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MILAN STATION HOLDINGS LIMITED
米 蘭 站 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1150)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2019 was approximately HK$231.6 million, representing a decrease of 12.4% from approximately HK$264.3 million for the year ended 31 December 2018.
- Gross profit for the year ended 31 December 2019 was approximately HK$47.8 million, representing a decrease of 7.4% from approximately HK$51.6 million for the year ended 31 December 2018.
- Selling expenses for the year ended 31 December 2019 were approximately HK$33.2 million, representing a decrease of 30.2% of approximately HK$47.6 million for the year ended 31 December 2018.
- Loss attributable to the owners of the Company for the year ended 31 December 2019 was approximately HK$23.5 million, representing an decrease of 41.3% from approximately HK$40 million for the year ended 31 December 2018.
- The Board has resolved not to declare a final dividend for the year ended 31 December 2019.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Milan Station Holdings Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
REVENUE	4	**231,616**	264,293
Cost of sales		**(183,821)**	(212,654)
Gross profit		**47,795**	51,639
Other (loss)/income and gains, net	5	**(1,880)**	(8,387)
Impairment loss on intangible asset		**(2,508)**	–
Selling expenses		**(33,228)**	(47,574)
Administrative and other operating expenses		**(32,911)**	(36,656)
Finance costs	6	**(1,226)**	(361)
LOSS BEFORE TAX	7	**(23,958)**	(41,339)
Income tax credit	8	**9**	1,379
LOSS FOR THE YEAR		**(23,949)**	(39,960)
Attributable to:			
Owners of the Company		**(23,491)**	(40,012)
Non-controlling interests		**(458)**	52
		(23,949)	(39,960)
			(Restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic and diluted	10	**HK(11.5 cent)**	HK(19.7 cents)

Details of the dividends are disclosed in note 9 to this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(23,949)**	(39,960)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(8)**	619
Total other comprehensive (loss)/income for the year	**(8)**	619
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(23,957)**	(39,341)
Attributable to:		
Owners of the Company	**(23,499)**	(39,393)
Non-controlling interests	**(458)**	52
	(23,957)	(39,341)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,626**	9,115
Intangible assets		**–**	3,073
Right-of-use assets		**16,555**	–
Deposits		**1,439**	3,368
Total non-current assets		**21,620**	15,556
CURRENT ASSETS			
Inventories		**41,032**	40,532
Trade receivables	*11*	**3,883**	3,715
Loan receivables	*12*	**12,521**	8,392
Prepayments, deposits and other receivables		**5,249**	9,872
Financial assets at fair value through profit and loss		**9,250**	13,995
Tax recoverable		**–**	82
Cash and cash equivalents		**8,417**	22,554
Total current assets		**80,352**	99,142
CURRENT LIABILITIES			
Trade and other payables	*13*	**22,832**	27,401
Lease liabilities/Obligations under finance leases		**14,300**	2,286
Tax payable		**578**	409
Total current liabilities		**37,710**	30,096
NET CURRENT ASSETS		**42,642**	69,046
TOTAL ASSETS LESS CURRENT LIABILITIES		**64,262**	84,602

	Notes	**2019** *HK$'000*	2018 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities/Obligations under finance leases		**3,465**	3,976
Provisions		**55**	102
Deferred tax liabilities		**–**	220
Total non-current liabilities		**3,520**	4,298
NET ASSETS		**60,742**	80,304
EQUITY			
Issued capital		**8,136**	8,136
Reserves		**53,307**	72,411
Equity attributable to owners of the Company		**61,443**	80,547
Non-controlling interests		**(701)**	(243)
TOTAL EQUITY		**60,742**	80,304

Notes:

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 1 November 2007. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and its principal place of business in Hong Kong is located at Room 13, 6/F, Block A, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Kowloon.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are retailing of handbags, fashion accessories, embellishments and spa and wellness products. There were no significant changes in the nature of the Group's principal activities during the year.

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

Transition and summary of effects arising from initial application of HKFRS 16

On 1 January 2019, the Group has applied HKFRS 16. HKFRS 16 superseded HKAS 17, and the related interpretations. The Group applied the HKFRS 16 in accordance with the transition provisions of HKFRS 16.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HKFRIC – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

During the year ended 31 December 2019, application of IFRS 16 by the Group as a lessor has no material impact on the Group's consolidated financial statements.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong was determined on a portfolio basis;

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

iv. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

v. relied on the assessment of whether lease are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment view.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by relevant group entities ranged from 3.95% to 7.75%.

