



TOKYO CHUO AUCTION HOLDINGS LIMITED

東京中央拍賣控股有限公司

(incorporated in Hong Kong with limited liability)
stock code: 1939

GLOBAL OFFERING



Sole Sponsor



Sole Global Coordinator



Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.



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

(Incorporated in Hong Kong with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	96,520,000 Shares (subject the Over-allotment Option)
Number of Hong Kong Public Offer Shares	:	9,652,000 Shares (subject to adjustment)
Number of International Offer Shares	:	86,868,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$1.71 per Offer Share (payable in full on application, plus a brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund)
Stock code	:	1939

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32). Neither the Securities and Futures Commission nor the Registrar of Companies in Hong Kong takes any responsibility as to the contents of this prospectus or any other documents referred to above.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" of this prospectus.

The Offer Price is expected to be determined by agreement between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, October 3, 2018 or such later time as may be agreed by our Company and the Sole Global Coordinator (on behalf of the Underwriters), but in any event no later than Thursday, October 4, 2018. The Offer Price will be not more than HK\$1.71 per Offer Share and is currently expected to be not less than HK\$1.50 per Offer Share. Investors applying for Hong Kong Public Offer Shares must pay, on application, the maximum Offer Price of HK\$1.71 per Offer Share, unless otherwise announced, together with a brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.71. The Sole Global Coordinator (on behalf of the Underwriters), with the consent of our Company, may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or of the indicative offer price range will be published in the South China Morning Post (in English) and Hong Kong Economics Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.chuo-auction.com.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus. **If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before October 4, 2018, the Global Offering will not proceed and will lapse.**

Pursuant to the termination provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Sole Global Coordinator, for itself and on behalf of the Underwriters, have the right in certain circumstances, in the sole discretion of the Sole Global Coordinator, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the date when dealings in our Shares first commence on the Stock Exchange (such first dealing date is currently expected to be on Thursday, October 11, 2018). Further details of the terms of the termination provisions are set out in the paragraph headed "Grounds for termination of the Hong Kong Underwriting Agreement" under the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

September 27, 2018

EXPECTED TIMETABLE⁽¹⁾

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and Hong Kong Economics Times (in Chinese) if there is any change to the following expected timetable of the Hong Kong Public Offering.

Latest time to complete electronic applications under the
HK eIPO White Form service through the designated
website **www.hkeipo.hk**⁽²⁾ 11:30 a.m. on Wednesday, October 3, 2018

Application lists open⁽³⁾ 11:45 a.m. on Wednesday, October 3, 2018

Latest time to lodge **WHITE** and **YELLOW** Application Forms 12:00 noon on
Wednesday, October 3, 2018

Latest time to give **electronic application instructions** to HKSCC⁽⁴⁾ 12:00 noon on
Wednesday, October 3, 2018

Latest time to complete payment of **HK eIPO White Form**
applications by effecting internet banking transfer(s) or
PPS payment transfer(s) 12:00 noon on Wednesday, October 3, 2018

Application lists close⁽³⁾ 12:00 noon on Wednesday, October 3, 2018

Expected Price Determination Date⁽⁵⁾ Wednesday, October 3, 2018

Announcement of:

- (i) the Offer Price;
- (ii) the level of indications of interest in the International Offering;
- (iii) the level of applications in the Hong Kong Public Offering; and
- (iv) the basis of allocations of the Hong Kong Public Offering
(with successful applicants' identification document numbers,
where applicable) to be published in South China Morning Post (in English) and
Hong Kong Economics Times (in Chinese) and on our website at **www.chuo-auction.com.hk**
and the website of the Stock Exchange at
www.hkexnews.hk on or before Wednesday, October 10, 2018

Results of allocations in the Hong Kong Public Offering
(with successful applicants' identification document numbers,
where appropriate) to be available through a variety of channels
as described in the section headed "How to Apply for Hong Kong
Public Offer Shares — 11. Publication of Results" from Wednesday, October 10, 2018

Results of allocations in the Hong Kong Public Offering will be
available at **www.tricor.com.hk/ipo/result**, with
a "search by ID" function from Wednesday, October 10, 2018

Despatch/collection of Share certificates in respect of wholly or
partially successful applications on or before⁽⁶⁾ Wednesday, October 10, 2018

EXPECTED TIMETABLE⁽¹⁾

Despatch/collection of refund cheques or **HK eIPO White Form** e-Auto

Refund payment instructions in respect of wholly or partially

unsuccessful applications on or before⁽⁷⁾⁽⁸⁾ Wednesday, October 10, 2018

Dealings in Shares on the Stock Exchange to commence on Thursday, October 11, 2018

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.
- (2) You will not be permitted to submit your application through the **HK eIPO White Form** service through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force, in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, October 3, 2018, the application lists will not open and close on that day. Further information is set out in the section headed “How to Apply for Hong Kong Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Wednesday, October 3, 2018, the dates mentioned in this section may be affected. We will make a press announcement in such event.
- (4) Applicants who apply for Hong Kong Public Offering by giving **electronic application instructions** to HKSCC should see the section headed “How to Apply for Hong Kong Public Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Wednesday, October 3, 2018, and in any event will not be later than Thursday, October 4, 2018. If, for any reason, the Offer Price is not agreed on or before Thursday, October 4, 2018, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Notwithstanding that the Offer Price may be fixed at below the maximum Offer Price of HK\$1.71 per Share payable by applicants for Hong Kong Public Offer Shares under the Hong Kong Public Offering, applicants for the Hong Kong Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.71 for each Share, together with the brokerage fee of 1.0%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027% but will be refunded the surplus application monies as provided for in “How to Apply for Hong Kong Public Offer Shares” in this prospectus.
- (6) Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Wednesday, October 10, 2018 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible. Investors who trade the Hong Kong Public Offer Shares on the basis of publicly available allocation details before the receipt of their Share certificates or before the Share certificates become valid certificates of title do so entirely at their own risk.
- (7) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares and have provided all required information may collect refund cheques (if applicable) and Share certificates (if applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, October 10, 2018. Identification and (where applicable) authorization documents acceptable to the Hong Kong Share Registrar must be produced at the time of collection.

EXPECTED TIMETABLE⁽¹⁾

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares may collect their refund cheques (if applicable) in person but may not collect in person their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through a single bank account may have e-Auto Refund payment instructions (if any) despatched to their application payment bank account on Wednesday, October 10, 2018. Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts may have refund cheque(s) sent to the address specified in their application instructions through the **HK eIPO White Form** Service, on or before Wednesday, October 10, 2018, by ordinary post and at their own risk.

Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for Hong Kong Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

- (8) Refund cheques will be issued (if applicable) and e-Auto Refund payment instructions will be despatched (where applicable) in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application. Part of the applicant's Hong Kong Identity Card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong Identity Card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong Identity Card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

For further details in relation to the Hong Kong Public Offering, see the sections headed "How to Apply for Hong Kong Public Offer Shares" and "Structure of the Global Offering" in this prospectus.

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This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell, or a solicitation of an offer to subscribe to or buy, any security other than the Hong Kong Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of and does not constitute an offer to sell, or a solicitation of an offer to subscribe to or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus, in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Information contained on our websites, located at www.chuo-auction.com.hk does not form part of this prospectus.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus (including the appendices hereto, which constitute an integral part of this prospectus) before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read this section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a well-recognized 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 seven years of operating experience in the Chinese and Japanese art auction industry, we have grown into a well-recognized and trusted auction brand in Hong Kong and Japan, and successfully established the market position, well-known brand name and strong competitiveness.

According to the CIC Report, in 2017, (i) we ranked second and fifth among all auction houses with Chinese art auction business in Japan and Hong Kong with a market share of 26.8% and 4.4%, in terms of transaction value from the Chinese art auction business in Japan and Hong Kong, respectively, (ii) we ranked fifth among all auction houses with Japanese art auction business both in Japan and Hong Kong with a market share of 3.1% and 1.4%, in terms of transaction value from the Japanese art auction business in Japan and Hong Kong, respectively, and (iii) we had a market share of 1.6% among all auction houses with Chinese art auction business in Asia, in terms of transaction value from the Chinese art auction business.

We are well recognized by our customers for the appealing auctioned artworks and the quality auction services we provide, which significantly contributes to the market recognition for our “Tokyo Chuo Auction” brand. 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.

For the years ended March 31, 2016, 2017, and 2018, our revenue was approximately HK\$138.6 million, HK\$148.0 million, and HK\$173.3 million, respectively, representing a CAGR of approximately 11.8% from the year ended March 31, 2016 to the year ended March 31, 2018. During the Track Record Period, our profit attributable to owners of the Company was approximately HK\$18.5 million, HK\$30.8 million, and HK\$44.1 million, respectively. The following table sets forth a breakdown of revenue by business segment for the periods stated:

	Year ended March 31,					
	2016		2017		2018	
Revenue	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Art auction and related business	133,251	96.1	137,588	92.9	164,596	95.0
Artwork sales	5,362	3.9	10,460	7.1	8,670	5.0
Total	<u>138,613</u>	<u>100</u>	<u>148,048</u>	<u>100</u>	<u>173,266</u>	<u>100</u>

SUMMARY

The table below sets forth a breakdown of revenue from art auction and related business by types of revenue income for the periods indicated:

	Year ended March 31,					
	2016		2017		2018	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Art auction and related business						
Buyer's commission	78,118	58.6	85,408	62.1	99,783	60.6
Seller's commission	43,913	33.0	41,753	30.3	48,857	29.7
Auction-related service fees and revenue from private sales ^(Note)	<u>11,220</u>	<u>8.4</u>	<u>10,427</u>	<u>7.6</u>	<u>15,956</u>	<u>9.7</u>
Total	<u>133,251</u>	<u>100</u>	<u>137,588</u>	<u>100</u>	<u>164,596</u>	<u>100</u>

Note:

- (a) The auction-related service fees refer to additional fees paid by the seller upon settlement of art auction sales for the services we provided to them in relation to the auction catalog, insurance and other auction-related services.
- (b) Revenue generated from private sales refers to commissions we collected, usually representing the difference between the purchase price paid by the buyers and the selling price as pre-agreed by the sellers and us. During the Track Record Period, our revenue generated from private sales was approximately HK\$0.5 million, HK\$20,000, and HK\$4.3 million, respectively.

During the Track Record Period, we conducted our business only in Japan and Hong Kong. The following table sets forth a breakdown of revenue by geographical area for the periods stated:

	Year ended March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Hong Kong	38,575	63,117	89,757
Japan	<u>100,038</u>	<u>84,931</u>	<u>83,509</u>
Total	<u>138,613</u>	<u>148,048</u>	<u>173,266</u>

OUR BUSINESS

Art auction and related business segment

Under our art auction and related business segment, operating under the “Tokyo Chuo Auction” brand, we primarily engage in art auction operations acting as an agent by sourcing and accepting artworks on consignment. We foster market demand through professional, history-focused and

SUMMARY

culture-oriented marketing techniques. We then match the needs of consignors to those of buyers at art auctions. 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.

For the years ended March 31, 2016, 2017, and 2018, the revenue of our art auction and related business segment was approximately HK\$133.3 million, HK\$137.6 million, and HK\$164.6 million, respectively. The table below sets forth a breakdown of art auction and related business revenue by artwork category for the periods indicated:

	Year ended March 31,					
	2016		2017		2018	
	<i>(HK\$'000)</i>	(%)	<i>(HK\$'000)</i>	(%)	<i>(HK\$'000)</i>	(%)
Art auction and related business						
Chinese paintings and calligraphies	68,787	51.6	86,926	63.2	101,038	61.4
Chinese antiques	44,688	33.5	37,098	27.0	42,602	25.9
Japanese and Chinese tea wares	11,811	8.9	11,037	8.0	10,763	6.5
Others	7,965	6.0	2,527	1.8	10,193	6.2
Total	<u>133,251</u>	<u>100</u>	<u>137,588</u>	<u>100</u>	<u>164,596</u>	<u>100</u>

The following table sets forth the aggregate hammer price of artwork auction lots in connection with our auction transactions during the Track Record Period:

	Auction transactions		
	Year ended March 31,		
	2016	2017	2018
Aggregate hammer price (HK\$'000)			
Chinese paintings and calligraphies	333,848	417,384	468,701
Chinese antiques	232,282	176,417	186,879
Japanese and Chinese tea wares	50,557	44,487	40,367
Others	35,641	9,278	43,073
Total	<u>652,328</u>	<u>647,566</u>	<u>739,020</u>

SUMMARY

We collect commissions as our revenue from both sellers and buyers upon settlement of art auction sales based on the hammer price. In addition, we also charge the sellers additional fees upon settlement of art auction sales for the services we provided to them in relation to the auction catalog, insurance and other auction-related services, the amount of which is determined based on factors such as the hammer price of the consigned artwork and the coverage size of the artwork in the auction catalog and through negotiation with the sellers.

During the Track Record Period, our average art auction commission rate, which is derived from dividing (i) the auction commission income we recognized for a specific year by (ii) the aggregate hammer price of auctioned artworks during the same year, amounted to 18.7%, 19.6%, and 20.1%, respectively. The following table sets forth the respective average art auction commission rates charged from the sellers and the buyers for the periods indicated:

	Year ended March 31,		
	2016	2017	2018
Commissions rates (%)			
Sellers	6.7	6.4	6.6
Buyers	<u>12.0</u>	<u>13.2</u>	<u>13.5</u>
Total average art auction commission rate (%)	<u>18.7</u>	<u>19.6</u>	<u>20.1</u>

Our customers under the art auction and related business primarily include sellers who consign artworks to us for our auctions and buyers who purchase artworks in our art auctions. To the best knowledge of our Directors, our customers under the segment are generally comprised of artwork interested parties including artworks artists, masters, experts, merchants, collectors, art galleries and private museums.

Artwork sales segment

In managing our artwork sales segment, we purchase artworks which we believe have appreciation potential and resell them through our auctions or private sales to independent third parties at an appropriate time to make profit. We acquire artworks through participating in art auctions or directly from the sellers through private sales. After obtaining the relevant information on the artworks, our Internal Artwork Appraisal Team will authenticate and value them in accordance with our internal control policy.

During the Track Record Period, we generated revenue of approximately HK\$5.4 million, HK\$10.5 million, and HK\$8.7 million, respectively, under our artwork sales segment for the years ended March 31, 2016, 2017 and 2018.

SUMMARY

The following table sets forth a breakdown of revenue we generated from our artwork sales segment for the periods indicated:

	Year ended March 31,					
	2016		2017		2018	
	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>
Artwork sales						
Chinese paintings and calligraphies	1,531	28.6	4,450	42.5	8,210	94.7
Chinese antiques	1,173	21.9	4,395	42.0	460	5.3
Others	<u>2,658</u>	<u>49.5</u>	<u>1,615</u>	<u>15.5</u>	<u>—</u>	<u>—</u>
Total	<u>5,362</u>	<u>100</u>	<u>10,460</u>	<u>100</u>	<u>8,670</u>	<u>100</u>

Our customers under the artwork sales segment are buyers to whom we sell artworks as principal. To the best knowledge of our Directors, our customers under this segment are generally comprised of artwork collectors and merchants.

Through years of effort, we have successfully built a solid and expanding customer base comprising of both Chinese and Japanese customers through our well-established network both in Hong Kong and Japan. During the Track Record Period, except for two buyers who purchased Chinese paintings and calligraphies and Chinese antiques under our artwork sales segment, all the other top five customers were buyers or sellers of artworks under our art auction and related business segment. As of March 31, 2018, we had developed solid and stable business relationships with our top five customers ranging from 0.5 to 7 years. Revenue derived from our top five customers contributed approximately 17.6%, 18.2%, and 24.4% to our total revenue for the years ended March 31, 2016, 2017 and 2018, respectively. For further details of our customers, please refer to the section headed “Business — Customers” in the prospectus.

The table below sets forth a breakdown of total revenue by types of customer for the periods indicated:

	Year ended March 31,					
	2016		2017		2018	
	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>
Revenue						
<i>Art auction and related business segment</i>						
Sellers	54,640	39.4	52,160	35.2	60,488	34.9
Buyers	78,611	56.7	85,428	57.7	104,108	60.1
<i>Artwork sales segment</i>						
Buyers	<u>5,362</u>	<u>3.9</u>	<u>10,460</u>	<u>7.1</u>	<u>8,670</u>	<u>5.0</u>
Total	<u>138,613</u>	<u>100</u>	<u>148,048</u>	<u>100</u>	<u>173,266</u>	<u>100</u>

SUMMARY

SALES AND MARKETING

Our marketing activities are mostly conducted prior to the time of the organization of art auctions. Prior to each auction, we conduct various marketing and promotional events to promote market interests and stimulate awareness of our art auctions. Major events include producing and distributing auction catalogs, organizing artworks preview exhibitions and publishing advertisements, marketing and auction information on newspapers, art magazines, television and the internet. For details, please refer to the section headed “Business — Our Business — Main Procedures of Art Auction — Marketing” of this prospectus.

OUR SUPPLIERS

Our suppliers mainly include sellers from whom we purchase artworks as principal for our artwork sales segment, property owners who provide venue for artwork preview exhibition and art auction operation, suppliers of event organization and accommodation booking services for our artwork preview exhibition and art auction operation, suppliers of photo-taking, printing and delivery services for our auction catalogs, and suppliers of delivery services for our auctioned artworks and security and insurance services. For the years ended March 31, 2016, 2017 and 2018, our five largest suppliers together accounted for 77.5%, 73.6%, and 64.9%, respectively, of our costs of services and total purchase, and our single largest supplier accounted for 25.1%, 19.1%, and 18.1%, respectively, of our costs of services and total purchase. We have had relationships with our five largest suppliers for 3.5 to 7 years as of the Latest Practicable Date. For further details of our suppliers, please refer to the section headed “Business — Suppliers” in the prospectus.

OUR COMPETITIVE STRENGTHS

Our core strengths are set out below:

- We are a well-recognized auction house of Chinese and Japanese artworks in Hong Kong and Japan with well-established brand name.
- We have established a solid and expanding customer base and maintained long-term and stable relationships with customers supported by well-established network with proven ability to source premium artworks across Asia and attract more potential buyers to participate in our art auctions.
- Our professional as well as history-focused and culture-oriented marketing techniques along with quality services maximize the transaction price of our auctioned artworks.
- We have established effective risk management and internal control systems in respect of authenticating and valuing artworks.
- We have an experienced and stable management team led by an experienced founder.

SUMMARY

OUR STRATEGIES

Our business strategies and development direction are set out below:

- Further strengthening our market position and market share in the Chinese and Japanese art auction market in Hong Kong and Japan, and enhance our brand recognition and awareness.
- Diversifying our business scope by venturing into the field of contemporary artwork and jewelry.
- Recruiting high caliber managers and experts and attract, motivate and retain quality employees to strengthen both the management and operating teams with a view to support the sustainable growth.
- 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.

OUR CONTROLLING SHAREHOLDER

Upon Listing, Mr. Ando will be our Controlling Shareholder and entitled to exercise and control approximately 75% of our entire issued share capital immediately following completion of the Global Offering, the Bonus Issue and the issue of the Conversion Shares upon conversion of the Convertible Notes (without taking into account the Shares which may be issued upon exercise of the Over-allotment Option or any options to be granted under the Share Option Scheme). Please refer to the section headed “Relationship with our Controlling Shareholder” in this prospectus for further details. Mr. Ando is the beneficial owner of the entire issued shares of Bai Sheng, a company incorporated in Japan engaged in the trading of antiques and artworks in Japan and property investments during the Track Record Period. Pursuant to the Deed of Non-competition, upon Listing, Bai Sheng will cease to be engaged in the business of trading of any antiques and artworks, and will not sell any antiques and artworks other than through our Group as selling agent. Please refer to the sections headed “Relationship with our Controlling Shareholder” and “Continuing Connected Transaction” of this prospectus for details. Save as disclosed, none of our Controlling Shareholder and our Directors has any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

PRE-IPO INVESTMENTS

Our Company as issuer and Mr. Ando as guarantor entered into subscription agreements with each of Mr. Chan, Happy Capricorn, Paradise Global, Mr. Tse and Mr. Yang on April 24, 2018, and Centurion Equity on April 25, 2018, in relation to the subscription of the Convertible Notes. Upon completion of the Global Offering, the Bonus Issue and the issue of the Conversion Shares upon conversion of the Convertible Notes (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), each of Mr. Chan, Happy Capricorn, Paradise Global, Mr. Tse, Mr. Yang and Centurion Equity, will own as to approximately 1.0%, 1.0%, 1.2%, 0.4%, 1.0% and 1.0% of the entire issued share capital of our Company, respectively. Please refer to the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments” in this prospectus for further details.

SUMMARY

SUMMARY OF OUR FINANCIAL INFORMATION

Our consolidated financial information has been prepared in accordance with HKFRS. Selected items of our consolidated financial statements are set out below for the periods indicated.

	Revenue			Gross Profit ^(Note)			Gross Profit Margins		
	Year ended March 31,			Year ended March 31,			Year ended March 31,		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
	(HK\$'000)			(HK\$'000)			(%)		
Art auction and related business	133,251	137,588	164,596	96,166	106,144	131,799	72.2	77.1	80.1
Artwork sales	5,362	10,460	8,670	1,130	1,024	520	21.1	9.8	6.0
Total	138,613	148,048	173,266	97,296	107,168	132,319	70.2	72.4	76.4

Note: Gross profit of the art auction and related business segment and artwork sales segment represented the revenue in the respective segment minus costs of services and costs of sales of goods, respectively.

During the Track Record Period, our revenue increased at a CAGR of 11.8% primarily attributable to increase in revenue from the art auction and related business segment.

During the Track Record Period, our revenue from the art auction and related business segment increased:

- by 3.3% from approximately HK\$133.3 million to approximately HK\$137.6 million between the years ended March 31, 2016 and 2017, primarily due to (i) the increase in revenue contributed by auctions held in Hong Kong of approximately HK\$24.5 million due to our expansion of the Chinese art auction market in Hong Kong, and (ii) the increase in average commission rate, partially offset by the decrease in revenue contributed by auctions held in Japan of approximately HK\$20.2 million primarily because four auctions were held in Japan for the year ended March 31, 2016, compared to two auctions for the year ended March 31, 2017, and;
- by 19.6% from approximately HK\$137.6 million to approximately HK\$164.6 million between the years ended March 31, 2017 and 2018, primarily due to (i) our continuous expansion of the Chinese art auction market in Hong Kong, (ii) our strategy to focus on higher valued artworks in Hong Kong, (iii) our increased effort in marketing, such as holding more preview exhibitions, and (iv) the increase in average buyer's and seller's commission rate. Revenue under this segment increased, which was primarily due to sale of a premium Chinese painting in our auction, which contributed approximately HK\$25.7 million commission.

SUMMARY

During the Track Record Period, our revenue from the artwork sales segment:

- increased by 95.1% from approximately HK\$5.4 million to approximately HK\$10.5 million between the years ended March 31, 2016 and 2017, primarily due to (i) increase in the total number of artworks sold from 17 to 22, and (ii) increase in average price of Chinese antiques sold; and
- decreased by 17.1% from approximately HK\$10.5 million to approximately HK\$8.7 million between the years ended March 31, 2017 and 2018, primarily due to the decrease in the number of artworks sold from 22 to 5, but the average price of artwork items increased.

The following table sets forth a breakdown of (i) our costs of services for the art auction and related business segment, which mainly consist of rental and setup fees for auction and exhibition venues and catalog production fees, and (ii) our costs of sales of goods for the artwork sales segment, which mainly consist of costs of purchase of artworks for the periods indicated:

	Year ended March 31,					
	2016		2017		2018	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
<i>Art auction and related business</i>						
Costs of services						
Rental and setup fees for auction and exhibition venues	23,385	63.0	19,672	62.6	20,594	62.8
Catalog production fees	9,596	25.9	7,644	24.3	8,660	26.4
Others	4,104	11.1	4,128	13.1	3,543	10.8
Total	<u>37,085</u>	<u>100</u>	<u>31,444</u>	<u>100</u>	<u>32,797</u>	<u>100</u>
<i>Artwork sales</i>						
Costs of sales of goods	<u>4,232</u>	<u>100</u>	<u>9,436</u>	<u>100</u>	<u>8,150</u>	<u>100</u>

During our Track Record Period, our gross profit margin increased:

- from 70.2% to 72.4% between the years ended March 31, 2016 and 2017, primarily due to the increase in our gross profit margin under the art auction and related business segment. The gross profit margin of our art auction and related business segment increased from 72.2% to 77.1% mainly because we had generated higher revenue in Hong Kong for the year ended March 31, 2017 as we focused on higher valued artworks, while our costs of services decreased for the year ended March 31, 2017 as only four auctions were held, as compared with six auctions held for the year ended March 31, 2016; and
- from 72.4% to 76.4% between the years ended March 31, 2017 and 2018, primarily due to the increase in the gross profit margin under the art auction and related business segment. The gross profit margin of our art auction and related business segment increased from 77.1% to 80.1% mainly because (i) our costs of services for each auction held remained relatively stable, and (ii) our revenue and average commission rate increased, and in particular, for the year ended March 31, 2018, we have successfully sold a premium Chinese painting with a high hammer price in our auction, which contributed approximately HK\$25.7 million to our revenue.

SUMMARY

Please see the section headed “Financial Information — Description of Selected Consolidated Income Statements Line Items” for further discussion.

Information on our consolidated balance sheets

	As at March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Non-current assets	25,252	24,999	31,340
Current assets	290,913	349,061	538,996
Total assets	<u>316,165</u>	<u>374,060</u>	<u>570,336</u>
Non-current liabilities	14,093	14,660	13,626
Current liabilities	226,997	251,665	446,301
Net current assets	<u>63,916</u>	<u>97,396</u>	<u>92,695</u>
Total liabilities	<u>241,090</u>	<u>266,325</u>	<u>459,927</u>
Total equity	<u>75,075</u>	<u>107,735</u>	<u>110,409</u>

Summary of our consolidated income statement

	Year ended March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Revenue	138,613	148,048	173,266
Gross profit	97,296	107,168	132,319
Profit before income tax	30,223	41,004	57,982
Profit for the year	20,579	32,363	43,929
Adjusted net profit⁽¹⁾	20,579	32,363	54,828

Please see the sections headed “Financial Information” and “Accountant’s Report” in Appendix I of this prospectus for further discussion.

Note:

- (1) Adjusted net profit, as we present it, represents our profit for the year before listing expenses. Adjusted net profit is not a measure under HKFRSs. The use of adjusted net profit has limitations as an analytical tool, as it does not include all items that impact our profit for the relevant periods. Please see the section headed “Financial Information — Non-HKFRSs Measures” of this prospectus for details.

SUMMARY

Extract of our consolidated statements of cash flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated. For more information, please see the section headed “Accountant’s Report” in Appendix I of this prospectus.

	Year ended March 31,		
	2016	2017	2018
	<i>(HK\$’000)</i>	<i>(HK\$’000)</i>	<i>(HK\$’000)</i>
Cash and cash equivalents at beginning of year	142,727	192,486	213,863
Net cash generated from/(used in) operating activities	39,788	25,813	(112,260)
Net cash used in investing activities	(6,516)	(1,276)	(6,854)
Net cash generated from/(used in) financing activities	11,074	(3,882)	(29,485)
Net increase/(decrease) in cash and cash equivalents	44,346	20,655	(148,599)
Exchange gains on cash and cash equivalents	5,413	722	5,118
Cash and cash equivalents at end of the year	192,486	213,863	70,382

The operating cash outflow for the year ended March 31, 2018 was primarily due to increase of trade and other receivables because of different timing of the auctions held. In 2017, our Spring Auction in Japan was held in February and most of the payments had been made by buyers prior to the end of our financial year. Whereas, in 2018, our Spring Auction in Japan was held in late March, whereby many of the payments were not made prior to the end of the financial year. As a result, there is an increase of trade and other receivables for the year ended March 31, 2018, which resulted in the decrease of cash and cash equivalent for the same financial year as compared to the year ended March 31, 2017.

In addition, the operating cash outflow for the year ended March 31, 2018 was also because of the increase of input value-added tax recoverable from approximately HK\$141,000 as at March 31, 2017 to approximately HK\$23.3 million as at March 31, 2018 primarily due to a tax sum required by the local tax authority in Japan when we delivered certain auction items from Tokyo to Kyoto for a preview exhibition for the year ended March 31, 2018. This amount has already been recovered from the relevant local tax authority upon completion of the preview exhibition and return of the auction items to Tokyo in May 2018.

SUMMARY

Key financial ratios

The following table sets forth certain key financial ratios as of the periods indicated. Please see the section headed “Financial Information — Key Financial Ratios” for descriptions of the calculations and the relevant analysis of the ratios below.

	As at March 31,		
	2016	2017	2018
Gross margin	70.2%	72.4%	76.4%
Net profit margin	14.8%	21.9%	25.4%
Adjusted net profit margin before listing expenses	14.8%	21.9%	31.6%
Return on equity	32.9%	37.2%	43.6%
Return on assets	7.4%	9.4%	9.3%
Current ratio	1.3	1.4	1.2
Quick ratio	1.2	1.3	1.2
Gearing ratio	42.4%	27.6%	53.8%
Net debt to equity ratio <i>(note)</i>	N/A	N/A	N/A
Interest coverage	142.2	156.9	233.9

Note: We were in net cash position during the Track Record Period.

INTERNAL CONTROL AND RISK MANAGEMENT

Our sound and effective internal control and risk management systems have provided great support to us in facing different levels of operating risks in our business operations. We believe that the effectiveness and efficiency of our internal control and risk management systems are critical to the success of our growing business. Our Board of Directors supervise the overall operations of our internal control system supported by the audit committee and other working teams and committees. We have also established a comprehensive internal control system and policy to authenticate and value artworks through building up a strong expert team comprising five internal experts and seven external consultants as of the Latest Practicable Date, who are able to provide professional advice on authentication and valuation of different types of artworks in accordance with our internal procedures, so that our management could make well-informed and sound decisions. We have established a set of internal control and risk managing rules regulating our daily operations, as a result of which, we have successfully restricted our exposure to various risks inherent to our operations. Among these internal control and risk management rules, we have anti-money laundering policies and procedures in place, which provide guidelines on preventing and detecting money laundering to ensure compliance with all relevant legal and regulatory requirements. For details, please see the section headed “Business — Internal Control and Risk Management” of this prospectus. Please also see the section headed “Risk Factors — Our business prospect may be materially and adversely affected if our risk management and internal control systems (including anti-money laundering and anti-corruption) are not adequate and effective in controlling and limiting our risk exposure” of this prospectus for details.

SUMMARY

USE OF PROCEEDS

We estimate that the aggregate net proceeds to our Company from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering payable by us and assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$1.605 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus) will be approximately HK\$119.8 million. We currently intend to apply such net proceeds for the following purposes. Please see the section headed “Future Plans and Use of Proceeds” of this prospectus for details.

<u>Amount of net proceeds</u>	<u>Intended application</u>
<ul style="list-style-type: none">• approximately 57.0%, or HK\$68.2 million	<ul style="list-style-type: none">• strengthening and expanding existing auction business
<ul style="list-style-type: none">• approximately 20.0%, or HK\$24.0 million	<ul style="list-style-type: none">• enhancing marketing and promotional activities
<ul style="list-style-type: none">• approximately 8.0%, or HK\$9.6 million	<ul style="list-style-type: none">• recruiting high caliber managers and experts
<ul style="list-style-type: none">• approximately 5.0%, or HK\$6.0 million	<ul style="list-style-type: none">• developing the Group’s ERP system
<ul style="list-style-type: none">• approximately 10.0%, or HK\$12.0 million	<ul style="list-style-type: none">• supplementing the Group’s working capital and for general corporate purposes

GLOBAL OFFERING STATISTICS

	<u>Based on an Offer Price of HK\$1.50 per Share</u>	<u>Based on an Offer Price of HK\$1.71 per Share</u>
	(HK\$)	(HK\$)
Market capitalization of our Shares ⁽¹⁾	750.0 million	855.0 million
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	0.48	0.52

Notes:

- (1) Calculated based on 500,000,000 Shares expected to be in issue immediately upon completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes and taking no account of any shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options to be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in Appendix II to this prospectus and taking into no account of any Shares which may be issued pursuant to the Over-allotment Option, any Shares to be issued upon Listing pursuant to the conversion of the Convertible Notes, or any options which may be granted under the Share Option Scheme. Please refer to Appendix II to this prospectus for further details regarding the assumptions and calculation method.

SUMMARY

LISTING EXPENSES

The listing expenses in connection with the Global Offering primarily consist of underwriting commission and professional fees and, assuming an Offer Price of HK\$1.605 per Share, being the mid-point of the proposed Offer Price range, are estimated to be HK\$35.1 million. During the Track Record Period, we incurred listing expenses of HK\$13.0 million, of which HK\$10.9 million was recognized in the consolidated income statement for the year ended March 31, 2018 and HK\$2.1 million was recognized as prepayments in the consolidated balance sheet as at March 31, 2018 which will be accounted for as a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect to further incur listing expenses of HK\$22.1 million prior to and upon completion of the Global Offering, of which (i) HK\$13.4 million is expected to be recognized as expenses in our consolidated income statement for the financial year ending March 31, 2019; and (ii) HK\$8.7 million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard.

DIVIDEND

During the Track Record Period, we have not declared and/or paid any dividends to our Shareholders. Currently, we do not have any dividend policy or specific dividend plan. Subject to our Articles and the Companies Ordinance, through a general meeting, we will declare dividends from the profit of the forthcoming periods, but no dividends shall exceed the amount recommended by our Directors. Our Directors will consider, from time to time, to pay to our Shareholders such interim dividends as our Directors deem to be justified by our financial conditions and profits. The amount of any dividends to be declared or paid in the future will depend on, among other things, our results of operations, cash flows, financial condition, operating and capital expenditure requirements, future prospects, statutory and regulatory restrictions on the payment of dividend by us and other factors that our Directors may deem relevant.

SUMMARY OF RISK FACTORS

There are a number of risk factors involved in our business operations, including:

- The demand for artworks is unpredictable and may materially and adversely affect our ability to sell artworks, our business, financial condition and results of operations
- We are not able to predict the future trend of the art auction market, the availability and popularity of artworks, which may materially and adversely affect our operations, thus the financial results of operations
- Our business could be adversely affected if we are unable to develop or maintain our existing customer base, in particular, our relationship with customers and business partners. Any interruption in such relationship could have a material and adverse effect on our business
- Our business is subject to risks relating to the authentication and valuation of artworks and relevant prices and management's determination of artworks, which rely on the subjective judgment of our management and experts
- Our business is exposed to concentration risks to certain types of artworks in our business

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" of this prospectus.

SUMMARY

OUR INDUSTRY AND COMPETITIVE LANDSCAPE

According to the CIC report, there are approximately 100 auction houses in Hong Kong as of 2017. The market is shared by a variety of players, including both domestic and foreign companies. The top five players collectively held 86.5% of total market share in terms of transaction value in 2017. According to the CIC Report, in 2017, we ranked (i) fifth among all auction houses with Chinese art auction business in Hong Kong with a market share of 4.4%, in terms of transaction value from the Chinese art auction business in Hong Kong, and (ii) fifth among all auction houses with Japanese art auction business in Hong Kong with a market share of 1.4%, in terms of transaction value from the Japanese art auction business in Hong Kong.

According to the CIC report, there are approximately ten auction houses selling Chinese artworks in Japan. The market is dominated by local players, which have taken the top three positions and collectively held 77.4% of the total market share in terms of transaction value in 2017. According to the CIC Report, in 2017, we ranked (i) second among all auction houses with Chinese art auction business in Japan with a market share of 26.8%, in terms of transaction value from the Chinese art auction business in Japan, and (ii) fifth among all auction houses with Japanese art auction business in Japan with a market share of 3.1%, in terms of transaction value from the Japanese art auction business in Japan.

Please see the section headed “Industry Overview” of this prospectus for details of the market share and ranking of the key market players.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Our business model, operation, revenue structure and operating cost structure remained largely unchanged since March 31, 2018. The contribution by each business segment to our Group is in line with the historical record.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we launched our 2018 Spring Auction in Hong Kong, which was held in late-May 2018, during which we offered 655 auction lots, out of which 375 were sold at an aggregate hammer price of approximately HK\$85.3 million. We also launched our 2018 Autumn Auction in Japan, which was held in early September 2018, during which we offered 3,075 auction lots, out of which 1,691 were sold at an aggregate hammer price of approximately JPY2,224.8 million.

Subsequent to the Track Record Period, we expect to further incur listing expenses of HK\$22.1 million prior to and upon completion of the Global Offering, of which HK\$13.4 million is expected to be recognized as expenses in our consolidated income statement for the financial year ending March 31, 2019. For details, please see the subsection headed “Financial Information — Listing Expenses” of this prospectus.

On April 24, 2018 and April 25, 2018, (i) our Company as issuer, (ii) the Pre-IPO Investors as investors, and (iii) Mr. Ando as guarantor entered into several subscription agreements for the subscription of the Convertible Notes for the benefit of long-term business development of our Group. For more details, please see the subsection headed “— Pre-IPO Investments” of this section, the sections headed “History, Reorganization and Corporate Structure — Pre-IPO Investments” and “Risk Factors — The Shareholding percentage of the existing Shareholders will be diluted following the automatic conversion of Shares in full (but not part) on the Listing Date” of this prospectus.

Our Directors confirm that, save for the listing expenses as disclosed above and possible fair value change of the Convertible Notes which will materially affect our financial results, including the results for the six months ending September 30, 2018, there has been no material adverse change in the industry in which we operate or in our financial and trading position or prospects since March 31, 2018 (being the date to which the latest consolidated financial information of our Group were made up), and up to the date of this prospectus, and there is no event since March 31, 2018, which would materially affect the information shown in the Accountant’s Report as set out in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“Application Form(s)”	WHITE, YELLOW and GREEN application form(s), or where the context so requires, any one of them, relating to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the articles of association of our Company (as amended from time to time), a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Awaji Property”	43 real estates located in Awaji-shi, Japan with an aggregate gross floor area of approximately 13,474 sq.m.
“Bai Sheng”	Bai Sheng Co., Ltd* (株式會社百勝), a company incorporated in Japan with limited liability on September 13, 2002 and wholly owned by Mr. Ando
“Board” or “Board of Directors”	the board of directors of the Company
“Bonus Issue”	the proposed issue of 374,967,178 Shares to Mr. Ando immediately upon completion of the Global Offering
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate as measurement to assess the growth of value over time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Centurion Equity”	Centurion Equity I Limited, a company incorporated in the BVI with limited liability on February 9, 2015, an Independent Third Party and a Pre-IPO Investor
“CIC”	China Insights Consultancy, the industry consultant
“CIC Report”	the industry report on the Chinese and Japanese art auction market in Hong Kong and Japan prepared by CIC independent of the influence of the Company and other interested parties
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”, “our Company” or “the Company”	Tokyo Chuo Auction Holdings Limited 東京中央拍賣控股有限公司 (formerly known as TOKYO CHUO AUCTION (HONG KONG) CO., LIMITED 東京中央拍賣(香港)有限公司), a company incorporated in Hong Kong with limited liability on July 11, 2013
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Mr. Ando
“Conversion Shares”	please refer to the definition of “Conversion Shares” as set out the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments” in this prospectus
“Convertible Note”	the convertible note issued by our Company to each of the Pre-IPO Investors, particulars of which are set out in the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments” in this prospectus, and collectively the “Convertible Notes”
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated September 13, 2018 and executed by our Controlling Shareholder with and in favor of our Company (for ourselves and as trustee for our subsidiaries stated therein), particulars of which are set out in the section headed “Other Information — 16. Estate duty, tax and other indemnity” in Appendix IV to this prospectus
“Deed of Non-competition”	the non-competition undertaking dated September 13, 2018 and executed by our Controlling Shareholder in favor of our Company, particulars of which are set out in the section headed “Relationship with our Controlling Shareholder — Deed of Non-competition” in this prospectus
“Director(s)” or “our Director(s)”	the director(s) of our Company
“EFL”	please refer to the definition of “EFL” as set out in the section headed “Cornerstone Investors” in this prospectus
“FPL”	please refer to the definition of “FPL” as set out in the section headed “Cornerstone Investors” in this prospectus
“GAAP”	generally accepted accounting principles
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider
“Group”, or “our Group” or “we” or “our” or “us”	our Company and its subsidiaries or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Guarantee”	please refer to the definition of “Guarantee” as set out the section headed “Relationship with our Controlling Shareholder” in this prospectus
“Happy Capricorn”	Happy Capricorn Co., Limited, company incorporated in the Republic of Vanuatu on June 4, 2013, an Independent Third Party and a Pre-IPO Investor

DEFINITIONS

“ HK eIPO White Form ”	the application for Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the HK eIPO White Form Service Provider, www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form Services Provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HK\$” or “Hong Kong dollars” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offer Shares”	the 9,652,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in “Structure of the Global Offering”) in this prospectus
“Hong Kong Public Offering”	the conditional offer of the Hong Kong Public Offer Shares by our Company for subscription by members of the public in Hong Kong for cash at the Offer Price, payable in full on application, on and subject to the terms and conditions stated herein and in the Application Forms
“Hong Kong Share Registrar”	Tricor Investor Services Limited, the share registrar and transfer office of our Company in Hong Kong
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus

DEFINITIONS

“Hong Kong Underwriting Agreement”	the underwriting agreement dated September 26, 2018, relating to the Hong Kong Public Offering and entered into between our Company, our Controlling Shareholder, our executive Directors, the Sole Sponsor, the Sole Global Coordinator, and the Hong Kong Underwriters as further described in the section headed “Underwriting” in this prospectus
“IFRS”	International Financial Reporting Standards
“Independent Non-executive Director(s)”	independent non-executive director(s)
“International Offering”	the offer of the International Offer Shares at the Offer Price to professional, institutional, corporate and other investors, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Offer Shares”	the 86,868,000 Shares initially being offered by us for subscription under the International Offering together, where relevant, with any Shares that may be issued by us pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in “Structure of the Global Offering” in this prospectus
“Independent Third Party(ies)”	any person(s) or entity(ies) who, as far as our Directors are aware after having made all reasonable enquiries, is/are not a connected person of our Company within the meaning of the Listing Rules
“International Underwriters”	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement to underwrite the International Offering Shares on or around the Price Determination Date
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering, which is expected to be entered into, among others, our Company and the International Underwriters, as further described in the section headed “Underwriting” in this prospectus
“Investors’ Rights Agreement”	the investors’ rights agreement dated April 24, 2018 entered into between our Company, Mr. Ando, Paradise Global, Mr. Tse, Mr. Chan, Mr. Yang and Happy Capricorn, particulars of which are set out in the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments” in this prospectus

DEFINITIONS

“Joint Bookrunners”	CMBC Securities Company Limited, Haitong International Securities Company Limited, Sinolink Securities (Hong Kong) Company Limited and ZMF Asset Management Limited
“Joint Lead Managers”	CMBC Securities Company Limited, Haitong International Securities Company Limited, Sinolink Securities (Hong Kong) Company Limited and ZMF Asset Management Limited
“JPY”	Japanese yen, official currency of Japan
“Latest Practicable Date”	September 17, 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of our Shares on Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or around October 11, 2018, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on Main Board
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel to the GEM of the Stock Exchange
“Mr. Ando”	Mr. Ando Shokei (安藤湘桂), the chairman of our Board, an executive Director, our Controlling Shareholder and the husband of Mrs. Ando
“Mrs. Ando”	Mrs. Ando Eri (安藤恵理), an executive Director, vice chairlady of our Board and the wife of Mr. Ando
“Mr. Chan”	Mr. Chan Sai Wai (陳世偉), an Independent Third Party and a Pre-IPO Investor
“Mr. Katsu”	Mr. Katsu Bunkai (葛文海), an executive Director and the chief operating officer of our Group
“Mr. Sun”	Mr. Sun Hongyue (孫鴻月), an executive Director

DEFINITIONS

“Mr. Tse”	Mr. Tse Chung Shing (謝仲成), an Independent Third Party and a Pre-IPO Investor
“Mr. Yang”	Mr. Yang Jialin (楊家林), an Independent Third Party and a Pre-IPO Investor
“Mr. Yau”	Mr. Yau Chung Hang (邱仲珩), an executive Director, the chief financial officer of our Group and the company secretary of our Company
“Mr. YC Yang”	Mr. Yang Yi Chung (楊維聰), a non-executive Director
“Note Instrument”	the instrument entered into between our Company as issuer and each of the Pre-IPO Investors as the noteholder for the issue of the Convertible Note, and collectively the “Note Instruments”
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of a brokerage fee of 1.0%, an SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%) of not more than HK\$1.71 and expected to be not less than HK\$1.50, such price to be agreed upon by our Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before the Price Determination Date
“Offer Share(s)”	the Hong Kong Public Offer Shares and the International Offer Shares
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) under the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 14,478,000 Shares, representing 15% of the number of Offer Shares initially available under the Global Offering at the Offer Price, details of which are further discussed in the section headed “Structure of the Global Offering” in this prospectus
“Paradise Global”	Paradise Global Limited, a company incorporated in Seychelles on January 5, 2016, an Independent Third Party and a Pre-IPO Investor
“PRC” or “China”	the People’s Republic of China, excluding for the purposes of this prospectus only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“PRC Legal Advisors”	Jingtian & Gongcheng, our legal advisors as to PRC law
“Predecessor CO”	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as in force from time to time before March 3, 2014
“Pre-IPO Investments”	the investments made by each of the Pre-IPO Investors, particulars of which are set out in the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments” in this prospectus
“Pre-IPO Investors”	collectively, Mr. Chan, Happy Capricorn, Paradise Global, Mr. Tse, Mr. Yang and Centurion Equity, and each a “Pre-IPO Investor”
“Premises”	office premises leased by TCA Japan at 2nd and 3rd Floor, Kyobashi-Square, 3-7-5 Kyobashi Chuo-ku, Tokyo, Japan
“Price Determination Date”	the date, expected to be on or about Wednesday, October 3, 2018, on which the Offer Price is expected to be fixed and, in any event, no later than Thursday, October 4, 2018
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Reorganization”	the reorganization of our Group as set out in the section headed “History, Reorganization and Corporate Structure — The Reorganization” in this prospectus, pursuant to which our Company became the holding company of our various subsidiaries
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on September 13, 2018, a summary of its principal terms is set out in the section headed “Other Information — 15. Share Option Scheme” in Appendix IV to this prospectus

DEFINITIONS

“Shareholder(s)”	holder(s) of Share(s)
“Sole Global Coordinator”	CMBC Securities Company Limited
“Sole Sponsor”	CMBC International Capital Limited
“sq.m.”	square meters
“Stabilizing Manager”	CMBC Securities Company Limited
“Stock Borrowing Agreement”	the stock borrowing agreement, which may be entered into between Mr. Ando as the lender and CMBC Securities Company Limited as the borrower
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sublessor”	XYMAX ALPHA Corporation*, the sublessor to the Tenancy Agreement as at the Latest Practicable Date
“subsidiary(ies)”	has the meaning ascribed to it under section 2 of the Companies (WUMP) Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
“TCA HK”	Tokyo Chuo Auction Hongkong Company Limited 東京中央拍賣香港有限公司, a company incorporated in Hong Kong with limited liability on February 13, 2018 and a direct wholly owned subsidiary of our Company
“TCA Japan”	Tokyo Chuo Auction Co., Ltd.* (株式會社 東京中央オークション), a company incorporated in Japan with limited liability on November 1, 2010 and a direct non-wholly owned subsidiary of our Company
“TCA Shanghai”	Shanghai Shengjia Culture Development Co., Ltd* (上海晟嘉文化發展有限公司), a company incorporated in the PRC with limited liability on May 19, 2016 and an indirect non-wholly owned subsidiary of our Company

DEFINITIONS

“Tenancy Agreement”	the tenancy agreement dated November 28, 2011 and entered into, among others, TCA Japan as tenant and Godo-Kaisha Kyobashi Property*, an Independent Third Party as sublessor, for the leasing of the Premises by TCA Japan from the sublessor, and the sublessor to the Tenancy Agreement was subsequently changed and the latest sublessor is the Sublessor
“Track Record Period”	comprises the three years ended March 31, 2016, 2017 and 2018
“TWD”	Taiwan dollar
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America
“U.S. Securities Act”	United States Securities Act of 1933
“US\$” or “U.S. dollar(s)” or “USD”	United States dollars, the lawful currency for the time being of the United States
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be issued in the applicant’s own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

For ease of reference, the English names of Chinese or Japanese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) are translations of their Chinese or Japanese names and have been included in this prospectus for identification purpose only. In the event of any inconsistency between the Chinese/Japanese names and their English translation, the Chinese/Japanese names shall prevail. English translations of company names and other terms from the Chinese/Japanese language are marked with “”.*

All times and dates refer to Hong Kong times and dates. Unless otherwise specified, references to years in this prospectus are to calendar years.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“aggregate hammer price”	total hammer price for all or some auction lots in an auction, without calculating the buyer’s commission
“annual auction”	collectively the Autumn Auction and Spring Auction held by the Group each year
“art auction(s)”	collectively the Autumn Auctions and Spring Auctions or any one or more of them
“artwork(s)”	including but not limited to ancient and modern Chinese paintings and calligraphies, Chinese antiques, and other artworks which we accept on consignment for our art auctions
“artwork interested party(ies)”	including artworks artists, agents, masters, experts, merchants, collectors, art galleries and museums
“auction”	a process of buying and selling items or services by offering them up for bids, taking bids, and then selling them to the highest bidders
“auction catalog”	a publication prepared by the auction house prior to the auction date, which contains descriptive details and photographs of items available for bidding at auctions
“auction consignment agreement”	the agreement to establish the auction entrustment relationship which is entered into between us as an auction house and a consignor (or prospective seller) for consignment of an auction lot
“auction house”	an entity which organizes auctions
“auction lot(s)”	item(s) offered for bid in an auction
“auction price”	price that generally includes the hammer price and the buyer’s commission fee
“auction reserve price”	the lowest price that a consignor is willing to offer for selling the auction lot, and if during the course of auction, the highest bidding price does not reach or exceed the auction reserve price, the auction fails to conclude

GLOSSARY OF TECHNICAL TERMS

“auction revenue”	in connection with any concluded auction transaction for artworks, the total amount of buyer’s commission and seller’s commission generated from our art auctions and relevant fees for services we provided in relation to the auction catalog, insurance and other auction related services
“Auction Rules”	auction rules prescribed by our Group for our art auctions, which is attached to, and forms part of the auction consignment agreement between us and the consignor (or prospective seller)
“auctioneer”	host of an auction
“bidding deposit”	deposit payable by a bidder (or prospective buyer) prior to the commencement of an auction in order to enroll and participate in such auction
“buyer’s commission”	commission we charge a buyer for concluded auction sale transaction in our art auctions
“ERP”	enterprise resource planning, systems that integrate internal and external management information across an entire organization, embracing finance and accounting, manufacturing, sales and service and customer relationship management, and automate these activities with an integrated software application
“External Artwork Appraisal Consultants”	external consultants who provide opinions on the authentication and/or valuation of artworks for our art auction as and when appropriate. Please refer to the section headed “Business — Internal Control and Risk Management — Working team and experts for authentication and valuation of artworks” in this prospectus for their background and qualification
“Facebook”	a social networking website that allows registered users to create profiles, upload photos and video, and send messages
“hammer price”	the price ascertained by way of the auctioneer dropping the hammer or in any other reasonable manner with the intention of confirming the winning bid for a lot at auction and the sale price. All previous bid offers in the same auction will be void

GLOSSARY OF TECHNICAL TERMS

“HNWI”	High-Net-Worth-Individuals, referring to individuals with more than US\$1.0 million financial assets
“Internal Artwork Appraisal Team”	internal team members who conduct authentication and valuation of artworks for our art auctions. Please refer to the section headed “Business — Internal Control and Risk Management — Working team and experts for authentication and valuation of artworks” in this prospectus for the background and qualification of the team members
“IT”	information technology
“preview exhibition(s)”	a public exhibition held by the auction house prior to the auction
“private sale”	for purpose of this prospectus, private sale refers to a mode of sale where we function as an agent by matching prospective buyer and seller for sales of artwork. In any event, private sale is not conducted through our art auctions
“seller’s commission”	commission we charge a seller for concluded auction sale transaction in our art auctions
“sourcing”	the process which involves the auction house selecting articles for auctions by way of regular sourcing and directional sourcing events
“Spring Auction(s)”, “Autumn Auction(s)”	these are the two largest auctions each year in terms of scale and quality of items organized by our Group as well as by other industry players, each of which generally consists of multiple auction sessions. The Spring Auction is usually held between February and May of each calendar year while the Autumn Auction is usually held between September and November of each calendar year
“WeChat”	WeChat, also known as Weixin (微信), which is a mobile text and voice messaging communication service developed by Tencent in China. It provides multimedia communication with text messaging, location sharing and contact information exchange
“Weibo”	Weibo, also known as Sina Weibo, which is a social networking and microblogging service based in China. It was launched in 2009 and is the largest Internet portal in China

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management that are, by their nature, subject to significant risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and plans for the development of existing and new businesses, our ability to implement such strategies and plans and the expected timetable of such implementation;
- our financial condition and performance;
- our dividend policy;
- our ability to reduce costs;
- the regulatory environment, as well as the general industry outlook, for the industry and market in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- capital market development;
- certain statement in the sections headed “Risk Factors”, “Industry Overview,” “Regulatory Overview”, “Business”, “Financial Information”, “Relationship with Our Controlling Shareholder” and “Future Plans and Use of Proceeds” with respect to trends in interest rates, foreign exchange rates, prices, volumes, operations, margins, risk management and overall market trends;
- further developments in, and competitive environment for, the industry in which we operate; and
- the general economic trend and outlook in the markets in which we operate.

FORWARD-LOOKING STATEMENTS

The words “aim,” “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “may,” “ought to,” “might,” “plan,” “potential,” “predict,” “project,” “schedule,” “seek,” “should,” “target,” “will,” “would” and the negatives forms of these terms, as well as similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, our business, financial condition and results of operation may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance, and you should not place undue reliance on such forward-looking information. We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Risks Relating to Our Business

The demand for artworks is unpredictable and may materially and adversely affect our ability to sell artworks, our business, financial condition and results of operations

The demand for artworks is influenced by numerous factors, many of which are beyond our control. These factors include but not limited to economic and political condition, changing trends in the art market as to which collecting category, artist and age of artwork are most sought after, the quality and quantity of artworks that are available for auction sales, as well as the collecting preference and financial resource of individual collector. For example, a decrease in market demand may lead to fewer art auction sales to be completed and reduced hammer price, which could in turn result in lower commission income earned by us. Consequentially, our cash flow may be negatively impacted, which may further materially and adversely affect our results of operations.

We are not able to predict the future trend of the art auction market, the availability and popularity of artworks, which may materially and adversely affect our operations, thus the financial results of operations

Our revenue increased steadily during the Track Record Period. We perceive that the continuous growth of our revenue was mainly because of our ability to source premium and appealing artworks and high reception in sufficient quantity at our art auctions, as evidenced by the increase in the total number of auction lots offered and sold as well as the increase in the aggregate hammer price during the Track Record Period. We will continue our efforts to source premium artworks in order to achieve continual growth. However, we cannot guarantee the constant availability of premium and appealing artworks in sufficient quantity for our art auctions nor can we assure the rapid development and prosperity of the Chinese and Japanese art auction market in the foreseeable future.

The market demand, value and conditions for artworks as well as the future development in the art auction market are relatively unpredictable and influenced by various factors. These uncontrollable factors include the overall economic and political environment, changing trends in the art market (such as preferences of collectors, popularity of particular types of artworks or popularity of artworks of particular artists), the overall artwork market activity, popularity and availability of good quality and high-value artworks, and willingness of potential market-players to purchase or sell particular artworks.

RISK FACTORS

In addition, the availability of sufficient number of premium and appealing artworks with high reception may not be guaranteed. For example, in our 2017 Autumn Auction in Hong Kong, a premium Chinese painting received overwhelming response by bidders as evidenced by its high hammer price. The sale of this piece of artwork by us made significant contribution to our revenue under the art auction and related business segment for the year ended March 31, 2018. However, we cannot guarantee that we will be able to source artworks with high reception and high popularity in our auctions going forward. A decrease in availability and/or popularity of certain artworks may attract fewer bidders to our art auctions, and/or the unavailability of high value, good quality artworks in sufficient quantity may result in fewer auction transactions to be completed, hence reducing the commission income to be earned by us, our art auction business, the reputation of our Company and our profitability may also be adversely affected.

Our business could be adversely affected if we are unable to develop or maintain our existing customer base, in particular, our relationship with customers and business partners. Any interruption in such relationship could have a material and adverse effect on our business

We believe that our revenue, profitability, and operating cash flow are affected by our ability to develop and maintain relationships with our customers and business partners. Over the years, we are committed to building a broad base of customers. We intend to continue maintaining and furthering our customer base through our network with global reach. However, if we are unsuccessful in maintaining and developing our relationships with our customers and business partners, our business could be materially and adversely affected. We rely on certain high-end sellers and collectors to supply us with high-profile artworks, and premium buyers to attend our auctions. If such customers and business partners decide not to maintain the existing cooperation relationship with us or fail to reach consensus in negotiations with us, in such circumstances, our profitability, results of operations and financial condition could be materially and adversely affected.

Our business is subject to risks relating to the authentication and valuation of artworks and relevant prices and management's determination of artworks, which rely on the subjective judgment of our management and experts

We have our Internal Artwork Appraisal Team which is comprised of experts in different categories of artworks to conduct authentication and valuation for artworks. We would also consult external consultants in respective fields in authenticating and valuating artworks on certain occasions. We have implemented strict internal control procedures which allow our staff to further ascertain the auction reserve price (if any) or the estimated price range of artworks, where applicable. The authentication, valuation and determination of relevant prices of artworks rely on the subjective judgment of our management and experts. Please see the section headed "Business — Internal Control and Risk Management — Authentication and Valuation of Artworks" of this prospectus for further discussion.

In spite of the above, the techniques of counterfeiting are evolving continuously and are becoming increasingly difficult to distinguish from the authentic artworks. There is no assurance that during the course of our operations, complaints or disputes in relation to the authenticity of artworks, particularly master pieces of well-known artists, would not occur. If we fail to resolve any dispute in relation to the authenticity and value of artworks, such dispute may have a material and adverse effect on our brand image and reputation which could materially and adversely impinge our business, financial condition and results of operations.

RISK FACTORS

Our business is exposed to concentration risks to certain types of artworks in our business

Our art auction lots mainly include Chinese paintings and calligraphies, Chinese antiques, Japanese and Chinese tea wares and others. During the Track Record Period, revenue deriving from Chinese painting and calligraphies and Chinese antiques contributed 85.1%, 90.2% and 87.3% to our total revenue generated from our art auction and related business, respectively, among which Chinese paintings and calligraphies accounted for 51.6%, 63.2% and 61.4% and Chinese antiques accounted for 33.5%, 27.0% and 25.9% to our total revenue generated from our art auction and related business, respectively. During the Track Record Period and in the foreseeable future, the majority of our business operations have been and are expected to be related to such types of artworks. Any unfavorable change in the future trend and market condition of any such artworks could have a material and adverse effect on our business, financial condition and results of operations.

Our results of business operations could be adversely affected by buyer's default in making payment in due course

Under our auction and related business segment, we generally collect auction receivables after auction. We normally recognize commission upon the completion of the auction sale as evidenced by the fall of auctioneer's hammer and when the collectability of the related receivables is reasonably assured. Please see the section headed "Financial Information — Basis of Presentation — Revenue Recognition" for more details. As a result, our business, financial condition and results of operations could be materially and adversely affected if the buyer fails to make payment after conclusion of the sales in due course. Further, since we make payment to sellers after settlement of auction price with buyers, any delay or failure by buyers to settle auction prices would postpone our payment to sellers thereby affecting our relationships with sellers.

We have adopted and implemented internal control practices to monitor the settlement of auction receivables, and we actively review the outstanding fees and liaise with relevant parties to speed up the collection process. We normally require buyers of artworks to settle the entire purchase price of the artworks within seven days after the date of the completion of auction sales. However, we cannot guarantee that all buyers are able to settle the entire purchase price of the artworks within the specified time period or fulfill payment in accordance with the contractual terms, or at all. Losses would therefore be incurred in case of delays or failures in settlement.

We are exposed to losses in the event of title claims arising from sale of artworks

Before accepting any artwork consigned to us for auction, we would conduct a series of due diligence checks on the source and ownership of (and, where applicable, chain of title to) the relevant artworks in accordance with our internal control and risk management procedures. Please see the section headed "Business — Internal Control and Risk Management" for details of our internal control and risk management policy, in particular on the area of artwork authentication and valuation.

We require consignor or seller of artwork to give representations and warranties as to the ownership and legality of source, and such representations and warranties are set out as an express term in the auction consignment agreement or the conditions of sale. Our policy does not allow us to accept, or requests us to immediately return to the consignor or the seller any artwork, which we know, is subject to title dispute or legal impediments. However, any title claim against us may nevertheless expose us to reputational risks and divert our management attention and resources from existing business, hence adversely affecting our business, financial condition and results of operations.

RISK FACTORS

Artworks consigned to us could be subject to damage or theft, which could have a material and adverse effect in our business and brand reputation

We normally keep artworks consigned for sale or artworks we purchased as a principal in storage rooms. In addition, prior to auctions usually scheduled in Spring and Autumn each year, we organize preview exhibitions in Hong Kong, Japan and other cities. As different types of artworks may require special treatment with regards to their storage, transportation and exhibition environment, including temperature, humidity and light, we cannot assure that our security and inventory management measures will be adequate to prevent theft of or damages to artworks. Furthermore, even though we have purchased insurance policies to protect us from risks and losses arising from damage or theft, the insurance coverage may not be sufficient to cover the loss suffered. However, the occurrence of any of the above circumstances may render us to claims and litigation. Any such claim may adversely affect our reputation, customer relationship and ability to source artworks for auction in the future. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Insurance coverage for artworks may not be sufficient, exposing us to losses for artworks in our possession

We maintain insurance coverage for publicly exhibited artworks in Hong Kong and Japan. It is possible that we will not be able to renew and continue our existing insurance policies due to the exclusiveness and rarity of artworks, which may require different or specific maintenance condition. As a result, we may need to search for suitable insurance policy in the market again, which may not be able to protect us from losses arising from damages or losses of relevant artworks. We may also need to narrow our scope of insurance coverage and premium if the insurance premium becomes immoderately high in the future. Nonetheless, the development of the insurance industry may fall behind the rapid development of the art industry, which hampers our ability to obtain sufficient insurance policies. In that event, we may suffer from materialization of these risks, which could lead to significant increase of capital expenditures and expenses as well as liabilities, thereby upsetting our business and operating results.

Our failure to maintain or increase our marketing activities and capabilities could adversely affect our market share and our reputation, business, financial condition and results of operations

We intend to deepen the market penetration and expand our geographical coverage through efficient sales and marketing efforts and to conduct marketing and promotion activities. However, there is no assurance that our current and planned spending on marketing activities will be adequate to support our growth strategies. Any factors adversely affecting our ability to maintain or increase our marketing activities and capabilities will have an adverse effect on the market share of our services and products, brand names and reputation, which may result in decreased demand for our services and products and may adversely affect our business, financial condition and results of operations.

Our growth and development in our business may be adversely affected by competition

In Hong Kong, we are in competition with leading auction houses with the capability of sourcing, authenticating and valuating artworks whilst in Japan, we are a well-recognized auction house competing with a few local players. Some of our competitors may have strategic advantages over us in terms of their financial resources, network coverage, customer base, source of artworks and brand recognition. Competition may cause a decrease in our auction revenue and an increase in the cost of sourcing of artworks and in the recruitment of expertise in the auction industry.

RISK FACTORS

Our competitive strengths in comparison with our competitors depend on various factors, for example, our abilities to maintain the established market position in the Chinese art auction market in Hong Kong and Japan, to secure a supply of premium artwork, to establish a brand name with strong reputation, to maintain good and long term relationship with customers, to retain experienced professional and management team, and to operate our business segments. If we cannot successfully compete with our competitors, we may lose our established market position and our results of operations may be materially and adversely affected.

Our business may be adversely affected if we are unable to retain and hire senior management, expert and qualified employees

Our success has been largely attributable to a group of senior management, internal authentication and valuation experts. The authentication and valuation experts have been accumulating experience through years of practice in order to provide professional and reliable advice to our Company. For biographies of our Internal Artwork Appraisal Team, please see sections headed “Business — Internal Control and Risk Management — Authentication and Valuation of Artworks — Working team and experts for authentication and valuation of artworks” and “Directors and Senior Management” in this prospectus. In addition, our growth depends significantly on our ability to attract, train and retain qualified employees, including IT and accounting, industry specialists and risk management personnel. Failure to recruit or retain qualified employees may materially upset our business prospect and development.

There is no assurance, however, that any or all of our senior management and our employee will continue their employment with us and that we are able to engage and continue retaining appropriate and sophisticated experts. If any of our senior management, employee and expert is unable or unwilling to continue his or her service with us, we may not be able to find a suitable replacement in a timely and cost efficient manner, or at all. The loss of the services of any of them or the failure to find a suitable and timely replacement might cause disruption to our business and may have a detrimental impact upon our ability to manage or operate our business effectively.

Any impairment losses realized by us for our inventories in case of excessive inventories could have a material and adverse effect on our business, results of operations and financial condition

Our total value of inventories as of March 31, 2016, 2017 and 2018 were approximately HK\$21.4 million, HK\$13.8 million and HK\$23.1 million, respectively. We cannot assure you that we will not make any impairment loss on our inventories in the future as we are exposed to increased inventory risks as a result of a variety of factors beyond our control, including, changing artwork market trends, material fluctuations or abnormalities in the demand of our artworks we purchase as principal or buyer’s tastes and preferences of the artworks in the market. Further, we cannot assure you that our inventory management measures will be implemented effectively so that we will not have significant levels of excessive inventories. In the event that there is a sudden decrease in the market demand for our artwork under artwork sales segment or in the event that our artworks do not successfully meet buyer’s preference, we may experience slow movement of our inventories. We may not be able to sell our inventories swiftly, and may face the risk of inventory obsolescence. The slow movement of our inventories may in turn lead to an increase in our inventory level and thus an increase in our inventory carrying costs or provision for impairment of inventory.

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There is no assurance that we will fully recover consignor advances, which may have a material and adverse effect on our business, financial condition and results of operations

According to auction consignment agreement, we have no obligation to make payment to the consignor prior to the receipt by us of the full purchase price of the artwork. However, in order to attract appealing artworks and retain premium consignors, upon request, we may provide certain consignors with consignor advances carrying interest accruing on such consignor advance at the rate of 1%, the amount of which is generally determined through negotiation between us and the consignor. In case that we fail to sell the consigned artwork at our auction, we will return the artwork to the consignor after obtaining full repayment of the consignor advances with accrued interest. As of March 31, 2016, 2017 and 2018, the aggregate amount of consignor advances amounted to approximately HK\$7.6 million, Nil and HK\$15.2 million, respectively. There is no assurance that we will always be able to recover consignor advances in its full amount, or at all. As a result, our business, financial condition and results of operations could be materially and adversely affected if material defaults from consignors in the repayment of consignor advances occur.

We had negative net cash flow from operating activities for the year ended March 31, 2018. If we are unable to generate positive net cash flow from operating activities and cannot obtain sufficient external financing to meet our financial needs and obligations, our business, financial condition and results of operations may be materially and adversely affected

For the year ended March 31, 2018, we recorded negative net cash flow from operating activities of approximately HK\$112.3 million, primarily attributable to (i) the timing of our Spring Auction held in Japan, and (ii) the additional input value-added tax paid. For details, please see the section headed “Financial Information — Liquidity and Capital Resources — Working Capital” of this prospectus. We cannot assure you that we will not experience negative net operating cash flow in the future. Negative net operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we will be in default of our payment obligations and may not be able to implement our business strategies as planned. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Risks Relating to our Overall Business and Industry

The uncertainties in the global economy may have adverse effect on our business

Any unfavorable global economic condition such as the trade war between China and the United States, and the uncertainties in financial markets over the decision by the United Kingdom to exit the European Union, may have a detrimental impact on artwork supply and demand, and in turn have a significant adverse impact on our business, financial condition and results of operations. In particular, our operations are more exposed to risks associated with fluctuation of regional economic, political and financial environment in jurisdictions such as Japan, Hong Kong, China and Asia Pacific countries because most of our customers and suppliers are located in such jurisdictions.

Notwithstanding that artworks are less sensitive to the economic downturn comparing to the luxury goods, at times of economic downturn and political instability, potential buyers and sellers may lack incentive to purchase and sell artworks. As a result, our auction commission income generated by auction sales could decrease.

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Our past results are not indicative of our future performances, and fluctuations in market demand of artworks may cause significant turbulence in our results of operations

A number of factors, many of which are out of our control, affect market demand for our artworks. These factors, namely, overall economic and political environment, changing trend in the art market as to which category, age and style of artworks as well as artists are most sought after, collecting preference of individual collectors, and willingness of potential buyers or sellers to purchase or sell particular artworks, are hardly forecastable however could lead to a significant fluctuation in our operations. There is no assurance that similar circumstances will occur in the future again. Please also see the section headed “Risk Factors — Our results of business operations could be adversely affected by buyer’s default in making payment in due course”. We may not be able to sustain the rate of our business growth due to increasing market saturation, competition, regulation and other factors. Therefore, our past results should not be relied on as an indication to our future performance.

Our results of business operations are subject to seasonal fluctuations

We have historically experienced and are expected to face slight seasonal fluctuations in our business. In line with the auction industry practice, we organize two principal auction sales each year in Hong Kong and Japan, namely, the Spring Auction and the Autumn Auction. In Japan, the Spring Auction takes place between February and March each year while the Autumn Auction takes place in September each year. In Hong Kong, the Spring Auction takes place in May each year while the Autumn Auction takes place in November each year. As our Group usually offers larger number of auction lots and puts artworks of higher value to our Autumn Auction, during the Track Record Period, our auction income generated from sales of artworks in the Autumn Auction accounted for a relatively larger portion of our annual auction income compared with that of sales of artworks in the Spring Auction. The revenue generated from auction transactions in the Autumn Auction in aggregate accounted for approximately 62%, 62% and 63% respectively of the revenue generated from art auction and related business for the years ended March 31, 2016, 2017 and 2018. As our revenue may experience slight fluctuation seasonally, comparisons of sales and operating results between different periods in a single financial year for our business, or between the same periods in different financial years, may not necessarily be meaningful, and should not be relied on as indicators of our future performance. The slight seasonal fluctuation in our revenue requires us to control our operating capital thoroughly to provide our business with sufficient cash flow for operations. Failure to manage seasonality in our business may cause detrimental effects to our revenue and financial condition.

Our business expansion plans and development strategies may not be successful

We intend to expand our operations in existing or new areas through exploring the contemporary artwork and jewelry market, which we see rooms for development. In addition, as part of our effort to expand in the global artwork auction markets, we plan to set up a new representative office in each of Beijing and California. We intend to utilize proceeds from the Global Offering primarily in the expansion of our business operations. For details, please see the sections headed “Business — Strategies” and “Future Plans and Use of Proceeds” of this prospectus.

Our expansion plans, in particular, in connection with the development of the contemporary artwork and jewelry market and the setup of representative offices in Beijing and California, involve significant risks and uncertainties, including failure in retaining and hiring experts in the contemporary artwork and jewelry industry, preferences of buyers in purchasing contemporary artworks and jewelries, as well as

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failure in sourcing premium or sufficient contemporary artworks and jewelries. Further, the intended pioneering establishment of contemporary artwork and jewelry department in reaching out to the contemporary artwork and jewelry market is innovative and new to us and may not receive market support. We may therefore incur significant costs in the expansion of our business.

Further, we may incur significant costs in the expansion of business. Any failure to implement our expansion plans may materially and adversely affect our business prospect. If we are unable to implement our development strategies and business expansion plans or unable to achieve our goals by such strategies and plans, our business, financial performance and prospect may be materially and adversely affected.

A failure in our IT systems could disrupt our business operations, result in leakage of confidential information, damage our reputation and cause losses

Our business operations rely heavily on proper operation of IT systems. We depend on an electronic artworks database to keep track of historical trading prices of extensive amount and variety of artworks and gain access to information on a sizeable number of customers. In addition, we deliver electronic auction catalogs timely to both potential and existing buyers by way of electronic mail. Our auction catalogs are also available in digital form, which can be viewed on our official website. Please see the section headed “Business — Information Technology”.

We have regulated our IT system by regular inspection and maintenance of our internet services to ensure non-disturbance, anti-virus protection and safety measures on storage of information. However, in case of human error, natural disaster, power failure, computer virus, spam attack, illegal invasion and other similar interference where our IT system is not sufficiently and effectively equipped to provide protection, customer’s information and other confidential information processed, stored in, and transmitted through our IT systems and networks may be subject to leakage or damage. It may cause interruptions and malfunctions in our operations or interfere with the customers’ use of our website or online services. Any leakage of information of customers could harm our customer relationship and we may face litigation or claim from our customer against leakage of confidential information and our competitiveness, financial condition and reputation may be materially and adversely affected.

Our business prospect may be materially and adversely affected if our risk management and internal control systems (including anti-money laundering and anti-corruption) are not adequate and effective in controlling and limiting our risk exposure

Our business is subject to different level of risks. For instance, we face risk of default or delay of payment by buyers, risk of authenticity, valuation, legality of source and ownership of artworks. We have established and implemented internal control policies and risk management systems with the aims to identify, evaluate and manage various risks inherent to different aspects of our business operations. Certain areas within our risk management and internal control systems may require constant monitoring, maintenance and continual improvements by our senior management and staff. For details, please see the section headed “Business — Internal Control and Risk Management”.

Our business, financial condition and prospect may be materially and adversely affected if our efforts to maintain these risk management systems are proved to be ineffective or inadequate. At the outset, our internal control policies may contain inherent limitations caused by misjudgment. We cannot assure you that our risk management systems and internal control policies are sufficiently effective in identifying and mitigating all types of risks in connection with our business, including unidentified or

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unexpected risks. Some of our risk management and control methods are based upon historical market practice and past events. As a result, we may not be able to effectively identify or estimate future risk exposures, which may be significantly greater than those indicated by measures based on historical data. Furthermore, if we expand our business operation, we may not be in a position to adequately identify and predict future risk exposures associated with such new operation.

Further, money laundering or corruption by our employees or third parties may be difficult to be detected and prevented. We have designed internal control policies and risk management systems to monitor overall compliance and prevent money laundering activities. However, we may fail to identify non-compliance or suspicious transactions in a timely manner or at all and it is not assured that our internal control policies and risk management systems will effectively prevent the occurrence of money laundering and corruption. As a result, we may suffer from unfavorable impact on our reputation, operation, financial condition, future development and relationships with supervisory organizations. In more serious cases, these may bring about suspension of our business.

Misconduct or illegal activities of employees, representatives, agents and suppliers could have a material and adverse effect on our business and reputation

Misconduct or illegal activities of employees, representatives, agents and suppliers could result in violations of law by us, regulatory sanctions, mandatory penalties or financial losses. Such misconduct could include a binding transaction that exceeds authorized limits, illegal disclosure of confidential information, providing fraudulent information, engaging in unauthorized trading, money laundering and bribery that are to the detriment of our Company, or otherwise not complying with our internal control measures. We cannot assure you that it will always be possible to detect fraud or other misconduct of employees, representatives, agents or suppliers. The precautions we take to detect and prevent such misconduct or illegal activities may not be effective. We could also suffer from negative publicity, reputational damage or litigation losses that could arise from misconduct of our employees, which may have a material and adverse effect on our business and reputation.

Failure to protect our own and third party intellectual property rights could materially and adversely affect our business

Our intellectual property rights mainly consist of two registered domain names, namely, “www.chuo-auction.co.jp” in Japan and “www.chuo-auction.com.hk” in Hong Kong. In addition, we have one registered trademark in Hong Kong which is material to our business, including our Company’s logo. Any action that damages our intellectual property rights may adversely affect our business, financial condition, reputation, results of operations and prospect.

We also need to offer legal protection for intellectual property rights of third parties, in the case of consigned auction items. We have implemented necessary management guidelines in protecting our and third parties’ intellectual property rights. However, we cannot assure you that such mechanisms can adequately and effectively prevent infringers from imitating and copying our intellectual properties. Any risk of infringement would contribute to a material and adverse effect on our business and reputation.

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Failure to protect private or sensitive information of customers could have material and adverse effect on our business

We are required to comply with applicable laws and regulations in jurisdictions where we operate our business with respect to the protection of confidential and sensitive information. Any leakage of such information could harm our relationships with customers. If we fail to effectively comply with applicable laws and regulations, the relevant government agencies may impose sanctions or other penalties on us. We could also be liable for economic loss suffered by our customers because of our failure to protect their confidential and sensitive information. As a result, our business, financial condition and results of operations could be materially and adversely affected.

We may be subject to litigations, allegations, complaints and investigations, and our reputation, corporate image and operating results could be adversely affected if such results are adverse to our interests

Our business is subject to risks of litigation, allegation, complaint and investigation, in particular in our operations relating to consignment, authentication and transaction of artworks. Customers may commence litigations or arbitration proceedings against us and we may be subject to inquiries, investigations, litigations and proceedings by governmental agencies. From time to time, we may also be involved in disputes, complaints or litigations with third-party suppliers or other counter parties in our normal business operations. Actions brought against us may result in settlements, injunctions, fines, penalties or other adverse results that could harm our reputation and corporate image. A significant judgment, arbitration award or regulatory action against us arising from adverse adjudication in proceedings against our Directors and senior management could have material and adverse impact to our business, financial condition, results of operations and prospect. In addition, if we fail to solve any dispute, litigation, complaint or investigation in a timely manner, our corporate image and reputation may be adversely affected.

Our business, financial condition, results of business operations and prospect and the value of your investment may be materially and adversely affected as a result of negative media coverage relating to us, our personnel, our Controlling Shareholder or the auction industry

Our auction business continues to be covered by various media. We may be subject to and associated with negative media coverage, including those on the internet, with respect to our corporate affairs, disputes with customers or third-party suppliers and alleged misconduct of our personnel, our Controlling Shareholder or other industry peers. Despite of our well-designed internal control policies and risk management systems in identifying, evaluating and managing different kind of risks inherent to our business operations as well as governing our daily operation, there may still be negative media coverage concerning our Company, employees or Controlling Shareholder. No matter these negative media coverage are accurate or applicable to us or not, there may have a material adverse effect on our reputation and may consequently undermine customers' or investors' confidence. As a result, our business, financial condition, results of operations, prospect and the value of your investment may be materially and adversely affected.

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Any future occurrence of force majeure events, natural disasters, outbreaks of pandemics or terrorist attacks may have a material and adverse effect on our business

Our business could be materially and adversely affected by natural disasters, such as earthquakes, floods, landslides, outbreaks of health epidemics, for example avian influenza, swine influenza and severe acute respiratory syndrome, or SARS, and Influenza A virus, such as H5N1 subtype and H7N9 subtype flu viruses, as well as terrorist attacks, other acts of violence or war or social instability in the region in which we operate or those generally affecting Japan and Hong Kong. Any recurrence of avian influenza, severe acute respiratory syndrome or other outbreak of epidemics could have a material and adverse effect on our business. Floods, landslides and particularly earthquake and volcanic eruption which have frequently occurred in Japan, could create public fear or restrictions in traffic and transportation. War, terrorist activity and social unrest could affect economic development and our business operability. Any force majeure event could lead to isolation or closure of parts of our representative offices and facilities; senior management and employees suffering from severe diseases and the overall slowdown of economy could have a material and adverse effect on our business, results of operations and financial condition.

Our failure to distinguish the Restricted Cultural Property recognized by the Convention may significantly affect our business

Being one of the state parties (each a “**State Party**” and collectively the “**State Parties**”) to the Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property (the “**Convention**”), China and Japan undertake to set up within their territories one or more national services for the protection of cultural property (the “**Restricted Cultural Property**”) against illicit import, export and transfer of ownership. For instance, China and Japan undertake to take necessary measures, in consistent with the national legislation, to prevent museums and similar institutions within their territories from acquiring cultural property originating in another State Party which has been illegally exported after entry into force of the Convention, in the States concerned.

Under the relevant laws and regulations in China, if any illicit import, export and transfer of the Restricted Cultural Property of China is put on auction in any State Party, the Chinese government may issue a notice to the relevant State Party and request such State Party to send a notice to the relevant auction house to put on hold of the auction of that Restricted Cultural Property from China. Similarly, under the relevant laws and regulations in Japan, any illicit import, export and transfer of the Restricted Cultural Property is required to obtain prior approval from the relevant Japanese authority and those who import, export and transfer the Restricted Cultural Property without obtaining such approval will be subject to imprisonment or a fine.

We have implemented internal control policies and risk management systems in distinguishing the Restricted Cultural Property. For details, please see the section headed “Business — Internal Control and Risk Management”. In addition, there are no regulatory, legal or governmental actions or proceedings (including without limitation litigation, administrative proceedings and governmental investigations or inquiries) against the subsidiary in Japan. However, we cannot assure you that our risk management systems and internal control policies are sufficiently effective in identifying all Restricted Cultural Property. Our failure to effectively identify all Restricted Cultural Property may result in a material and adverse effect on our business and reputation.

