximately HK\$14.9 million or 20.5% as compared to the same period in 2023. Revenue from art auction and related business was approximately HK\$48.7 million (2023: approximately HK\$59.8 million), while revenue from artwork sales was approximately HK\$9.2 million (2023: approximately HK\$12.9 million). Such decrease in revenue from art auction and related business for the Reporting Period was mainly due to the uncertainty in the global economy and the financial markets which has affected the market of Chinese and Japanese artworks, in particular, the unpredictability in the market demand, value and conditions for artworks and development of art auction market in general.

## **Gross profit**

During the Reporting Period, gross profit of the Group decreased by approximately HK\$6.5 million or 12.2% to approximately HK\$46.8 million (2023: approximately HK\$53.3 million) as compared to the same period in 2023, which was in line with the decrease in revenue from art auction and related business. The overall gross profit margin was approximately 80.8% for the Reporting Period (2023: 73.2%). The increase was mainly due to the increase in the profit margin for the revenue from art auction related business and revenue from artwork sales. The gross profit margins were approximately 91.4% (2023: 86.9%) for art auction and related business and approximately 24.9% (2023: 10.3%) for artwork sales respectively.

## **Other gains or losses — net**

Other gains of approximately HK\$7,000 mainly represented the fair value gains on financial assets at FVTPL which partially offset by the exchange loss for the Reporting Period (2023: loss of approximately HK\$1.7 million mainly represented the fair value loss on financial asset at FVTPL).

## **Other income**

Other income of approximately HK\$1.4 million mainly represented government grant received, compensation received, bidding deposits forfeited and penalties recognised during the Reporting Period (2023: approximately HK\$1.5 million).

## **Selling and distribution expenses**

Selling and distribution expenses consisted primarily of employee benefit expenses paid to the Group's sales and marketing staff, advertising and promotion expenses, consultancy fee paid, transportation costs, travelling expenses, entertainment and business hospitality expenses. During the Reporting Period, approximately HK\$23.8 million (2023: approximately HK\$24.9 million) of selling and distribution expenses were incurred, representing an decrease of approximately HK\$1.1 million as compared to the same period in 2023, which was mainly due to the decrease in transportation costs, advertising and promotion expenses for the Reporting Period.

## **Administrative expense**

Administrative expenses mainly represented employee benefit expenses, travelling expenses, rental expenses and depreciation. During the Reporting Period, administrative expenses increased by approximately 26.8% to approximately HK\$43.5 million (2023: approximately HK\$34.3 million). Such increase in administrative expenses was mainly due to the increase in depreciation and recognition of equity-settled share based payment for the Reporting Period.

## **Finance costs — Net**

The Group recorded finance costs of approximately HK\$819,000 (2023: finance costs amounted to approximately HK\$861,000) for the Reporting Period. Finance income mainly represented interest income from bank deposit and interest income from certain consignor advance, and finance costs mainly represented interest expenses on bank and other borrowings and interest expenses on lease liabilities.

## **Income tax (expense)/credit**

Profits tax has been provided for by the Group's companies in both Hong Kong and Japan at the applicable rate on the estimated assessable profits. Income tax credit for the Reporting Period included the current tax charged of approximately HK\$342,000, under-provision in prior years of HK\$216,000 and deferred tax credit of approximately HK\$21,000 (2023: the current tax charged of approximately HK\$28,000 and deferred tax credit of approximately HK\$225,000).

## **Loss attributable to owners of the Company**

During the Reporting Period, the Company recorded a loss attributable to owners of the Company of approximately HK\$26.9 million (2023: approximately HK\$8.3 million), which was mainly due to the decrease in revenue from art auction and related business, increase in impairment loss on financial assets and recognition of equity-settled share based payment for the Reporting Period.

## **Consignors advance**

For the consignor advances as at 31 March 2024 and 31 March 2023, the total principal amount was approximately HK\$70.9 million (31 March 2023: HK\$53.2 million) and the total outstanding principal was approximately HK\$63.0 million (31 March 2023: HK\$51.7 million), two of the consignor advance were granted with interest rate of 1% to 12% per annum and the rest of the advances was granted at nil interest rate (31 March 2023: only one of the consignor advance was granted with interest rate of 1% per annum and the rest of the advances was granted at nil interest rate). During the year ended 31 March 2024, the consignor advances were granted to 26 consignors and all of them were either corporate or individual art collectors. The consignor advance was only granted to the consignors after the collateral (which is the consigned artwork) has been obtained by the Group and the consigned artwork should be proposed to sell in subsequent auctions, which mutually agreed by consignors and the Group (normally within one year). To the best of the knowledge, information and belief of the Directors, all the consignors and their ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

As at 31 March 2024, the outstanding amount of consignor advances due from the largest consignor and five largest consignors accounted for approximately 12.8% and 46.1% of the total outstanding amount of consignor advances of the Group respectively (31 March 2023: the largest consignor and five largest consignors accounted for approximately 20.0% and 67.6% respectively).