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**52,545**
Less: practical expedient – leases with lease term ending within 12 months from date of initial application	**(2,185)**
Less: Leases not yet commenced on 1 January 2019	**(25,560)**
Less: Effect from discounting at the incremental borrowing rate as at 1 January 2019	**(1,535)**
	23,265
Add: obligation under finance lease recognised as at 31 December 2018	**6,262**
Lease liabilities	**29,527**
Analysed as:	
Current	**25,551**
Non-current	**3,976**
	29,527

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	23,265
Add: Right-of-use assets relating to deposits of operating leases recognised upon application of HKFRS 16	200
Add: Amounts included in property, plant and equipment under HKAS 17 – Assets previously under finance leases	5,405
	28,870
By class	
Vehicle	5,405
Building	23,465
	28,870

Note:

In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK$5,405,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$2,286,000 and HK$3,976,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously report at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	9,115	(5,405)	3,710
Right-of-use assets	–	28,870	28,870
Current assets			
Prepayments, deposits and other receivables	9,872	(200)	9,672
Current liabilities			
Obligation under finance lease	2,286	(2,286)	–
Lease liabilities – due within one year	–	25,551	25,551
Non-current liabilities			
Obligation under finance lease	3,976	(3,976)	–
Lease liabilities – due over one year	–	3,976	3,976

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

Issued but not yet effective Hong Kong Financial Reporting Standard

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9 HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after a date to be determined

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

4 Effective for annual periods beginning on or after 1 January 2020

3. OPERATING SEGMENT INFORMATION

The board of directors is the chief operating decision maker. The Group's principal activity is the retail of handbags, fashion accessories, embellishments and spa and wellness products. Since it is the only operating segment of the Group, no further analysis thereof is presented. In determining the Group's geographical information, the revenue information is based on the locations of the customers, and the non-current assets information is based on the locations of the property, plant and equipment and deposits, or the location of the operation to which the intangible assets relate.

	Hong Kong	**Macau**	**Mainland China**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2019				
Revenue from external customers	216,972	14,644	–	231,616
Non-current assets	21,618	2	–	21,620
Capital expenditure	2,143	–	–	2,143
Year ended 31 December 2018				
Revenue from external customers	250,167	14,126	–	264,293
Non-current assets	12,470	12	1	12,483
Capital expenditure	6,199	–	–	6,199

The non-current assets information excludes intangible assets.

Information about major customers

No customer of the Group has individually contributed 10% or more of the Group's total revenue during the year (2018: Nil) and no information about major customers is presented accordingly.

Information about major products

	2019	2018
	HK$'000	*HK$'000*
Handbags	**201,387**	241,056
Other products	**30,229**	23,237
	231,616	264,293

4. REVENUE

Revenue represents the net invoiced value of goods sold, after trade discounts. An analysis of revenue, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Disaggregation of revenue from contracts with customers		
Revenue from contracts with customers:		
Sales of handbags	**201,387**	241,056
Sales of natural aroma, skincare products and accessories	**30,229**	23,237
	231,616	264,293
Timing of revenue recognition:		
A point in time	**231,616**	264,293
Over time	**–**	–
	231,616	264,293
Geographical market:		
Hong Kong	**216,972**	250,167
Macau	**14,644**	14,126
The PRC	**–**	–
	231,616	264,293

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Revenue recognition are disclosed in note 2 to the consolidated financial statement.

5. OTHER (LOSS)/INCOME AND GAINS, NET

	2019	2018
	HK$'000	*HK$'000*
Other (loss)/income and gains, net		
Bank interest income	**19**	11
Change on fair value of other financial assets	**–**	–
Fair value gain/(loss) on financial assets through profit and loss		
– Unrealised	**(4,745)**	(10,959)
– Realised	**–**	166
Net allowances for expected credit losses	**(91)**	63
Gain on disposal of property, plant and equipment	**–**	1,980
Gain on disposal of right-of-use assets	**310**	–
Loss on written off of property, plant and equipment	**–**	(280)
Interest income	**1,210**	70
Others	**1,417**	562
	(1,880)	(8,387)