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RISKS RELATING TO HONG KONG

Political and economic risks associated with conducting business in Hong Kong

Half of our business operations are conducted in Hong Kong, and a significant portion of our revenue is derived from our auctions in Hong Kong. Accordingly, our business, financial condition and results of operations are affected significantly by economic, political and legal developments in Hong Kong. Hong Kong is a special administrative region of the PRC and the basic policies of the PRC regarding Hong Kong are reflected in the Basic Law (基本法), Hong Kong's constitutional document, which provides Hong Kong with a high degree of autonomy and executive, legislative and independent judicial powers, including that of final adjudication under the principle of "one country, two systems". However, there is no assurance that there will not be any changes in the economic, political and legal environment in Hong Kong in the future. Our business, financial condition and results of operations may be affected should there be any material adverse change in the stability and development of the economic, political and legal environment of Hong Kong.

As we generate a significant portion of our revenue in Hong Kong, we are susceptible to developments in Hong Kong

Revenue generated from Hong Kong amounted to approximately HK\$38.6 million, HK\$63.1 million and HK\$89.8 million for the years ended March 31, 2016, 2017 and 2018, respectively, representing 27.8%, 42.6% and 51.8% of our total revenue for the same periods, respectively. We anticipate that our business in Hong Kong will continue to contribute increasingly significantly to our results of operations following the completion of the Global Offering. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our business, financial condition and results of operations may be materially and adversely affected. In addition, we may have difficulties expanding into new markets. Therefore, if there is any deterioration in the development in Hong Kong, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN JAPAN

A majority of our assets are located in Japan, and a majority portion of our revenue came from Japan during the Track Record Period. Therefore, our results of operations, financial position and prospect are significantly affected by risks relating to business operations in Japan.

The economic, political and social condition, as well as governmental policies in Japan could affect our business, financial condition, results of business operations and prospect

Japan has a highly developed and market-oriented economy. In terms of GDP, Japan experienced an annual real GDP growth rate of 1.5% in 2017, compared to 1% in 2016 and 1.1% in 2015. In face of rapidly aging population and a shrinking workforce in Japan, the Japanese government has been carrying out reforms to boost wages, productivity and growth. In particular, the three arrows of monetary easing, flexible fiscal policy and structural reforms are key priorities to stimulate economic growth. However, the success of these monetary and economic measures is unwarranted. Subject to any economic reform, monetary and fiscal policy Japanese government may have adopted in the future in light of possible changes of economic condition, the benefits that we are entitled to may diminish. In addition, we are

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unable to predict whether the changes in Japan's politics, economy, social condition, laws and regulations or governmental policy will have an adverse impact on our business, results of operations or financial condition in the future.

We may be subject to changes in laws and regulations affecting the auction industry in Japan

According to Japanese laws and regulations, there is no particular law or regulation specifically governing the auction industry. The usual laws and regulations applicable to operating business in Japan, for instance, the Corporate Tax Law, Commercial Code and Companies Act are applicable to the running of an auction business in Japan. However, there can be no assurance that the laws and regulations regarding the auction industry in Japan will continue in future. Any possible change in laws and regulations in Japan affecting the auction industry may significantly affect our business, results of operations or financial condition in the future.

We may no longer be able to enjoy the tax preferential treatment and other favorable treatment from the Japanese government in the future, which may cause adverse effect to our business

As of the Latest Practicable Date, some of our costs were entitled to preferential tax treatment or tax exemption in Japan. There is no assurance that we could continue to be granted to such tax exemption in the future due to changes in tax policies to be adopted by the Japanese government authorities. To the extent that there is any change in, or withdrawal of, any preferential tax treatment applicable to us, or increase in the effective tax rate, our tax liability would increase accordingly. The occurrence of these changes may be detrimental to our business, results of operations and financial condition.

The potential increase in consumption tax in Japan may affect our Company's financial condition, results of business operations and business

The Japanese government reviews tax policy annually as part of its budgetary process. Under The Consumption Tax Act (Act No. 108 of December 30, 1988, as amended) in Japan, the consumption tax is assessed at each stage of the manufacturing, importing, wholesale and retail process. The current consumption tax rate is 8% (6.3% imposed as national tax and 1.7% as local tax). The Japanese government announced its intention to increase the consumption tax to 10% (7.8% imposed as national tax and 2.2% as local tax) with effect from October 2019. We are unable to predict when the consumption tax will further increase in the future or at what rate. If the consumption tax is further increased, it is likely that consumer spending will be adversely affected, which in turn may decrease the demands from our customers in buying artworks, resulting in material adverse effects on our Company's financial condition, results of operations or business.

Our Company may be subject to the corporate tax in Japan and there is no assurance that changes in the corporate tax rate in Japan will not materially and adversely affect our operating results and performance

Under the Corporation Tax Act, the statutory tax rate for corporate tax in Japan is currently 29.97%. The corporate tax rate in Japan on assessable profits is generally higher than the applicable tax rate in Hong Kong. The Japanese government reviews tax policy annually as part of its budgetary process. We cannot predict when the corporate tax rate will increase in the future or at what extent. Any material increase in the corporate tax rate in Japan may have adverse impacts to our Company's financial condition, results of operations or business.

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We may fail to satisfy the requirements for dividend distribution deduction and consequently incur higher tax costs in Japan

According to Japanese law, TCA Japan may only pay dividends out of its distributable profits. Distributable profits (as determined either by Japanese GAAP or IFRS, whichever is lower) refer to the net profits in a certain period, less any recovery of cumulative losses and allocations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to ensure us that we make dividend distributions to our Shareholders in the future. Any undistributed profit of the preceding year, which has not been distributed, will be retained and available for distribution in subsequent years.

Moreover, as distributable profits are calculated differently under Japanese GAAP than under IFRS, our operating subsidiaries may not have distributable profits as determined under Japanese GAAP, even if they have profits as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Any failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distribution to our Shareholders in the future, including those periods for which our financial statements indicate that our operations have been profitable.

RISKS RELATING TO GLOBAL OFFERING AND OUR SHARES AND RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

There may be potential conflict of interests between the Controlling Shareholder and other minority Shareholders

Immediately following the Global Offering, the Bonus Issue and the issue of the Conversion Shares upon conversion of the Convertible Notes, our Controlling Shareholder, Mr. Ando, will beneficially own an aggregate of approximately 75% of the Shares in issue (without taking into account Shares, if any, to be allotted and issued pursuant to the exercise of the Over-allotment Option or any option that may be granted pursuant to the Share Option Scheme). The interests of the Controlling Shareholder may differ from the interests of the other Shareholders. There is no assurance that the Controlling Shareholder will act in our best interests or that of the minority Shareholders. If there is any conflict of interest between the Controlling Shareholder and the minority Shareholders, the Controlling Shareholder may have power to prevent us from proceeding with any proposed transaction at the general meeting, which may be unfavorable to us and other Shareholders, regardless of the underlying reasons.

Investors will experience dilution as a result of additional equity fund raising

After Listing, we may issue additional Shares to raise additional funds to finance our business expansion. Such fund-raising activities may be made through issue of new equity or equity-linked securities of our Company, which are not made on a pro rata basis to existing Shareholders. In such event, the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or such newly issued securities may have rights, preferences or privileges superior to those of the ordinary Shares held by existing Shareholders. Alternatively, if we meet such funding requirements by way of debt financing, such debt financing arrangements may have restrictions on us including limiting our ability or flexibility to pay dividends and requiring us to set aside certain part of our cash flows from operations to repay our debt, etc.

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There was no prior public market for our Shares, an active trading market for our Shares may not develop and the market price and trading volume of our Shares may be volatile and affected by factors not under our control

Prior to the Global Offering, there was no public market for our Shares. The initial issue price range for our Shares and the Offer Price was the result of negotiations between the Sole Global Coordinator (on behalf of the Underwriters) and us. Such Offer Price may differ significantly from the market price for the Shares following the Global Offering. Further, we cannot assure you that an active trading market will develop or be maintained following completion of the Global Offering, or that the market price of our Shares will not decline below the Offer Price.

The price and trading volume of our Shares may be volatile which is affected by various factors, some of which are beyond our control, including, variations in our revenue, earnings and cash flow, our inability to compete effectively in the market, unexpected business interruptions, our inability to obtain or maintain regulatory approval for our operations, unfavorable political, economic, financial and social developments in Japan and Hong Kong and in the global economy.

There is time lag between pricing and commencement of trading of the Shares, and the price of our Shares may fall before trading begins

The Offer Price will be determined on the Price Determination Date, which is expected to be on Wednesday, October 3, 2018. However, trading of the Shares on the Main Board will not commence until the Listing Date, which is expected to be on Thursday, October 11, 2018. During this period, investors may not be able to sell or otherwise deal in the Shares. Accordingly, holders of the Shares are subject to the risk that the Shares' price may fall before trading begins, resulted from adverse market condition or other adverse developments that may occur between the said period of time.

Future issues, offers or sale of Shares may adversely affect the prevailing market price of the Shares

Prevailing market price of Shares may, after Listing, be negatively impacted by future issue of Shares by our Company or the disposal of Shares by our Controlling Shareholder or the perception that such issue or sale may occur. Future sales, or perceived sales, of substantial amounts of our Shares may also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us. Shares held by our Controlling Shareholder are subject to certain lock-up undertakings for periods up to 12 months after the Listing Date. However, we cannot give any assurance that he will not dispose of Shares he may own now or in the future.

The shareholding percentages of the existing Shareholders will be diluted following the automatic conversion of Shares in full (but not part) on the Listing Date

Subsequent to the Track Record Period, our Company entered into the Pre-IPO Investments, namely the subscription of the Convertible Notes by our Pre-IPO Investors in the aggregate principal amount of approximately HK\$38.8 million which are expected to be automatically converted to Shares in full (subject however to the Pre-IPO Investors' Opt-out Right) on the Listing Date. Based on the number of Shares which are expected to be in issue immediately upon Listing, the Pre-IPO Investors are expected to be allotted and issued in aggregate 28,512,722 Shares upon conversion of the Convertible Notes, representing approximately 5.7% of the enlarged issued Share capital immediately following the completion of the Global Offering and Bonus Issue (based on the number of Shares which are expected to be in issue

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immediately upon Listing and assuming that the Over-allotment Option is not exercised). The cost per Share will be approximately HK\$1.36 per Share and represents approximately a 9.3% discount to the lowest range of the Offer Price of HK\$1.50 per Share and approximately a 20.5% discount to the highest range of the Offer Price of HK\$1.71 per Share. The Pre-IPO Investors are not entitled to any early redemption right, but are granted an Opt-out Right, exercisable in the manner set out in the respective Note Instrument. All of the proceeds of the Convertible Notes were received by our Company on or before April 25, 2018. As a result, the shareholding percentages of the existing Shareholders in the Company would be diluted when the Convertible Notes are automatically converted to Shares in full on the Listing Date and could negatively affect the market price of the Shares.

Granting options under the share option scheme may affect our Company's results of operations and dilute Shareholder's percentage of ownership

We may grant share options under the Share Option Scheme in the future. The fair value of the options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation, which may adversely affect our Company's results of operations. Issue of Shares upon exercise of the share options granted under the Share Option Scheme will also increase the total number of Shares in issue after such issue, resulting in the dilution to percentage ownership of the Shareholders and the net asset value per Share.

There can be no assurance if and when we will pay dividends in the future; dividends declared in the past may not be indicative of our dividend policy in the future

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be formulated by our Board at its discretion and will be subject to our Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including, but not limited to, our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under HKFRS, our Articles of Association, any applicable laws and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Please see the section headed "Financial Information — Dividend" of this prospectus for more details. In addition, dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future.

Statistics and industry information may come from various sources, which may not be reliable

Certain facts, statistics and data presented in this section and the sections headed "Summary", "Industry Overview" and "Business" and elsewhere in this prospectus relating to, in particular, the art auction industry have been derived, in part, from various publications and industry-related sources prepared by government departments or Independent Third Parties. We believe that the sources of the information are appropriate sources for such information and we have no reason to believe that such information is false or misleading in any material respect or that any fact that would render such information false or misleading has been omitted. However, neither our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters nor any of the parties involved in the Global Offering have independently verified, or make any representation as to, the accuracy of such information and statistics, as such these statistics and data should not be unduly relied upon.

RISK FACTORS

No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the Application Form, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Controlling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of our or their respective directors, officers, agents, employees or advisors or any other party involved in the Global Offering.

Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press article or other media regarding us and the Global Offering including, in particular, any financial projection, valuation or other forward looking statement

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Global Offering that is not set out in this prospectus. We wish to emphasize to potential investors that we have not authorized the disclosure of such information in any press or media, and neither the press reports, any future press report nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorized by us. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the Offer Shares. You should rely only on the information contained in this prospectus and the Application Forms.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong, which normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong. The core business and operations of our Group are principally located, managed and conducted in both Hong Kong and Japan, and a substantial part of our Group's assets are based in Japan. As only one of our executive Directors is ordinarily based in Hong Kong, and all of the remaining executive Directors are ordinarily based in Japan, our Group does not and, in the foreseeable future, will not have sufficient management presence in Hong Kong.

In view of that, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the compliance with Rule 8.12 of the Listing Rules.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange and ensure that our Company complies with the Listing Rules at all times. The two authorized representatives are Mr. Ando, an executive Director and Mr. Yau, an executive Director and the company secretary of our Company. Mr. Ando holds valid travel documents to visit Hong Kong and Mr. Yau is a holder of Hong Kong permanent identity card and is ordinarily resident in Hong Kong. In addition, Mrs. Ando, an executive Director, is appointed as the alternate to the two authorized representatives. Each of the authorized representatives will therefore be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail (if applicable). Each of the two authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;
- (b) each of the authorized representatives has means to contact all members of our Board promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. In order to further enhance the communication between the Stock Exchange, our authorized representatives and our Directors, and our Company will implement the policies that:
 - (i) each Director will provide his/her office phone number, mobile phone number, fax number and e-mail address to the authorized representatives and his respective alternate; and
 - (ii) in the event that a Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives and his respective alternate;
- (c) all our Directors have confirmed that they possess valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet the Stock Exchange upon reasonable notice;

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) we will appoint CMBC International Capital Limited as our compliance adviser upon Listing pursuant to Rule 3A.19 of the Listing Rules. The compliance adviser will act as the alternate channel of communication with the Stock Exchange when our authorized representatives are not available. The compliance adviser will have access at all times to the authorized representatives (including the alternative authorized representative), our Directors and senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or request from the Stock Exchange in respect of our Company; and
- (e) in addition, all Directors will provide their mobile phone numbers, office numbers, fax numbers and e-mail addresses to the Stock Exchange to ensure that they will be readily contactable when necessary to deal promptly with enquiries from the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Global Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to the agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on or before the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

SELLING RESTRICTIONS

Each person acquiring Offer Shares will be required to confirm, or by his/her acquisition of Offer Shares be deemed to confirm, that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and the Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus and the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees, advisors or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus, and the procedures for applying for the Hong Kong Public Offer Shares are set out in the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus and in the relevant Applications Forms.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (on behalf of the Underwriters) and us on or around Wednesday, October 3, 2018 and in any event no later than Thursday, October 4, 2018. If the Sole Global Coordinator (on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Thursday, October 4, 2018 or such later date or time as may be agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering and the Bonus Issue (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), and any Shares which may be issued on the exercise of any options which may be granted under the Share Option Scheme and the issue of the Conversion Shares upon conversion of the Convertible Notes as referred to in the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments”.

Save as disclosed herein, no part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be void if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by, or on behalf of, the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

Prospective investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in our Shares. It is emphasized that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, advisors or any other person involved in the Global Offering accepts responsibility for the tax effects, liabilities resulting from your subscription for, purchase, holding, disposal of or dealing in our Shares.

HONG KONG SHARE REGISTRAR AND STAMP DUTY

All Shares issued pursuant to applications made in the Global Offering will be registered on our Company's register of members in Hong Kong to be maintained by Tricor Investor Services Limited, our Hong Kong share registrar.

Dealings in our Shares registered on our Company's register of members in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to stabilization and the Over-allotment Option are set out in the sections headed "Structure of the Global Offering — The International Offering — Over-allotment Option" and "Structure of the Global Offering — Stabilization" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The application procedures for the Hong Kong Public Offer Shares are set out in the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus and in the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

ROUNDING

Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding adjustments. Accordingly, figures shown as totals in certain tables or charts may not be an arithmetic aggregation of the figures preceding them.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Hong Kong dollars have been translated, for the purpose of illustration only, into JPY, USD, and RMB and vice versa, in this prospectus at the following rate:

HK\$1.0000:	USD0.1274 (the exchange rate set forth in the Hong Kong Association of Bank of exchange rates prevailing on September 17, 2018)
HK\$1.0000:	JPY7.0093 (the exchange rate set forth in the Hong Kong Association of Bank of exchange rates prevailing on September 17, 2018)
HK\$1.0000:	RMB0.8730 (set by the People’s Bank of China for foreign exchange transaction prevailing on September 17, 2018)

No representation is made that any amounts in Hong Kong dollars, U.S. dollars or Renminbi or Japanese yen can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

For ease of reference, the English names of the Japan or China established entities, enterprises, companies, laws or regulations are translations of their Japanese or Chinese names and have been included in this prospectus marked “*” and for identification purpose only. In the event of any inconsistency between the Chinese or Japanese names and their English translations, the Chinese or Japanese names shall prevail.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Ando Shokei (安藤湘桂) (alias Liao Xianggui (廖湘桂))	5-16-2, Hatanodai Shinagawa-ku Tokyo-to Japan	Japanese
Mrs. Ando Eri (安藤恵理) (alias Feng Huijin (馮慧瑾))	5-16-2, Hatanodai Shinagawa-ku Tokyo-to Japan	Japanese
Mr. Katsu Bunkai (葛文海) (alias Ge Wenhai)	2-24-23, Higashiogu Arakawa-ku Tokyo-to Japan	Japanese
Mr. Sun Hongyue (孫鴻月)	501, JM Building 15-5, Hakozaicho Nihonbashi Chuo-ku Tokyo, 103-0015 Japan	Chinese
Mr. Yau Chung Hang (邱仲珩)	Flat F, 49/F Block 7, Central Park Towers II Tin Shui Wai New Territories Hong Kong	Chinese
Non-executive Director		
Mr. Yang Yi Chung (楊維聰)	Flat D, 10/F Block 1, Star Crest No. 9 Star Street Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Chung Kwok Mo John (鍾國武)	Flat E, 5/F Tower 2 8 Wai Yin Path Homantin Hillside Hung Hom Kowloon Hong Kong	Chinese
Ms. Lam Suk Ling Shirley (林淑玲)	Flat A, 8/F Block 2 Hung Hom Garden 3 Tsing Chau Street Hung Hom Kowloon Hong Kong	Chinese
Mr. Chun Chi Man (秦治民)	Flat A, 37/F Grand Deco Tower 26 Tai Hang Road Hong Kong	Chinese

For further information, please see the section headed “Directors and Senior Management”.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

CMBC International Capital Limited
Units 6601A, 6607-08
Level 66, International Commerce Centre
1 Austin Road West
Tsim Sha Tsui
West Kowloon
Hong Kong

Sole Global Coordinator

CMBC Securities Company Limited
Units 6601A, 6607-08
Level 66, International Commerce Centre
1 Austin Road West
Tsim Sha Tsui
West Kowloon
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Bookrunners

CMBC Securities Company Limited

Units 6601A, 6607-08
Level 66, International Commerce Centre
1 Austin Road West
Tsim Sha Tsui
West Kowloon
Hong Kong

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Sinolink Securities (Hong Kong) Company Limited

Units 2503, 2505-06, 25/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

ZMF Asset Management Limited

Unit 2502, 25/F
World Wide House
19 Des Voeux Road Central
Central
Hong Kong

Joint Lead Managers

CMBC Securities Company Limited

Units 6601A, 6607-08
Level 66, International Commerce Centre
1 Austin Road West
Tsim Sha Tsui
West Kowloon
Hong Kong

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Sinolink Securities (Hong Kong) Company Limited

Units 2503, 2505-06, 25/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

ZMF Asset Management Limited

Unit 2502, 25/F
World Wide House
19 Des Voeux Road Central
Central
Hong Kong

Legal advisers to our Company

as to Hong Kong law

Chiu & Partners

40/F, Jardine House
1 Connaught Place
Central
Hong Kong

as to PRC law

Jingtian & Gongcheng

45/F, K. Wah Centre
1010 Huaihai Road (M)
XuHui District
Shanghai 200031
PRC

as to Japanese law

Anderson Mori & Tomotsune

OTEMACHI PARKBUILDING
1-1-1 Otemachi
Chiyoda-ku
Tokyo 100-8136
Japan

**Legal advisers to the Sole Sponsor and
the Underwriters**

as to Hong Kong law

Jones Day

31/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Auditor and reporting accountant

PricewaterhouseCoopers

Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Compliance adviser

CMBC International Capital Limited
Units 6601A, 6607-08
Level 66, International Commerce Centre
1 Austin Road West
Tsim Sha Tsui
West Kowloon
Hong Kong

Industry consultant

China Insights Consultancy
10F, Tomorrow Square
399 West Nanjing Road
Huangpu District
Shanghai
PRC

Receiving bank

Hang Seng Bank Limited
83 Des Voeux Road Central
Central
Hong Kong

CORPORATE INFORMATION

Registered Office	Room 2601, 26/F Wing On Centre No. 111 Connaught Road Central Hong Kong
Head office and principal place of business in Japan	2/F and 3/F Kyobashi-Square 3-7-5 Kyobashi Chuo-ku Tokyo Japan
Company website	www.chuo-auction.com.hk <i>(information on the website does not form part of this prospectus)</i>
Company secretary	Mr. Yau Chung Hang, <i>HKICPA (non-practicing), FCCA</i> Flat F, 49/F Block 7, Central Park Towers II Tin Shui Wai New Territories Hong Kong
Authorized representatives	Mr. Ando Shokei 5-16-2, Hatanodai Shinagawa-ku Tokyo-to Japan Mr. Yau Chung Hang Flat F, 49/F Block 7, Central Park Towers II Tin Shui Wai New Territories Hong Kong <i>Alternate to the authorized representatives</i> Mrs. Ando Eri 5-16-2, Hatanodai Shinagawa-ku Tokyo-to Japan

CORPORATE INFORMATION

Audit committee	Ms. Lam Suk Ling Shirley (<i>Chairlady</i>) Mr. Chung Kwok Mo John Mr. Chun Chi Man
Remuneration committee	Mr. Chung Kwok Mo John (<i>Chairman</i>) Mrs. Ando Eri Mr. Yang Yi Chung Ms. Lam Suk Ling Shirley Mr. Chun Chi Man
Nomination committee	Mr. Ando Shokei (<i>Chairman</i>) Mr. Yang Yi Chung Mr. Chung Kwok Mo John Ms. Lam Suk Ling Shirley Mr. Chun Chi Man
Corporate governance committee	Mr. Chun Chi Man (<i>Chairman</i>) Mr. Ando Shokei Mr. Yang Yi Chung Mr. Chung Kwok Mo John Ms. Lam Suk Ling Shirley
Hong Kong share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Sumitomo Mitsui Banking Corporation 2-8-7, Kyobashi Chuo-ku Tokyo, 104-0031 Japan

INDUSTRY OVERVIEW

The information presented in this section is, including certain facts, statistics and data, derived from the market research report (“CIC Report”) prepared by China Insights Consultancy (“CIC”), which was commissioned by us. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information that would qualify, contradict or have a material impact on such information since the date of the CIC Report. The information has not been independently verified by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers representatives, advisers or any other person involved in the Global Offering and no representation is given as to its accuracy. As a result, excessive reliance on the information contained in this publication shall be avoided, even though we believe we have exercised reasonable care in the extraction and reproduction of such information and statistics.

SOURCE OF INFORMATION

We commissioned CIC, an Independent Third Party, to conduct an analysis of, and to report on the global Chinese and Japanese art auction market, in particular Hong Kong and Japan for the period from 2012 to 2022. The CIC Report has been prepared by CIC independent of the influence of our Company and other interested parties. The fee payable to CIC for preparing the CIC Report is HK\$490,000, which we consider reflects market rates for similar services. CIC’s services include industry consulting, commercial due diligence, strategic consulting, etc. Its consulting team has been tracking the latest market trends and has some of the most relevant and insightful market intelligence in various industries.

The CIC Report that we commissioned includes information on the macroeconomic environment of Hong Kong, Japan and Mainland China, global overview of the Chinese and Japanese art auction market by region, specific information on market drivers of Hong Kong’s and Japan’s Chinese art auction market, development trends of the Chinese art auction market in Hong Kong and Japan, competitive landscape of the Hong Kong and Japan Chinese art auction market as well as other market and economic data, which have been quoted in this section and other parts of this prospectus.

CIC’s independent research was undertaken through (a) conducting primary research which involved interviewing key industry experts and leading industry participants, and (b) conducting secondary research which involved analyzing data from various publicly available data sources, such as the International Monetary Fund, the United Nations, the Hong Kong Census and Statistics Department, the China Association of Auctioneers and other industry associations, etc.

CIC adopted the following assumptions when making forecast in its report: (a) the overall social, economic, and political environment in Hong Kong and Japan are expected to remain stable during the forecast period, (b) global economic and industrial development is likely to maintain a steady growth trend over the next decade, (c) related key industry drivers are likely to continue driving growth in the global Chinese art auction market during the forecast period, including increasing wealthy population, rising per capita incomes, increasing popularity of appreciation of artwork and artwork investment, favorable policies and government support, etc., and (d) there is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally. In consideration of the

INDUSTRY OVERVIEW

basis and assumptions adopted for generating and preparing projected data, the Directors are satisfied that the disclosure of the projected data is not misleading.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report.

OVERVIEW OF THE AUCTION INDUSTRY

Auction is a process of buying and selling items or services by offering them up for bids, taking bids, and then selling them to the highest bidders. The auction market is the market where interested buyers and sellers simultaneously enter ambitious bids and offers. Orders are eventually executed after matching bids and offers are paired together. The price at which an item or a service trades at reflects the highest price the buyer is interested in paying and the lowest price at which the seller is interested in selling. Major categories of items offered at auctions typically include art, jewelry, wine, watch, real estate and vehicle.

Art includes a diverse range of artworks created through visual, auditory or performing activities, and is presented as different objects, including paintings, photographs and sculptures. Each piece of artwork is marked with the characteristics of the culture behind it. From Asia to Europe, the differences in the evolution of the technology and social structure in each region attach different features to the artworks, such as artworks from the Renaissance period reflecting the intellectual theme of humanism during that period in Europe.

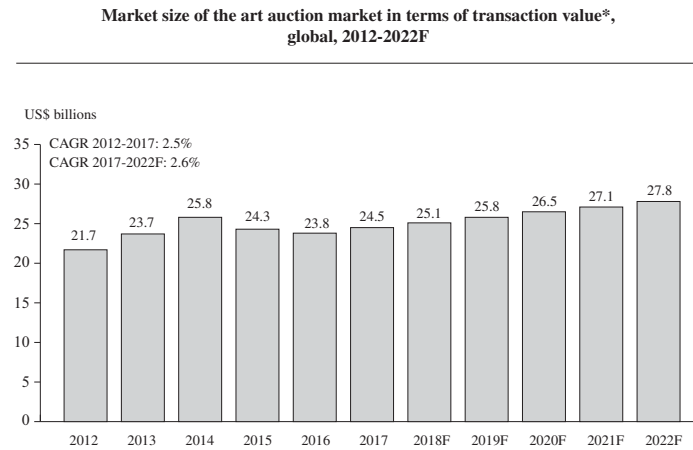
Major categories of artwork can be categorized by origin, which includes Asian art, European art, American art, and by type, which includes calligraphy, painting, antiques, photography and sculptures.

Overview of the Global Art Auction Market

The market size of the global art auction market in terms of transaction value increased from US\$21.7 billion in 2012 to US\$24.5 billion in 2017, representing a CAGR of 2.5%. Due to the relatively unfavorable economic environment such as global stock market meltdown, oil price fluctuation and decreasing in speculative investments, the global art market experienced a downturn from 2015 to 2016. However, driven by the steady economic development, increase of HNWI and increasing popularity of artwork collection, the global art auction market is expected to see a recovery, with total transaction value growing to US\$27.8 billion in 2022, representing a CAGR of 2.6% between 2017 and 2022.

INDUSTRY OVERVIEW

The following chart sets forth the historical and projected market size of the global art auction market in terms of transaction value:



Note: Above mentioned transaction value includes buyer's commission.

Source: China Insights Consultancy

Overview of the Global Chinese Art Auction Market

The market size of the global Chinese art auction market in terms of transaction value slightly increased from US\$6,911.0 million in 2012 to US\$7,062.7 million in 2017, representing a CAGR of 0.4%. The decrease between 2013 to 2016 is due to the slowdown of Mainland China's economic growth and industrial restructuring. However, the global Chinese art auction market is expected to grow over the next five years. The total transaction value of the global Chinese art auction market is expected to reach US\$8,267.9 million by 2022, representing a CAGR of 3.2% between 2017 and 2022. Several factors are conducive to the growth of the global Chinese art auction market, including the steady economic development, increase of HNWI, increasing popularity of artwork collection, appreciation of artwork and artwork investment, and the rising demand for high quality artwork.

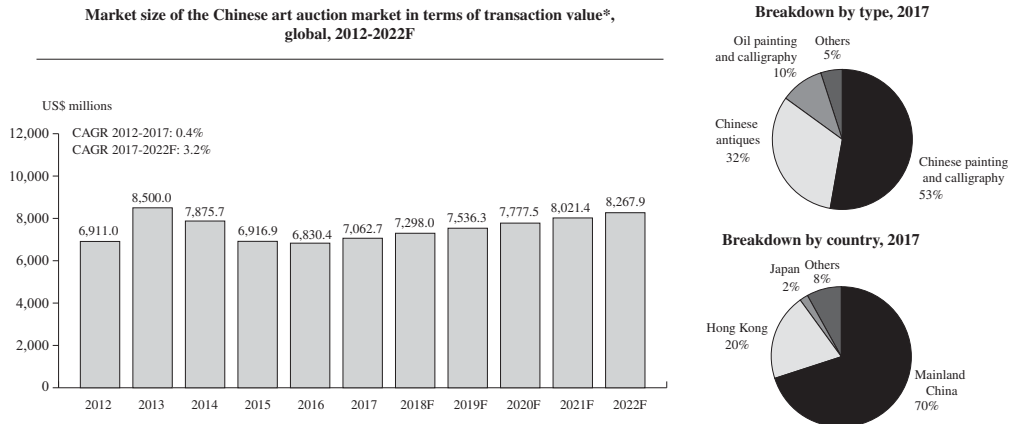
In 2017, there were approximately 600 auction houses selling Chinese artworks around the world and they held approximately 1,000 auctions. In the same year, approximately 350,000 pieces of Chinese artworks were successfully sold, representing approximately 53% of the total number of Chinese artworks offered for sale worldwide.

Amongst all Chinese artworks, Chinese painting and calligraphy and Chinese antiques were the two major categories, together accounting for approximately 85% of total transaction value generated in the global Chinese art auction market in 2017.

In 2017, Mainland China had the largest market share of the Chinese art auction market, capturing approximately 70% of the total transaction value of the global Chinese art auction market. Hong Kong is the largest market outside Mainland China, accounting for approximately 20% of the total market share in the same year.

INDUSTRY OVERVIEW

The following charts set forth the global market size of the Chinese art auction market in terms of transaction value and breakdown by type and by country in 2017:



Note: Above mentioned transaction value includes buyer's commission.

Source: China Insights Consultancy

Overview of the Chinese Art Auction Market in Hong Kong

As a free-trade port, it is both simple and tax-free to import and export artworks into and out of Hong Kong. This trade-friendly context has made Hong Kong the leading art market hub in Asia. As the government of Mainland China released policies and regulations to tighten the supervision and control of Chinese artworks, Hong Kong has become the largest Chinese art auction center outside Mainland China.

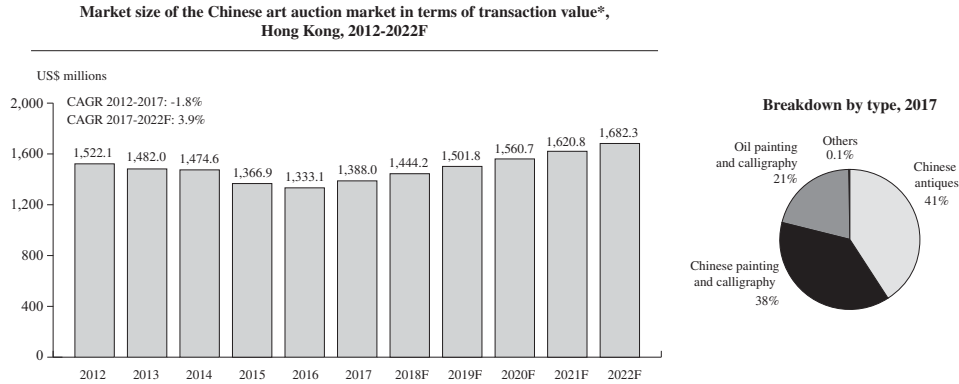
The market size of Hong Kong's Chinese art auction market in terms of transaction value slightly decreased from US\$1,522.1 million in 2012 to US\$1,388.0 million in 2017, representing a CAGR of -1.8% due to the economic downturn in Hong Kong and increase of professional preference, and as a result buyers are more rational and careful in purchasing artworks. However, the average auction price shows growth from US\$107.2 thousand in 2012 to US\$128.3 thousand in 2017 because the Hong Kong auction market is getting more mature and the auctioned Chinese artworks are mainly high-end artworks, which result in growth in average auction price.

Factors including the steady economic development, increase of HNWI, increasing demand from newly established museums and increasing popularity of artwork collection will drive the total transaction value of Hong Kong's Chinese art auction market to an expected US\$1,682.3 million by 2022, representing a CAGR of 3.9% between 2017 and 2022.

In 2017, the three categories of Chinese artworks with the highest total transaction value in the Chinese art auction market in Hong Kong are Chinese antiques, Chinese painting and calligraphy, and oil painting and calligraphy, representing approximately 41%, 38% and 21% of the total transaction value of the Chinese art auction market in Hong Kong, respectively.

INDUSTRY OVERVIEW

The following charts set forth the market size of the Chinese art auction market in Hong Kong in terms of transaction value for the period stated and breakdown by type in 2017:



Note: Above mentioned transaction value includes buyer's commission.

Source: China Insights Consultancy

Overview of the Chinese Art Auction Market in Japan

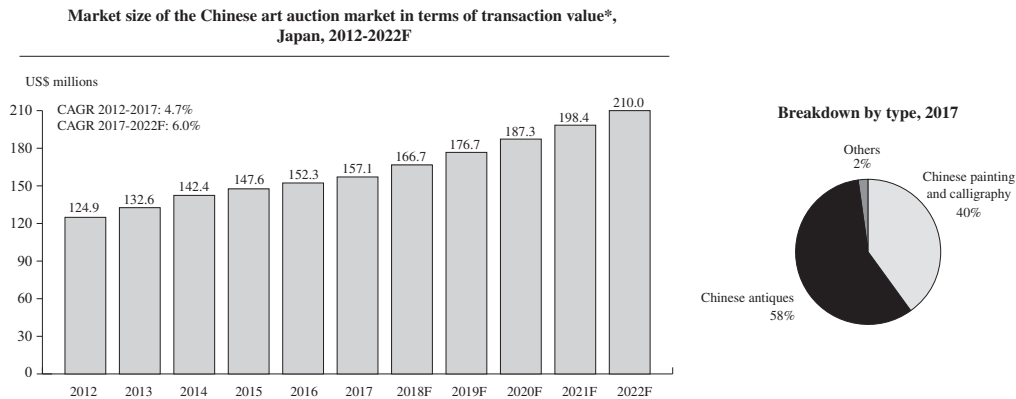
The cycle of the art auction market correlates to some extent with economic growth. After a long period of recession, Japan's art auction market has shown signs of recovery since the 2010s. The art auction market in Japan has steadily increased over the past six years. The market size of Japan's Chinese art auction market in terms of transaction value increased from US\$124.9 million in 2012 to US\$157.1 million in 2017, representing a CAGR of 4.7%.

Japan captured approximately 2.2% of the total transaction value of the global Chinese art auction market in 2017. The average auction price of Chinese artworks in Japan increased from US\$8.7 thousand in 2012 to US\$16.9 thousand in 2017.

The rising number of HNWI, increasing popularity of appreciation of Chinese artworks, and increasing number of Chinese collectors entering into the Japanese art auction market will drive the total transaction value of Japan's Chinese art auction market to an expected value of US\$210.0 million by 2022, representing a CAGR of 6.0% between 2017 and 2022.

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In 2017, the two largest types of Chinese artworks in the Chinese art auction market in Japan are Chinese antiques and Chinese painting and calligraphy, representing approximately 58.0% and 40.0% of the total transaction value of the Chinese art auction market in Japan, respectively.



Note: Above mentioned transaction value includes buyer's commission fee

Source: China Insights Consultancy

Overview of the Global Japanese Art Auction Market

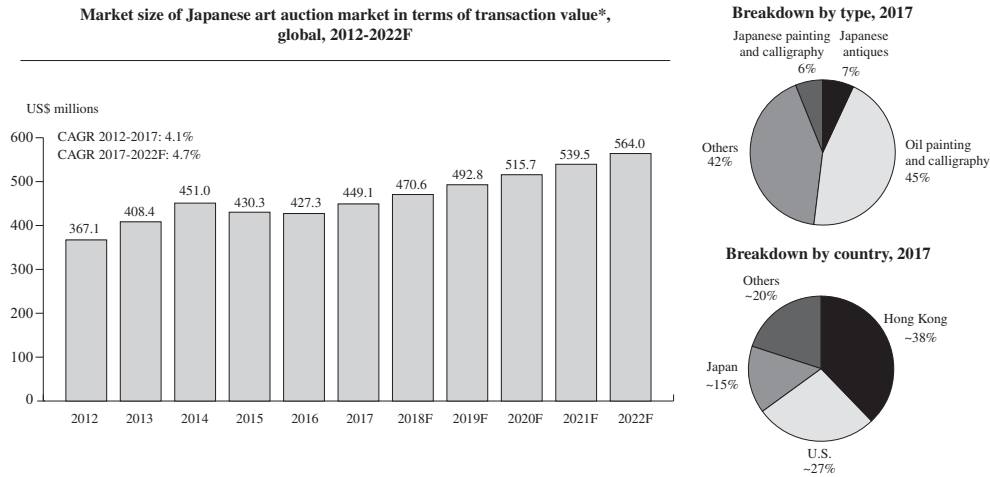
The Japanese art auction market comprises of Japanese artworks including Japanese painting and calligraphy antique, and oil painting and calligraphy. The market size of the global Japanese art auction market in terms of transaction value increased from US\$367.1 million in 2012 to US\$449.1 million in 2017, representing a CAGR of 4.1% between 2012 and 2017. Hong Kong and U.S. are the major markets for Japanese artworks, generally selling artworks of some of the most renown Japanese artists at relatively high prices, holding approximately 38% and 27%, respectively, of the total transaction value in the global Japanese art auction market in 2017. On the other hand, Japan captured approximately 15% of the total transaction value in the global Japanese art auction market in 2017.

Driven by the strong demand for Japanese contemporary artworks, increase of HNWI and increasing popularity of artwork collection, the total transaction value of the global Japanese art auction market is expected to continue to increase and reach US\$564.0 million by 2022, increasing at a CAGR of 4.7% between 2017 and 2022.

In Hong Kong, the market size of the Japanese art auction market in terms of transaction value slightly increased from USD135.8 million in 2012 to USD170.7 million in 2017, representing a CAGR of 4.7%. The total transaction value of Hong Kong's Japanese art auction market is expected to reach USD218.8 million by 2022, representing a CAGR of 5.1% between 2017 and 2022.

INDUSTRY OVERVIEW

The following charts set forth the global market size of Japanese art auction market in terms of transaction value during the period stated and breakdown by type and country in 2017:



Note: Above mentioned transaction value includes buyer's commission

Source: China Insights Consultancy

Overview of the Chinese painting and calligraphy auction market

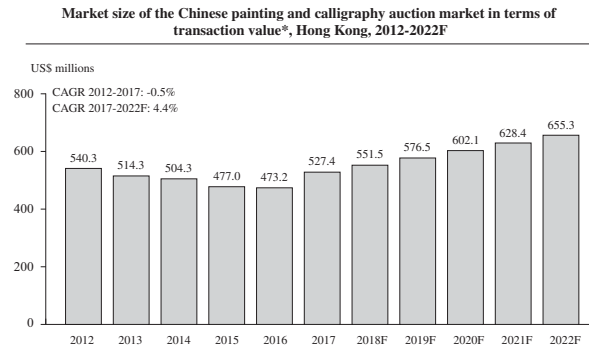
Hong Kong

In Hong Kong, the total market size of the Chinese painting and calligraphy auction market decreased from US\$540.3 million in 2012 to US\$527.4 million in 2017, representing a CAGR of -0.5%.

Since Chinese painting and calligraphy is an important category of Chinese art, the slight decline of Chinese art auction market in Hong Kong brought decrease to Chinese painting and calligraphy auction market between 2012 and 2016 accordingly. In the future, with the increasing demand of Chinese art from HNWI and museums in mainland China, the market is expected to grow with a CAGR of 4.4% and reach US\$655.3 million in 2022.

INDUSTRY OVERVIEW

The following chart sets forth the market size of Chinese painting and calligraphy auction market in Hong Kong during the period stated:



Note: Above mentioned transaction value includes buyer's commission

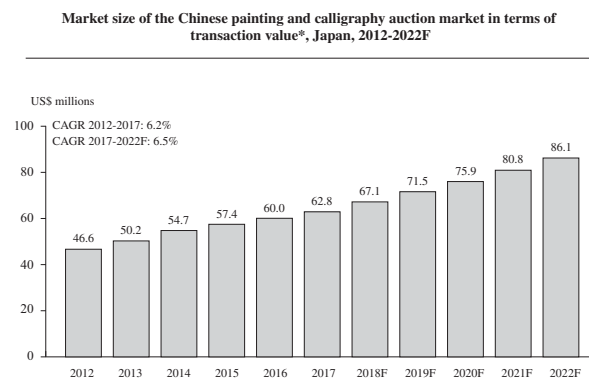
Source: China Insights Consultancy

Japan

In Japan, the total market size of the Chinese painting and calligraphy auction market increased from US\$46.6 million in 2012 to US\$62.8 million in 2017, representing a CAGR of 6.2%.

Due to the increasing growth of the market size for Chinese art auction market in Japan, Japan's Chinese painting and calligraphy auction market showed similar pattern over the past few years. With the steady growth of global economy, more overseas collectors entering Japan's Chinese art auction market, the transaction volume of Chinese painting and calligraphy will be boosted as well, with its market size reaching US\$86.1 million in 2022.

The following chart sets forth the market size of Chinese painting and calligraphy auction market in Japan during the period stated:



Note: Above mentioned transaction value includes buyer's commission

Source: China Insights Consultancy

INDUSTRY OVERVIEW

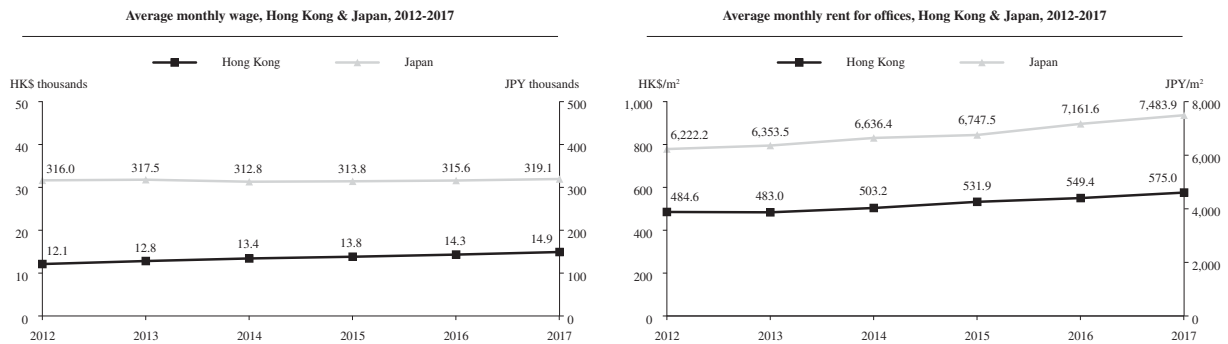
Cost analysis of the art auction market in Hong Kong and Japan

The main costs for art auction houses include costs related to general operation and auctions. In general, operational costs account for approximately 60% of the total costs and are mainly composed of labor costs and rent. Costs for auctions account for approximately 40% of the total cost and generally cover the costs of venue, catalog production, photography and transportation of artworks.

Labor cost is a significant component compared to all expenses. Between 2012 and 2017, the cost of labor in Hong Kong continuously increased, with the average monthly wage rising from HK\$12.1 thousand in 2012 to HK\$14.9 thousand in 2017. In Japan, the average monthly wage increased from JPY316.0 thousand in 2012 to JPY319.1 thousand in 2017. With a stable economic forecast, the costs of labor in both areas are expected to continue to grow. In addition, the increasing demand for high-quality artwork puts higher requirements on professional employees, exerting upward pressure on the salaries.

Auction houses generally need to rent offices to maintain daily operation. In Hong Kong, the average monthly rent for offices increased from HK\$485 per square meter in 2012 to HK\$575 per square meter in 2017. A similar pattern is observed in Japan with monthly rent rising from JPY6,222 per square meter to JPY7,484 per square meter between 2012 and 2017. The increasing demand for offices and the increasing property prices in these regions will drive rental fees to continue increasing in the future.

The following graphs set forth the average monthly wage and average monthly rent in Hong Kong and Japan for the period stated:



Note: The rent is calculated as the average number of the recorded average monthly rent in different regions in Hong Kong and Japan.

Source: Census and Statistics Department of Hong Kong, Rating and Valuation Department of Hong Kong, Statistics Bureau of Japan, *Nihon Keizai Shimbun*.

Market Drivers of the Chinese Art Auction Market

1. *Steady development of economy and Increase of HNWI*

Over the past decade, the living standards of Chinese people have greatly improved. One of the reasons is the rapid increase of per capita disposable income in Mainland China, which increased from RMB16.5 thousand in 2012 to RMB26.0 thousand in 2017, representing a CAGR of 9.5%. The population of HNWI in Mainland China increased from 964.0 thousand in 2012 to 1,953.0 thousand in 2017, representing a CAGR of 15.2%. In recent years, the changing economic structure from secondary to tertiary industry in Mainland China has stimulated consumption demand, enhanced employment and accelerated the development of different sectors, including art, education and technology.

Furthermore, Hong Kong's per capita gross national disposable income rose from HK\$287.9 thousand in 2012 to HK\$373.9 thousand in 2017, representing a CAGR of 5.4%. The positive growth of per capita gross national disposable income and a moderate overall growth rate point to improvements in Hong Kong residents' living standards over the past several years. The population of HNWI in Hong Kong increased from 93.3 thousand in 2012 to 119.0 thousand in 2017, representing a CAGR of 5.0%. As a result, people are more willing to increase their consumption. This consumption demand in turn will continue to stimulate further development in relevant industries, such as the art and financial services industry.

Similarly, the Japanese government implemented monetary easing policies and stimulative fiscal policies in response to the financial crisis in 2008. These policies stimulate the growth of the purchasing power of Japan's population, which is a positive sign of the rising demand for consumption in different areas. Consequently, the art auction market will benefit from such increase and the revenue related to Chinese artworks will also increase. The substantial number of wealthy people is associated with Japan's recovering economy in recent years. The growing economy will propel the increase of HNWI, driving up investment in different areas, especially in artworks.

With enough assets accumulated, people intend to make investments to increase their return. Compared with financial investments like stock, bonds and derivatives, which are highly susceptible to the change of economic and political climate, art is relatively less sensitive to these changes and therefore return from investment in art is more predictable. Combined with the spiritual satisfaction brought by art, many wealthy people prefer to invest in art. Accordingly, the increase of HNWI can effectively stimulate the demand of art investment, which is conducive to boosting the transactions of Chinese artworks through auctions.

2. *Appreciation of value of artworks*

Due to the appreciation of the value of artworks and the optimistic return harvested accordingly, more investors treat art as an alternative option to traditional investment assets. The appreciation of price is mainly attributed to the esthetic and historical value that comes with the artworks. The masterpieces created by renowned artists provide the audience with an access to the perspectives and stories of certain period that once helped shape civilization and prompted the progress of culture. The rarity of the masterpieces gives them greater value and contributes to the appreciation of the price over time. With such appreciation sustained, more investors will be attracted to make investment in the art market, which will drive the growth of Chinese art auction market accordingly.

3. Increasing popularity of Chinese artwork collection in Mainland China and Japan

Unlike financial assets, which are highly volatile and susceptible to social and economic events, the value of artwork primarily depends on art-related factors, such as the technique harnessed, the reputation of the artist and the comments from professional critics, which are more predictable and immune from the turmoil of the social environment. The limited supply of artworks, especially master pieces or ancient works, makes artworks particularly valuable and artworks generally appreciate over time and thus, raising the increase popularity of artwork as an asset for investment.

According to the research from the Hurun Research Institute, approximately 70% of HNWI in Mainland China in 2017 are interested in collection. Among the collection categories, antique painting and calligraphy is the most preferred one. Approximately 12.4% of HNWI in Mainland China intend to collect artworks in the following three years. The increasing popularity of art collection will bring more demand for this area. As one of the major channels of artwork purchase, art auctions will become more prosperous in the future.

In Japan's art auction market, Chinese art is one of the most common categories. Due to cultural exchanges between Japan and China during the Ming and Qing dynasties and the 20th Century, many Chinese artworks were transported to Japan in different ways. During World War II, a great deal of Chinese artworks were brought to Japan by Japan's antique dealers. The large quantity of Chinese artworks, accompanied with lower prices and less fierce competition in Japan, attract many domestic and foreign investors, especially Chinese collectors to bid in Japan's auctions.

4. Increasing number of museums in Mainland China

Museum is functioned as an institution to preserve and display valuable objects with regard to history, culture, art or science, and educate the public about their importance for social progress. Such function determines the great need for historical and artistic objects.

According to the State Administration of Cultural Heritage of China, the total number of museums in Mainland China climbed from 3,866 in 2012 to 5,058 in 2017, representing a CAGR of 5.5%, among which the number of state-owned museums increased from 3,219 to 3,565, representing a CAGR of 2.1%. Unlike state-owned museum, which showed a relatively stable growth, the number of private museums grew rapidly from 647 in 2012 to 1,494 in 2017, representing a CAGR of 18.2%.

The rapid growth of the number of museums in Mainland China implies the expanding demand of the public's intention to spend time in museums. To fulfill such demand, more museums will be established and more artworks, especially Chinese artworks, will be needed to replenish the inventory from time to time. With the physical proximity and adequate supply of Chinese artworks, Hong Kong's and Japan's auction market will benefit accordingly.

Development trends of the Chinese art auction market in Hong Kong and Japan

1. Increasing number of Chinese artworks

In the past, the global art auction market was categorized based on geographic boundaries, without much interaction between the different regions. In recent years, the intensified trend of globalization led

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to frequent interaction between different countries in the artwork market. Under such conditions, the number of Chinese artworks available on the global market gradually increased. With the abundant amount of artworks produced and a great number of Chinese buyers involved in the art auction market, it is foreseeable that the market for Chinese artwork will continue to expand in the future.

2. *Increasing involvement of Chinese buyers*

With the rapid development of the Chinese economy in the past decade, Chinese people's incomes have increased significantly and more people are becoming HNWI. The aggregation of personal assets and pursuit towards art culture drive more people to choose artwork as a means of investment. In recent years, Chinese buyers have actively participated in art auctions around the world. With more assets accumulated, it is foreseeable that more Chinese buyers will bid in art auctions in the future.

3. *More rational consumption*

The Chinese art auction market has become prosperous in Asia in recent years. Potential buyers nowadays have become more informed and professional, leading them to expect higher quality of artwork. This can propel the emergence of more rational consumption and the standardization of the art industry in the future.

4. *Increasing popularity of Chinese contemporary art*

As buyers' tastes become more diversified and artworks from Chinese contemporary artists such as Zao Wou-ki, Wu Guanzhong and Zeng Fanzhi reached significant historical record of hammer price, appreciation of Chinese contemporary art is likely to develop with increasing popularity. In 2017, the global auction value for contemporary art was approximately US\$2.0 billion to US\$3.0 billion. The auction value for contemporary art is expected to grow with a CAGR of approximately 5% and reach US\$2.6 billion to US\$3.8 billion by 2022.

COMPETITION

Entry Barriers of the Art Auction Market

1. *Collection of high value artworks*

Preeminent artworks is one of the primary reasons for buyers to participate in an auction. However, these artworks are scarce which puts pressure on auction houses' channels when gathering the artworks. For example, many high value Japanese antiques are stored by individual collectors. Under this condition, an auction house's relationship with dealers and the ability to collect high-end products determine the amount of the high value artworks the auction house can collect and thus offer, which is one of the most major entry barriers for auction houses operating business.

2. *Customer base with strong purchasing power*

Many auction houses have accumulated their own customer base with strong purchasing power. Loyal customers can help the auction houses save time and cost spent on promoting auctions. In addition, with the familiarity to the customers' taste and background, auction houses can pick the artworks that fulfill customers' preference and thus this can enhance the success rate of the bids. In deciding which

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auction house to cooperate with, collectors tend to pay more attention to the number of financially sound customers the auction house has. The more valuable artworks there are, the more customers will be attracted to the auction. As a result, having a stable group of customers with sound financial background will put an auction house in a superior position under competition. However, building up such a customer base requires a long time and is often an obstacle for new players.

3. *Sound reputation*

Reputation determines the performance and standing of an auction house in the long run. Many factors can affect the reputation of an auction house. Besides the quantity of premium artworks and wealthy customers, the professionalism of the experts for authentication, the degree of consideration of the services provided, and the efficiency of payment collection can affect the reputation of an auction house. The establishment of a sound reputation requires a relatively long time, which may be hard for new players to build at first.

Competitive Landscape of the Chinese Art Auction Market and our Company's position

Asia

In 2017, our Company ranked eleventh with approximately 1.6% of the total market share in relation to the total transaction value generated from Chinese art auction business in Asia. According to the CIC Report in Asia, the market is relatively concentrated in Asia, and the top 5 players collectively held 41.9% of total market share in terms of transaction value in 2017.

The following chart sets forth the top five auction houses and by market share of the Chinese art auction business in Asia in 2017:

Top five auction houses by market share of the Chinese art auction business, Asia, 2017

Rank	Company	Market share of total transaction value for Chinese art auction market in Asia (%)
1	Company L	13.0
2	Company D	12.2
3	Company A	6.9
4	Company B	5.2
5	Company M	4.6
11	our Company	1.6

Note: Above mentioned transaction value includes buyer's commission

Source: Public annual report, China Insights Consultancy

INDUSTRY OVERVIEW

Company A, founded in London 270 years ago, is one of the largest multinational auction houses of fine and decorative art, jewelries, real estate and collectibles in the globe. Its service ranges from corporate art services to private sales with the total transaction value reaching approximately US\$810 million in 2017. Company B, also founded in London, is also one of the largest multinational auction houses in the globe, with the total transaction value reaching approximately US\$770 million in 2017. It has over 250 years of history and has 90 auction offices around the world including London, New York, Geneva, Hong Kong and Shanghai. Company D was founded in Beijing and has 25 years of history. Most of the artworks presented by Company D are Chinese antiques. It held its first auction in Hong Kong in 2012 and its total transaction value reached approximately US\$130 million in 2017. Company L was founded in Beijing and has over 13 years of history. It is one of the subsidiaries of a Chinese auction group and has a total transaction value of approximately US\$990 million. The main artworks it presents are ancient paintings, modern paintings and calligraphies, antiques and ceramics. Founded in Hangzhou, Company M has over 14 years of history and a total transaction value of approximately US\$365 million. Company M has been constantly dedicated to explore new category of artworks and the main artworks it presents include bronze and stone, Chinese paintings as well as antiques.

Japan

In 2017, our Company ranked second with approximately 26.8% of the total market share in relation to the total transaction value generated from Chinese art auction business in Japan. According to the CIC report, there are approximately ten auction houses selling Chinese artworks in Japan. The market is dominated by local players, which have taken the top three positions and collectively held 77.4% of the total market share in terms of transaction value in 2017.

The following chart sets forth the top three auction houses by market share of the Chinese art auction business in Japan in 2017:

Top three auction houses by market share of the Chinese art auction business, Japan, 2017

Rank	Company	Market share of total transaction value for Chinese art auction market in Japan (%)
1	Company E	27.7
2	Our Company	26.8
3	Company F	22.9
<i>Top three subtotal</i>		<i>77.4</i>
<i>Total</i>		<i>100.0</i>

Note: Above mentioned transaction value includes buyer's commission

Source: Public annual report, China Insights Consultancy

Founded in Osaka five years ago, Company E presents artworks ranging from Chinese paintings and calligraphies as well as other antiques in both ancient and modern times. Its total transaction value reached approximately US\$58 million in 2017. Company F is a Tokyo auction house with seven years of history. It presents Chinese artworks, including Chinese paintings and calligraphies, tea props and ceramics, which are mainly from the Ming and Qing dynasties. Its total transaction value reached approximately US\$38 million in 2017.

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Hong Kong

According to the CIC report, there are approximately 100 auction houses in Hong Kong as of 2017. The market is shared by a variety of players, including both domestic and foreign companies. The top five players collectively held 86.5% of total market share in terms of transaction value in 2017.

The top three players have captured approximately 74.9% of the transaction value generated in Hong Kong's Chinese art auction market in 2017.

Our Company entered into the Hong Kong Chinese art auction market in 2013 and held the first auction in November 2014. Our Company's market share of the total transaction value generated in the Hong Kong Chinese art auction market reached 4.4% in 2017. Our Company ranked fifth among all auction houses with Chinese art auction business in terms of transaction value from Chinese art auction business in Hong Kong in 2017.

The following chart sets forth Hong Kong's top five auction houses by market share of the Chinese art auction business in 2017:

Top five auction houses by market share of the Chinese art auction business, Hong Kong, 2017

Rank	Company	Market share of total transaction value for Chinese art auction market in Hong Kong (%)
1	Company A	32.4
2	Company B	24.5
3	Company C	18.0
4	Company D	7.2
5	Our Company	4.4
<i>Top five subtotal</i>		<i>86.5</i>
<i>Total</i>		<i>100.0</i>

Note: Above mentioned transaction value includes buyer's commission

Source: Public annual report, China Insights Consultancy

Company C, founded in Hong Kong, is one of the largest Chinese artwork trading auction companies in the world with over six years of history, and is regarded as a leading China's auction house and its total transaction value reached approximately US\$390 million in 2017.

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Competitive Landscape of the Japanese Art Auction Market and our Company's position

Hong Kong

The Japanese art auction market in Hong Kong is highly dominated by international players. The top five companies (including three international companies) collectively held approximately 73.4% of the total market share in terms of transaction value in 2017.

Our Company ranked fifth among all auction houses in terms of transaction value from Japanese art auction business in Hong Kong with approximate transaction value generated from Japanese art auction business of reaching approximately 1.4% of the total transaction value generated in Hong Kong's Japanese art auction market in 2017.

The following table sets forth the top five auction houses by market share of the Japanese art auction business in Hong Kong in 2017:

Top five auction houses by market share of the Japanese art auction business, Hong Kong, 2017

Rank	Company	Market share of total transaction value for Japanese art auction market in Hong Kong (%)
1	Company A	31.6
2	Company B	28.7
3	Company G	7.6
4	Company C	4.1
5	Our Company	1.4
<i>Top five subtotal</i>		<i>73.4</i>
<i>Total</i>		<i>100.0</i>

Note: Above mentioned transaction value includes buyer's commission

Source: China Insights Consultancy

Company G was founded in London and has over 230 years of history. Collections presented by Company G include contemporary art, photographs, editions and design. Every year, Company G holds auction sales in Hong Kong and its total transaction value reached approximately US\$80 million in 2017.

Japan

Unlike the Japanese art auction market in Hong Kong, the Japanese art auction market in Japan is dominated by local players, the top five of which are all local companies and collectively held approximately 77.1% of the total market share in terms of transaction value in 2017.

Our Company ranked fifth among all auction houses in the Japanese art auction market in Japan in terms of transaction value from Japanese art auction business with approximately 3.1% of the Japanese art auction market in Japan in terms of total transaction value in 2017.

INDUSTRY OVERVIEW

The following table sets forth the top five auction houses by market share of the Japanese art auction business in Japan in 2017:

Top five auction houses by market share of the Japanese art auction business, Japan, 2017

Rank	Company	Market share of total transaction value for Japanese art auction market in Japan (%)
1	Company H	44.5
2	Company I	15.7
3	Company J	9.6
4	Company K	4.2
5	Our Company	3.1
<i>Top five subtotal</i>		<i>77.1</i>
<i>Total</i>		<i>100.0</i>

Note: Above mentioned transaction value includes buyer's commission

Source: China Insights Consultancy

Company H is a Japanese auction house which presents artworks ranging from Japanese ancient artworks to European paintings and western decorative arts. It holds over 30 auction events each year and its total transaction value reached approximately US\$45 million in 2017. Company I is a Japanese auction house which specializes in contemporary art and its total transaction value reached approximately US\$14 million in 2017. Founded in Japan, Company J has over 10 years of history and its total transaction value reached approximately US\$18 million in 2017. The main artworks it presents include western paintings, decorative arts, sculptures and photographs. Company K was the first international auction house in Japan with over 30 years of history. It presents artworks, including paintings, antiques and design. It held its first auction in Hong Kong in 2008 and its total transaction value reached approximately US\$13 million in 2017.

REGULATORY OVERVIEW

This section sets out a summary of the principal laws and regulations of Hong Kong, Japan and the PRC which are most significant and relevant to our business operations in Hong Kong, Japan and the PRC (but which are not meant to be exhaustive).

HONG KONG REGULATORY ENVIRONMENT

Regulatory Authority

There is no special administrative authority with the main function of supervising and regulating auction activities in Hong Kong.

Hong Kong Legal Issues

Trade Description Ordinance (CAP. 362) (“TDO”)

Among other things, the TDO provides that any person who (a) in the course of any trade or business (i) applies a false trade description to any goods; or (ii) supplies or offers to supply any goods to which a false trade description is applied; or (b) has in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied, commits an offense. Section 2 of the TDO provides that “trader” means any person (other than an exempt person) who, in relation to a commercial practice, is acting, or purporting to act, for purposes relating to the person’s trade or business, and an auctioneer is not an exempt person under Schedule 3 of the TDO.

Given the wide scope of TDO, it is likely to bind any person in the course of trading, including an auctioneer if an auctioneer applies false trade description on the auction articles in the auction catalog. Pursuant to the TDO, any person who applies a false trade description to any goods shall be liable (a) on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years; and (b) on summary conviction, to a fine at level 6 (i.e. HK\$100,000) and to imprisonment for 2 years. If such offence is committed by a body corporate and it is proved that the offence has been committed with the consent or connivance or is attributable to the neglect of a director, shadow director, company secretary, principal officer or manager of the body corporate, that person also commits the offence and is liable to be proceeded against and punished accordingly.

In addition, auctioneers are in particular, responsible for the trade description of, and will be regarded as the supplier of goods in the sale of gold and gold alloy, platinum, natural fei cui, diamond and electronic products according to Trade Descriptions (Marking) (Gold and Gold Alloy) Order (CAP. 362A), Trade Descriptions (Marking) (Platinum) Order (CAP. 362C), Trade Descriptions (Provision of Information on Natural Fei Cui) Order (CAP. 362M), Trade Descriptions (Provision of Information on Diamond) Order (Cap. 362N) and Trade Descriptions (Provision of Information on Regulated Electronic Products) Order (CAP. 362O) respectively (collectively, the “**Supplier of Goods Ordinances**”). Nevertheless, the Supplier of Goods Ordinances though relevant to us, does not directly apply to us as our Company does not auction the goods specified in these ordinances.

Mock Auction Ordinance (CAP. 255) (the “MAO”)

The main purpose of the MAO is to prohibit certain practices relating to sales purporting to be sales by auction. According to MAO, any person who promotes or conducts, or assists in the promotion or conduct of, a mock auction at which one or more lots are sold or offered for sale shall be guilty of an

REGULATORY OVERVIEW

offense and shall be liable on conviction on indictment to a fine of HK\$20,000 and to imprisonment for five years. The MAO is relevant to us as it provides a legal framework for auctions conducted in Hong Kong, but it does not affect us, as we do not engage in “mock auctions” as defined in the MAO.

Sale of Goods Ordinance (CAP. 26) (the “SOGO”)

The SOGO governs the formation, effects and performance of a contract, as well as remedies for breach of the contract. In the course of our business, if we conclude a contract with a buyer to sell the artwork we own, such a contract is in general subject to the SOGO. If we sell artworks consigned to us at auctions, such sales are subject to Section 60 of Part VI Supplementary of the SOGO. Section 60 provides that:

- (a) where goods are put up for sale by an auction in lots, each lot is prima facie deemed to be the subject of a separate contract of sale;
- (b) a sale by auction is complete when the auctioneer announces its completion by the fall of the hammer, or in other customary manner. Until such announcement is made any bidder may retract his bid;
- (c) where a sale by auction is not notified to be subject to a right to bid on behalf of the seller, it shall not be lawful for the seller to bid himself or to employ any person to bid at such sale, or for the auctioneer knowingly to take any bid from the seller or any such person. Any sale contravening this rule may be treated as fraudulent by the buyer; and
- (d) a sale by auction may be notified to be subject to a reserve or upset price, and a right to bid may also be reserved expressly by or on behalf of the seller.

Anti-money Laundering and Counter-terrorist Financing

(1) Legislations

As a member of Financial Action Task Force (the “**FATF**”), Hong Kong implements recommendations promulgated by the FATF on anti-money laundering and counter-terrorist financing. Below is a brief introduction of the principal legislation in Hong Kong in relation to anti-money laundering and counter-terrorist financing.

- (i) Drug Trafficking (Recovery of Proceeds) Ordinance (CAP. 405) (the “**DTROP**”)

Among other things, DTROP contains provisions for the investigation of assets suspected to be derived from drug trafficking activities, the freezing of assets on arrest and the confiscation of the proceeds from drug trafficking activities. Under the DTROP, a person commits an offense if, knowing or having reasonable grounds to believe that any person’s property represent proceeds of drug trafficking, he deals with that property. It’s also provides that a person shall report to authorized officer when knowing or having reasonable grounds to believe that any property, directly or indirectly, represents proceeds of drug trafficking. Failure of making such report also constitutes an offense.

- (ii) Organized and Serious Crimes Ordinance (CAP. 455) (the “**OSCO**”)

Among other things, the OSCO empowers officers of the Police and the Customs and Excise Department to investigate organize crime and triad activities and it gives the courts jurisdiction to

REGULATORY OVERVIEW

confiscate the proceeds of organized and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of specified offenses. The OSCO extends the money laundering offense to cover the proceeds of all indictable offenses in addition to drug trafficking.

(iii) United Nations (Anti-Terrorism Measures) Ordinance (CAP. 575) (the “UNATMO”)

Among other things, the UNATMO provides that it would be a criminal offense to: (i) provide or collect funds (by any means, directly or indirectly) with the intention or knowledge that the funds will be used to commit, in whole or in part, one or more terrorist acts; or (ii) make any funds or financial (or related) services available, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate. The UNATMO also requires a person to report his knowledge or suspicion of terrorist property to an authorized officer, and failure to make such disclosure constitutes an offense under the UNATMO.

(iv) Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (CAP. 615) (the “AMLO”)

Among other things, the AMLO contains requirements for customer due diligence and record-keeping. It also provides regulatory authorities with the powers to supervise compliance with the requirements under the AMLO. Besides, the regulatory authorities are empowered to (i) ensure that proper safeguard exist to prevent contravention of specified provisions in the AMLO and (ii) mitigate money laundering and terrorist financing risks.

(2) *Practice Guideline*

Except for the legislation above, the Hong Kong Narcotics Division, Security Bureau also provides Anti-Money Laundering and Counter-Terrorist Financing Guideline for accountants, estate agents, precious metals and precious stones dealers and trust and company service providers. The Guide provides practical guidance to assist entities in designing and implementing their own anti-money laundering and counter-terrorist financing policies, procedures and controls in order to meet the relevant legal and regulatory requirements in Hong Kong. Under the Guide, among other things:

- (i) Failing to report knowledge or suspicion of crime proceeds or terrorist property is a criminal offense. If a person goes on to deal with such property knowing or having reasonable grounds to believe that the property is crime proceeds, then he/she may have committed the offense of money laundering.
- (ii) Companies should always conduct customer due diligence, maintain proper records of transactions and have in place a proper internal control system.
- (iii) Conducting on-going monitoring of following activities of client: incommensurate background of buyer; high value transactions conducted in cash but not in other popular and safe methods of payment; unusual payment method; unusual buying behavior/pattern; unusual behavior of the person or persons conducting the transactions; request for over/under-invoicing of purchases.

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Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of Shares. Trading gains from the sale of Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are arising in or derived from Hong Kong, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on unincorporated businesses at a rate of 15.0%. Gain from sales of the Shares effected on the Stock Exchange will be considered to be sourced in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Business Registration Ordinance

Every person, (a company or individual), who carries on a business in Hong Kong is required under the Business Registration Ordinance (Cap. 310) to apply for a business registration certificate from the Inland Revenue Department within one month from the date of commencement of the business, and to display a valid business registration certificate at the place of business. Business registration does not serve to regulate business activities and it is not a license to trade. Business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong. Business registration certificate will be issued on submission of the necessary document(s) together with payment of the relevant fee. A business registration certificate is renewable every year or every three years (if business operators elect for issuance of business registration certificate that is valid for three years). Any person who fails to apply for business registration shall be guilty of an offense and shall be liable to a fine of HK\$5,000 and to imprisonment for one year. As at the Latest Practicable Date, our Group has the required business registration certificate for our business in Hong Kong.

JAPAN REGULATORY ENVIRONMENT

General Overview of the Japanese Legal System

Primary Features

The Japanese legal system has the following significant features:

- The Japanese legal system is a hybrid civil law system with characteristics of both civil law system, such as the French and German civil legal systems, as well as common law systems, such as the United States legal system.
- Under Japanese law, any act shall not be subject to criminal prosecution unless such act is explicitly and clearly described as a crime under a strict contextual interpretation of the applicable statutory provisions.
- Court rulings, although they have a *de facto* binding effect on inferior courts, do not modify existing law or create new law. Laws can only be adopted or modified through the legislative process.

REGULATORY OVERVIEW

- Court rulings, similar to court rulings in other civil and common law systems elsewhere, may be overturned by laws and regulations and/or amendments to existing laws and regulations enacted or adopted by legislative or executive authorities.
- The highest court in Japan is the Supreme Court.

Regulatory Authority

There is no special administrative authority with the main function of supervising and regulating the auction activities in Japan. However, those engaged in auction activities are required to obtain an approval from a prefectural Public Safety Commission pursuant to the Secondhand Articles Dealer Act (Act No.108 of 1949) (the “**Secondhand Articles Dealer Act**” or “**SADA**”). For the details, please see the subsection headed “— Secondhand Articles Dealer Act” below.

Japan Legal Issues

Secondhand Articles Dealer Act

Under the SADA, the persons who engage in sale or exchange of secondhand goods, or the sale or exchange of secondhand goods under consignment are required to obtain an approval by the Public Safety Commission pursuant to section 3 of the SADA. The approval qualifications are specified in the SADA. The SADA requires the business operators, among other things, to identify the name, address, occupation and ages of the seller and buyer in the course of its auction business and to preserve the information of the trade including the date of the trade, the characteristics and the number of the article(s), the buyer of the article(s), etc. The SADA also requires the business operators to respond to reports of lost or stolen goods issued by the police as well as to submit to spot inspections of their premises and records by the police during business hours.

TCA Japan has obtained the approval under the SADA and there are no terms and conditions of such approval with which TCA Japan is required to comply other than those terms provided in applicable laws and regulations.

Anti-money Laundering Laws and Regulations

Japanese anti-money laundering laws mainly consist of the following three Acts:

- the Act on Special Provisions for the Narcotics and Psychotropics Control Act, etc, and Other Matters for the Prevention of Activities Encouraging Illicit Conduct and Other Activities Involving Controlled Substances through International Cooperation (Act No. 94 of 1991) (the “**Anti-Drug Special Provisions Act**” or “**ADSPA**”);
- the Act on Punishment of Organized Crimes and Control of Crime Proceeds (Act No. 136 of 1999) (the “**Act on Punishment of Organized Crimes**” or “**APOC**”); and
- the Act on Prevention of Transfer of Criminal Proceeds (Act No.22 of 2007) (the “**Act on Prevention of Transfer of Criminal Proceeds**” or “**APTCP**”).

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Below is a brief introduction of the above Acts in Japan in relation to anti-money laundering.

(i) The Anti-Drug Special Provisions Act (“**ADSPA**”)

Among other things, the ADSPA criminalizes money laundering activities as set out below:

- (a) concealment of drug crime proceeds, which include:
 - disguising facts with respect to acquisition or disposition of drug crime proceeds;
 - concealing drug crime proceeds; and
 - disguising facts with respect to the source of drug crime proceeds.
- (b) receipt of drug crime proceeds

The ADSPA provides for the confiscation of criminal proceeds related to drug crimes. As the ADSPA criminalizes money laundering activities and provides for the confiscation of criminal proceeds from drug-related crimes, the ADSPA is applicable to TCA Japan should TCA Japan be involved in the relevant activities.

(ii) The Act on Punishment of Organized Crimes (“**APOC**”)

Among other things, the APOC criminalizes as money laundering:

- (a) managing an enterprise by the use of criminal proceeds;
- (b) concealment of crime proceeds; and
- (c) receipt of crime proceeds.

The APOC extends the scope of predicated offenses of money laundering from drug-related crimes to other serious crimes. As the APOC extends the scope of specified money laundering offences from drug-related crimes to other serious crimes, the APOC is applicable to TCA Japan should TCA Japan be involved in the relevant activities.

(iii) The Act on Prevention of Transfer of Criminal Proceeds

The APTCP requires the covered institutions and persons to conduct certain preventive measures including due diligences on customers and business partners. Specifically, the APTCP imposes an obligation on “specified business operators”, as defined in the Act, to take the preventive measures, such as customer due diligence.

In this regards, in case where TCA Japan sales and purchases gold, platinum or other precious metals specified by a cabinet order or diamonds or other jewels designated by a cabinet order in the course of auction trade, then TCA Japan would be considered to be a “specified business operator”. However, given that TCA Japan is not a seller of articles with the buyer but acts as an agent of the seller in the course of auction trade conducted in Japan, the APTCP is not applicable to TCA Japan.

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As a member of Financial Action Task Force (the “**FATF**”), Japan has amended the APTCP as set out below in consideration of the recommendations made by the Financial Action Task Force in 2011.

- the verification of the purpose of transactions and beneficial owner at the time of transaction;
- the addition of call forwarding service providers to the list of covered institutions and persons; and
- the addition of measures for the verification at the time of transactions; and strengthening the punishments on illicit transfers of passbooks.

Labor Protection

The labor statutes originate from the basic principles of labor law set out in Japan’s Constitution and are enacted as special rules of the civil, criminal and administrative laws. In practice, court precedents and guidelines issued by the administrative authorities play important roles as well.

The Labor Standards Act is one of the important statute which sets out minimum standards for labor conditions in addition to regulatory provisions. The Labor Contract Act sets out the rules regarding employment. There are other labor-related laws such as the Industrial Safety and Health Act (Act No. 57 of 1972) which provides standards for employers regarding the health and safety of employees including the employer’s responsibilities and plans for accident prevention in the workplace. In addition to the above, as employment is a contract, the provisions of the Civil Law apply, as a general rule, to matters not provided in the labor-related statute.

Intellectual Property

In Japan, intellectual property rights are granted under the relevant acts, which include:

- the Patent Act (No. 121 of 1959);
- the Utility Model Act (No. 123 of 1959);
- the Design Act (No. 125 of 1959);
- the Trademark Act (No. 127 of 1959);
- the Copyright Act (No. 48 of 1970); and
- the Unfair Competition Prevention Act (No. 47 of 1993).

For example, patents are protected by the Patent Act and the Utility Model Act. Designs are protected by the Design Act, and trademarks by the Trademark Act. The Company must comply with these, in addition to various international treaties Japan has entered into, to maintain the intellectual property rights.

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Personal Information Protection

The Act on the Protection of Personal Information (No.57 of 2003) is the main statute in Japan for the protection of personal information. The Act requires private business operators handling personal information must limit the use of personal information to the stated purpose and to properly manage the personal information in their possession, and forbids it from providing personal information to third parties without the consent of the individual. In 2015, an amendment was promulgated aiming to eliminate the ambiguity of the regulatory framework and facilitate the proper use of personal data by business operators while strengthening the protection of privacy, which was fully implemented on May 30, 2017.

CHINA REGULATORY ENVIRONMENT

We are subject to various laws and regulations of the PRC that are material to our presence in the PRC relating to TCA Shanghai and are discussed below.

China Legal Issues

Foreign Investment

The Wholly Foreign-Owned Enterprise Law of PRC (《中華人民共和國外資企業法》), which was amended by the Standing Committee of the National People's Congress (the “**SCNPC**”) on October 31, 2000 and amended on September 3, 2016 which became effective on October 1, 2016, and the Implementation Measures for the Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法實施細則》), which was amended by the State Council on April 12, 2001, came into effect on the same day and amended on February 19, 2014, stipulates that PRC permits foreign enterprises and other economic organizations or individuals to establish wholly foreign-owned enterprises (the “**WFOEs**”) in China. The establishment and change of a WFOE which involves the implementation of special access administrative measures prescribed by the State Council shall be subject to the examination and approval by the competent commercial departments before an Approval Certificate is issued, while the establishment and change of a WFOE which does not involve the implementation of special access administrative measures shall be subject to the record-filing management.

The Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (the “**Interim Measures**”) was promulgated by the Ministry of Commerce (the “**MOFCOM**”) on October 8, 2016, which came into effect on the same day and was amended on July 30, 2017. According to the Interim Measures, if the incorporation and change of a foreign-invested enterprise does not involve the implementation of special access administrative measures prescribed by the state, the Interim Measures shall be applied. When handling the procedures of the record-filing of the establishment or change, foreign-invested enterprises or their investors shall upload relevant documents via the foreign investment comprehensive administration information system (外商投資綜合管理信息系統).

Investments in the PRC by foreign investors are regulated by the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》, the “**Catalog**”), the latest version of which was promulgated by the National Development and Reform Commission (the “**NDRC**”) and the MOFCOM on June 28, 2017 and became effective on July 28, 2017. The Catalog has been a longstanding tool used by policymakers of the PRC to manage direct foreign investment. The Catalog is divided into the encouraged

REGULATORY OVERVIEW

industries, the restricted industries and the prohibited industries for foreign investment, and industries which are not listed in the Catalog shall be categorized as the permitted industries for foreign investment.

Foreign Exchange Control

The Regulations on the Control of Foreign Exchange (外匯管理條例), which was promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008, which applies to the foreign exchange income and expenditure and foreign exchange business operations of Chinese institutions and individuals, and the foreign exchange income and expenditure and foreign exchange business operations conducted within the territory of the PRC by overseas institutions and individuals.

As advised by our PRC Legal Advisors, we are not subject to PRC foreign exchange control under the situation which we receive the sale proceeds in Hong Kong or Japan, including bank transfers, cheques, credit card payments, and then remit the net proceeds to offshore bank accounts of the sellers in the PRC after deducting sellers' commissions and other related fees. On a few occasions, we also remit the net proceeds to onshore bank accounts of the sellers in PRC, which subjects the sellers in PRC, instead of us, to foreign exchange control in the PRC.

Enterprises Income Tax

According to the Law on the Enterprises Income Tax (企業所得稅法), which was promulgated by the National People's Congress (the "NPC") on March 16, 2007 and became effective on January 1, 2008, and was amended on February 24, 2017 and the Implementation Regulations on the Law of the Enterprises Income Tax (企業所得稅法實施條例), which was promulgated by the State Council on December 6, 2007 and became effective on January 1, 2008, a uniform income tax rate of 25% will be applied to the PRC enterprises, foreign-invested enterprises and foreign enterprises which have established production and operation facilities in PRC.

Value-Added Tax

The Temporary Regulations on Value-added Tax (增值稅暫行條例), which was promulgated by the State Council on December 13, 1993, became effective on January 1, 1994, and was amended on November 10, 2008 and amended on November 19, 2017, which became effective on the same day, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (增值稅暫行條例實施細則), which was promulgated by the Ministry of Finance ("MOF") and became effective on December 25, 1993, and was amended on December 15, 2008 and October 28, 2011, set out that all taxpayers selling goods or providing processing, repairing or replacement services and importing of goods within PRC shall pay value-added tax. The tax rate of 17% shall be levied on general taxpayers selling or importing various goods; the tax rate of 17% shall be levied on the taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be Nil, unless otherwise stipulated.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (關於全面推開營業稅改徵增值稅試點的通知) promulgated by the MOF and the State Administration of Taxation (the "SAT") on March 23, 2016 and became effective on May 1, 2016, the pilot program of the collection of value-added tax in lieu of business tax (hereinafter referred to as the "VAT in lieu of BT") shall be promoted nationwide in a comprehensive manner as of

REGULATORY OVERVIEW

May 1, 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax. Entities and individuals engaged in sales of services, intangible assets or real property within the territory of PRC are value-added taxpayers, and shall pay value-added tax rather than business tax according to the Implementing Measures for the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (營業稅改徵增值稅試點實施辦法).