In order to attract appealing artworks from artwork providers with long-term relationship and good credit history, during the year ended 31 March 2024 and 2023, the Company has provided certain consignors with consignor advances carrying interest accruing on such consignor advances at nil or low interest rates. Under the consignment arrangement, the relevant consignor advances with interests payable (if any) shall be deducted from sales proceeds of the consigned artwork after receiving the full payment of the purchase price from the auction, or in case if the Company failed to sell the consigned artwork at the auction, the consigned artwork shall be returned to the consignor after obtaining full repayment of the consignor advances with accrued interest (if any) from the relevant artwork provider. The business of the Group heavily relies on the artworks provided by these artwork providers and therefore the provision of such advance is for the benefit of the Group's business and not merely for the purpose of earning interest income.

When determining the grant of consignor advances, the Group would initially assess the background of the artwork and the consignors by the taking into factors including (i) obtaining the personal information of the consignor and conduct available public search on the background of the consignor when necessary; (ii) the proposed value of the artwork and collateral offered by the consignor; (iii) the length of business relationship between the Group and the consignor; and (iv) the creditability of the consignor based on the credit history of the consignor.

When determining any impairments made in respect of the consignor advances, the management assessed the expected losses individually by estimation based on general economic conditions of the consignor advance provided and the value of relevant consigned artwork and conditions at the reporting date. Since the fair value amounts of the consigned artwork were higher than the carrying amounts of consigner advance during the years, therefore, no impairment were recorded.

## **FINANCIAL POSITION AND LIQUIDITY**

The Group generally finances its operations with internally generated resources, banking facilities and net proceeds from the listing (the “**Listing**”) of the Company's shares on the Main Board of The Stock Exchange. As at 31 March 2024, the Group had current assets of the approximately HK\$368.1 million (as at 31 March 2023: approximately HK\$444.8 million) while the Group's cash and cash equivalents amounted to approximately HK\$48.7 million (as at 31 March 2023: approximately HK\$67.3 million).

As at 31 March 2024, the Group has interest-bearing bank borrowings of approximately HK\$41.6 million (as at 31 March 2023: approximately HK\$49.3 million) and of which approximately HK\$14.6 million (as at 31 March 2023: approximately HK\$18.6 million) was repayable within one year.

As at 31 March 2024 and 2023, the Group did not have other borrowings.

As at 31 March 2024, 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 2023: net cash position).

#### **IMPORTANT EVENT AFFECTING THE GROUP SINCE 31 MARCH 2024**

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

#### **PROPOSED FINAL DIVIDENDS**

The Board did not recommend the payment of any dividend for the year ended 31 March 2024 and 2023.

#### **CAPITAL COMMITMENTS**

As at 31 March 2024, the Group had no any material capital commitment (as at 31 March 2023: Nil). As at the date of this announcement, the Group had no plan for material investment or capital assets.

#### **CONTINGENT LIABILITIES AND GUARANTEES**

As at 31 March 2024, the Group did not provide any guarantees for any third party and had no significant contingent liabilities (as at 31 March 2023: Nil).

#### **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

The Group did not hold any material investments, nor did the Group make any material acquisition and disposal of subsidiaries or associates companies of the Company during the Reporting Period.

#### **TREASURY POLICY**

The Group adopted a prudent strategy towards the treasury and funding policies, and attached high importance to the risk control and transactions directly related to the Group's principal business. Funds, primarily denominated in Japanese Yen and Hong Kong Dollar, 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 2024, the borrowings were mainly denominated in Hong Kong Dollar and Japanese Yen, while the cash and cash equivalents held by the Group were mainly denominated in Japanese Yen and Hong Kong Dollar. All of the Group's borrowings were floating rate borrowings and were pledged by bank deposits of approximately HK\$4.0 million to secure such bank facilities during the Reporting Period. The Group's revenue is mainly denominated in Japanese Yen and Hong Kong Dollar, while its costs and expenses are also mainly denominated in Japanese Yen and Hong Kong Dollar. As the majority of the Group's assets, liabilities, revenues and payments during the Reporting Period were denominated in either Japanese Yen or Hong Kong Dollar, 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 2024, bank deposits amounting to HK\$4.0 million (2023: HK\$4.0 million) were pledged to a bank to secure general banking facilities granted to the Group.

Other than the aforesaid pledged bank deposits, there was no other charge on assets of the Group as at 31 March 2024 (2023: Nil).

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 31 March 2024, the Group had 21, 15, 1 and 1 full-time staff based in Japan, Hong Kong, Taiwan and the PRC respectively. The Group regularly reviews compensation and benefit policies accordingly to industry benchmark as well as the individual performance of employees. Other fringe benefits, mandatory provident fund and share options are provided to retain loyal employees with the aim to form a professional staff and management team that can bring the Group to different levels of success.