Labor Protection

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994 and became effective on January 1, 1995 and subsequently amended on August 27, 2009, the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007 and subsequently amended on December 28, 2012 and became effective on July 1, 2013, and the Implementing Regulations of the Employment Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council and became effective on September 18, 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Wages cannot be lower than local minimum wage. The employer must establish a system for labor safety and sanitation, strictly abide by state standards, and provide education regarding labor safety and sanitation to its employees. Employers shall provide employees with labor safety and sanitation conditions in compliance with the State rules and necessary protection materials and carry out regular health examination for employees engaged in work involving occupational hazards.

Social Security and Housing Funds

Under applicable PRC laws, including the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and became effective on July 1, 2011, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was promulgated by the State Council and became effective on January 22, 1999, the Interim Measures concerning the Maternity Insurance (《企業職工生育保險試行辦法》), which was promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995, the Regulations on Occupational Injury Insurance (《工傷保險條例》), which was promulgated by the State Council on April 27, 2003 and became effective on January 1, 2004 and subsequently amended on December 20, 2010, becoming effective on January 1, 2011, and the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》), which was promulgated by the State Council and became effective on April 3, 1999 and amended on March 24, 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance and to housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our business commenced in 2010 when TCA Japan was incorporated in Japan. TCA Japan was established and founded by Mr. Ando, the chairman of our Board, an executive Director and Controlling Shareholder. Please refer to the section headed “Directors and Senior Management — Directors — Executive Directors” in this prospectus for the information of Mr. Ando. We are a well-recognized auction house of Chinese and Japanese artworks in Hong Kong and Japan. With over seven years’ of operating experience in the Chinese and Japanese art auction industry, we have grown into a well-recognized and trusted auction brand 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. Please refer to the section headed “Business” in this prospectus for further details of our business operations.

Milestones

The following events are the key corporate and business development milestones of our Group:

November 2010	TCA Japan was incorporated.
February 2011	We held the first Spring Auction in Japan.
September 2011	We held the first night exhibition for teawares and Chinese artworks. We established the brand “One Encounter, One Chance*” (一期一會) for marketing of the tea wares. We held a Chinese ceramics auction session which focused on items from a museum in Kyushu, Japan. We also held the first Autumn Auction in Japan.
May 2013	We introduced our brand “One Encounter, One Chance*” (一期一會) into Hong Kong.
July 2013	Our Company was established.
May 2014	We held the exhibition — Fou Mo East Travels — Wu Changshuo 170th Anniversary Exhibition* (缶墨東遊—吳昌碩生誕170週年紀念展). We also cooperated with a publisher in Japan to publish the album “Fou Mo East Travels — Wuchang Shuo 170th Anniversary Exhibition” for this exhibition.
November 2014	We held the first Autumn Auction in Hong Kong.
June 2015	We held the national appraisal fair for artworks in Osaka, Nagoya, Okayama and Shiya, Japan for the first time.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- September 2015 We included the artworks from the “Treasures from Kuonoike Family Collection*” (鴻池男爵家舊藏) as our auction lots for TCA Japan’s fifth anniversary auction.
- November 2015 At the Autumn Auction in Hong Kong, we achieved the first white-glove sale in the sale of “The Enchantment of Chinese Ink*” (古韻墨翰), meaning 100% successful sale rate in selling all the auction articles in this collection.
- April 2016 We participated in the International Exposition of Intangible Cultural Heritage and Ancient Art Macao (澳門•非物質文化遺產暨古代藝術國際博覽會) for the first time.
- June 2016 We co-organized one exhibition with Kyoto Municipal Museum of Art with two sessions, namely (1) Ki-Seki — An Exhibition of Ancient Chinese Lacquerware from the Hayashibara Collection* (漆跡—舊林原企業藏漆器展) and (2) Kaku-Cho — Paintings by Wang Shimin, Wang Jian, Wang Hui, Wang Yuanqi, Wu Li and Yun Shouping* (格調—抗古齋藏四王吳惲六家畫展).
- August 2016 We held the exhibition of a hundred pieces of plaques by Yanfang* (晏方匾額百品展覽).
- April 2017 We co-organized one cultural exhibition with Kyoto Municipal Museum of Art with two sessions, namely (1) Collection of Fine Scholar’s Objects — Showcase of Fine Scholar’s Objects of Collectors* (文房聚珍—名家收藏文房清供) and (2) Enchantment of Chinese Ink — Exhibition of Paintings of Wu Changshuo and Qi Baishi collected by Shuang Shi Caotang* (墨妙—雙石艸堂藏吳昌碩齊白石書畫展).
- April 2018 We held an exhibition “Gao Mai — Collections of Painting in Ming Dynasty by Collectors*” (高邁—明代書畫名家收藏展) at Kyoto Municipal Museum of Art.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

ESTABLISHMENT AND MAJOR CHANGES CONCERNING OUR COMPANY AND THE OPERATING SUBSIDIARY OF OUR COMPANY

During the Track Record Period, the principal business of our Group had been operated under our Company and an operating subsidiary of our Company, TCA Japan. Following the incorporation of TCA HK in February 2018, certain employment contracts entered into by our Company as employer were novated and assigned to TCA HK by our Company in March 2018. Since then, TCA HK acted as the operating subsidiary of our Group in Hong Kong. Please refer to the subsection headed “— Corporate restructuring — (4) Incorporation of TCA HK” in this section for further details. The establishment and major changes concerning our Company and TCA Japan (our major subsidiary that made material contribution to our revenue during the Track Record Period) are set out below. Our Company and TCA Japan commenced business from their respective dates of incorporation.

Incorporation and change in issued share capital of our Company

Our Company was incorporated on July 11, 2013. Upon incorporation, one subscriber Share was issued, at HK\$1, by our Company to Mr. Ando. Prior to the establishment of TCA HK, it was principally engaged in auction business.

On January 8, 2014, our Company allotted and issued 48 Shares and 51 Shares for cash at par, to Mr. Ando and Mr. Feng Heqing (馮和卿) (“**Mr. Feng**”) respectively, among which the 51 Shares was held on trust by Mr. Feng on behalf of Mr. Ando. Mr. Feng is the father-in-law of Mr. Ando. As a result, the entire issued share capital of our Company was wholly and beneficially owned by Mr. Ando.

On December 19, 2017, as part of the Reorganization, at the direction of Mr. Ando, Mr. Feng transferred back the 51 Shares, representing 51% of the then entire issued share capital of our Company, to Mr. Ando at Nil consideration, and the trust arrangement ceased. Please refer to the paragraph headed “The Reorganization — Corporate restructuring — (2) Transfer back of the 51% issued share capital in our Company by Mr. Feng to Mr. Ando” in this section for further details.

Incorporation and major changes concerning TCA Japan

(a) *Incorporation of TCA Japan and subsequent transfer of common shares of TCA Japan to Mrs. Ando, Mr. Katsu, Mr. Xie and Mr. Nashida*

TCA Japan is a company incorporated under the laws of Japan on November 1, 2010. It is principally engaged in auction business. Upon incorporation, 400 common shares of TCA Japan were issued to Mr. Ando. As such, the entire issued shares of TCA Japan was owned by Mr. Ando.

On September 27, 2011, in order to recognize the contribution of certain management of our Group to TCA Japan, an aggregate of 70 common shares of TCA Japan were transferred by Mr. Ando as to 50 common shares to Mrs. Ando (Mr. Ando’s wife), 10 common shares to Mr. Katsu, six common shares to Mr. Xie Jinglin (解景麟) (“**Mr. Xie**”), the former manager of TCA Japan responsible for tea ware and overseas operations, and four common shares to Mr. Nashida Masayuki (梨田正之) (“**Mr. Nashida**”), the former officer responsible for the administration function of TCA Japan, by way of gift. As a result, the entire issued shares of TCA Japan were owned as to 82.5% by Mr. Ando, 12.5% by Mrs. Ando, 2.5% by Mr. Katsu, 1.5% by Mr. Xie and 1% by Mr. Nashida.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(b) Allotment of common shares of TCA Japan to Mr. Ando, conversion of 200 common shares of TCA Japan to class A shares of TCA Japan and subsequent transfer of class A shares of TCA Japan

On December 8, 2011, 600 common shares of TCA Japan were issued to Mr. Ando. In addition, as part of TCA Japan corporate restructuring 180, 10, six and four common shares of TCA Japan held by Mr. Ando, Mr. Katsu, Mr. Xie and Mr. Nashida, respectively, were converted to class A shares of TCA Japan pursuant to a resolution of meeting of shareholders of TCA Japan held on the same date. Shareholders of class A shares of TCA Japan do not have any voting right at the general meeting of shareholders of TCA Japan. As a result, the entire issued shares of TCA Japan were owned as to 93% by Mr. Ando, 5% by Mrs. Ando, 1% by Mr. Katsu, 0.6% by Mr. Xie and 0.4% by Mr. Nashida.

On May 23, 2013, in order to recognize the contribution of certain management of our Group to TCA Japan, an aggregate of 80 class A shares of TCA Japan were transferred by Mr. Ando as to 40 class A shares to Mr. Katsu, 24 class A shares to Mr. Xie and 16 class A shares to Mr. Nashida, respectively, by way of gift. On the same date, six common shares of TCA Japan were transferred by Mr. Ando to Mrs. Ando by way of gift. As a result, the entire issued shares of TCA Japan were owned as to 84.4% by Mr. Ando, 5.6% by Mrs. Ando, 5% by Mr. Katsu, 3% by Mr. Xie and 2% by Mr. Nashida.

(c) Transfer of class A shares of TCA Japan to Mr. Yodo

On June 1, 2015, in order to recognize the contribution of Mr. Yodo Hiroaki (養藤博昭) (“**Mr. Yodo**”), an external advisor, a minority shareholder of TCA Japan and an Independent Third Party, to TCA Japan, 30 class A shares of TCA Japan were transferred by Mr. Ando to Mr. Yodo by way of gift. As a result, the entire issued shares of TCA Japan were owned as to 81.4% by Mr. Ando, 5.6% by Mrs. Ando, 5% by Mr. Katsu, 3% by Mr. Xie, 2% by Mr. Nashida and 3% to Mr. Yodo.

(d) Acquisition of 92% the entire issued shares in TCA Japan by our Company

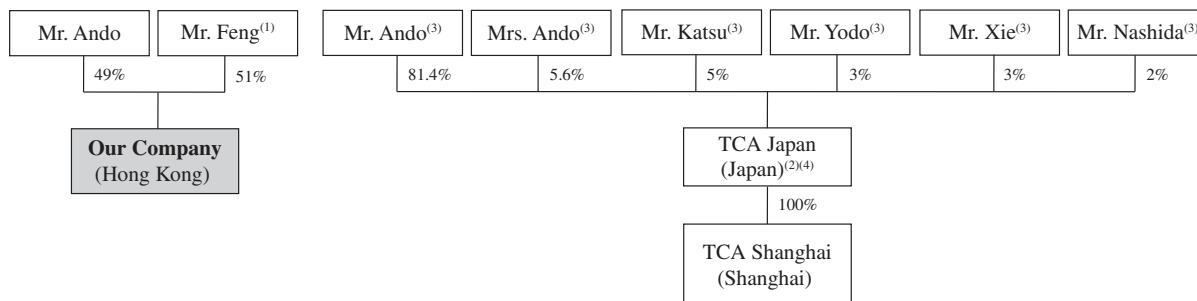
On August 30, 2017, as part of the Reorganization, our Company acquired (i) the entire issued shares in TCA Japan held by Mr. Ando, which represented 81.4% of the entire issued shares in TCA Japan and (ii) the entire issued shares in TCA Japan held by Mrs. Ando, which represented 5.6% of the entire issued shares in TCA Japan. Please refer to the subsection headed “— The Reorganization — Corporate restructuring — (1) Acquisition of the entire issued shares in TCA Japan held by Mr. Ando and Mrs. Ando by our Company” in this section for further details. As a result, the entire issued shares in TCA Japan were owned as to 87% by our Company, 5% by Mr. Katsu, 3% by Mr. Xie, 2% by Mr. Nashida and 3% by Mr. Yodo.

On January 29, 2018, as part of the Reorganization, our Company acquired (i) the entire issued shares in TCA Japan held by Mr. Xie, which represented 3% of the entire issued shares in TCA Japan and (ii) the entire issued shares in TCA Japan held by Mr. Nashida, which represented 2% of the entire issued shares in TCA Japan. Please refer to the subsection headed “— The Reorganization — Corporate restructuring — (3) Acquisition of the entire issued shares in TCA Japan held by Mr. Xie and Mr. Nashida by our Company” in this section for further details. As a result, the entire issued shares in TCA Japan were owned as to 92% by our Company, 5% by Mr. Katsu and 3% by Mr. Yodo.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

THE REORGANIZATION

Immediately prior to the Reorganization, the structure of our Group was as follows:



Notes:

1. Mr. Feng held the Shares on trust for Mr. Ando.
2. TCA Japan was registered as a non-Hong Kong company.
3. Among the 1,000 shares of TCA Japan, 800 shares are common shares and 200 shares are class A shares. Shareholders of class A shares do not have any voting right at the general meeting of shareholders of TCA Japan. Mr. Ando held 744 common shares and 70 class A shares; all the shares held by Mrs. Ando were common shares; and all the shares held by each of Mr. Katsu, Mr. Yodo, Mr. Xie and Mr. Nashida were class A shares.
4. TCA Japan has a representative office in Taiwan.

Corporate restructuring

To rationalize our Group's structure in preparation for the Listing, our Group underwent various corporate restructuring as more particularly described as follows:

(1) Acquisition of the entire issued shares in TCA Japan held by Mr. Ando and Mrs. Ando by our Company

Pursuant to the share purchase agreements dated August 30, 2017 entered into by our Company with each of Mr. Ando and Mrs. Ando, our Company acquired (i) the entire issued shares in TCA Japan held by Mr. Ando, comprising 744 common shares and 70 class A shares which represented 81.4% of the entire issued shares in TCA Japan, at a cash consideration of JPY565,848,030; and (ii) the entire issued shares in TCA Japan held by Mrs. Ando, comprising 56 common shares which represented 5.6% of the entire issued shares in TCA Japan, at a cash consideration of JPY38,928,120. The consideration for such acquisitions were determined between the parties on an arm's length basis with reference to the net asset value of TCA Japan as at August 31, 2016. The consideration was settled on August 30, 2017 and the transfer became effective on the same date. Following such acquisition, the entire issued shares in TCA Japan were owned as to 87% by our Company, 5% by Mr. Katsu, 3% by Mr. Xie, 2% by Mr. Nashida and 3% by Mr. Yodo, and TCA Japan became a direct non-wholly owned subsidiary of our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(2) Transfer back of the 51% issued share capital in our Company by Mr. Feng to Mr. Ando

Mr. Ando has been the beneficial owner of the entire issued share capital of our Company since its incorporation. 51% of the entire issued share capital of our Company were registered under the name of Mr. Feng who held such Shares on trust for Mr. Ando. On December 19, 2017, at the direction of Mr. Ando, Mr. Feng transferred back the 51 Shares, representing 51% of the then entire issued share capital of our Company, to Mr. Ando at nil consideration, and the trust arrangement ceased.

(3) Acquisition of the entire issued shares in TCA Japan held by Mr. Xie and Mr. Nashida by our Company

Pursuant to the share purchase agreements dated January 29, 2018 entered into by our Company with each of Mr. Xie and Mr. Nashida, our Company acquired (i) the entire issued shares in TCA Japan held by Mr. Xie, comprising 30 class A shares which represented 3% of the entire issued shares in TCA Japan, at a cash consideration of JPY18,168,870; and (ii) the entire issued shares in TCA Japan held by Mr. Nashida, comprising 20 class A shares which represented 2% of the entire issued shares in TCA Japan, at a cash consideration of JPY12,112,580. The consideration for such acquisitions were determined between the parties on an arm's length basis with reference to the net asset value of TCA Japan as at August 31, 2017. The transfer became effective on January 29, 2018. The consideration was settled on February 8, 2018. Following such acquisitions, the entire issued shares in TCA Japan were owned as to 92% by our Company, 5% by Mr. Katsu and 3% by Mr. Yodo.

(4) Incorporation of TCA HK

TCA HK, a limited liability company in Hong Kong was incorporated on February 13, 2018 to act as our Group's operating entity in Hong Kong in lieu of our Company. At the time of incorporation, our Company subscribed for one ordinary share in TCA HK at HK\$1.

On March 1, 2018, pursuant to the deed of novations entered into between TCA HK, as the new employer, our Company, as the previous employer, and certain of the employees of our Company, the respective employment contracts of these employees were novated and assigned to TCA HK by our Company. Since then, TCA HK acts as the operating subsidiary of our Group in Hong Kong.

Upon completion of the above corporate restructuring, our Company became the holding company of the members of our Group.

As advised by our Japanese legal advisers, we have obtained and completed all the requisite and approvals, registrations and/or filings formalities in all material aspects from the relevant Japanese government authorities in respect of the Reorganization, and the Reorganization to the extent that Japanese laws are applicable, has complied with the applicable laws and regulations in Japan.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRE-IPO INVESTMENTS

For the long-term business development of our Group, we entered into the Pre-IPO Investments below.

The subscription of the Convertible Notes

On April 24, 2018, (i) our Company as issuer; (ii) Mr. Ando as guarantor; and (iii) each of Mr. Chan, Happy Capricorn, Paradise Global, Mr. Tse and Mr. Yang, as investors, entered into a subscription agreement for the subscription of the Convertible Notes. Our Company issued the Convertible Notes to each of these Pre-IPO Investors on the same date.

On April 25, 2018, (i) our Company as issuer; (ii) Mr. Ando as guarantor; and (iii) Centurion Equity as investor entered into a subscription agreement for the subscription of the Convertible Note. Our Company issued the Convertible Note to Centurion Equity on the same date.

The subscription agreements mentioned above are collectively referred to as, the “**Subscription Agreements**” and each a “**Subscription Agreement**”.

The Convertible Notes

A summary of the Pre-IPO Investments made by each of the Pre-IPO Investors and principal terms and conditions of the respective Convertible Notes as created by the respective Note Instruments are set out below:

Pre-IPO Investor <i>(Note 1)</i>	Mr. Chan	Happy Capricorn	Paradise Global	Mr. Tse	Mr. Yang	Centurion Equity
Issue date of the Convertible Note	April 24, 2018	April 24, 2018	April 24, 2018	April 24, 2018	April 24, 2018	April 25, 2018
Principal amount of the Convertible Note and consideration paid for the subscription of the Convertible Note	HK\$7 million	HK\$7 million	US\$1 million	HK\$3 million	HK\$7 million	HK\$7 million
Basis of consideration	The consideration represents 100% of the principal amount of the Convertible Note subscribed for by each Pre-IPO Investor					
Date on which the consideration was fully and irrevocably settled	April 24, 2018	April 24, 2018	April 24, 2018	April 25, 2018	April 24, 2018	April 25, 2018

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pre-IPO Investor (<i>Note 1</i>)	Mr. Chan	Happy Capricorn	Paradise Global	Mr. Tse	Mr. Yang	Centurion Equity
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Interest and interest payment date	(a) 1% per annum on the outstanding principal amount of the Convertible Note The Convertible Note shall bear interest on the outstanding principal from the date of the Note Instrument until the earlier of (i) the Maturity Date (as defined below), (ii) the Conversion Date (as defined below) or (iii) the date (the “ Early Redemption Date ”) on which the Convertible Note is early redeemed by our Company as referred to the subsection headed “— Early redemption at the option of our Company” below, which shall be payable in arrears every six calendar months. (b) In the event that an initial public offering (“ Qualified IPO ”) of the Shares (or its depository receipts or other securities evidencing Shares) by our Company and listing of the Shares on the main board of the Stock Exchange, Singapore Stock Exchange, New York Stock Exchange, NASDAQ Stock Exchange, London Stock Exchange, Tokyo Stock Exchange or such other stock exchange as mutually agreed by our Company and the Pre-IPO Investor (“ Recognized Stock Exchange ”) does not take place on or before the Maturity Date or, as the case may be, the Early Redemption Date, the Convertible Note shall bear an additional interest on the outstanding principal at the rate of 7% per annum to be accrued from the date of the Note Instrument until the Maturity Date or, as the case may be, the Early Redemption Date. All outstanding interest shall be payable on the Maturity Date, or as the case may be, the Early Redemption Date. (c) Interest on the Convertible Note shall accrue from day to day on the basis of the actual number of days elapsed and a year of 365 days.
Maturity Date	Expiry date of 12 months from the date of the Note Instrument, and if agreed between our Company and the Pre-IPO Investor, may be extended for a further 12-month period (“ Maturity Date ”)
Early redemption at the option of our Company	On or at any time after December 31, 2018 until the Maturity Date, our Company may redeem all (but not some only) of the outstanding principal amount of the Convertible Note at a redemption price equal to the aggregate of (i) the outstanding principal amount of the Convertible Note to be redeemed; and (ii) all outstanding interest of the Convertible Note accrued until the Early Redemption Date. The Company intends to only exercise the early redemption option relating to the Convertible Notes if Listing does not take place. Our Company has undertaken to each Pre-IPO Investor that no Qualified IPO will take place within 180 days after the Early Redemption Date.
Conversion right	Unless the Pre-IPO Investor elects to exercise the Opt-out Right (as defined below), at any time prior to the Maturity Date, all (but not part of) the outstanding principal amount of the Convertible Note shall be automatically and mandatorily converted into fully paid Shares (“ Conversion Shares ”) on the Listing Date (“ Conversion Date ”).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Pre-IPO Investor (Note 1)</u>	<u>Mr. Chan</u>	<u>Happy Capricorn</u>	<u>Paradise Global</u>	<u>Mr. Tse</u>	<u>Mr. Yang</u>	<u>Centurion Equity</u>
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Determination on the number of Conversion Shares The number of Conversion Shares will be determined based on the following formula:

$$A = (B / (C \times 10)) \times D$$

Where

“A” means the number of Conversion Shares to be allotted and issued by our Company to the Pre-IPO Investor upon conversion of the principal amount of the Convertible Note into Shares, disregarding fractions and rounded down to the nearest whole Conversion Shares;

“B” means all the outstanding principal amount of the Convertible Note and, in respect of Paradise Global, the Hong Kong dollar equivalent thereof at the exchange rate of US\$1: HK\$7.84;

“C” means HK\$54,962,000, being the adjusted profit attributable to owners of our Company for the financial year ended March 31, 2018, which shall be determined based on the profit attributable to owners of our Company for the financial year ended March 31, 2018 as set out in the audited consolidated or combined financial statements of our Company for the year ended March 31, 2018 to be included in the prospectus of our Company to be issued by our Company in connection with an offer of Shares for subscription and sale in connection with the Qualified IPO, but excluding (i) all costs and expenses incurred by our Company in respect of the Qualified IPO; (ii) all costs and expenses incurred by our Company in respect of the Subscription Agreement and the transactions contemplated thereunder; (iii) all costs and expenses incurred by our Company in respect of the other Subscription Agreements and the transactions contemplated thereunder; and (iv) the fair value loss of the Convertible Note and the other Convertible Notes; and

“D” means 403,480,000, being the total number of issued Shares outstanding as at the Conversion Date, including the Shares to be allotted and issued pursuant to the Bonus Issue and the conversion of the other Convertible Notes, but excluding such Shares to be allotted and issued pursuant to the Global Offering and/or the exercise of the Over-allotment Option.

The above conversion formula was determined by the parties after arm’s length negotiations with reference to the agreed earning multiple of the profit attributable to owners of our Company for the year ended March 31, 2018 then estimated by the parties.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pre-IPO Investor <i>(Note 1)</i>	Mr. Chan	Happy Capricorn	Paradise Global	Mr. Tse	Mr. Yang	Centurion Equity
Opt-out Right	<p>The Pre-IPO Investor shall have the right (the “Opt-out Right”) to elect that all (but not part) of the outstanding principal amount of the Convertible Note shall not be automatically and mandatorily converted into fully-paid Conversion Shares by serving a notice in writing to our Company at any time prior to 6:00 p.m. on the Business Day immediately after the Price Determination Date, provided that such Opt-out Right shall not be exercisable by the Pre-IPO Investor if the market capitalization of the Shares immediately upon closing of the Global Offering, based on the final Offer Price and the number of Shares to be in issue on the Conversion Date (including all Shares to be issued pursuant to the conversion of the Convertible Note and the other Convertible Notes but taking no account of any Shares to be issued pursuant to the exercise of the Over-allotment Option) shall be not less than HK\$750 million.</p> <p>Our Company has no present intention to consent to reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range so that the market capitalization of our Shares upon completion of the Global Offering (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, and the options to be granted under the Share Option Scheme) shall fall below HK\$750 million unless we have obtained waiver from the noteholders of the Convertible Notes as to their Opt-out Right under the Convertible Notes or otherwise in compliance with the Listing Rules in regards to public float requirements. As such, it is expected that the Pre-IPO Investors are not entitled to exercise their Opt-out Right, and all the Convertible Notes shall be automatically and mandatorily converted into Conversion Shares on the Listing Date.</p>					
Transferability	<p>The Convertible Note is not transferrable without the prior written consent of our Company and unless in compliance with any applicable requirements under the listing rules of the Recognized Stock Exchange and the applicable laws.</p>					
Events of default	<p>Upon occurrence of an event of default, including, among others, our Company failing to pay when due any principal or other amount payable with respect to the Convertible Note, or our Group ceasing or being disqualified to carry on its business or any substantial part thereof or changing its business, or default in the due observance or performance of any term, covenant, undertaking or agreement contained in the Note Instrument or any of the other transaction documents by our Company, or our Company or its subsidiaries becoming insolvent or an order is made or an effective resolution is passed for the winding-up of our Company or any of its subsidiaries, the Pre-IPO Investor shall have the right to demand our Company to forthwith redeem the Convertible Note in full at the aggregate amount of (i) the outstanding principal amount of the Convertible Note; (ii) all accrued and unpaid interest on the outstanding principal amount of the Convertible Note; and (iii) default interest on the outstanding principal amount of the Convertible Note at the rate of 25% per annum to be accrued from day to day on the basis of the actual number of days elapsed and a year of 365 days from the date of the Note Instrument until the date of actual payment of all outstanding principal amount and all interest accrued thereon (including default interest) has been fully repaid.</p>					
Number of Shares and approximate percentage of shareholding in our Company immediately upon Listing <i>(Note 2)</i>	5,138,750 Shares, 1.0%	5,138,750 Shares, 1.0%	5,755,400 Shares, 1.2%	2,202,322 Shares, 0.4%	5,138,750 Shares, 1.0%	5,138,750 Shares, 1.0%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pre-IPO Investor <i>(Note 1)</i>	Mr. Chan	Happy Capricorn	Paradise Global	Mr. Tse	Mr. Yang	Centurion Equity
Investment cost per Share			Approximately HK\$1.36			
Discount to the mid-point of the indicative Offer Price range <i>(Note 3)</i>			Approximately 15.3%			
Use of proceeds	The proceeds from the Convertible Notes shall be used to fund the capital expenditures and working capital of our Group. As at the Latest Practicable Date, such proceeds had not been fully utilized.					
Strategic benefits to our Group	Widen our Group's capital base.					
Lock-up period and public float	The Conversion Shares to be held by each of the Pre-IPO Investors upon conversion of the respective Convertible Notes are not subject to any lock-up period after Listing. In view of (i) the Pre-IPO Investors are Independent Third Parties; (ii) as represented by each of the Pre-IPO Investors, he/it is independent of and not acting upon or accustomed to take instructions from, directly or indirectly, funded or backed by, or acting in concert with (as defined in the Takeovers Code), any connected persons of our Company in relation to the control of our Company or any acquisition, disposal, voting or any other disposition of securities in our Company; and (iii) none of the Pre-IPO Investors will become a substantial Shareholder upon Listing, the Conversion Shares to be held by the respective Pre-IPO Investors upon conversion of the respective Convertible Notes immediately after Listing will be considered as part of the public float after Listing for the purpose of Rule 8.08 of the Listing Rules.					

Notes:

- (1) Each of the Pre-IPO Investors is the respective subscriber of the Convertible Notes.
- (2) Based on the respective number of Conversion Shares to be held by each of the Pre-IPO Investor and the total number of Shares in issue upon completion of the Global Offering and the Bonus Issue, taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.
- (3) Based on the Offer Price of HK\$1.605 per Share (being the mid-point of the indicative Offer Price range).

Special rights granted to the Pre-IPO Investors

Pursuant to the Investors' Rights Agreement dated April 24, 2018 entered into between our Company, Mr. Ando, Mr. Chan, Happy Capricorn, Paradise Global, Mr. Tse and Mr. Yang and a deed of adherence dated April 25, 2018 entered into by Centurion Equity, the Pre-IPO Investors were granted a number of special rights, all of which shall cease to have effect upon Listing, in relation to the management of our Company and other matters of our Company. A summary of these special rights is set out below:

(a) Information rights and visiting rights

Our Company shall provide to the Pre-IPO Investors annual, quarterly and monthly financial information of our Group, annual business plan, board and shareholders' resolutions, and the manuals, documents and policies of our Group in relation to corporate governance or internal control.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Each Pre-IPO Investor is permitted to visit the properties of members of our Group, to access to the books and accounts of members of our Group and all information and documents of members of our Group relating to the business or otherwise to the affairs and financial or other position of the members of our Group.

(b) Designate a non-executive Director to our Board

Paradise Global shall have the right to appoint one person to act as a non-executive Director to our Board (the “**Investor Director**”) and such appointment shall be in any event before the submission of listing application by our Company in connection with the Qualified IPO.

(c) Restriction on transfer of shares and first right of refusal

Prior to the Qualified IPO, Mr. Ando may not, without the consent of the Pre-IPO Investors and other than pursuant to (a) the transactions contemplated under the transaction documents as defined in the respective Subscription Agreements; (b) the sale of Shares under the Qualified IPO; or (c) the granting of Over-allotment Options and the transfer of Shares pursuant to any stock borrowing agreement to cover any over-allocations under the Qualified IPO, (i) transfer, sell, dispose of, or approve the transfer, sale or disposal of, any of the Shares or the beneficial interest therein; or (ii) create or permit to subsist any mortgage, charge, pledge, lien, encumbrance or other security interest whatsoever on or over or in respect of all or any of the Shares held by him or on which he has an interests and shall not otherwise encumber or dispose of any of his Shares or otherwise purport to deal with the beneficial or economic interest therein (including but not limited to his voting rights) or any right relating thereto.

If any Shareholder (the “**Transferor**”) proposes to transfer or sell any Shares (the “**Transfer Shares**”) held by it (the “**Proposed Transfer**”), the other Pre-IPO Investors shall have the right to elect to purchase any of the Transfer Shares subject to the terms and conditions as described in the transfer notice to be given by the selling Shareholder.

Mr. Ando has covenanted and undertaken to the Pre-IPO Investors that from the respective date of signing of the Subscription Agreements and up to the date of the Qualified IPO, he will continue to hold at least 30% of the voting rights of our Company.

(d) Tag-along rights

The Pre-IPO Investors shall have the right to participate in the Proposed Transfer and to sell to the third party purchaser at the same price and same terms and conditions of Shares registered in the name of the Pre-IPO Investors (if any).

(e) Drag-along rights

If Mr. Ando is the Transferor and proposes to sell his Shares and the Transfer Shares represent 50% or more of the entire issued Shares, Mr. Ando shall have the right, upon his intended sale of the Transfer Shares, to require all other Shareholders (the “**Drag-Along Shareholders**”) to transfer all its respective Shares (the “**Drag-Along Shares**”) to the third party purchaser simultaneously as Mr. Ando transfers his Transfer Shares to the third party purchaser. The sale of the Drag-Along Shares shall be on terms and conditions equivalent to the terms and conditions for sale of the Transfer Shares of Mr. Ando to the third party purchaser.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(f) Prior consent for certain corporate actions

Our Company shall not (whether through itself or its subsidiaries), and Mr. Ando shall procure none of our Company or its subsidiaries shall, carry out, among others, various major transactions unless with the prior written approval of the Pre-IPO Investors, including but not limited to change of its principal business or conducting any business or operation which is not in its ordinary course of business, acquiring any material assets, authorizing or undertaking any arrangement for the disposal of any material assets or business of our Group, incurring any material capital expenditure, entering into material contracts, removing Mr. Ando as a Director except such removal is compulsorily required by the applicable laws or regulations, recommending or declaring an interim or a final dividend (except in respect of retained profits of our Company or any of its subsidiaries in respect of any accounting period ending on or before the date of the Investors' Rights Agreement), or amending or repealing the organizational documents of our Company or the constitutional documents of any subsidiary of our Company which will affect or be in relation to the rights and interests of the Pre-IPO Investor or the Shareholders or subsidiaries of our Company.

Information about the Pre-IPO Investors

(1) Mr. Chan

Mr. Chan is a retired businessman with years of experience in Hong Kong properties investments and antiques and art collection. He was appointed as an executive director of AMVIG Holding Limited, a company which shares are listed on the Main Board of the Stock Exchange (stock code: 2300) since June 2006 and resigned in September 2016. Mr. Chan became acquainted with our Group and our Controlling Shareholder as he has been a long-term customer of our Group since March 2014. He was a customer of our Group (one of our top five customers for the years ended March 31, 2016 and 2018) during the Track Record Period and one of our top five suppliers of our Group for the year ended March 31, 2018. Please refer to the sections headed "Business — Customers" and "Business — Suppliers" of this prospectus for further details. As he is an experienced investor and a long-term customer of our Group, he has witnessed the successes and achievements of our Group from time to time, and with the good reputation and niche positioning in the auction market, he invested in our Company as he believed that our Group has great potentials in the auction market. Save as disclosed, Mr. Chan does not have any relationship with our Group or any connected person of our Company, and is an Independent Third Party.

(2) Happy Capricorn

Happy Capricorn is a company incorporated in the Republic of Vanuatu on June 4, 2013. It is wholly owned by Ms. Kang Ning ("**Ms. Kang**"). To the best of our Directors' knowledge, information and belief, Happy Capricorn is an investment holding company and Ms. Kang is a merchant, conducting business in the construction industry. Ms. Kang became acquainted with our Group and our Controlling Shareholder for many years as she is the niece of one of the top five customers of our Group for the year ended March 31, 2017, who is an individual collector of antiques and art collection having business relationship with our Group since September 2011, and an Independent Third Party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

By virtue of the continuous long-term relationship between her uncle and our Group, Ms. Kang has known and witnessed the development, successes and achievements of our Group. With the good reputation and niche positioning in the auction market, Ms. Kang invested in our Company as she believed our Group has great potentials in the auction market. Neither Happy Capricorn nor Ms. Kang has any relationship with our Group or any connected person of our Company, and each of them is an Independent Third Party.

(3) *Paradise Global*

Paradise Global is a company incorporated in Seychelles on January 5, 2016. It is an investment holding company wholly owned by Ocean Equity Partners Fund II, L.P. (“**Ocean Equity**”), and is used for investing in our Company. Ocean Equity is an exempted limited partnership registered in the Cayman Islands mainly engaged in the business of investing in private enterprises in Asia Pacific region. Sagamore China Partners III, L.P. (“**Sagamore China**”) is a limited partner of Ocean Equity. The sole general partner of Sagamore China is Sagamore China General Partner III, L.P. (“**Sagamore GP**”) and the sole general partner of Sagamore GP is Sagamore China GP III Limited (“**Sagamore Limited**”). Mr. YC Yang, our non-executive Director, is the sole director of Sagamore Limited. Other limited partners of Ocean Equity comprises (i) five individual businessmen, (ii) two limited companies incorporated in the British Virgin Islands, each of which is in turn wholly-owned by an individual businessman and (iii) one institutional investor. Based on the best information of Ocean Equity, the seven businessmen as referred to in (i) and (ii) are high net-worth individuals. The institutional investor and its related companies are asset management group engaging in the business of, inter alia, private equity investments. Paradise Global became acquainted with our Group and our Controlling Shareholder through introduction of our Group by our business partner, DLK Advisory Limited, who is principally engaged in the provisions of investor relations, public relations and other related services.

Ocean Equity has participated in pre-IPO investments in companies which have listed on the Stock Exchange. As such, after the introduction of the investment opportunities to Ocean Equity, and subsequent to a due diligence process conducted by Paradise Global on the Group, Paradise Global invested in our Company. Save as disclosed above, neither Paradise Global nor any of its ultimate beneficial owner(s) has any relationship with our Group or any connected person of our Company, and is an Independent Third Party.

(4) *Mr. Tse*

Mr. Tse is the vice president, company secretary and the chief financial officer of Ten Pao Group Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 01979) (together with its subsidiaries, the “**Ten Pao Group**”). He has approximately 25 years of experience in auditing, accounting and corporate finance. Prior to joining the Ten Pao Group, Mr. Tse worked as a senior manager in the advisory assurance department in Ernst & Young, and worked as a financial controller in Fung Yue Electrical Machinery Co., Ltd., an automation equipment manufacturing company in Hong Kong. Mr. Tse became acquainted with our Group and our Controlling Shareholder through introduction of our Group by our business partner, DLK Advisory Limited, who is principally engaged in the provisions of investor relations, public relations and other related services.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

He has been working in the accounting and finance market for 25 years, and has ample experience, resources and networks to measure and judge the returns on each investment. With our Group's well-recognized brand name in Hong Kong and after a detailed due diligence process performed by Mr. Tse on our Group, Mr. Tse invested in our Company as he believed the investment in our Group would be worthwhile. Mr. Tse does not have any relationship with our Group or any connected person of our Company, and is an Independent Third Party.

(5) *Mr. Yang*

Mr. Yang is a merchant and a customer of our Group during the Track Record Period. He has years of experience in properties development and investment in the PRC, and has over 10 years of experience in antiques and art collection. Mr. Yang became acquainted with our Group and our Controlling Shareholder as he has been a long-term customer of our Group since March 2014.

Being an experienced investor and a long-term customer of our Group, Mr. Yang has witnessed the successes and achievements of our Group from time to time. With the good reputation and niche positioning in the auction market, Mr. Yang invested in our Company as he believes our Group has great potentials in the auction market. Save as disclosed, Mr. Yang does not have any relationship with our Group or any connected person of our Company, and is an Independent Third Party.

(6) *Centurion Equity*

Centurion Equity is a company incorporated in the BVI on February 9, 2015. It is wholly owned by Novel Centurion Limited, which is in turn wholly owned by Mr. Chao Kee Young Ronald (“**Mr. Chao**”) who was a customer of our Group (one of our top five customers for the year ended March 31, 2016) during the Track Record Period. Mr. Chao is the founder and honorary chairman of Bai Xian Education Foundation Limited (百賢教育基金會). He is also the recipient of The Order of The Rising Sun, Gold Rays with Neck Ribbon (旭日中綬章) from the Japanese government. Mr. Chao became acquainted with our Group and our Controlling Shareholder as he has been a long-term customer of our Group since March 2013.

Being an experienced investor and a long-term customer of our Group, Mr. Chao has witnessed the successes and achievements of our Group from time to time. With the good reputation and niche positioning in the auction market, Mr. Chao invested in our Company as he believes our Group has great potentials in the auction market. Please refer to the section headed “Business — Customers” of the prospectus for further details. Furthermore, the niece of Mr. Chao is the wife of Mr. YC Yang, our non-executive Director. Save as disclosed, neither Centurion Equity nor any of its ultimate beneficial owner has any other relationship with our Group or any connected person of our Company, and is an Independent Third Party.

Apart from widening of the capital base of our Group since certain of our Pre-IPO Investors are long-term customers of our Group, the investments by our Pre-IPO Investors have brought strategic benefits to our Group as such investments may help to secure and strengthen the relationships between our Group and our customers, which is one of the key drivers for the growth of our Group. In light of Ocean Equity's experience in investment in other listed companies on the Stock Exchange and Mr. Tse's experience in auditing, accounting and corporate finance, it is expected that they may contribute meaningful advice on corporate governance of our Group.

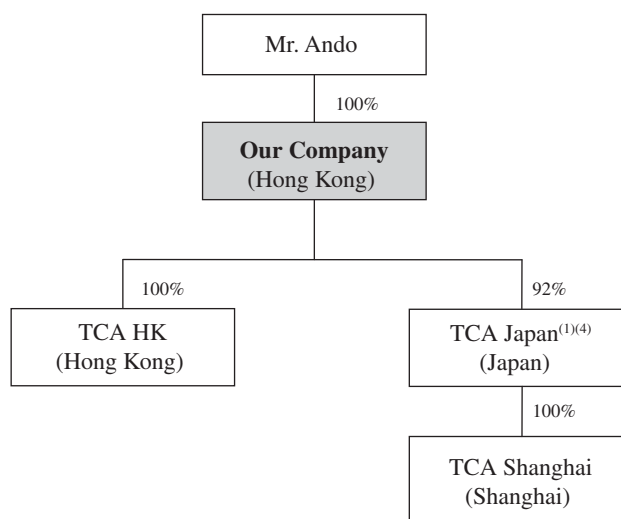
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Sole Sponsor's confirmation

Since the consideration for the Pre-IPO Investments was fully settled by the Pre-IPO Investors more than 28 clear days before the date of submission of the initial listing application by our Company and the special rights granted to the Pre-IPO Investors will lapse upon Listing, the Sole Sponsor is of the view that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments (HKEx-GL29-12), the Guidance on Pre-IPO Investments (HKEx-GL43-12) and the Guidance on Pre-IPO Investments in Convertible Instruments (HKEx-GL44-12).

CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately before the completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes:



Notes:

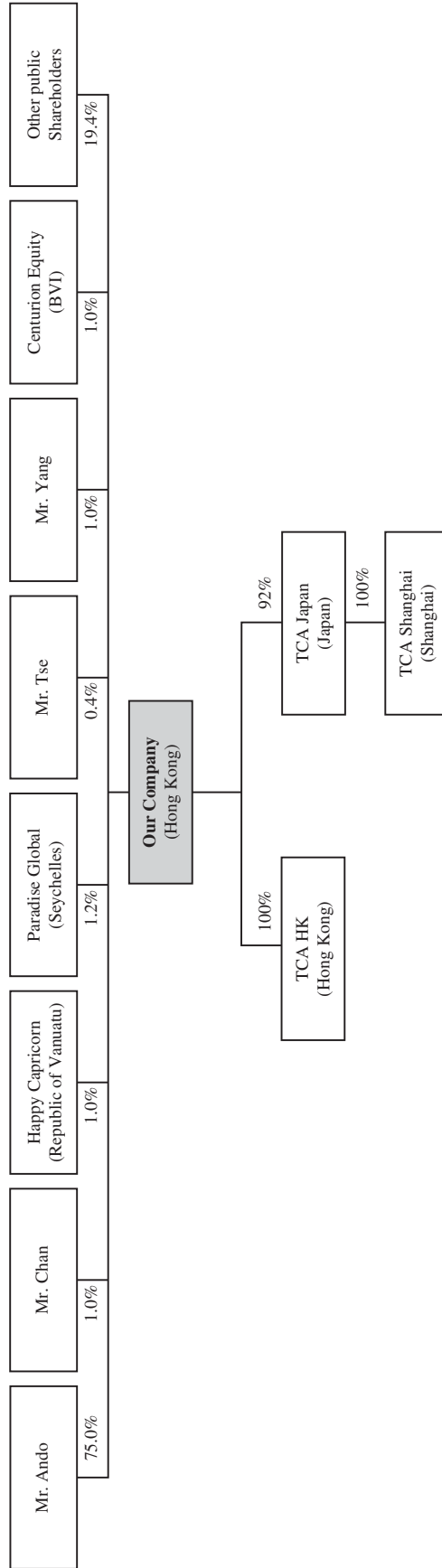
- The remaining 8% entire issued shares in TCA Japan were held as to 5% by Mr. Katsu and 3% by Mr. Yodo, respectively, all of which are class A shares. On May 14, 2018, TCA Japan has ceased to have a place of business in Hong Kong. Shareholders of class A shares do not have any voting right at the general meeting of shareholders of TCA Japan. Mr. Katsu is our executive Director and chief operating officer of our Group while Mr. Yodo is an external advisor and an Independent Third Party.
- The following table summarizes the brief details of each of our Company and the major operating subsidiaries of our Company as at the Latest Practicable Date:

	<u>Name of Group companies</u>	<u>Date of incorporation</u>	<u>Place of incorporation</u>	<u>Principal activities</u>
(a)	Our Company	July 11, 2013	Hong Kong	Investment holding
(b)	TCA HK	February 13, 2018	Hong Kong	Holding auctions
(c)	TCA Japan	November 1, 2010	Japan	Holding auctions

- Please refer to Note 17 of the Accountant's Report as set out in Appendix I to this prospectus for further information of our subsidiaries.
- TCA Japan has a representative office in Taiwan.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately upon completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme):



Note: All percentage shown in this chart are approximate figures.

BUSINESS

OVERVIEW

We are a well-recognized 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.

According to the CIC Report, in 2017, (i) we ranked second and fifth among all auction houses with Chinese art auction business in Japan and Hong Kong with a market share of 26.8% and 4.4%, in terms of transaction value from the Chinese art auction business in Japan and Hong Kong, respectively, (ii) we ranked fifth among all auction houses with Japanese art auction business both in Japan and Hong Kong with a market share of 3.1% and 1.4%, in terms of transaction value from the Japanese art auction business in Japan and Hong Kong, respectively, and (iii) we had a market share of 1.6% among all auction houses with Chinese art auction business in Asia, in term of transaction value from the Chinese art auction business.

With over seven years of operating experience in the Chinese and Japanese art auction industry, we have grown into a well-recognized and trusted auction brand in Hong Kong and Japan, and successfully established the market position, well-known brand name and strong competitiveness. We are well recognized by our customers for the appealing auctioned artworks and the quality auction services we provide, which significantly contribute to the market recognition for our “Tokyo Chuo Auction” brand. 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.

For our art auctions, we generally function as an agent by accepting artworks on consignment, cultivating and stimulating market demand through professional marketing activities and matching the needs of the consignors to those of the buyers through our auctions. Our art auction revenue is mainly comprised of art auction commission which we collect from both buyers (or bidders) and sellers (or consignors) upon settlement of auction sales and are calculated as a percentage of the hammer price of artworks sold at our auctions. Following the sales at auction, after the buyer confirms the bidding for the artwork, we normally collect payment for the hammer price of the artwork plus the buyer’s commission, then deliver the artworks to the buyer after we collect the full payment and finally remit to the seller the net sale proceeds after deducting the seller’s commission and relevant fees for services we provided in relation to the auction catalog, insurance and other auction-related services.

For our artwork sales, we purchase artworks which we believe have appreciation potential and resell them at an appropriate time to make profit. We acquire artworks through participating in art auctions or directly through private sales.

For the years ended March 31, 2016, 2017, and 2018, our revenue was approximately HK\$138.6 million, HK\$148.0 million, and HK\$173.3 million, respectively. Our revenue increased from the year ended March 31, 2016 to the year ended March 31, 2018 at a CAGR of approximately 11.8% primarily attributable to increases in revenues from art auction and related business segment. During the Track Record Period, our profit attributable to owners of our Company was approximately HK\$18.5 million, HK\$30.8 million, and HK\$44.1 million, respectively. Please see the section headed “Financial Information — Description of selected consolidated income statements line items” of this prospectus for details.

BUSINESS

Capitalizing on our profound knowledge of Chinese and Japanese artworks and the local market in Japan and Hong Kong, our long term relationship with customers, customer-oriented and culture-focused marketing activities and the support of our professional team, we believe that through our continuous efforts, our mission to become one of the internationally well-known auction houses with Chinese and Japanese art auction business can be achieved in the near future.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have been the foundation of our growth, and expect that they will continue to support our market position in the Chinese and Japanese artworks auction markets in Hong Kong and Japan.

We are a well-recognized auction house of Chinese and Japanese artworks in Hong Kong and Japan with well-established brand name

We are a well-recognized auction house of Chinese and Japanese artworks in Hong Kong and Japan. According to the CIC Report, in terms of transaction value from the Chinese art auction business in 2017, we ranked second and fifth among all auction houses with Chinese art auction business in Japan and in Hong Kong with a market share of 26.8% and 4.4%, respectively. According to the CIC report, in terms of transaction value from the Japanese art auction business in 2017, we ranked fifth among all auction houses with Japanese art auction business both in Japan and Hong Kong with a market share of 3.1% and 1.4%, respectively. Leveraging on our profound knowledge of the Chinese and Japanese artworks and the local market in Hong Kong and Japan, our long term relationship with customers, customer-oriented and culture-focused marketing and the support of our professional team, we provide our customers with customer-oriented and culture-focused auction services that cover key areas along the value chain of the Chinese and Japanese artwork industry, including sourcing, authentication, valuation, auction and sales of the artworks.

We established our auction business in Japan since 2010. Since then, we have grown into a well-known auction brand in Japan, focusing mainly on Chinese and Japanese artworks and throughout the years, developed a stable and diverse group of customers that includes well-known local and overseas collectors or families. Over the years, we have implemented various measures that we believe contributed to the advancement of the Chinese artworks and Japanese tea ware culture in Japan. Originating in Japan since our inception and becoming a leading auction house with Chinese and Japanese in Japan, we have been continuously enjoying the benefit of operating in Japan's artwork market. In particular, according to the CIC report, there is an abundant quantity of Chinese artworks in Japan due to historical reason. In addition, after the reestablishment of diplomatic relations between China and Japan in the 1970s, more and more Chinese immigrate to Japan, and some of them brought Chinese artworks along with them. Furthermore, since the economic downturn in Japan from 2000, only a limited number of players in the Chinese artwork auction market remains active. Even with the economic recovery in recent years, there are still limited players to the Chinese artwork auction market in Japan, which resulted in less competitive landscape as compared with that in Hong Kong and Mainland China. As a result, we enabled to attract more artwork interest parties in Japan and abroad, especially Chinese artwork collectors, to participate in our auctions held in Japan during the Track Record Period. For the years ended March 31, 2016, 2017 and 2018, we generated revenue of approximately HK\$100.0 million, HK\$84.9 million, and HK\$83.5 million from our operation in Japan, representing approximately 72.2%, 57.4% and 48.2% of our total revenue, respectively.

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With our commitment to better serve as a bridge for the art cultural exchange between Hong Kong and Japan and in view of Hong Kong' status as an international center of culture and art with strong art atmosphere and artists gathering around, convenient geographic location and developed economy, in 2013, we expanded our business to Hong Kong and held our first auction in November 2014. For the years ended March 31, 2016, 2017 and 2018, we generated revenue of approximately HK\$38.6 million, HK\$63.1 million, and HK\$89.8 million from our operation in Hong Kong, representing approximately 27.8%, 42.6% and 51.8% of our total revenue, respectively.

With over seven years of operating experience in the Chinese and Japanese art auction industry in Hong Kong and Japan, we have accumulated rich experience of dealing with Chinese artworks, especially in sourcing large numbers of quality artworks, authenticating, valuing and marketing artworks, therefore enabling us to grow into a well-recognized and trusted brand in Hong Kong and Japan. We have also established procedures for managing auction activities, which promotes the fairness and transparency of our business operation. We are well recognized by our customers for the appealing auctioned artworks and the quality auction services we provide, which significantly contributes to the market recognition for our "Tokyo Chuo Auction" brand. According to the CIC Report, the Chinese art auction market is relatively concentrated in Asia, and the top five players collectively held 41.9% of the total market share in terms of transaction value in 2017. In terms of transaction value from Chinese art auction business in 2017, we had a market share of 1.6% among all auction houses with Chinese art auction business in Asia.

Our extensive experiences in sourcing and dealing with a wide diversity of artworks have also strengthened our brand name and reputation. We believe that, our well-established brand name and good reputation among customers not only enabled us to enjoy a high profile of network but also improved our ability to source a greater number of high quality artworks, and attract potential bidders to participate in our art auctions.

Going forward, with the leadership of our founder and the support of professional management team, along with our established brand name and established position in the market, we expect sustainable growth in the foreseeable future, which in turn, would further consolidate and improve our market position in the Chinese and Japanese art auction industry.

We have established a solid and expanding customer base and maintained long-term and stable relationships with customers supported by well-established network with proven ability to source premium artworks across Asia and attract more potential buyers to participate in our art auctions

According to the CIC Report, in 2017, among all the top five auction houses with Chinese art auction business in Hong Kong and all the top three auction houses with Chinese art auction business in Japan, we are the only one auction house holding auctions both in Japan and Hong Kong. Capitalising on our combined profound knowledge of both traditional Chinese and Japanese culture, thorough understanding of the Chinese and Japanese artwork industry and profound insight of the trends of the artwork market in Hong Kong and Japan, through years of effort, we have successfully built a solid and expanding customer base comprising of both Chinese and Japanese through our well-established network both in Hong Kong and Japan. Our customers are generally comprised of artwork interested parties, including artworks artists, masters, experts, merchants, collectors, art galleries and museums. Our professional team as well as our historical and culture-focused marketing techniques have helped us build and maintain long-term and stable relationships with our customers. As of March 31, 2018, we had developed solid and stable business relationships with our top five customers ranging from 0.5 to 7 years. Revenue derived from our top five customers contributed approximately 17.6%, 18.2%, and 24.4% to our total revenue for the years ended March 31, 2016, 2017 and 2018, respectively.

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We strongly believe that our abilities to develop a solid customer base and maintain long-term relationships with customers are essential to our success. Some of our long-term customers are well-known collectors or families, who have a rich collection of high value artworks with well-maintained title and transaction records. They are able to consign or purchase artworks with high values. Our stable and long-term relationships with customers, especially sellers with strong supply of premium artworks, have enhanced our ability to source high-value Chinese and Japanese artworks on one hand, and raised public interest and confidence in our auction, which in turn attract more potential buyers to join our art auctions on the other hand. This also strengthens the coverage and penetration of our business network to source premium artworks across Asia.

We believe that our comprehensive sourcing channels contribute to facilitate business growth over the years since our inception and achieve the established market position in the Chinese and the Japanese art auction market in Hong Kong and Japan. Our founder, Mr. Ando has accumulated over ten years of experience in operating and managing artwork trading business and over seven years of experience in operation and management of artwork auction and established a solid network in this industry, providing us diversified sources and channels to discover Chinese and Japanese artworks. During the Track Record Period, we offered several categories of Chinese and Japanese artworks, including Chinese paintings and calligraphies, Chinese antiques (including but not limited to ceramics, Four Treasures of Study* (文房四寶), displaying objects and jade objects), Japanese and Chinese tea wares and others. In particular, the following premium artworks have received great attention at auctions held by us in our auction operations:

- a Chinese calligraphy named “Imperial River Source Concise Script”* (御製河源簡明語卷) by Yong Xing (成親王) from the Qing dynasty with a hammer price of HK\$15 million in our first auction in Hong Kong held in November 2014;
- a Chinese classical painting and calligraphy named “Consonance between Pines and Spring”* (泉聲松韻圖) by Wang Meng (王蒙) with a hammer price of HK\$151 million in our 2017 Autumn Auction in Hong Kong, recording the highest hammer price among all his artworks sold by auction houses since 2015 and up to the material time, according to the CIC Report;
- a Chinese calligraphy named “Buddhist Monastery by Streams and Mountains”* (蘭溪蘭若圖卷) by Ju Ran (巨然) in Northern Song dynasty with a hammer price of HK\$31 million in our third anniversary auction in Hong Kong, recording the highest hammer price among all his artworks sold by auction houses since 2015 and up to the material time, according to the CIC Report;
- a Chinese calligraphy named “Grinding an Iron Pestle into a Needles”* (鐵杵磨針圖) by Qiu Ying (仇英) with a hammer price of HK\$28 million in our 2016 Autumn Auction in Hong Kong, recording the highest hammer price among all his hanging scroll artworks sold by auction houses since 2015 and up to the material time, according to the CIC Report; and
- a pair of imperial Tianhuang stone “Yongdan” seals of Nalan Xingde in Kangxi period (清康熙御製田黃用端鈕納蘭性德自用對印) with a hammer price of HK\$24 million.

We also strive to further expand our customer base by organizing more preview exhibitions with a focus on introducing and displaying the artworks that are to be sold in subsequent art auctions. We intend to organize more exhibitions and private gatherings to showcase the artwork of well-known artists as well

as artworks of specific categories or with distinctive markets, cultural or historical values. By inviting our existing and potential customers and the public to participate in such events, market interest in our auction and demand of the consigned artworks at our auction can be cultivated and fostered.

Our professional as well as history-focused and culture-oriented marketing techniques along with quality services maximize the transaction price of our auctioned artworks

Our commitment to adopting and utilizing professional as well as history-focused and culture-oriented marketing techniques and providing our customers with quality services help us to understand their preference and demand more comprehensively, which effectively cultivate the market's interest in our auctions. Apart from resorting to the traditional marketing methods, we seek to reach beyond the traditional communication boundaries to make use of the latest marketing techniques in our sales and marketing efforts to provide better experience for potential buyers. We produce and distribute self-designed auction catalogs for artworks consigned for our art auctions, which are available in both printed and digital forms and can be reviewed on our official websites www.chuo-auction.com.hk and www.chuo-auction.co.jp. We also utilize social media such as WeChat, Weibo and Facebook to announce and publicize our art auctions, preview exhibitions and other marketing events and advertise key artworks consigned for our auctions. Furthermore, we organize artwork preview exhibitions to display key artworks before art auctions so that potential buyers can attend such session to directly view and authenticate them. During each of the financial year of the Track Record Period respectively, we held nine, six and seven artwork preview exhibitions, among which, eight were held in each of Hong Kong and Japan, and two were held in each of Shanghai, Macau and Taiwan. We also provide series of after-sales services to key buyers by visiting them regularly to understand their collections and demands so that we can constantly keep us abreast of the latest buyers' preference across the Chinese and Japanese artwork markets.

Moreover, we believe that our history-focused and culture-oriented marketing approach to enhance public's awareness from an art and cultural perspective differentiates us from most of our competitors. During each of the financial year of the Track Record Period respectively, we held four, six and nine marketing and sourcing events, among which, 14, four and one were held in Japan, Hong Kong and Taiwan, respectively. Among these marketing and sourcing events, we hosted tea ceremonies named "One Encounter, One Chance — The Art of Tea Ceremony"* (一期一會聽茶聞香) to promote the culture and history of tea wares, through which, our existing and potential buyers and the public may appreciate the beauty to tea wares while learning the history and knowledge of tea culture. Moreover, we also arranged exhibitions for artworks of specific categories or artists to facilitate art appreciation. We believe our success in introducing the commercial and academic values of artworks, which allow our existing and potential buyers to fully appreciate the commercial, historical and cultural values of artworks, thus creating greater interest in participating in our auctions. For instance, before the 2017 Autumn Auction in Hong Kong, we organized an exhibition to promote artworks from the collection from the Japanese Calligraphy Museum of Wakayama* (和歌山縣書道資料館). Through organizing such exhibition ahead of our auction which had greatly raised public interest in purchasing artworks displayed in the exhibition, the piece of artwork named "Free-copy of Calligraphy by Songdan"* (行書臨「宋儋帖」) by Wang Duo (王鐸) was sold at HK\$20 million at our auction, which was approximately 2.5 times of lower end of the estimated price. This is also the fifth highest hammer price among all Wang Duo's artworks sold by auction houses since 2015 and up to the material time, according to the CIC Report.

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From time to time, we hold art exhibitions of various themes, which serve as platforms that introduce the commercial, historical and cultural values of a variety of Chinese artworks to the public. Each of such theme art exhibition focused on introduction, display and auction of a specific or collecting category, that were sold in separate art auctions held by us in addition to our two principal Spring Auction and Autumn Auction. During the Track Record Period, we also participated and co-organized the following major artwork exhibitions with other organizations and museums:

- one exhibition named “the International Exposition of Intangible Cultural Heritage and Ancient Art Macao” (澳門 • 非物質文化遺產暨古代藝術國際博覽會) in April 2016;
- one exhibition with Kyoto Municipal Museum of Art with two sessions, namely, “Ki-Seki — An Exhibition of Ancient Chinese Lacquerware from the Hayashibara Collection”* (漆跡—舊林原企業藏漆器展) and “Kaku-Cho — Paintings by Wang Shimin, Wang Jian, Wang Hui, Wang Yuanqi, Wu Li and Yun Shouping”* (格調—抗古齋藏四王吳惲六家畫展) in June 2016;
- one cultural exhibition with Kyoto Municipal Museum of Art with two sessions, namely, “Collection of Four Treasures of Study — Showcase of Fine Scholar’s Four Treasures of Study”* (文房聚珍—名家收藏文房清供) and “Enchantment of Chinese Ink — Exhibition of Paintings of Wu Changshuo and Qi Baishi collected by Shuang Shi Cao Tang”* (墨妙—雙石艸堂藏吳昌碩齊白石書畫展) in April 2017; and
- one exhibition named “Gao Mai — Collections of Painting in Ming Dynasty by Collectors”* (高邁—明代書畫名家收藏展) at Kyoto Municipal Museum of Art in April 2018.

We have established effective risk management and internal control systems in respect of authenticating and valuing artworks

Effective risk management and internal control systems at each stage of our auction business, in particular in respect of authenticating and valuing artworks, are essential to sustainable development of our business. We have been maintaining and constantly improving our internal control and risk management systems in respect of authenticating and valuing of artworks. We have adopted and implemented multiple measures at each stage of our business starting with sourcing high quality artworks from consignors and sellers and we have also established stringent measures to screen, authenticate the artworks before placing them to our auctions or purchasing them for resale. In particular, we strictly rely on expert opinions of our Internal Artwork Appraisal Team and/or External Artwork Appraisal Consultants to advise us on the authenticity and valuation of different types of artworks in accordance with our internal procedures, which allows our management to make well-informed and sound decisions. As a result, we have established well-recognized reputation for our strong emphasis on authentication and valuation of artworks.

We believe our risk management and internal control systems in respect of authenticating and valuing of artworks are effective and sound as we did not have any material dispute in relation to authentication and valuation of artworks during the Track Record Period. Please refer to the subsection headed “Internal Control and Risk Management — Authentication and Valuation of Artworks” for details of such measures.

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Through our efforts to establish a concrete internal control and risk management systems in respect of artwork authentication and valuation and to build up a strong management and expert team to authenticate and value artworks, we can minimize or eliminate the interruption to our business and diversion of our management's attention due to settling disputes with clients and non-compliance. We believe that our success in building customers' confidence to our auction brand and auction services is contributed by our ability to maintain regulatory compliance and minimize risks related to our operations.

We have an experienced and stable management team led by an experienced founder

We have an experienced and dedicated management team led by the chairman of our Board and an executive Director, Mr. Ando, who is also the founder of our Group. Mr. Ando has accumulated over 10 years of experience in operating and managing artwork trading business and over seven years of experience in operation and management of artwork auction. With over 17 years of experience in Chinese and Japanese artwork related businesses, Mr. Ando has played and will continue to play an essential role in our continuing development and expansion. His expertise and experience have helped us acquire many appealing and high value artworks for our auction and in our inventory, and his relationship network has enabled us to maintain a stable and constantly expanding customer base. Mr. Katsu Bunkai, an executive Director and the chief operating officer of our Group, has over six years of experience in operating artwork trading business and over six years of experience in operating and managing the auction. Mr. Sun, our executive Director, has over 30 years of experience in artwork trading and over 23 years of experience in auction operation. Together with other senior management, the expertise and relationship network of our Directors have been critical in establishing our Group as a well-recognized auction house of Chinese and Japanese artwork in Hong Kong and Japan.

Our experienced senior management team comprises of industry experts with valuable experience in the art industry. In particular, Mr. Wong Chi Ming, the general manager of the Group, has accumulated nearly 12 years of experience in provision of auction business. For further details of our Director's and senior management team's biographies, please refer to the section headed "Directors and Senior Management" in this prospectus.

Mr. Ando together with other experienced senior management team have played and continue to play a key role in operation of our Group and formation and execution of the development strategy of our Group. They provide us with in-depth industry and operational knowledge, and their management capability, supported by a strong execution team and management system, will continue to help us deliver sustainable growth in the future.

STRATEGIES

Our mission is to become one of the internationally well-known auction houses with Chinese and Japanese art auction business in the future. Despite the increasingly competitive environment and the dominant position of our key competitors, taking into consideration of the growing trend of the artwork market in the globe, we have the following strategies to capture the market growth going forward with the ultimate goal to achieve our mission:

Further strengthening our market position and market share in the Chinese and Japanese art auction market in Hong Kong and Japan, and enhance our brand recognition and awareness

According to the CIC Report, the market size of Hong Kong's Chinese art auction market in terms of transaction value slightly decreased from USD1,522.1 million in 2012 to USD1,388.0 million in 2017,

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representing a CAGR of -1.8%, whilst the average auction price of Chinese artworks showed a stable growth from USD107.2 thousand in 2012 to USD128.3 thousand in 2017. Despite of the slight decrease in the market size in terms of the transaction value from 2012 to 2017, the total transaction value of Hong Kong's Chinese art auction market is expected to reach USD1,682.3 million by 2022, representing a CAGR of 3.9% between 2017 and 2022, due to the growing average wealth, rapidly expanding wealth population in Mainland China and Hong Kong, popularity of artwork investments and increasing demand from newly established museums in Mainland China. For details of these driving factors, please refer to the section headed "Industry Overview — Market Drivers of the Chinese Art Auction Market" in this prospectus. According to the CIC Report, the market size of Japan's Chinese art auction market in terms of transaction value increased from USD124.9 million in 2012 to USD157.1 million in 2017, representing a CAGR of 4.7%. The total transaction value of Japan's Chinese art auction market is expected to reach USD210.0 million by 2022, representing a CAGR of 6.0% between 2017 and 2022.

According to the CIC Report, the market size of Hong Kong's Japanese art auction market in terms of transaction value slightly increased from USD135.8 million in 2012 to USD170.7 million in 2017, representing a CAGR of 4.7%. The total transaction value of Hong Kong's Japanese art auction market is expected to reach USD218.8 million by 2022, representing a CAGR of 5.1% between 2017 and 2022. The market size of Japan's Japanese art auction market in terms of transaction value increased from USD51.4 million in 2012 to USD67.4 million in 2017, representing a CAGR of 5.6%. The total transaction value of Japan's Japanese art auction market is expected to reach USD93.1 million by 2022, representing a CAGR of 6.7% between 2017 and 2022. We plan to further strengthen our established market position and market share in Chinese and Japanese art auction market in Hong Kong and Japan by way of the following aspects:

Strengthen brand image of the Group, expand seller and buyer network and build their confidence for our brand. Further raising our brand awareness is key to the success of our future development. We plan to further invest in our marketing activities emphasizing on culture exchange embodied in the sourcing, authentication, valuation, sales and auction of the Chinese and Japanese artworks to further promote our brand image, strengthen our communication with the sellers and the buyers and expand our customer base to more premium artwork interested parties. As we believe that the brand image of an auction house relies heavily on the promotion of historical and cultural element of artworks, we have traditionally paid attention to the historical and cultural aspects of artworks, which contributed to enhance the awareness and understanding of an artwork. Going forward, we will continue to uphold our core value of "promoting culture and valuing communication" as the philosophy of the Group in carrying out our business in the future. To this end, we strive to organize more cultural events and activities to enhance the Group's brand image and build trust and confidence among existing and expanding customer base.

During the Track Record Period, we constantly held well-recognized marketing and promotional activities focusing cultural exchanges. From time to time, we held special exhibition events in Kyoto Municipal Museum of Art** (京都市美術館) which were tailor-made exhibitions to promote different themes of premium artworks with an aim to raise buyers' interest in those artworks before our auctions. Going forward, leveraging on the wealth of knowledge that we have accumulated in organizing these various special events, we plan to hold more large-scale, collaborative special events to constantly raise brand awareness among artwork interested parties. We expect these cultural exchange activities will enable us to further strengthen our brand recognition, broaden and extend the breadth and depth of relationship with our existing customers and capture the growth opportunities with potential customers.

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Devote more resources in marketing and promotional activities. We intend to increase the number of sourcing activities, preview exhibitions and participate in more exhibition events to enhance our brand awareness. We intend to further enhance our brand recognition by devoting more resources in marketing and promotional activities, including traditional advertising channel, print and television media, as well as social network activities and joint sponsored events. We plan to add more online advertisements in search engines, like Google and Yahoo. Apart from online media, we will also expand our marketing coverage to television, newspaper, magazine and billboard. Further, we intend to develop more significant resources to the development, support and maintenance of mobile apps which provide convenient access to our services for customers. Apart from organizing a wide diversity of sourcing and marketing activities by ourselves, we also seek to attend art-related events held by other organizations more frequently. We may also consider the possibility of organizing on-line auctions when we deem appropriate. We believe such additional marketing and promotional activities will help us maintain our market share in the Chinese and Japanese art auction markets in Hong Kong and Japan. In addition, we will seek to further penetrate the high net worth market by co-organizing more artwork or jewelry events/exhibitions with jewelry brands and galleries with contemporary artwork. This will allow us to introduce new customers with high net worth who previously only purchased jewelry or contemporary artwork to understand and appreciate the value of the Chinese artwork and foster the development of long lasting relationships, with a view to generating future sales of Chinese artworks as the wealth of these customers increases over time. Furthermore, contacts made at these co-organized events/exhibitions may also allow us to gather market intelligence that we can use when expanding into the field of jewelry and contemporary artwork. For more details of our such planned expansion, please refer to the subsection headed “— Diversifying our business scope by venturing into the field of contemporary artwork and jewelry” in this prospectus.

Organize activities and events to consolidate relationship with exclusive customers. We strive to continue to hold regular activities with our exclusive customers, as we believe face to face communication is the most direct and sincere way in consolidating relationships with our exclusive customers. We plan to hold an annual exchange tour for our exclusive customers by inviting them to Japan for seminars and gatherings. We also plan to enhance our customer services to exclusive customers by paying visit to them on a regular basis. We believe through frequent contacts with our customers, we are able to understand more about their needs and preferences, source suitable artworks for them and attract them to consign artworks to us or attend our auctions.

Diversifying our business scope by venturing into the field of contemporary artwork and jewelry

Building on our experience of successfully sourcing, offering and selling Chinese and Japanese artworks, we aspire to diversify our business scope into the field of contemporary artwork and jewelry. We believe that entering into such markets can create synergies with our existing Chinese and Japanese artwork auction business as (a) we believe there would be a large potential demand for jewelry or contemporary artworks by our existing customers based on our understanding with them and they would be interested to source, supply or purchase jewelry or contemporary artworks through our platforms, (b) there is an increasing market demand on jewelry and contemporary artwork in the industry as further discussed below, and (c) we are able to capitalize our operating experiences accumulated in the Chinese and Japanese artworks market directly in getting into the new markets as the auction operation models are similar. According to the CIC Report, with the increasing emergence of talented contemporary artists in recent years, the supply of contemporary art keeps renewing and the number of collectors appreciating the value of contemporary artwork continues to grow. Sales of contemporary art have been driving the recovery of the artwork market and contemporary art has become a particularly competitive long-term

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investment as compared with the appreciation of traditional Chinese artworks, the value of contemporary artwork can be more easily appreciated and understood by collectors without having too much knowledge in history and extensive experiences in such artworks, which makes investing in contemporary art easier and more appealing. According to the CIC Report in 2017, the global auction value for contemporary art ranged from USD2.0 billion to USD3.0 billion, and the auction value for contemporary art ranged from US\$200 million to US\$300 million in Hong Kong and ranged from US\$10 million to US\$15 million in Japan. The auction value for contemporary art is expected to grow with a CAGR of approximately 5% from 2017 to 2022 and achieve an amount ranging from USD2.6 billion to USD3.8 billion by 2022.

The appealing appearance and scarcity make jewelry a popular category ever since the rise of auction market. Recently, collectors come to jewelry auction hubs, like Geneva, Hong Kong and New York, to bid for and purchase precious jewelries. According to the CIC Report, the global auction value for jewelry achieved an amount ranging from USD1.5 billion to USD2.0 billion, and the auction value for jewelry ranged from US\$300 million to US\$400 million in Hong Kong and ranged from US\$20 million to US\$25 million in Japan in 2017. Since jewelry is one of the few sectors that collectors have not yet fully explored and expanded their scope of collections to cover, it still has great growth potential in the future. The auction value for the global jewelry auction is expected to increase to an amount ranging from USD1.7 billion to USD2.2 billion in 2022, with a CAGR of approximately 2% between 2017 and 2022.

According to the CIC Report, contemporary art and jewelry are more welcomed in more developed cities, like Hong Kong and Japan, given that people has stronger purchasing power and could better appreciate the value of such artworks. The Group is optimistic towards the market for contemporary art and jewelry in Hong Kong and Japan given their respective auction value in 2017 and their future expected increase from 2017 to 2022.

In venturing into the field of contemporary artworks, we plan to set up a contemporary artwork department. In March 2018, Mr. Zhao Rui (“**Mr. Zhao**”), an expert in the contemporary artwork industry, joined us as the general manager of the painting and calligraphy department of our Group. Mr. Zhao graduated from the department of art history of Central Academy of Fine Arts* (中央美術學院) in July 1995. He was awarded the qualification for authentication of artwork in August 2012 by Beijing Intermediate Technique Qualifications Evaluation Committee (北京市中級專業技術資格評審委員會). Prior to joining us, Mr. Zhao acquired approximately ten years of experience in the field of contemporary artworks from holding various art related positions at public and private bodies. The education and work experiences enabled him to have solid academic knowledge, comprehensive understanding of the industry and market and capture the latest information of artwork collection, appraisal, authentication and investment in the field of contemporary artworks. Leveraging on Mr. Zhao’s profound knowledge and extensive network in the fields of contemporary artwork, we believe we will be able to establish the contemporary artwork department in a timely manner as planned. For further details of Mr. Zhao’s biography, please refer to the subsection headed “— Working team and experts for authentication and valuation of artworks” in this prospectus. We believe that with the establishment of the contemporary artwork department in our Group, we will be well-positioned to discover and source premium contemporary artwork and bring more customers who are interested in contemporary artworks to us. In addition, to achieve this expansion plan, we target to add additional sessions in each of the Spring Auction and Autumn Auction held in Hong Kong and Japan for contemporary artworks.

We also plan to set up a new department for jewelry and intend to add extra sessions in each of the Spring Auction and Autumn Auction held in Japan and Hong Kong for jewelry. We believe together with our continuous effort in actively exploring contemporary artworks and jewelry, our aim to expand in the fields of contemporary art and jewelry will bring about higher revenue to the Group.

Recruiting high caliber managers and experts and attract, motivate and retain quality employees to strengthen both the management and operating teams with a view to support the sustainable growth

Our capacity to maintain our market position and diversifying our businesses depends on our ability to recruit high caliber managers and experts. We will continue to devote resources to recruit, develop and retain qualified talents in various positions in order to expand and optimize our overall department structure. In particular, we focus on maintaining and expanding the number of our internal and external artwork experts, in which we have invested and intend to continue investing considerable resources to enable us to acquire the necessary academic knowledge and practical experience. To achieve this, we plan to recruit one expert for each of Chinese paintings and calligraphies, Chinese antiques (ceramics) and Chinese antiques (Four Treasures of Study* (文房四寶), displaying objects and jade and others) with at least fifteen years of experience in the field of relevant Chinese artworks. We also aim to adopt the Share Option Scheme to incentivize and reward participating employees as well as encourage them to work towards enhancing the value of the Group and its shares for the benefit of the Group and our Shareholders as a whole. We will also consider creating promotions to cultivate and retain key employees.

Further, we will seek to improve our comprehensive internal and external staff training systems. To this end, we aim to provide promising career development opportunities through outstanding on-the-job training with a focus on auction operation knowhow, customer service techniques and artworks authentication and valuation abilities, through which our employees could further improve their skill sets. In addition, we will arrange department heads to attend external trainings and participate in relevant professional academic society activities. To attract more professionals in the art industry to join our Group, we have established an annual scholarship in the Department of Calligraphy of Daito Bunka University in September 2014 and sponsored the Faculty of Fine Art of Tokyo University of the Arts, Japan in July 2016, to reward excellent talents in the Department of Calligraphy and promote art education in universities. Going forward, we will strengthen our advertisements and promotional activities in universities and colleges in order to attract more high quality employees. We believe such plans targeting our employees can strengthen both the management and operational teams for sustainable growth.

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

According to the CIC Report, the market size of the global art auction market in terms of transaction value increased from USD21.7 billion in 2012 to USD24.5 billion in 2017, representing a CAGR of 2.5%. Driven by the steady economic development and increase of HNWI and increasing popularity of artwork collection, the global art auction market is expected to grow steadily, with total transaction value growing to USD27.8 billion in 2022, representing a CAGR of 2.6% between 2017 and 2022. To support our expansion in order to capture the growth opportunities in the global artwork markets, we seek to continue to strengthen both the breadth and the depth of our customer network by establishing more representative offices in other potential markets worldwide. Through these new representative offices and leveraging on the resources such platforms provide, we seek to hold more preview exhibitions of artworks and organize customized sourcing and marketing activities that could attract local markets' awareness to our brand and allow us to source, offer or sell artworks that best meet the prevailing local market's preferences.

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As part of our effort to expand in other major Asian cities, we plan to set up a new representative office in Beijing. As the cultural center of China, Beijing has a strong cultural atmosphere and rich historical background in the country. Some of the best and most authoritative art university departments, research institutions and art museums in China are also located in Beijing. In 2017, there were 4,399 art galleries in China of which more than 1,200 were located in Beijing, representing 29.12% of the total number. We believe that given such culturally-rich background, there is a larger number of potential consignors and buyers of Chinese artworks in Beijing. Therefore, setting up a new representative office in Beijing would allow us to expand our customer base in Beijing, provide timely services on artwork enquiries and sourcing, and have closer contact and instant communication and consultations with consignors and buyers in Beijing and cities nearby. Further, according to the CIC Report, Beijing has a relatively larger population of HNWI compared to Shanghai. Therefore, we believe setting up a representative office in Beijing would also allow us to have a wider reach to this potential market, which would potentially be beneficial to our business in the long run. Moreover, setting up a representative office in Beijing can also serve a different target customer group, as the Chinese traditional art scene is more prevalent in Beijing than Shanghai. As a result, we can attract more potential consignors and buyers of Chinese artworks, in particular traditional Chinese artworks, and tap the market in Beijing and nearby cities, through our representative office in Beijing.

To penetrate into the Chinese artwork market in the U.S., we plan to set up a new representative office in California of the U.S. mainly because, according to the CIC Report, (a) the U.S. has the largest number of immigrants in the world and the largest population of Chinese immigrants; and (b) there is an increasing trend of the Chinese art auction market in the U.S.. According to the statistics of United Nations, in 2017, the U.S. has approximately 49.8 million immigrants, accounting for approximately 19% of the total immigrants in the world, and approximately 2.4 million Chinese immigrants residing in the U.S.. According to the CIC report, the market size of the U.S. Chinese art auction market in terms of transaction value achieved approximately US\$250 million in 2017 and is expected to further increase to US\$330 million in 2022, representing a CAGR of 5.7%. California is one of the states in the U.S. where most Chinese and Japanese immigrants residing in the U.S. live, which forms a source of consignors and buyers of Chinese artworks in the U.S. Our Directors believe that setting up a representative office in California can attract potential consignors and buyers due to the geographical presence and convenience of the representative office acting as proximate contact points for the potential consignors and buyers of Chinese artworks in the Americas.

In addition, to attract more potential customers, we target to increase the number of sourcing and marketing activities in other major Asian cities. We plan to hold two preview exhibitions in each of Shanghai, Beijing, Xiamen, Taiwan and Hong Kong every year. Further, we plan to increase the overall number of sourcing events, including artwork special exhibitions or tea ceremonies focusing on exhibition of tea wares and tea taste and appreciation and small-scale appraisal fairs where customers can buy and sell artworks on this platform. We target to hold more sourcing events in Asia cities, for instance, two sourcing events annually in each of Taiwan and Hong Kong, one sourcing event annually in each of Malaysia and Singapore with strong local economies, rising number of HNWI, developed artwork markets and large number of Chinese immigrants and contemporary artwork collectors, and three more sourcing events in Japan annually. As a whole, we consider these plans can expand our geographical presence in other major Asian cities, extend our business network, deepen our market penetration and enhance our brand image as well as brand influence in Asia.

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OUR BUSINESS

We primarily operate in two main business segments: (i) the art auction and related business segment; and (ii) the artwork sales segment. Artworks of our focus include Chinese paintings and calligraphies, Chinese antiques (including but not limited to ceramics, Four Treasures of Study* (文房四寶), displaying objects and jade objects), Japanese and Chinese tea wares and others. The following table sets out the details of our revenue, gross profit and gross profit margin by business segment for the periods indicated.

	Year ended March 31,					
	2016		2017		2018	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Revenue						
Art auction and related business ^(Note)	133,251	96.1	137,588	92.9	164,596	95.0
Artwork sales	5,362	3.9	10,460	7.1	8,670	5.0
Total	<u>138,613</u>	<u>100</u>	<u>148,048</u>	<u>100</u>	<u>173,266</u>	<u>100</u>
Gross Profit						
Art auction and related business	96,166	98.8	106,144	99.0	131,799	99.6
Artwork sales	1,130	1.2	1,024	1.0	520	0.4
Total	<u>97,296</u>	<u>100</u>	<u>107,168</u>	<u>100</u>	<u>132,319</u>	<u>100</u>
Year ended March 31,						
	2016		2017		2018	
Gross Profit Margin (%)						
Art auction and related business		72.2		77.1		80.1
Artwork sales		21.1		9.8		6.0
Overall		70.2		72.4		76.4

Note: Under this segment, in addition to commissions collected from the consignors and buyers of our auctions, we also recorded revenue generated from private sales arranged by us on behalf of the consignors. For any artwork that is not sold during our auction, we may either return the artwork to the consignor, or put it up for private sales on behalf of the consignor. We act as an agent by matching the needs of consignors to those of buyers by private sales. In return, we collect commissions which are determined through negotiation with both buyers and sellers, usually representing the difference between the purchase price paid by the buyers and the selling price as pre-agreed by the sellers and us. During the Track Record Period, our revenue generated from private sales was approximately HK\$0.5 million, HK\$20,000, and HK\$4.3 million, respectively.

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The table below sets forth a breakdown of our revenue categorized by geographical area for the periods indicated:

	Year ended March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Hong Kong	38,575	63,117	89,757
Japan	<u>100,038</u>	<u>84,931</u>	<u>83,509</u>
Total	<u>138,613</u>	<u>148,048</u>	<u>173,266</u>

Art Auction And Related Business Segment

Overview of the Art Auction and Related Business Segment

Under our art auction and related business segment, operating under the “Tokyo Chuo Auction” brand, we primarily engage in art auction operations acting as an agent by sourcing and accepting artworks on consignment. We foster market demand through professional, history-focused and culture-oriented marketing techniques. We then match the needs of consignors to those of buyers at art auctions. We collect commissions as our revenue from both sellers and buyers upon settlement of art auction sales based on the hammer price. In addition, we also charge the sellers additional fees upon settlement of art auction sales for the services we provided to them in relation to the auction catalog, insurance and other auction-related services, the amount of which is determined based on factors such as the hammer price of the consigned artwork and the coverage size of the artwork in the auction catalog and through negotiation with the sellers.

We believe we have a distinguished edge over our competitors in terms of our abilities to secure a supply of premium artworks and to maintain good and long-term relationship with collectors and sellers. Leveraging on our professional as well as history-focused and culture-oriented marketing techniques along with quality services and support of our experienced professional and management team, we have successfully established a market position in the Chinese and Japanese art auction market in Hong Kong and Japan. According to the CIC Report, in 2017, (i) we ranked second and fifth among all auction houses with Chinese art auction business in Japan and Hong Kong with a market share of 26.8% and 4.4%, in terms of transaction value from the Chinese art auction business in Japan and Hong Kong, respectively, (ii) fifth among all auction houses with Japanese art auction business both in Japan and Hong Kong with a market share of 3.1% and 1.4%, in terms of transaction value from the Japanese art auction business in Japan and Hong Kong, respectively (iii) we had a market share of 1.6% among all auction houses with Chinese art auction business in Asia, in terms of transaction value from the Chinese art auction business.

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For the years ended March 31, 2016, 2017, and 2018, the revenue of our art auction and related business segment was approximately HK\$133.3 million, HK\$137.6 million, and HK\$164.6 million, respectively. The table below sets forth a breakdown of art auction and related business revenue by artwork category for the periods indicated:

	Year ended March 31,					
	2016		2017		2018	
	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>
Art auction and related business						
Chinese paintings and calligraphies	68,787	51.6	86,926	63.2	101,038	61.4
Chinese antiques	44,688	33.5	37,098	27.0	42,602	25.9
Japanese and Chinese tea wares	11,811	8.9	11,037	8.0	10,763	6.5
Others	<u>7,965</u>	<u>6.0</u>	<u>2,527</u>	<u>1.8</u>	<u>10,193</u>	<u>6.2</u>
Total	<u>133,251</u>	<u>100</u>	<u>137,588</u>	<u>100</u>	<u>164,596</u>	<u>100</u>

The table below sets forth a breakdown of revenue from art auction and related business by types of revenue income for the periods indicated:

	Year ended March 31,					
	2016		2017		2018	
	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>
Art auction and related business						
Buyer's commission	78,118	58.6	85,408	62.1	99,783	60.6
Seller's commission	43,913	33.0	41,753	30.3	48,857	29.7
Auction-related service fees and revenue from private sales ^(Note)	<u>11,220</u>	<u>8.4</u>	<u>10,427</u>	<u>7.6</u>	<u>15,956</u>	<u>9.7</u>
Total	<u>133,251</u>	<u>100</u>	<u>137,588</u>	<u>100</u>	<u>164,596</u>	<u>100</u>

Note:

- (a) The auction-related service fees refer to additional fees paid by the seller upon settlement of art auction sales for the services we provided to them in relation to the auction catalog, insurance and other auction-related services.
- (b) Revenue generated from private sales refers to commissions we collected, usually representing the difference between the purchase price paid by the buyers and the selling price as pre-agreed by the sellers and us. During the Track Record Period, our revenue generated from private sales was approximately HK\$0.5 million, HK\$20,000, and HK\$4.3 million, respectively.

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The table below sets forth the geographical breakdown of the number of auction sessions for the periods indicated.

	Year ended March 31,		
	2016	2017	2018
Number of auction session			
Hong Kong	2	2	2
Japan	<u>4</u>	<u>2</u>	<u>2</u>
Total	<u>6</u>	<u>4</u>	<u>4</u>

Set out below are certain data and statistics in connection with our auction transactions during the Track Record Period:

	Auction transactions in		
	2016	Year ended March 31, 2017	2018
Aggregate hammer price			
<i>(HK\$'000)</i>			
Chinese paintings and calligraphies	333,848	417,384	468,701
Chinese antiques	232,282	176,417	186,879
Japanese and Chinese tea wares	50,557	44,487	40,367
Others	<u>35,641</u>	<u>9,278</u>	<u>43,073</u>
Total	<u>652,328</u>	<u>647,566</u>	<u>739,020</u>
Range of hammer price			
<i>(HK\$'000)</i>			
Chinese paintings and calligraphies	1.9 to 16,800.0	3.6 to 31,000.0	3.5 to 151,000.0
Chinese antiques	1.9 to 16,811.6	3.6 to 14,354.0	3.5 to 25,000.0
Japanese and Chinese tea wares	1.9 to 8,405.8	3.6 to 3,373.2	3.5 to 1,580.0
Others	1.9 to 7,112.6	3.6 to 1,256.0	3.5 to 24,000.0

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	Auction transactions in		
	2016	Year ended March 31, 2017	2018
Median hammer prices of the auctioned lots (HK\$'000)			
Chinese paintings and Calligraphies	18.1	21.5	21.2
Chinese antiques	19.4	20.1	19.8
Japanese and Chinese tea wares	20.7	25.0	24.7
Others	<u>24.6</u>	<u>23.7</u>	<u>31.9</u>
Number of auction lots (or sets of items) offered			
Chinese paintings and calligraphies	3,593	3,449	3,501
Chinese antiques	2,632	1,782	2,267
Japanese and Chinese tea wares	966	816	939
Others	<u>727</u>	<u>358</u>	<u>318</u>
Total	<u>7,918</u>	<u>6,405</u>	<u>7,025</u>
Number of auction lots (or sets of items) sold			
Chinese paintings and calligraphies	2,299	2,039	1,884
Chinese antiques	1,547	1,081	1,300
Japanese and Chinese tea wares	626	513	548
Others	<u>313</u>	<u>146</u>	<u>206</u>
Total	<u>4,785</u>	<u>3,779</u>	<u>3,938</u>
Transaction rate ^(Note)			
Chinese paintings and calligraphies	64.0%	59.1%	53.8%
Chinese antiques	58.8%	60.7%	57.3%
Japanese and Chinese tea wares	64.8%	62.9%	58.4%
Others	43.1%	40.8%	64.8%
Average	<u>60.4%</u>	<u>59.0%</u>	<u>56.1%</u>

Note: Transaction rate is calculated by dividing the number of auction lots (or sets of items) sold by number of auction lots (or sets of items) offered.

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The increase in the aggregate hammer price of our auctioned artworks for the year ended March 31, 2018 to approximately HK\$739.0 million from approximately HK\$647.6 million for the year ended March 31, 2017 was mainly due to the sale of certain rare and high value artworks in our 2017 Autumn Auction in Hong Kong.

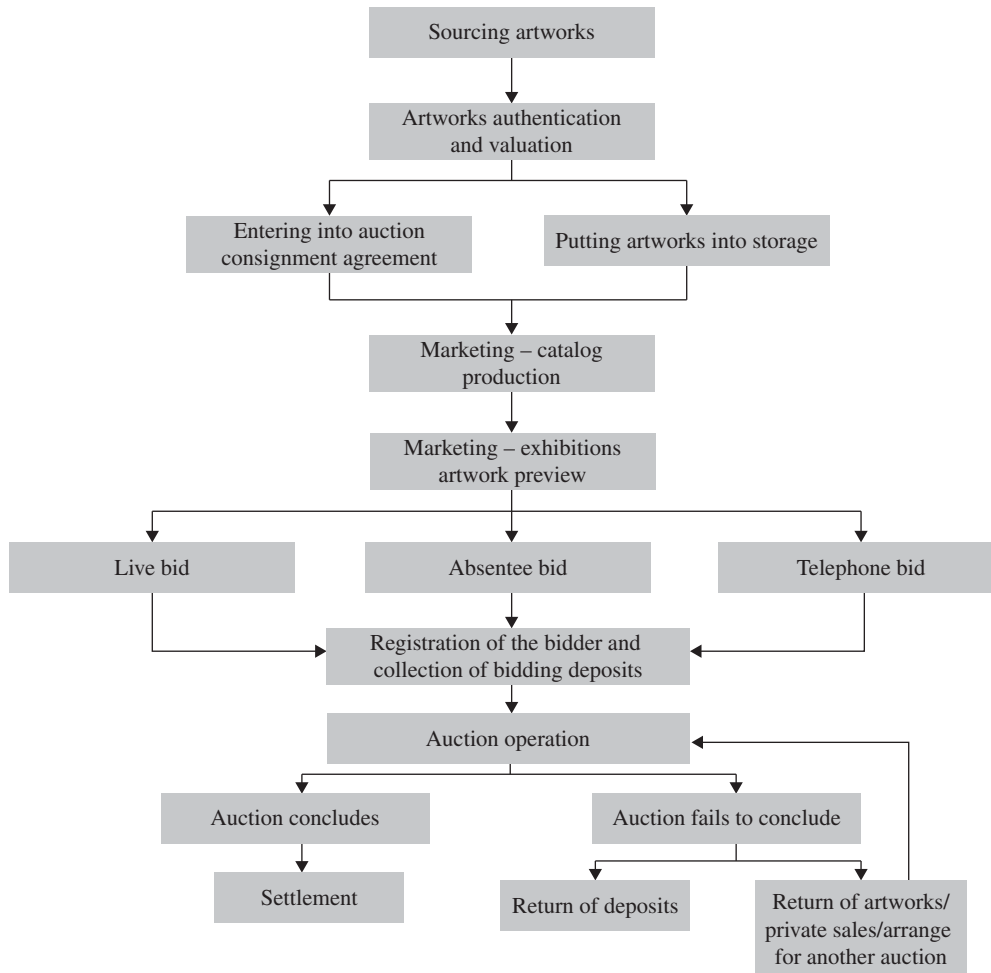
The decrease in the number of auction lots offered for the year ended March 31, 2017 to 6,405 from 7,918 for the year ended March 31, 2016 was mainly due to the optimization of internal resources allocation. Before 2017, we held two principal Spring Auction and Autumn Auction and other two small-scaled auctions in Japan. With a view to better allocate resources among our auction events held in Hong Kong and Japan as part of our continuous expansion of auction business in Hong Kong, since 2017, we merged the two small-scaled auctions into the two principal Spring Auction and Autumn Auction in Japan.

Notwithstanding the decrease in the number of auction lots sold for the year ended March 31, 2017, the aggregate hammer price for the year ended March 31, 2017 remained relatively stable as that for the year ended March 31, 2016 mainly because of the sale of certain rare and high value artworks in our auctions held during the year ended March 31, 2017.

The average transaction rate for the year ended March 31, 2016 and 2017 were relatively stable. The decrease of average transaction rate from 59.0% for the year ended March 31, 2017 to 56.1% for the year ended March 31, 2018 was primarily because we have put more focus and marketing efforts to promote high value premium artworks for the year ended March 31, 2018. Our transaction rate is within the range of the prevailing market range, according to the CIC Report.

Main Procedures of Art Auction

The following chart sets out the main procedures of our art auction operations.



Sourcing

We source artworks mainly through private contact with existing and potential customers, organizing public events as well as participating in private art-related events. Further, some potential walk-in consignors may approach us from time to time directly for items proposed to be offered for sale at our auctions. We maintain good and long-term relationships with collectors and sellers. In addition, from time to time, we attract potential customers by organizing special artwork exhibitions or events to showcase tea wares through traditional tea ceremonies. Through these events, we may also provide complimentary authentication services. We also actively contact and visit our key customers periodically and attend art-related public or private events, such as forums and exhibitions. Through these means, we have developed a network of existing and potential customers in order to secure a supply of stable and premium artworks prior to art auctions or attract them to attend our auctions.

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Due to the nature of art auction market that the participants are the focused groups such as artworks artists, masters, experts, merchants, collectors, art galleries and private museums, to enable us efficiently keep abreast of the market information including preference and trend of the market and connect with potential customers, we conduct our marketing activities such as maintaining frequent contact with our potential customers, organising artworks preview exhibitions to exchange view on artworks with different artwork interested parties and promotion through different media. For details, please refer to subsections headed “— Our Business — Main Procedures of Art Auction — Marketing” and “— Our Business — Sales and Marketing” of this prospectus. In addition, we also cooperate with external parties, including, among others, artworks artists, masters, collectors and merchants of Chinese and Japanese artworks. We have entered into cooperation agreements with such external parties who have years of experience in collecting or conducting research on Chinese and Japanese artworks. During the Track Record Period, we cooperated with 24, 15 and 10 external parties for the years ended March 31, 2016, 2017 and 2018, respectively. Except for (a) Bai Sheng, a company wholly owned by our Controlling Shareholder; (b) Mr. Sun Hongyue, who was appointed as an Executive Director on May 25, 2018 and to whom we paid in 2015 for his provision of consultancy services to us prior to his joining our Group in December 2015, (c) Mr. Yodo Hiroaki, a minority shareholder of TCA Japan, and (d) certain parties who were also our customers, all other parties are Independent Third Parties and do not have any other past or present relationship with our Company, our subsidiaries, the respective directors, shareholders, senior management or any of our respective associates. Under the cooperation agreements, such parties agreed to provide consultancy services to us including, among others, (i) promotion of our auctions and referral of potential customers to our auctions; (ii) provision of advice on dealing, packaging, exhibition, authenticity and valuation of artworks; and (iii) provision of market information. We have terminated our consultancy agreement with Bai Sheng since May 2018. Please refer to section headed “Financial Information — Description of Selected Consolidated Income Statements Line Items — Profit for the Year — Year ended March 31, 2017 Compared to Year ended March 31, 2018 — Overview of our Operating Results — Selling and Distribution Expenses” of this prospectus for the scope of consultancy services provided by Bai Sheng to our Group. Under the cooperation agreements, we shall pay the relevant parties a fixed amount or a variable amount of consultancy fee, which is determined with reference to a certain percentage of the hammer price of the artworks involved in the provision of their services or prescribed in the relevant consultancy agreements, having regards to the nature of the services provided, the number of the artwork involved and our negotiation with the relevant parties.

Preliminary authentication and valuation

After sourcing the suitable artworks for our auctions, we proceed with the preliminary assessment, selection, authentication and valuation of the artworks in accordance with our internal control procedures on artwork authentication and valuation. Details of our internal control procedures on artwork authentication and valuation are set out in the subsection headed “— Internal Control and Risk Management — Authentication and Valuation of Artworks” below. If we consider the artwork is suitable to put on auction sale, we will discuss and reach a consensus with the seller on the auction reserve price (if any). Once both of us have agreed to the preliminary auction reserve price (if any), we will proceed to the signing of the auction consignment agreement with the seller.

Auction consignment agreement

Based on the positive results of our preliminary authentication and valuation, we request the seller to enter into an auction consignment agreement with us, according to which the seller confirms and agrees to all the terms and conditions stated in the Auction Rules before putting the consigned artwork on

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our art auction. Under the auction consignment agreement, the seller agrees to appoint us, and we agree to be appointed, to be the exclusive agent of the seller to sell the artwork for auction as listed in the auction consignment agreement. The auction consignment agreement mainly include personal or corporate information of the seller, the name, description, current status and source of the artworks, the preliminary auction reserve price (if any), the seller's commission rate and the fees payable by the seller for our services related to the auction catalog, insurance and other auction-related services. Major terms and conditions stated in the Auction Rules forming part of the auction consignment agreement, which are in line with auction industry, according to the CIC Report, include:

Representations, warranties and indemnifications of the sellers

We request seller to give certain unconditional and irrevocable title warranties to us, precluding us from liability in relation to the authenticity and ownership of the relevant artworks. The seller shall unconditionally and irrevocably represent and warrant to us and the buyers, among other matters, its ownership of the consigned artwork as the sole owner or a joint owner acting with the permission of the other co-owners and the right to transfer ownership of the consigned artwork free from encumbrances or claims. Otherwise, the seller shall prove its possession of the permission of the owner to sell the consigned artwork, or the right to do so in law.

The seller shall indemnify and hold us and the buyer harmless from and against any and all the claims, actions, damages, losses, liabilities and expenses (including but not limited to legal fees) relating to any of the breach of any of the seller's agreements, representations, warranties and/or undertakings under the Auction Rules or the relevant auction consignment agreement.

Rights of our Group

We have the sole discretion to (a) exhibit, display, or take photographs of the auction article, as well as to conduct investigation, research, tests and appraisal on the auction article, and (b) determine if the auction article is fit for auction, to withdraw the auction article or cancel the auction under certain circumstances.

We have no obligation to investigate the ability of a buyer to settle the hammer price and does not assume any responsibility for the buyer's failure to settle such amounts in time or fully settle such amounts.

Possession and insurance

Upon signing of the auction consignment agreement, we will take possession of the consigned artwork, which is kept, in our storage facilities or the auction venue before the auction is held.

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After the seller has signed the auction consignment agreement and delivered the auction article to us, an auction article that has been inspected and considered satisfactory by us will be automatically covered by the insurance purchased by us. Apart from the insurance compensation covered by the insurance policy purchased by us, our Group assumes no responsibility to make compensation for losses or costs attributable to a variety of factors, including natural changes in environment or the consigned artwork, pollution and etc.

The seller shall be responsible for the risks of loss and damage of the auction articles if he or she chooses to purchase the insurance for the consigned artwork on his/her own, provided that he/she shall notify us of this intention prior to the consignment of the artwork.

Calculation of commission, sale proceeds, the time for payment and ownership

We agree to pay to the seller the balance of the hammer price after deducting the seller's commission and related expenses. If the buyer fails to settle the hammer price in full within the time limit specified in the conditions of sale, we do not have to pay the seller the amounts due from the buyer until the buyer pays us in full. Ownership of the auction article will transfer to the buyer when we receive full and clear payment from the buyer.

During the Track Record Period, we have not experienced any material dispute with or claim brought by the sellers in connection with damage to or loss of the consigned artworks.

Final authentication and valuation

A final authentication and valuation of artworks will be conducted by our Internal Artwork Appraisal Team and/or the External Artwork Appraisal Consultants on artworks proposed for auction after we take possession of such consigned artworks. The External Artwork Appraisal Consultants provide a second opinion on certain consigned artworks as and when appropriate to make assessment of its cultural and historical values, verify its scarcity, and determine whether particular artworks of high value would be put on auction sale by confirming its authenticity. We do not charge sellers for our authentication work or issue any authentication reports.

Marketing

We conduct various marketing and promotional activities before holding auctions. We make use of the internet and social media to distribute marketing materials and publish results of art auctions. Our major marketing and promotional activities include:

- *Auction catalog.* We produce and distribute self-designed auction catalogs for artworks consigned in our art auctions. The auction catalogs contain the photo, auction lot number, period, descriptions and the estimated price range of each artwork, together with an

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introduction of the artist, if any. A guide for bidders, payment methods, conditions of sale and bidder registration and bidding forms are also included in the auction catalogs. Our auction catalogs are also available in digital form, which can be viewed on our websites at www.chuo-auction.com.hk and www.chuo-auction.co.jp.

While we act as an agent to sell the auction articles on behalf of the sellers, we can be liable for breach of the Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong) if, among others, we apply false trade description on the auction articles in the auction catalog. Please refer to the section headed “Regulatory overview — Hong Kong Regulatory Environment” in this prospectus for further information.

Under our conditions of sale for auctions in Hong Kong, we have expressly provided that our Group does not give any representations or warranties regarding any aspect of the auction article including, among others, the accuracy of the information as contained in the auction catalog. As such, we are of the view that we are not liable for any inaccuracy of the information of the auction articles as contained in the auction catalog. Nevertheless, as sale of the auction article constitutes an agreement between seller and buyer, our Group may be subject to civil claims by a seller for any damages it suffered if, due to the faults on our part, the descriptions of the auction articles under the auction catalog are found to be incorrect, false or misleading. Under the auction consignment agreement, the amount of damages for any litigation or arbitration instituted by the seller against our Group shall not exceed the lower of the net sale proceeds or the estimated price of the auction article.

In respect of Japan laws and regulations, there is no law in Japan which specifically govern the misrepresentation with respect to the accuracy of information in auction catalog. According to the conditions of sale of TCA Japan, TCA Japan does not provide any representations and warranties against any accuracy for the information in the auction catalog. Given the provisions in the conditions of sale set out above and that contract for sale of the auction article constitutes an agreement between seller and buyer, and TCA Japan only acts as an agent for the seller and would not be a party to such contract, our Japan legal advisors is of the view that TCA Japan will not be liable for any inaccuracy of the information in the auction catalog except it is due to the faults on our part leading to the descriptions of the auction articles under the auction catalog are found to be incorrect, false or misleading.

During the Track Record Period, we, either for ourselves or as agent for the sellers, did not have any material complaint from or dispute with any buyer regarding the accuracy of information as contained in the auction catalogs. Taken into account the internal control and risk management measures adopted by us in connection with, among others, the preparation for the auction catalogs as set out in the subsection headed “Internal Control and Risk Management — Authentication and Valuation workflow” below, and the provisions under the auction consignment agreement and the conditions of sales with the sellers and the buyers, our Directors consider our Group’s risk and liability towards inaccuracy of the information in our auction catalogs to be remote.

- *Advertisement promotion.* We utilize social media such as WeChat, Weibo and Facebook to invite potential buyers to download our electronic auction catalogs, remind potential buyers of the date of our art auctions or preview exhibitions, distribute marketing materials, and announce the results of auctions of certain artwork articles. Further, we launch our own

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seasonal magazine to introduce artworks we have sourced. We also publish advertisements on newspapers, art magazines and television commercials to promote our brand and cultivate market interests to our art auctions.

- *Preview exhibition.* We organize artwork preview exhibitions before art auctions. Such preview is open to public and no entrance fee is charged. It offers potential buyers who are interested to participate in our art auctions and purchase artworks opportunities to directly view and authenticate the artworks. Preview exhibition for our auctions in Hong Kong and Japan will usually last for two to four days.

Auction

During the Track Record Period, all of our auctions were held in hotels. Potential buyers who are interested in bidding are required to enroll for participation in our art auctions. We normally require a potential buyer to provide identification document, complete a bidder registration form and pay a bidding deposit.

Major terms and conditions stated in the conditions of sale as attached under the bidding registration form, which are in line with the auction industry, according to the CIC Report, include:

The bidder's acknowledgement

Our Group is the agent of the seller of the auction article and the contract of sale after the sale constitutes an agreement between the seller and the buyers.

The auction article is auctioned for sale in its present condition on an as-is basis in the condition they are in at the time of the sale, without any representation or warranty or assumption of liability of any kind as to condition by our Group or by the seller. Our Group only provides descriptions, explanations or comments on an auction article with reasonable caution on (a) the representations and warranties given by the seller on the auction article and the information provided by the seller, (b) expert opinions/comments of our Internal Artwork Appraisal Team and/or External Artwork Appraisal Consultants given pursuant to our authentication and valuation policy (if any).

Responsibilities of the parties after the conclusion of sale

For settlement, please refer to the subsection headed “—Settlement” in this prospectus.

Irrespective of whether the buyers makes payments for the auction article and/or collect the auction article according to the terms of these conditions of sale, our Group shall upon the date of sale be entitled to the buyer's commission.

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Disclaimer

To the extent permitted by the laws, we and our employees shall not assume any responsibility for loss caused by our or our employees' negligence or our failure to hold the auction as scheduled or arrange the auction article for bidding in the auction regardless for any reasons.

In case that due to the occurrence of force majeure event, we, the bidder and the seller shall having regard to the degree of impact of the force majeure event, discuss with each other to decide on whether to terminate the contract of sale or alter the manner of performance under the conditions of sale. Neither party is entitled to compensation from the other for losses caused by the force majeure event.

We give no representation, warranty or guarantee or assume any liability of any kind in relation to, among others, the merchantability, fitness for a particular purpose, description, size, quality, condition, attribution, authenticity, rarity, importance, medium, provenance, exhibition history, literature, or historical relevance of any auction article, and so far as permitted by law.

Limited warranty ^(Notes)

If, within two years after the date of sale, the buyer satisfies us that the auction article is an item deceptively described for its place of origin, artist, authorship, manufacturer, year of production, era, period, culture and source, and there are material errors or omissions on the above aspects in the descriptions contained in the auction catalog, subject to the terms of the condition of sale, including without limitation to (a) provision of full supporting evidence that has led the buyers to question as to whether the auction article is such item; (b) return of the auction articles free from any encumbrances at the buyer's expenses and in the same condition as it was on the date of sale, we shall cancel the sale and refund to the buyer the hammer price and buyer's commission (without interest) paid by the buyer to us in relation to such auction article with the original currency and original amount paid (without interest).

Notes:

- (a) This term is only applicable to our auction held in Hong Kong; and

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The warranty is a limited warranty and shall not apply under certain circumstances stipulated in the condition of sales, among which, (a) the limited warranty will only be applicable for a period of two years from the date of sale and we will not be obligated to honor such warranty under any circumstances after such time; and (b) our Group has given clear reserved opinion or disclaimer of opinion in the auction catalog in relation to the place of origin, artist, authorship, manufacturer, year of production, era, period, culture, source and etc..

Our Group will not, in any circumstances, be required to pay the buyer more than the hammer price and the buyer's commission (without interest) nor will be liable for any loss of profits or business, loss of opportunity or value, expected savings or interest, costs, damages, other damages or expenses.

Transfer of ownership and risk

After conclusion of the auction sale, the ownership of the auction article shall be transferred to the buyer upon the buyer's full settlement of the hammer price and the buyer's commission.

Regardless of whether the buyer has fully settled the hammer price and the buyer's commission, if the buyer fails to collect the auction article punctually, the risk shall be borne by the buyer on the expiration of seven days following the date of sale.

- (b) As mentioned in the subsection headed “— Main Procedures of Art Auction — Auction consignment agreement” of this Prospectus. The seller shall indemnify and hold our Group and the buyer harmless from and against any and all the claims, actions, damages, losses, liabilities and expenses (including but not limited to legal fees) relating to any of the breach of any of the seller's agreement, representations, warranties and/or undertakings under the auction rules or the relevant the consignment agreement. Accordingly, we are entitled to seek from the seller for all the damages and losses associated with our refund of the hammer price to the respective buyer and the buyer's commission to the buyer upon the limited warranties being honored by us in accordance with the relevant terms. During the Track Record Period and up to the Latest Practicable Date, neither have we received any such claims from the buyers in relation to the limited warranties nor have we honored such warranties.

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In situation where a bidder is unable to attend the art auction in person, the bidder may bid in writing or on the telephone and submit an absentee bids registration form or a telephone bidding registration form to appoint their representatives to bid on behalf of them. By signing the absentee bids registration form or the telephone bidding registration form, the bidder in absence agrees with the terms and conditions under the relevant registration forms.

During an art auction, we use video display board and currency exchange display board to show information of the auctioned artworks, such as lot number, photos or equivalent foreign currency. When an artwork is sold, we sign a sales confirmation letter with the buyers, which mainly sets out title of auction lot, hammer price and buyer's commission rate at the auction site and arrange for settlement.

If the bidding price is lower than the auction reserve price (if any) or the lower end of the estimated price range (where applicable) or if there is no one bidding for such artwork, the auction fails to conclude. Under such circumstance, we will return the artwork to the seller, arrange for such artwork to enter another auction upon the seller's request or put it up for private sales on behalf of the seller upon acceptance of the seller's new consignment. We also return bidding deposit or the remaining balance thereof (as the case may be), without interest, to unsuccessful bidders.

If the bidder price is equal to or above the auction reserve price (if any) or the lower end of the estimated price range (where applicable), the bidder successfully bids for the artwork and the auction transaction is concluded at our art action. If the buyer subsequently fails to make the payment for the auction artwork, we are entitled to (a) charge the buyer interest on the amount due and unpaid at the rate of 10% per annum; (b) retain the bidding deposit; (c) cancel the sale and charge the buyer an amount as liquidated damages being 30% of the hammer price if the buyer fails to fully settle the payment upon the expiration of 60 days following the date of sale; and (d) sell the auction artwork publicly or privately on such terms we shall think necessary or appropriate and request the buyer to compensate us for any shortfall between the unpaid amount and the proceeds from the resale. In case that the sale is not concluded or we return the artwork to the seller when the buyer fails to make the payment or collect the artwork punctually, we normally would waive the sellers from paying additional fees for the services we provided to them in relation to the auction catalog, insurance and other auction-related services in practice for commercial consideration, although we are legally entitled to charge the seller such fees pursuant to the auction consignment agreement.

Settlement

Following the sale at the auctions, we will collect purchasing price of the artwork (hammer price plus buyer's commission, but excluding the paid bidding deposit, if applicable) and remit net sale proceeds (hammer price excluding seller's commission, consignor advances with accrued interest (if any) and relevant fees for the services we provided in relation to the auction catalog, insurance and other auction-related services, where applicable) to the consignor.

As part of our internal control policy, we require the payment to be made to us within seven days after the auction day. We accept various payment methods, including bank transfer, cheques, cashier order, cash and credit card payment. Normally, when the payment is fully settled and received by us, buyers can collect the auctioned artworks from us. After the hammer has struck, the fee in relation to the auction catalog delivery, insurance and other related fees will be borne by the seller, which will be deducted before we pay the net proceeds to the sellers to the total purchase price of the artworks.

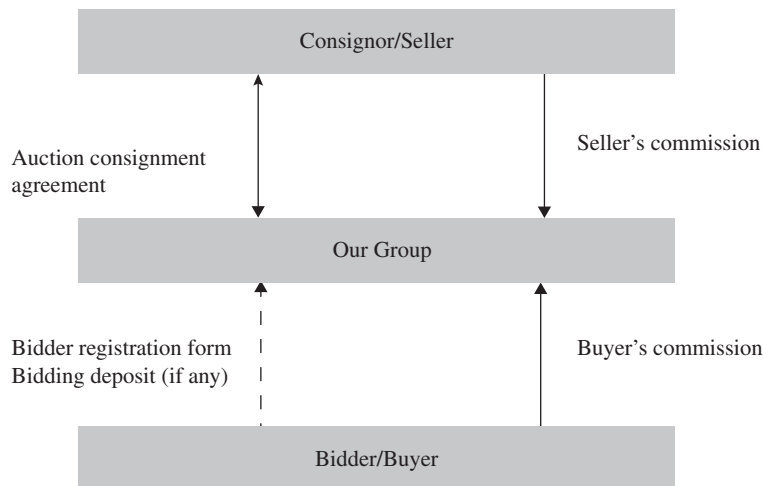
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To reduce the risk of buyer's default of payment, we generally do not grant credit or allow installment payment. If a buyer fails to settle the purchase price or collect the artworks punctually, we will chase for the buyer's commission on our behalf and the hammer price on the seller's behalf. However, at the request of some of our premium buyers, who typically (i) attended our auctions for at least two consecutive years and purchased artworks of high value and (ii) have a good credit record, we may sometimes assist such buyer and the relevant seller to negotiate for installment payment. During the Track Record Period, we did not recognize any material impairment losses for bad debts on the trade receivables. Please refer to the subsection headed “— Internal Control And Risk Management — Settlement” of this prospectus for more details regarding our internal control measure associated with the buyer's defaults in making timely payment after the auction.

Normally, we deliver an artwork to its buyer after we have received full payment for the artwork. Net sale proceeds (being the hammer price after deducting the seller's commission, consignor advances with accrued interest (if any) and relevant fees for services we provided in relation to the auction catalog, insurance and other auction-related services, where applicable) will subsequently be paid to the seller. Please see the subsection headed “— Internal Control and Risk Management — Settlement” and the section headed “Risk Factors — Our results of business operations could be adversely affected by buyer's default in making payment in due course”. Further, pursuant to our risk management policy, we generally do not make any payment to the seller before the full amount of the purchase price for the artwork is received by us. However, on certain occasions, we may make payment to the sellers who are our premium client prior to receiving full payment.

Pricing

We charge commissions from both sellers and buyers for the auction services we provide. The following chart sets out the main procedures of pricing.



The seller's and buyer's commission are stated clearly on our auction consignment agreement and conditions of sale, respectively. We normally charge the sellers commissions based on the hammer price of the consigned artworks. During the Track Record Period, our average commission rate from the sellers (being the total commission from the sellers divided by the aggregate hammer price of the auctioned artworks) for the years ended March 31, 2016, 2017 and 2018 were 6.7%, 6.4% and 6.6%, respectively. On the other hand, we normally charge the buyers commissions based on the hammer price of the sold

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artworks, with the commission rate decreasing progressively with higher amount of hammer price of the artwork. During the Track Record Period, our average commission rate from the buyers (being the total commission from the buyers divided by the aggregate hammer price of the auctioned artworks) for the years ended March 31, 2016, 2017 and 2018 were 12.0%, 13.2% and 13.5%, respectively. We may grant favorable commission rate to selected sellers and buyers with long-term relationship and good credit history and buyers who wish to purchase artworks of high value. Despite of the increase in our aggregate hammer price of artworks in our auction transactions during the Track Record Period, the increase in our average commission rates from buyers during the Track Record Period was mainly due to (a) the change in our commission rate, in particular, the commission rate from buyers for purchasing artwork with hammer price below JPY10 million in our auctions in Japan or HK\$1 million in our auctions in Hong Kong has increased from 15% to 18% starting from the Autumn Auction held in Japan and Hong Kong in August and November 2016, respectively, and (b) less discount on the commission rate was offered to our buyers for the year ended March 31, 2018, leading to the slight increase in average commission rate from the buyer. As a result, during the Track Record Period, our average art auction commission rate, which is derived by dividing (i) the auction commission income we recognized for a specific year or period by (ii) the aggregate hammer price of auctioned artworks during the same year or period, amounted to 18.7%, 19.6%, and 20.1%, respectively. For details of our accounting policy on revenue recognition, please see the section headed “Financial Information — Revenue Recognition” of this prospectus.

In accordance with the conditions of sale, upon receiving full amount of the purchase price for the artwork, we will pay the net sale proceeds, being the hammer price after deducting the seller’s commission and relevant fees for services we provided in relation to the auction catalog, insurance and other auction-related services to the consignor within 35 business days after the auction date. We will only arrange delivery of artworks after we receive full payment of purchase price.

Consignor Advances

According to our auction consignment agreement, we have no obligation to make payment to the consignor prior to receipt by us of the full purchase price of the artwork. However, during the Track Record Period, in order to attract appealing artworks and retain premium consignors, upon request, we provided certain consignors with consignor advances carrying interest accruing on such consignor advances at the rate of 1%, the amount of which was generally determined through negotiation between us and the consignor. After receiving full payment of the purchase price, we paid the net sale proceeds (i.e. hammer price excluding (i) the relevant consignor advances with interests payable; (ii) the consignor’s commissions; and (iii) relevant fees for services we provided in relation to the auction catalog, insurance and other auction-related services) to the consignor. In case that we failed to sell the consigned artwork at our auction, we returned the artwork to the consignor after obtaining full repayment of the consignor advances with accrued interest.

Our practice in providing certain consignors with consignor advances shall not be construed as provision of financing services to the consignors because the consignor advances for the consigned artworks for our auctions is provided by us to the consignors as a means to secure and attract appealing artworks by retaining premium consignors. As of March 31, 2016, 2017 and 2018, the aggregate amount of consignor advances amounted to approximately HK\$7.6 million, Nil and HK\$15.2 million, respectively. The increase in the amount of the consignor advances for the year ended March 31, 2018 was mainly due to the increase in the number of appealing artworks we had secured and would be auctioned at our upcoming auctions held in Hong Kong and Japan. During the Track Record Period, we did not encounter any material defaults from consignors in the repayment of consignor advances. During

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the Track Record Period, we have not made any provisions for consignee advances. Please see the section headed “Risk Factor — There is no assurance that we will fully recover consignee advances, which may have a material and adverse effect on our business, financial condition and results of operations.” of this prospectus.

Seasonality

In line with the auction industry practice, we organize two principal auction sales each year in both Hong Kong and Japan, namely, the Spring Auction and the Autumn Auction. In Japan, the Spring Auction takes place between February and March each year while the Autumn Auction takes place in September each year. In Hong Kong, the Spring Auction takes place in May each year while the Autumn Auction takes place in November each year. As our Group usually offers larger number of auction lots and puts artworks of higher value to our Autumn Auction, during the Track Record Period, our auction income generated from sales of artworks in the Autumn Auction accounted for a relatively larger portion of our annual auction income compared with that of sales of artworks in the Spring Auction. The revenue generated from auction transactions in the Autumn Auction in aggregate accounted for approximately 62%, 62% and 63% of the revenue generated from art auction and related business for the years ended March 31, 2016, 2017 and 2018 respectively. Please see the section headed “Risk Factors — Our results of business operations are subject to seasonal fluctuations” of this prospectus.

Artwork Sales Segment

In managing our artwork sales segment, we purchase artworks which we believe have appreciation potential and resell them through our auctions or private sales to independent third parties at an appropriate time to make profit. We acquire artworks through participating in art auctions or directly from the sellers through private sales. After obtaining the relevant information on the artworks, our Internal Artwork Appraisal Team will authenticate and value them in accordance with our internal control policy. For details on authentication and valuation procedures, please see the subsection headed “— Internal Control and Risk Management” of this section.

During the Track Record Period, we sold 17, 22, and 5 pieces of artworks, respectively, under our artwork sales segment. We generated approximately HK\$5.4 million, HK\$10.5 million, and HK\$8.7 million, respectively, under this segment for the years ended March 31, 2016, 2017 and 2018. We maintain records of our purchased artworks and manage the storage of the relevant artworks in an organized manner. As of March 31, 2018, we had seven pieces of Chinese paintings and calligraphies, 59 pieces of Chinese antiques, and three pieces of other artworks. The following table sets forth a breakdown of revenue we generated from our artwork sales segment for the periods indicated:

	Year ended March 31,		
	2016	2017	2018
Artwork sales (HK\$'000)			
Chinese paintings and calligraphies	1,531	4,450	8,210
Chinese antiques	1,173	4,395	460
Others	<u>2,658</u>	<u>1,615</u>	<u>—</u>
Total	<u>5,362</u>	<u>10,460</u>	<u>8,670</u>

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The following table sets forth a summary of our total value of inventories as of the dates indicated:

	As of March 31,		
	2016	2017	2018
Inventories (HK\$'000)			
Chinese paintings and calligraphies	5,949	2,362	4,589
Chinese antiques	13,611	10,005	16,988
Others	<u>1,882</u>	<u>1,391</u>	<u>1,473</u>
Total	<u>21,442</u>	<u>13,758</u>	<u>23,050</u>

As of the Latest Practicable Date, none of our artwork inventory was cultural relics prohibited for sales. We sell artworks when we deem appropriate based on our judgment on market conditions.

For more details on our artwork inventory, please see the section headed “Financial Information — Description of Certain Items in the Consolidated Balance Sheets — Inventories”. Please also see the sections headed “Risk Factors — Artworks consigned to us could be subject to damage or theft, which could have a material and adverse effect in our business and brand reputation”, and “— Insurance coverage for artworks may not be sufficient, exposing us to losses for artworks in our possession” of this prospectus.

INTERNAL CONTROL AND RISK MANAGEMENT

Governance Structure

Our sound and effective internal control and risk management systems have provided great support to us in facing different levels of operating risks in our business operations. Our Board is at the highest level to supervise the overall operations of our internal control and risk management systems. Our audit committee and other working teams and committees provide support to our Board in identifying, evaluating and managing various risks inherent to every step of our business operations.

Our audit committee was set up in September 13, 2018 whose members currently consist of Lam Suk Ling Shirley (chairlady of the committee), Chung Kwok Mo John, and Chun Chi Man. The primary functions of our audit committee include supervising the risk control measures and systems in respect of different types of risks in our business operations and our risk management. For details of the functions of our audit committee, please refer to the section headed “Directors and Senior Management — Board Committees — Audit Committee” of this prospectus.

Authentication and Valuation of Artworks

We have a comprehensive internal control system and policy to authenticate and value artworks consigned to us for auction sale and purchased by us for resale. As the authentication and valuation of artworks mostly rely on the subjective judgment of our management and experts, we devote significant resources to establish a concrete internal control and risk management systems in artwork authentication and appraisal and to build up a strong management and expert team to authenticate and value artworks.

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Working team and experts for authentication and valuation of artworks

As of the Latest Practicable Date, our authentication and valuation working team was comprised of 12 members, five of which were members of our Internal Artwork Appraisal Team and seven were our External Artwork Appraisal Consultants. The table below sets forth their respective background and experience in artwork authentication and valuation:

Internal Artwork Appraisal Team

<u>Name</u>	<u>Position</u>	<u>Experience</u>
Mr. Koizumi Jumpei (小泉潤平)	Tea wares and Chinese ceramics manager of our Group	Mr. Koizumi joined our Group since 2013. Prior to joining our Group, from April 2011 to March 2013, Mr. Koizumi assisted his family in running Koizumi Ancient Art, Kyoto* (京都古美術小泉), an antique shop with over 15 years of operation in selling antiques including teawares, and acquired knowledge and experience in authentication and valuation of Japanese and non-Japanese teawares through purchasing and selling teawares and exchanging views on authentication and valuation of teawares with teaware experts. Since joining our Group in 2013, through application of the experience in teawares previously accumulated during his days in Koizumi Ancient Art, Kyoto and frequent participation in our auctions, Mr. Koizumi further enriched his experience in valuation of artworks by reviewing the appraisal and auction results of multiple artworks and exchanging views on market price and industry trend of artworks with other artwork experts.
Sun Hongyue (孫鴻月)	Executive Director and the general manager of the painting and calligraphy department of TCA Japan	Mr. Sun has over 30 years of experience in artwork trading and over 23 years of experience in auction. Mr. Sun joined our Group in December 2015. Since then, he has been the general manager of the painting and calligraphy department of TCA Japan. Mr. Sun has accumulated many years of experience in authentication and valuation of artworks and the auction business industry. He worked at Beijing Antique Company* (北京市文物公司) from 1984 to 1994 and was mainly responsible for sourcing and sale of artworks. He was an apprentice of Mr. Qin Gong (秦公), a renowned Chinese stone rubbing calligraphy expert, and trained his skills of authentication and valuation of paintings and calligraphies at Qing Yun Tang (慶雲堂), a reputable store in Beijing engaging in the sale of Chinese calligraphies from 1984 to 1994. In 1986, Mr. Sun completed a course in cultural relics authentication and valuation organized by State Administration of Cultural Heritage of PRC (中國國家文物局) in Xi'an, Shaanxi province, the PRC. From 1989 to 1991, he completed a three-year program in museology at a sub-school of Peking University.

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<u>Name</u>	<u>Position</u>	<u>Experience</u>
Xu Yi (徐奕)	Manager of paintings and calligraphies department of TCA Japan	Ms. Xu obtained a bachelor's degree in Art History in 2009 and a master's degree in Art History in 2012, both from Guangzhou Academy of Fine Arts (廣州美術學院), where she acquired basic knowledge in authenticating, appraising and evaluating artworks. In 2012, she furthered her studies in Joshibi University of Art and Design (女子美術大學), specializing in Oriental Buddhist Art History. Since she joined our Group in September 2012, Ms. Xu attended various artwork sourcing activities and had been involved in the authentication and valuation of painting and calligraphies involved in our business, whereby she accumulated at least six years of experience in authenticating and sourcing paintings and calligraphies. In 2017, she participated in an authentication and valuation course on Ming dynasty calligraphy organised by a Taiwanese calligraphy research fund, the HOS Foundation (何創時書法藝術基金會), through which she further enhanced her authentication and valuation skills by the comprehensive application of her knowledge and experience in authentication and valuation of Chinese, Japanese and Taiwanese artworks.
Zhang Heqing (張賀慶)	Chinese artwork specialist assistant of TCA Japan	Mr. Zhang joined us in 2011, and is mainly responsible for participating in local and overseas preview exhibition and authentication and valuation activities, and producing the auction catalog. Mr. Zhang has laid a solid foundation in the authentication of seal engraving since 2011 by learning the art of seal engraving from Mr. Jin Ou (晉鷗), the chairman of Chinese Calligraphers Association of Japan* (全日本華人書法家協會). Since 2015, Mr. Zhang has been the apprentice of Mr. Wang Zhengguang (王正光), the vice president of the Chinese Ink-stone Cultural Development Association* (中國中華硯文化發展聯合會) and the chief consultant of "Lu" Ink-stone Association of Shandong Province* (山東省魯硯協會), enhancing his knowledge in the appraisal and authentication of different kinds of ink-stones. At the same time, Mr. Zhang accumulated experience through cultural communication with Mr. Sugaura Daisuke (相浦大二) and Mr. Hamada Hiroshi (濱田吉弘), two well-known ink-stone collectors in the Japanese artwork market. After joining our Group, Mr. Zhang participated in many authentication and valuation activities during our daily operations.

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<u>Name</u>	<u>Position</u>	<u>Experience</u>
Zhao Rui (趙銳)	General manager of the painting and calligraphy department of TCA Japan	Mr. Zhao is an expert in the contemporary art industry. Before joining our Group in April 2018, he held various art related positions at public and private bodies including State Administration of Cultural Heritage of the PRC (中國國家文物局), Beijing Antique Company* (北京市文物公司), Beijing Hanhai Auction Co., Ltd.* (北京翰海拍賣有限公司) and Sotheby's. From August 2008 to July 2014, he worked at Beijing Hanhai Auction Co., Ltd. and was in charge of the department of painting and calligraphy (including contemporary artworks) and mainly responsible for sourcing artworks, auction catalog production and sourcing buyers. He served as a specialist of contemporary ink from August 2014 to December 2015 at Sotheby's in Beijing. From January 2016 to December 2017, he worked at Sotheby's in Hong Kong as a consultant and was mainly responsible for sourcing contemporary artworks for consignment and advising clients and assisting in sourcing buyers.

External Artwork Appraisal Consultants

<u>Name</u>	<u>Area of Expertise</u>	<u>Experience</u>
Mr. Yamashita Houtei (山下方亭), aged 76	Chinese painting and calligraphy	Mr. Yamashita graduated from Okayama Miyazaki Sakaoka Industrial High School* (岡山県立笠岡工業高等學校) in 1961 and has approximately 50 years of experience in the art industry. He has in-depth experience in the research and appraisal of Chinese calligraphy, seal engraving, modern painting and calligraphy. He is currently the permanent consultant of Japanese Seal Engraving Artists Association* (日本篆刻家協會). Established in 1985, Japanese Seal Engraving Artists Association is an organization in Japan that exhibits engraving works nationwide. Also, he is the researcher of Seal Engraving Institute* (篆刻藝術院) at Chinese National Academy of Arts* (中國藝術研究院), a national comprehensive academy institute that has integrated research, education and creation of arts in China. Founded in 2006, Seal Engraving Institute is affiliated to the Chinese National Academy of Arts. Seal Engraving Institute focuses on the research and development of the art of seal engraving. Further, he is also the president of Suifeng Club* (隨風會), a reputable organization in Japan which promotes the art of seal engraving, where he is responsible for studying, creating, authenticating and valuing Chinese calligraphy, seal engraving modern painting and calligraphy. In addition, he is also the director of Nihon Shodo-in* (日本書芸院), a Japanese calligraphic society, and a permanent member of Dumai Calligraphy Committee* (讀売書法會). Dumai Calligraphy Committee, a subsidiary of Dumai Japanese News Group, focuses on researching and developing the Japanese calligraphy culture, and organises Japanese calligraphy exhibition in Japan. Nihon Shodo-in is a national calligraphy association in Japan, aiming at inheriting and developing the Japanese calligraphy culture.

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<u>Name</u>	<u>Area of Expertise</u>	<u>Experience</u>
Mr. Mitsui Masashiro (三井雅博), aged 58	Chinese painting and calligraphy	Mr. Mitsui graduated from Kokugakuin University* (國學院大學) in 1983 and has more than 30 years of experience in the art industry. He is currently the president of Sankeisha* (三主社), a publisher established in 1923 with ninety years of history in publishing books concerning art of seal engraving and research of engraving artworks. Mr. Mitsui is currently the director of Japanese Seal Engraving Culture Association* (日本篆刻文化研究會), which was founded in 1985 and is dedicated to the research and promotion of engraving culture and art. He has years of experiences in the study, research and appraisal of seal engraving.
Mr. Tong Yanfang* (童衍方), aged 72	Chinese painting and calligraphy	Mr. Tong graduated from Sichuan Middle School* (四川中學) in 1962 and has approximately 35 years of experience in the art industry. He has accumulated years of extensive experience in the authentication and valuation of painting and calligraphy through holding various positions in some reputable associations. He is currently the vice president of Xiling Yinshe* (西泠印社), the grade one artist of Shanghai Chinese Painting Academy* (上海中國畫院), the vice chair of Shanghai Calligrapher Association* (上海書法家協會), and the manager of the Seal Engraving Committee* (篆刻委員會). His major responsibilities in these three associations focus on studying, creating, authenticating and valuing paintings and calligraphies. Established in 1904, Xiling Yinshe is a professional academic group in Hangzhou that focuses on the research and authentication of engraving artworks, in particular, the art of gold stone engraving. Founded in 1960, Shanghai Chinese Painting Academy is a national non-profit making cultural and social enterprise, and regarded as the center for the artistic creation and study of Chinese painting and calligraphy in Shanghai. Founded in 1961, Shanghai Calligrapher Association is a professional group composed of calligraphers and is committed to holding a variety of calligraphy exhibitions. Seal Engraving Committee, a subsidiary of the Chinese Calligraphy Association, is one of the prime art associations in China and comprised of a pool of authoritative national engraving artists and professors. It focuses on the development of Chinese engraving arts, and holds national engraving communicating activities and exhibitions. From 2007 to 2012, he served as a member of the Appraisal Committee of the Chinese Calligraphers Association* (中國書法家協會鑒定評估委員會委員), where he was mainly responsible for authenticating and valuing Chinese paintings and calligraphies. In addition, he has created number of artworks, which have been highly recognized in the industry. Some of them were published in “Calligraphy”* (《書法》), “Books and Paintings”* (《書與畫》) and other publications, and also have been included in “International Calligraphy Seal Collection”* (《國際書法篆刻作品集》), “International Lin Shu Exhibition”* (《國際臨書大展作品集》) and “All Japanese Engraving Collections”* (《全日本篆社篆刻作品集》).

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<u>Name</u>	<u>Area of Expertise</u>	<u>Experience</u>
Mr. Jin Ou* (晉鷗), aged 61	Chinese painting and calligraphy	<p>Mr. Jin obtained a master's degree in calligraphy at Tokyo Gakugei University* (東京學藝大學) in 1998 and has more than 40 years of experience in calligraphy. He is currently the chairman of Chinese Calligraphers Association of Japan* (全日本華人書法家協會), which was founded in 2005 and has been committed to unite all Chinese calligraphers in Japan and provide a platform for them to conduct cultural exchange. Every year, it holds the Lanting Awards of Chinese Calligraphy* (中國書法蘭亭獎), which is one of the top level art awards in China. He is also the member of Xiling Yinshe* (西泠印社) and Chinese Calligraphers Association* (中國書法家協會) where he is mainly responsible for collection, exhibition, authentication and valuation of Chinese calligraphy. Established in 1981, Chinese Calligraphers Association is a national professional organization comprising of state-level calligraphers, seal engravers, calligraphy theorists, calligraphy educators, and calligraphy organizations. It carries out foreign cultural exchange activities, strengthens ties among calligraphers in Hong Kong, Macau and Taiwan, and establishes international relations for the development and promotion of Chinese calligraphy. Mr. Jin has accumulated years of experience in the authentication and valuation of Chinese calligraphies through holding various positions in the relevant reputable associations as mentioned above, and running Jin Ou Art Museum* (晉鷗藝術館) engaging in the exhibition of painting and calligraphy in Japan from 2002 till now, where has accumulated sufficient experience in culture exchange, exhibition, authentication and valuation in respect of painting and calligraphy.</p>

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<u>Name</u>	<u>Area of Expertise</u>	<u>Experience</u>
Mr. Chak Kin Man* (翟健民), aged 62	Chinese antique	Mr. Chak completed a master's degree program in Chinese cultural relics appraisal jointly organized by Shanghai Jincheng Cultural Relics College* (上海金城文物藝術專修學院) and Chinese Academy of Social Sciences (中國社會科學院) in 2008 and accumulated more than 40 years of experience in the art industry. He is a Chinese antique international distributor, who specializes in the research, sourcing, collection, authenticating and valuing of Chinese ceramics. He has years of practical experience in the authentication and valuation of Chinese antiques through running Chak's Company Limited (永寶齋有限公司) engaging in the trade of Chinese antiques from 1988 till now, in which performing authentication and valuation of artworks are part of the ordinary course of business of Chak's Company Limited, studying in the ancient painting and calligraphy department of the Palace Museum (故宮博物院) from 2005 to 2006, and organizing the international antiques fair (國際古玩展) from time to time. His experience and expertise in authentication and valuation of artworks can be evidenced by his engagement of working as the chief appraisal expert of the expert panel in the "World Collection"* (《天下收藏》) channel of Beijing TV Station (北京電視臺) in December 2007, an appraisal expert in the "I Love Collection"* (《我愛收藏》) channel of Beijing TV Station in 2015, and an consultant of the "Investment Collection"* (《投資收藏》) channel of Phoenix Satellite TV Station (鳳凰衛視) from 2005 to 2015.
Mr. Ohno Kazunaru (大野一徳), aged 51	Chinese antique	Mr. Ono graduated from Tamagawa University* (玉川大學) in 1992 and has about 25 years of experience in the art industry. He is the owner of a Japanese antique shop named Maruo Ono Store* (丸工大野商店), which is a family store founded in Tokyo engaging in the business of porcelain for decades. He is also the member of the Tokyo Art Club* (東京美術俱樂部). Established in 1907, Tokyo Art Club has over 100 years of history in the promotion and preservation of artworks in Japan. He has accumulated years of experience in the authentication and research of ceramic artworks through sourcing, purchasing, authenticating, valuating and selling ceramic artworks in the ordinary course of business of Maruo Ono Store owned and operated by him for decades.

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<u>Name</u>	<u>Area of Expertise</u>	<u>Experience</u>
Mr. Kumasawa Masayuki (熊沢正幸), aged 86	Other artworks	Mr Kumasawa graduated from Aiyu Middle School* (愛宕中學) in 1947 and has about 60 years of experience in the art industry. He is a member of the Ancient Art Assets Evaluation Committee* (古美術資産評價委員會) and the president of a Japan-based art association known as the Yayoi Society* (彌生會) and the director of the Kurita Art Museum* (一般財團法人栗田美術館). Established in 1975, the Kurita Art Museum is a ceramic art museum. Ancient Art Assets Evaluation Committee is an organization of critics and professors in the field of ancient art, and specializes in researching and evaluating the value of Asian ancient art assets. Yayoi Society is an association composed of antique dealers, and has gained good reputation for all varieties of antique business with members from various antique stores or museums in Japan. Mr. Kumasawa has many years of research experience in Buddhist statues.

According to the CIC report, there is no specific industry standard on artwork authentication and valuation. In line with the industry practice, the authentication of the ownership and valuation on the price of artworks largely rely on, to a certain extent, the expertise, experience and judgment of the experts.

Following factors are generally taken into account when we determine the selection and engagement of the External Artwork Appraisal Consultants, including but not limited to (i) years of experiences in the art industry, (ii) familiarity with a specific category of artwork, (iii) recognition in the relevant art industry, and (iv) academic and professional knowledge of artworks. To employ experts with, among other merits, high reputation and status in the industry, we may sometimes look into the associations such external experts belong to as a reference to determine their status in the industry, although whether or not they are members of any association is not a determining factor in assessing their expertise and experience in authentication and valuation of artworks. According to CIC, all the associations our External Artwork Appraisal Consultants as of the Latest Practicable Date belong to as disclosed in the prospectus are reputable in specific fields of the art industry. Prior to joining these reputable associations and taking on various responsibilities or roles including, among others, creation, study, collection/sourcing, authentication and valuation, exhibition or sale (as the case may be) of a specific category of artwork, the External Artwork Appraisal Consultants shall have certain previous experience and expertise in the relevant category of artwork. Through holding various positions and taking on responsibilities or roles after joining the relevant associations, the External Artwork Appraisal Consultants are able to (i) gain and accumulate necessary academic knowledge and practical experience, and (ii) access to the extensive network established across the participants in such associations. Such knowledge, practical experience and network are beneficial to them in providing professional advice on authentication and valuation of different types of artworks for our business and help us in maintaining and improving our policies for conducting the authentication and valuation of artworks so as to be in line with the industry practice.

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All External Artwork Appraisal Consultants would be assessed and approved by the chairman of the Board before engagement as the External Artwork Appraisal Consultants. The panel of our External Artwork Appraisal Consultants would be updated timely whenever there are changes on the experts. We select our External Artwork Appraisal Consultants based on various criteria and the selection process would be conducted by our Internal Artwork Appraisal Team and finally approved by the chairman of the Board and documented in the evaluation form.

We consider each of the External Artwork Appraisal Consultants as of the Latest Practical Date has relevant and sufficient experience in authentication and valuation of artwork as each of them (i) has extensive years of experience in the art industry, ranging from 25 years to 60 years, and has extensive and practical experience in artwork authentication and valuation as disclosed above, (ii) possesses academic and professional knowledge of a specific category of artwork which is evidenced by their respective membership of relevant associations, and (iii) has been engaged by us for number of years in advising the authentication and valuation of artworks and we did not have any material dispute in relation to authentication and valuation of artworks during the Track Record Period.

We have taken additional steps to manage our External Artwork Appraisal Consultants:

- (i) the External Artwork Appraisal Consultants should not be a connected person of us and any of its connected person(s);
- (ii) where any of the External Artwork Appraisal Consultants consigns artwork to be auctioned at our auction, such External Artwork Appraisal Consultant should not be involved in the authentication and valuation of his/her artwork to avoid any conflict of interest;
- (iii) where any of the External Artwork Appraisal Consultants, as bidder, participates in any auction or event held by the Group, the Internal Artwork Appraisal Team will not consider any comments or advices from such External Artwork Appraisal Consultant on the authentication and valuation of any artwork;
- (iv) at least five External Artwork Appraisal Consultants should be available for selection; and
- (v) the chairman of the Board should perform annual evaluation on the performance of the External Artwork Appraisal Consultants. Such evaluation should be documented on the evaluation form. Our panel of the External Artwork Appraisal Consultants should be updated according to the result of the annual evaluation, and any External Artwork Appraisal Consultants with unsatisfactory result from the annual evaluation should be removed from the panel of the External Artwork Appraisal Consultants.

Basis for authentication and valuation of artworks

The authenticity of the artwork is evaluated based on the following factors: (i) previous transaction history of the artwork; (ii) opinion of external industry experts who are familiar with the specific type of artworks; (iii) authenticity opinion and reports issued by other local or international auction houses on other artworks produced by the same artist; (iv) professional knowledge and experience of our Internal Artwork Appraisal Team and/or External Artwork Appraisal Consultants in evaluating similar artworks; (v) judicial judgment or arbitration results regarding the relevant artwork; and (vi) consultation with reputable organizations or institutions.

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Major factors in determining the value of the artwork include: (i) recent or historical transaction prices of the particular artwork in previous auctions or private transactions; (ii) the market price and/or recent or historical transaction prices in previous auctions or private transactions for similar artworks or similar type of artworks of the same artists; (iii) quality, scarcity, texture, period, historical meaning and uniqueness of the particular artwork; (iv) the reputation of the artist and the popularity of other artworks of the same artist; (v) price indicators for the relevant type of artworks released by artwork interested parties or professional parties; (vi) the intended auction reserve price proposed by the consignor (if any); and (vii) the demand for the artwork.

Authentication and valuation workflow

Before accepting artworks consigned to us for auction sale or purchasing artworks for resale, we conduct a series of due diligence on the background of the relevant artworks through our members in the Internal Artwork Appraisal Team who are familiar with that specific type of artworks. First, preliminary assessment and selection will be conducted by the Internal Artwork Appraisal Team on the artworks in order to identify a suitable artwork for auction or for resale. Our primary concerns are:

- (i) the source and ownership of the artwork;
- (ii) whether the item is within the scope of our auction or sale lots, which includes Chinese paintings and calligraphies, Chinese antiques, Japanese and Chinese tea wares. We do not impose any restrictions on selection of artwork with respect to its type so long as it falls within the aforesaid scope;
- (iii) whether the item is materially defective; and
- (iv) the proposed value of the artwork offered by the consignor or the seller.

Then our Internal Artwork Appraisal Team assesses initially the artworks by performing the following procedures and recording the results of the preliminary assessment in the due diligence checklist:

- (i) obtaining personal information of the consignor or the seller, including identity card, passport, other proof of identification, business licenses (or business registration certificate) and proof of address for individual consignor or the seller (including sole proprietorship and partnership), or business license (or business registration certificate), proof of address and documents containing details of directors and major shareholders for corporate consignor or seller;
- (ii) making enquiry with the consignor or the seller and conduct available public searches of the consignor's or the seller's background when necessary;
- (iii) requesting the consignor or the seller to provide documents to prove ownership, authenticity and value of the artwork when necessary;
- (iv) requesting the consignor or the seller to provide authentication or artist certificate or previous purchase record in auction or private transaction, if any;

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- (v) conducting public searches through the internet and from the public security and court record, including but not limited to the “Stolen (Lost) Cultural Relics Information Publishing Platform of China” at <http://bdww.sach.gov.cn/w/list>, to retrieve any record of artworks, if any; and
- (vi) requiring the consignor or the seller to give representations and warranties as to the ownership and legality of source, and settling out such representations and warranties as an express term in the auction consignment agreement or the sale agreement. We will not accept any artwork that we know is subject to title disputes or legal impediments. For details, please see the section headed “Risk Factors — We are exposed to losses in the event of title claims arising from sale of artworks” of this prospectus.

Based on the preliminary assessment, if it is identified that an artwork is subject to any material flaws, ownership disputes, restricted cultural property, stolen or lost cultural relics, or the legality of sources or ownership of the artwork is in doubt, such artwork will not be accepted. Having obtained the positive results of the preliminary assessments, the artwork will be passed to the Internal Artwork Appraisal Team for further authentication and appraisal. Different from the preliminary assessment mainly focusing on (a) checking the identity and background of the consignor or the seller; or (b) ascertaining the source, ownership of the artwork by collecting information or documents from the consignors or the sellers or performing a preliminary public searches, further authentication and appraisal of the artwork conducted by our Internal Artwork Appraisal Team and/or our External Artwork Appraisal Consultants mainly focus on (a) examining every part and component of the artwork, (b) recording details of artworks in assessment reports (if any), and (c) consultation or seeking confirmation with the creator(s) of relevant artwork(s) and other external experts with a view to finally determine the valuation of the artworks. Rather than solely relying on the information or documents provided by the consignor or the seller with respect to the provenance of the artwork, our Internal Artwork Appraisal Team takes further specific steps to ascertain the provenance of the artwork, including but without limitation to collecting the previous transaction record and other supporting documents for further investigating into authentication and ownership of the artwork, performing a cross-check on the origin of artwork with reference to ancient books, and further obtaining relevant advice from external experts and organizations who are familiar with the specific type of artworks when we encounter difficulty in confirming the provenance of such artworks. The follow-up matters shall be resolved within one month from the date of receiving the artwork. Otherwise, we will return the artworks at the cost of the consignor or the seller.

Members of the Internal Artwork Appraisal Team, who has had proven skills, experience and in-depth industry knowledge for a particular category of artwork, will conduct the assessment on the authenticity and valuation of the artwork according to their respective professionalism and all valid information and documents provided to them for the assessment. The Internal Artwork Appraisal Team will also consider if the particular artwork would attract interest from buyers or is of strong market demand. When members of the Internal Artwork Appraisal Team or the External Artwork Appraisal Consultants are in doubt of the authenticity of any artwork(s), we will consult and obtain confirmation(s) from the creator(s) of such artwork(s) or seek advise from other external experts. We will only accept a particular artwork if a consensus on the authentication and valuation is reached between the consignor or the seller of such artwork and us.

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Factors taken into consideration by our Internal Artwork Appraisal Team are set out in the subsection headed “— Internal Control and Risk Management — Authentication and Valuation of Artworks — Basis for authentication and valuation of artworks” of this section above.

For (i) the top five pieces of artworks with the highest auction reserve price (if any) or the top five pieces of artworks with the highest estimate price range for each auction event held by us, or (ii) any artworks with the auction reserve price (if any) or the lower end of the estimated price range (if applicable) exceeding HK\$20.0 million or JPY250.0 million, the auction reserve price (if any) or the estimated price range of such artworks should be further approved by the chairman of the Board and the result of the authentication and valuation of such artworks should be documented in the due diligence form. Written approval in the due diligence form must be obtained from the evaluating members of the Internal Artwork Appraisal Team and the chairman of the Board when necessary before signing the auction consignment agreement with the consignor. For artworks with the auction reserve price (if any) or the lower end of the estimated price range (if applicable) below HK\$20.0 million or JPY250.0 million, the authentication and valuation procedures shall be conducted by the Internal Artwork Appraisal Team, who possesses relevant knowledge and expertise, pursuant to our internal procedures but further approval by the chairman of the Board is not necessary.

We will, based on the positive results indicated in the assessment report prepared by the Internal Artwork Appraisal Team, negotiate terms of and if so agreed, sign the auction consignment agreement with the consignor, stating the auction reserve price (if any) or the estimated price range (if any). The auction reserve price (if any) of such artwork is determined based on the Internal Artwork Appraisal Team’s valuation result, subject to negotiation with the relevant consignor within the price range suggested by the Internal Artwork Appraisal Team.

For artworks that are consigned by the artwork artists who produce the consigned artworks, they are not subject to authentication by the Internal Artwork Appraisal Team because those consignors can confirm the authenticity of their products. Our Internal Artwork Appraisal Team will however opine on the valuation of those artworks. Based on the Internal Artwork Appraisal Team’s opinion on the value, we will discuss and agree with such artists on the auction reserve price of their artworks for the auction. The authentication and valuation process is mainly conducted by the Internal Artwork Appraisal Team.

However, the Internal Artwork Appraisal Team will consider seeking advice and a second opinion from the External Artwork Appraisal Consultants on the authentication and valuation of certain artworks proposed for auction in the event that (i) the Internal Artwork Appraisal Team does not have sufficient knowledge and experience on authenticating a particular artwork, or (ii) the Internal Artwork Appraisal Team is unable to form a conclusive conclusion on the valuation of the artwork. Under such circumstances, a meeting will be conducted among the Internal Artwork Appraisal Team and the External Artwork Appraisal Consultants engaged for a particular artwork, during which, the External Artwork Appraisal Consultants will provide comments and suggestions on the authentication on the particular artwork and advise on the reasonableness of the appraised value of the particular artwork. If there is a discrepancy on the authentication and valuation of such particular artwork between the Internal Artwork Appraisal Team and the External Artwork Appraisal Consultants after a detailed discussion, such particular artwork will not be put for auction. Otherwise, the final valuation should be the valuation made by both parties and agreed and confirmed by the consignor in the signed auction consignment agreement with us for record and further procedure.

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We will not issue any authenticity and valuation report to the consignor and/or buyer and will not separately charge them on the authentication work conducted. For details, please see the section headed “Risk Factors — Our business is subject to risks relating to the authentication, valuation of artworks and relevant prices and management’s determination of artworks, which rely on the subjective judgment of our management and experts” of this prospectus.

In order to safeguard us against any possible claim and dispute over the authenticity, ownership and defects of the artworks, and for protecting our reputation, we have adopted the following additional risk control measures:

- (i) for artwork auction lots where the aggregate auction reserve price (if any) or the aggregate lower end of the estimated price range for all consigned lots of the same consignor exceeds HK\$10.0 million or JPY140 million, in addition to the auction consignment agreement, we will require the consignor to give us a separate written undertaking on the legality of the source, the consignor’s unencumbered ownership of the artwork(s) and that participation in the auction would not constitute money laundering activities of the consignor;
- (ii) all details of defects on the artwork will be set out in the auction consignment agreement. Prior to the auction, all obvious defects by description has to be included in the auction catalog to notify buyers of such defects. The auctioneer will also announce such defects during the auction operation when the auction transaction of the particular artwork is being conducted;
- (iii) no warranty, representation or guarantee would be given by us on the authenticity and quality of auctioned artworks and a disclaimer of liabilities would be set out in the conditions of sale which we will enter into with the bidders;
- (iv) we require our Internal Artwork Appraisal Team to attend regular trainings or courses organized by relevant organization on subjects in relation to, such as, artworks relating to our business, authentication and valuation of artworks, to obtain latest market news and value of the relevant artwork, as well as the knowledge on authenticating, appraising and evaluating artworks; and
- (v) we assign our chief operating officer, Mr. Katsu, to be responsible for updating our authentication and valuation policy accordingly when process changes occur and submitting to the chairman of the Board for review and approval.

From the experience of our management team, our Directors confirm that our due diligence in authenticating and valuing artworks discussed above are in line with industry standards as (a) our management team and experts, in particular, our Internal Artwork Appraisal Team, from time to time assess the appropriateness of our policies of authenticating and valuing artworks so as to keep abreast of the market trend of the artwork market to safeguard us against any possible claim and dispute over the authenticity, ownership and defects of the artworks; (b) the Group has formulated and implemented the relevant policies with reference to that of industry peers, which were known by us or became available to us either through public channels, or consultation with our internal experts possessing relevant expertise and knowledge gained from other auction houses before joining us, or our external experts who are also invited by other auction houses from time to time to provide their opinions on authentication and valuation of artworks; (c) the in-depth and most prevailing industry knowledge, skills and judgment in authenticating and valuing artworks possessed by our experts and management have ensured that our

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relevant due diligence are sound and effective in reducing various risks; and (d) according to CIC, the Group's due diligence policies in authenticating and valuing artworks are in line with the industry standards.

Settlement

We have established the following measures addressing risks associated with the buyer's defaults in making timely payment after the auction:

- (i) prior to the commencement of an art auction, we request bidders to enter into bidder registration form pursuant to which we collect bidding deposits from them;
- (ii) after a bidder secures an artwork at hammer price, we require buyer to confirm the amount and time of payment for us right at the auction site; and
- (iii) we normally only arrange delivery of artworks to buyers after we receive full payment.

To reduce risk of buyer's default of payment, we generally do not grant credit or allow installment payment. However, at the request of some of our premium buyers, who typically (i) attended our auctions for at least two consecutive years and purchased artworks of high value, and (ii) have a good credit record, we may sometimes assist such buyer and the relevant seller to negotiate for installment payment. Before we proceed with assisting the relevant parties for such arrangement, we normally consider a variety of factors, including but without limitation to the hammer price of the sold artworks and the willingness of the sellers to negotiate with the buyers on the arrangement. That said, any installment payment arrangement should be negotiated between the relevant buyer and the seller with our assistance and finally agreed by the relevant seller. Under the conditions of sales, irrespective of whether or not the buyer makes any or all of the payments for the auctioned artworks, we are entitled to the buyers' commission upon the date of the buyer's successful bidding of the artworks. Pursuant to our risk management policy, we do not make any payment to the seller before we receive the total installment payments in full from such premium buyer.

In the event that such buyer defaults in make any installment payment subsequently, further time extension to the installment payment is subject to further negotiation and agreement between the relevant seller and buyer. However, in case of the buyers' default in timely making any installment payment, we are entitled to, among others, take the deposit or other partial payment which the buyers has already paid to us to pay off any outstanding amount such buyer owes to us, including the buyer's commission receivables. In addition, by only acting as an agent in our auction business, we are not, in any circumstances, required to pay any compensation to the seller for such default, given that we have no obligation to investigate the ability of the buyer to settle the hammer price and do not assume any responsibility for the buyer's failure to settle such amounts in time or fully settle such amounts according to the auction consignment agreement. In view of the above, and also taking into account the fact that the Group (i) had not recognized any material impairment losses for bad debts; and (ii) had not made nor been the subject of any material insurance claims, during the Track Record Period, the Directors are of the views that the instalment payment arrangement between the sellers and the buyers does not have any significant implication on the costs, liquidity and risk management of the Group. For details, please see the section headed "Risk Factors — Our results of business operations could be adversely affected by buyer's default in making payment in due course" in this prospectus.

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We believe that, by adopting our internal control and risk management measures to address risks associated with buyer's failure in making timely payment, we could effectively reduce relevant risks while maintaining a flexible commercial approach in addressing customers' demands.

Other Measures

We have initiated measures to tackle other major risks inherent in our business operations.

Buyer's Credit

We have formulated strict internal procedures according to which, we examine the identity documents of potential consignors and buyers prior to auctions. We generally collect bidding deposits from potential buyers, the amount of which is determined by the value of the relevant artworks consigned for auction. We may adjust the amount of bidding deposits based on the category, quality and value of artworks to be auctioned.

We developed solid internal procedures to handle the credit risks from absentee and telephone bidders. We exercise a three-stage test before we accept such appointment. At the preparatory stage, we identify and understand the background of a new buyer before we enter into any business relation with him/her by detailed one to one inquiry. At the preliminary investigatory stage, relevant identification documents and valid business license from natural person and legal person, respectively. At the evaluation stage, we also analyze the buyers' reason of purchasing artworks and the method of settlement. For details, please refer to the subsection headed "— Internal Control and Risk Management — Other Measures — Anti-money Laundering Measures".

Measures to govern transactions of closely related parties

We have established a policy on handling transactions of closely related parties which would constitute connected transactions or continuing connected transactions (both as defined under the Listing Rules) based on the requirements under Chapter 14A of the Listing Rules. Key measures under such policy include the following:

- (i) our Company Secretary should on regular basis communicate and confirm with the connected person(s) if there is any potential and possible connected transaction with the Group. Existing connected person(s) should report to the Company Secretary any potential and possible connected transaction with the Company as soon as possible;
- (ii) our Company Secretary should update the list of connected person(s) and connected transactions (the "**List**"), which states the name of all connected persons, their relationships with the Group, the transaction information, the amount involved, the approved annual cap, and validity period. The List should be sent timely to the senior management and our finance department;
- (iii) our finance department should monitor the transactions stated on the List and also update the transactional data on the List, for example the usage of the approved annual cap, when they occur. If any concern is found, for instance, the actual transaction does not match with the approved transaction and is expected to exceed the approved annual cap, our finance department should promptly notify the senior management and the Company Secretary. The concerned transaction should be withheld until further instruction from the Board; and

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- (iv) our Company Secretary is responsible to follow-up or clarify the connected transaction with the relevant connect person and update on the List. Also, our Company Secretary has to report the connected transaction and the follow-up result to the Board for further decision on a timely basis.

Anti-Fraud Measures

As part of our internal control and risk management measures, we have formulated the following procedures and measures against risk of fraud, including bribery and corruption and as well as our experts, internal control, assets and information technologies:

- (i) our Board of Directors organizes formal fraud risk evaluation on an annual basis recording and evaluating key fraud risks;
- (ii) our human resources department arranges for trainings on professional ethics and fraudulent behaviors. All managers must evaluate fraud risks within their scope of duty constantly and make sure adequate controls are in place. Material fraud risks must be reported to the Board of Directors;
- (iii) we conduct background checking, including criminal records, employment and financial history as part of the recruitment process;
- (iv) we require new employee to sign an acknowledgment form as acknowledgement and receipt understanding of the employee handbook, the Group's policies and regulations, including but not limited to the terms of confidentiality, non-compete, anti-bribery and anti-corruption;
- (v) we have anti-fraud measures in respect of our employee including, rotation of staff, assessment of employees against ethical or compliance standards, as well as ethics training;
- (vi) we implement the whistle-blowing policy to provide a mechanism allowing the employees to report any malpractice to the audit committee under the condition of confidentiality and map out the investigation procedure. Our employees are required to report any suspected transactions, potential money laundering activities, criminal offenses or illegal activities, default on any legal obligation, malpractice or fraud in relation to accounting, financial reporting, auditing, internal control and other financial matters, fraudulent activities plotted in collusion with partners, suppliers or competitors and other fraudulent behaviors; and
- (vii) the Board and the audit committee will supervise and review the implementation and effectiveness of the anti-fraud policy and whistle-blowing mechanism on a regular basis.

Our authentication and valuation logistics for our artworks as auction lots are also designed to prevent possible bribery and corruption of members of our Internal Artwork Appraisal Team and External Artwork Appraisal Consultants. For details, please see the subsection headed “— Authentication and valuation workflow”. Such multiple and collective authentication mechanism is targeted not only to ensure the accuracy and reasonableness of authentication and evaluation results, but also to prevent any possible bribery and corruption between customers on the one hand and our internal employees and external experts on the other hand.

Anti-money Laundering Measures

Our internal control and risk management systems are designed to cover procedures and measures against money laundering activities. We have implemented anti-money laundering policies and procedures, which provides guidelines on preventing and detecting money laundering to ensure compliance with all relevant legal and regulatory requirements (the “**AML Policy**”). The Board of Directors annually review and update the AML Policy if necessary to ensure that it aligns with the Group’s financial reporting objectives and complies with the legal and supervisory requirements set out relating to anti-money laundering. We require our employees to comply strictly with our internal policy and all applicable laws and regulations regarding anti-money laundering.

Major steps and measures set out in the AML Policy to prevent and detect anti-money laundering activities include:

- (i) we have implemented “Know Your Client” due diligence and client screening procedures that aim at evaluating the identity, financial background, reputation and business activities (if any) of a new seller and buyer. We obtain personal information of the seller or buyer, including identity card, passport or other proof of identification, or valid business licenses (or business registration certificate), and proof of address for individual seller or buyer (including sole proprietorship and partnership); or valid business license (or business registration certificate), proof of address and documents containing details of directors, major shareholders for corporate seller or buyer. We also obtain bank reference or guarantee of the seller or buyer;
- (ii) we request the seller to provide documents to prove ownership, authenticity and value of the artwork and verify the authenticity and origin of the relevant artwork on our own. For details, please refer to the subsection headed “— Internal Control and Risk Management — Authentication and Valuation of Artworks”;
- (iii) we conduct public searches via the internet to make sure the seller/buyer is not on the list of asset freeze targets or financial sanctions/specially designated nationals and blocked persons list. The evidence of checking for the seller/buyer will be documented the due diligence checklist;
- (iv) we keep all records for the transaction for monitoring, including daily transaction records, receipts, copies of cheques, payment in books and written correspondence of the sellers or buyers for seven years upon completion of the transaction;
- (v) we perform regular screening and monitoring process after each auction event and conduct investigation on situations indicating potential money-laundry activities where, (a) the number of successful deals between same buyer and seller is more than three times; (b) the transactions are always made only between certain sellers and buyers, or between a few sellers and buyers; (c) cumulative transactions over HK\$10 million or JPY140 million in an auction event; or (d) any other suspicious transaction indicators;

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- (vi) we assign the accounting officer to perform analysis on the transaction records of the seller or buyer in the past two years if we identified any suspicious transactions of the respective seller or buyer. Any suspicious transactions should at once be reported to the senior management and any transactions with such buyer or seller must be suspended immediately. The decision to continue or terminate the relationship with such buyer or seller should be based on the instruction of the Board of Directors after considering the result of the investigation carried out;
- (vii) we provide a whistle-blowing mechanism allowing the employees to report any malpractice existing in the Group to the Board of Directors and the audit committee under the condition of confidentiality and map out the investigation procedure;
- (viii) we will report the suspected transaction and/or seller or buyer to the relevant competent authorities or investigating authorities where such report shall be made in compliance with the applicable anti-money laundering laws and regulations;
- (ix) we provide regular training annually and timely updates to the senior management on the risk of money laundering and for any suspicious activity;
- (x) we ensure the senior management to keep timely communication with relevant authorities and/or financial institutions in accordance with applicable laws and regulations to control risks of anti-money laundering;
- (xi) we conduct periodic review on identification of seller or buyer and verification information to identify potential risk;
- (xii) we conduct a comprehensive risk assessment exercise on an annual basis to assess the various types of risks faced by the Group as well as the corresponding measures in mitigating the risks. The risk of money laundering is also considered in such risk assessment exercise;
- (xiii) if it is determined as potential money laundering activities, misconducts or delinquencies, and/or there is an attempt to conceal money laundering activities conducted by the customers, the Board of Directors shall consult the legal advisor and should make a decision within twenty days on whether such activity should be refer to the relevant competent authorities or investigating authorities for next steps; and
- (xiv) we supervise and review the implementation and effectiveness of the policy by the Board of Directors and the audit committee on a regular basis.