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.

## SHARE OPTION SCHEME

Details of the share option movements during the Reporting Period under the 2018 Share Option Scheme are as follows:

Holder of Share Options	Date of Grant	Exercise period	Exercise price per Share (HK\$)	Number of share options				Outstanding as at 31 March 2024
				Outstanding as at 1 April 2023	Grant during the year ended 31 March 2024	Exercised during the year ended 31 March 2024	Lapsed/ cancelled during the year ended 31 March 2024	
<b>Executive Directors</b>								
Katsu Bunkai	24 April 2023	24.4.2024 to 23.4.2029	0.80	—	5,000,000	—	—	5,000,000
<b>Employees</b>	24 April 2023	24.4.2024 to 23.4.2029	0.80	—	43,000,000	—	—	43,000,000
Total				—	48,000,000	—	—	48,000,000

*Note:*

The closing price of the Company's share immediately before the date (23 April 2023) on which the share options were granted was HK\$0.76.



## USE OF PROCEEDS

### From the Global Offering

The Company's shares were listed on the Stock Exchange on 11 October 2018 and the Company received net proceeds (the “**Net Proceeds**”) (after deduction of underwriting commission and related costs and expenses) from the global offering of approximately HK\$110.0 million. On 26 March 2021, the Company has resolved to change the use of the unutilised net proceeds of approximately HK\$27.3 million (the “**Reallocation**”). For details, please refer to the prospectus (the “**Prospectus**”) of the Company dated 27 September 2018 in relation to the global offering and the announcement of the Company dated 26 March 2021 (the “**Announcement**”).

As at 31 March 2024, the Net Proceeds had been partially utilised by the Company and applied for as follows:

	Planned use of Net Proceeds as disclosed in the Prospectus (HK\$ million)	Amount of Reallocation as disclosed in the Announcement (HK\$ million)	Amount utilised as at 1 April 2023 (HK\$ million)	Amount utilised during the year ended 31 March 2024 (HK\$ million)	Amount utilised as at 31 March 2024 (HK\$ million)	Unutilised Net Proceeds as at 31 March 2024 (HK\$ million)
(i) Strengthening and expanding existing auction business	62.7	(22.8)	(39.9)	—	(39.9)	—
(ii) Enhancing marketing and promotional activities	22.0	—	(22.0)	—	(22.0)	—
(iii) Recruiting high-calibre managers and experts	8.8	—	(8.8)	—	(8.8)	—
(iv) Developing the Group's ERP system	5.5	(4.5)	(1.0)	—	(1.0)	—
(v) Supplementing the Group's working capital and for general corporate purposes	11.0	—	(11.0)	—	(11.0)	—
(vi) Developing an artwork business for online trading and information platform	—	27.3	(6.6)	(9.2)	(15.8)	11.5
	<u>110.0</u>	<u>—</u>	<u>(89.3)</u>	<u>(9.2)</u>	<u>(98.5)</u>	<u>11.5</u>

The unutilised Net Proceeds as at 31 March 2024 are expected to be fully utilised on or before 31 March 2025.

## **PROSPECTS AND FUTURE PLAN**

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

In the future, the Group aims at maintaining stable growth and development, and continuously uphold its principle of sourcing excellent artworks with good provenance to explore and collect more valuable artworks for art enthusiasts in the artwork auction market. The Group will allocate more resources to develop its online auction platform, jewelry and contemporary artworks segments to diversify its auction channel and jewelry, which allow the Group to expand its current business and provide more flexibility to cope with the economic uncertainty in the near future. At the same time, it shall keep looking for apposite business partners for collaboration in auction events. Meanwhile, the management will also cooperate with other auction companies and consider making strategic investments in artworks related business, which would help the Group achieve synergies.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

For the year ended 31 March 2024, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group in all material respects.

## **CORPORATE GOVERNANCE**

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

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

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

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

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

## **AUDIT COMMITTEE**

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

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

## **SCOPE OF WORK OF AUDITORS**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, and consolidated statement of other comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in this announcement have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited ("**HLB**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB on this announcement.

## **DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE**

The financial information of the Group relating to the year ended 31 March 2023 included in this preliminary announcement of annual results for the year ended 31 March 2024 do not constitute the Company's statutory annual consolidated financial statements for that financial 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 is as follows: The Company has delivered the financial statements for the year ended 31 March 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditor has reported on the financial statements of the Group for the year ended 31 March 2023. The auditors' report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

This final results announcement is published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at [www.chuo-auction.com.hk](http://www.chuo-auction.com.hk). The annual report for the Reporting Period containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and will be published on the aforesaid websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

## **APPRECIATION**

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

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

Hong Kong, 25 June 2024

*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.*