During the Track Record Period and as of the Latest Practicable Date, we complied with all material obligations under the relevant legal and regulatory requirements relating to anti-money laundering and we have not received any notification imposing any penalty on or commencement of any investigation against us by applicable authorities with regard to such activities.

INVENTORY MANAGEMENT

Our inventory mainly consists of artworks which are purchased by us for our artwork sales segment. Although all items held in the inventory are available for immediate sale, the timing of the eventual sale is difficult to be predicted due to the uniqueness of each item, as well as the ever changing trend of the artwork market.

Our inventory and the artworks which are consigned to us for our art auction and related business segment are kept in our warehouses. We have implemented appropriate security measures at our premises, including our office and warehouses, for taking possession of, safekeeping and releasing of the artworks purchased by us as principals for sale and consigned to us for auction. Different types of artworks require different and specific storage conditions, including temperature, humidity and light, to prevent damages. We have installed hygrometer and thermometer to monitor, inspect, record and maintain the temperature and humidity of our warehouses, so that the temperature and humidity of our warehouses are monitored, inspected, recorded and maintained at the suitable levels by our employees on a daily basis. Furthermore, we engage professionals to provide security supervision services to our premises, including our offices and warehouses. We have adopted a multiple-tier security system in our warehouses, including fingerprint lock or electronic tags, to control limited access to warehouse areas. Our warehouses have physical barriers and deterrents that guard against unauthorized access. Also, alarms systems and video surveillance cameras are utilized to monitor our premises 24 hours a day and seven days a week. Retrieval of recorded activities are maintained for at least 60 days. The staff responsible for keeping the key and security card of any safe or vault are segregated. Cleaning of our warehouses should only be done during official working hours under the supervision of the head of the warehouses. We also keep a record of auction lots deposited into and released from our warehouses and employ appropriate security measure for auction lots being moved between our warehouses and to the auction venue and the buyers.

We conduct stocktaking and valuation on artworks in inventory regularly with assistance from our internal experts. On top of our multiple-tier security system and alarm system, we have established rules and policies on our inventory management, which we believe are effective for managing our artworks and prevention of theft on a timely basis.

Upon Listing, we will engage Independent Third Parties to perform valuation of our inventory every year. The valuation of artworks will depend on a complex array of factors, including: (i) the supply and demand for artworks, taking into account the scarcity of the artworks and economic conditions and changing trends in the artwork market within which collecting categories and artists are the most highly sought after; and (ii) recent selling prices achieved in the artwork market for comparable artworks within a particular collecting category and/or by a particular artist.

In addition, we have established a set of strict rules on provision for impairment of inventory. For instance, if we found, during the stocktaking and valuation that (i) the market price of inventory decreased and is not expected to increase in the near future, or (ii) the inventory is damaged or discolored, which lead to a decrease in the value of the relevant item, we will make provisions accordingly. During the Track Record Period, we have not made any provisions to our inventory. Please see the section headed “Financial Information — Description of Certain Items in the Consolidated Balance Sheets — Inventories”.

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CUSTOMERS

Our customers primarily include sellers and buyers who consign or purchase artworks in the art auctions organized by us and buyers to whom we sell artworks as principal under our artwork sales segment. To the best knowledge of our Directors, our customers are generally comprised of artwork interested parties including artworks artists, masters, experts, merchants, collectors, art galleries and private museums.

The table below set forth the numbers of our customers of auction transactions under the art auction and related business segment for the periods indicates:

	Year ended March 31,		
	2016	2017	2018
Sellers	<u>808</u>	<u>661</u>	<u>673</u>
Buyers	<u>820</u>	<u>624</u>	<u>679</u>

The table below set forth the numbers of our customers under the artwork sales segment for the periods indicates:

	Year ended March 31,		
	2016	2017	2018
Buyers	<u>7</u>	<u>9</u>	<u>4</u>

During the Track Record Period, our revenue derived from our five largest customers accounted for less than 30% of our total revenue. As of the Latest Practicable Date and during the Track Record Period, all of our top five customers were Independent Third Parties, among which Mr. Chan Sai Wai, Mr. Chao Kee Young Ronald (through his indirectly wholly-owned BVI company) are two of our pre-IPO Investors. Furthermore, the niece of Mr. Chao is the wife of Mr. YC Yang, our non-executive Director. None of our Directors, their associates or any of our Shareholders (which to the knowledge of our Directors owns more than 5% of our share capital) held any interests in any of our five largest customers.

Owing to the nature of our two business segments, our customers under the auction and related business segment and our suppliers and/or buyers of the artworks from whom we purchase and/or sell artwork as principals under the artwork sales segment are artwork interested parties, including but not limited to artworks artists, merchants and collectors. As such, there are customers and suppliers overlapping among our Group's customers and suppliers in these two business segments.

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During the Track Record Period, Mr. Chan Sai Wai, an individual artwork collector and being one of the five largest customers of our Group under the auction and related business segment for the years ended March 31, 2016 and 2018 was also one of the five largest suppliers of our Group under the artwork sales segment for the year ended March 31, 2018. We purchased one piece of painting from him during the year ended March 31, 2018 which amounted to approximately HK\$5.6 million. Total purchase from him accounted for approximately 11.1% of our costs of services and total purchase for the year ended March 31, 2018 and revenue contributed from the same person as a customer accounted for approximately 4.8% and 2.9% of our total revenue for the years ended March 31, 2016 and 2018, respectively.

Save as Mr. Chan Sai Wai, all the other top five suppliers (including the largest supplier) during the Track Record Period were service providers for our auction and related business, among which, the largest supplier during the Track Record Period provided venue for artwork preview exhibition and art auction operation. For more details, please refer to the subsection headed “— Suppliers” of this section.

Our Directors confirmed that all of the transactions with overlapping customers and suppliers were conducted in the ordinary course of business under normal commercial terms and on arm’s length basis and at prices that are no less favorable than from other customers and suppliers who are not overlapping customers and suppliers.

SALES AND MARKETING

Our marketing activities are mostly conducted prior to the time of the organization of art auctions. Prior to each auction, we conduct various marketing and promotional events to promote market interests and stimulate awareness of our art auctions. Major events include producing and distributing auction catalogs, organizing artworks preview exhibitions and publishing advertisements, marketing and auction information on newspapers, art magazines, television and the internet. For details, please refer to the subsection headed “— Our Business — Main Procedures of Art Auction — Marketing” of this prospectus.

We also advertise our services and promote brand awareness through a variety of media channels, including promotion through our websites, publication of advertisements on magazines as well as billboards, and organization of preview exhibitions. Furthermore, we hold art exhibitions of various themes, which serve as platforms to exchange views with artwork interested parties, collectors and our customers on the academic and commercial value of various artworks. In addition, we organize special events such as traditional tea ceremonies to promote Japanese tea ware and culture from time to time. Nevertheless, we market artworks on internet or through social media platforms, all of which could be conveniently accessed by our customers via portable gadgets. Having accumulated years of experience in the Chinese and Japanese art auction market, we have established a network of potential customers and our customer services department maintain frequent contact with them regularly to understand their demand and/or their collections. Through all the marketing measures we utilized, we have managed to source and display artworks that are rarely exhibited to the public.

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We endeavor to expand our customer base, focusing on developing and maintaining long-term relationship with premium customers, as well as customers with strong supply of premium artworks. We focus on developing our presence in countries and regions where we can find large pools of high-value Chinese and Japanese artworks, such as Hong Kong, Japan, China and Taiwan. In line with development of our capacity of sourcing artworks in the global market, we plan to penetrate into the PRC and American artwork market by establishing representative offices in Beijing and California where we can organize preview exhibitions and conduct sourcing and marketing activities.

We incurred approximately HK\$5.7 million, HK\$6.5 million and HK\$6.1 million, for each of the years ended March 31, 2016, 2017 and 2018, respectively, for our advertising and promotion activities. We believe we have managed to cultivate market interests through increasing public awareness of relevant artworks, which in turn has improved our brand recognition and market leadership.

SUPPLIERS

Our suppliers mainly include sellers from whom we purchase artworks as principal for our artwork sales segment, property owners who provide venue for artwork preview exhibition and art auction operation, suppliers of event organization and accommodation booking services for our artwork preview exhibition and art auction operation, suppliers of photo-taking, printing and delivery services for our auction catalogs, and suppliers of delivery services for our auctioned artworks and security and insurance services.

For the years ended March 31, 2016, 2017 and 2018, our five largest suppliers together accounted for 77.5%, 73.6% and 64.9%, respectively, of our costs of services and total purchase, and our single largest supplier accounted for 25.1%, 19.1%, and 18.1%, respectively, of our costs of services and total purchase. We have had relationships with our five largest suppliers for 3.5 to 7 years as of the Latest Practicable Date. As of the Latest Practicable Date and during the Track Record Period, none of our Directors, their associates or any of our Shareholders (which to the knowledge of our Directors owns more than 5% of our share capital) held any interests in any of our five largest suppliers. To the best of our Directors' knowledge, all of our largest five suppliers for the years ended March 31, 2016, 2017 and 2018 were Independent Third Parties, among which, Mr. Chan Sai Wai is one of the Pre-IPO Investors.

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The tables below set forth the basic information of our five largest suppliers during the Track Record Period:

For the year ended March 31, 2016

<u>Supplier</u>	<u>Transaction amount</u> <i>(HK\$'000)</i>	<u>Percentage of transaction amount to our costs of services and total purchase</u>	<u>Product(s)/ services(s) supplied</u>	<u>Approximate length of relationship with the Group as at March 31, 2016</u>	<u>Profile and background</u>
Supplier A	9,549	25.1%	Rent of auction venue and auction venue set up	5 years	A company providing project coordinating services
Supplier B	7,900	20.8%	Catalog expense	5 years	A company providing printing services
Supplier C	6,344	16.6%	Rent of auction venue	1.5 years	A company engaged in hospitality services, being a subsidiary of a Hong Kong listed company
Supplier D	4,087	10.7%	Auction venue set up	2 years	A company providing exhibition and marketing services, being a subsidiary of a Hong Kong listed company
Supplier E	1,637	4.3%	Photo shooting for catalog	5 years	A company providing photo shooting services
Total	29,517	77.5%			

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For the year ended March 31, 2017

<u>Supplier</u>	<u>Transaction amount</u> <i>(HK\$'000)</i>	<u>Percentage of transaction amount to our costs of services and total purchase</u>	<u>Product(s)/ services(s) supplied</u>	<u>Approximate length of relationship with the Group as at March 31, 2017</u>	<u>Profile and background</u>
Supplier C	6,272	19.1%	Rent of auction venue	2.5 years	See above
Supplier B	5,848	17.8%	Catalog expense	6 years	See above
Supplier A	5,215	15.9%	Rent of auction venue and auction venue set up	6 years	See above
Supplier D	5,039	15.4%	Auction venue set up	3 years	See above
Supplier E	1,774	5.4%	Photo shooting for catalog	6 years	See above
Total	24,148	73.6%			

For the year ended March 31, 2018

<u>Supplier</u>	<u>Transaction amount</u> <i>(HK\$'000)</i>	<u>Percentage of transaction amount to our costs of services and total purchase</u>	<u>Product(s)/ services(s) supplied</u>	<u>Approximate length of relationship with the Group as at March 31, 2018</u>	<u>Profile and background</u>
Supplier A	9,030	18.1%	Rent of auction venue and auction venue set up	7 years	See above
Supplier C	6,587	13.2%	Rent of auction venue	3.5 years	See above
Supplier B	6,243	12.5%	Catalog expense	7 years	See above
Chan Sai Wai	5,556	11.1%	Painting as our inventory item	4 years	Individual collector
Supplier D	4,986	10.0%	Auction venue set up	4 years	See above
Total	32,402	64.9%			

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COMPETITION

We mainly compete against local and multi-national auction houses in Hong Kong and Japan with capacities for collection, authentication and valuation, and auction of artworks. Some of our competitors have competitive advantages over us in terms of their financial capacity, network coverage and brand recognition. For more discussion on the competitive landscape, please refer to the section headed “Industry Overview — Competition”.

Despite the competitive landscape, we believe that we could maintain and further develop our existing market position in the near future because of our competitive strengths. Please see the subsection headed “— Competitive Strengths” in this section above for more details.

INFORMATION TECHNOLOGY

We rely on our IT systems to manage our business, including transaction processing, financial management and inventory management. We have established an electronic database, which allows us to keep track of historical transaction details and authentication and valuation results of a variety of artworks in our art auctions. Our auction catalogs are also available in digital format, which can be viewed on our websites.

We collaborate with third party software companies and rely on our IT personnel who have extensive IT knowledge and experience to design and maintain our IT systems. We update our IT systems regularly and back up information in our IT systems. Furthermore, we have formulated and implemented internal policy on security management, which ensure critical information assets are identified and protected from unauthorized access, modification, disclosure or destruction; incidents and problems handling, which detect, record, assess, resolve and prevent incidents; disaster recovery plan, which restore and recover operations for critical processes within a predetermined after a disaster.

INSURANCE

We purchase insurance policies in both Hong Kong and Japan for artworks we were consigned for art auctions or purchased as principal that we believe are commercially appropriate to cover the risks associated with our operation, including damages to or loss of the artworks during storage, exhibition, transit of the artworks and activities associated with auction events, which, to the knowledge and belief of the Directors, are adequate to insure such damages and losses, and in line with industry practice in the local market.

Apart from the fixed term insurance policies that we normally maintain for our operation, prior to each preview exhibition and auction activity for our auction and related business segment and purchase and resale under our artwork sales segment, we would constantly purchase additional insurance policies, increase the limit of the insurance amount or extend the insurance term for certain artworks after taking into consideration of factors, such as the appraised value and number of the artworks we offer or sell, the availability of the insurance coverage in the local market, the pre-agreed insurance arrangement with our customers, and the insurance premium. Based on the insurance coverage amount under the key insurance policies maintained by us as of the Latest Practicable Date, the aggregate insurance coverage amount is adequate to cover the aggregate appraised value of the artworks in our possession. However, the risks related to our business and operations may not be fully covered by insurance. Please refer to the sections headed “Risk Factors — Insurance coverage for artworks may not be sufficient, exposing us to losses for

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artworks in our possession” and “Risk Factors — Artworks consigned to us could be subject to damage or theft, which could have a material and adverse effect in our business and brand reputation” of this prospectus. During the Track Record Period and up to the Latest Practical Date, we had not made nor been the subject of any material insurance claims.

QUALITY CONTROL

We highly value the importance of the quality of artworks for our art auction and artwork sales, as well as our professional services. We only accept good quality artworks as our auction lots after passing through the authentication and appraisal procedure under our risk management policy. In addition, buyers who attend our art auctions evaluate our auction-related services in terms of the quality of the artworks offered to be sold and our professional services, and therefore we believe we have been able to retain our customers in the long run. Please refer to the subsection headed “— Internal Control and Risk Management — Authentication and Valuation of Artworks” for the authentication and valuation procedure. Securing high quality artworks will in turn minimize our operation risks, enhance our brand image, strengthen our market position and improve our profitability. Further, we believe our quality of services and competitiveness are assured by our team of experienced management, officers as well as the Internal Artwork Appraisal Team and External Artwork Appraisal Consultants, and our strict internal control and quality controls procedures, in particular, relating to authentication and valuation of artworks.

We strictly abide by laws and regulations governing our operations and have implemented quality control standards and measures. During the Track Record Period and as of the Latest Practicable Date, we have not experienced any material litigation, disputes or arbitration against us in relation to the quality of the artworks sold at our auction or by us, as well as our auction-related services.

PROPERTIES

As of the Latest Practicable Date, we owned a number of properties in Japan and leased two properties in Japan, one property in Hong Kong, two properties in Shanghai and one property in Taiwan.

We are exempted from compliance with the requirement of including a property valuation report under Chapter 5 of the Listing Rules and section 38(1) of the Companies (WUMP) Ordinance. Pursuant to Rule 5.01A of the Listing Rules, if the carrying amount of the property interests that do not form part of a listing applicant’s property activities are below 15%, the prospectus will be exempted from compliance with the requirement of including a property valuation report. In respect of the requirements under section 38(1) of the Companies (WUMP) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, similar exemptions are also available under section 6(1) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Owned Properties

As of the Latest Practicable Date, we held land ownership of 45 parcels of land in Japan with an aggregate gross floor area of 15,234 sq.m., on which 11 buildings owned by us were erected. As advised by our Japanese legal advisers, as of the Latest Practicable Date, we were entitled to legally occupy, use, transfer, lease, mortgage, or otherwise dispose of the rights to use these real estates in accordance with applicable Japanese laws and regulations.

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With respect to these owned 11 buildings in Japan with a total gross floor area of approximately 4,224 sq.m., we use these buildings for self-use purposes, such as serving as a resort lodging area for reception of our valued customers, warehouses or exhibition area of our artworks and also as resort of staff retreats, which are related to conducting our auction and artwork sale businesses. Our Japanese legal advisers have confirmed that as of the Latest Practicable Date, we possessed legal ownership of these properties and we are entitled to occupy, use, benefit, and dispose of such properties in accordance with the relevant Japanese laws and regulations.

Leased Properties

Our major leased properties are used for office and warehouse operations. The table below summarizes brief information of our leased properties:

No.	Location	Lessor/Sublessor	Lessee	Rent	Term of tenure	Usage
1.	2nd and 3rd Floor, Kyobashi-Square, 3-7-5 Kyobashi, Chuo-ku, Tokyo, Japan	Sublessor: XYMAX ALPHA Corporation*	TCA Japan	JPY3,153,018 per month	April 1, 2018 to March 31, 2020	Office
2.	501, JM Building, 15-5 Hakozakicho, Nihonbashi, Chuo-ku, Tokyo, Japan	Lessor: Lu Jingqing	TCA Japan	JPY100,000 per month	June 15, 2017 to June 14, 2019	Employee dormitory
3.	Room 2633, 58 Maoming Nan-lu, Shanghai, China <i>(Note)</i>	Lessor: Okura Garden Hotel Shanghai	TCA Japan	RMB459,000 per year	April 19, 2018 to April 18, 2019	Office
4.	No. 27, Meisheng Road, China, (Shanghai) Pilot Free Trade Zone, Shanghai, China	Sublessor: Shanghai Yaoyun Limited Company* (上海壹鑿有限公司)	TCA Shanghai	RMB20,000 per year	April 18, 2018 to April 17, 2019	Warehouse
5.	Rooms 2601-4, 26th Floor, Wing On Centre, No. 111 Connaught Road, Central, Hong Kong	Lessor: The Wing On Company Limited (永安有限公司)	The Company	HK\$326,760 per month	October 16, 2017 to October 15, 2020	Office
6.	Room 1303, 13th Floor, No. 88, Section 2, Zhongxiao East Road, Taipei City, Taiwan	Lessor: (1) Hai Hwa Construction Corp. 海華建設股份有限公司 (2) Jiancheng Kaifa Company Limited* (建成開發股份有限公司)	Our representative office in Taiwan	TWD77,000 per month	February 1, 2017 to January 31, 2018	Office

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Note: As advised by our PRC Legal Advisors, the agreement entered into by the lessor and us in relation to use of this property is not a lease agreement under the PRC law, and thus the registration of such agreement with the competent Chinese authority is not required.

As of the Latest Practicable Date, the relevant property owners of each of above leased properties possess valid title documents showing ownership of the relevant property. For our leased property in China (Shanghai) Pilot Free Trade Zone* (中國(上海)自由貿易試驗區) in Shanghai, we have not registered the lease agreement with the competent PRC authority primarily because the lessor has not been cooperating with us in completing the registration procedures. As advised by our PRC Legal Advisors, failure to register such leasing agreement will not affect the validity of the same and the agreement is still valid, however, we may be subject to sanctions imposed by the competent PRC authority due to such non-registration. We may also be ordered by the competent PRC authority to make rectification for any non-registration within a specified period of time and may be subject to a fine in an amount ranging from RMB1,000 to RMB10,000 per non-registration in the event of any delay in making such rectification. Our Directors estimate that the aggregate maximum fine which we may be subject to for our unregistered lease agreement is RMB10,000. We believe that such leased property is not crucial to us as a whole or to our operations as it is only used as our warehouse in China. As of the Latest Practicable Date, we were not subject to any fees or administrative penalties by the competent PRC authority due to our failure to complete the lease registration procedures, and we were not aware of any challenges from third parties on our interests under the lease agreement that might affect our current occupation.

QUALIFICATIONS AND LICENSES

As of the Latest Practicable Date, we have obtained all the necessary approvals licenses and permits for the operation of our business. During the Track Record Period, we have not experienced any rejection or delay in the application for or renewal of our licenses nor imposition of special conditions for the grant of any approvals, licenses or permits which materially and adversely affected our operations.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we have two registered domain names, namely, “chuo-auction.co.jp” in Japan and “chuo-auction.com.hk” in Hong Kong. In addition, we have one registered trademark in Hong Kong, which relates to our corporate name and logo and is material to our business. For further details of our intellectual property rights, please refer to the section headed “Appendix IV — Statutory and General Information — 10. Intellectual property rights of our Group” for further details.

During the Track Record Period and as of the Latest Practicable Date, we have not experienced any litigation, arbitration, or investigation in relation to any infringement of our intellectual property rights by third parties nor our infringement of intellectual property rights owned by other parties, which caused material adverse effect to our operations, and we had complied with all applicable intellectual property laws and regulations in all material respects. Our Directors confirm that they were not aware of any incidents of intellectual property rights infringement, or restrictions with respect to our uses of intellectual property rights, which would have a material adverse effect on our operations.

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EMPLOYEES

As of the Latest Practicable Date, we had a total of 44 employees, including 14 based in Hong Kong, 26 based in Japan, one based in Shanghai, and three based in our representative office in Taiwan. The following table shows a breakdown of our full-time employees by function as of the Latest Practicable Date:

<u>Functions</u>	<u>Number of Employees</u>	<u>% of Employees</u>
Management	5	11.4
Operation	16	36.4
Financial and accounting	7	15.9
Marketing and sales	11	25.0
Administrative and IT	<u>5</u>	<u>11.4</u>
Total	<u>44</u>	<u>100.0</u>

We enter into standard employment contracts with our employees where we set forth terms of employment, payments and welfares, their job responsibilities and other terms. Remuneration packages for our employees may comprise of the following elements: base salary, productivity-related incentives and performance-related bonus. Pursuant to the applicable PRC laws and regulations, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance), and housing funds for our PRC employee. We have also complied with all applicable labor, trade union, social benefits and staff pension laws, regulations, decrees and orders, or other employee obligations, including but not limited to social insurance, insurance, social contributions, retirement contributions, and other contributions in the jurisdictions and regions in which we operate. We maintained good relationships with our employees. During the Track Record Period, we have not experienced any dispute with our employees that could cause a material adverse effect upon our operations.

We highly value the importance of training and continuous development of our employees in order to retain talents for sustainable development of our business. We arrange newly recruited employees to attend training held in Japan and provide regular on-job trainings to our relevant employees on risk management and authentication and appraisal of artworks.

Our employee benefit expenses mainly include salaries, wages and social insurance costs for our employees, which represented approximately 16.5%, 16.1%, and 13.9% of our total revenue for the years ended March 31, 2016, 2017 and 2018, respectively.

LEGAL PROCEEDINGS

We are subject to legal proceedings and claims that arise in the ordinary course of business, which primarily include business disputes brought by our suppliers, customers or other business partners. Please see the section headed “Risk Factors — We may be subject to litigations, allegations, complaints and investigations, and our reputation, corporate image and operating results could be adversely affected if such results are adverse to our interests” of this prospectus.

BUSINESS

As of the Latest Practicable Date, we were not aware of any litigation, arbitration, claim or investigation of material importance against us, and no litigation, arbitration, claim or investigation of material importance was known to our Directors to be pending or threatened by or against us, which would cause a material adverse effect to our business operations or financial results. Our Directors are not involved in any actual or threatened material claims or litigation. However, we may face legal threats, proceedings and claims in the future.

COMPLIANCE

We are subject to a wide variety of laws, rules and regulations in the ordinary course of our business operations. Please see the section headed “Regulatory Overview”. During the Track Record Period and as of the Latest Practicable Date, we complied with all relevant Japanese and Hong Kong laws and regulations in all material aspects for our business operations in Japan and Hong Kong, respectively, and did not have any material non-compliance with the law, rules and regulations in Japan and Hong Kong which, in the opinion of our Directors, is likely to have material adverse effects on our business, financial condition or results of operations.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Immediately following completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, we will be owned as to approximately 75% by Mr. Ando, our chairman of the Board and executive Director. Mr. Ando is entitled to exercise or control the exercise of 30% or more of the voting power at our general meetings, and he is regarded as our Controlling Shareholder under the Listing Rules. Please refer to the section headed “Directors and Senior Management” in this prospectus for further information of Mr. Ando.

During the Track Record Period, Mr. Ando is the beneficial owner of the entire issued shares of Bai Sheng, a company incorporated in Japan engaged in the trading of antiques and artworks in Japan and property investments. Nevertheless, the Directors consider that our Group is capable of carrying on our business independent of our Controlling Shareholder and his associates (including Bai Sheng) based on the following reasons:

Operational independence

Our operations are independent of and not connected with our Controlling Shareholder. During the Track Record Period and up to the Latest Practicable Date, we have independent access to our customers and suppliers. We have our own internal control systems and accounting systems for our business operations. On this basis, our Directors believe that we do not unduly rely on our Controlling Shareholder to carry on our business.

To avoid any potential conflict of interests and/or competition with our Group, the Deed of Non-competition, Bai Sheng will cease to be engaged in the business of trading of any antiques and artworks after the Listing and will focus on property investments. During the Track Record Period, Bai Sheng has not been engaged in auction business. As certain inventory of antiques and artworks of Bai Sheng were yet to be sold as at the Latest Practicable Date, Bai Sheng will only sell those antiques and artworks through our Group as selling agent. Please refer to the section headed “Continuing Connected Transaction” of this prospectus for details.

During the Track Record Period and as at the Latest Practicable Date, TCA Japan had leased the Premises from the Sublessor for an initial term from December 1, 2011 to March 31, 2014, which was automatically renewed to March 31, 2016, and further automatically renewed to March 31, 2018, and has been recently automatically renewed to March 31, 2020. The Tenancy Agreement for the leasing of the Premises was guaranteed by Bai Sheng on joint and several basis pursuant to a guarantee (“**Guarantee**”). Pursuant to a supplemental agreement dated July 25, 2018 and entered into between the Sublessor, TCA Japan and Bai Sheng, the Guarantee has been terminated with retrospective effect from April 1, 2018.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Financial independence

During the Track Record Period and up to the Latest Practicable Date, we had our own finance department and independent accounting systems. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholder.

To meet our working capital requirements, during the Track Record Period, we had bank and other borrowings of approximately HK\$31.9 million, HK\$29.7 million and HK\$49.3 million as at March 31, 2016, 2017 and 2018, respectively. During the Track Record Period, while our Group had been able to obtain certain bank borrowings and credit facilities from banks and financial institutions independently without any corporate guarantees and/or other security from Bai Sheng, some of our banking facilities were secured by guarantees provided by Mr. Ando or Bai Sheng. As at the Latest Practicable Date, all such guarantees had been released. Our Board is of the view that our Group would be able to obtain its own financing to support its business operations without undue reliance on our Controlling Shareholder or his associates after Listing.

Amount due from our Controlling Shareholder and/or related parties to our Group amounted to approximately HK\$2.1 million, HK\$13.9 million and HK\$14.7 million as of March 31, 2016, 2017 and 2018, respectively. Amounts due to our Controlling Shareholder and/or related parties from our Group amount to approximately HK\$3.0 million, HK\$3.0 million and HK\$12.7 million as of March 31, 2016, 2017 and 2018, respectively. As at March 31, 2016, 2017 and 2018, balances due from a related party were unsecured, bore interest at 1% per annum, denominated in JPY, and repayable on demand. As at March 31, 2016 and 2017, amount due to the related parties were unsecured, interest-free denominated in HK\$ and JPY, and repayable on demand. As at March 31, 2018, amount due to the Controlling Shareholder include loan balance of HK\$10,046,000 which was unsecured, bore interest at 1% per annum, denominated in HK\$, and repayable within 1 year. Remaining balances due to the related parties were unsecured, interest-free, denominated in HK\$, and repayable on demand.

The balance of any outstanding amounts due from or to our Controlling Shareholder, his associates and/or related parties has been repaid and settled in full. As at the Latest Practicable Date, one of the Convertible Notes issued to one of the Pre-IPO Investors was guaranteed by Mr. Ando. Such guarantee will lapse immediately upon Listing.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we had not provided any loans to, nor given any guarantee, security or pledge for, our Controlling Shareholder, our Directors or their respective associates, and none of our Directors or any of their respective associates had provided any personal guarantee, security or pledge for any of our banking facilities.

In light of the foregoing, our Directors are of the view that our Group does not rely on our Controlling Shareholder and/or his associates by virtue of their provision of financial assistance.

Management independence

Our Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Ando and his wife, Mrs. Ando are two of our executive Directors.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholder after the Global Offering.

RULE 8.10 OF THE LISTING RULES

Mr. Ando is the beneficial owner of the entire issued shares of Bai Sheng, a company incorporated in Japan engaged in the trading of antiques and artworks in Japan and property investments during the Track Record Period. In compliance with the Deed of Non-competition, upon Listing, Mr. Ando will procure Bai Sheng to cease to be engaged in the business of trading of any antiques and artworks, and not to sell any antiques and artworks other than through our Group as selling agent. Please refer to the section headed “Continuing Connected Transaction” of this prospectus for details, and the paragraph headed “Deed of Non-competition” in this section of the prospectus for details of the Deed of Non-competition. Save as disclosed, none of our Controlling Shareholder and our Directors has any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Our Controlling Shareholder has confirmed that, save for Bai Sheng, a company wholly owned by our Controlling Shareholder, which was, among others, engaged in the business of trading of antiques and artworks in Japan during the Track Record Period and will continue to sell its artworks in the manner as disclosed in the section headed “Continuing Connected Transaction — Appointment of our Group as exclusive agent of Bai Sheng for selling its artworks from time to time” of this prospectus, he is not engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, our Controlling Shareholder has given non-compete undertakings in our favor under the Deed of Non-Competition on September 13, 2018, pursuant to which our Controlling Shareholder has, among other matters, irrevocably and unconditionally undertaken with us on a several basis that at any time during the Relevant Period (as defined below), our Controlling Shareholder shall, and shall procure that his associates (other than our Group) shall:

- (i) save for the Excluded Business (as defined below), not, directly or indirectly, carry on, invest in or be engaged in any business which will or may compete with the business currently and from time to time engaged by our Group (“**Restricted Business**”) including but not limited to the marketing, participation in, carrying on or otherwise involvement in the provision of art auction sale services and the trading of artworks from time to time (“**Restricted Service**”);
- (ii) not solicit any existing or then existing employee of our Group for employment by him or his associates (excluding our Group);

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his knowledge in his capacity as our Controlling Shareholder and/or Director and/or their respective associates for the purpose of competing with the Restricted Business or the Restricted Service; and
- (iv) in respect of any business opportunities undertaken or proposed to be undertaken by him or his associates involving the marketing, participation in, carrying on or otherwise involvement in the Restricted Service, unconditionally use reasonable endeavors to procure that such customer(s) to appoint or contract directly with any member of our Group for marketing, participation in, carrying on or otherwise involvement in the Restricted Service in respect of such business opportunities.

For the above purpose:

- (A) the “Relevant Period” means the period commencing from the Listing Date and shall expire upon the earliest date of occurrence of the events below:
 - (a) the date on which the Controlling Shareholder ceases to be a controlling shareholder of our Company (as defined under the Listing Rules);
 - (b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange;
- (B) the “Excluded Business” means
 - (a) any direct or indirect investments of the Controlling Shareholder and/or his associates (excluding our Group) in any member of our Group;
 - (b) any direct or indirect investment of the Controlling Shareholder and/or his associates (excluding our Group) in the marketing, participation in, carrying on or otherwise involvement in the Restricted Service outside Japan and Hong Kong whereby:
 - (i) the aggregate investment by the Controlling Shareholder and/or his associates in the business shall not exceed 30% of the entire equity interests in that business; and
 - (ii) the Controlling Shareholder and/or his associates will not be involved in the operation and management of that business;
 - (c) any direct or indirect investment by our Controlling Shareholder and/or his associates (excluding our Group) in shares of a publicly listed company (other than any member of our Group) whereby:
 - (i) the aggregate interests held by the Controlling Shareholder and/or his associates shall not exceed 5% of the entire issued shares of that company, and
 - (ii) the Controlling Shareholder and/or his associates (individually or taken as a whole) will not be the single largest shareholder or equity holder of that company; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

(iii) the Controlling Shareholder and/or his associates will not be involved in the operation and management of that company and/or its business; and

(d) any sale of antiques and artworks by Bai Sheng through our Group as selling agent.

Our Controlling Shareholder has undertaken under the Deed of Non-competition that he will, and procure his associates (other than our Group) to, provide to us and/or our Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition by our Controlling Shareholder. Our Controlling Shareholder has also undertaken to make an annual declaration as to compliance with the terms of the Deed of Non-competition in our annual report.

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholder in relation to the compliance and enforcement of the Deed of Non-competition, we have adopted the following corporate governance measures:

- (i) our independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-competition by our Controlling Shareholder;
- (ii) we will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition either through our annual report or by way of announcement;
- (iii) we will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-competition have been complied with and enforced; and
- (iv) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the Deed of Non-competition, he/she shall disclose his/her interests to our Board and may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholder and his associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

CONTINUING CONNECTED TRANSACTION

OVERVIEW

The following table sets out the transaction between our Group and our connected persons, which will (upon and after Listing) continue and constitute continuing connected transaction of our Group under the Listing Rules:

<u>Parties Involved</u>	<u>Details of Transaction</u>	<u>Nature of Transaction</u>	<u>Proposed annual caps for each of the three years ending March 31, 2021</u>
(i) Bai Sheng as consignor; and (ii) TCA HK as selling agent	The appointment of our Group as exclusive agent of Bai Sheng antiques and for the sale of its artworks from time to time	Exempt continuing connected transaction	HK\$3 million

Bai Sheng is a company incorporated in Japan which is wholly owned by Mr. Ando, our executive Director, chairman of the Board and Controlling Shareholder. Accordingly, Bai Sheng is a connected person of our Company under Rule 14A.07 of the Listing Rules.

Under the Listing Rules, for so long as Bai Sheng remains as a connected person of our Company, the transaction described below would constitute continuing connected transaction for our Company under the Listing Rules upon the Listing.

EXEMPT CONTINUING CONNECTED TRANSACTION

Appointment of our Group as exclusive agent of Bai Sheng for selling its artworks from time to time

Our Group is principally engaged in art auction operations acting as an agent by sourcing and accepting artworks on consignment. We collect commissions as our revenue from both our consignors and buyers upon settlement of art auction sales based on the selling price. Bai Sheng, on the other hand, operates an antique shop in Tokyo and is principally engaged in the trading of antiques and artworks in Japan and property investments.

In order to protect our Group from any potential conflict of interests and/or competition from Bai Sheng, in compliance with the Deed of Non-competition, Mr. Ando will procure Bai Sheng to cease to be engaged in the business of trading of any antiques and artworks in Japan after the Listing and to focus on property investments. Our Group is not engaged in property investment business. All of our Group's properties are for self-use purposes, such as serving as a resort lodging area for reception of valued customers of our Group, warehouses or exhibition area of our Group's artworks and also as resort of staff retreats, and our Group does not generate any revenue from the use of these properties. On the other hand, Bai Sheng is engaged in property investments by leasing their properties for rental income. As such, there is no material competition between our Group's property interests and Bai Sheng's property investments business.

CONTINUING CONNECTED TRANSACTION

As certain inventory of antiques and artworks of Bai Sheng were yet to be sold as at the Latest Practicable Date, pursuant to a framework consignment agreement (the “**Framework Consignment Agreement**”) dated September 13, 2018 and entered into between Bai Sheng as consignor and our Company (for itself, and as trustee for the benefit of other members of our Group) as selling agent, Bai Sheng has appointed our Group as its exclusive agent for the sale of its antiques and artworks (the “**Bai Sheng Artwork**”) by way of auction or, failing which, by way of private sales to be arranged by our Group from time to time.

Under the Framework Consignment Agreement, our Group as selling agent will charge Bai Sheng as seller/consignor (1) a sale commission representing a percentage of the final hammer price or selling price of the Bai Sheng Artwork so auctioned or sold, plus (2) an insurance fee representing a percentage of the final hammer price or selling price of the Bai Sheng Artwork so auctioned or sold as insurance fee. Such selling commission and insurance fee shall be directly deducted from the sale proceeds upon receipt thereof from the relevant buyer. Such rate of selling commission and insurance fee will be determined based on the prevailing selling commission rate and insurance fee rate then generally charged by our Group to Independent Third Party seller/consignor for auction consignment sale or private sale transaction. The parties have further agreed that that the sales transactions to be entered into pursuant to the Framework Consignment Agreement and each Individual Consignment Agreement (as defined below) shall be on normal commercial terms and on terms no less favorable to our Group than those offered by our Group to other Independent Third Party seller/consignor for similar consignment sale transaction or private sale transaction, and shall be in compliance with the Listing Rules.

It is envisaged that from time to time and as required, individual consignment agreement (each “**Individual Consignment Agreement**”) will be entered into with Bai Sheng for the sale of each Bai Sheng Artwork. Such sales transactions to be entered into between Bai Sheng and us pursuant to each Individual Consignment Agreement shall be in line with the Framework Consignment Agreement, and may only contain provisions which are consistent with the principles, guidelines, terms and conditions set out in the Framework Consignment Agreement. As the Individual Consignment Agreements are simply further elaborations on the transactions contemplated by the Framework Consignment Agreement, they do not constitute new categories of continuing connected transactions as far as the Listing Rules are concerned.

Our Directors consider that the Framework Consignment Agreement and the transactions contemplated thereunder are and will be entered into in the ordinary and usual course of our Group’s business, and the terms of the Framework Consignment Agreement are on normal commercial terms, fair and reasonable, and are in the interests of our Group and our Shareholders as a whole.

As it is anticipated that all the percentage ratios (other than the profits ratio) for the transactions contemplated under the Framework Consignment Agreement and the Individual Consignment Agreement will be less than 5% and the total consideration will be less than HK\$3 million, such transactions will be fully exempt from shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Directors

Our Board consists of nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible for and has general powers for the management and the conduct of our business. The following table lists the current members of our Board and sets out certain information in respect of members of our Board:

Name	Age	Position	Date of appointment as a Director	Date of joining our Group	Responsibilities in our Group	Relationship with other Director(s) and/or members of our senior management
Executive Directors						
Mr. Ando Shokei (安藤湘桂) (alias Liao Xianggui (廖湘桂))	50	Executive Director and chairman of our Board	July 11, 2013 ^(Note)	November 1, 2010	Overall strategic development, and leading the business development of our Group	Husband of Mrs. Ando
Mrs. Ando Eri (安藤惠理) (alias Feng Huijin (馮慧瑾))	40	Executive Director and vice chairlady of our Board	May 25, 2018	January 1, 2011	Client management, promotion of branding and marketing of our Group	Wife of Mr. Ando
Mr. Katsu Bunkai (葛文海) (alias Ge Wenhai)	48	Executive Director and chief operating officer of our Group	May 25, 2018	February 28, 2012	Overall operational management of our Group	N/A
Mr. Sun Hongyue (孫鴻月)	53	Executive Director	May 25, 2018	December 7, 2015	Overall business development of our Group	N/A
Mr. Yau Chung Hang (邱仲珩)	46	Executive Director and chief financial officer of the Group	May 25, 2018	January 15, 2018	Overall financial management of our Group	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of appointment as a Director	Date of joining our Group	Responsibilities in our Group	Relationship with other Director(s) and/or members of our senior management
Non-executive Director						
Mr. Yang Yi Chung (楊維聰)	50	Non-executive Director	May 25, 2018	May 25, 2018	Overseeing the overall affairs of our Group at Board level	N/A
Independent Non-executive Directors						
Mr. Chung Kwok Mo John (鍾國武)	49	Independent non-executive Director	September 13, 2018	September 13, 2018	Overseeing the overall affairs of our Group at Board level, being a member of the audit committee, the remuneration committee, the nomination committee and the corporate governance committee	N/A
Ms. Lam Suk Ling Shirley (林淑玲)	51	Independent non-executive Director	September 13, 2018	September 13, 2018	Overseeing the overall affairs of our Group at Board level, being a member of the audit committee, the remuneration committee, the nomination committee and the corporate governance committee	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of appointment as a Director	Date of joining our Group	Responsibilities in our Group	Relationship with other Director(s) and/or members of our senior management
Mr. Chun Chi Man (秦治民)	58	Independent non-executive Director	September 13, 2018	September 13, 2018	Overseeing the overall affairs of our Group at Board level, being a member of the audit committee, the remuneration committee, the nomination committee and the corporate governance committee	N/A

Note: Mr. Ando was appointed as our Director on July 11, 2013 and re-designated as our executive Director on May 25, 2018.

Senior Management

The following table lists the current members of our senior management (other than our Directors) who are primarily responsible for the operations and management of our Group.

Name	Age	Present position in our Group	Date of joining our Group	Date of first becoming a senior management of our Group	Responsibilities in our Group	Relationship with Director(s) and/or other members of our senior management
Mr. Chen Jian (陳建)	45	Artwork management manager of our Group	June 2012	October 2015	Overall management of artwork management of our Group	N/A
Mr. Koizumi Jumpei (小泉潤平)	29	Tea wares and Chinese ceramics artwork manager of our Group	April 2013	April 2013	Overall management of tea wares and Chinese ceramics artwork of our Group	N/A
Mr. Wong Chi Ming (汪志明)	38	General manager of our Group	June 2014	June 2014	Overseeing of execution plan of our Group	N/A

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ando Shokei (安藤湘桂) (alias Liao Xianggui (廖湘桂)), aged 50
Executive Director and chairman of our Board

Mr. Ando is an executive Director and chairman of our Board, and is responsible for overall strategic development, and leading the business development of our Group. He was appointed as a Director on July 11, 2013 and re-designated as executive Director on May 25, 2018. Mr. Ando is the founder of our Group and our Controlling Shareholder. He has over 10 years of experience in operation and management in the business of artwork trading and over seven years of experience in operation and management of auction. He joined our Group in November 2010 as a director of TCA Japan. Mr. Ando is also a director of Bai Sheng since September 2002, where he acquired knowledge in artworks through artwork trading businesses, gained his experience in daily company operations management, businesses development promotion and development strategies planning, and started to develop his business relationship with artwork artists, masters, experts, merchants and collectors. Prior to working at Bai Sheng, Mr. Ando worked at Orient Co., Ltd.* (株式会社オリエント), a trading company in arts and crafts and home furniture import and export, from 1995 to 2001 as general manager. He obtained a bachelor's degree in economics from Dokkyo University in March 1994. Mr. Ando is also a director of certain subsidiaries of our Group.

Mrs. Ando Eri (安藤恵理) (alias Feng Huijin (馮慧瑾)), aged 40
Executive Director and vice chairlady of our Board

Mrs. Ando is an executive Director and vice chairlady of our Board, and is responsible for client management, promotion of branding and marketing of our Group. She was appointed as an executive Director on May 25, 2018. She has over six years of experience in operation and management of auction. Mrs. Ando joined our Group in January 2011 as a managing director, and she was involved in establishing and managing client relationships. She was promoted to become a director of the board of TCA Japan in December 2011, and since then she has been principally responsible for conducting marketing events, overseeing and reviewing the auction catalogs and media publications, as well as the overall management of auctions held by our Group. Prior to joining our Group, Mrs. Ando worked at a catering company in the PRC, from 2000 to 2005 as general manager, responsible for overall management and operations of such company. She completed a course in foreign secretary at the Adult Higher Education, School of Continuing Education, Shanghai Jiao Tong University* (上海交通大學夜大學) in July 2000. Mrs. Ando is also a director of TCA Japan.

Mr. Katsu Bunkai (葛文海) (alias Ge Wenhai), aged 48
Executive Director and chief operating officer of our Group

Mr. Katsu is an executive Director and chief operating officer of our Group, and is responsible for the overall operational management of our Group. He was appointed as an executive Director on May 25, 2018. Mr. Katsu has over six years of experience in operation in the business of artwork trading and over six years of experience in operation and management of auction. Mr. Katsu joined our Group and was appointed as a director and vice-president of TCA Japan since February 2012, and since then he has been principally responsible for the planning and supervising auctions of our Group, including managing auction logistics and different working parties such as decoration companies, security and staff of different departments of our Group during auctions. He is also involved in overall strategic development and management of our Group. Prior to joining our Group, Mr. Katsu was also the sales manager of Bai Sheng, responsible for artworks purchase and sales and operations management, from April 2010 to October 2015. He obtained a master's degree in business administration from Kanto Gakuin University in March 2008.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sun Hongyue (孫鴻月), aged 53

Executive Director

Mr. Sun is an executive Director, and is responsible for overall business development of our Group. He was appointed as an executive Director on May 25, 2018. Mr. Sun has over 30 years of experience in artwork trading and over 23 years of experience in auction. Mr. Sun joined our Group in December 2015. He has been the general manager of the calligraphy and painting department of TCA Japan since December 2015, during which he was involved in authenticating artworks for auction, visiting consignors and approaching potential consignors for auction of artworks, and providing consultation to potential bidders and buyers of artwork.

Prior to joining our Group, Mr. Sun worked at Beijing Hanhai Auction Co., Ltd.* (北京翰海拍賣有限公司), an auction company, from 1994 to 2015 and gained his experience in calligraphy and painting, auction and artwork trading. Prior to such, Mr. Sun worked at Beijing Antique Company* (北京市文物公司) from 1984 to 1994 and was mainly responsible for sourcing and sale of artworks. He was an apprentice of Mr. Qin Gong (秦公), a renowned Chinese stone rubbing calligraphy expert, and trained his skills of authentication and valuation of paintings and calligraphies at Qing Yun Tang (慶雲堂), a reputable store in Beijing engaging in the sale of Chinese calligraphies from 1984 to 1994. In 1986, Mr. Sun completed a course in cultural relics authentication and valuation organized by State Administration of Cultural Heritage of PRC (中國國家文物局) in Xi'an, Shaanxi province, the PRC. During 1989 to 1991, he completed a three year program in museology at a sub-school of Peking University.

Mr. Yau Chung Hang (邱仲珩), aged 46

Executive Director and chief financial officer of our Group

Mr. Yau is an executive Director and chief financial officer of our Group, and is responsible for overall financial management of our Group. He was appointed as an executive Director on May 25, 2018. Mr. Yau has over 20 years of experience in accounting and financial management. Mr. Yau joined our Group in January 2018.

Mr. Yau has been the independent non-executive director of Wang Yang Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1735), which principally engaged in construction works, since March 2018, the independent non-executive director of Shuang Yun Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1706), which principally engaged in the road works services and construction machinery rental services since October 2017. He had been the chief financial officer and company secretary of Jiashili Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1285), which principally engaged in the manufacturing and sales of biscuits, from March 2014 to December 2017, the independent non-executive director of ABC Communications (Holdings) Limited (currently known as Ban Loong Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 30), which principally engaged in finance and mining-related businesses from May 2013 to October 2014, the chief financial officer of CT Holdings (International) Limited (currently known as Brilliant Circle Holdings International Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1008), which principally engaged in the cigarette package printing business, from September 2007 to February 2014 and its company secretary from March 2009 to February 2014 and the company secretary of Ningbo Yidong Electronic Company Limited* (寧波屹東電子股份有限公司) (currently known as Zhejiang RuiYuan Intelligent Control Technology Company Limited* (浙江瑞遠智控科技股份有限公司), a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8249), which principally engaged in the design, manufacture and sale of intelligent controller systems for consumer electrical and electronic appliances and the assembly of mobile phones, from May 2005 to March 2006.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yau had also been the credit manager of Valspar Hai Hong Company Limited from May 2000 to October 2001 and has acquired auditing and accounting experiences by working in various accountancy firms which included Kwan Wong Tan & Fong (currently known as Deloitte Touche Tohmatsu) and Li, Tang, Chen & Co. during June 1995 to May 2000. Mr. Yau is a non-practicing member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants. He obtained a higher diploma certificate in accountancy from the City University of Hong Kong in November 1995 and a bachelor's degree of arts in accountancy from University of Bolton (long distance learning course) in August 2005.

Mr. Yau was the director of Aviaction International Limited which was incorporated in Hong Kong and was deregistered on April 12, 2001 based on its own application pursuant to section 291AA (Application to Registrar for Deregistration of a Defunct Private Company) of the Predecessor CO. This company has never commenced business or operation.

Non-executive Director

Mr. Yang Yi Chung (楊維聰), aged 50

Non-executive Director

Mr. Yang is a non-executive Director. He was appointed as a non-executive director on May 25, 2018. Mr. Yang has over five years of experience in operation and management. He is a director of Grassland Finance Limited since January 2014, which principally engages in lending to micro, small and medium enterprises in the PRC. He served as the chief executive officer of Grassland Finance Limited from February 2014 to August 2015. Mr. Yang is the co-managing director of Sagamore China Partners, which principally engages in investment management of private equity funds and direct investments in China. He is the sole director of Sagamore China GP III Limited since May 2012, the sole general partner of an exempted limited partnership. Please refer to the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investments — Information about the Pre-IPO Investors — (3) Paradise Global" for further details. Furthermore, Mr. Yang is also a director of Cobalt Fashion Holding Limited since September 2017, a holding company in vertical integrated knitwear supply. He is a director of South Ocean Knitters Limited, which principally engages in vertically integrated knitwear supply, since November 1997. He obtained a bachelor's degree in science from Illinois State University in May 1988 and a master's degree in science from Stanford University in June 1989.

Mr. Yang was the director of the following companies which were incorporated in Hong Kong and were deregistered based on its own application pursuant to section 291AA (Application to Registrar for Deregistration of a Defunct Private Company) of the Predecessor CO or section 751 (Application for Deregistration of Private Company or Company Limited by Guarantee) of the Companies Ordinance and the relevant details are as follows:

<u>Company Name</u>	<u>Nature of Business</u>	<u>Date of Deregistration</u>
SNOW LOTUS INTERNATIONAL COMPANY LIMITED (雪蓮國際有限公司)	Has not been in operation or carried on business during the three months immediately before the application for deregistration or has not commenced business or operation	May 15, 2015

DIRECTORS AND SENIOR MANAGEMENT

<u>Company Name</u>	<u>Nature of Business</u>	<u>Date of Deregistration</u>
HN Hong Kong Company Limited (香港殷理基有限公司)	Ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation	April 5, 2013
SISHEI HK LIMITED	Ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation	July 3, 2009
Novel Fabrics Limited (永新布業有限公司)	Ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation	September 5, 2008
Sofiesta Company Limited	Ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation	January 4, 2008
Novel Woollen Spinning Mills Limited (永新毛紡有限公司)	Ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation	December 9, 2005

Independent non-executive Directors

Mr. Chung Kwok Mo John (鍾國武), aged 49
Independent non-executive Director

Mr. Chung is an independent non-executive Director. He was appointed as an independent non-executive Director on September 13, 2018. Mr. Chung has over 20 years of experience in auditing and financial management. He is the independent non-executive Director who has the qualifications and experience to meet the requirements under Rule 3.10(2) of the Listing Rules.

Mr. Chung was an auditor in an international accounting firm from 1992 to 1999. From 2000, Mr. Chung has held several senior management positions including chief financial officer, executive director and independent non-executive director in a number of listed companies in Hong Kong. Mr. Chung is presently a vice president of Yongsheng Advanced Materials Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3608), which principally engaged in development and manufacture of polyester filament yarns products in China, since February 2018. Mr. Chung has also

DIRECTORS AND SENIOR MANAGEMENT

acted/is acting as an executive director and/or independent non-executive director of the following companies listed/delisted on the Stock Exchange:

Date	Name of listed/delisted company	Stock code	Present principal business activities	Relevant responsibilities
September 2004 to May 2006	AMVIG Holdings Limited (formerly known as “Vision Grande Group Holdings Limited”)	2300	Printing of cigarette packages and manufacturing of transfer papers and laser film	Independent non-executive director
October 2005 to May 2007	Zhejiang Glass Company, Limited	739 (delisted on the Stock Exchange in May 2013)	Manufacturing of raw materials and production and sale of soda ash and flat glass (prior to delisting)	Executive director and chief financial officer (prior to delisting)
March 2011 to Present	Zhengye International Holdings Company Limited	3363	Manufacturing and sale of paper, paperboard and paper-based packaging products	Independent non-executive director
June 2013 to Present	BYD Electronic (International) Company Limited	285	Manufacture of metal parts, plastic parts, glass casings, and other components, as well as original design, testing and assembly for electronic products	Independent non-executive director
December 2017 to Present	On Time Logistics Holdings Limited (currently known as YTO Express (International) Holdings Limited)	6123	Provision of air and ocean freight forwarding complemented by ancillary and contract logistics services	Independent non-executive director
February 2018 to Present	B&S International Holdings Ltd.	1705	Distribution and retail business	Independent non-executive director

Despite the abovementioned engagements of Mr. Chung, Mr. Chung is of the view that:

- (i) the financial year end of the four listed companies of which Mr. Chung acts as independent non-executive directors are not entirely the same. Three out of these four listed companies are with financial year end at 31 December while the remaining one is with financial year end as same as the Company at 31 March. This can allow Mr. Chung to allocate sufficient time to review their financial results;

DIRECTORS AND SENIOR MANAGEMENT

- (ii) his full time job does not involve daily financial reporting. Accordingly, Mr. Chung can generally devote sufficient time to review financial results of the Company in the period when the Company announces its financial results; and
- (iii) given arrangements by our Company will be in place to ensure that all Directors are given an opportunity to include matters in the agenda for regular board meetings, and that notice of at least 14 days should be given of a regular board meeting, and reasonable notice should be given for all other board meetings pursuant to the Listing Rules, he can and will allocate sufficient time to allow him to be aware and participate in the affairs of the Group. Furthermore, since our Company will have in place measures to comply with the Corporate Governance Code as set out in appendix 14 to the Listing Rules, including but not limited to, arrangements to circulate Board meeting papers to all Directors before intended date of Board meetings, timely supply of adequate information by the management of our Group to the Board to enable our Directors to make informed decisions, and our Directors' independent access to our Group's senior management and Company secretary.

Based on the above, Mr. Chung considers that he has adequate resources to perform his duties as an independent non-executive Director.

Mr. Chung obtained a bachelor's degree in economics from Macquarie University in April 1992. He was admitted as a certified practicing accountant of the Australian Society of Certified Practicing Accountants (currently known as CPA Australia) in November 1995 and an associate of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) in February 1996. He is currently a non-practicing member of Hong Kong Institute of Certified Public Accountants.

Mr. Chung was the director of the following companies which were incorporated in Hong Kong and were deregistered based on its own application pursuant to section 291AA (Application to Registrar for Deregistration of a Defunct Private Company) of the Predecessor CO or section 751 (Application for Deregistration of Private Company or Company Limited by Guarantee) of the Companies Ordinance and the relevant details are as follows:

Company Name	Nature of Business	Date of Deregistration
LUCKY ELITE INTERNATIONAL LIMITED	Has not been in operation or carried on business during the three months immediately before the application for deregistration or has not commenced business or operation	November 27, 2015
Crystallos Gifts & Crafts Limited	Ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation	September 28, 2012

DIRECTORS AND SENIOR MANAGEMENT

Ms. Lam Suk Ling Shirley (林淑玲), aged 51

Independent non-executive Director

Ms. Lam is an independent non-executive Director. She was appointed as an independent non-executive Director on September 13, 2018. Ms. Lam has over 20 years of experience in auditing, accounting and financial management.

Ms. Lam has been appointed as an executive director of Chinlink International Holdings Limited, a company listed on the Main Board of Stock Exchange (stock code: 997), which principally engaged in property investment, international trading business, provision of financing guarantee services, money lending services and logistics services and interior decoration work business, since February 2012 and also its chief financial officer and company secretary since January 2012. She was the executive director of Jackin International Holdings Limited (currently known as AMCO United Holding Limited), a company listed on the Main Board of Stock Exchange (stock code: 630), which principally engaged in remanufacture and sale of computer printing and imaging products, manufacture and sale of data media products, distribution of data media products, manufacture and sale of plastic moulding products and manufacture and sale of medical devices products, from February 2010 to December 2011, the financial controller of AMVIG Holdings Limited, a company listed on the Main Board of Stock Exchange (stock code: 2300), which principally engaged in the printing of cigarette packages, from July 2007 to March 2010. Ms. Lam held several management position in private companies, including vice president of finance and accounting manager, between June 1999 to February 2006 and between July 2006 to March 2007. She also held position in various international audit firms between May 1993 and April 1999.

Ms. Lam obtained a bachelor's degree in science from Murdoch University in February 1993 and a master's degree in business administration from the University of Adelaide in April 2006. She was admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants (currently known as CPA Australia) in November 1995 and an associate of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) in September 1996. She is currently a non-practicing member of Hong Kong Institute of Certified Public Accountants.

Ms. Lam was the director of the following companies which were incorporated in Hong Kong and were deregistered based on its own application pursuant to section 291AA (Application to Registrar for Deregistration of a Defunct Private Company) of the Predecessor CO or dissolved by creditors' voluntary winding up and the relevant details are as follows:

Company Name	Nature of Business	Date of Deregistration
AFEX INTERNATIONAL (HK) LIMITED	Trading	March 12, 2013
AFEX PROCUREMENT COMPANY LIMITED	Trading	March 12, 2013
SHENZHEN AFEX PRINT IMAGE LIMITED (深圳利滿豐原打印耗 材有限公司)	Ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation	February 10, 2012

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chun Chi Man (秦治民), aged 58

Independent non-executive Director

Mr. Chun is an independent non-executive Director. He was appointed as an independent non-executive Director on September 13, 2018. Mr. Chun has over 20 years of experience in property industry in PRC and Hong Kong.

Mr. Chun has been the General Manager (Leasing) of Century Link, a property developed by Hutchison Property Group Limited from March 2015 to December 2016, the General Manager — commercial of The Hub of Hong Qiao, a property developed by China Xintiandi from January 2014 to November 2014, the General Manager of L Development & Management (Shanghai) Co., Ltd. which principally engaged in property management, from September 2010 to December 2013, the Deputy General Manager of Lai Fung Holdings Limited, a company listed on the Main Board of Stock Exchange (stock code: 1125), which is principally engaged in property development and investment, from September 2007 to July 2010. Mr. Chun held various managerial positions at Hutchison Whampoa Properties Limited from July 1995 to July 2005.

Mr. Chun obtained a bachelor's degree of Science from University of Salford at July 1987. He is a member of Shanghai Chongming District Committee (Consultative Conference).

Mr. Chun was the director of Union Best Cultural Investment Limited (銘匯文化投資有限公司) which was incorporated in Hong Kong and was deregistered on March 13, 2015 based on its own application pursuant to section 751 (Application for Deregistration of Private Company or Company Limited by Guarantee) of the Company Ordinance. This company has not been in operation or carried on business during the three months immediately before the application for deregistration or has not commenced business or operation.

General

Save as disclosed above and in the section headed “Relationship with our Controlling Shareholder” in this prospectus, each of our Directors:

- (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date;
- (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholder of our Company as at the Latest Practicable Date;
- (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

As at the Latest Practicable Date, save as the interests of each of the executive Directors in the Shares which are disclosed in the section headed “Further information about Directors and Shareholders — 12(d) Interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and our associated corporations” in Appendix IV to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Chen Jian (陳建), 45

Artwork management manager of our Group

Mr. Chen is the artwork management manager of our Group. He joined our Group in June 2012. Prior to joining our Group, Mr. Chen worked at the marketing department in a state-owned company in the PRC, responsible for conducting market research and formulating marketing strategies.

Mr. Chen completed a course in applied science from Qingdao Institute of Chemical Industry* (青島化工學院) (now known as Qingdao University of Science & Technology* (青島科技大學)) in July 1996 and a bachelor's degree in international economy from Higashi Nippon International University in March 2005. He further obtained a master's degree in international business from Kanto Gakuin University in March 2008.

Mr. Koizumi Jumpei (小泉潤平), 29

Tea wares and Chinese ceramics artwork manager of our Group

Mr. Koizumi is the tea wares and Chinese ceramics artwork manager of our Group. He joined our Group in April 2013. He has over five years of experience in artworks management. Prior to joining our Group, from April 2011 to March 2013, Mr. Koizumi assisted his family in running Koizumi Ancient Art, Kyoto* (京都古美術小泉), an antique shop with over 15 years of operation in selling antiques including teawares, and acquired knowledge and experience in authentication and valuation of Japanese and non-Japanese teawares through purchasing and selling teawares and exchanging views on authentication and valuation of teawares with teaware experts. Since joining our Group in 2013, through application of the experiences in teawares previously accumulated during his days in Koizumi Ancient Art, Kyoto* (京都古美術小泉) and frequent participation in our auctions, Mr. Koizumi further enriched his experience in valuation of artworks by reviewing the appraisal and auction results of multiple artworks and exchanging views on market price and industry trend of the artworks with other artwork experts. Mr. Koizumi obtained a bachelor's degree in biology-oriented business and technology from Kindai University in March 2011.

Mr. Wong Chi Ming (汪志明), 38

General manager of our Group

Mr. Wong is the general manager of our Group. He joined our Group in June 2014. Mr. Wong has been the operation and administration manager of Tiancheng International Auctioneer Limited, which principally engaged in provision of auction business, from June 2011 to June 2014. He was also the assistant manager of Seoul Auction Hong Kong Limited, which principally engaged in provision of auction business, from May 2009 to May 2011, the operations and administration officer of Christie's Hong Kong Limited, which principally engaged in provision of auction business, from August 2004 to October 2006, and the assistant taxation officer of the Inland Revenue Department from July 2003 to August 2004.

Mr. Wong completed the professional exhibition management course (long distance learning course) at Singapore Association of Convention & Exhibition Organizers & Suppliers in June 2006 and a bachelor's degree in business administration from Lingnan University in November 2002.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Our Company secretary is Mr. Yau. He is employed by us on a full-time basis. Please refer to his biographical details in the subsection headed “— Directors — Executive Directors” above.

COMPENSATION

The aggregate amounts of remuneration of our Directors for the years ended March 31, 2016, 2017 and 2018 were approximately HK\$7.9 million, HK\$10.1 million and HK\$11.0 million, respectively. Pursuant to our Directors’ service agreements and letters of appointment referred to in the section headed “Further information about Directors and Shareholders — 12. Directors” in Appendix IV to this prospectus, the aggregate amount of directors’ fee and other emoluments payable to our Directors for the year ending March 31, 2019 is estimated to be approximately HK\$15.0 million, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We have also adopted the Share Option Scheme, which enable us to provide incentive or reward to our Directors, senior management and other selected participants. For details of the Share Option Scheme, please refer to the section headed “Other Information — 15. Share Option Scheme” in Appendix IV to this prospectus. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

After Listing, our remuneration committee will make recommendations to our Board on the remuneration packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

For additional information on Directors’ remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Notes 13 and 33 to the Accountant’s Report as set out in Appendix I to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

The audit committee, remuneration committee, nomination committee and the corporate governance committee of our Company were approved to be established by resolutions passed by our Board on September 13, 2018. The composition of these committees is as follows:

<u>Name of Director</u>	<u>Audit Committee</u>	<u>Remuneration Committee</u>	<u>Nomination Committee</u>	<u>Corporate Governance Committee</u>
Executive Directors				
Ando Shokei	–	–	Chairman	Member
Ando Eri	–	Member	–	–
Non-executive director				
Yang Yi Chung	–	Member	Member	Member
Independent non-executive Directors				
Chung Kwok Mo John	Member	Chairman	Member	Member
Lam Suk Ling Shirley	Chairlady	Member	Member	Member
Chun Chi Man	Member	Member	Member	Chairman

Each of the above committees has written terms of reference. The respective functions of the above four committees are summarized as follows:

Audit committee

Our Company established an audit committee with written terms of reference in compliance with Code C.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of our audit committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the risk management and internal control principles of our Company.

Remuneration committee

Our Company established a remuneration committee with written terms of reference in compliance with Code B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of our remuneration committee are to make recommendations to our Board on the overall remuneration packages and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration.

DIRECTORS AND SENIOR MANAGEMENT

Nomination committee

Our Company established a nomination committee with written terms of reference in compliance with Code A.5 of the Corporate Government Code as set out in Appendix 14 to the Listing Rules. The primary functions of our nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board.

Corporate Governance Committee

Our Company established a corporate governance committee with written terms of reference in compliance with Code D.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of our corporate governance committee are to develop and review our policies and practices on corporate governance and make recommendations to our Board.

COMPLIANCE ADVISER

We have appointed CMBC International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us, among others, at the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our Shares, or any other matters.

The term of appointment our compliance adviser shall commence on the Listing Date and end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on September 13, 2018 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the new Shares. The principal terms of the Share Option Scheme are summarized in the section headed “Other Information — 15. Share Option Scheme” in Appendix IV to this prospectus.

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

So far as our Directors are aware, immediately following the completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes (but without taking account of any Shares which may be taken up under the Global Offering and without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>Number of Shares held</u>	<u>Approximate shareholding percentage</u>
		<i>(Note 1)</i>	<i>(%)</i>
Mr. Ando	Beneficial owner	374,967,278 (L)	75.0%
Mrs. Ando	Interest of spouse <i>(Note 2)</i>	374,967,278 (L)	75.0%

Notes:

- (1) The letter “L” denotes a person’s “long position” in such Shares.
- (2) Mrs. Ando is the spouse of Mr. Ando. Under the SFO, Mrs. Ando is taken to be interested in the same number of Shares in which Mr. Ando is interested.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes (but without taking account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

Please refer to the section headed “History, Reorganization and Corporate Structure” and the section headed “Relationship with our Controlling Shareholder” in this prospectus for details of relationship among our substantial Shareholders.

SHARE CAPITAL

Assuming the Over-allotment Option is not exercised, the following is a description of the number of Shares issued by our Company immediately upon completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes:

Issued and to be issued and fully paid

100	Shares in issue at the date of this prospectus
374,967,178	Shares to be issued pursuant to the Bonus Issue
28,512,722	Shares to be issued pursuant to the Convertible Notes
96,520,000	Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)
<hr/>	
<u>500,000,000</u>	Shares (Note)

Assuming the Over-allotment Option is exercised in full, the following is a description of the number of Shares issued by our Company immediately upon completion of the Global Offering, the Bonus Issue, the issue of the Conversion Shares upon conversion of the Convertible Notes and the issue of Shares upon exercise of the Over-allotment Option in full:

Issued and to be issued and fully paid

100	Shares in issue at the date of this prospectus
374,967,178	Shares to be issued pursuant to the Bonus Issue
28,512,722	Shares to be issued pursuant to the Convertible Notes
96,520,000	Shares to be issued pursuant to the Global Offering
14,478,000	Shares to be issued if the Over-allotment Option is exercised in full
<hr/>	
<u>514,478,000</u>	Shares

ASSUMPTIONS

The above table assumes the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering, the Bonus Issue and the conversion of the Convertible Notes as described herein. It does not take into account any Shares which may be issued upon the exercise of the Over-Allotment Option or the options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.

Note: The share capital of our Company will be enlarged by up to an additional 14,478,000 Shares in the event that the Over-allotment Option is exercised in full.

SHARE CAPITAL

RANKING

The Offer Shares, Shares to be issued pursuant to the Bonus Issue and the Convertible Notes and the Shares that may be issued pursuant to the Over-allotment Option will rank *pari passu* with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid thereafter except for the Bonus Issue.

For the circumstances under which general meeting are required, please see the summary of the Articles of Association of our Company in “Appendix III — Summary of the Articles of Association”.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out under “Other Information — 15. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of Shares of not more than the aggregate of:

- (a) 20% of the aggregate number of Shares in issue, excluding the Shares which may be issued pursuant to the Over-allotment Option or exercise of any options that may be granted under the Share Option Scheme, immediately following completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes; and
- (b) the total number of Shares repurchased by our Company, if any, under the general mandate to repurchase Shares referred to below.

The aggregate number of Shares which our Directors are authorized to allot and issue under this mandate will not be reduced by the allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement in accordance with the Articles of Association, or pursuant to the exercise of options which were granted under the Share Option Scheme or under the Global Offering or the Bonus Issue or the conversion of the Convertible Notes or upon the exercise of the Over-allotment Option.

This mandate will expire at the earliest of:

- the conclusion of our Company’s next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles of Association or the Companies Ordinance to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of this general mandate, please refer to “Further Information About our Company and our Subsidiaries — 3. Resolutions in Writing of our Sole Shareholder passed on September 13, 2018” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the aggregate number of Shares in issue following the completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of any options that may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in “Further Information About our Company and our Subsidiaries — 7. Repurchase by our Company of our Own Securities” in Appendix IV to this prospectus.

This mandate will expire at the earliest of:

- the conclusion of our Company’s next annual general meeting; or
- on the date by which our next annual general meeting is required by the Articles of Association or the Companies Ordinance to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by of our Shareholders in general meeting.

For further details of this general mandate are set out in “Further Information About our Company and our Subsidiaries — 3. Resolutions in Writing of our Sole Shareholder passed on September 13, 2018” in Appendix IV to this prospectus.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the following investors (the “**Cornerstone Investors**” and each a “**Cornerstone Investor**”), pursuant to which the Cornerstone Investors have agreed to subscribe for such number of Offer Shares in aggregate (rounded down to the nearest whole board lot of 2,000 Shares) which may be subscribed with an aggregate amount of HK\$11.0 million (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) (the “**Cornerstone Placing**”) at the Offer Price.

The information about the number of the Offers Shares to be subscribed for by all the Cornerstone Investors based on (a) the total subscription price payable by all the Cornerstone Investors and subject to the rounding down to the nearest board lot of 2,000 Shares, and (b) the assumption of the following Offer Price, is set out below:

<u>Offer Price (HK\$)</u>	<u>Total investment amount (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee)</u>	<u>Number of Offer Shares to be subscribed at the Offer Price</u>	<u>Approximate percentage of the Offer Shares under the Global Offering, without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme</u>	<u>Approximate percentage of the Shares in issue upon completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes, and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme</u>	<u>Approximate percentage of the Shares in issue upon completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes, assuming that the Over-allotment Option is exercised in full and without taking into account the options which may be granted under the Share Option Scheme</u>
1.50 (being the low-end of the Offer Price range set out in this prospectus)	11.0 million	7,332,000	7.6%	1.5%	1.4%
1.605 (being the mid-point of the Offer Price range set out in this prospectus)	11.0 million	6,852,000	7.1%	1.4%	1.3%
1.71 (being the high-end of the Offer Price range set out in this prospectus)	11.0 million	6,430,000	6.7%	1.3%	1.2%

CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, in the event that the requirement pursuant to Rule 8.08(3) of the Listing Rules, which requires that no more than 50% of the Shares in public hands at the time of listing can be beneficially owned by the three largest public Shareholders, cannot be satisfied by our Company, the Sole Sponsor, the Sole Global Coordinator and our Company have the right to adjust the allocation of the number of Shares to be purchased by the Cornerstone Investor in their sole and absolute discretion to satisfy the requirement pursuant to Rule 8.08(3) of the Listing Rules.

The Cornerstone Placing forms part of the International Offering. The number of Offer Shares to be subscribed for by the Cornerstone Investors might be affected by the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in “Structure of the Global Offering – The Hong Kong Public Offering”. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allocation results announcement to be issued by our Company on or around October 10, 2018.

To the best knowledge of our Company, each of the Cornerstone Investors and their respective ultimate beneficial owners is an Independent Third Party of our Company, independent from each other, not our connected person, and not an existing Shareholder of our Company. The Offer Shares to be subscribed for by the Cornerstone Investors will be counted towards the public float of our Company and will rank *pari passu* with the Shares then in issue and to be listed on the Stock Exchange. Other than the subscription pursuant to the cornerstone investment agreements, the Cornerstone Investors have agreed not to, and to procure their respective associates not to, subscribe for any Offer Shares under the Global Offering except where the Cornerstone Investors or their respective associates act as a nominee for their respective customers. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any Board representation in our Company, nor will any of them become a substantial shareholder, connected person or close associate of our Company.

CORNERSTONE INVESTORS

THE CORNERSTONE INVESTORS

We have entered into a cornerstone investment agreement with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about our Cornerstone Investors set forth below is provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Assuming that the final Offer Price is fixed at HK\$1.50 (being the low-end of the Offer Price range set out in this prospectus) and based on the actual total subscription price as stated in the relevant cornerstone investment agreement and subject to the rounding down to the nearest whole board lot of 2,000 Shares, the information about the relevant Offer Shares to be subscribed by each Cornerstone Investor is set out below:

<u>Cornerstone Investor</u>	<u>Investment amount (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee)</u>	<u>Number of Offer Shares to be subscribed at the Offer Price</u>	<u>Approximate percentage of the Offer Shares under the Global Offering, without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme</u>	<u>Approximate percentage of the Shares in issue upon completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes, and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme</u>	<u>Approximate percentage of the Shares in issue upon completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes, assuming that the Over-allotment Option is exercised in full and without taking into account the options which may be granted under the Share Option Scheme</u>
	<i>(HK\$)</i>				
Eastfair Limited (“EFL”)	7.0 million	4,666,000	4.8%	0.9%	0.9%
Fair Point Limited (“FPL”)	4.0 million	2,666,000	2.8%	0.5%	0.5%

CORNERSTONE INVESTORS

Assuming that the final Offer Price is fixed at HK\$1.605 (being the mid-point of the Offer Price range set out in this prospectus) and based on the actual total subscription price as stated in the relevant cornerstone investment agreement and subject to the rounding down to the nearest whole board lot of 2,000 Shares, the information about the relevant Offer Shares to be subscribed by each Cornerstone Investor is set out below:

<u>Cornerstone Investor</u>	<u>Investment amount (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee)</u>	<u>Number of Offer Shares to be subscribed at the Offer Price</u>	<u>Approximate percentage of the Offer Shares under the Global Offering, without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme</u>	<u>Approximate percentage of the Shares in issue upon completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes, and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme</u>	<u>Approximate percentage of the Shares in issue upon completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes, assuming that the Over-allotment Option is exercised in full and without taking into account the options which may be granted under the Share Option Scheme</u>
	<i>(HK\$)</i>				
EFL	7.0 million	4,360,000	4.5%	0.9%	0.8%
FPL	4.0 million	2,492,000	2.6%	0.5%	0.5%

CORNERSTONE INVESTORS

Assuming that the final Offer Price is fixed at HK\$1.71 per Offer Share (being the high-end of the Offer Price range set out in this prospectus) and based on the actual total subscription price as stated in the relevant cornerstone investment agreement and subject to the rounding down to the nearest whole board lot of 2,000 Shares, the information about the relevant Offer Shares to be subscribed by each Cornerstone Investor is set out below:

Cornerstone Investor	Investment amount (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee)	Number of Offer Shares to be subscribed at the Offer Price	Approximate percentage of the Offer Shares under the Global Offering, without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme	Approximate percentage of the Shares in issue upon completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes, and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme	Approximate percentage of the Shares in issue upon completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes, assuming that the Over-allotment Option is exercised in full and without taking into account the options which may be granted under the Share Option Scheme
	<i>(HK\$)</i>				
EFL	7.0 million	4,092,000	4.2%	0.8%	0.8%
FPL	4.0 million	2,338,000	2.4%	0.5%	0.5%

Set forth below is a brief introduction of the Cornerstone Investors.

Eastfair Limited

EFL was incorporated in Hong Kong in 1993 and is a wholly-owned subsidiary of Oriental Watch Holdings Limited (stock code: 398), shares of which have been listed on the Main Board of the Stock Exchange since 1993. Oriental Watch Holdings Limited and its subsidiaries are principally engaged in watch trading. As at 31 March 2018, Oriental Watch Holdings Limited operated 62 retail outlets and wholesale points (including associate retail stores) located in Hong Kong, Macau, Taiwan and major cities in the PRC.

Fair Point Limited

FPL is a company incorporated in Samoa principally engaged in investment holding. FPL is wholly-owned by Kerry Logistics Network Limited, shares of which are listed on the Main Board of the Stock Exchange (stock code: 636).

CORNERSTONE INVESTORS

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors is subject to the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto) by no later than the time and date as specified in those underwriting agreements;
- (b) none of the Hong Kong Underwriting Agreement and International Underwriting Agreement having been terminated;
- (c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and such approval or permission having not been revoked;
- (d) the respective representations, warranties, undertakings, confirmations, agreements and acknowledgements of the relevant Cornerstone Investor and our Company under the respective cornerstone investment agreement being accurate and true in all material respects and not misleading and that there being no material breach of the respective cornerstone investment agreement on the part of the relevant Cornerstone Investor; and
- (e) no laws shall have been enacted or promulgated by any government authority which prohibit the consummation of the transactions contemplated in the respective cornerstone investment agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has undertaken and agreed that without the prior written consent of our Company and the Sole Global Coordinator, it shall not, whether directly or indirectly, at any time during the period of 6 months following the Listing Date (the “**Lock-up Period**”) (i) dispose of any of the Shares to be subscribed by the Cornerstone Investor pursuant to the respective cornerstone investment agreement and any Shares or other securities of the Company which are derived therefrom pursuant to any rights issue, bonus issue or other form of capital reorganization of our Company and any interest therefrom (“**Relevant Shares**”), or any interest in any company or entity holding (directly or indirectly) any of the Relevant Shares; (ii) enter into any swaps or other arrangements that transfer to another, in whole or in part, any economic consequences of ownership of the Relevant Shares; (iii) enter into any transactions, directly or indirectly, with the same economic effect as any such transaction described in (i) and (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into any such transaction described in (i), (ii) and (iii) above, whether any of such transactions as described in (i), (ii) or (iii) above is to be settled by delivery of such Relevant Shares or other securities, in cash or otherwise.

CORNERSTONE INVESTORS

After the Lock-up Period, the Cornerstone Investors can dispose of any of the Relevant Shares but it shall not knowingly dispose of any Relevant Shares to create a disorderly or false market of the Shares on the Stock Exchange and will be in compliance with all applicable laws and regulations and rules of securities exchange of all competent jurisdictions including the Listing Rules, the Companies (WUMP) Ordinance and the SFO.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial information as of and for each of the years ended March 31, 2016, 2017 and 2018 and the accompanying notes included in the Accountant's Report set out in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRS. Potential investors should read the whole of the Accountant's Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statement that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements".

OVERVIEW

We are a well-recognized 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.

According to the CIC Report, in 2017, (i) we ranked second and fifth among all auction houses with Chinese art auction business in Japan and Hong Kong with a market share of 26.8% and 4.4%, in terms of transaction value from the Chinese art auction business in Japan and Hong Kong, respectively, (ii) we ranked fifth among all auction houses with Japanese art auction business both in Japan and Hong Kong with a market share of 3.1% and 1.4%, in terms of transaction value from the Japanese art auction business in Japan and Hong Kong, respectively, and (iii) we had a market share of 1.6% among all auction houses with Chinese art auction business in Asia, in terms of transaction value from the Chinese art auction business.

Capitalizing on our profound knowledge of Chinese and Japanese artworks and the local market in Japan and Hong Kong, our long term relationship with customers, customer-oriented and culture-focused marketing activities and the support of our professional team, we believe that through our continuous efforts, our mission to become one of the internationally well-known auction houses with Chinese and Japanese art auction business can be achieved in the near future.

We primarily operate in two main business segments: (i) the art auction and related business segment; and (ii) the artwork sales segment.

FINANCIAL INFORMATION

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations, financial condition and the year-to-year comparability of our financial results are principally affected by the following factors:

Economic Conditions and Market Supply and Demand for Artworks

Our income is mainly based on the buyer's and seller's commissions when an auction is completed by strike of hammer. The demand for artworks in the market affects the number of art auction sales being completed, which could in turn affect our financial performance. Besides demand for artworks, sufficient supply of premium and high-quality artworks will also positively affect our financial operations.

Supply and demand for artworks are influenced by the overall economies and the artwork markets in Hong Kong, Mainland China and Japan.

When the economies in Hong Kong, Mainland China and Japan grow, there will be more people willing to spend money in the art auction market. As a result, there will be higher liquidity in terms of art auction sales, which will increase the market prices of artworks and buyers and sellers would become more willing to carry out transactions, which would in turn result in higher buyer's and seller's commissions. On the other hand, when the growth of the Hong Kong, Chinese and Japanese economies slow down, potential buyers and sellers may lack incentive to purchase and sell artwork and there will be less art auction sales, i.e. a lower demand, and there will be less competition for artworks. Thus, the buyers and sellers commissions will decrease.

Our artworks sales segment is significantly affected by our ability to obtain sufficient quantities and varieties of artworks to maintain our business in the segment. If we are unable to acquire artworks that have appreciation potential, our profit margin in this segment will be affected. However, the decline in artwork prices during the economy downturn may help us expand our artwork inventories at low costs, which will in turn improve the profitability of our art business in the future.

As such, we expect the economic conditions in Hong Kong, Mainland China and Japan and the market supply and demand for artworks will continue to affect our financial performance significantly.

Relationships with Our Buyers, Consignors, Sellers and Business Partners

For both supplying artworks and maintaining our art auction sales, we rely on our ability to develop and maintain relationships with our buyers, consignors, sellers and business partners. Our revenue, profitability and operating cash flow are affected by the financial strength of our customers, particularly high-end customers, and our ability to develop and maintain relationships with them. Maintaining a strong relationship with our consignors, which include high-end sellers and collectors, will continue to allow us to supply premium and high-quality artworks. We intend to continue maintaining and developing our customer base through our network. If we are unable to maintain and develop our customer relationships, our business could be materially and adversely affected.

As such, we expect our financial performance will continue to be affected significantly by our relationships with our buyers, consignors, sellers and business partners.

FINANCIAL INFORMATION

Competition

In Japan and Hong Kong, we ranked second and fifth respectively among all auction houses with Chinese art auction business in Japan and Hong Kong, respectively, in 2017. Whereas, we ranked fifth in both Hong Kong and Japan among all auction houses with Japanese art auction business in 2017.

In Hong Kong, we are in competition with both domestic and foreign companies whilst in Japan, despite we are a well-recognized auction house of Chinese and Japanese artwork, we are competing with mostly domestic companies. Our financial performance is affected by the performance of these competitors that may have advantages over us, for example, different strategies, financial resources, customer base, and supply of artworks, etc., which in turn may result in a negative effect to the number and value of our art auction sales, buyer's and seller's commissions and thus income. On the other hand, our competitive strengths could continue to allow us to maintain the established position in the Chinese and Japanese art auction markets in Hong Kong and Japan. Please see the section headed "Business — Competitive Strengths".

As such, we expect the competition in Hong Kong and Japan will continue to affect our financial performance significantly.

BASIS OF PRESENTATION

We engage in the business of provision of auction and related services and artwork sales and were under the common control of Mr. Ando, our Controlling Shareholder, immediately before and after the Reorganization. Accordingly, the Reorganization is regarded as a business combination under common control, and the historical financial information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Accordingly, the historical financial information has been prepared by including the historical financial information of the companies comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of our Controlling Shareholder, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from the Controlling Shareholder's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of our Controlling Shareholders's interest.

Inter-company transactions, balances and unrealized gains/losses on transactions between our group companies are eliminated on consolidation.

The financial information has been prepared by our Directors based on the accounting policies which are in accordance with HKFRSs issued by HKICPA, on the basis of presentation as set out in note 2.1 of the Accountant's Report contained in Appendix I to this prospectus.

FINANCIAL INFORMATION

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, stated net of discounts, returns and value added taxes. We recognize revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our activities, as described below. We base our estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Commission revenue

We earn commission revenue from both buyer and seller through the auction sales in which we mainly act as the role of auctioneer as well as promoting the sales through professional marketing techniques provided. The commission revenue is calculated as a percentage of the hammer price of the artwork sold at the auction in accordance with the contracts between us and the buyer and the seller. Such commission revenue is recognized upon the completion of the auction sale as evidenced by the fall of auctioneer's hammer and when the collectability of the related receivables from the buyer is reasonably assured. A canceled sale is recorded when it is determined that it is probable that the buyer will not complete the transaction in the period in which that determination is made and the commission revenue as well as the associated receivable balances, including the "commission receivable" and the "receivables from buyers in respect of auction and related business", are reversed. We also recorded revenue generated from private sales arranged by us on behalf of the consignors. We may act as an agent by matching the needs of consignors to those of buyers by private sales. In return, we collect commissions which are determined through negotiation with both buyers and sellers, usually representing the difference between the purchase price paid by the buyers and the selling price as pre-agreed by the sellers and us. Such commission revenue is recognised upon completion of the private sale and when the collectability of the related receivable is reasonably assured.

(b) Revenue from others service relating to auctions

In relation to the auctions organized, we also earn other services income from catalog preparation, or insurance charged to the sellers for artworks in preparation for and placed in the auctions, and they are recognized as revenue when the related services are rendered.

(c) Revenue from artwork sales

Revenue from sale of artworks is recognized upon the transfer of risks and rewards of ownerships, which generally coincides with the time when the goods are delivered to the buyers and title has passed.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

FINANCIAL INFORMATION

Estimated useful lives and residual values of property, plant and equipment

Our management determines the estimated useful lives, residual values and related depreciation charges for our property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in future periods.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realized. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed. Our management reassesses these estimates at each balance sheet date.

Current and deferred income taxes

We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

Impairment of receivables

Our management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and debtors and the current market condition, and requires the use of judgments and estimates. Our management reassesses the provisions at each balance sheet date.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated income statements for the periods indicated. This information should be read together with our consolidated financial information and related notes, which have been prepared in accordance with HKFRS and requirements of the Companies Ordinance set out in Appendix I — “Accountant’s Report” to this prospectus. Our results of operations in any period are not necessarily indicative of results that may be expected for any future period.

	Year ended March 31,		
	2016	2017	2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Revenue	138,613	148,048	173,266
Costs of services	(37,085)	(31,444)	(32,797)
Costs of sales of goods	(4,232)	(9,436)	(8,150)
Gross profit	97,296	107,168	132,319
Other (losses)/gains, net	(358)	259	(433)
Other income	4,119	2,691	2,568
Selling and distribution expenses	(32,984)	(31,574)	(26,765)
Administrative expenses	(37,654)	(37,283)	(49,468)
Operating profit	30,419	41,261	58,221
Finance income	18	6	10
Finance costs	(214)	(263)	(249)
Finance costs, net	(196)	(257)	(239)
Profit before income tax	30,223	41,004	57,982
Income tax expense	(9,644)	(8,641)	(14,053)
Profit for the year	<u>20,579</u>	<u>32,363</u>	<u>43,929</u>
Profit/(loss) attributable to:			
Owners of the Company	18,497	30,780	44,063
Non-controlling interests	2,082	1,583	(134)
	<u>20,579</u>	<u>32,363</u>	<u>43,929</u>
Earnings per share for profit attributable to owners of the Company			
Basic and diluted	<u>185</u>	<u>308</u>	<u>441</u>

Please refer to “Financial Information — Description of Selected Consolidated Income Statements Line Items” for the detailed year-on-year analyses of certain consolidated income statements items.

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED CONSOLIDATED INCOME STATEMENTS LINE ITEMS

Revenue

During the Track Record Period, we generated our revenue from our two business segments, namely, (i) art auction and related business, and (ii) artwork sales. Revenue from our art auction and related business is mainly comprised of the buyer's and seller's commissions, recognized upon the conclusion of sales and purchase between buyers and sellers, usually signified by the strike of hammer. In addition, we also provide other auction-related services to sellers in relation to auction catalog production, delivery of artwork and insurance, the revenue of which is recognized upon rendering of such services.

Revenue from our artwork sales segment is generated from reselling artworks in Japan which we believe possess appreciation potential, through private sales to independent third parties. Our inventory mainly consists of artworks which are purchased by us for resale.

The following table sets forth a breakdown of revenue by business segment for the periods stated:

	Year ended March 31,					
	2016		2017		2018	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Art auction and related business ^(Note)	133,251	96.1	137,588	92.9	164,596	95.0
Artwork sales	5,362	3.9	10,460	7.1	8,670	5.0
	138,613	100	148,048	100	173,266	100

Note: Under this segment, in addition to commissions collected from the sellers and buyers of our auctions, we also recorded revenue generated from private sales arranged by us on behalf of the sellers. For details, please refer to the section headed "Business — Our Business" of this prospectus.

Our total revenue increased from approximately HK\$138.6 million for the year ended March 31, 2016 to approximately HK\$148.0 million for the year ended March 31, 2017, and further to approximately HK\$173.3 million for the year ended March 31, 2018, representing a CAGR of 11.8% from the year ended March 31, 2016 to the year ended March 31, 2018.

Revenue from our art auction and related business segment amounted to approximately 96.1%, 92.9% and 95.0% of our total revenue, for the years ended March 31, 2016, 2017 and 2018, respectively. Revenue from our artwork sales segment amount to approximately 3.9%, 7.1% and 5.0% of our total revenue, for the years ended March 31, 2016, 2017 and 2018, respectively.

FINANCIAL INFORMATION

By Product Category

The following table sets forth a breakdown of revenue by business segment and by artwork category for the periods stated:

	Year ended March 31,											
	2016				2017				2018			
	Art auction and related business		Artwork sales		Art auction and related business		Artwork sales		Art auction and related business		Artwork sales	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Revenue												
Chinese paintings and calligraphies	68,787	51.6	1,531	28.6	86,926	63.2	4,450	42.5	101,038	61.4	8,210	94.7
Chinese antiques	44,688	33.5	1,173	21.9	37,098	27.0	4,395	42.0	42,602	25.9	460	5.3
Japanese and Chinese tea wares	11,811	8.9	-	-	11,037	8.0	-	-	10,763	6.5	-	-
Others	7,965	6.0	2,658	49.5	2,527	1.8	1,615	15.5	10,193	6.2	-	-
Total	<u>133,251</u>	<u>100</u>	<u>5,362</u>	<u>100</u>	<u>137,588</u>	<u>100</u>	<u>10,460</u>	<u>100</u>	<u>164,596</u>	<u>100</u>	<u>8,670</u>	<u>100</u>

Art auction and related business

We focus on the following artworks under our art auction and related business segment: (i) Chinese paintings and calligraphies; (ii) Chinese antiques; (iii) Japanese and Chinese tea wares; and (iv) others.

Chinese paintings and calligraphies is our largest product category by revenue under the art auction and related business segment, which amounted to 51.6%, 63.2% and 61.4% of the total revenue generated from our art auction and related business segment for the years ended March 31, 2016, 2017 and 2018, respectively.

Chinese antiques is our second largest product category by revenue under the art auction and related business segment, which amounted to 33.5%, 27.0% and 25.9% of the total revenue generated from our art auction and related business segment for the years ended March 31, 2016, 2017 and 2018, respectively.

Japanese and Chinese tea wares is our third largest product category by revenue under the art auction and related business segment, which amounted to 8.9%, 8.0% and 6.5% of the total revenue generated from our art auction and related business segment for the years ended March 31, 2016, 2017 and 2018, respectively.

Revenue generated from art auction and related business of other artworks amounted to 6.0%, 1.8% and 6.2% of the total revenue generated from our art auction and related business segment for the years ended March 31, 2016, 2017 and 2018, respectively.

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Artwork sales

We focus on the following artworks under our artwork sales segment: (i) Chinese paintings and calligraphies; (ii) Chinese antiques; and (iii) other artworks such as jewelries.

Chinese paintings and calligraphies is our largest product category by revenue under the artwork sales segment, which amounted to 28.6%, 42.5% and 94.7% of the total revenue generated from our artwork sales for the years ended March 31, 2016, 2017 and 2018, respectively.

Chinese antiques is our second largest product category by revenue under the artwork sales segment, which amounted to 21.9%, 42.0% and 5.3% of the total revenue generated from our artwork sales for the years ended March 31, 2016, 2017 and 2018, respectively.

Revenue generated from sale of other artworks amounted to 49.5%, 15.5% and Nil for the years ended March 31, 2016, 2017 and 2018, respectively.

By Geographical Area

During the Track Record Period, we conducted our business only in Japan and Hong Kong.

Our revenue by geographical area is recognized by the place where the art auctions took place for our art auction and related business segment, and by the place where the sales were transacted for our artwork sales segment.

The following table sets forth a breakdown of revenue by geographical area for the periods stated:

	Year ended March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Hong Kong	38,575	63,117	89,757
Japan	100,038	84,931	83,509
Total	138,613	148,048	173,266

Hong Kong

During the Track Record Period, the total revenue generated in Hong Kong increased because we only entered into the Hong Kong art auction market in 2013 and held the first auction in November 2014, therefore the total revenue for the year ended March 31, 2016 was lower. As our business developed, our total revenue generated in Hong Kong for the years ended March 31, 2017 and 2018 increased. For the year ended March 31, 2018, we have successfully sold a premium Chinese painting with a high hammer price, which according to the CIC Report, recorded the highest hammer price among all the creator's artworks sold by auction houses since 2015 and up to the material time and exceeded HK\$100 million in terms of hammer price for the first time in our history of auction operation.

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Japan

For the period between the year ended March 31, 2016 and the year ended March 31, 2017, the total revenue generated in Japan decreased because there were four auctions held in Japan for the year ended March 31, 2016. Whereas, there were only one Spring Auction and Autumn Auction held in Japan for the year ended March 31, 2017 and 2018. The total revenue generated in Japan remained relatively stable for the year ended March 31, 2017 and the year ended March 31, 2018.

Costs of services and costs of sales of goods

Our costs of services for the art auction and related business segment mainly consist of rental and setup fees for auction venues, catalog production and others. Others mainly comprise of wages for staffs at auctions, auctioneer fee and security costs.

Our costs of sales of goods for the artwork sales segment mainly consist of costs of purchase of artworks.

Our total costs of services and costs of sales of goods accounted for 29.8%, 27.6%, and 23.6%, of our total revenue for the years ended March 31, 2016, 2017 and 2018, respectively. The following table sets forth the breakdown of our costs of services and costs of sales of goods by business segments for the periods indicated:

	Year ended March 31,					
	2016		2017		2018	
	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>
<i>Art auction and related business</i>						
Costs of services						
Rental and setup fees for auction venues	23,385	63.0	19,672	62.6	20,594	62.8
Catalog production	9,596	25.9	7,644	24.3	8,660	26.4
Others	<u>4,104</u>	<u>11.1</u>	<u>4,128</u>	<u>13.1</u>	<u>3,543</u>	<u>10.8</u>
Total	<u>37,085</u>	<u>100</u>	<u>31,444</u>	<u>100</u>	<u>32,797</u>	<u>100</u>
 <i>Artwork sales</i>						
Costs of sales of goods	<u>4,232</u>	<u>100</u>	<u>9,436</u>	<u>100</u>	<u>8,150</u>	<u>100</u>

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Gross profit and gross profit margin

The following table shows segment revenue, gross profit and gross profit margin of our business segments for the periods indicated:

	Revenue			Gross Profit ^(Note)			Gross Profit Margins		
	Year ended March 31,			Year ended March 31,			Year ended March 31,		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
	(HK\$'000)			(HK\$'000)			(%)		
Art auction and related business	133,251	137,588	164,596	96,166	106,144	131,799	72.2	77.1	80.1
Artwork sales	5,362	10,460	8,670	1,130	1,024	520	21.1	9.8	6.0
Total	138,613	148,048	173,266	97,296	107,168	132,319	70.2	72.4	76.4

Note: Gross profit of the art auction and related business segment and artwork sales segment represented the revenue in the respective segment minus costs of services and costs of sales of goods, respectively.

The gross profit margins for our art auction and related business segment amounted to 72.2%, 77.1% and 80.1% for the years ended March 31, 2016, 2017 and 2018, respectively. Whereas, the gross profit margins of our artwork sales segment amounted to 21.1%, 9.8% and 6.0% for the years ended March 31, 2016, 2017 and 2018, respectively.

Other (losses)/gains

During the Track Record Period, other net gains or losses included net foreign exchange gain or loss, net loss on disposal of property, plant and equipment and change in cash surrender value of key management life insurance contract.

The following table sets forth a breakdown of our other gains or losses for the periods indicated:

	Year ended March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Exchange (loss)/gain	(246)	543	(248)
Loss on disposal of property, plant and equipment, net	(22)	—	(109)
Changes in cash surrender values of key management life insurance contracts	(90)	(284)	(76)
	(358)	259	(433)

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Other Income

The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Compensation received	2,073	–	–
Miscellaneous income	1,718	2,069	1,374
Others	328	622	1,194
	4,119	2,691	2,568

Our other income during the Track Record Period included (i) compensation received, which represented a one-off court case settlement fee from a buyer who refused to pay commission in relation to the item bid in a prior year auction, and (ii) miscellaneous income, mainly represented handling fees charged to sellers whose respective buyers paid through China UnionPay credit card at our art auctions in Japan.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of employee benefit expenses, agency commission, advertising and promotional expenses, transportation, rental and setup fees for preview exhibition venues, entertainment and hospitality and others including insurance, courier and sundry expenses. Selling and distribution expenses amounted to approximately HK\$33.0 million for the year ended March 31, 2016, approximately HK\$31.6 million for the year ended March 31, 2017 and approximately HK\$26.8 million for the year ended March 31, 2018.

The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Employee benefit expenses	7,184	9,650	9,226
Advertising and promotion expenses	5,739	6,453	6,121
Transportation	3,620	2,383	2,996
Rental and setup fees for preview exhibition venues	1,962	2,137	2,895
Agency commission	9,407	7,104	2,230
Entertainment and hospitality	3,069	1,832	1,796
Others	2,003	2,015	1,501
Total	32,984	31,574	26,765

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Selling and distribution expenses decreased by 15.2% from approximately HK\$31.6 million for the year ended March 31, 2017 to approximately HK\$26.8 million for the year ended March 31, 2018 primarily due to the decrease in agency commission, including the decrease in the agency commission charged by Bai Sheng of approximately HK\$3.7 million from HK\$4.5 million for the year ended March 31, 2017 to HK\$0.8 million for the year ended March 31, 2018 for providing various promotional services by Bai Sheng to our Group in Japan. We do not intend to enter into such service with the related party after Listing. The decrease of agency commission from HK\$9.4 million for the year ended March 31, 2016 to HK\$7.1 million for the year ended March 31, 2017 was primarily due to the fact that we only held two auctions in Japan since 2017.

Administrative Expenses

Our administrative expenses primarily consists of employee benefit expenses, listing expenses, operating lease rentals in respect of rented premises, traveling, entertainment and hospitality, depreciation of property, plant and equipment and others including stationary and printing expenses, courier and translation expenses. Administrative expenses accounted for approximately HK\$37.7 million for the year ended March 31, 2016, approximately HK\$37.3 million for the year ended March 31, 2017 and approximately HK\$49.5 million for the year ended March 31, 2018, respectively, during the Track Record Period.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended March 31,		
	2016	2017	2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Employee benefit expenses	15,698	14,224	14,885
Listing expenses	–	–	10,899
Operating lease rentals in respect of rented premises	4,453	4,585	6,143
Traveling	4,273	4,243	4,334
Entertainment and hospitality	2,526	3,558	1,944
Depreciation of property, plant and equipment	1,142	1,686	1,896
Consulting fee	1,937	733	1,580
Bank charge	910	2,746	1,344
Property management and utilities expenses	1,001	1,111	1,172
Provision for bad and doubtful debts	243	162	527
Auditor's remuneration	32	54	180
Amortization of intangible assets	50	48	49
Shares based compensation expenses	1,528	–	–
Others	3,861	4,133	4,515
Total	37,654	37,283	49,468

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Finance Income and Costs

Our finance income mainly included interest income on bank deposits. Our finance costs consist primarily of interest expense on finance lease liabilities, interest expense on bank borrowings and interest expense on other borrowings.

The following table sets forth a breakdown of the major components of our finance costs, net of our finance income, for the periods indicated:

	Year ended March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Finance income:			
– Interest income on bank deposits	18	6	10
Finance costs:			
– Interest expense on finance lease liabilities	(40)	(49)	(61)
– Interest expense on bank borrowings	(159)	(214)	(188)
– Interest expense on other borrowings	(15)	–	–
	(214)	(263)	(249)
Finance income/(costs) — net	(196)	(257)	(239)

Income Tax

Income tax expense consists primarily of the current and deferred tax expenses. We are subject to Hong Kong profit tax at 16.5%. In Japan, the corporate income tax has been calculated on the estimated assessable profit for the Track Record Period at the rates of taxation prevailing in Japan in which we operate. We are subject to national corporate income tax, inhabitant tax, and enterprise tax in Japan, which in aggregate, resulted in effective statutory income tax rates approximately 35.4%–37.1%, 34.8%–35.4% and 34.8% for the years ended March 31, 2016, 2017 and 2018, respectively. Our effective tax rates were 31.9%, 21.1% and 24.2% for the years ended March 31, 2016, 2017 and 2018, respectively.

Our effective tax rate decreased from 31.9% for the year ended March 31, 2016 to 21.1% for the year ended March 31, 2017, primarily due to the increase in contribution from our business in Hong Kong, with lower income tax rate.

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Profit for the year

The following table sets forth the profit for the year and the adjusted net profit for the periods indicated:

	Year ended March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Profit for the year	20,579	32,363	43,929
Add: Listing expenses	—	—	10,899
Adjusted net profit ⁽¹⁾	<u>20,579</u>	<u>32,363</u>	<u>54,828</u>

Note:

- (1) Adjusted net profit, as we present it, represents our profit for the year before listing expenses. Adjusted net profit is not a measure under HKFRSs. The use of adjusted net profit has limitations as an analytical tool, as it does not include all items that impact our profit for the relevant periods. Please see the subsection headed “— Non-HKFRSs Measures” of this section below for details.

Non-HKFRSs Measures

The term “adjusted net profit” is not defined under HKFRSs. The use of adjusted net profit has limitations as an analytical tool, as it does not include all items that have an impact on our net profit for the relevant periods. In light of the foregoing limitations for adjusted net profit, when assessing our operating and financial performance, you should not view adjusted net profit in isolation or as a substitute for our profit for the relevant periods or any other operating performance measure that is calculate in accordance with HKFRSs. In addition, because this non-HKFRSs measure may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

Year ended March 31, 2017 compared to Year ended March 31, 2018

Overview of our operating results

Revenue from our art auction and related business

Between the years ended March 31, 2017 and 2018, revenue of our art auction and related business segment increased by 19.6% from approximately HK\$137.6 million to approximately HK\$164.6 million primarily due to (i) our continuous expansion of the Chinese art auction market in Hong Kong, (ii) our strategy to focus on higher valued artworks in Hong Kong, (iii) our increased effort in marketing, such as holding more preview exhibitions, and (iv) the increase in average buyer’s and seller’s commission rate. Revenue under this segment increased was primarily due to the sale of a premium Chinese painting with a high hammer price as discussed above, which contributed approximately HK\$25.7 million commission.

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Revenue from our artwork sales

Between the years ended March 31, 2017 and 2018, revenue of our artwork sales segment decreased by 17.1% from approximately HK\$10.5 million to approximately HK\$8.7 million primarily due to the decrease in the number of artworks sold from 22 to five, but the average price of artwork items increased.

Costs of services

Between the years ended March 31, 2017 and 2018, costs of services of our art auction and related business segment increased by 4.3% from approximately HK\$31.4 million to approximately HK\$32.8 million primarily due to (i) the increase in rental and setup fees for auction venues, and (ii) the increase in catalog production costs as a result of the increase in number of auction lots offered.

Costs of sales of goods

Between the years ended March 31, 2017 and 2018, costs of sales of goods of our artwork sales segment decreased by 13.6% from approximately HK\$9.4 million to approximately HK\$8.2 million primarily due to the decrease in the number of artworks sold.

Gross profit

As a result of the foregoing, gross profit increased by 23.5% from approximately HK\$107.2 million for the year ended March 31, 2017 to approximately HK\$132.3 million for the year ended March 31, 2018. Our gross profit margin increased from 72.4% for the year ended March 31, 2017 to 76.4% for the year ended March 31, 2018, primarily due to the increase in the gross profit margin under the art auction and related business segment. The gross profit margin of our art auction and related business segment increased from 77.1% to 80.1% mainly because (i) our costs of services for each auction held remained relatively stable, and (ii) our revenue and average commission rate increased, and in particular, for the year ended March 31, 2018, we have successfully sold a premium Chinese painting, with a high hammer price as discussed above.

Other (losses)/gains

We recorded other losses of approximately HK\$433,000 for the year ended March 31, 2018 comprising of (i) exchange loss between Hong Kong Dollar and Japanese Yen of approximately HK\$248,000, (ii) net loss on disposal of property, plant and equipment of approximately HK\$109,000, and (iii) changes in cash surrender values of key management life insurance contracts of approximately HK\$76,000, compared to the other gains of approximately HK\$259,000 for the year ended March 31, 2017.

Other income

Other income decreased by 4.6% from approximately HK\$2.7 million for the year ended March 31, 2017 to approximately HK\$2.6 million for the year ended March 31, 2018 primarily because the decrease in miscellaneous income, which was caused by the decrease in handling fees charged to buyers and sellers due to the decrease in number of transactions using China UnionPay credit card for settlement at our art auctions in Japan.

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Selling and distribution expenses

Selling and distribution expenses decreased by 15.2% from approximately HK\$31.6 million for the year ended March 31, 2017 to approximately HK\$26.8 million for the year ended March 31, 2018 primarily due to the decrease in agency commission, including the decrease in the agency commission charged by Bai Sheng of approximately HK\$3.7 million from HK\$4.5 million for the year ended March 31, 2017 to HK\$0.8 million for the year ended March 31, 2018 for providing various promotional services by Bai Sheng to our Group in Japan including, display of the consigned artworks in the antique shop before our auctions (so as to draw the attention of potential customers visiting Bai Sheng antique shop of our auctions and our auction items) and referral of prospective buyers and sellers of artworks to our auctions from time to time. The agency commission charged by Bai Sheng comprised of a fixed and a variable consultancy fee. The variable consultancy fee was calculated based on a prescribed percentage of TCA Japan's auction revenue. We have reduced our services received from Bai Sheng since April 2017 by terminating the variable consultancy fee and we have terminated the consultancy agreement, including the fixed fee, with Bai Sheng in May 2018.

Administrative expenses

Administrative expenses increased by 32.7% from approximately HK\$37.3 million for the year ended March 31, 2017 to approximately HK\$49.5 million for the year ended March 31, 2018 primarily due to (i) the listing expenses of approximately HK\$10.9 million incurred, and (ii) the increase in operating lease rentals in respect of rented premises of approximately HK\$1.6 million as we rented a new office.

Finance income

Finance income increased by 66.7% from approximately HK\$6,000 for the year ended March 31, 2017 to approximately HK\$10,000 for the year ended March 31, 2018.

Finance costs

Finance costs decreased by 5.3% from approximately HK\$263,000 for the year ended March 31, 2017 to HK\$249,000 for the year ended March 31, 2018.

Income tax expense

Income tax expense increased by 62.6% from approximately HK\$8.6 million for the year ended March 31, 2017 to approximately HK\$14.1 million for the year ended March 31, 2018 primarily due to increase in profit before income tax. Our effective tax rate increased from 21.1% for the year ended March 31, 2017 to 24.2% for the year ended March 31, 2018 mainly because the listing expenses was not deductible for tax.

Profit for the year

As a result of the foregoing, profit for the period increased by 35.7% from approximately HK\$32.4 million for the year ended March 31, 2017 to approximately HK\$43.9 million for the year ended March 31, 2018 and our profit margin increased from 21.9% to 25.4% primarily due to (i) increase of revenue and gross profit for the reasons discussed above, and (ii) decrease in selling and distribution expenses of

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approximately HK\$4.8 million, primarily due to the decrease in agency commission paid to the related party, which was offset by the increase in administrative expenses of approximately HK\$12.2 million for the reasons discussed above.

Profit/(loss) attributable to non-controlling interests

Although the revenue generated by TCA Japan remained relatively stable and TCA Japan was profitable for the years ended March 31, 2017 and March 31, 2018, we recorded a share of loss of approximately HK\$134,000 by the non-controlling interests of TCA Japan for the year ended March 31, 2018, which was primarily due to (i) the two shareholders of TCA Japan holding a total 5% of the entire issues shares in TCA Japan was sold to our Company with effective from January 2018; and (ii) such two shareholders had shared TCA Japan's loss from April 2017 to January 2018, while TCA Japan recorded an operating loss from April 2017 to January 2018 as it had accounted for the daily operating expenses incurred by TCA Japan for ten months while only one auction had been held in September 2017 in the relevant period; (iii) despite the overall profit position of TCA Japan upon completion of the second auction held in March 2018 for the year ended March 31, 2018, the loss shared by the two shareholders from April 2017 to January 2018 was larger than the profit shared by the remaining non-controlling interests for the year ended March 31, 2018 and hence the overall share of loss of HK\$134,000 by the non-controlling interests was recorded.

Year ended March 31, 2016 compared to Year ended March 31, 2017

Overview of our operating results

Revenue from our art auction and related business

Between the years ended March 31, 2016 and 2017, revenue of our art auction and related business segment increased by 3.3% from approximately HK\$133.3 million to approximately HK\$137.6 million primarily due to (i) the increase in revenue contributed by auctions held in Hong Kong of approximately HK\$24.5 million due to our expansion of the Chinese art auction market in Hong Kong, and (ii) the increase in average commission rate, partially offset by the decrease in revenue contributed by auctions held in Japan of approximately HK\$20.2 million primarily because four auctions were held in Japan for the year ended March 31, 2016 compared to two auctions held for the year ended March 31, 2017.

Revenue from our artwork sales

Between the years ended March 31, 2016 and 2017, revenue of our artwork sales segment increased by 95.1% from approximately HK\$5.4 million to approximately HK\$10.5 million primarily due to (i) increase in the total number of artworks sold from 17 to 22, and (ii) increase in average price of Chinese antiques sold.

Costs of services

Between the years ended March 31, 2016 and 2017, costs of services of our art auction and related business segment decreased by 15.2% from approximately HK\$37.1 million to approximately HK\$31.4 million because there were only four auctions held in both Japan and Hong Kong for the year ended March 31, 2017 as compared to six auctions held in both Japan and Hong Kong for the year ended March 31, 2016.

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Costs of sales of goods

Between the years ended March 31, 2016 and 2017, costs of sales of goods of our artwork sales segment increased by 123.0% from approximately HK\$4.2 million to approximately HK\$9.4 million primarily due to increase in the number of artworks sold.

Gross profit

As a result of the foregoing, gross profit increased by 10.1% from approximately HK\$97.3 million for the year ended March 31, 2016 to approximately HK\$107.2 million for the year ended March 31, 2017. Our gross profit margin increased from 70.2% to 72.4% primarily due to the increase in our gross profit margin under the art auction and related business segment. The gross profit margin of our art auction and related business segment increased from 72.2% to 77.1% mainly because we had generated higher revenue in Hong Kong for the year ended March 31, 2017 as we focused on higher valued artworks, while our costs of services decreased for the year ended March 31, 2017 as only four auctions were held in both Japan and Hong Kong.

Other (losses)/gains, net

We recorded an other gain of approximately HK\$259,000 for the year ended March 31, 2017 comprising of exchange gain between Hong Kong Dollar and Japanese Yen of approximately HK\$543,000, partially offset by changes in cash surrender values of key management life insurance contracts of approximately HK\$284,000, as compared to other losses of approximately HK\$358,000 for the year ended March 31, 2016.

Other income

Other income decreased by 34.7% from approximately HK\$4.1 million for the year ended March 31, 2016 to approximately HK\$2.7 million for the year ended March 31, 2017 mainly because for the year ended March 31, 2016, we recorded an one-off court case settlement fee from a buyer who refused to pay commission in relation to the item bid which amounted to approximately HK\$2.1 million was received, which was partially offset by the increase of handling fees charged to buyers and sellers because the charge of handling fees using of China UnionPay credit card at our art auctions in Japan was only implemented late for the year ended March 31, 2016.

Selling and distribution expenses

Selling and distribution expenses decreased by 4.3% from approximately HK\$33.0 million for the year ended March 31, 2016 to approximately HK\$31.6 million for the year ended March 31, 2017 primarily due to decrease in agency commission, including an agency commission paid to a related party.

Administrative expenses

Administrative expenses slightly decreased by 1.0% from approximately HK\$37.7 million for the year ended March 31, 2016 to approximately HK\$37.3 million for the year ended March 31, 2017.

Finance income

Finance income decreased by 66.7% from approximately HK\$18,000 for the year ended March 31, 2016 to approximately HK\$6,000 for the year ended March 31, 2017.

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Finance costs

Finance costs increased by 22.9% from approximately HK\$214,000 for the year ended March 31, 2016 to approximately HK\$263,000 for the year ended March 31, 2017.

Income tax expense

Income tax expense decreased by 10.4% from approximately HK\$9.6 million for the year ended March 31, 2016 to approximately HK\$8.6 million for the year ended March 31, 2017 primarily due to the decrease in profit in Japan, offset by the increase in profit in Hong Kong. Our effective tax rate decreased from 31.9% for the year ended March 31, 2016 to 21.1% for the year ended March 31, 2017, primarily due to the increase in contribution from our business in Hong Kong, with lower income tax rate.

Profit for the year

As a result of the foregoing, profit for the year increased by 57.3% from approximately HK\$20.6 million for the year ended March 31, 2016 to approximately HK\$32.4 million for the year ended March 31, 2017. Our profit margin increased from 14.8% to 21.9% primarily due to the increase of revenue and gross profit for the reasons discussed above.

Profit attributable to non-controlling interests

Share of profit by non-controlling interest of TCA Japan decreased from approximately HK\$2.1 million for the year ended March 31, 2016 to approximately HK\$1.6 million for the year ended March 31, 2017 was primarily due to the decrease in revenue and profit of TCA Japan.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

We have historically met our working capital and other capital requirements principally with a combination of capital contributions by shareholders, cash generated from our operations and bank loans. In the future, we expect to continue to mainly rely on our cash flow from operations to fund our working capital needs and will use the proceeds from the Global Offering to finance part of our business expansion. For more details, please refer to “Future Plans and Use of Proceeds”.

Our primary uses of cash are to (i) fund daily operating expenses, and (ii) expand our artwork sales segment by purchasing artwork inventories.

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The following table sets forth selected cash flow data from our consolidated cash flow statements for the periods indicated. For more information, see Appendix I — “Accountant’s Report” to this prospectus.

	Year ended March 31,		
	2016	2017	2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net cash generated from/(used in)			
operating activities	39,788	25,813	(112,260)
Net cash used in investing activities	(6,516)	(1,276)	(6,854)
Net cash generated from/(used in)			
financing activities	11,074	(3,882)	(29,485)
Net increase/(decrease) in cash and cash equivalent	44,346	20,655	(148,599)
Cash and cash equivalent at beginning of the year	142,727	192,486	213,863
Exchange gains on cash and bank balances	5,413	722	5,118
Cash and cash equivalent at end of year	192,486	213,863	70,382

During the Track Record Period, we had not experienced any significant difficulty in rolling over our bank loans.

Net cash generated from operating activities

Our net cash used in operating activities for the year ended March 31, 2018 of approximately HK\$112.3 million, was primarily a combined result of operating cash flow before changes in working capital of approximately HK\$60.9 million, net cash outflow from change in working capital of approximately HK\$163.0 million and income tax paid of approximately HK\$10.1 million. Change in working capital primarily reflected (i) the increase in trade and other receivables, deposits and prepayment of approximately HK\$324.2 million, and (ii) the increase in inventories of approximately HK\$9.3 million, partially offset by the increase in trade and other payables and accrual of approximately HK\$170.4 million. Explanations of fluctuations of the aforesaid items from the consolidated balance sheet are set out in the subsection headed “— Description of certain items in the consolidated balance sheets” of this section.

FINANCIAL INFORMATION

Our net cash generated from operating activities for the year ended March 31, 2017 of approximately HK\$25.8 million, was primarily a combined result of operating cash flow before changes in working capital of approximately HK\$43.4 million, net cash outflow from change in working capital of approximately HK\$6.9 million and income tax paid of approximately HK\$10.7 million. Change in working capital primarily reflected the increase in trade and other receivables, deposits and prepayment of approximately HK\$44.4 million partially offset by (i) the decrease in inventories of approximately HK\$7.7 million, and (ii) the increase in trade and other payables and accruals of approximately HK\$29.7 million. Explanations of fluctuations of the aforesaid items from the consolidated balance sheet are set out in the subsection headed “— Description of certain items in the consolidated balance sheets” of this section.

Our net cash generated from operating activities for the year ended March 31, 2016 of approximately HK\$39.8 million, was primarily a combined result of operating cash flow before changes in working capital of approximately HK\$33.5 million, net cash inflow from change in working capital of approximately HK\$14.0 million and income tax paid of approximately HK\$7.7 million. Change in working capital primarily reflected the increase in trade and other receivables, deposits and prepayment of approximately HK\$14.2 million, partially offset by the increase in trade and other payables and accruals of approximately HK\$28.7 million. Explanations of fluctuations of the aforesaid items from the consolidated balance sheet are set out in the subsection headed “— Description of certain items in the consolidated balance sheets” of this section.

Net cash used in investing activities

Net cash used in investing activities for the year ended March 31, 2018 was approximately HK\$6.9 million, consisting primarily of (i) purchase of property, plant and equipment of approximately HK\$5.3 million mainly including costs of renovation of our Hong Kong office, and (ii) investment in key management life insurance contracts of approximately HK\$1.8 million, partially offset by decrease in short-term bank deposits of approximately HK\$341,000.

Net cash used in investing activities for the year ended March 31, 2017 was approximately HK\$1.3 million, consisting primarily of (i) the purchase of property, plant and equipment, which amounted to approximately HK\$1.4 million mainly including costs of renovation of our Awaji Property, and (ii) investment in key management life insurance contracts of approximately HK\$1.9 million, partially offset by receipts upon termination of key management life insurance contracts of approximately HK\$2.0 million.

Net cash used in investing activities for the year ended March 31, 2016 was approximately HK\$6.5 million, consisting primarily of (i) the purchase of property, plant and equipment, which amounted to approximately HK\$4.3 million mainly including the purchase of our Awaji Property, and (ii) investment in key management life insurance contracts of approximately HK\$2.2 million.

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Net cash (used in) or generated from financing activities

Net cash used in financing activities for the year ended March 31, 2018 was approximately HK\$29.5 million, primarily attributable to proceeds from bank borrowings of approximately HK\$42.4 million, partially offset by (i) repayment of bank borrowings of approximately HK\$24.7 million, (ii) listing expenses of approximately HK\$1.0 million, (iii) payment in relation to deemed distribution to shareholders of approximately HK\$43.2 million, and (iv) transaction with non-controlling interests of approximately HK\$2.2 million.

Net cash used in financing activities for the year ended March 31, 2017 was approximately HK\$3.9 million, primarily attributable to (i) repayment of bank borrowings of approximately HK\$23.1 million, (ii) repayment of loan from a third party of approximately HK\$1.5 million, and (iii) repayment of finance lease liabilities of approximately HK\$453,000, which was partially offset by proceeds from bank borrowings of approximately HK\$21.4 million.

Net cash generated from financing activities for the year ended March 31, 2016 was approximately HK\$11.1 million, primarily attributable to proceeds from bank borrowings of approximately HK\$22.6 million, partially offset by repayment of bank borrowings of approximately HK\$11.1 million.

Working Capital

As of March 31, 2016, 2017, and 2018, we had cash and cash equivalents of approximately HK\$192.5 million, approximately HK\$213.9 million, and approximately HK\$70.4 million, respectively. Taking into account of our existing cash and cash equivalents, anticipated cash flow from our operating activities, available bank loan facilities and the estimated net proceeds from the Global Offering, our Directors are satisfied, after due and careful inquiry, that we have sufficient working capital available to satisfy our liquidity requirements for at least 12 months following the date of this prospectus.

The decrease of cash and cash equivalents from the year ended March 31, 2017 to the year ended March 31, 2018 was primarily due to increase of trade and other receivables because of different timing of the auctions held. In 2017, our Spring Auction in Japan was held in February and most of the payments had been made by buyers prior to the end of our financial year. Whereas, in 2018, our Spring Auction in Japan was held in late March, whereby many of the payments were not made prior to the end of the financial year. As a result, there is an increase of trade and other receivables for the year ended March 31, 2018, which resulted in the decrease of cash and cash equivalent for the same financial year as compared to the year ended March 31, 2017.

In addition, the operating cash outflow for the year ended March 31, 2018 was also because of the increase of input value-added tax recoverable from approximately HK\$141,000 as at March 31, 2017 to approximately HK\$23.3 million as at March 31, 2018 primarily due to a tax sum required by the local tax authority in Japan when we delivered certain auction items from Tokyo to Kyoto for a preview exhibition for the year ended March 31, 2018. This amount has already been recovered from the relevant local tax authority upon completion of the preview exhibition and return of the auction items to Tokyo in May 2018.

Besides, in order to rationalize our Group's structure in preparation for the Listing, we acquired TCA Japan for approximately HK\$45.3 million during the year ended March 31, 2018. For more details, please refer to "History, Reorganization and Corporate Structure".

FINANCIAL INFORMATION

NET CURRENT ASSETS

The following table sets forth the breakdown of our net current assets as of the dates indicated below:

	As of March 31,			(unaudited) As of July 31,
	2016	2017	2018	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Current Assets				
Inventories	21,442	13,758	23,050	21,732
Trade and other receivables	71,541	106,112	423,661	42,655
Deposits and prepayments	3,374	1,088	7,187	12,863
Amounts due from a related company	2,070	13,899	14,716	–
Short term bank deposit	–	341	–	–
Cash and cash equivalents	192,486	213,863	70,382	112,022
Total current assets	290,913	349,061	538,996	189,272
Current Liabilities				
Trade and other payables and accruals	182,330	211,215	370,820	58,883
Amount due to the Controlling Shareholder	2,014	2,016	11,686	–
Amount due to a former director	1,000	1,000	1,000	–
Finance lease liabilities	296	507	467	426
Borrowings	23,575	21,708	43,972	19,306
Convertible notes	–	–	–	39,373
Current income tax liabilities	17,782	15,219	18,356	5,240
Total current liabilities	226,997	251,665	446,301	123,228
Net current assets	63,916	97,396	92,695	66,044

Our net current assets, being the difference between our total current assets and total current liabilities, remained positive during the Track Record Period. As of March 31, 2016, 2017, 2018 and July 31, 2018, we had net current assets of approximately HK\$63.9 million, approximately HK\$97.4 million, approximately HK\$92.7 million and approximately HK\$66.0 million, respectively.

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Between the years ended March 31, 2016 and 2017, our net current assets increased from approximately HK\$63.9 million to approximately HK\$97.4 million primarily due to (i) increase of trade and other receivables from approximately HK\$71.5 million to approximately HK\$106.1 million, (ii) increase in amounts due from a related company from approximately HK\$2.1 million to approximately HK\$13.9 million, and (iii) increase in cash and bank balances from approximately HK\$192.5 million to approximately HK\$213.9 million, partially offset by increase in trade and other payables from approximately HK\$182.3 million to approximately HK\$211.2 million.

Between the years ended March 31, 2017 and 2018, our net current assets decreased from approximately HK\$97.4 million to approximately HK\$92.7 million primarily due to (i) the increase in trade and other payables from approximately HK\$211.2 million to approximately HK\$370.8 million, (ii) increase in amount due to controlling shareholder from approximately HK\$2.0 million to approximately HK\$11.7 million, (iii) increase in borrowings from approximately HK\$21.7 million to approximately HK\$44.0 million, and (iv) decrease in cash and bank balances from approximately HK\$213.9 million to approximately HK\$70.4 million, partially offset by (a) increase in inventories from approximately HK\$13.8 million to approximately HK\$23.1 million, (b) increase in trade and other receivables of approximately HK\$106.1 million to approximately HK\$423.7 million, and (c) increase in deposits and prepayments of approximately HK\$1.1 million to approximately HK\$7.2 million.

DESCRIPTION OF CERTAIN ITEMS IN THE CONSOLIDATED BALANCE SHEETS

Property, Plant And Equipment

The following table sets forth our property, plant and equipment as of the dates indicated:

	As of March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Property, plant and equipment	<u>8,600</u>	<u>9,542</u>	<u>13,400</u>

Property, plant and equipment mainly included freehold land, building, leasehold improvement, furniture, fixtures and office equipment, motor vehicles and construction in progress. Our property, plant and equipment consecutively increased during the Track Record Period, primarily due to (i) acquisition of Awaji Property for the year ended March 31, 2016, (ii) renovation of our Awaji Property for the year ended March 31, 2017, and (iii) renovation of our Hong Kong office for the year ended March 31, 2018, which were partly offset by depreciation charges.

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Inventories

During the Track Record Period, our inventories primarily consist of artworks we purchased from art auctions or through private sales in Hong Kong, Japan and overseas markets which we believe have appreciation potential and resell them through private sales to make profit. Artworks in our inventory include Chinese paintings and calligraphies, Chinese antiques and others. The following table sets forth a summary of our total value of inventories as of the dates indicated:

	As of March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Chinese paintings and calligraphies	5,949	2,362	4,589
Chinese antiques	13,611	10,005	16,988
Others	1,882	1,391	1,473
Total	21,442	13,758	23,050

Our inventories decreased by 35.8% from approximately HK\$21.4 million as of March 31, 2016 to approximately HK\$13.8 million as of March 31, 2017, primarily due to the increase of number of artworks sold for the year ended March 31, 2017.

Our inventories increased by 67.5% from approximately HK\$13.8 million as of March 31, 2017 to approximately HK\$23.1 million as of March 31, 2018, primarily due to the increase of artworks purchased for resale for the year ended March 31, 2018.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended March 31,		
	2016	2017	2018
Average inventory turnover days ^(note)	1,826	681	824

Note:

The average inventory turnover days for a year is the average of opening and closing inventory balances divided by costs of sales of goods for that year and multiplied by 365 days.

The high average inventory turnover days was primarily due to the business nature, where we source artworks that possess appreciation value to be held as inventories for resale. Between the years ended March 31, 2016 and 2017, the average inventory turnover days decreased because there were more artworks sold for the year ended March 31, 2017. Whereas, between the years ended March 31, 2017 and 2018, the average inventory turnover days increased because there were fewer artworks sold and more artworks were purchased.

During the Track Record Period, we have not made provisions to our inventory.

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As of the Latest Practicable Date, we have not made any subsequent sale of artworks out of the total inventory value as of March 31, 2018.

Our inventories are stated at the lower of cost and net realizable value. We appointed external experts to review the net realizable value of these inventories to determine if there is any impairment indicator. The external experts determined the net realizable values of the inventories held by the Group by physical examination to ensure that the inventories are at sound condition. The experts appointed also compared the costs of the inventories held to the market values of similar transactions in the market and considered the respective supply and demand as well as current economic environment. Reversal of impairment losses is determined by management's latest assessment of net realizable value with reference to valuations performed by external experts versus carrying amount of the inventory item, of which reversal is made up to the original cost of the inventory. During the Track Record Period, all inventories are stated at cost and no impairment loss has been recognized nor reversed after proper assessment performed.

We generally purchases artworks through auctions or sourcing through individual collector or industry players, which depends on the potential of value appreciation, marketability, history and availability of similar artworks in the market.

In order to ensure that our inventory is sold at expected margins, we monitor closely the artwork market through organising and/or participating in various artworks exhibition and auction held by us or others, and liaising with customers by holding and/or participating special exhibition events held by us or others. Through conducting such activities, we are able to understand the artworks trend and customers' preference and once there are demands of our inventories with favorable margin, we will sell them to the customers.

Trade and other receivables, deposits and prepayments

As of March 31, 2016, 2017 and 2018, our trade and other receivables were approximately HK\$71.5 million, HK\$106.1 million, and HK\$423.7 million, respectively. The following table sets forth the breakdown of our trade and other receivables, as of the dates indicated:

	Year ended March 31,		
	2016	2017	2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Trade receivables	7,485	10,896	45,979
Less: provision for bad and doubtful debts	<u>(42)</u>	<u>(198)</u>	<u>(202)</u>
Trade receivables — net	<u>7,443</u>	<u>10,698</u>	<u>45,777</u>
Other receivables			
– Receivables from buyers in respect of auction and related business	56,012	95,269	338,395
– Consignor advance	7,589	–	15,151
– Input value-added tax recoverable	427	141	23,257
– Others	<u>70</u>	<u>4</u>	<u>1,081</u>
	<u>71,541</u>	<u>106,112</u>	<u>423,661</u>

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During the Track Record Period, our trade receivables mainly included buyer's commission receivables. Seller's commission receivables would be directly offset against payables to sellers in respect of auction and related business. Trade receivables increased by 43.7% from approximately HK\$7.4 million as of March 31, 2016 to approximately HK\$10.7 million as of March 31, 2017, primarily due to increase of revenue of the art auction and related business segment. Trade receivables increased by 327.9% from approximately HK\$10.7 million as of March 31, 2017 to approximately HK\$45.8 million as of March 31, 2018, primarily due to the different timing of the Spring Auctions in Japan held for the year ended March 31, 2017 and 2018, respectively and an outstanding commission from the buyer who was involved in the auction item of a premium Chinese painting as discussed in below.

For the year ended March 31, 2017, our Spring Auction in Japan was held in February and most of the trade receivables had been settled prior to the end of our financial year. Whereas, for the year ended March 31, 2018, our Spring Auction in Japan was held in late March, whereby many of the payments were not received prior to the end of the financial year. As a result, there was an increase of trade receivables for the year ended March 31, 2018. During the Autumn Auction held in November 2017, after intensive competitions of more than 70 bidding from various bidders, we have successfully sold a premium Chinese painting with a high hammer price. As of March 31, 2018, the relevant outstanding trade receivables and receivables from buyers in respect of auction and related business for this auction item represented approximately 32.8% of our total trade receivable and approximately 44.6% of our receivables from buyers in respect of auction and related business, respectively, which contributed significant increase in these balances from March 31, 2017 to March 31, 2018. Considering that we have received the entire amount for this transaction and the relevant trade receivable has been fully settled subsequently, the Directors consider that no provision allowance is necessary for the relevant outstanding trade receivables.

The credit period of 7 days is for commission receivables and 30 days for receivables from artwork sales. The aging analysis of trade receivables based on invoice date, before provision for impairment, as at March 31, 2016, 2017 and 2018, was as follows:

	As at March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Trade receivables — gross			
– Within 30 days	704	730	21,597
– 1 to 3 months	4,182	6,431	–
– 3 to 6 months	4	1,190	20,243
– 6 to 12 months	1,833	10	2,667
– Over 1 year	762	2,535	1,472
	7,485	10,896	45,979

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As at March 31, 2016, 2017 and 2018, trade receivables of approximately HK\$7.4 million, HK\$10.7 million and HK\$45.8 million respectively, were past due but not impaired. Based on the past experience, the Directors believe that no impairment allowance is necessary in respect of these balances as there is no significant change in their credit quality and the balances are considered fully recoverable. These trade receivables relate to a number of debtors for whom there is no recent history of default in payment. The aging analysis of these trade receivables and receivables past due but not impaired at respective balance sheet dates is as follows:

	As at March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Trade receivables — gross			
– Within 30 days	4,886	7,161	21,597
– 1 to 3 months	–	–	–
– 3 to 6 months	4	1,190	20,243
– 6 to 12 months	1,833	10	2,667
Over 1 year	720	2,337	1,270
	7,443	10,698	45,777

Movements on the Group's provision for impairment of trade receivables from buyers in respect of auction business are as follows:

	As at March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
At beginning of the year	5	42	198
Provision for doubtful debts	243	162	527
Write-off	(209)	–	(512)
Exchange differences	3	(6)	(11)
At end of the year	42	198	202

FINANCIAL INFORMATION

The following table sets forth our average trade receivables turnover days for the periods indicated:

	Year ended March 31,		
	2016	2017	2018
Average trade receivables turnover days ^(note)	<u>19</u>	<u>23</u>	<u>60</u>

Note:

The average trade receivables turnover days for a year is the average of opening and closing gross trade receivables balances divided by revenue for that year and multiplied by 365 days.

In general, the credit period granted to our buyers is seven days for commission receivable. However, in some cases, we would grant a longer period to buyers who have long-term business relationships with us. Between the year ended March 31, 2016 and the year ended March 31, 2017 the average trade receivables turnover days increased from 19 days to 23 days primarily due to some long outstanding balances with certain buyers. Between the year ended March 31, 2017 and the year ended March 31, 2018, the average trade receivable turnover days further increased from 23 days to 60 days primarily due to the increase in trade receivables as of March 31, 2018 as explained above.

At the Latest Practicable Date, the subsequent settlement of our trade receivables was approximately HK\$45.6 million, representing 99.1% of the trade receivables as of March 31, 2018.

At the Latest Practicable Date, the subsequent settlement of our other receivables from buyers in respect of the art auction and related business segment was approximately HK\$335.7 million, representing 99.2% of the balance as of March 31, 2018.

During the Track Record Period, receivables from buyers in respect of the art auction and related business segment represented the outstanding hammer price of the auction articles that the Group was obliged to collect from buyers on behalf of sellers. On the other hand, payables to sellers in respect of auction and related business represented the purchase price of auction articles received on behalf of sellers less seller commissions and other auction related revenue. Due to the nature of the auction business, we are obliged to collect the hammer price from buyers and remit the net proceeds after deducting the relevant commission and fees to seller. Therefore, upon completion of auction sale and before the buyers making any payment, we recognize receivables from buyers in respect of auction and related business and payables to sellers in respect of auction and related business, as our asset and liability respectively. However, we are not obligated to pay the seller for the auction lots that have not been paid for by the buyer. If a buyer defaults on payment, the sale may be canceled, and we do not need to settle the payables to sellers in respect of auction and related business.

The increase of approximately HK\$243.1 million in the receivables from buyers in respect of auction and related business from HK\$95.3 million as of March 31, 2017 to HK\$338.4 million as of March 31, 2018, was mainly attributable to the different timing of the auctions and the outstanding balance in relation to the auction of a premium Chinese painting with a high hammer price as discussed above. This amount increased from approximately HK\$56.0 million for the year ended March 31, 2016 to approximately HK\$95.3 million for the year ended March 31, 2017 was primarily due to the delay in settlement from certain buyers.

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During the Track Record Period, consignor advance represented the amount, which depends on the value of the article and is generally determined through negotiation between us and the consignors, paid to a total of three separate consignors in Hong Kong and Japan in advance of their auction article(s) being auctioned. For further details, please refer to the section headed “Business — Our Business — Art Auction And Related Business Segment — Consignor Advances”.

During the Track Record Period, apart from receivables from buyers in respect of auction business and consignor advances, other receivables mainly included input value-added tax. Between the year ended March 31, 2017 and the year ended March 31, 2018, the input value-added tax recoverable increased significantly from approximately HK\$141,000 to approximately HK\$23.3 million primarily due to a tax sum required by the local tax authority in Japan when we delivered certain auction items from Tokyo to Kyoto for a preview exhibition for the year ended March 31, 2018. This amount has already been recovered from the relevant local tax authority upon completion of the preview exhibition and return of the auction items to Tokyo in May 2018.

The increase in others under other receivables as of March 31, 2018 was due to the prepayment of HK\$1.0 million for purchasing artworks.

As of March 31, 2016, 2017 and 2018, our deposits and prepayments were approximately HK\$16.5 million, HK\$13.9 million and HK\$23.7 million, respectively. The following table sets forth the breakdown of our deposits and repayments as of the dates indicated:

	Year ended March 31,		
	2016	2017	2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Deposits and prepayments	<u>16,488</u>	<u>13,939</u>	<u>23,693</u>
Less: Non-current portion:			
Rental and other deposits	(2,892)	(2,993)	(4,236)
Key management life insurance contracts	<u>(10,222)</u>	<u>(9,858)</u>	<u>(12,270)</u>
Current portion	<u>3,374</u>	<u>1,088</u>	<u>7,187</u>

Between the year ended March 31, 2016 and the year ended March 31, 2017, deposits and prepayments decreased from approximately HK\$16.5 million to approximately HK\$13.9 million primarily due to the decrease in prepaid auction venue rent of approximately HK\$2.0 million as our auction in Japan was held in February 2017 and such prepayment had been settled before our financial year end. Whereas, between the year ended March 31, 2017 and the year ended March 31, 2018, deposits and prepayments increased from approximately HK\$13.9 million to approximately HK\$23.7 million primarily due to (i) prepaid listing expenses of approximately HK\$2.1 million, (ii) increase of rental deposits of approximately HK\$1.3 million, (iii) increase of prepaid auction venue rent of approximately HK\$2.2 million, and (iv) increase of key management life insurance contracts of approximately HK\$2.4 million.

FINANCIAL INFORMATION

Trade and other payables and accruals

The following table sets forth the breakdown of our trade and other payables and accruals as of the dates indicated:

	As at March 31,		
	2016	2017	2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Trade payables	6,371	4,638	4,637
Payables to sellers in respect of auction and related business	167,723	192,942	348,035
Deposits received, other payables and accruals	<u>12,354</u>	<u>18,613</u>	<u>24,297</u>
	<u>186,448</u>	<u>216,193</u>	<u>376,969</u>
Less: Non-current portion:			
Other payable	(4,118)	(4,978)	(6,149)
Current portion	<u>182,330</u>	<u>211,215</u>	<u>370,820</u>

During the Track Record Period, trade payables represented obligation to pay for services from suppliers in the ordinary course of business, mainly includes payables of rental fees for the venue for art auction.

During the Track Record Period, payables to sellers in respect of the art auction and related business segment represented the purchase price of auction articles payable to sellers net of the seller's commission receivables, which increased significantly between the year ended March 31, 2017 and the year ended March 31, 2018 primarily due to the outstanding purchase price of the premium Chinese painting as discussed above and different timing of the auctions held as discussed above.

During the Track Record Period, the non-current other payable represents employee benefit payable arising from two key management life insurance contracts entered into by TCA Japan for Mr. Ando as the beneficiary with maturities in 2023. The benefits from these contracts therefore constitute part of the remuneration package of Mr. Ando. The expected benefits payable to Mr. Ando upon maturity of these two key management life insurance contracts were recognised as staff welfare and other benefits in employee benefit expenses on straight-line basis over the contractual period. The obligations to pay for such employee benefits relating to these contracts were recorded in non-current other payable based on applicable foreign exchange rate as at the end of each applicable reporting period since they will be settled after 12 months from the balance sheet date. Upon contractual maturities of these key management life insurance contracts, the obligations on such employee benefits will be settled by the benefits from these insurance contracts.

Deposits received, other payables and accruals mainly included (i) auctions deposits received, (ii) accrued expenses primarily comprised of listing expenses, and (iii) other payables such as employee benefits payable, bank charge payable, commission payable, withholding salaries tax payable and commission payable.

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

	As at March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Within 30 days	<u>6,371</u>	<u>4,638</u>	<u>4,637</u>

The following table sets forth our average trade payables turnover days for the years indicated:

	As of March 31,		
	2016	2017	2018
Average trade payables turnover days ^(note)	<u>49</u>	<u>64</u>	<u>52</u>

Note:

The average trade payables turnover days for a year is the average of opening and closing gross trade payables balances divided by costs of services based on the art auction and related business segment only for that year and multiplied by 365 days.

During the Track Record Period, our average trade payables turnover days ranged from 49 days to 64 days. The relatively high average trade payables turnover days as of March 31, 2017 was mainly because there was a higher trade payables balance as of March 31, 2016.

At the Latest Practicable Date, our trade payables as of March 31, 2018 had been fully settled.

Current Income Tax Liabilities

During the Track Record Period, our income tax liabilities decreased from approximately HK\$17.8 million for the year ended March 31, 2016, to approximately HK\$15.2 million for the year ended March 31, 2017 and then increased to approximately HK\$18.4 million for the year ended March 31, 2018.

The difference between the income tax liabilities and actual tax payment during the Track Record Period was resulted from the difference between the Group's financial year (which covers April 1 to March 31 every year) and that of the tax assessment year adopted by TCA Japan (which covers September 1 to August 31 every year). Under the tax assessment year adopted by TCA Japan, tax return on assessable profits from September to August would normally be filed in September or October and the tax liability would be fully settled by October every year.

TCA Japan usually holds its auctions in September and March with the profits recorded in the respective months and it records losses in other months for the expenses incurred.

Since the tax obligations based on the tax assessment year (i.e. September to August) was already settled in October, the accrued tax liability as at March 31 each year as recorded in the Group's balance sheets based on the Group's financial year (i.e. April to March) would comprise of TCA Japan's tax arising from assessable profits between September to March (which usually included profits of the two auctions held by TCA Japan every year). As a result, during the Track Record Period, profits tax payable as at March 31 each year was higher than the actual tax paid in subsequent months, as TCA Japan's loss from April to August for each year would have been utilised to offset profits in September to March of the preceding financial year.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

It is the view of our Directors that each of the related party transactions set out in note 30 to the Accountants' Report in Appendix I to this prospectus were conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties. Certain of the related party transactions set out in note 30 to the Accountants' Report in Appendix I to this prospectus will continue after the Listing. For more details, please see the section headed "Continuing Connected Transaction" in this prospectus.

As of the Latest Practicable Date, all related party balances have been settled.

As of the Latest Practicable Date, all guarantees provided by our related parties have been released and the agency commission charged by Bai Sheng Co., Ltd. has been ceased.

CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period primarily comprised of expenditures on property, plant and equipment and intangible assets, which amounted to approximately HK\$5.1 million, approximately HK\$2.6 million and approximately HK\$5.4 million for the years ended March 31, 2016, 2017 and 2018, respectively.

CAPITAL COMMITMENTS

There is no capital commitments at each balance sheet dates.

OPERATING LEASE COMMITMENTS

We lease various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of March 31,		
	2016	2017	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)
No later than 1 year	5,214	4,659	7,975
Later than 1 year and no later than 2 years	4,340	—	7,104
Later than 2 years and no later than 5 years	—	—	2,324
Total	9,554	4,659	17,403

FINANCIAL INFORMATION

INDEBTEDNESS

Borrowings and Finance Lease Liabilities

The following table sets forth the breakdown of our borrowings and finance lease liabilities:

	As at March 31,			(unaudited)
				As at
				July 31,
	2016	2017	2018	2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Non-current				
Bank borrowings	7,336	6,304	4,093	2,058
Finance lease liabilities	647	1,191	793	630
	<u>7,983</u>	<u>7,495</u>	<u>4,886</u>	<u>2,688</u>
Current				
Bank borrowings	22,075	21,708	43,972	19,306
Finance lease liabilities	296	507	467	426
Convertible notes	—	—	—	39,373
Loan payable to a third party	1,500	—	—	—
	<u>23,871</u>	<u>22,215</u>	<u>44,439</u>	<u>59,105</u>
Total borrowings	<u>31,854</u>	<u>29,710</u>	<u>49,325</u>	<u>61,793</u>

Bank borrowings

As at March 31, 2016, 2017, 2018 and July 31, 2018, all the bank borrowings were denominated in JPY.

As at March 31, 2016, 2017 and 2018, our bank borrowings were guaranteed by (i) personal guarantee from Mr. Ando, (ii) corporate guarantee from a related party, and (iii) third party corporate guarantee. As at the Latest Practicable Date, all guarantees provided by our related parties and third party have been released. As at July 31, 2018, all our bank borrowings were unsecured banking facilities and, as at the Latest Practicable Date, all banking facilities had been utilized.

The effective interest rates of bank borrowings as at March 31, 2016, 2017, 2018 and July 31, 2018 were 1.7% to 2.5%, 1.5% to 2.4%, 0.8% to 2.4% and 0.5% to 0.8%, respectively.

FINANCIAL INFORMATION

Our bank borrowings are repayable as follows:

	As at March 31,			(unaudited) As at July 31,
	2016	2017	2018	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Within 1 year	22,075	21,708	43,972	19,306
Between 1 and 2 years	3,504	2,438	1,462	1,176
Between 2 and 5 years	2,973	3,498	2,631	882
Over 5 years	859	368	—	—
	<u>29,411</u>	<u>28,012</u>	<u>48,065</u>	<u>21,364</u>

Bank borrowings between the year ended March 31, 2017 and the year ended March 31, 2018 increased from approximately HK\$28.0 million to approximately HK\$48.1 million because we have entered into two bank borrowings that are repayable within one year for the year ended March 31, 2018.

Finance lease liabilities

Gross finance lease liabilities — minimum lease payments

	As at March 31,			(unaudited) As at July 31,
	2016	2017	2018	2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
No later than 1 year	329	548	492	446
Later than 1 year and no later than 5 years	<u>705</u>	<u>1,250</u>	<u>811</u>	<u>642</u>
	1,034	1,798	1,303	1,088
Future finance charges on finance leases	<u>(91)</u>	<u>(100)</u>	<u>(43)</u>	<u>(32)</u>
Present value of financial lease liabilities	<u>943</u>	<u>1,698</u>	<u>1,260</u>	<u>1,056</u>

FINANCIAL INFORMATION

The present value of finance lease liabilities are as follows:

	As at March 31,			(unaudited)
	2016	2017	2018	As at
	(HK\$'000)	(HK\$'000)	(HK\$'000)	July 31,
No later than 1 year	296	507	467	426
Later than 1 year and no later than 5 years	<u>647</u>	<u>1,191</u>	<u>793</u>	<u>630</u>
	<u>943</u>	<u>1,698</u>	<u>1,260</u>	<u>1,056</u>

As at March 31, 2016, 2017, 2018 and July 31, 2018, the obligation under hire purchase contracts are secured by our motor vehicles with carrying values of approximately HK\$1.1 million, HK\$1.7 million, HK\$1.3 million and HK\$1.1 million, respectively. The rights to the leased asset are reverted to the lessors in the event of default of the lease liabilities by us.

Convertible notes

As of July 31, 2018, the convertible notes had fair value of approximately HK\$39.4 million. For further information regarding the convertible notes, please refer to the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments”.

Loan payable to a third party

The loan balance was unsecured, interest bearing at 1% per annum, denominated in HK\$ and repayable within 1 year.

Balances with related parties

As at March 31, 2016, 2017 and 2018, balances due from a related company were non-trade in nature, unsecured, bore interest at 1% per annum, denominated in JPY, and repayable on demand.

	As at March 31,			(unaudited)
	2016	2017	2018	As at
	(HK\$'000)	(HK\$'000)	(HK\$'000)	July 31,
Amount due to the Controlling Shareholder				
– Mr. Ando	<u>2,014</u>	<u>2,016</u>	<u>11,686</u>	–
Amount due to a former director				
– Mr. Feng Heqing	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	–

FINANCIAL INFORMATION

As at 31 March 2016 and 2017, amounts due to the Controlling Shareholder and a former director were non-trade in nature, unsecured, interest-free, denominated in HK\$ and JPY, and repayable on demand.

As at 31 March 2018, amount due to the Controlling Shareholder include loan balance of HK\$10,046,000 which was non-trade in nature, unsecured, bore interest at 1% per annum, denominated in HK\$, and repayable within one year. Remaining balances due to the Controlling Shareholder and a former director were non-trade in nature, unsecured, interest-free, denominated in HK\$, and repayable on demand.

Statement of Indebtedness

As of July 31, 2018, being the latest practicable date, for the purpose of this indebtedness statement, save as disclosed in the subsection entitled “— Borrowings and Finance Lease Liabilities” in this section, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities. Since July 31, 2018, there has been no material adverse change in our indebtedness.

Contingent Liabilities

We had no material contingent liabilities outstanding as at March 31, 2016, 2017, 2018 and July 31, 2018.

LISTING EXPENSES

The listing expenses in connection with the Global Offering primarily consist of underwriting commission and professional fees and, assuming an Offer Price of HK\$1.605 per Share, being the mid-point of the proposed Offer Price range, are estimated to be HK\$35.1 million. During the Track Record Period, we incurred listing expenses of HK\$13.0 million, of which HK\$10.9 million was recognized in the consolidated income statement for the year ended March 31, 2018 and HK\$2.1 million was recognized as prepayments in the consolidated balance sheet as at March 31, 2018 which will be accounted for as a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect to further incur listing expenses of HK\$22.1 million prior to and upon completion of the Global Offering, of which (i) HK\$13.4 million is expected to be recognized as expenses in our consolidated income statement for the financial year ending March 31, 2019; and (ii) HK\$8.7 million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard. The actual amounts to be recognized to the consolidated income statement of our Group or to be capitalized are subject to adjustments based on audit and changes in variables and assumptions.

Prospective investors should note that our financial results for the year ending March 31, 2019 will be adversely affected by the non-recurring listing expenses described above, and may not be comparable to the financial performance of our Group in the past.

FINANCIAL INFORMATION

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

	As at March 31,		
	2016	2017	2018
Gross margin ⁽¹⁾	70.2%	72.4%	76.4%
Net profit margin ⁽²⁾	14.8%	21.9%	25.4%
Adjusted net profit margin before listing expenses ⁽³⁾	14.8%	21.9%	31.6%
Return on equity ⁽⁴⁾	32.9%	37.2%	43.6%
Return on assets ⁽⁵⁾	7.4%	9.4%	9.3%
Current ratio ⁽⁶⁾	1.3	1.4	1.2
Quick ratio ⁽⁷⁾	1.2	1.3	1.2
Gearing ratio ⁽⁸⁾	42.4%	27.6%	53.8%
Net debt to equity ratio ⁽⁹⁾	N/A	N/A	N/A
Interest coverage ⁽¹⁰⁾	142.2	156.9	233.9

Notes:

1. The calculation of gross margin is calculated by dividing gross profit by revenue and multiplying the resulting value by 100%.
2. The calculation of net profit margin is calculated by dividing net profit by revenue and multiplying the resulting value by 100%.
3. The calculation of adjusted net profit margin before listing expenses is calculated by dividing net profit before listing expenses by revenue and multiplying the resulting value by 100%.
4. The calculation of return on equity is calculated by dividing profit attributable to owners of the Company by average of the beginning and ending equity attributable to owners of the Company and multiplying the resulting value by 100%.
5. The calculation of return on assets is calculated by dividing net profit by average of the beginning and ending total assets and multiplying the resulting value by 100%.
6. The calculation of current ratio is calculated by dividing total current assets by total current liabilities.
7. The calculation of quick ratio is calculated by dividing current assets net of inventories by current liabilities.
8. The calculation of gearing ratio is calculated by dividing total interest-bearing debt by total equity and multiplying the resulting value by 100%.
9. The calculation of the net debt to equity ratio is calculated by dividing total interest-bearing debt net of cash and cash equivalents balances and bank deposits by total equity and multiplying the resulting value by 100%.
10. The calculation of the interest coverage is calculated by dividing profit before interest and tax by interest costs.

FINANCIAL INFORMATION

Return on equity

From the year ended March 31, 2016 to the year ended March 31, 2017, our return on equity increased from 32.9% to 37.2% and further increased to 43.6% for the year ended March 31, 2018, primarily because our profit attributable to owners of our Company increased as the reasons discussed above.

Return on assets

From the year ended March 31, 2016 to the year ended March 31, 2017, our return on assets increased because our net profit increased for the reasons discussed above. From the year ended March 31, 2017 to the year ended March 31, 2018, our return on assets remained stable.

Current ratio

From the year ended March 31, 2016 to the year ended March 31, 2018, our current ratio remained stable, ranging from 1.2 to 1.4.

Quick ratio

During the Track Record Period, our quick ratio remained stable.

Gearing ratio

From the year ended March 31, 2016 to the year ended March 31, 2017, our gearing ratio decreased because (i) our borrowings decreased, and (ii) our total equity increased. From the year ended March 31, 2017 to the year ended March 31, 2018, our gearing ratio increased because our borrowings increased.

Net debt to equity ratio

Net debt to equity ratio was not applicable during the Track Record Period because we were in net cash position.

Interest coverage

During the Track Record Period, our interest coverage increased because our operating profits increased.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Details of the risks to which we are exposed to are set out in note 3 to the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

DIVIDEND

No dividend has been paid or declared by us during the Track Record Period.

FINANCIAL INFORMATION

As of the Latest Practicable Date, we did not have any policy for any prescribed percentage of our after-tax profit to be declared as dividend. Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. The payment and the amount of any dividends, if paid, will depend on, among other things, our results of operations, cash flow, financial condition, operating and capital expenditure requirements, future prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Directors may deem relevant.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

DISTRIBUTABLE RESERVES

We had reserve available for distribution to the Shareholders amounting to approximately HK\$149.1 million as at March 31, 2018.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS PER SHARE

Please see the section “Unaudited pro forma financial information” in Appendix II of this prospectus for our unaudited pro forma adjusted net tangible assets per Share.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Our business model, operation, revenue structure and operating cost structure remained largely unchanged since March 31, 2018. The contribution by each business segment to our Group is in line with the historical record.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we launched our 2018 Spring Auction in Hong Kong, which was held in late May 2018, during which we offered 655 auction lots, out of which 375 were sold at an aggregate hammer price of approximately HK\$85.3 million. We launched our 2018 Autumn Auction in Japan, which was held in early September 2018, during which we offered 3,075 auction lots, out of which 1,691 were sold at an aggregate hammer price of approximately JPY2,224.8 million.

Subsequent to the Track Record Period, we expect to further incur listing expenses of HK\$22.1 million prior to and upon completion of the Global Offering, of which HK\$13.4 million is expected to be recognized as expenses in our consolidated income statement for the financial year ending March 31, 2019.

On April 24, 2018 and April 25, 2018, (i) our Company as issuer, (ii) the Pre-IPO Investors as investors, and (iii) Mr. Ando as guarantor entered into several subscription agreements for the subscription of the Convertible Notes in the total amount of approximately HK\$38.8 million for the benefit of long-term business development of our Group. For more details, please see the subsection headed “— Pre-IPO Investments” of this section and the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments” of this prospectus.

FINANCIAL INFORMATION

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, save for the listing expenses as disclosed above and possible fair value change of the Convertible Notes which will materially effect our financial results, including the results for the six months ending September 30, 2018, there has been no material adverse change in our financial position or prospects since March 31, 2018 and there is no event since March 31, 2018 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus. Our Directors consider that all information necessary for the public to make an informed assessment of the activities and financial position of our Group has been included in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING

Our business objective is to become one of the internationally well-known auction houses with Chinese and Japanese art auction business in the future. Our Directors believe that the Listing will facilitate the implementation of our business strategies as stated in the section headed “Business — Our strategies” in this prospectus and will strengthen our market position and expand our market share in the industry. To achieve this mission and carry out our strategies, our Directors consider that additional funding will be required after having taken consideration of (a) the forecasted continued growth in the Chinese and Japanese art auction market in Hong Kong and Japan as stated in the CIC Report; (b) our expansion into the field of contemporary artwork and jewelry; (c) devotion of more resources and enhancement of our efforts in marketing and promotional activities on major channels to further enhance brand reputation in light of the increasing competitive environment; (d) our needs to strengthen both the management and operation team by recruiting qualified talent to support sustainable growth; and (e) our cash and cash equivalent balance includes certain amount of hammer price received from the buyers which will be subsequently paid to the sellers.

Historically, we experienced net operating cash outflow of HK\$112.3 million and net cash outflow of HK\$148.6 million for the year ended March 31, 2018. In addition, whilst we experienced positive net operating cash inflow in the past, we cannot assure that we will not experience negative net operating cash flow in the future. Failure to obtain sufficient external financing to meet our financial needs would materially and adversely affect our business, financial conditions and results of operation if we experience negative net operating cash flow in the future. Notwithstanding, we had cash and cash equivalents of approximately HK\$112.0 million as of July 31, 2018, of which, (i) approximately HK\$38.8 million would be paid by us to the Pre-IPO Investors as our repayment of the aggregate principal amount of the Convertible Notes, if the Listing is not successfully completed; and (ii) approximately HK\$14.2 million cash held by the Group, being the difference between payables to sellers in respect of auction and related business and receivables from buyers in respect of auction and related business, was the hammer price of relevant sold artworks received from relevant buyers that will be subsequently paid to the sellers.

Taking into account the above and the following reasons, we consider our cash level is only sufficient for our Group’s current scale of operation, (i) we did not have any unutilized banking facility as at the Latest Practicable Date and it would be difficult for us to obtain bank financing with reasons explained in below paragraph; (ii) the total of our historical costs of services, selling and distribution expenses and administrative expenses amounted to approximately HK\$107.7 million, HK\$100.3 million and HK\$109.0 million for the three years ended March 31, 2018, respectively, and our current cash level is only sufficient for current scale of operations because there is mismatch in the timing of our cash inflow from customers and cash outflow giving the fact that (a) we would normally have cash inflow in the months that an auction is held which is around Spring and Autumn every year while the selling and distribution expenses and administrative expenses would be incurred in every single month throughout the year; and (b) we are normally required to settle majority of our expenses to our suppliers prior to the auction held while our commissions would be settled in subsequent months; (iii) we had borrowings of approximately HK\$19.3 million as of July 31, 2018, which would be due in next twelve months and would be settled by our general working capital; and (iv) while we take prudent approach in purchase artworks for resale, we reserve cash for acquiring appealing artworks with high appreciation value. Therefore, our Directors consider it is necessary to carefully manage our cash resources and to maintain our existing cash on hand to support the working capital requirements of our daily operation.

FUTURE PLANS AND USE OF PROCEEDS

In addition, it would be difficult for us to utilize our existing internal cash inflow generating from our revenue to fund any further expansion plans and external funding (including equity financing) is essential in supporting our business growth and expansion. Our Directors are of the view that since it may take a longer period of time to generate additional cash internally, the flexibility of being able to use a wider range of financing sources will benefit our Group and will enable us to implement any future expansion plans as set out in the paragraph headed “Business — Strategies” and “Future Plans and Use of Proceeds” more readily and in a timely manner.

The Listing will therefore provide funds for our operation and business expansion. We have considered debt financing from banks to fund our future plans from time to time, however, as our Group is mainly engaged in provision of auction related services and does not have large amount of fixed assets, we do not have a lot of chargeable assets as securities, which makes it difficult for us to obtain banking facilities. In addition, we expect that the low interest rate for banking facilities will not persist, and thus, if we opt to fund our future plans mainly by way of obtaining banking facilities, we would be exposed to the risk of bearing higher interest rates. In addition, our Directors also take into account the fact that equity financing does not need to be repaid and attached with fixed costs while bank borrowing does, therefore, solely debt financing would not be an optimal choice to support our long-term business growth. A combination of equity financing and debt financing will be more beneficial to our Group as it can maximise the return for our Shareholders. In order to obtain additional funding while minimising interest expenses, our Directors believe that the net proceeds from the Global Offering will provide us with the necessary additional financial resources, which is interest-free, to achieve our business strategies. Furthermore, with the additional fund raising from the Global Offering, we can maintain the flexibility of our operation as well as sufficient cash for potential dividend distribution in future which we believe is for the benefit of our Group and our Shareholders.

In addition, our Directors believe that the Listing is beneficial to our Company and our Shareholders as a whole because of the following reasons:

- (i) as part of our branding strategy, by way of the Global Offering, our corporate image and status would be elevated. Upon completion of the Global Offering and with the future development as mentioned in the sections headed “Business — Strategies” and “Future Plans and Use of Proceeds” of prospectus, our brand would be more visible with greater penetration in the Chinese and Japanese artwork auction market in Hong Kong and Japan. We believe we would be able to attract new business opportunities with potential consignors and buyers, which can benefit our business operations and income;
- (ii) fund raising by way of the Global Offering can minimise our financing costs. Through the Listing, we could establish an efficient and sustainable fund-raising platform, thereby enabling us to gain direct access to the capital market for the choices of equity and/or debt financing to fund our existing operations and future expansion, which could be instrumental to our expansion and improving our operating and financial performance for maximising Shareholders’ return;
- (iii) through Listing, we can also broaden our shareholder base and enhance our access to capital for future growth with opportunities to raise fund not only at Listing but also at a later stage;

FUTURE PLANS AND USE OF PROCEEDS

- (iv) the Listing provides an efficient means to reflect the true values of our Group and provides the Shareholders an opportunity to realise the value of their investment in the Shares through a public equity capital market; and
- (v) Our Directors consider that people are an important asset to our business and it is important for us to attract, recruit, keep and retain sufficient and quality management personnel and employees. Our Directors believe that our ability to offer an equity-based incentive program after the Listing will help us achieve such goal. We have already established the Share Option Scheme for our employees. Please see the section headed “Other Information — 15. Share Option Scheme” in Appendix IV of this prospectus for a summary of principal terms of the scheme.

FUTURE PLANS

We strive to become one of the internationally well-known auction houses with Chinese and Japanese art auction business in the future. Please see the section headed “Business — Strategies” of this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to our Company from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering payable by us and assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$1.605 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus) will be approximately HK\$119.8 million. We currently intend to apply such net proceeds for the following purposes:

- a. approximately 57.0%, or HK\$68.2 million, will be used for strengthening and expanding our existing auction business. The intended allocation of this portion of the net proceeds is primarily as follows:

Intended Applications	Percentage of Proceeds
i. HK\$5.8 million and HK\$1.4 million to set up new representative offices in Beijing and California respectively as part of our effort to expand in the global artwork auction markets so as to enable us to extend our business network and geographical presence in other cities with developed markets. As a result, we can expand our sourcing channel to acquire more high quality Chinese artworks and attract more potential international customers to attend our auctions;	6.0% or HK\$7.2 million

FUTURE PLANS AND USE OF PROCEEDS

Intended Applications	Percentage of Proceeds
<p>ii. to increase the number of sourcing activities in major Asian cities including:</p> <p>(a) HK\$1.5 million to hold a total of four sourcing events with no more than two sourcing events annually in Taiwan;</p> <p>(b) HK\$1.9 million to hold a total of five sourcing events with no more than two sourcing events annually in Hong Kong;</p> <p>(c) HK\$0.8 million to hold a total of two sourcing events with no more than one sourcing event annually in Malaysia;</p> <p>(d) HK\$0.8 million to hold a total of two sourcing events with no more than one sourcing event annually in Singapore;</p> <p>(e) HK\$2.7 million to hold a total of seven sourcing events with no more than three sourcing events annually in Japan; and</p> <p>(f) HK\$0.7 million to hold a total of two artwork special exhibitions or tea ceremony focusing on exhibition of tea wares and tea tasting and appreciation and small-scale appraisal fairs.</p>	<p>7.0% or HK\$8.4 million</p>
<p>iii. to increase the number of preview exhibitions, including:</p> <p>(a) HK\$2.9 million to hold a total of six preview exhibitions with no more than two preview exhibitions annually in Shanghai;</p> <p>(b) HK\$2.1 million to hold a total of four preview exhibitions with no more than two preview exhibitions annually in Beijing;</p> <p>(c) HK\$1.0 million to hold a total of four preview exhibitions with no more than two preview exhibitions annually in Xiamen;</p> <p>(d) HK\$1.1 million to hold a total of four preview exhibitions with no more than two preview exhibitions annually in Taiwan;</p> <p>(e) HK\$0.4 million to hold a total of four preview exhibitions with no more than two preview exhibitions annually in Hong Kong; and</p> <p>(f) HK\$0.3 million to engage external consultants to issue market feasibility study report for the Group's reference in organizing such exhibitions in the targeted markets.</p>	<p>6.5% or HK\$7.8 million</p>

FUTURE PLANS AND USE OF PROCEEDS

Intended Applications	Percentage of Proceeds
iv. holding events featuring cultural exchange, small-scale events and activities for premium customers; and	2.5% or HK\$3.0 million
<p>For further details for our future plans with respect to (i), (ii), (iii) and (iv) above, please see sections headed “Business — Strategies — Further strengthening our market position and market share in the Chinese and Japanese art auction market in Hong Kong and Japan, and enhance our brand recognition and awareness” and “Business — Strategies — 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” in this prospectus.</p>	
v. expanding our auction business scope to include contemporary artwork and jewelry. In line with our expansion of business scope to include such artworks, in respect of contemporary artwork, we plan to spend:	35.0% or HK\$41.8 million
(a) HK\$4.7 million to set up a department of contemporary artwork in or around the third quarter of 2018 (i.e. October to December 2018) mainly through (a) recruiting one manager with eight years or above work experience in contemporary art appreciation, sourcing, auction and related fields and with related academic background in art, art history, etc. and with a strong network and connection with customers, collectors and potential sellers in the contemporary art industry, who will be in charge of such department and responsible for sourcing and authenticating the artworks, and (b) three other employees who will be mainly responsible for (i) maintaining customer relationship (including answering enquiries from customers), (ii) assisting in catalog production such as providing artwork description, and (iii) assisting in organizing and executing marketing events. The salaries of the manager and the three other employees incurred during the three years ending March 31, 2021 would be covered by the proceeds; and	
(b) HK\$16.2 million to add extra sessions in our auctions to be held in Japan and Hong Kong. We intend to hold one session for the first year, two sessions in the second year and one session in the third year in Hong Kong after the Listing. For our auctions to be held in Japan, we intend to hold one session in the second year after the Listing. Each extra session is estimated to cost approximately HK\$3 million to HK\$4 million, which includes venue rental, decoration expenses, catalog production fees and others;	

FUTURE PLANS AND USE OF PROCEEDS

Intended Applications	Percentage of Proceeds
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in respect of jewelry, we plan to spend:

- (a) HK\$4.7 million to set up a department of jewelry in or around the third quarter of 2018 (i.e. October to December 2018) mainly through recruiting (a) one manager with approximately eight years or above work experience in jewelry appreciation, sourcing, auction and related fields and with related academic background in art, art history, etc. and with a strong network and connection with customers, collectors and potential sellers in the jewelry industry, who will be in charge of such department and responsible for sourcing and authenticating the artworks, and (b) three other employees who will be mainly responsible for (i) maintaining customer relationship (including answering enquiries from customers), (ii) assisting in catalog production such as providing jewelry description, and (iii) assisting in organizing and executing marketing events. The salaries of the manager and the three other employees incurred during the three years ending March 31, 2021 would be covered by the proceeds; and

- (b) HK\$16.2 million to add extra sessions in our auctions to be held in Japan and Hong Kong. We intend to hold one session for the first year, two sessions in the second year and one session in the third year in Hong Kong after the Listing. For our auctions to be held in Japan, we intend to hold one session in the second year after the Listing. Each extra session is estimated to cost approximately HK\$3 million to HK\$4 million, which includes venue rental, decoration expenses, catalog production fees and others.

Please see section headed “Business — Strategies — Diversifying our business scope by venturing into the field of contemporary artwork and jewelry” in this prospectus for more details.

- b. approximately 20.0%, or HK\$24.0 million, will be used for enhancing our marketing and promotional activities on major channels to enhance brand reputation. We plan to spend:
 - (a) HK\$5.0 million to increase publicity on social platforms such as Facebook and Wechat with the assistance of an external digital marketing specialist and add more online advertisements in search engines such as Google and Yahoo;

FUTURE PLANS AND USE OF PROCEEDS

- (b) HK\$6.2 million to co-organize artwork or jewellery events/exhibitions with jewellery brands and galleries with contemporary artwork to further expand our customer base of all types of artworks. As of the Latest Practicable Date, we did not identify any specific jewelry brands and galleries with contemporary artwork to cooperate with for such events/exhibitions. In selecting co-organizers, we will take into account various factors, including their sourcing capacity and collection of jewelry or contemporary artwork, their geographical location and the similarity of the customer base and their consumption behaviour. We will participate in various exhibitions to enlarge our network in order to seek potential co-organizers. We will also consider the recommendations from our customers, business partners and our own network in selecting the co-organizers which are jewelry brands, boutique jewelry houses, contemporary art houses and galleries, antique galleries and museums, art houses and galleries, etc.;
- (c) HK\$9.9 million to publish large-scale advertisements on newspapers, art magazines, television and the internet and make special reports by our experts to introduce our Company and the artworks on television, newspaper, and magazine and expand marketing coverage on such channels; and
- (d) HK\$2.9 million to hold sponsored events to enhance our brand reputation.

We expect to conduct each of the above marketing and promotional activities prior to holding artwork preview exhibitions and/or auctions, the duration of which would be determined on a case-by-case basis taking into consideration of a variety of factors, including the nature of such activities, the estimated effect desired to be achieved, the operating feature of relevant channels, and the number and value of artworks to be exhibited or auctioned.

- c. approximately 8.0%, or HK\$9.6 million, will be used for recruiting high caliber managers and experts. In particular, we intend to recruit additional Internal Appraisal Experts in appraising artworks, which needs relatively high costs of maintaining a team of stable and professional experts. Please see section headed “Business — Strategies — Recruiting high caliber managers and experts and attract, motivate and retain quality employees to strengthen both the management and operating teams with a view to support the sustainable growth” in this prospectus for more details. The intended allocation of this portion of the net proceeds is primarily as follows:
 - (a) approximately HK\$2.3 million, HK\$2.3 million and HK\$2.0 million to engage one expert for each of Chinese paintings and calligraphies, Chinese antiques (ceramics) and Chinese antiques (Four Treasures of Study* (文房四寶), displaying objects and jade and others) respectively. We intend to recruit the three experts with at least fifteen years of experience in the field of relevant Chinese artworks;
 - (b) approximately HK\$1.5 million to engage one internal audit with four or five years’ auditing experience in well-known accounting firms, who will be mainly responsible for adopting, implementing, overseeing, revising and updating our internal control and risk management systems for our business to keep abreast of the ever changing trend of the artwork market and the legal regime; and

FUTURE PLANS AND USE OF PROCEEDS

- (c) approximately HK\$1.5 million to engage one IT specialist with a bachelor's degree of computer science, who will be mainly responsible for maintenance and development of our IT and ERP system.
- d. approximately 5.0%, or HK\$6.0 million, will be used for developing the Group's ERP system covering and integrating various functions including but not limited to auction operation, management of customers and suppliers, sales and marketing, storerooms and accounting; and
- e. approximately 10.0%, or HK\$12.0 million, will be used to supplement our working capital and for general corporate purposes.

If the Over-allotment Option is exercised in full, the net proceeds of the Global Offering would increase to approximately HK\$142.2 million (based on the mid-point Offer Price of HK\$1.605 per Share). We intend to apply the additional net proceeds to the above uses in the proportions stated above.

If the Offer Price is determined at the highest point of the stated range, the net proceeds to our Company would be increased by approximately HK\$9.8 million. If the Offer Price is determined at the lowest point of the stated range, the net proceeds to our Company would be decreased by approximately HK\$9.8 million. The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this prospectus.

To the extent that our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings.

In the event that any of our projects do not proceed as planned, including as a result of circumstances such as changes in government policies that would render any of our plans not commercially viable, or force majeure, our Directors will carefully evaluate the situation and may reallocate such funds for other purposes.

To the extent that the net proceeds from the Global Offering are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short term demand deposits with banks in Hong Kong and/or through money market instruments.

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

UNDERWRITING

HONG KONG UNDERWRITERS

CMBC Securities Company Limited
Haitong International Securities Company Limited
Sinolink Securities (Hong Kong) Company Limited
ZMF Asset Management Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis on the terms and conditions set out in this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed among our Company and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 9,652,000 Hong Kong Public Offer Shares and the International Offering of initially 86,868,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” as well as to the Over-allotment Option in the case of the International Offering.

RESTRICTIONS ON THE OFFER SHARES

Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his or her acquisition of the Hong Kong Public Offer Shares to, confirm that he or she is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

THE HONG KONG PUBLIC OFFERING

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering 9,652,000 Hong Kong Public Offer Shares for subscription under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus and the Application Forms.

UNDERWRITING

Subject to (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, the Bonus Issue and the conversion of the Convertible Notes (including the additional Shares which may be made available pursuant to the exercise of the Over-allotment Option) and the Shares to be issued upon the exercise of the options which have been or may be granted under the Share Option Scheme, and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator (on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe or procure subscribers for their respective applicable proportions (set out in the Hong Kong Underwriting Agreement) of the Hong Kong Public Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering, on the terms and the conditions set out in this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement becoming, and continuing to be, unconditional in accordance with its terms (other than any condition for the Hong Kong Underwriting Agreement to become unconditional) and not having been terminated in accordance with its terms or otherwise.

Grounds for termination of the Hong Kong Underwriting Agreement

The Sole Global Coordinator, at its sole and absolute discretion, may, for itself and on behalf of the Hong Kong Underwriters, upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions or sentiments (including, without limitation, conditions and sentiments in stock and bond markets, money and foreign exchange markets, investment and credit markets and inter-bank markets) in or affecting Hong Kong, the PRC, Japan, and the European Union (or any member thereof), or any other jurisdiction relevant to any member of our Group (collectively the “**Relevant Jurisdictions**”); or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labor disputes, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), epidemic, pandemic, outbreak of infectious disease (including without limitation SARS, MERS, H5N1, H7N9 or H1N1 or swine or avian influenza or such related/mutated forms), embargo or economic sanctions) in or affecting any of the Relevant Jurisdictions; or

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- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (v) the imposition or declaration of (A) any moratorium, suspension, restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, NYSE Amex Equities, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange, the Singapore Stock Exchange or the stock exchange in any other member of the European Union or (B) any moratorium on, or disruption in, banking activities (commercial or otherwise) or foreign exchange trading or securities settlement or clearing services in or affecting any of the Relevant Jurisdictions; or
- (vi) any change or development involving a change or prospective change in taxation or exchange controls (or the implementation of any exchange control) or currency exchange rates or foreign investment regulations in or affecting any of the Relevant Jurisdictions (including without limitation any fluctuation in the Hong Kong dollars, Japanese yen or Renminbi against any foreign currencies); or
- (vii) the commencement by any authority or other regulatory or political body or law enforcement agency or organization of any action or investigation against a Director or an announcement by any authority or regulatory or political body or law enforcement agency or organization that it intends to take any such action; or
- (viii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, the U.S. or the European Union (or any member thereof) on any of the Relevant Jurisdictions; or
- (ix) any change in the system under which the value of the Hong Kong dollar or JPY is linked to that of the U.S. dollar or the value of the RMB is determined by reference to a basket of world currencies or a material devaluation of Hong Kong dollars, JPY, or the Renminbi against any foreign currency; or
- (x) any change or development or event involving a prospective change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects, or any change in capital stock or long-term debt of our Company or any other member of our Group, or any loss or interference with the assets, operations or business of our Company or any other member of our Group, which (in any such case) is not set forth in this prospectus; or
- (xi) save as disclosed in this prospectus, a demand by any tax authority for payment for any tax liability for any member of our Group that is likely to cause material adverse effect to the financial conditions and business operations of our Group; or

UNDERWRITING

- (xii) a demand by any creditor for repayment or payment of any indebtednesses of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Hong Kong Public Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or
- (xiv) the issue or requirement to issue by our Company of a supplemental prospectus or amendment to this prospectus,

and which, in any such case (whether individually or in the aggregate) and in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters): (A) is or will or may be materially adverse to, or materially and prejudicially affect, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations or financial or trading position or condition, or prospects of our Group as a whole or any present or prospective shareholder of our Company in its capacity as such; or (B) has or will or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of the Offer Share or (C) makes or will or may make it impracticable, inadvisable, inexpedient, incapable or not commercially viable (i) to proceed with any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering and/or the Global Offering or (ii) for the delivery of Shares on the terms and in the manner contemplated by this prospectus or (iii) for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented as envisaged; or

- (b) there has come to the notice of the Sole Global Coordinator after the date of the Hong Kong Underwriting Agreement or it has reasonable cause to believe:
 - (i) that any statement contained in any of the formal notice in relation to the Hong Kong Public Offering, this prospectus or the Application Forms or other documents relating to the Global Offering was or has become untrue or incorrect or incomplete in any material respect or misleading in any respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in this prospectus or any notice, advertisement or announcement issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
 - (ii) any matter arises or is discovered which would, if the formal notice in relation to the Hong Kong Public Offering, this prospectus and the Application Forms or other documents relating to the Global Offering, and/or any notice, advertisement or announcement issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) were issued at that time, constitute a material omission therefrom; or

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- (iii) any matter, event, act or omission which gives or is likely to give rise to any liability on the part of our Company or our executive Directors and our Controlling Shareholder out of or in connection with any material breach, inaccuracy and/or incorrectness of the representations, warranties, and undertakings, or that any of the representations or warranties is misleading and/or the indemnities given by our Company, our executive Directors, and our Controlling Shareholder or any of them under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement (or would if repeated at that time); or
- (iv) any material breach of any of the obligations or undertakings of our Company, our executive Directors or our Controlling Shareholder under the Hong Kong Underwriting Agreement, the International Underwriting Agreement or any other agreement relating to the Global Offering as determined by the Sole Global Coordinator in its sole and absolute opinion; or
- (v) any material adverse change in or any development involving a prospective material adverse change in, or a materialization of any of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (vi) that (A) any Director, chief executive officer or chief financial officer of our Company named in this prospectus seeks to resign or retire, or is removed from office, or (B) any certificate given by our Company or any of its officers to the Sole Global Coordinator under or in connection with the Hong Kong Underwriting Agreement or the Global Offering is false or misleading in any material respect, or (C) any Director or any member of senior management as named in this prospectus is being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company, or (D) a regulatory, judicial, governmental or administrative authority (including any stock exchange) or law enforcement agency or a political body or organization in any jurisdiction commencing any claim, proceedings, investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (vii) a material contravention by any member of our Group of the Listing Rules or the Companies Ordinance or any applicable laws or regulations; or
- (viii) any material litigation, legal action or claim being threatened or instigated against any member of our Group, our Directors or our Controlling Shareholder; or
- (ix) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (x) a prohibition on our Company for whatever reason from allotting or issuing the Offer Shares (including the Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

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- (xi) our Company withdraws this prospectus and/or the Application Forms; or
- (xii) approval by the Listing Committee for the listing of, and permission to deal in, the Shares to be issued or sold (including the options which may be granted under the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (xiii) any expert, other than the Sole Sponsor, has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (xiv) a significant portion of the orders in the bookbuilding process at the time the International Underwriting Agreement is entered into, or the investment commitments by any corporate or cornerstone investors after signing of agreements with such corporate or cornerstone investors, have been withdrawn, terminated or canceled or if any corporate or cornerstone investors is unlikely to fulfill its obligation under the respective agreement.

Restrictions and undertakings to the Stock Exchange under the Listing Rules

(A) Restrictions imposed on our Company

Under Rule 10.08 of the Listing Rules, no further Shares or other securities convertible into our equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except in the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Restrictions imposed on and undertakings by our Controlling Shareholder

In relation to Rule 10.07(1) of the Listing Rules, the Controlling Shareholder has undertaken to the Stock Exchange that he shall not, and shall procure that any other registered holder(s) (if any) shall not:

- (i) in the period commencing on the date by reference to which disclosure of his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) in respect of, any of the Shares in respect of which he is or they are shown by this prospectus to be the beneficial owner(s) (the “**Parent Shares**”); and

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- (ii) in the period of six months commencing on the date on which the period referred to in (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) in respect of, any of the Parent Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he would cease to be our Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, the Controlling Shareholder has undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he will:

- (i) when he pledges or charges any securities in the securities of our Company beneficially owned by him in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) when he receives any indication, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of matters referred in above by the Controlling Shareholder and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

Undertakings under the Hong Kong Underwriting Agreement

Undertakings to the Hong Kong Underwriters

Undertakings by our Company

Except for the Bonus Issue, the offer of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option), the issue of Conversion Shares pursuant to the conversion of the Convertible Notes and the grant of, and the issue of Shares pursuant to, any options which may be granted under the Share Option Scheme, during the period commencing from the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or

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right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depository in connection with the issue of depository receipts, except where such transaction is made solely among members of our Group; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) and (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii), and (iii) above,

in each case, whether any of the transactions specified in (i), (ii), and/or (iii) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of shares or securities will be completed within the First Six-Month Period).

During the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-Month Period**”), our Company shall not enter into any of the transactions specified in (i), (ii), and (iii) above or offer to or agree to or announce any intention to effect any such transaction such that our Controlling Shareholder, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company without first having obtained the prior written consent of the Sole Global Coordinator and unless in compliance with the requirements of the Listing Rules. In the event that our Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or any other securities of our Company.

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Undertakings by our Controlling Shareholder

Restriction on disposal of Shares

Our Controlling Shareholder has undertaken to our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save as pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) he will not and, will procure that none of his affiliates will, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any mortgage, pledge or charge in favor of an authorized institution (as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong)) not involving a change of legal ownership of such Shares other than on enforcement) for a bona fide commercial loan in compliance with the Listing Rules), hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company, as applicable), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities of our Company or in cash or otherwise (whether or not the transaction will be completed within the First Six-Month Period);
- (b) he will not, and shall procure that none of his affiliates will, at any time during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (a) (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he will cease to be a Controlling Shareholder of our Company; and

UNDERWRITING

- (c) until the expiry of the Second Six-Month Period, in the event that he enters into any of the transactions specified in paragraphs (a) (i) and (ii) above or offers to or agrees to or announces any intention to effect any such transaction, he will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of our Company. Without limiting the above, our Controlling Shareholder has further undertaken to our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, he will, at any time during the Second Six-Month Period:
 - (A) if he intends to create in favor of any third party any pledge or charge over any Shares or securities or interests in the Shares or securities of our Company beneficially owned by him, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of Shares or securities so pledged or charged prior to entering into such arrangement; and
 - (B) upon any indication received by him, either verbal or written, from any pledgee or charge that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications, and our Company will inform the Stock Exchange as soon as it has been informed of the matters above (if any) by the Controlling Shareholder and disclose such matters by way of a press announcement.

THE INTERNATIONAL OFFERING

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions, agree to subscribe for, or to procure subscribers to subscribe for, their respective applicable proportions (to be set out in the International Underwriting Agreement) of the International Offer Shares being offered pursuant to the International Offering.

Under the International Underwriting Agreement, our Company intends to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) from the Listing Date up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 14,478,000 additional Shares, representing 15% of the number of Offer Shares initially available under the Global Offering. These additional Shares will be sold at the Offer Price per Share (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price) and will be for the purpose of covering over-allocations, if any, in the International Offering. An announcement will be made in the event that the Over-allotment Option is exercised.

It is expected that the International Underwriting Agreement will be conditional on and subject to, among other things, the Hong Kong Underwriting Agreement becoming unconditional and not having been terminated.

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TOTAL COMMISSIONS AND EXPENSES

The Underwriters are expected to receive a commission of 3.0% of the Offer Price of all the Offer Shares (including any Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commission. Such commission payable to the Underwriters, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, is currently estimated to be approximately HK\$35.1 million in aggregate (based on an Offer Price of HK\$1.605 per Share, being the mid-point of the indicative Offer Price range of HK\$1.50 to HK\$1.71 per Share, and on the assumption that the Over-allotment Option is not exercised) and will be paid by our Company.

In addition, our Company may at its sole and absolute discretion pay an incentive fee of up to 1.0% of the Offer Price for each Offer Share under the Global Offering to the Sole Global Coordinator in recognition of its services.

INDEMNITY

Each of our Company, the Controlling Shareholder and the executive Directors has agreed to indemnify the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company, the Controlling Shareholder and the executive Directors of the Hong Kong Underwriting Agreement.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Except as disclosed in this prospectus and except for its obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, none of the Underwriters has any shareholding interests in our Company or in any of our subsidiaries or has any right or options (whether legally enforceable or not), to subscribe for or to nominate persons to subscribe for our securities or securities of any of our subsidiaries.

Following the completion of the Global Offering, the Underwriters and their affiliates may hold certain portion of our Shares in connection with the performance of their obligations under the Underwriting Agreements.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Global Offering (the “**Syndicate Members**”) and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to our Shares, other activities could include acting as agent for buyers and sellers of our Shares, entering into

UNDERWRITING

transactions with other buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over-the-counter or listing derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on the Stock Exchange) which have as their underlying, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in our Shares in most cases.

All these activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering — Stabilizing” in this prospectus. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares, and the volatility of our Share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

- the Hong Kong Public Offering of initially 9,652,000 Offer Shares (subject to adjustment as mentioned below) (representing 10.0% of the initial total number of Offer Shares) in Hong Kong as described in the subsection headed “— The Hong Kong Public Offering” of this section; and
- the International Offering of initially 86,868,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) (representing 90.0% of the initial total number of Offer Shares) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering or apply for, or indicate an interest in, International Offer Shares under the International Offering, but may not do both.

CMBC Securities Company Limited is the Sole Global Coordinator. CMBC Securities Company Limited, Haitong International Securities Company Limited, Sinolink Securities (Hong Kong) Company Limited and ZMF Asset Management Limited are the Joint Bookrunners and Joint Lead Managers.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation and, in the case of the International Offering only, the Over-allotment Option as described below in the subsections headed “— Over-Allotment Option” and “— Stabilization” of this section.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed “Underwriting”.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Under the Hong Kong Public Offering, our Company is initially offering 9,652,000 Offer Shares at the Offer Price for subscription by the public in Hong Kong, representing 10.0% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between (i) the International Offering and (ii) the Hong Kong Public Offering, the Hong Kong Public Offer Shares will represent approximately 1.9% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, the Bonus Issue and the issue of the Conversion Shares upon conversion of the Convertible Notes, assuming that the Over-allotment Option is not exercised.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involve dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the subsection headed “— The Hong Kong Public Offering — Conditions of the Hong Kong Public Offering” of this section.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for the Hong Kong Public Offer Shares in the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering, the Bonus Issue and the conversion of the Convertible Notes (including any Shares which may be made available pursuant to the exercise of the Over-allotment Option), the Shares to be issued upon the exercise of the options which have been, or may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed on or before Thursday, October 4, 2018 between our Company and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse, and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us in South China Morning Post (in English) and Hong Kong Economics Times (in Chinese) on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Public Offer Shares”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE OF THE GLOBAL OFFERING

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Thursday, October 11, 2018 provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed “Underwriting — The Hong Kong Public Offering — Grounds for termination of the Hong Kong Underwriting Agreement” has not been exercised.

Allocation

Allocation of Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B.

The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less.

The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Public Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for the Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 4,826,000 Hong Kong Public Offer Shares (being 50% of the 9,652,000 Hong Kong Public Offer Shares initially comprised in the Hong Kong Public Offering) are liable to be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Public Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached as further described below:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then unless the Sole Global Coordinator exercises its discretion to reallocate certain Offer Shares from the International Offering to the Hong Kong Public Offering as mentioned below, no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 9,652,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 28,956,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 38,608,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 48,260,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Offer Shares from such offering to the other, in such proportions as the Sole Global Coordinator deems appropriate, provided that any such reallocation shall comply with the Guidance Letter HKEx-GL91-18 issued by the Stock Exchange.

STRUCTURE OF THE GLOBAL OFFERING

In addition, the Sole Global Coordinator may reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such allocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall not be more than double the initial allocation to the Hong Kong Public Offering (i.e. 19,304,000 Offer Shares).

For reallocation of the Offer Shares from the International Offering to the Hong Kong Public Offering, the number of Offer Shares allocated to the International Offering will correspondingly be reduced, and such additional Hong Kong Public Offer Shares will be reallocated to Pool A and Pool B in the Hong Kong Public Offering in such manner as the Sole Global Coordinator (for itself and on behalf of the Underwriters) deems appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she, and any person(s) for whose benefit he or she is making the application, have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.71 per Hong Kong Public Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Hong Kong Public Offer Share. If the Offer Price, as finally determined in the manner described in the subsection headed “— Pricing of the Global Offering” of this section below, is less than the maximum price of HK\$1.71 per Hong Kong Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in “How to Apply for Hong Kong Public Offer Shares”.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Shares offered

Subject to reallocation as described above, the International Offering will consist of 86,868,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering, assuming that the Over-allotment Option is not exercised. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 17.4% of our Company's enlarged issued share capital immediately after completion of the Global Offering, the Bonus Issue and the issue of the Conversion Shares upon conversion of the Convertible Notes, assuming that the Over-allotment Option is not exercised.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the subsection headed “— Pricing of the Global Offering” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Sole Global Coordinator (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time, from the day on which trading of the Shares commences on the Stock Exchange until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue up to 14,478,000 additional Shares, representing in aggregate 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Shares will represent approximately 2.8% of our enlarged issued share capital immediately following the completion of the Global Offering, the Bonus Issue, the issue of the Conversion Shares upon conversion of the Convertible Notes and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, October 3, 2018, and in any event on or before Thursday, October 4, 2018, by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$1.71 per Offer Share and is expected to be not less than HK\$1.50 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Sole Global Coordinator (on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economics Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and our Company at www.chuo-auction.com.hk, an announcement, or a supplemental prospectus (as appropriate), in connection with such reduction. Our Company has no present intention to consent to reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range so that the market capitalization of our Shares upon completion of the Global Offering, the Bonus Issue and the issue of the Conversion Shares upon conversion of the Convertible Notes, taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the options to be granted under the Share Option Scheme and any Shares which may be issued or repurchased by our Company pursuant to the General Mandate to issue Shares and General Mandate to purchase Shares, shall fall below HK\$750 million unless we have obtained waiver from the noteholders of the Convertible Notes as to their Opt-out Right under the Convertible Notes or otherwise in compliance with the Listing Rules in regards to public float requirements. Upon issue of such an announcement or supplemental prospectus (as appropriate), the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. **Applicants should have regard to the possibility that any announcement or supplemental prospectus (as appropriate) in connection with any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day that is the last day for lodging applications under the Hong Kong Public Offering.** Such announcement or supplemental prospectus (as appropriate) will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Global Offering statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction.

STRUCTURE OF THE GLOBAL OFFERING

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees, SFC transaction levy and the Stock Exchange trading fees in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$110.0 million, assuming an Offer Price per Offer Share of HK\$1.50, or approximately HK\$129.6 million, assuming an Offer Price per Offer Share of HK\$1.71.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Hong Kong Public Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Wednesday, October 10, 2018, in the manner set out in the paragraph headed “How to Apply for Hong Kong Public Offer Shares — Publication of results” in this prospectus.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

CMBC Securities Company Limited has been appointed by us as the Stabilizing Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in amounts not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of our Offer Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, or any person acting for it to conduct any such stabilizing action. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilization Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares which may be made available upon exercise of the Over-allotment Option, being up to 14,478,000 Shares, which is in aggregate 15% of the Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares;
- (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;
- (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above;
- (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (v) selling, or agreeing to sell, any of our Shares in order to liquidate any position established as a result of those purchases; and
- (vi) offering or attempting to do anything as described in paragraphs (ii), (iii), (iv) or (v) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager or any person acting for it, which may include a decline in the market price of the Shares.

Stabilization cannot be used to support the price of the Shares for longer than the stabilization period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilization period is expected to expire on Friday, November 2, 2018. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager or any person acting for it may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

STRUCTURE OF THE GLOBAL OFFERING

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Sole Global Coordinator (or its affiliate(s)) may choose to borrow Shares from Shareholders of our Company under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-allotment Option.

The Stabilizing Manager will enter into the Stock Borrowing Agreement with the Controlling Shareholder, whereby the Stabilizing Manager may borrow Shares from the Controlling Shareholder on the following conditions:

- (a) the stock borrowing will only be effected by the Stabilizing Manager for the settlement of over-allocations in connection with the International Offering;
- (b) the maximum number of Shares borrowed from the Controlling Shareholder will be limited to 14,478,000 Shares, being the maximum number of Shares which may be allotted and issued by our Company upon full exercise of the Over-allotment Option;
- (c) the same number of Shares borrowed from the Controlling Shareholder must be returned to it or its nominees (as the case may be) no later than the third Business Day following (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full and the Shares to be allotted and issued upon exercise of the Over-allotment Option have been allotted and issued; or (iii) such earlier time as may be agreed in writing between the Controlling Shareholder and the Stabilizing Manager;
- (d) the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- (e) no payments will be made to the Controlling Shareholder by the Stabilizing Manager in relation to such stock borrowing arrangement.

The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. The Stock Borrowing Arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that it complies with the requirements set forth in Rule 10.07(3) of the Listing Rules. No payment will be made to the Controlling Shareholder by the Stabilizing Manager or its agent in relation to such stock.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, October 11, 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, October 11, 2018.

The Shares will be traded in board lots of 2,000 Shares each.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for, or indicate an interest for, International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** Service Provider at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a U.S. Person (as defined in Regulation S under the U.S. Securities Act).

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a corporate body, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four, and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Public Offer Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, September 27, 2018 until 12:00 noon on Wednesday, October 3, 2018:

- (i) the following office of the Joint Bookrunners:

<u>Joint Bookrunners</u>	<u>Address</u>
CMBC Securities Company Limited	Units 6601A, 6607-08 Level 66, International Commerce Centre 1 Austin Road West Tsim Sha Tsui West Kowloon Hong Kong
Haitong International Securities Company Limited	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

<u>Joint Bookrunners</u>	<u>Address</u>
Sinolink Securities (Hong Kong) Company Limited	Units 2503, 2505-06, 25/F Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
ZMF Asset Management Limited	Unit 2502, 25/F World Wide House 19 Des Voeux Road Central Central Hong Kong

(ii) any of the branches of the following receiving bank(s):

Hang Seng Bank Limited

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Head Office	83 Des Voeux Road Central
	North Point Branch	335 King's Road
Kowloon	Tsim Sha Tsui Branch	18 Carnarvon Road
	Yau Ma Tei Branch	363 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours, from 9:00 a.m. on Thursday, September 27, 2018 until 12:00 noon, on Wednesday, October 3, 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Hang Seng (Nominee) Limited — Tokyo Chuo Auction Holdings Limited Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- 9:00 a.m. to 5:00 p.m., Thursday, September 27, 2018
- 9:00 a.m. to 5:00 p.m., Friday, September 28, 2018
- 9:00 a.m. to 1:00 p.m., Saturday, September 29, 2018
- 9:00 a.m. to 5:00 p.m., Tuesday, October 2, 2018
- 9:00 a.m. to 12:00 noon, Wednesday, October 3, 2018

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, October 3, 2018, the last application day or such later time as described in the subsection headed “— 10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of the Company, to execute any documents for you, and to do on your behalf all things necessary, to register any Hong Kong Public Offer Shares allocated to you in your name, or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (WUMP) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is, or will be liable for, any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (ix) agree and warrant that, if the laws of any place outside Hong Kong apply to your application, you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made, and the only application intended by you to be made, to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made, by you as agent for or for the benefit of that person or by that person, or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the subsection headed “— 2. Who can apply”, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, September 27, 2018 until 11:30 a.m. on Wednesday, October 3, 2018, and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, October 3, 2018 or such later time under the subsection headed “— Effect of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives, or causes to give, **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center

1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisors and agents;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day that is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day that is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (WUMP) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things, for which neither HKSCC or HKSCC Nominees shall be liable to our Company or any other person:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions ⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m., on Thursday, September 27, 2018
- 8:00 a.m. to 8:30 p.m., on Friday, September 28, 2018
- 8:00 a.m. to 1:00 p.m., on Saturday, September 29, 2018
- 8:00 a.m. to 8:30 p.m., on Tuesday, October 2, 2018
- 8:00 a.m. to 12:00 noon, on Wednesday, October 3, 2018

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, September 27, 2018 until 12:00 noon on Wednesday, October 3, 2018 (24 hours daily, except on October 3, 2018, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, October 3, 2018, the last application day or such later time as described in the subsection headed “— Effect of Bad Weather on the Opening of the Application Lists” in this section.

Note:

- (1) The times in the sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications, or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance.

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offer Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, October 3, 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see the section headed “Structure of the Global Offering — Pricing of the Global Offering”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, October 3, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, October 3, 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable,” an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Wednesday, October 10, 2018 in the South China Morning Post (in English) and Hong Kong Economics Times (in Chinese), on our Company’s website at **www.chuo-auction.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.chuo-auction.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Wednesday, October 10, 2018;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, October 10, 2018 to 12:00 midnight on Tuesday, October 16, 2018;
- by telephone enquiry line by calling +852 3691-8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, October 10, 2018 to Monday, October 15, 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, October 10, 2018 to Friday, October 12, 2018 at the receiving banks' designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application, or the application made by HKSCC Nominees on your behalf, cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application, or the application made by HKSCC Nominees on your behalf, may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified, but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application, or the application made by HKSCC Nominees on your behalf, has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.71 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, October 10, 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheque and share certificates are expected to be posted on or before Wednesday, October 10, 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, October 11, 2018 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, October 10, 2018, or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, October 10, 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, October 10, 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, October 10, 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., on Wednesday, October 10, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on Wednesday, October 10, 2018, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, October 10, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or, each person for whose benefit instructions are given, will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, October 10, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, October 10, 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 10, 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, October 10, 2018. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, October 10, 2018.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement, as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TOKYO CHUO AUCTION HOLDINGS LIMITED (FORMERLY KNOWN AS TOKYO CHUO AUCTION (HONG KONG) CO., LIMITED) AND CMBC INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Tokyo Chuo Auction Holdings Limited (the "Company", formerly known as Tokyo Chuo Auction (Hong Kong) Co., Limited) and its subsidiaries (together, the "Group") set out on pages I-3 to I-71, which comprises the consolidated balance sheets as at 31 March 2016, 2017 and 2018, the company balance sheets as at 31 March 2016, 2017 and 2018, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-71 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 September 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 March 2016, 2017 and 2018 and the consolidated financial position of the Group as at 31 March 2016, 2017 and 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 15 to the Historical Financial Information which states that no dividends have been paid by Tokyo Chuo Auction Holdings Limited in respect of the Track Record Period.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

27 September 2018

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in HK dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

(a) Consolidated Income Statements

	Note	Year ended 31 March		
		2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
Revenue	6	138,613	148,048	173,266
Costs of services	9	(37,085)	(31,444)	(32,797)
Costs of sales of goods	9	(4,232)	(9,436)	(8,150)
Gross profit		97,296	107,168	132,319
Other (losses)/gains, net	7	(358)	259	(433)
Other income	8	4,119	2,691	2,568
Selling and distribution expenses	9	(32,984)	(31,574)	(26,765)
Administrative expenses	9	(37,654)	(37,283)	(49,468)
Operating profit		30,419	41,261	58,221
Finance income	10	18	6	10
Finance costs	10	(214)	(263)	(249)
Finance costs, net	10	(196)	(257)	(239)
Profit before income tax		30,223	41,004	57,982
Income tax expense	11	(9,644)	(8,641)	(14,053)
Profit for the year		20,579	32,363	43,929
Profit/(loss) attributable to:				
Owners of the Company		18,497	30,780	44,063
Non-controlling interests		2,082	1,583	(134)
		20,579	32,363	43,929
Earnings per share for profit attributable to owners of the Company				
Basic and diluted	12	185	308	441

(b) Consolidated Statements of Comprehensive Income

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Profit for the year	20,579	32,363	43,929
Other comprehensive income:			
<i>Item that may be reclassified</i>			
<i>subsequently to profit or loss</i>			
Currency translation differences	3,790	297	4,089
Total other comprehensive income			
for the year, net of tax	3,790	297	4,089
Total comprehensive income for the year	24,369	32,660	48,018
Total comprehensive income for the year			
attributable to:			
Owners of the Company	21,777	31,040	47,721
Non-controlling interests	2,592	1,620	297
	24,369	32,660	48,018

(c) Consolidated Balance Sheets

		As at 31 March		
		2016	2017	2018
	Note	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	16	8,600	9,542	13,400
Intangible assets		590	548	558
Deferred income tax assets	18	2,693	2,058	876
Deposits and prepayments	21	13,114	12,851	16,506
Long-term bank deposits	22	255	–	–
		<u>25,252</u>	<u>24,999</u>	<u>31,340</u>
Current assets				
Inventories	19	21,442	13,758	23,050
Trade and other receivables	20	71,541	106,112	423,661
Deposits and prepayments	21	3,374	1,088	7,187
Amount due from a related company	30	2,070	13,899	14,716
Short-term bank deposits	22	–	341	–
Cash and cash equivalents	22	192,486	213,863	70,382
		<u>290,913</u>	<u>349,061</u>	<u>538,996</u>
Total assets		<u><u>316,165</u></u>	<u><u>374,060</u></u>	<u><u>570,336</u></u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	23	–	–	–
Reserves	24	67,267	98,307	103,669
		67,267	98,307	103,669
Non-controlling interests		7,808	9,428	6,740
Total equity		<u><u>75,075</u></u>	<u><u>107,735</u></u>	<u><u>110,409</u></u>

	<i>Note</i>	As at 31 March		
		2016	2017	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES				
Non-current liabilities				
Other payable	26	4,118	4,978	6,149
Finance lease liabilities	25	647	1,191	793
Borrowings	25	7,336	6,304	4,093
Deferred income tax liabilities	18	1,992	2,187	2,591
		<u>14,093</u>	<u>14,660</u>	<u>13,626</u>
		-----	-----	-----
Current liabilities				
Trade and other payables and accruals	26	182,330	211,215	370,820
Amount due to the Controlling Shareholder	30	2,014	2,016	11,686
Amount due to a former director	30	1,000	1,000	1,000
Finance lease liabilities	25	296	507	467
Borrowings	25	23,575	21,708	43,972
Current income tax liabilities		17,782	15,219	18,356
		<u>226,997</u>	<u>251,665</u>	<u>446,301</u>
		-----	-----	-----
Total liabilities		<u>241,090</u>	<u>266,325</u>	<u>459,927</u>
		-----	-----	-----
Total equity and liabilities		<u>316,165</u>	<u>374,060</u>	<u>570,336</u>
		-----	-----	-----

(d) Balance Sheets

	<i>Note</i>	As at 31 March		
		<u>2016</u>	<u>2017</u>	<u>2018</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Non-current assets				
Investment in subsidiaries	17	–	–	45,344
Property, plant and equipment	16	788	614	4,042
Deposits and prepayments	21	–	–	1,073
		<u>788</u>	<u>614</u>	<u>50,459</u>
Current assets				
Inventories	19	3,100	3,100	3,100
Trade and other receivables	20	164	19,556	222,119
Deposits and prepayments	21	2,647	346	2,576
Amount due from a subsidiary	30	–	–	3,232
Cash and cash equivalents	22	47,318	79,772	33,824
		<u>53,229</u>	<u>102,774</u>	<u>264,851</u>
Total assets		<u>54,017</u>	<u>103,388</u>	<u>315,310</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	23	–	–	–
Reserves	24	15,828	43,338	80,975
Total equity		<u>15,828</u>	<u>43,338</u>	<u>80,975</u>
LIABILITIES				
Non-current liabilities				
Finance lease liabilities	25	487	329	184
Current liabilities				
Other payables and accruals	26	32,742	52,192	211,410
Amounts due to a subsidiary	30	302	411	4,357
Amount due to the Controlling Shareholder	30	1,753	1,753	11,686
Amount due to a former director	30	1,000	1,000	1,000
Finance lease liabilities	25	158	158	163
Borrowings	25	1,500	–	–
Current income tax liabilities		247	4,207	5,535
		<u>37,702</u>	<u>59,721</u>	<u>234,151</u>
Total liabilities		<u>38,189</u>	<u>60,050</u>	<u>234,335</u>
Total equity and liabilities		<u>54,017</u>	<u>103,388</u>	<u>315,310</u>

(e) Consolidated Statements of Changes in Equity

	Attributable to owners of the Company					Total equity HK\$'000
	Share capital	Other reserves (Note 24)	Retained earnings	Sub-total	Non- controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance as at 1 April 2015	–	(9,404)	54,437	45,033	4,145	49,178
Comprehensive income						
– Profit for the year	–	–	18,497	18,497	2,082	20,579
Other comprehensive income						
– Currency translation differences	–	3,280	–	3,280	510	3,790
Total comprehensive income for the year	–	3,280	18,497	21,777	2,592	24,369
Share-based payment transactions (Note 14)	–	–	457	457	1,071	1,528
Balance at 31 March 2016	–	(6,124)	73,391	67,267	7,808	75,075
Balance as at 1 April 2016	–	(6,124)	73,391	67,267	7,808	75,075
Comprehensive income						
– Profit for the year	–	–	30,780	30,780	1,583	32,363
Other comprehensive income						
– Currency translation differences	–	260	–	260	37	297
Total comprehensive income for the year	–	260	30,780	31,040	1,620	32,660
Balance at 31 March 2017	–	(5,864)	104,171	98,307	9,428	107,735
Balance as at 1 April 2017	–	(5,864)	104,171	98,307	9,428	107,735
Comprehensive income						
– Profit/(loss) for the year	–	–	44,063	44,063	(134)	43,929
Other comprehensive income						
– Currency translation differences	–	3,658	–	3,658	431	4,089
Total comprehensive income for the year	–	3,658	44,063	47,721	297	48,018
Transaction with non-controlling interests	–	–	816	816	(2,985)	(2,169)
Deemed distribution to shareholders (Note 24)	–	(43,175)	–	(43,175)	–	(43,175)
Balance at 31 March 2018	–	(45,381)	149,050	103,669	6,740	110,409

(f) Consolidated Statements of Cash Flows

	<i>Note</i>	Year ended 31 March		
		2016	2017	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flow from operating activities				
Cash generated from/(used in) operations	28(a)	47,445	36,501	(102,164)
Income tax paid		(7,657)	(10,688)	(10,096)
Net cash generated from/(used in) operating activities		<u>39,788</u>	<u>25,813</u>	<u>(112,260)</u>
Cash flow from investing activities				
Purchase of property, plant and equipment		(4,300)	(1,365)	(5,341)
Purchase of intangible assets		–	–	(28)
Investment in key management life insurance contracts		(2,156)	(1,867)	(1,836)
Receipts upon termination of key management life insurance contracts		–	2,036	–
(Increase)/decrease in short-term bank deposits		–	(341)	341
(Increase)/decrease in long-term bank deposits		(78)	255	–
Interest received		18	6	10
Net cash used in investing activities		<u>(6,516)</u>	<u>(1,276)</u>	<u>(6,854)</u>
Cash flow from financing activities				
Repayment of finance lease liabilities		(252)	(453)	(493)
Proceeds from bank borrowings		22,631	21,388	42,354
Repayment of bank borrowings		(11,091)	(23,054)	(24,704)
Repayment of loan from a third party		–	(1,500)	–
Interest paid		(214)	(263)	(249)
Payment of listing expenses		–	–	(1,049)
Transaction with non-controlling interests		–	–	(2,169)
Deemed distribution to shareholders		–	–	(43,175)
Net cash generated from/ (used in) financing activities		<u>11,074</u>	<u>(3,882)</u>	<u>(29,485)</u>
Net increase/(decrease) in cash and cash equivalents				
Cash and cash equivalents at beginning of the year		142,727	192,486	213,863
Exchange gains on cash and cash equivalents		5,413	722	5,118
Cash and cash equivalents at end of the year	22	<u>192,486</u>	<u>213,863</u>	<u>70,382</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information, reorganisation and basis of presentation

1.1 General information

The Company was incorporated in Hong Kong on 11 July 2013 with limited liability. The address of the Company's registered office is Room 2601, 26/F, Wing on Centre, No 111 Connaught Road Central, Hong Kong. On 7 February 2018, the Company's name was changed from Tokyo Chuo Auction (Hong Kong) Co., Limited to Tokyo Chuo Auction Holdings Limited, the existing one.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as "**the Group**") principally engage in the provision of auction and related services as well as artwork sales in Hong Kong and Japan (the "**Listing Business**"). As at the date of this report and during the Track Record Period, the Company is 100% owned by Mr. Ando Shokei ("**Mr. Ando**" or "**Controlling Shareholder**").

The financial information contained in the Accountant's Report does not constitute the statutory annual financial statements of the Company for any of the financial years ended 31 March 2016, 2017 and 2018.

As the Company was a private company in all three years, it was not required to deliver and has not delivered its financial statements for the financial years ended 31 March 2016, 2017 and 2018 to the Registrar of Companies in Hong Kong.

The Company's auditor has reported on these financial statements for all the years ended 31 March 2016 and 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (cap. 622).

1.2 Reorganisation

Immediately prior to the Reorganisation (as defined below) and during the Track Record Period, the Listing Business was operated by the Company and Tokyo Chuo Auction Co., Ltd. ("TCA Japan", a company incorporated in Japan). In preparation for the initial public offering ("**IPO**") and listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**"), a group reorganisation ("**the Reorganisation**") was undertaken which involved the following steps:

- (a) Prior to 19 December 2017, Mr. Ando held 100% beneficial shareholding interest in the Company, 51% of which was registered under the name of Mr. Feng Heqing ("**Mr. Feng**") who held the shares in trust for Mr. Ando. Mr. Feng is the father-in-law of Mr. Ando. On 19 December 2017, Mr. Feng transferred back the shareholding interest in the Company to Mr. Ando at nil consideration, and the trust arrangement ceased. Thereafter, the Company is wholly owned by Mr. Ando.
- (b) Prior to 30 August 2017, Mr. Ando held 81.4% shareholding interest in TCA Japan, the remaining interest of which was held as to 5.6% by Mrs. Ando Eri ("**Mrs. Ando**"; wife of Mr. Ando), 3% by Mr. Xie Jinglin ("**Mr. Xie**"), 2% by Mr. Nashida Masayuki ("**Mr. Nashida**"), 5% by Mr. Katsu Bunkai ("**Mr. Katsu**") and 3% by Mr. Yodo Hiroaki ("**Mr. Yodo**").

On 30 August 2017, the Company acquired the 81.4% and 5.6% equity interest in TCA Japan from Mr. Ando and Mrs. Ando at cash consideration of JPY565,848,030 and JPY38,928,120, respectively.

- (c) On 29 January 2018, the Company acquired the 3% and 2% equity interest in TCA Japan from Mr. Xie and Mr. Nashida at cash consideration of JPY18,168,870 and JPY12,112,580, respectively.
- (d) On 19 May 2016, Shanghai Shengjia Culture Development Company Limited (“**Shanghai Shengjia**”) was incorporated in the People’s Republic of China (the “**PRC**”), and is 100% owned by TCA Japan. Shanghai Shengjia is principally engaged in promotion and related activities for the Group in the PRC.
- (e) On 13 February 2018, Tokyo Chuo Auction Hongkong Company Limited (“**TCA HK**”) was incorporated in Hong Kong. The Company subscribed for one ordinary share in TCA HK at HK\$1.00 and therefore held 100% shareholding interest in TCA HK. TCA HK has no operation during the Track Record Period and plans to engage in auction and related services and artwork sales in the future.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Country/place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Effective Interest Held	Principal activities/place of operation	Note
Directly owned:					
Tokyo Chuo Auction Co., Ltd. (“ TCA Japan ”)	Japan 1 November 2010	Paid-in Capital of JPY 50,000,000	92%	Provision of auction related services and artwork sales	(ii)
Tokyo Chuo Auction Hongkong Company Limited (“ TCA HK ”)	Hong Kong 13 February 2018	Paid-in Capital of HK\$1	100%	For provision of auction and related services and artwork sales in the future	(iii)
Indirectly owned:					
Shanghai Shengjia Culture Development Company Ltd.	PRC 19 May 2016	Paid-in Capital of RMB342,366	92%	Promotion and related activities	(ii)

Notes:

- (i) The statutory financial statements of the Company during the years ended 31 March 2016 and 2017 were audited by Morrison Heng CPA Limited, certified public accountants in Hong Kong.
- (ii) No audited financial statements have been issued for these entities as there are no statutory audit requirement in the places of incorporation of these entities.
- (iii) No audited financial statements have been issued for TCA HK in the Track Record Period as it was newly incorporated in February 2018.

1.3 Basis of presentation

The companies now comprising the Group engage in the provision of auction and related services and artwork sales and were under the common control of Mr. Ando, the Controlling Shareholder, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the Historical Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants.

Accordingly, the Historical Financial Information has been prepared by including the historical financial information of the companies comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of Mr. Ando, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from Mr. Ando's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) *Compliance with HKFRS and HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) New and amended standards adopted by the Group

The following are new and amended standards have been issued but not effective during the Track Record Period and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Annual Improvements Project HKFRS 1 and HKAS 28 (amendments)	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (amendments)	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 9 (amendments)	Prepayment features with negative compensation	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 (amendments)	Clarifications to HKFRS 15	1 January 2018
HKAS 40 (amendments)	Transfers of Investment Property	1 January 2018
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration (new interpretation)	1 January 2018
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet determined by HKICPA

HKFRS 9 “Financial Instruments”*Nature of change*

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

HKFRS 9 does not need to be applied until financial periods beginning on or after 1 January 2018 but is available for early adoption. The Group does not expect to adopt the new standard before 1 April 2018.

Based on the Group's current assessment, it is not expected that this new standard would have significant impact of the classification and measurement of the Group's financial assets as the Group has no financial assets that classified as fair value through other comprehensive income ("FVOCI").

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed. The new hedge accounting rules are not expected to have significant impact to the Group given that the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as in the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Management expects no material impact as a result of the new impairment model.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Group will continue to make detailed assessments of the effect from the new standard.

Date of adoption by Group

The standard must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 April 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 "Revenue from Contracts with Customers"

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying this new standard on the Group's financial statements and has considered no significant areas that will be affected.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

HKFRS 16 “Leases”*Nature of change*

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

Impact

The standard will affect primarily the accounting for the Group's operating leases. The Group's current accounting policy for such leases is set out in note 2.25. As at 31 March 2018, the Group had non-cancellable minimum operating lease commitments of HK\$17,403,000 (Note 29(b)), which are not reflected in the consolidated balance sheets.

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

Mandatory application date/date of adoption by the Group

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

2.2 Subsidiaries**2.2.1 Merger accounting for common control combination**

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

2.2.2 Consolidation

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.3 Separate financial information

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Group that makes strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in HK\$ which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and bank balances are presented in the consolidated income statement within 'other (losses)/gains, net'.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.5 Investment in insurance contracts

The Group invests in certain key management insurance contracts, which contain both investment and insurance elements. The life insurance contracts are initially recognised at the amount of premium paid, and subsequently measured at each balance sheet date at its cash surrender value. Changes to the cash surrender value at each balance sheet date will be recognised in profit or loss as “other (losses)/gains, net”. In the event of death of the insured person, the surrender of the policies, or the policies mature, the investment will be de-recognised and any resulting gains/losses will be recognised in profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	2%
Leasehold improvements	Shorter of remaining period of the lease or useful life of 5 years
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other (losses)/gains, net" in the consolidated income statements.

2.7 Construction in progress

Construction in progress represents buildings under construction. Construction in progress is stated at cost, which includes costs of construction and other costs directly attributable to the construction capitalised during the construction period, less accumulated impairment losses. No depreciation is provided in respect of construction in progress until such time as the relevant assets are completed and ready for intended use. Upon completion, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy stated in Note 2.6.

2.8 Intangible assets

(a) Computer software

Computer software purchased from vendors are initially shown at historical cost and subsequently amortised over their estimated useful lives, which does not exceed three years.

(b) Club membership

Club membership is amortised over its useful life of 20 years and is stated at cost less accumulated amortisation and impairment loss.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the category of loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "deposits", "other receivables", "amount due from a related company", "long-term bank deposits", "short-term bank deposits" and "cash and cash equivalents".

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights

to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in consolidated income statement.

2.11 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Inventories

Inventories represented artworks that opportunistically purchased by the Group and are stated at the lower of cost and net realisable value. Costs of purchase of these artworks are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The amount of any write-down of inventories to net realisable value and all losses of inventories are charged to cost of sales in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories previously provided is credited to cost of sales in the period in which the reversal occurs.

2.13 Trade and other receivables

Trade receivables represent commission receivables and related services fees receivables that are due from buyers and sellers as a result of the auctions conducted by the Group. Trade receivables also included those arising from direct artwork sales conducted by the Group. The Group grants credit period of 7 days for commission receivables and 30 days for receivables from artwork sales. Receivables are generally due for settlement within credit periods granted by the Group and are all classified as current.

Upon completing the auction, the Group is obliged to collect from the buyers the hammer price amounts for artworks sold. Such receivables are classified as “receivables from buyers in respect of auction and related business” and due for settlement within 7 days of recognition according to the terms of the contracts with the buyers.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and bank balances

For the purpose of presentation in the statement of cash flows, cash and bank balances includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables represent obligations to pay for services from suppliers in the ordinary course of business and amounts due to sellers of artworks purchased by the Group for trading purpose.

Upon completing the auction, the Group is required to remit the hammer price amounts for artworks sold to sellers upon receiving the corresponding amounts from the buyer and such payables are classified as “payables to sellers in respect of auction and related business”. These unpaid balances as at period end are unsecured and are usually paid within 35 days upon receiving the hammer price amount. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fees are capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable consolidated income statement. Deferred income tax is determined using tax rates

(and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.20 Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Historical Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can

be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Commission revenue

The Group earns commission revenue from both buyer and seller through the auction sales in which the Group mainly acts as the role of auctioneer as well as promoting the sales through professional marketing techniques provided. The commission revenue is calculated as a percentage of the hammer price of the artwork sold at the auction in accordance with the contracts between the Group and the buyer and the seller. Such commission revenue is recognised upon the completion of the auction sale as evidenced by the fall of auctioneer's hammer and when the collectability of the related receivables from the buyer is reasonably assured. A cancelled sale is recorded when it is determined that it is probable that the buyer will not complete the transaction in the period in which that determination is made and the commission revenue as well as the associated receivable balances, including the "commission receivable" and the "receivables from buyers in respect of auction and related business", are reversed. The Group also recorded revenue generated from private sales arranged by the Group on behalf of the consignors. The Group may act as an agent by matching the needs of consignors to those of buyers by private sales. In return, the Group collect commissions which are determined through negotiation with both buyers and sellers, usually representing the difference between the purchase price paid by the buyers and the selling price as pre-agreed by the sellers and the Group. Such commission revenue is recognised upon completion of the private sale and when the collectability of the related receivable is reasonably assured.

(b) Revenue from other services relating to auctions

In relation to the auctions organised, the Group also earns other services income from catalogue preparation, or insurance charged to the sellers for artworks in preparation for and placed in the auctions, and they are recognised as revenue when the related services are rendered.

(c) Revenue from artwork sales

Revenue from sale of artworks is recognised upon the transfer of risks and rewards of ownerships, which generally coincides with the time when the goods are delivered to customers and title has passed.

2.22 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.23 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Employees of the Group are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made.

The contributions are recognised as employee benefit expense when they are due.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.24 Share-based payments

The Group receives services from employees or consultants and as consideration, the Controlling Shareholder may transfer certain shares of the Group's subsidiary to the employees or consultants. The fair value of services received in exchange for the equity instruments transferred is recognised as a share-based payment expense. As the fair value of the service received cannot be reliably measured, the Group measures the services received, by reference to the fair value of the equity instruments transferred.

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

3.1 Market risk

(a) Foreign exchange risk

The Company mainly operates in Hong Kong and Japan with transactions mainly settled in HK\$, Japanese Yen ("JPY") and Renminbi ("RMB"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the group entity's functional currency.

As the assets and liabilities of each company within the Group are mainly denominated in the respective company's functional currency, the directors are of the opinion that the Group's volatility of its profits against reasonably possible changes in exchange rates of foreign currencies would not be significant.

(b) Cash flow interest rate risk

The Group's interest rate risk arises from bank borrowings. The Group's bank borrowings which are carried at floating rates expose the Group to cash flow interest rate risk. The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 March 2016, 2017 and 2018, if the interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the profit before tax for the year would have been approximately HK\$260,000, HK\$245,000, and HK\$140,000 lower/higher respectively, mainly as a result of higher/lower interest expense on floating-rate borrowings.

3.2 Credit risk

The carrying amounts of cash and cash equivalents, bank deposits, trade and other receivables and amount due from a related company included in the Historical Financial Information represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

Cash and cash equivalents and bank deposits were deposited in the major financial institutions in Hong Kong, Japan, Taiwan and the PRC, which the directors believe are of high credit quality.

The Group established policies to ensure that revenue from art auction and related business and artwork sales are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior transaction history with the customers and volume of sales. Refer to Note 20 for ageing analysis of trade receivables. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and

other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. If the other receivables from buyers in respect of auction and related business has not been received, the Group is not obligated to pay the corresponding other payables to sellers in respect of auction and related business. If the buyer defaults on payment, the sale may be cancelled, and the auction lots will be returned to the seller. Both of the other receivables and other payables in respect of auction and related business in relation to such cancelled sales shall be derecognised simultaneously. As such, management believes the credit risk relating to other receivables in respect of auction and related business is not significant.

3.3 Liquidity risk

The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group expects to fund the future cash flow needs through internally generated cash flows from operations, and borrowings from financial institutions. Regarding other payables to sellers in respect of auction and related business, the Group is not obligated to pay the seller until the other receivables from buyers in respect of auction and related business are collected. If the buyer defaults on payment, the sale may be cancelled, and the auction lots will be returned to the seller, and both of the other receivables and payables in respect of auction and related business in relation to such cancelled sales shall be derecognised simultaneously.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at each of the consolidated balance sheet dates to the respective contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2016						
Trade and other payables	–	179,125	–	–	–	179,125
Amount due to the Controlling Shareholder	2,014	–	–	–	–	2,014
Amount due to a former director	1,000	–	–	–	–	1,000
Finance lease liabilities	–	329	295	410	–	1,034
Borrowings	–	23,706	3,540	3,010	863	31,119
	<u>3,014</u>	<u>203,160</u>	<u>3,835</u>	<u>3,420</u>	<u>863</u>	<u>214,292</u>

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2017						
Trade and other payables	–	207,002	–	–	–	207,002
Amounts due to the Controlling Shareholder	2,016	–	–	–	–	2,016
Amount due to a former director	1,000	–	–	–	–	1,000
Finance lease liabilities	–	548	474	776	–	1,798
Bank borrowings	–	21,749	2,591	3,552	369	28,261
	<u>3,016</u>	<u>229,299</u>	<u>3,065</u>	<u>4,328</u>	<u>369</u>	<u>240,077</u>
As at 31 March 2018						
Trade and other payables	–	360,037	–	–	–	360,037
Amounts due to the Controlling Shareholder	1,640	10,046	–	–	–	11,686
Amount due to a former director	1,000	–	–	–	–	1,000
Finance lease liabilities	–	492	440	371	–	1,303
Bank borrowings	–	44,090	1,496	2,656	–	48,242
	<u>2,640</u>	<u>414,665</u>	<u>1,936</u>	<u>3,027</u>	<u>–</u>	<u>422,268</u>

3.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in long term.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on basis of the gearing ratio. This ratio is calculated as total debts divided by total capital. Total debts are calculated as total borrowings and finance lease liabilities. Total capital is calculated as "equity" as shown in the Historical Financial Information plus debts.

The gearing ratios at 31 March 2016, 2017 and 2018 were as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Borrowings (<i>Note 25</i>)	30,911	28,012	48,065
Finance lease liabilities (<i>Note 25</i>)	943	1,698	1,260
Total debt	<u>31,854</u>	<u>29,710</u>	<u>49,325</u>
Total capital	<u>106,929</u>	<u>137,445</u>	<u>159,734</u>
Gearing ratio	<u>29.8%</u>	<u>21.6%</u>	<u>30.9%</u>

3.5 Fair value estimation

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, short-term bank deposits, trade and other receivables, deposits and amount due from a related company and the Group's current financial liabilities, including trade and other payables, borrowings, finance lease liabilities, amount due to the Controlling Shareholder and amount due to a former director, approximate their fair values due to their short maturities.

4 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

4.1 Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in future periods.

4.2 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed. Management reassesses these estimates at each balance sheet date.

4.3 Current and deferred income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

4.4 Impairment of receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and debtors and the current market condition, and requires the use of judgments and estimates. Management reassesses the provisions at each balance sheet date.

5 Segment information

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

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

The segment information provided to the CODM for the years ended 31 March 2016, 2017 and 2018 are as follows:

	Year ended 31 March 2016		
	Operation of art auction and related business	Artwork sales	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue from external customers	133,251	5,362	138,613
Costs of services/sales	<u>(37,085)</u>	<u>(4,232)</u>	<u>(41,317)</u>
Segment results	96,166	1,130	97,296
Other losses, net			(358)
Other income			4,119
Selling and distribution expenses			(32,984)
Administrative expenses			<u>(37,654)</u>
Operating profit			30,419
Finance costs, net			<u>(196)</u>
Profit before income tax			30,223
Income tax expense			<u>(9,644)</u>
Profit for the year			<u>20,579</u>

Year ended 31 March 2017

	Operation of art auction and related business	Artwork sales	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue from external customers	137,588	10,460	148,048
Costs of services/sales	<u>(31,444)</u>	<u>(9,436)</u>	<u>(40,880)</u>
Segment results	106,144	1,024	107,168
Other gains, net			259
Other income			2,691
Selling and distribution expenses			(31,574)
Administrative expenses			<u>(37,283)</u>
Operating profit			41,261
Finance costs, net			<u>(257)</u>
Profit before income tax			41,004
Income tax expense			<u>(8,641)</u>
Profit for the year			<u>32,363</u>

Year ended 31 March 2018

	Operation of art auction and related business	Artwork sales	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue from external customers	164,596	8,670	173,266
Costs of services/sales	<u>(32,797)</u>	<u>(8,150)</u>	<u>(40,947)</u>
Segment results	131,799	520	132,319
Other losses, net			(433)
Other income			2,568
Selling and distribution expenses			(26,765)
Administrative expenses			<u>(49,468)</u>
Operating profit			58,221
Finance costs, net			<u>(239)</u>
Profit before income tax			57,982
Income tax expense			<u>(14,053)</u>
Profit for the year			<u>43,929</u>

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

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	38,575	63,117	89,757
Japan	100,038	84,931	83,509
	<u>138,613</u>	<u>148,048</u>	<u>173,266</u>

Information on segment assets and segment liabilities of the Group are not reviewed by CODM for the purpose of resource allocation and performance assessment during the Track Record Period 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:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	788	614	5,115
Japan	21,771	22,327	25,349
	<u>22,559</u>	<u>22,941</u>	<u>30,464</u>

6 Revenue

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from art auction and related business	133,251	137,588	164,596
Artwork sales	5,362	10,460	8,670
	<u>138,613</u>	<u>148,048</u>	<u>173,266</u>

All customers individually accounted for less than 10% of the Group's revenue during the Track Record Period.

7 Other (losses)/gains, net

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange (loss)/gain	(246)	543	(248)
Loss on disposal of property, plant and equipment, net	(22)	–	(109)
Changes in cash surrender values of key management life insurance contracts	(90)	(284)	(76)
	<u>(358)</u>	<u>259</u>	<u>(433)</u>

8 Other income

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Compensation received (<i>Note a</i>)	2,073	–	–
Miscellaneous income (<i>Note b</i>)	1,718	2,069	1,374
Others (<i>Note c</i>)	328	622	1,194
	<u>4,119</u>	<u>2,691</u>	<u>2,568</u>

Note:

- (a) The amount of compensation received for the year ended 31 March 2016 represented commercial settlement from a buyer who refused to pay commissions in relation to the items auctioned in prior year auction.
- (b) The amount mainly represented miscellaneous handling fees charged to customers during the auctions in Japan.
- (c) Other income mainly represented bidding deposits forfeited from the buyers.

9 Expenses by nature

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold	4,232	9,436	8,150
Rental and setup costs for auction and preview exhibition venues	25,347	21,809	23,489
Catalogue expenses	9,596	7,644	8,660
Operating lease rentals in respect of rented premises	4,453	4,585	6,143
Agency commissions	9,407	7,104	2,230
Advertising and promotion expenses	5,739	6,453	6,121
Transportation	3,884	2,459	3,082
Travelling	4,443	4,509	4,486
Entertainment	2,429	3,754	1,759
Business hospitality	3,166	1,636	1,981
Bank charge	910	2,746	1,344
Consulting fee	1,937	733	1,580
Employee benefit expenses (<i>Note 13</i>)	22,882	23,874	24,111
Depreciation of property, plant and equipment (<i>Note 16</i>)	1,142	1,686	1,896
Amortisation of intangible assets	50	48	49
Provision for doubtful debts (<i>Note 20</i>)	243	162	527
Share-based compensation expenses (<i>Note 14</i>)	1,528	—	—
Auditor's remuneration — audit service	32	54	180
Listing expenses (<i>Note</i>)	—	—	10,899
Others	10,535	11,045	10,493
Total costs of sales of goods, costs of services, selling and distribution expenses and administrative expenses	<u>111,955</u>	<u>109,737</u>	<u>117,180</u>

Note:

Included in this amount was HK\$2,268,000 which represented auditor's remuneration for non-audit services.

10 Finance income/(costs), net

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income:			
– Interest income on bank deposits	<u>18</u>	<u>6</u>	<u>10</u>
Finance costs:			
– Interest expense on finance lease liabilities	(40)	(49)	(61)
– Interest expense on bank borrowings	(159)	(214)	(188)
– Interest expense on other borrowings	<u>(15)</u>	<u>–</u>	<u>–</u>
	<u>(214)</u>	<u>(263)</u>	<u>(249)</u>
Finance income/(costs) — net	<u>(196)</u>	<u>(257)</u>	<u>(239)</u>

11 Income tax expense

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

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax			
– Hong Kong	1,276	5,403	9,565
– Japan	<u>11,171</u>	<u>2,377</u>	<u>2,973</u>
Total current income tax	12,447	7,780	12,538
Deferred income tax (<i>Note 18</i>)	<u>(2,803)</u>	<u>861</u>	<u>1,515</u>
Income tax expense	<u>9,644</u>	<u>8,641</u>	<u>14,053</u>

(a) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 March 2016, 2017 and 2018.

(b) Japan corporate income tax

Japan corporate income tax has been calculated on the estimated assessable profit for the Track Record Period at the rates of taxation prevailing in Japan in which the Group operates. The Group is subject to national corporate income tax, inhabitant tax, and enterprise tax in Japan, which in aggregate, resulted in effective statutory income tax rates of approximately 35.4%–37.1%, 34.8%–35.4% and 34.8% for the years ended 31 March 2016, 2017 and 2018, respectively.

The tax on the Group's profit before income tax differs from the theoretical amount that could arise using the weighted average tax rates applicable to profits of the consolidated entities during the respective years is as follows:

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>30,223</u>	<u>41,004</u>	<u>57,982</u>
Tax calculated at a taxation rate of 16.5%	4,987	6,766	9,567
Difference arising from tax rate in respect of other jurisdiction	4,467	1,506	2,133
Tax effect of:			
– Expenses not deductible for tax purpose	651	617	2,204
– Income not subject to income tax	(1)	–	(1)
– Tax allowance and special deduction	(456)	(389)	–
– Withholding tax on unremitted earnings (Note 18)	555	185	265
– Others	<u>(559)</u>	<u>(44)</u>	<u>(115)</u>
Income tax expense	<u><u>9,644</u></u>	<u><u>8,641</u></u>	<u><u>14,053</u></u>

12 Earnings per share**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the years ended 31 March 2016, 2017 and 2018, but has not been adjusted for the proposed bonus issue of 374,967,178 shares pursuant to the shareholders' resolution dated 13 September 2018 as the proposed bonus issue has not become effective as at date of this report.

	Year ended 31 March		
	2016	2017	2018
Net profit attributable to the owners of the Company (HK\$'000)	<u>18,497</u>	<u>30,780</u>	<u>44,063</u>
Weighted average number of ordinary shares in issue	<u>100</u>	<u>100</u>	<u>100</u>
Basic earnings per share (HK\$'000)	<u><u>185</u></u>	<u><u>308</u></u>	<u><u>441</u></u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no dilutive potential ordinary shares during the Track Record Period and accordingly the diluted earnings per share equals basic earnings per share.

13 Employee benefit expenses (including directors and senior management's emoluments)

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, wages and bonuses	20,800	21,519	22,019
Pension, medical insurance and other social insurances	994	1,019	857
Staff welfare and other benefits (<i>Note a</i>)	<u>1,088</u>	<u>1,335</u>	<u>1,235</u>
	<u><u>22,882</u></u>	<u><u>23,873</u></u>	<u><u>24,111</u></u>

Note:

- (a) The other benefits mainly comprise premium paid for key management insurance contracts which the director will be entitled to receive the benefits upon maturity of the insurance contracts, which is after 12 months from 31 March 2018 (Note 26).

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one, one and one director for the years ended 31 March 2016, 2017 and 2018 respectively, and his emoluments are reflected in the analysis shown in Note 33(a). The emoluments payable to the remaining four, four and four individuals during the years ended 31 March 2016, 2017 and 2018 are as follows:

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, wages and bonuses	4,601	4,865	4,710
Pension, medical insurance and other social insurances	289	377	376
	<u>4,890</u>	<u>5,242</u>	<u>5,086</u>

The emoluments of these individuals fell within the following bands:

	Number of individuals		
	Year ended 31 March		
	2016	2017	2018
Emoluments bands:			
Below HK\$1,000,000	1	1	1
HK\$1,000,001 to HK\$1,500,000	2	2	2
HK\$1,500,001 to HK\$2,000,000	1	–	1
HK\$2,000,001 to HK\$2,500,000	–	1	–
	<u>4</u>	<u>4</u>	<u>4</u>

During the years ended March 31, 2016, 2017 and 2018, neither the director nor other members of the five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, to leave the Group or as compensation for loss of office.

14 Share based compensation expenses

On 1 June 2015, Mr. Ando granted 30 shares of TCA Japan to an external consultant as a reward for his past service to one of the Company's subsidiaries. These awarded shares were vested as of the date of grant. The share-based payment expense charged to administrative expenses for the year ended 31 March 2016 amounted to approximately HK\$1,528,000.

The fair value of the award shares granted in 2015 was determined using discounted cash flow method. The significant inputs into the model were gross profit margin of 72%, discount rate of 13.7% and terminal growth rate of 1%.

15 Dividend

No dividend has been paid or declared by the Company or companies now comprising the Group during the Track Record Period.

16 Property, plant and equipment**Group**

	Freehold land	Buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2015							
Cost	69	839	3,823	1,257	530	–	6,518
Accumulated depreciation	–	(34)	(1,987)	(184)	(97)	–	(2,302)
Net book amount	<u>69</u>	<u>805</u>	<u>1,836</u>	<u>1,073</u>	<u>433</u>	<u>–</u>	<u>4,216</u>
Year ended 31 March 2016							
Opening net book amount	69	805	1,836	1,073	433	–	4,216
Additions	396	3,520	41	305	789	–	5,051
Disposals	–	–	–	(22)	–	–	(22)
Depreciation (Note 9)	–	(28)	(767)	(162)	(185)	–	(1,142)
Exchange difference	31	289	78	76	23	–	497
Closing net book amount	<u>496</u>	<u>4,586</u>	<u>1,188</u>	<u>1,270</u>	<u>1,060</u>	<u>–</u>	<u>8,600</u>
As at 1 April 2016							
Cost	496	4,652	4,130	1,632	1,355	–	12,265
Accumulated depreciation	–	(66)	(2,942)	(362)	(295)	–	(3,665)
Net book amount	<u>496</u>	<u>4,586</u>	<u>1,188</u>	<u>1,270</u>	<u>1,060</u>	<u>–</u>	<u>8,600</u>
Year ended 31 March 2017							
Opening net book amount	496	4,586	1,188	1,270	1,060	–	8,600
Additions	–	72	–	129	1,165	1,240	2,606
Depreciation (Note 9)	–	(170)	(859)	(206)	(451)	–	(1,686)
Exchange difference	4	37	36	10	(25)	(40)	22
Closing net book amount	<u>500</u>	<u>4,525</u>	<u>365</u>	<u>1,203</u>	<u>1,749</u>	<u>1,200</u>	<u>9,542</u>
As at 1 April 2017							
Cost	500	4,756	4,161	1,768	2,487	1,200	14,872
Accumulated depreciation	–	(231)	(3,796)	(565)	(738)	–	(5,330)
Net book amount	<u>500</u>	<u>4,525</u>	<u>365</u>	<u>1,203</u>	<u>1,749</u>	<u>1,200</u>	<u>9,542</u>

	Freehold land	Buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2018							
Opening net book amount	500	4,525	365	1,203	1,749	1,200	9,542
Additions	–	171	4,596	215	–	359	5,341
Transfer	–	1,070	508	–	–	(1,578)	–
Disposals	–	(109)	–	–	–	–	(109)
Depreciation (Note 9)	–	(308)	(848)	(237)	(503)	–	(1,896)
Exchange difference	29	301	58	60	55	19	522
Closing net book amount	<u>529</u>	<u>5,650</u>	<u>4,679</u>	<u>1,241</u>	<u>1,301</u>	<u>–</u>	<u>13,400</u>
As at 31 March 2018							
Cost	529	6,210	9,565	2,081	2,587	–	20,972
Accumulated depreciation	–	(560)	(4,886)	(840)	(1,286)	–	(7,572)
Net book amount	<u>529</u>	<u>5,650</u>	<u>4,679</u>	<u>1,241</u>	<u>1,301</u>	<u>–</u>	<u>13,400</u>

Motor vehicles includes the following amount where the Group is a lessee under a finance lease (Note 25):

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Cost — capitalised finance lease	1,355	2,487	2,587
Accumulated depreciation	<u>(295)</u>	<u>(738)</u>	<u>(1,286)</u>
	<u>1,060</u>	<u>1,749</u>	<u>1,301</u>

Note:

All depreciation expenses have been charged to administrative expenses for the years ended 31 March 2016, 2017 and 2018.

Company

	Leasehold improvement	Furniture, fixtures and office equipment	Motor vehicles	Total
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
As at 1 April 2015				
Cost	–	85	–	85
Accumulated depreciation	–	<u>(11)</u>	–	<u>(11)</u>
Net book amount	<u>–</u>	<u>74</u>	<u>–</u>	<u>74</u>
Year ended 31 March 2016				
Opening net book amount	–	74	–	74
Additions	–	25	789	814
Depreciation	–	<u>(21)</u>	<u>(79)</u>	<u>(100)</u>
Closing net book amount	<u>–</u>	<u>78</u>	<u>710</u>	<u>788</u>
As at 31 March 2016				
Cost	–	110	789	899
Accumulated depreciation	–	<u>(32)</u>	<u>(79)</u>	<u>(111)</u>
Net book amount	<u>–</u>	<u>78</u>	<u>710</u>	<u>788</u>
Year ended 31 March 2017				
Opening net book amount	–	78	710	788
Additions	–	6	–	6
Depreciation	–	<u>(22)</u>	<u>(158)</u>	<u>(180)</u>
Closing net book amount	<u>–</u>	<u>62</u>	<u>552</u>	<u>614</u>
As at 31 March 2017				
Cost	–	116	789	905
Accumulated depreciation	–	<u>(54)</u>	<u>(237)</u>	<u>(291)</u>
Net book amount	<u>–</u>	<u>62</u>	<u>552</u>	<u>614</u>

	<u>Leasehold improvement</u>	<u>Furniture, fixtures and office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2017				
Cost	–	116	789	905
Accumulated depreciation	–	(54)	(237)	(291)
Net book amount	<u>–</u>	<u>62</u>	<u>552</u>	<u>614</u>
Year ended 31 March 2018				
Opening net book amount	–	62	552	614
Additions	3,804	203	–	4,007
Depreciation	(381)	(40)	(158)	(579)
Closing net book amount	<u>3,423</u>	<u>225</u>	<u>394</u>	<u>4,042</u>
As at 31 March 2018				
Cost	3,804	319	789	4,912
Accumulated depreciation	(381)	(94)	(395)	(870)
Net book amount	<u>3,423</u>	<u>225</u>	<u>394</u>	<u>4,042</u>

Motor vehicles includes the following amount where the Company is a lessee under a finance lease (Note 25):

	<u>Year ended 31 March</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost-capitalised finance lease	789	789	789
Accumulated depreciation	(79)	(237)	(395)
	<u>710</u>	<u>552</u>	<u>394</u>

Note:

All depreciation expenses have been charged to administrative expenses for the years ended 31 March 2016, 2017 and 2018.

17 Interests in subsidiaries

Company

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	—	—	45,344

The following is a list of the subsidiaries as at 31 March 2018:

Name	Place of incorporation/ establishment <i>(Note a)</i>	Principal activities	Particulars of issued share capital/ registered capital	Interest held by	
				The Company	
				<i>directly</i>	<i>indirectly</i>
Tokyo Chuo Auction Co., Ltd.	Japan	Provision of auction related services and artwork sales	Paid-in capital of JPY50,000,000	92%	—
Tokyo Chuo Auction Hongkong Company Limited	Hong Kong	For provision of auction related services and artwork sales in the future	Paid-in capital of HK\$1	100%	—
Shanghai Shengjia Culture Development Co., Ltd	The PRC	Promotion and related activities	Paid-in capital of RMB226,266 <i>(Note b)</i>	—	92%

Notes:

- (a) These subsidiaries principally operate in their places of incorporation/establishment.
- (b) Share capital of RMB116,100 was subsequently paid up after 31 March 2018. As at the date of this report, total paid-in capital of Shanghai Shengjia Culture Development Co., Ltd amounted to RMB342,366.

Movements of the Company's interests in subsidiaries were as follows:

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	–	–	–
Acquisition of a subsidiary under common control transaction	–	–	43,175
Acquisition of interests in a subsidiary from non-controlling interests	–	–	2,169
	<u>–</u>	<u>–</u>	<u>45,344</u>

18 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax recoverable against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

Group

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred income tax assets	2,693	2,058	876
Deferred income tax liabilities	(1,992)	(2,187)	(2,591)
	<u>701</u>	<u>(129)</u>	<u>(1,715)</u>

Movements in net deferred income tax (liabilities)/assets are as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the year	(2,142)	701	(129)
Credited/(charged) to income statement (Note 11)	2,803	(861)	(1,515)
Exchange differences	40	31	(71)
End of the year	<u>701</u>	<u>(129)</u>	<u>(1,715)</u>

Movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Property, plant and equipment	Inventories	Other payables and accruals	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	At as 1 April 2015	10	345	214	1,075
Credited to income statement	110	130	1,722	728	2,690
Exchange differences	8	32	129	122	291
At as 31 March 2016 and 1 April 2016	128	507	2,065	1,925	4,625
Credited/(charged) to income statement	270	(182)	(319)	(861)	(1,092)
Exchange differences	(7)	10	26	42	71
At as 31 March 2017 and 1 April 2017	391	335	1,772	1,106	3,604
Credited/(charged) to income statement	132	676	(1,566)	82	(676)
Exchange differences	28	48	38	69	183
At as 31 March 2018	<u>551</u>	<u>1,059</u>	<u>244</u>	<u>1,257</u>	<u>3,111</u>

Deferred income tax liabilities

	Key management life insurance contracts	Withholding tax on unremitted earnings	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At as 1 April 2015	1,350	1,310	1,126	3,786
Charged/(credited) to income statement	404	555	(1,072)	(113)
Exchange differences	<u>118</u>	<u>127</u>	<u>6</u>	<u>251</u>
At as 31 March 2016 and 1 April 2016	1,872	1,992	60	3,924
Charged/(credited) to income statement	(509)	185	93	(231)
Exchange differences	<u>33</u>	<u>10</u>	<u>(3)</u>	<u>40</u>
At as 31 March 2017 and 1 April 2017	1,396	2,187	150	3,733
Charged to income statement	268	265	306	839
Exchange differences	<u>92</u>	<u>139</u>	<u>23</u>	<u>254</u>
At as 31 March 2018	<u><u>1,756</u></u>	<u><u>2,591</u></u>	<u><u>479</u></u>	<u><u>4,826</u></u>

Deferred income tax liabilities have been recognised for the withholding tax that would be payable on the unremitted earnings of TCA Japan based on 5% applicable tax rate of the distributable profits of TCA Japan that the directors consider to be subject to distribution.

The Group did not recognise deferred income tax assets in respect of losses of approximately Nil, HK\$261,000 and HK\$1,119,000 as at 31 March 2016, 2017 and 2018 respectively. Unrecognised tax losses amounting to approximately Nil, HK\$261,000 and HK\$619,000 as at 31 March 2016, 2017 and 2018 respectively will be subject to expiry from 2022 to 2023, while the remaining balance can be carried forward indefinitely.

19 Inventories*Group*

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Artwork	<u>21,442</u>	<u>13,758</u>	<u>23,050</u>

Company

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Artwork	<u>3,100</u>	<u>3,100</u>	<u>3,100</u>

The cost of inventories recognised as expenses and included in “costs of sales of goods” amounted to approximately HK\$4,232,000, HK\$9,436,000 and HK\$8,150,000, for the years ended 31 March 2016, 2017 and 2018 respectively.

20 Trade and other receivables*Group*

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	7,485	10,896	45,979
Less: provision for bad and doubtful debts	<u>(42)</u>	<u>(198)</u>	<u>(202)</u>
Trade receivables — net	7,443	10,698	45,777
Other receivables			
– Receivables from buyers in respect of auction and related business (<i>Note i</i>)	56,012	95,269	338,395
– Consignor advance (<i>Note ii</i>)	7,589	–	15,151
– Input value-added tax recoverable	427	141	23,257
– Others	<u>70</u>	<u>4</u>	<u>1,081</u>
Trade and other receivables	<u>71,541</u>	<u>106,112</u>	<u>423,661</u>

As at 31 March 2016, 2017 and 2018, the fair value of trade and other receivables of the Group approximated their carrying amounts.

Note:

- (i) Other receivables from buyers in respect of auction and related business represent the purchase price of the auction articles receivable on behalf of sellers.
- (ii) Included in other receivables are advances of HK\$7,589,000, nil and HK\$15,151,000 made to certain sellers as at 31 March 2016, 2017 and 2018, respectively, upon consignment of auction articles to the Group. These advances are interest bearing at 1% per annum and repayable within 6 months.

As at 31 March 2016, 2017 and 2018, the carrying amounts of trade and other receivables are denominated in the following currencies:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	164	19,151	217,597
JPY	71,377	86,961	206,064
	<u>71,541</u>	<u>106,112</u>	<u>423,661</u>

The Group grants credit period of 7 days for commission receivables and 30 days for receivables from artwork sales. The aging analysis of trade receivables based on invoice date, before provision for impairment, as at 31 March 2016, 2017 and 2018, was as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables — gross			
– Within 30 days	704	730	21,597
– 1 to 3 months	4,182	6,431	–
– 3 to 6 months	4	1,190	20,243
– 6 to 12 months	1,833	10	2,667
– Over 1 year	762	2,535	1,472
	<u>7,485</u>	<u>10,896</u>	<u>45,979</u>

As at 31 March 2016, 2017 and 2018, trade receivables of HK\$7,443,000, HK\$10,698,000 and HK\$45,777,000 respectively, were past due but not impaired. Based on the past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there is no significant change in their credit quality and the balances are considered fully recoverable. These trade receivables relate to a number of debtors for whom there is no recent history of default. The ageing analysis of these trade receivables that were past due but not impaired at respective balance sheet dates is as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables — gross			
– Within 30 days	4,886	7,161	21,597
– 1 to 3 months	–	–	–
– 3 to 6 months	4	1,190	20,243
– 6 to 12 months	1,833	10	2,667
Over 1 year	720	2,337	1,270
	<u>7,443</u>	<u>10,698</u>	<u>45,777</u>

The Group does not hold any collateral as security over these debtors as at 31 March 2016, 2017 and 2018.

Movements of the Group's provision for impairment of trade receivables are as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	5	42	198
Provision for doubtful debts	243	162	527
Write-off	(209)	–	(512)
Exchange differences	3	(6)	(11)
At end of the year	<u>42</u>	<u>198</u>	<u>202</u>

Company

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	22	1,190	20,243
Less: provision for impairment of trade receivables	–	–	–
Trade receivables - net	22	1,190	20,243
Receivables from buyers in respect of auction and related business	142	18,366	201,876
Trade and other receivables	<u>164</u>	<u>19,556</u>	<u>222,119</u>

As at 31 March 2016, 2017 and 2018, the fair value of trade and other receivables of the Company approximated their carrying amounts.

As at 31 March 2016, 2017 and 2018, the carrying amounts of trade and other receivables of the Company are denominated in Hong Kong dollars.

The Company grants credit period of 7 days for commission receivables and 30 days for receivables from artwork sales. The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 March 2016, 2017 and 2018, was as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables — gross			
– Within 3 months	–	–	–
– 3 to 6 months	2	1,190	20,243
– 6 to 12 months	<u>20</u>	<u>–</u>	<u>–</u>
	<u>22</u>	<u>1,190</u>	<u>20,243</u>

As at 31 March 2016, 2017 and 2018, trade receivables of HK\$22,000, HK\$1,190,000 and HK\$20,243,000, respectively, were past due but not impaired. Based on the past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there is no significant change in their credit quality and the balances are considered fully recoverable. These trade receivables relate to a number of debtors for whom there is no recent history of default. The ageing analysis of these trade receivables past due but not impaired at respective balance sheet dates is as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables — gross			
– Within 3 months	–	–	–
– 3 to 6 months	2	1,190	20,243
– 6 to 12 months	<u>20</u>	<u>–</u>	<u>–</u>
	<u>22</u>	<u>1,190</u>	<u>20,243</u>

The Company does not hold any collateral as security over these debtors as at 31 March 2016, 2017 and 2018.

21 Deposits and prepayments

Group

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current portion:			
– Deposits and prepayments	3,374	1,088	7,187
Non-current portion:			
– Rental and other deposits	2,892	2,993	4,236
– Key management life insurance contracts (<i>Note a</i>)	10,222	9,858	12,270
	<u>13,114</u>	<u>12,851</u>	<u>16,506</u>
Total	<u>16,488</u>	<u>13,939</u>	<u>23,693</u>

As at 31 March 2016, 2017 and 2018, the fair value of deposits of the Group approximated their carrying amounts.

As at 31 March 2016, 2017 and 2018, the carrying amounts of deposits and prepayments are denominated in the following currencies:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	2,667	862	13,833
JPY	13,759	13,016	9,476
RMB	–	–	295
Others	62	61	89
	<u>16,488</u>	<u>13,939</u>	<u>23,693</u>

Note a:

Key management life insurance contracts

Movements of the Group's investment in key management life insurance contracts are as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	7,503	10,222	9,858
Addition	2,156	1,867	1,836
Receipts upon termination of key management life insurance contracts	–	(2,036)	–
Changes in cash surrender value of key management life insurance contracts	(90)	(284)	(76)
Exchange differences	653	89	652
At end of the year	<u>10,222</u>	<u>9,858</u>	<u>12,270</u>

Company

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current portion:			
– Deposits and prepayments	2,647	346	2,576
Non-current portion:			
– Deposits	–	–	1,073
Total	<u>2,647</u>	<u>346</u>	<u>3,649</u>

As at 31 March 2016, 2017 and 2018, the fair value of deposits of the Company approximated their carrying amounts.

As at 31 March 2016, 2017 and 2018, the carrying amounts of deposits and prepayments of the Company are denominated in Hong Kong dollars.

22 Cash and cash equivalents, short-term bank deposits and long-term bank deposits

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at banks and on hand	191,106	212,473	68,909
Deposits with maturity less than 3 months	<u>1,380</u>	<u>1,390</u>	<u>1,473</u>
Cash and cash equivalents	192,486	213,863	70,382
Short-term bank deposits	<u>—</u>	<u>341</u>	<u>—</u>
	<u>192,486</u>	<u>214,204</u>	<u>70,382</u>
Long-term bank deposits (<i>Note a</i>)	<u>255</u>	<u>—</u>	<u>—</u>

Note:

- (a) As at 31 March 2016, bank deposits of approximately HK\$255,000 is denominated in JPY and with maturity over 1 year.

The carrying amounts of the cash and cash equivalents, short-term bank deposits and long-term bank deposits are denominated in the following currencies:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
– HK\$	50,525	80,248	33,233
– JPY	142,184	133,476	36,749
– RMB	12	462	309
– Others	<u>20</u>	<u>18</u>	<u>91</u>
	<u>192,741</u>	<u>214,204</u>	<u>70,382</u>

As at 31 March 2016, 2017 and 2018, the Group's bank balances of approximately nil, HK\$213,000 and HK\$2,000, respectively were deposited with a bank in the PRC. The remittance of these funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Company

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents			
– Cash at banks and on hand	<u>47,318</u>	<u>79,772</u>	<u>33,824</u>

The carrying amounts of the cash at banks and on hand are denominated in the following currencies:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
– HK\$	47,313	77,287	33,198
– JPY	–	2,480	577
– RMB	<u>5</u>	<u>5</u>	<u>49</u>
	<u>47,318</u>	<u>79,772</u>	<u>33,824</u>

23 Share Capital

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Issued and fully paid:			
100 ordinary shares	<u>–</u>	<u>–</u>	<u>–</u>

As at 31 March 2016, 2017 and 2018, the amounts of issued and fully paid share capital were HK\$100, HK\$100 and HK\$100, respectively.

24 Reserves

Group

	Other reserves				
	Merger reserves <i>(Note a)</i>	Currency translation differences	Sub-total	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2015	4,817	(14,221)	(9,404)	54,437	45,033
Profit for the year	–	–	–	18,497	18,497
Share-based payment transactions <i>(Note 14)</i>	–	–	–	457	457
Currency translation differences	–	3,280	3,280	–	3,280
At 31 March 2016 and 1 April 2016	<u>4,817</u>	<u>(10,941)</u>	<u>(6,124)</u>	<u>73,391</u>	<u>67,267</u>
Profit for the year	–	–	–	30,780	30,780
Currency translation differences	–	260	260	–	260
At 31 March 2017 and 1 April 2017	<u>4,817</u>	<u>(10,681)</u>	<u>(5,864)</u>	<u>104,171</u>	<u>98,307</u>
Profit for the year	–	–	–	44,063	44,063
Deemed distribution to shareholders <i>(Note b)</i>	(43,175)	–	(43,175)	–	(43,175)
Transaction with non-controlling interests	–	–	–	816	816
Currency translation differences	–	3,658	3,658	–	3,658
At 31 March 2018	<u>(38,358)</u>	<u>(7,023)</u>	<u>(45,381)</u>	<u>149,050</u>	<u>103,669</u>

Note:

- (a) The consolidation difference that arises under merger accounting is included as “merger reserve”, and computed by comparing the considerations paid and the share capital of the subsidiaries that merged into the Group.
- (b) Amount mainly represented the consideration of JPY 604.8 million (equivalent to HK\$43.2 million) paid by the Company in acquiring TCA Japan pursuant to the Reorganisation mentioned in Note 1.2, which was considered as deemed distribution to shareholders.

Company

	Retained earnings
	<u>HK\$'000</u>
At 1 April 2015	9,036
Profit for the year	<u>6,792</u>
At 31 March 2016	15,828
Profit for the year	<u>27,510</u>
At 31 March 2017	43,338
Profit for the year	<u>37,637</u>
At 31 March 2018	<u><u>80,975</u></u>

25 Borrowings and finance lease liabilities*Group*

	As at 31 March		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current			
Bank borrowings (<i>Note (a)</i>)	7,336	6,304	4,093
Finance lease liabilities (<i>Note (b)</i>)	<u>647</u>	<u>1,191</u>	<u>793</u>
	7,983	7,495	4,886
	-----	-----	-----
Current			
Bank borrowings (<i>Note (a)</i>)	22,075	21,708	43,972
Finance lease liabilities (<i>Note (b)</i>)	296	507	467
Loan payable to a third party (<i>Note (c)</i>)	<u>1,500</u>	<u>—</u>	<u>—</u>
	23,871	22,215	44,439
	-----	-----	-----
Total borrowings	<u><u>31,854</u></u>	<u><u>29,710</u></u>	<u><u>49,325</u></u>

(a) Bank borrowings

As at 31 March 2016, 2017 and 2018, all the bank borrowings are denominated in JPY.

As at 31 March 2016, 2017 and 2018, the Group's banking facilities are guaranteed by (i) personal guarantee from Mr. Ando, (ii) corporate guarantee from a related party, and (iii) third party corporate guarantee. The personal guarantee provided by the Group's director, corporate guarantee by a related company and guarantee by third party corporate were released in April 2018 and May 2018, respectively.

The effective interest rates of bank borrowings as at 31 March 2016, 2017 and 2018 were 1.7% to 2.5%, 1.5% to 2.4% and 0.8% to 2.4%, respectively.

As at 31 March 2016, 2017 and 2018, the fair value of bank borrowings approximated their carrying amounts.

The Group's bank borrowings are repayable as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	22,075	21,708	43,972
Between 1 and 2 years	3,504	2,438	1,462
Between 2 and 5 years	2,973	3,498	2,631
Over 5 years	859	368	—
	<u>29,411</u>	<u>28,012</u>	<u>48,065</u>

(b) Finance lease liabilities

Gross finance lease liabilities — minimum lease payments

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
No later than 1 year	329	548	492
Later than 1 year and no later than 5 years	705	1,250	811
	1,034	1,798	1,303
Future finance charges on finance leases	(91)	(100)	(43)
Present value of financial lease liabilities	<u>943</u>	<u>1,698</u>	<u>1,260</u>

The present value of finance lease liabilities are as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
No later than 1 year	296	507	467
Later than 1 year and no later than 5 years	<u>647</u>	<u>1,191</u>	<u>793</u>
	<u>943</u>	<u>1,698</u>	<u>1,260</u>

As at 31 March 2016, 2017 and 2018, the finance leases are secured by the Group's motor vehicles with carrying values of HK\$1,060,000, HK\$1,749,000, and HK\$1,301,000, respectively. The rights to the leased asset are reverted to the lessors in the event of default of the lease liabilities by the Group.

(c) Loan payable to a third party

The loan balance was unsecured, interest bearing at 1% per annum, denominated in HK\$ and repayable within 1 year.

Company

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current			
Finance lease liabilities <i>(Note (d))</i>	487	329	184
	-----	-----	---
Current			
Finance lease liabilities <i>(Note (d))</i>	158	158	163
Loan payable to a third party <i>(Note (c))</i>	<u>1,500</u>	<u>—</u>	<u>—</u>
	<u>1,658</u>	<u>158</u>	<u>163</u>
	-----	-----	---
Total borrowings	<u>2,145</u>	<u>487</u>	<u>347</u>

*(d) Finance lease liabilities**Gross finance lease liabilities — minimum lease payments*

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
No later than 1 year	173	173	173
Later than 1 year and no later than 5 years	<u>535</u>	<u>362</u>	<u>188</u>
	708	535	361
Future finance charges on finance leases	<u>(63)</u>	<u>(48)</u>	<u>(14)</u>
Present value of financial lease liabilities	<u>645</u>	<u>487</u>	<u>347</u>
The present value of finance lease liabilities are as follows:			
No later than 1 year	158	158	163
Later than 1 year and no later than 5 years	<u>487</u>	<u>329</u>	<u>184</u>
	<u>645</u>	<u>487</u>	<u>347</u>

As at 31 March 2016, 2017 and 2018, the finance lease secured by the Company's motor vehicles with carrying values of HK\$710,000, HK\$552,000, and HK\$394,000, respectively. The rights to the leased asset are reverted to the lessors in the event of default of the lease liabilities by the Company.

26 Trade and other payables and accruals*Group*

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	6,371	4,638	4,637
Payables to sellers in respect of auction and related business	167,723	192,942	348,035
Deposits received, other payables and accruals	<u>12,354</u>	<u>18,613</u>	<u>24,297</u>
	186,448	216,193	376,969
Less: Non-current portion: – Other payable	<u>(4,118)</u>	<u>(4,978)</u>	<u>(6,149)</u>
Current portion	<u>182,330</u>	<u>211,215</u>	<u>370,820</u>

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

Trade receivables from sellers that had been netted off with payables to sellers in respect of auction and related business under enforceable master offsetting arrangements as at 31 March 2016, 2017 and 2018 were approximately HK\$19,296,000, HK\$22,197,000 and HK\$40,039,000, respectively.

As at 31 March 2016, 2017 and 2018, all trade and other payables of the Group were non-interest bearing, and their fair value, except for those non-financial liabilities, approximate to their carrying amounts due to their short maturities.

The non-current other payable represents the Group's obligation to pay for the employee benefits of a director of the Group, which will be settled after 12 months from the balance sheet date (Note 13).

The Group's trade and other payables and accruals are denominated in the following currencies:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	33,053	52,237	211,455
JPY	152,828	163,293	165,302
Others	<u>567</u>	<u>663</u>	<u>212</u>
	<u>186,448</u>	<u>216,193</u>	<u>376,969</u>

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

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<u>6,371</u>	<u>4,638</u>	<u>4,637</u>

Company

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Payables to sellers in respect of auction business	32,034	51,320	199,951
Deposits received, other payables and accruals	<u>708</u>	<u>872</u>	<u>11,459</u>
	<u><u>32,742</u></u>	<u><u>52,192</u></u>	<u><u>211,410</u></u>

As at 31 March 2016, 2017 and 2018, all trade and other payable and accruals of the Company were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

As at 31 March 2016, 2017 and 2018, all the carrying amounts of trade and other payables and accruals are denominated in Hong Kong dollars.

27 Financial instruments by category*Group*

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans and receivables			
– Trade and other receivables	71,541	106,112	423,661
– Deposits	3,147	2,993	4,236
– Long-term bank deposits	255	–	–
– Amount due from a related company	2,070	13,899	14,716
– Short-term bank deposits	–	341	–
– Cash and cash equivalents	<u>192,486</u>	<u>213,863</u>	<u>70,382</u>
	<u><u>269,499</u></u>	<u><u>337,208</u></u>	<u><u>512,995</u></u>
Financial liabilities at amortised cost			
– Trade and other payables	179,125	207,002	360,037
– Finance lease liabilities	943	1,698	1,260
– Borrowings	30,911	28,012	48,065
– Amount due to the Controlling Shareholder	2,014	2,016	11,686
– Amount due to a former director	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	<u><u>213,993</u></u>	<u><u>239,728</u></u>	<u><u>422,048</u></u>

28 Notes to consolidated statements of cash flows

(a) Reconciliation of profit before income tax to net cash generated from/(used in) operations.

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	30,223	41,004	57,982
Adjustments for:			
– Depreciation of property, plant and equipment (<i>Note 9</i>)	1,142	1,686	1,896
– Amortisation of intangible assets (<i>Note 9</i>)	50	48	49
– Changes in cash surrender values of key management life insurance contracts	90	284	76
– Share based payment expenses (<i>Note 14</i>)	1,528	–	–
– Loss on disposal of property, plant and equipment (<i>Note (b)</i>)	22	–	109
– Interest income	(18)	(6)	(10)
– Interest expenses	214	263	249
– Provision for bad and doubtful debts	243	162	527
Changes in working capital:			
– Inventories	(533)	7,684	(9,292)
– Trade and other receivables, deposits and prepayment	(14,212)	(44,369)	(324,196)
– Trade and other payables and accruals	28,696	29,745	170,446
Cash generated from/(used in) operations	<u>47,445</u>	<u>36,501</u>	<u>(102,164)</u>

(b) In the consolidated statement of cash flows, proceeds from disposal of properties, plant and equipment comprise:

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net book amount	22	–	109
Loss on disposal of property, plant and equipment	(22)	–	(109)
Proceeds from disposal	<u>–</u>	<u>–</u>	<u>–</u>

(c) Debt reconciliation

This section sets out an analysis of the movements in total debt for each of the periods presented.

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Borrowings — repayable within one year	23,871	22,215	44,439
Borrowings — repayable after one year	<u>7,983</u>	<u>7,495</u>	<u>4,886</u>
Total debt	<u>31,854</u>	<u>29,710</u>	<u>49,325</u>
Gross debt — fixed interest rates	4,092	5,717	34,727
Gross debt — variable interest rates	<u>27,762</u>	<u>23,993</u>	<u>14,598</u>
Total debt	<u>31,854</u>	<u>29,710</u>	<u>49,325</u>

	Liabilities from financing activities				
	Finance lease due within 1 year	Finance lease due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total debt as at 1 April 2015	119	279	12,185	5,309	17,892
Cash flows	161	338	9,983	1,557	12,039
Foreign exchange adjustments	<u>16</u>	<u>30</u>	<u>1,407</u>	<u>470</u>	<u>1,923</u>
Total debt as at 31 March 2016 and 1 April 2016	296	647	23,575	7,336	31,854
Cash flows	201	524	(2,020)	(1,146)	(2,441)
Foreign exchange adjustments	<u>10</u>	<u>20</u>	<u>153</u>	<u>114</u>	<u>297</u>
Total debt as at 31 March 2017 and 1 April 2017	507	1,191	21,708	6,304	29,710
Cash flows	(57)	(436)	20,148	(2,498)	17,157
Foreign exchange adjustments	<u>17</u>	<u>38</u>	<u>2,116</u>	<u>287</u>	<u>2,458</u>
Total debt as at 31 March 2018	<u>467</u>	<u>793</u>	<u>43,972</u>	<u>4,093</u>	<u>49,325</u>

29 Commitments**(a) Capital commitments**

There is no capital commitments at each balance sheet dates.

(b) Operating lease commitments — the Group as lessee

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
No later than 1 year	5,214	4,659	7,975
Later than 1 year and no later than 2 years	4,340	–	7,104
Later than 2 years and no later than 5 years	–	–	2,324
	<u>9,554</u>	<u>4,659</u>	<u>17,403</u>

The execution of the lease agreement of one of the leased premises of the Group is guaranteed by a related party, Bai Sheng Co., Ltd., on joint and several basis with the Group for the year ended 31 March 2016, 2017 and 2018, which was subsequently released in July 2018 with retrospective effect from April 2018.

30 Related party transactions**Group****(a) Names and relationships with related parties**

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control.

The following individuals and companies are related parties of the Group that had balances and/or transactions with the Group during the Track Record Period.

Name of related parties	Relationship with the Group
Mr. Ando Shokei	Controlling Shareholder
Mr. Feng Heqing	Key management of the Company
Bai Sheng Co., Ltd.	Controlled by Mr. Ando Shokei

(b) Balances with related parties

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from a related company			
– Bai Sheng Co., Ltd.	<u>2,070</u>	<u>13,899</u>	<u>14,716</u>

As at 31 March 2016, 2017 and 2018, balances due from a related company were non-trade in nature, unsecured, bore interest at 1% per annum, denominated in JPY, and repayable on demand.

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due to the Controlling Shareholder			
– Mr. Ando	<u>2,014</u>	<u>2,016</u>	<u>11,686</u>
Amount due to a former director			
– Mr. Feng	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

As at 31 March 2016 and 2017, amounts due to the Controlling Shareholder and a former director were non-trade in nature, unsecured, interest-free, denominated in HK\$ and JPY, and repayable on demand.

As at 31 March 2018, amount due to the Controlling Shareholder include loan balance of HK\$10,046,000 which was non-trade in nature, unsecured, bore interest at 1% per annum, denominated in HK\$, and repayable within 1 year. Remaining balances due to the Controlling Shareholder and a former director were non-trade in nature, unsecured, interest-free, denominated in HK\$, and repayable on demand.

The maximum outstanding balances due to the Controlling Shareholder during the years ended 31 March 2016, 2017 and 2018 were HK\$2,014,000, HK\$2,016,000 and HK\$11,686,000, respectively.

(c) Transactions with related parties

In addition to those disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties:

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Auction commissions from a related party			
– Bai Sheng Co., Ltd.	<u>81</u>	<u>312</u>	<u>614</u>
Agency commissions charged by a related party			
– Bai Sheng Co., Ltd.	<u>5,485</u>	<u>4,512</u>	<u>784</u>
Rental expense to a related party			
– Bai Sheng Co., Ltd.	<u>–</u>	<u>64</u>	<u>64</u>

All the related party transactions were conducted in accordance with terms mutually agreed with related parties and in the ordinary course of business.

(d) Key management compensation

Key management includes directors and top management. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages and salaries	8,182	8,912	9,490
Bonus	281	482	212
Pensions	302	477	457
Staff welfare and other benefits	<u>772</u>	<u>857</u>	<u>843</u>
	<u>9,537</u>	<u>10,728</u>	<u>11,002</u>

Company

The following individuals and companies are related parties of the Company that had balances and/or transactions with the Company during the Track Record Period.

<u>Name of related parties</u>	<u>Relationships with the Company</u>
Tokyo Chuo Auction Hongkong Company Limited (“TCA HK”)	Subsidiary
Tokyo Chuo Auction Co., Ltd. (“TCA Japan”)	Subsidiary
Mr. Ando Shokei	Controlling Shareholder
Mr. Feng Heqing	Key management of the Company

(e) Balances with related parties

	<u>As at 31 March</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from a subsidiary			
– TCA HK	<u>–</u>	<u>–</u>	<u>3,232</u>
Amount due to a subsidiary			
– TCA Japan	<u>302</u>	<u>411</u>	<u>4,357</u>

As at 31 March 2016, 2017 and 2018, balances due to and due from subsidiaries were unsecured, interest-free denominated in HK\$, and repayable on demand.

	<u>As at 31 March</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due to the Controlling Shareholder			
– Mr. Ando	<u>1,753</u>	<u>1,753</u>	<u>11,686</u>
Amount due to a former director			
– Mr. Feng	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

As at 31 March 2016 and 2017, amounts due to the Controlling Shareholder and a former director were unsecured, interest-free, denominated in HK\$, and repayable on demand.

As at 31 March 2018, amount due to the Controlling Shareholder include loan balance of HK\$10,046,000 which was unsecured, bore interest at 1% per annum, denominated in HK\$, and repayable within 1 year. Remaining balances due to the Controlling Shareholder and a former director were unsecured, interest-free, denominated in HK\$, and repayable on demand.

The maximum outstanding balances due to the Controlling Shareholder during the years ended 31 March 2016, 2017 and 2018 were HK\$1,753,000, HK\$1,753,000 and HK\$11,686,000 respectively.

(f) Transactions with related parties

In addition to those disclosed elsewhere in the Historical Financial Information, the Company had the following transactions with related parties:

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Consultancy fee paid to			
– TCA Japan	<u>301</u>	<u>411</u>	<u>724</u>
Auction commission received from			
– TCA Japan	<u>–</u>	<u>357</u>	<u>386</u>

31 Contingent liabilities

The Group had no material contingent liabilities outstanding as at 31 March 2016, 2017 and 2018.

32 Events after the balance sheet date

Save as disclosed elsewhere in the Historical Financial Information, the following significant event took place subsequent to 31 March 2018:

Issuance of convertible notes

Pursuant to a written resolution of the sole director of the Company dated 24 April 2018, the Company entered into agreements with six independent investors in relation to their subscriptions of the Company's convertible notes totalling approximately HK\$38,800,000. The outstanding principal amount of these convertible notes shall be automatically and mandatorily converted into fully paid shares of the Company upon successful initial public offering in recognised stock exchange according to a formula prescribed in the subscription agreements. The convertible notes bear interest at 1% per annum. The convertible notes will mature upon 12 months from the date of the subscription, subject to mutual agreement between the Company to extend for a further 12-month period. If the initial public offering does not take place before the maturity date, the Company shall redeem the outstanding amount of the convertible notes with additional interest of 7% per annum. The Company may redeem all of the outstanding principal amount of the convertible notes with terms set out in the subscription agreements on or at any time after 31 December 2018 until the maturity date. These convertible notes are designated as financial liabilities at fair value through profit or loss with fair value changes being charged or credited to the consolidated income statement, except for the amount of changes that is attributable to changes in own credit risk which is presented in other comprehensive income.

Share option scheme

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

33 Benefits and interest of directors*(a) Directors and chief executive's emoluments*

The remuneration of each director of the Company paid/payable by the Group for the years ended 31 March 2016, 2017 and 2018 are set out as follows:

For the year ended	Director's fee	Salaries, wages and bonuses	Pension, medical insurance, other social insurances and other benefits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 March 2016				
<i>Executive director</i>				
– Mr. Ando	–	3,424	853	4,277
– Mr. Feng	–	–	–	–
	<u>–</u>	<u>3,424</u>	<u>853</u>	<u>4,277</u>
31 March 2017				
<i>Executive director</i>				
– Mr. Ando	–	4,528	958	5,486
– Mr. Feng	–	–	–	–
	<u>–</u>	<u>4,528</u>	<u>958</u>	<u>5,486</u>
31 March 2018				
<i>Executive directors</i>				
– Mr. Ando	–	5,506	941	6,447
– Mr. Feng (<i>Note a</i>)	–	–	–	–
	<u>–</u>	<u>5,506</u>	<u>941</u>	<u>6,447</u>

The remuneration shown above represents remuneration paid and payable by the Group for these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company during the years ended 31 March 2016, 2017 and 2018. No directors waived or agreed to waive any emoluments during the years ended 31 March 2016, 2017 and 2018.

Note:

- (a) Mr. Feng has resigned as the Company's director with effect from 9 March 2018.
- (b) Mrs. Ando, Mr. Katsu, Mr. Sun Hongyue and Mr. Yau Chung Hang are appointed as executive directors, Mr. Yang Yi Chung is appointed as non-executive director, respectively, on 25 May 2018 and Mr. Chung Kwok Mo John, Ms. Lam Suk Ling Shirley and Mr. Chun Chi Man are appointed as independent non-executive directors on 13 September 2018 and therefore no remuneration was paid to them in the capacity as director during the Track Record Period.

(b) Directors' retirement benefits

During the years ended 31 March 2016, 2017 and 2018, no retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking.

(c) Directors' termination benefits

No payment was made to directors as compensation for early termination of the appointment during the years ended 31 March 2016, 2017 and 2018.

(d) Consideration provided to third parties for making available directors' services

No payment was made to third parties for making available directors' services during the years ended 31 March 2016, 2017 and 2018.

(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 30, there are no other loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 March 2016, 2017 and 2018.

(f) Directors' material interests in transactions, arrangements or contracts

There are no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 March 2016, 2017 and 2018.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 March 2018 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of its subsidiaries in respect of any period subsequent to 31 March 2018.

The following information does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the owners of the Company as of 31 March 2018 as if the Global Offering had taken place on 31 March 2018.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 March 2018 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 <i>(Note 1)</i>	Estimated net proceeds from the Global Offering <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at 31 March 2018	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 3)</i>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$</u>
Based on an Offer Price of HK\$1.50 per Share	<u>103,111</u>	<u>120,907</u>	<u>224,018</u>	<u>0.48</u>
Based on an Offer Price of HK\$1.71 per Share	<u>103,111</u>	<u>140,466</u>	<u>243,577</u>	<u>0.52</u>

Notes:

- (1) The audited consolidated net tangible assets attributable to the owners of the Company as at 31 March 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 March 2018 of approximately HK\$103,669,000 adjusted for intangible asset as at 31 March 2018 of HK\$558,000.
- (2) The estimated net proceeds from the Global Offering are based on 96,520,000 Offer Shares and the indicative Offer Price of HK\$1.50 per Share and HK\$1.71 per Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and other related expenses (excluding approximately HK\$10,899,000 which have been recognised in the consolidated statement of comprehensive income for the year ended 31 March 2018).

- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 471,487,278 Shares were in issue assuming that the Global Offering has been completed on 31 March 2018 but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or any options to be granted under the Share Option Scheme, the 28,512,722 Shares to be issued upon Listing pursuant to the conversion of the convertible notes, or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors to allot and issue or repurchase Shares as described in the section headed "Share Capital".
- (4) Subsequent to 31 March 2018, the Company issued certain convertible notes with aggregate principal amount of approximately HK\$38,800,000 to certain investors. Upon completion of the Listing, these convertible notes will automatically and mandatorily convert to fully paid Shares of the Company on a pre-determined basis according to a formula prescribed in the subscription agreements.

The pro forma net tangible asset per Share presented above has not taken into account the effect of such mandatory conversion of convertible notes upon completion of the Listing, and if presented on that basis, the pro forma net tangible asset per Share would have been HK\$0.53 (based on the Offer Price of HK\$1.50 per Share) and HK\$0.56 (based on the Offer Price of HK\$1.71 per Share) respectively.

- (5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets per Share to reflect any trading result or other transaction of the Group entered into subsequent to 31 March 2018.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Tokyo Chuo Auction Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tokyo Chuo Auction Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 March 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 27 September 2018, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 March 2018 as if the proposed initial public offering had taken place at 31 March 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 31 March 2018, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 March 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 September 2018

This Appendix contains a summary of the articles of association of our Company (the “Articles”). The principal objective is to provide potential investors with an overview of the Articles. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed “Appendix V — Documents delivered to the Registrar of Companies in Hong Kong and available for inspection” in this prospectus, a copy of the Articles is available for inspection.

The Articles were adopted on September 13, 2018 and became effective on September 26, 2018. The following is a summary of certain provisions of the Articles. The powers conferred or permitted by the Articles are subject to the provisions of the Companies Ordinance, the Companies (WUMP) Ordinance and other ordinances, subsidiary legislation and the Listing Rules.

ALTERATION OF CAPITAL

Our Company may from time to time by ordinary resolution alter its share capital in any one or more of the ways set out in section 170 of the Companies Ordinance, including but not limited to:

- (a) increasing its share capital by allotting and issuing new shares in accordance with the Companies Ordinance;
- (b) increasing its share capital without allotting and issuing new shares, if the funds or other assets for the increase are provided by the members of our Company;
- (c) capitalizing its profits, with or without allotting and issuing new shares;
- (d) allotting and issuing bonus shares with or without increasing its share capital;
- (e) converting all or any of its share into a larger or smaller number of existing shares;
- (f) dividing its shares into several classes and attaching thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions, provided always that where our Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favorable voting rights, must include the words “restricted voting” or “limited voting”;
- (g) canceling shares:
 - (i) that, at the date of the passing of the resolution for cancelation, have not been taken or agreed to be taken by any person;
 - (ii) that have been forfeited; or
- (h) making provision for the issue and allotment of shares which do not carry any voting rights.

Our Company may by special resolution reduce its share capital in any manner and with, and subject to, and incident authorized, and consent required by law.

PURCHASE OF OWN SHARES AND WARRANTS

Our Company may exercise any powers conferred or permitted by the Companies Ordinance or any other ordinance from time to time to purchase or otherwise acquire its own shares (including any redeemable shares), or to give, directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any shares in our Company and should our Company purchase or otherwise acquire its own shares, neither our Company nor the Directors shall be required to select the shares to be purchased or otherwise acquired rateably or in any other particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such purchase or other acquisition or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by the Stock Exchange, the SFC or the relevant regulator or authorities from time to time in force.

“Shares” referred to above include shares, warrants and any other securities convertible into shares which are issued from time to time by our Company.

VARIATION OF RIGHTS

Subject to the provisions of the Companies Ordinance, if at any time the capital of our Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied, either while our Company is a going concern or during or in contemplation of a winding-up, either with the consent in writing of the holders of 75% of the total voting rights of holders of shares in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise. To every such separate meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, except that:

- (a) the necessary quorum at such meeting (other than an adjourned meeting) shall be no less than two persons together holding or representing by proxy at least one-third in the total voting rights of the issued shares of the class in question;
- (b) at any adjourned meeting the necessary quorum shall be two persons holding shares of that class or by proxy (whatever the number of shares held by them);
- (c) the holders of the shares of the class shall, on a poll, have one vote in respect of every share of the class held by them respectively; and
- (d) any holder of shares of the class present in person or by proxy may demand a poll.

TRANSFERS OF SHARES

The instrument of transfer of any share shall be in writing and in any usual form or in any other form which the Directors approve including the standard form of transfer as prescribed by the Stock Exchange and shall be executed by or on behalf of the transferor and by or on behalf of the transferee. If the transferor or transferee is a clearing house or its nominee, the instrument of transfer shall be executed by hand or by machine imprinted signature(s) or by such other manner of execution as the Directors may

approve from time to time. The transferor shall be deemed to remain the holder of the share(s) concerned until the name of the transferee is entered in the register in respect thereof. Nothing in the Articles shall preclude the Directors from recognizing a renunciation of the allotment or provisional allotment of any share by the allottee in favor of some other person. Shares of different classes shall not be comprised in the same instrument of transfer.

The Directors may, in their absolute discretion, refuse to register the transfer of a share which is not fully paid. The Directors may also refuse to register a transfer of a share unless the instrument of transfer:

- (a) is lodged, duly stamped, at the registered office of our Company or at such other place as the Directors may appoint and is accompanied by the certificate for the share to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and a fee as permitted under the rules prescribed by the Stock Exchange;
- (b) is in respect of only one class of share;
- (c) is in favor of not more than four transferees;
- (d) the shares concerned are free of any lien in favor of our Company; and
- (e) such other conditions as the Directors may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied.

If the Directors refuse to register a transfer of a share, they shall within two months after the date on which the transfer was lodged with our Company send to the transferee notice of the refusal in accordance with the Companies Ordinance. If the Directors refuse to register a transfer of a share, the transferee or transferor may request a statement of the reasons for the refusal. If such a request is made, our Company shall, within 28 days after receiving the request: (a) send the person who made the request a statement of reasons; or (b) register the transfer.

No transfer may be made to an infant or to a person of unsound mind or under other legal disability.

GENERAL MEETINGS

Our Company shall, in respect of each financial year of our Company, hold a general meeting as its annual general meeting in accordance with the requirements of the Companies Ordinance in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it. Subject to such requirements, the Directors shall determine the date, time and place at which each annual general meeting shall be held. All general meetings other than annual general meetings shall be called extraordinary general meetings.

The Directors may convene a general meeting whenever they think fit. General meetings shall also be convened by the Directors on the requisition of members pursuant to the provisions of the Companies Ordinance. The Directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or in default, may be convened by such requisitionists, as provided by the Companies Ordinance. If at any time there are not within Hong Kong sufficient Directors capable of acting to form a quorum, any Director or any two or more members

of our Company representing at least 10% of the total voting rights of all members having a right to vote at general meetings, may convene an extraordinary general meeting in the same manner as nearly as possible, as that in which meetings may be convened by the Directors.

NOTICE OF GENERAL MEETINGS

Subject to section 578 of the Companies Ordinance, an annual general meeting shall be called by notice in writing of at least 21 clear days (or such longer period as may be required by the Listing Rules), and an extraordinary general meeting shall be called by notice in writing of at least 14 clear days (or such longer period as may be required by the Listing Rules), shall be given in the manner mentioned in the Articles to all members, to the Directors and to the auditors of our Company for the time being. Notice of a general meeting shall be given to such persons as are, under the Articles, entitled to receive such notices from our Company.

The notice shall specify the place, the day and the time of meeting (and if the meeting is to be held in 2 or more places, the principal place of the meeting and the other place or places of the meeting) and, in the case of special business the general nature of such business, and in the case of an annual general meeting shall specify the meeting as such. If a resolution (whether or not a special resolution) is intended to be moved at the meeting, the notice must include notice of the resolution, and include or be accompanied by a statement containing any information or explanation that is reasonably necessary to indicate the purpose of the resolution. For notice of a general meeting, there shall appear on every such notice with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of our Company.

The accidental omission to give notice of a meeting or a resolution intended to be moved at a general meeting to, or the non-receipt of notice of a meeting or a resolution intended to be moved at a general meeting by, any person entitled to receive notice shall not invalidate any resolution(s) passed or the proceedings at that meeting. In cases where instruments of proxy are sent out with notices, the accidental omission to send such instrument of proxy to, or the non-receipt of such instrument of proxy by, any person entitled to receive notice shall not invalidate any resolution(s) passed or the proceedings at that meeting.

Subject to the provisions of the Companies Ordinance, a meeting of our Company shall, notwithstanding that it is called by shorter notice than that specified in the Articles, be deemed to have been duly called if it so agreed:

- (a) in the case of an annual general meeting, by all the members entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all the members.

VOTING AT GENERAL MEETINGS

Subject to any rights or restrictions attached to any shares, and to the Articles and the Companies Ordinance, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorized representative at any general meeting shall have one vote only, and on a poll every member shall have one vote for every fully paid-up share of which he is the holder.

Subject to the rules prescribed by the Stock Exchange from time to time, any vote of shareholders at a general meeting shall be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. For the purposes of the Articles, procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular that may be issued by our Company to its members; and (ii) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all members a reasonable opportunity to express their views. A poll shall be taken as the chairman directs, and he may appoint scrutineers (who need not be members) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

On any resolution where a vote is not required under the Companies Ordinance, the Listing Rules or the Articles to be held on a poll, a poll may be demanded before or on the declaration of the result of the show of hands:

- (a) by the chairman of the meeting;
- (b) by not less than five members having the right to vote at the meeting;
- (c) by a member or members present in person or by proxy, or a duly authorized representative of a corporation which is a member, representing not less than 5% of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by a member or members holding shares conferring a right to vote at the meeting on which an aggregate sum has been paid up equal to not less than 5% of the total sum paid up on all the shares conferring that right,

and a demand for a poll by a person as proxy for a member shall be as valid as if the demand were made by the member himself.

Without prejudice to the generality of the Articles if a clearing house (or its nominee) is a member of our Company, it (or, as the case may be, its nominee) may authorize such person or persons as it thinks fit to act as its proxy or proxies or its representative or representatives at any meeting of our Company or at any meeting of any class of member of our Company provided that, if more than one person is so authorized, the instrument of proxy or authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person so authorized under the provisions of the Articles will be deemed to have been duly authorized without the need of producing any documents of title, notarised authorization and/or further evidence to substantiate that it is so authorized and shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents

as that clearing house (or its nominee) could exercise as if such person were an individual member of our Company, and where a show of hands is allowed, each such person shall be entitled to a separate vote notwithstanding any contrary provision as provided in the Articles.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

DIRECTORS NEED NOT BE MEMBERS

A Director shall not require a share qualification. A Director who is not a member of our Company shall nevertheless be entitled to attend and speak at all general meeting of our Company.

BORROWING POWERS OF DIRECTORS

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and, in particular by the issue of debentures, debenture stock, bonds or other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

DIRECTORS' APPOINTMENT, REMOVAL AND RETIREMENT

Our Company may by ordinary resolution elect any person to be a Director. No person (other than a Director retiring at the meeting or in accordance with the Articles) shall be appointed or re-appointed a Director at any general meeting unless:

- (a) he is recommended by the Directors; or
- (b) any of the following occurs:
 - (A) a notice executed by a member qualified to attend and vote on the appointment or reappointment has been given to the Company of the intention to propose that person for appointment or reappointment, stating the particulars which would, if he was appointed or reappointed, be required to be included in the Company's register of directors, together with notice executed by that person of his willingness to be appointed or reappointed;
 - (B) the minimum length of the period during which the notices referred to in (A) are given is at least seven days; or
 - (C) the period for lodgement of the notices referred to in (A) will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

Subject to any express terms to the contrary in the relevant resolution for appointing any Director under the Articles, any Director so elected by our Company shall be elected for a term of not more than approximately three years expiring at the conclusion of the annual general meeting of our Company held in the third year following the year of his appointment.

Without prejudice to the power of our Company in general meeting in accordance with any of the provisions of the Articles to appoint any person to be a Director, the Board may, at any time, and from time to time, appoint any person to be a Director, either to fill a casual vacancy or by way of addition to their number. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of our Company, and shall then be eligible for re-appointment.

Subject to the Articles, at each annual general meeting, one-third of the Directors (excluding those Director(s) who are subject to the rotation requirement under the Articles) or, if their number is not three or a multiple of three, the number which is nearest to and is at least one-third, shall retire from office by rotation. A retiring Director shall be eligible for re-election.

Any Director who holds the position as an executive Director shall not be subject to the foregoing retirement-rotation requirement, but for the avoidance of doubt, the Articles shall not prejudice the power of shareholders in general meeting to remove any such Director.

Our Company may, at any general meeting convened and held in accordance with the Companies Ordinance, by ordinary resolution, remove a Director (including an executive Director) at any time before the expiration of his period of office (but such removal shall be without prejudice to any claim to damages for breach of any contract of service between the Director and our Company) provided that the notice of such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director 28 days before the meeting and on the members, at least 14 days before the meeting. At such meeting such Director shall be entitled to be heard on the motion of his removal and, subject to the Articles, our Company may, by ordinary resolution, appoint another person instead of him. A person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last appointed or reappointed a Director.

REMUNERATION AND EXPENSES OF DIRECTORS

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Directors may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Directors' fees.

The Directors may also be paid all reasonable traveling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Directors or of committees of the Directors or general meetings or separate meetings of the holders of any class of shares or otherwise in connection with the discharge of their duties as Directors.

Any Director who performs services which the Directors consider go beyond the ordinary duties of a Director may be paid such special remuneration (whether by way of bonus, commission, participation in

profits or otherwise) as the Directors, or a committee of the Directors, may determine. In particular, the remuneration of a managing Director, joint managing Director, deputy managing Director or other executive Director or a Director appointed to any other office in the management of our Company shall from time to time be fixed by the Directors, or a committee of the Directors, and may be by way of lump sum or by way of salary, bonus, commission, participation in profits or otherwise and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors, or a committee of the Directors may from time to time decide. Such remuneration shall be in addition to his remuneration as a Director.

DIRECTORS' INTERESTS

A Director (including his connected entities) who is in any way, whether directly or indirectly, interested in a transaction, arrangement or contract or proposed transaction, arrangement or contract with our Company shall declare the nature and extent of his interest or his connected entities' interest at a meeting of the Directors at which the question of entering into the transaction, arrangement or contract is first taken into consideration, if he knows his interest then exists, or in any other case as soon as reasonably practicable, and in any event at the first meeting of Directors after he knows that he is or has become so interested.

Save as otherwise provided by the Articles, a Director and his alternate shall not vote (nor shall be counted in the quorum) at a meeting of the Directors on any resolution approving any transaction, contract or arrangement or concerning a matter in which he or any of his close associate(s) has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, our Company), unless his interest arises only because the case falls within one or more of the following sub-paragraphs:

- (a) the resolution relates to the giving to him or his close associate(s) of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him or any of them at the request of or for the benefit of, our Company or any of its subsidiaries;
- (b) the resolution relates to the giving to a third party of a guarantee, security, or indemnity in respect of an obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (c) his interest arises by virtue of his or his close associate(s) being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares in or debentures or other securities of or by our Company or any other corporation which our Company may promote or be interested in subscription, purchase or exchange;
- (d) the resolution relates to an arrangement for the benefit of the employees of our Company or any of its subsidiaries, including but without being limited to the adoption, modification or operation of any pension fund, or retirement, death or disability benefit scheme, which relates to both Directors, his close associates and employees of our Company or any of its subsidiaries and does not accord to any Director or his close associate(s) as such any privilege or advantage not generally accorded to the employees to whom the arrangement relates;

- (e) any transaction, contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in those shares, debentures or other securities of our Company;
- (f) the resolution relates to an arrangement concerning the adoption, modification or operation of any employee's share scheme, share incentive scheme or share option scheme involving the issue or grant of options over shares or other securities by our Company to, or for the benefit of, the employees of our Company or its subsidiaries under which the Director or his close associate(s) may benefit;
- (g) any contract, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his close associate(s), officer or employee pursuant to the Articles; or
- (h) any proposal concerning any other company in which the Director or his close associate(s) is interested only, whether directly or indirectly, as an officer or executive or shareholder or in which he or any of his close associate(s) is beneficially interested in shares of that company, provided that he and any of his close associate(s) are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights.

A Director may:

- (a) hold any other office or place of profit under our Company (other than the office of auditor) in conjunction with his office of Director, for such period and on such terms (as to remuneration or otherwise) as the Directors may determine and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article;
- (b) act by himself or his firm in a professional capacity for our Company (otherwise than as auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;
- (c) continue to be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or in which our Company may be interested as a shareholder or otherwise, and subject to the Companies Ordinance, no such Director shall be accountable to our Company for any remuneration or other benefit received by him as a director or officer of, or from his interest in, such other company. The Directors may exercise the voting powers conferred by the shares in any other company held or owned by our Company, or exercisable by them as directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favor of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors, executive directors, managers or other officers of such company) and any Director may vote in favor of the exercise of such voting rights in the manner aforesaid notwithstanding that he may be, or is about to be appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.

Subject to the Companies Ordinance and the Articles, no Director or intended Director shall be disqualified by his office from contracting with our Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such transaction, arrangement or contract, or any transaction, arrangement or contract entered into by or on behalf of our Company in which any Director (including his connected entities) is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realized by any such transaction, arrangement or contract by reason of such Director holding that office or of the fiduciary relation thereby established, provided that such Director shall disclose the nature and extent of his (including his connected entities) interest in any transaction, arrangement or contract in which he is interested as required by and subject to the provisions of the Companies Ordinance.

A Director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.

DIVIDENDS

Our Company may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Directors. No dividend shall be payable except out of the profits or other distributable reserves of our Company available for distribution. No dividend or other moneys payable on or in respect of a share in the capital of our Company shall bear interest against our Company.

Our Company may retain any dividends or other moneys payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, installments or otherwise in relation to the shares of our Company.

Except as otherwise provided by the Articles or the rights attached to shares or the terms of issue thereof, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. If any share is issued on terms that it ranks for dividend as from a particular date, it shall rank for dividend accordingly. In any other case (and except as aforesaid), dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purpose of this paragraph, an amount paid up on a share in advance of a call shall be treated, in relation to any dividend declared after the payment but before the call, as not paid up on the share.

The Directors may pay interim dividends if it appears to them that they are justified by the profits of our Company available for distribution. If the share capital is divided into different classes, the Directors may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, and provided that the Directors act bona fide they shall not incur any liability to the holders of shares conferring preferred rights for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferred rights. The Directors may also resolve to pay at half-yearly or other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if they are of the opinion that the reserves of our Company justify the payment.

Whenever the Directors or our Company have resolved that a dividend be paid or declared on the share capital of our Company, the Directors may further resolve either:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted shall be of the same class or classes as the class or classes already held by the members entitled thereto, provided that these members will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) that members entitled to such dividend shall be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit.

The basis of any such allotment shall be determined by the Directors. The Directors, after determining the basis of allotment, shall give not less than two weeks' notice in writing to the members of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective.

The shares allotted pursuant to the provisions above shall rank *pari passu* in all respects with the shares then in issue save only as regards participation:

- (a) in the relevant dividend (or the right to receive or to elect to receive an allotment of shares in lieu thereof as aforesaid); or
- (b) in any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared, the Directors may resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of our Company or any other corporation to which our Company is entitled, or in any one or more of such ways, with or without offering any rights to members to elect to receive such dividend in cash.

Any dividend unclaimed for one year after having become payable may be invested or otherwise made use of by the Directors for the benefit of our Company until claimed. Any dividend which has remained unclaimed for six years after having become payable shall, if the Directors so resolve, be forfeited and cease to remain owing by our Company.

INDEMNITY

Subject to the provisions of the Companies Ordinance, but without prejudice to any indemnity to which a Director may otherwise be entitled every Director, former Director, responsible person, officer or auditor of our Company shall be indemnified out of the assets of our Company against any liability, loss or expenditure incurred by him in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to be done or alleged to have been done or omitted to be done by him as a Director, former Director, responsible person, officer or auditor of our Company.

The above paragraph shall not apply to:

- (a) any liability of the Director, former Director, responsible person, officer or auditor to pay:
 - (i) a fine imposed in criminal proceedings; or
 - (ii) a sum payable by way of a penalty in respect of non-compliance with any requirement of a regulatory nature; or
- (b) any liability incurred by the Director, former Director, responsible person, officer or auditor:
 - (i) in defending criminal proceedings in which the Director, former Director, responsible person, officer or auditor is convicted;
 - (ii) in defending civil proceedings brought by our Company, or an associated company of our Company, in which judgment is given against the Director, former Director, responsible person, officer or auditor;
 - (iii) in defending civil proceedings brought on behalf of our Company by a member of our Company or of an associated company of our Company, in which judgment is given against the Director, former Director, responsible person, officer or auditor;
 - (iv) in defending civil proceedings brought on behalf of an associated company of our Company by a member of the associated company or by a member of an associated company of the associated company, in which judgment is given against the Director, former Director, responsible person, officer or auditor; or
 - (v) in connection with an application for relief under section 903 or 904 of the Companies Ordinance in which the Court refuses to grant the Director, former Director, responsible person, officer or auditor relief.

WINDING UP

The Directors shall have power in the name and on behalf of our Company to present a petition to the Court for our Company to be wound up.

If our Company is wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the members in specie the whole or any part of the assets of our Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he may with the like sanction determine, but no member shall be compelled to accept any assets upon which there is a liability.

UNTRACED MEMBERS

Without prejudice to the rights of our Company, our Company may cease sending such cheque for dividend entitlement or dividend warrants by post if such cheque or warrants have been left uncashed on two consecutive occasions or after the first occasion on which a cheque or warrant is returned undelivered.

Our Company shall be entitled to sell in such manner as the Directors think fit any share held by a member, or any share to which a person is entitled by transmission, if:

- (a) all cheque or warrants, being not less than three in total number, in respect of the shares in question sent during the relevant period in the manner authorized by the articles of our Company have remained uncashed or unclaimed;
- (b) so far as it is aware at the end of the relevant period, our Company has not at any time during the relevant period received any indication of the existence of the shareholder who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;
- (c) at the end of the relevant period, our Company has caused an advertisement in English in one English language newspaper and in Chinese in one Chinese language daily newspaper and by notice to the Stock Exchange (if shares of the class concerned are listed on that exchange) gives notice of its intention to sell such shares;
- (d) our Company has not during the further period of three months after the date of the advertisement and prior to the sale of the shares received any communication from the member or person concerned.

For the purpose of the foregoing, “relevant period” means the period commencing 12 years before the date of publication of the advertisement referred to in sub-paragraph (c) above and ending at the expiry of the period referred to in that paragraph.

The manner, timing and terms of any sale of shares pursuant to this Article (including, but not limited to, the price or prices at which the same is made) shall be such as the Directors determine, based upon advice from such bankers, brokers or other persons consulted by them for the purpose as the Directors consider appropriate, to be reasonably practicable having regard to all the circumstances, including the number of shares to be disposed of and the requirement that the disposal be made without delay, and the Directors shall not be liable to any person for any of the consequences of reliance on such advice.

To give effect to the sale of any share pursuant to the above paragraph our Company may appoint any person to execute an instrument of transfer of the share, and the instrument shall be as effective as if it had been executed by the registered holder of or person entitled by transmission to, the share. The purchaser shall not be bound to see to the application of the proceeds of sale, nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings relating to the sale. Our Company shall be indebted to the member or other person entitled to the share for an amount equal to the net proceeds of the sale, but no trust or duty to account shall arise and no interest shall be payable in respect of the proceeds of sale. Any sale under the above paragraphs shall include any additional shares which during the relevant period or during any period ending on the date when all the requirements of sub-paragraphs (a) to (d) above have been satisfied have been issued in respect of those held at the beginning of such relevant period and shall be valid and effective notwithstanding that the member holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in Hong Kong under the Predecessor CO as a private company with limited liability on July 11, 2013 with the initial registered share capital of HK\$1 divided into one ordinary share (then having a par value of HK\$1 each). Our registered office is at Room 2601, 26th Floor, Wing On Centre, No. 111 Connaught Road Central, Hong Kong. Our Company changed our company's status from a private company to a public company following the approval and adoption of the Articles of Association (which have taken effect from September 26, 2018) by our sole Shareholder by way of resolutions in writing passed on September 13, 2018.

On February 7, 2018, the name of our Company was changed to “Tokyo Chuo Auction Holdings Limited 東京中央拍賣控股有限公司” from “TOKYO CHUO AUCTION (HONG KONG) CO., LIMITED 東京中央拍賣(香港)有限公司”. As our Company was incorporated in Hong Kong, our operations are subject to the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association. A summary of certain provisions of the Articles of Association is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company***(a) Changes in the then authorized and issued share capital***

As of the date of incorporation of our Company, Mr. Ando was the sole Shareholder holding one ordinary share of HK\$1 each, being the then entire registered and issued share capital. The following alterations in the share capital of our Company have taken place since the date of incorporation:

- (i) On January 8, 2014, our issued share capital was increased to HK\$100 divided into 100 ordinary shares of HK\$1 each by the allotment and issue for cash of 99 shares of HK\$1 each, among which 48 shares of HK\$1 each was allotted and issued to Mr. Ando and 51 shares of HK\$1 each was allotted and issued to Mr. Feng (who held such entire shares on trust for Mr. Ando);
- (ii) Immediately following completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes but taking no account of any Shares which may be issued upon the exercise of the Over-Allotment Option or the options which may be granted under the Share Option Scheme, 500,000,000 Shares will be issued fully paid or credited as fully paid; and
- (iii) Other than pursuant to the exercise of the Over-Allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any Shares and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Controlling Shareholder over us.

With effect from March 3, 2014, following the Companies Ordinance becoming effective, provisions in the Articles of Association concerning (among other matters) authorized share capital and par value of shares were abolished.

Save as disclosed herein and in the paragraphs headed “3. Resolutions in writing of our sole Shareholder passed on September 13, 2018” and “4. Group reorganization” of this Appendix, there has been no alteration in the share capital of our Company within the two years immediately prior to the issue of this prospectus.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of our sole Shareholder passed on September 13, 2018

By resolutions in writing of our sole Shareholder passed on September 13, 2018, among others:

- (a) we approved and adopted the Articles of Association with effect from the date of registration of this prospectus with the Registrar of Companies in Hong Kong;
- (b) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
 - (i) the Global Offering and the grant of the Over-allotment Option by our Company were approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Other Information — 15. Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorized to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
 - (iii) 374,967,178 Shares to be allotted credited as fully paid for nil consideration to Mr. Ando, being the only holder of Shares whose names appeared on the register of members of our Company at the close of business on September 13, 2018 (the “**Bonus Issue**”) and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares (other than the Bonus Issue) and our Directors were authorized to give effect to the Bonus Issue;
 - (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in the part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options

which may be granted under the Share Option Scheme, or under the Global Offering or the Bonus Issue or the conversion of the Convertible Notes or upon the exercise of the Over-allotment Option, an aggregate number of Shares not exceeding the sum of (aa) 20% of the aggregate number of Shares in issue immediately following completion of the Global Offering, Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of any options that may be granted under the Share Option Scheme, and (bb) the aggregate number of Shares which may be purchased by us pursuant to the authority granted to our Directors as referred to in subparagraph (vii) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Ordinance to be held, or the passing of an ordinary resolution by our Shareholders in general meeting of our Company revoking or varying the authority given to our Directors, whichever occurs first;

- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed or recognized by the SFC and the Stock Exchange for this purpose with an aggregate number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following the completion of the Global Offering, Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of any options that may be granted under the Share Option Scheme until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Ordinance to be held, or the passing of an ordinary resolution by our Shareholders in general meeting of our Company revoking or varying the authority given to the Directors, whichever occurs first; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to paragraph (v) above.
- (d) the form and substance of each of the service agreements made between our executive Directors and our Company, and the form and substance of each of the appointment letters made between each of our non-executive Director and our independent non-executive Directors with our Company were approved.

4. Group reorganization

The companies comprising our Group underwent a reorganization to rationalize our Group’s structure in preparation for the listing of the Shares on the Stock Exchange, details of which are set out in the section headed “History, Reorganization and Corporate Structure — The Reorganization” in this prospectus.

5. Changes in share capital of our subsidiaries

Particulars of our subsidiaries are set out in the Accountant’s Report as set out in Appendix I to this prospectus.

In addition to the alterations described in the paragraph headed “History, Reorganization and Corporate Structure — The Reorganization — Corporate Restructuring” in this prospectus, the following alterations in the share capital of each of our Company’s subsidiaries took place within two years immediately preceding the date of this prospectus:

- (a) TCA Shanghai was established on May 19, 2016 as a wholly foreign-owned enterprise under the laws of the PRC, with a registered capital of RMB500,000. As of the Latest Practicable Date, approximately 68.5% of the registered capital of TCA Shanghai had been fully paid up.
- (b) TCA HK was incorporated in Hong Kong as a limited liability company on February 13, 2018 and, on the same date, one ordinary share of HK\$1 was allotted and issued to our Company.

Save as disclosed herein and in paragraph 4 above, there had been no change to the capital structure of our subsidiaries within the two years immediately prior to the issue of this prospectus.

6. Further information about our Group’s PRC establishment

Our Group has interest in the registered capital of a wholly foreign-owned enterprise in the PRC, a summary of its corporate information as at the Latest Practicable Date is set out as follows:

- (i) Name of the enterprise: Shanghai Shengjia Culture Development Co., Ltd* (上海晟嘉文化發展有限公司)
- (ii) Economic nature: Wholly foreign-owned enterprise
- (iii) Registered owner: TCA Japan
- (iv) Total investment: RMB500,000
- (v) Registered capital: RMB500,000 (approximately 68.5% of the registered capital of TCA Shanghai had been fully paid up)
- (vi) Attributable interest to our Group: 92%
- (vii) Term of operation: From May 19, 2016 to May 18, 2066

- (viii) Scope of business: cultural and art exchange events organizing, publicity events organizing, corporate image building, exhibition display services, marketing and sales organizing, graphics production and articles writing, design, production, agency and publication of various advertisement, graphic design, website design, ticketing agency (except public transport), international trade, export trade, wholesale of daily necessities, furniture, lightings, gold and silver jewelry, clothes and accessories, office stationeries, domestic electrical appliances, electronic gadgets, crafts, film and video equipment and machineries and equipment, import and export, commission agency (except auction) and relevant supporting business, operational leasing of machineries and equipment, technological development of website programming, technology consulting, technology transfer, technological services, exhibition services, corporate management consulting, commercial information consulting

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Listing Rules and the applicable laws of Hong Kong. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Trading Restriction

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the

prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which would result in the number of the listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

Pursuant to a resolution in writing passed by our sole Shareholder on September 13, 2018, the Repurchase Mandate was given to our Directors authorizing any repurchase by us of Shares on the Stock Exchange or any other stock exchange on which our securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering, Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of any options that may be granted under the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Ordinance to be held, or the passing of an ordinary resolution by Shareholders in general meeting of our Company revoking or varying the authority given to our Directors, whichever occurs first.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be canceled and destroyed.

(v) Suspension of repurchase

A listed company shall not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier

of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of repurchases and impact on working capital or gearing position

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of Hong Kong.

On the basis of our current financial position as disclosed in this prospectus and taking into account the current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or our gearing position as compared to the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which, in the opinion of our Directors, are from time to time appropriate for us.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately following the completion of the Global Offering, Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes (assuming the Over-Allotment Option is not exercised), would result in up to 50,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of Hong Kong.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

8. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a share purchase agreement dated August 30, 2017 entered into by (i) Mr. Ando as seller and (ii) our Company as purchaser for the sale and purchase of the 744 common shares of TCA Japan and 70 class A shares of TCA Japan owned by Mr. Ando at a cash consideration of JPY565,848,030;
- (b) a share purchase agreement dated August 30, 2017 entered into by (i) Mrs. Ando as seller and (ii) our Company as purchaser for the sale and purchase of the 56 common shares of TCA Japan owned by Mrs. Ando at a cash consideration of JPY38,928,120;
- (c) a share purchase agreement dated January 29, 2018 entered into by (i) Xie Jinglin as seller and (ii) our Company as purchaser for the sale and purchase of the 30 class A shares of TCA Japan owned by Xie Jinglin at a cash consideration of JPY18,168,870;
- (d) a share purchase agreement dated January 29, 2018 entered into by (i) Nashida Masayuki as seller and (ii) our Company as purchaser for the sale and purchase of the 20 class A shares of TCA Japan owned by Nashida Masayuki at a cash consideration of JPY12,112,580;
- (e) a subscription agreement dated April 24, 2018 entered into between our Company as issuer, Mr. Ando as guarantor and Mr. Chan as subscriber for the subscription of the Convertible Note in an aggregate principal amount of HK\$7,000,000 at a cash consideration of HK\$7,000,000;

- (f) the Note Instrument dated April 24, 2018 entered into between our Company as the issuer and Mr. Chan as the noteholder constituting HK\$7,000,000 Convertible Note;
- (g) a subscription agreement dated April 24, 2018 entered into between our Company as issuer, Mr. Ando as guarantor and Happy Capricorn as subscriber for the subscription of the Convertible Note in an aggregate principal amount of HK\$7,000,000 at a cash consideration of HK\$7,000,000;
- (h) the Note Instrument dated April 24, 2018 entered into between our Company as the issuer and Happy Capricorn as the noteholder constituting HK\$7,000,000 Convertible Note;
- (i) a subscription agreement dated April 24, 2018 entered into between our Company as issuer, Mr. Ando as guarantor and Paradise Global as subscriber for the subscription of the Convertible Note in an aggregate principal amount of US\$1,000,000 at a cash consideration of US\$1,000,000;
- (j) the Note Instrument dated April 24, 2018 entered into between our Company as the issuer and Paradise Global as the noteholder constituting US\$1,000,000 Convertible Note;
- (k) a subscription agreement dated April 24, 2018 entered into between our Company as issuer, Mr. Ando as guarantor and Mr. Tse as subscriber for the subscription of the Convertible Note in an aggregate principal amount of HK\$3,000,000 at a cash consideration of HK\$3,000,000;
- (l) the Note Instrument dated April 24, 2018 entered into between our Company as the issuer and Mr. Tse as the noteholder constituting HK\$3,000,000 Convertible Note;
- (m) a subscription agreement dated April 24, 2018 entered into between our Company as issuer, Mr. Ando as guarantor and Mr. Yang as subscriber for the subscription of the Convertible Note in an aggregate principal amount of HK\$7,000,000 at a cash consideration of HK\$7,000,000;
- (n) the Note Instrument dated April 24, 2018 entered into between our Company as the issuer and Mr. Yang as the noteholder constituting HK\$7,000,000 Convertible Note;
- (o) a subscription agreement dated April 25, 2018 entered into between the Company as issuer, Mr. Ando as guarantor and Centurion Equity as subscriber for the subscription of the Convertible Note in an aggregate principal amount of HK\$7,000,000 at a cash consideration of HK\$7,000,000;
- (p) the Note Instrument dated April 25, 2018 entered into between our Company as the issuer and Centurion Equity as the noteholder constituting HK\$7,000,000 Convertible Note;
- (q) the Investors' Rights Agreement;
- (r) a deed of indemnity dated September 13, 2018 executed by Mr. Ando with and in favor of our Company (for itself and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in the paragraph headed "Other Information — 16. Estate duty, tax and other indemnities" of this Appendix;

- (s) a cornerstone investment agreement dated September 19, 2018 entered into between our Company, EFL, the Sole Sponsor and the Sole Global Coordinator, pursuant to which EFL has agreed to subscribe for cash for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) as may be purchased with an aggregate amount of HK\$7,000,000 at the Offer Price;
- (t) a cornerstone investment agreement dated September 19, 2018 entered into between our Company, FPL, the Sole Sponsor and the Sole Global Coordinator, pursuant to which FPL has agreed to subscribe for cash for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) as may be purchased with an aggregate amount of HK\$4,000,000 at the Offer Price; and
- (u) the Hong Kong Underwriting Agreement.

9. Material properties of our Group

As at the Latest Practicable Date, our Group had the following material properties with the details set out below:

Address and Description of Location	Use	Area (approximate)	Restrictions on use	(A) Type of ownership/ (B) Term of lease	Details of encumbrances, liens, pledges and mortgages
2nd and 3rd floor, Kyobashi-Square, 3-7-5 Kyobashi Chuo-ku Tokyo Japan (Note 1)	Office	707 square meters	only for usage as an office	(A) Leased (B) Initial term from December 1, 2011 to March 31, 2014, automatically renewed to March 31, 2016, and further automatically renewed to March 31, 2018, and has been recently automatically renewed again to March 31, 2020	Nil
Rooms 2601-4, 26th Floor, Wing On Centre No. 111 Connaught Road Central Hong Kong (Note 2)	Office	4,700 square feet	as commercial office only	(A) Leased (B) October 16, 2017 to October 15, 2020	Mortgaged to a bank

Notes:

- The property is located in a commercial district in Tokyo, Japan.
- The property is located in a commercial district in Hong Kong.

There were no investigations, notices, pending litigation, breaches of law or title defects in relation to our above material properties.

10. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group was the registered owner and beneficial owner of the following trademark which is material in relation to our Group's business:

<u>Trademark</u>	<u>Place of registration</u>	<u>Registration number</u>	<u>Name of registrant</u>	<u>Class</u>	<u>Date of registration</u>
	Hong Kong	304357477	Our Company	16, 35 (Notes 1 and 2)	December 5, 2017

Notes:

- (1) The specific products under class 16 in respect of which the trademark was applied for registration are paper and cardboard; printed matter; bookbinding material; photographs; stationery and office requisites, except furniture; adhesives for stationery or household purposes; artists' and drawing materials; paintbrushes; instructional and teaching materials; plastic sheets, films and bags for wrapping and packaging; printers' type, printing blocks.
- (2) The specific products under class 35 in respect of which the trademark was applied for registration are advertising; business management; business administration; office functions, arranging commercial exhibitions and trade fairs, auctioneering.

(b) Domain Name

As at the Latest Practicable Date, our Group is the registered owner of, or otherwise has the right to use, the following domain names which are material in relation to our Group's business:

<u>Domain Name</u>	<u>Registration Date</u>	<u>Expiry Date</u>
chuo-auction.com.hk	May 12, 2014	May 13, 2020
chuo-auction.co.jp	November 15, 2010	November 30, 2023

11. Connected transactions and related party transactions

Save as disclosed in the section headed "Continuing Connected Transaction" of this prospectus and in note 30 to the Accountant's Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, we have not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

12. Directors

(a) Disclosure of interests of Directors

- (i) Mr. Ando and Mrs. Ando are interested in the Reorganization.
- (ii) Save as disclosed in this prospectus, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

*(b) Particulars of Directors' service contracts**Executive Directors*

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from September 13, 2018 which may be terminated by either party by giving not less than three months' written notice. The term of service contract shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party by giving not less than three months' written notice.

During the term of the service contract, each of these executive Directors is entitled to the respective basic salary set out below (subject to an annual increment after April 1, 2019 at the discretion of the Directors of not more than 10% of the average annual salary for the 12 months immediately prior to such increase).

In addition, during the term of the service contract, each of the executive Directors is also entitled to a discretionary management bonus in such sum as the Board may in its absolute discretion determine provided that the aggregate amount of bonuses payable to all the executive Directors for any financial year of our Company shall not exceed 10% of the audited consolidated or combined net profit attributable to the shareholders of us (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of the Directors regarding the amount of management bonus payable to him/her.

The current basic annual salaries of the executive Directors payable under their service contracts are as follows:

<u>Name</u>	<u>Annual salary</u>
	<i>(HK\$)</i>
Mr. Ando	240,000
Mrs. Ando	240,000
Mr. Katsu	Nil
Mr. Sun	Nil
Mr. Yau	Nil

Pursuant to the service contract of Mr. Ando, our Group has purchased two life insurance policies for Mr. Ando so as to compensate our Group against losses resulting from the loss of Mr. Ando as a key man to our Group during the term of the insurance policies, and to serve as a life insurance for Mr. Ando after the expiry thereof. Under the service contract, Mr. Ando is entitled to all the benefits and payout under two life insurance policies upon the expiry thereof.

Pursuant to the service contract of Mr. Sun, an apartment in Japan will be provided for Mr. Sun as staff dormitory by our Group, and Mr. Sun will bear half of the monthly rental of such apartment.

As at the Latest Practicable Date, each of Mr. Ando, Mrs. Ando, Mr. Katsu and Mr. Sun has also entered into an employment contract with TCA Japan, a direct non-wholly owned subsidiary of our Company in Japan, for a term commencing from September 13, 2018, and will continue thereafter until terminated by either party by giving not less than 30 days' written notice. The current basic monthly salary of Mr. Ando, Mrs. Ando, Mr. Katsu and Mr. Sun under their respective employment contracts with TCA Japan is JPY10.0 million, JPY3.5 million, JPY1.2 million and JPY1.5 million, respectively.

Mr. Yau has also entered into an employment contract with our Company (which was subsequently novated to TCA HK) in relation to his appointment as chief financial officer of our Group, for a term commencing from January 15, 2018 and will continue thereafter until terminated by either party by giving not less than three months' written notice. The current basic monthly salary of Mr. Yau under his employment contract with our Company is HK\$125,000.

Non-executive Director and Independent non-executive Directors

The non-executive Director and each of the independent non-executive Directors has been appointed for an initial term of three years commencing from September 13, 2018, which may be terminated by either party giving not less than three months' written notice. The term of appointment shall be renewed and extended automatically for successive term of one year upon expiry of the then current term until terminated by either party giving not less than three months' written notice to the other. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the non-executive Director and independent non-executive Directors is entitled to a director's fee of HK\$240,000 per annum with effect from the Listing Date. Save for directors' fees, none of the non-executive Director or the independent non-executive Directors is expected to receive any other remuneration for holding their office as an non-executive Director and independent non-executive Director, respectively.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Remuneration of Directors

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the financial year ended March 31, 2016, 2017 and 2018 were approximately HK\$7.9 million, HK\$10.1 million and HK\$11.0 million, respectively.

- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our non-executive Director and independent non-executive Directors) for the year ending March 31, 2019, are expected to be approximately HK\$15.0 million.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended March 31, 2018 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended March 31, 2018.
- (d) Interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and our associated corporations***

Immediately following completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

<u>Name of Director</u>	<u>Name of Group member/ associated corporation</u>	<u>Capacity/nature of interest</u>	<u>Number and class of securities</u>	<u>Approximate percentage of shareholding</u>
			<i>(Note 1)</i>	
Mr. Ando	Our Company	Beneficial owner	374,967,278 Shares (L)	75.0%
Mrs. Ando	Our Company	Interest of spouse <i>(Note 2)</i>	374,967,278 Shares (L)	75.0%
Mr. Katsu	TCA Japan	Beneficial owner <i>(Note 3)</i>	50 class A shares (L)	5%

Notes:

1. The letter “L” denotes our Directors’ long position in the shares of our Company or the relevant associated corporation.
2. Mrs. Ando is the spouse of Mr. Ando. Under the SFO, Mrs. Ando is taken to be interested in the same number of Shares in which Mr. Ando is interested.
3. These shares represent class A shares in TCA Japan held by Mr. Katsu. Shareholders of class A shares in TCA Japan do not have any voting right at the general meeting of shareholders of TCA Japan.

13. Interest discloseable under the SFO and substantial shareholders

So far as is known to our Directors, immediately following completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes (but without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted, and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed “Interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and our associated corporations” above, no other persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group.

14. Disclaimers

Save as disclosed in this Appendix and the sections headed “History, Reorganization and Corporate Structure”, “Continuing Connected Transaction” and “Underwriting” in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Global Offering, the Bonus Issue, and the issue of the Conversion Shares upon conversion of the Convertible Notes will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group;
- (b) none of the Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, in each case once the Shares are listed;

- (c) none of the Directors nor any of the parties listed in the paragraph headed “22. Qualifications of experts” below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group;
- (e) none of the Directors nor any of the parties listed in the paragraph headed “22. Qualifications of experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of us; and
- (f) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “22. Qualifications of experts” below:
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; or
 - (iii) is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group.

OTHER INFORMATION

15. Share Option Scheme

(a) *Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the then sole Shareholder on September 13, 2018:

(i) *Purposes of the scheme*

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, the Directors and other selected participants for their contributions to us. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is

expected that grantees of an option will make an effort to contribute to the development of us so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

(ii) *Who may join*

The Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (“**Invested Entity**”) in which any member of us holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of us or any Invested Entity;
- (dd) any customer of any member of us or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of us or any Invested Entity;
- (ff) any shareholder of any member of us or any Invested Entity or any holder of any securities issued by any member of us or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of us or any Invested Entity;
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of us;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of us to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors’ opinion as to his contribution to the development and growth of us.

(iii) Maximum number of the Shares

- (aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by us shall not exceed 30% of the share capital of our Company in issue from time to time.
- (bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of us) to be granted under the Share Option Scheme and any other share option scheme of us must not in aggregate exceed 10% of the number of Shares in issue on the Listing Date, being 50,000,000 Shares (“**General Scheme Limit**”).
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of us must not exceed 10% of the number of Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, canceled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of us) previously granted under the Share Option Scheme and any other share option scheme of us will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders’ approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of us (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being (“**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. The number and terms (including

the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) *Grant of options to the Directors, chief executive or substantial shareholders of our Company or their respective associates*

(aa) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).

(bb) Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders, within such time as may be specified in the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting (with such grantee, his associates and all core connected persons of our Company abstaining from voting in favour).

(vi) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; and (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of the Shares

The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the name of the grantee on the register of members of our Company as the holder thereof.

Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of our results for any year, half-year under the Listing

Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no offer for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with us or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with us or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offense (other than an offense which in the opinion of the

Directors does not bring the grantee or us or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and us or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of us by reason of the cessation of its relations with us or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the

date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

(aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fail to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and

(bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalization issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company while an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number of Shares to which the Share Option Scheme or any option relates (insofar as it is/they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option, provided that (aa) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (bb) the issue of Shares or other securities of us as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (cc) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (dd) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so canceled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the option period in respect of such option;
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (cc) the date on which the Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

- (aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

- (ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

(b) *Present status of the Share Option Scheme*

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(v) Compliance with the Listing Rules

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

16. Estate duty, tax and other indemnities

Mr. Ando (the “**Indemnifier**”) has entered into the Deed of Indemnity with and in favor of our Company (for itself and as trustee for each of our subsidiaries stated therein) to provide indemnities in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Listing; and
- (b) taxation, together with all reasonable costs (including legal costs), fines, penalties, costs, charges, expense and other liabilities which may be incurred by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any transaction or event entered into or occurring on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifier is under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to and including March 31, 2018;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after April 1, 2018 and ended on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, otherwise than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or after April 1, 2018; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before March 31, 2018 or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to and including March 31, 2018 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier’s liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifier’s liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or

- (d) to the extent that such taxation liabilities or claim arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or the taxation authority of Japan, the PRC, Taiwan or any other relevant authority (whether in Hong Kong, Japan, the PRC, Taiwan or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or taxation claim after the date of the Deed of Indemnity with retrospective effect.

Under the Deed of Indemnity, the Indemnifier has also undertaken to us that he will indemnify and at all times keep each of the members of our Group fully indemnified on demand from and against all losses, claims, actions, demands, liabilities, damages, costs, expenses, fines, penalties and charges and of whatever nature suffered or incurred by any member of our Group directly or indirectly arising out of or in connection with the non-compliance or alleged non-compliance by any member of our Group with any applicable laws and regulations on or before the Listing Date.

Under the Deed of Indemnity, the Indemnifier has also undertaken to us that he will indemnify and at all times keep each of the members of our Group fully indemnified, on demand for any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), costs, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganization.

17. Litigation

As of the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group member, that would have a material adverse effect on our results of operations or financial condition of our Group.

18. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$10,000 and have been paid by our Company.

19. Promoter

- (a) Our Company does not have any promoter.
- (b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters of our Company in connection with the Global Offering or the related transactions described in this prospectus.

20. Agency fees or commissions received

For details of the agency fees or commissions (including the discretionary incentive fees) to be received by the Underwriters, please refer to the section headed “Underwriting — Total Commissions and Expenses” in this prospectus. Save as disclosed therein, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital and/or debenture of any member of our Group within the two years immediately preceding the date of this prospectus.

21. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

The sponsor’s fees payable by us in respect of the Sole Sponsor’s services as sponsor for the Listing is HK\$5.5 million.

22. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
CMBC International Capital Limited	Licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
PricewaterhouseCoopers	Certified Public Accountants
Anderson Mori & Tomotsune	Japanese attorneys-at-law
Jingtian & Gongcheng	Qualified PRC lawyers
China Insights Consultancy	Industry Consultant

23. Consents of experts

Each of the experts as set out in paragraph 22 above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their report and/or letter and/or legal opinion and/or opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

24. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

25. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

26. Miscellaneous

- (a) Save as disclosed in this Appendix and in the sections headed "History, Reorganization and Corporate Structure" and "Underwriting" in this prospectus:
 - (i) within two years preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since March 31, 2018 (being the date to which the latest audited consolidated financial statements of our Group were made up).

- (c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

27. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “Other Information — 23. Consents of experts” in Appendix IV to this prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “Further Information About the Business of our Company — 8. Summary of Material Contracts” in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40/F., Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the consolidated audited financial statements of our Group for each of the years ended March 31, 2016, 2017 and 2018;
- (d) the report from PricewaterhouseCoopers on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the legal opinion prepared by Anderson Mori & Tomotsune in respect of certain aspects of our Group in Japan;
- (f) the legal opinion prepared by our PRC Legal Advisors in respect of certain aspects of our Group and the property interests of our Group in the PRC;
- (g) the material contracts referred to in the paragraph headed “Further Information About the Business of our Company — 8. Summary of Material Contracts” in Appendix IV to this prospectus;
- (h) the service contracts referred to in the sub-paragraph headed “Further Information About Directors and Shareholders — 12. Directors — (b) Particulars of Directors’ service contracts” in Appendix IV to this prospectus;
- (i) the rules of the Share Option Scheme;

- (j) the written consents referred to in the paragraph headed “Other Information — 23. Consents of experts” in Appendix IV to this prospectus; and
- (k) the industry report prepared by China Insights Consultancy, the extracts of which is set out in the section headed “Industry Overview” to this prospectus.



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