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expenses on loan payable	**41**	48
Interest expenses on lease liabilities	**1,185**	313
	1,226	361

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense	**183,821**	212,654
Write down for slow-moving inventories included in cost of inventories recognised as an expense	**2,506**	2,399
Depreciation		
– owned assets	**2,231**	2,952
– assets under finance lease	**–**	3,180
– right-of-use assets	**21,192**	–
	23,423	6,132
Amortisation of intangible assets	**565**	565
Net exchange gain	**–**	(20)
Operating lease rentals in respect of rented premises		
– Minimum lease payments	**–**	24,826
– Contingent rentals	**–**	2,946
	–	27,772
Expenses relating to short term lease	**4,189**	–
Impairment of intangible assets	**2,508**	–
Share-based payment expenses		
Directors	**433**	–
Others	**3,962**	–
Auditors' remuneration	**900**	1,000
Loss on write-off of property, plant and equipment	**–**	280
Employee benefit expenses (excluding directors' emoluments)		
Salaries, wages and other benefits	**13,080**	23,142
Pension scheme contributions	**609**	839
Equity-settled share option expense	**–**	–
	13,689	23,981

8. INCOME TAX (EXPENSE)/CREDIT

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 April 2008 onwards. Macau complementary tax is calculated at 12% of the estimated assessable profit exceeding MOP600,000 for both year.

	2019	2018
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**211**	88
Over-provision in prior years	**–**	(1,243)
Deferred tax	**(220)**	(224)
Total tax credit for the year	**(9)**	(1,379)

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2019 (2018: Nil), nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of HK$23,491,000 (2018: HK$40,012,000) and the weighted average of 203,408,250 ordinary shares (2018: Restated 203,408,250) in issue during the year as adjusted to reflect the effect of the effect of the share consolidation. Comparative figure have also been adjusted on the assumption that the share consolidation had been effective in the prior period.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented. The diluted and basic loss per share are the same for both years.

11. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on cash and credit card settlement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**3,883**	3,761
Less: allowance for expected credit losses	**–**	(46)
	3,883	3,715

An aged analysis of the trade receivables as at the end of the reporting period, based on invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**3,412**	2,788
1 to 2 months	**300**	6
2 to 3 months	**–**	2
Over 3 months	**171**	919
	3,883	3,715

Customers are generally granted with credit term of 0-90 days during the year 2019 (2018: 0-90 days).

12. LOAN RECEIVABLES

The Group's loan receivables, which arise from the money lending business in Hong Kong, are interest-bearing and repayable with fixed terms agreed with Group's customers.

An aged analysis of the loan receivables as at the reporting period, based on the terms of loan is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**463**	8,392
3 to 6 months	**463**	–
Over 6 months	**11,595**	–
	12,521	8,392

The loan to customers were repaid in accordance with the terms of loan agreements.

13. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**6,894**	935
Accrued liabilities	**8,104**	5,244
Other payables	**1,171**	202
Amount due to non-controlling interest	**3,960**	3,960
Deposit received	**2,703**	2,560
Loan payables	**–**	14,500
	22,832	27,401

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**1,258**	861
1 to 2 months	**154**	74
2 to 3 months	**210**	–
Over 3 months	**5,272**	–
	6,894	935

The credit period on purchase of goods range from 0 to 90 days.

14. EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the outbreak on Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of these financial statements, COVID-19 has significant decrease in the Group's revenue. Pending the development and spread of COVID-19 subsequent to the date of the financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The Hong Kong economy went through a difficult year in 2019. According to the Hong Kong Economy's economic report, real GDP contracted by 1.2%, the first annual decline since 2009. The economy entered recession and worsened abruptly in the second half of the year.

Hong Kong retail market have been facing a recession during the first half year in 2019 with the sluggish domestic demand and cautious private consumption sentiment. Continuing the decelerating trend that began in the first half of 2019, the Hong Kong retail market weakened further from July onwards due to the outbreak of social incidents. The Census and Statistics Department has published Report on Monthly Survey of Retail Sales, which shows that the value of total retail sales in December 2019, provisionally estimated at $36.2 billion, decreased by 19.4% compared with the same month in 2018. For 2019 as a whole, the value of total retail sales was provisionally estimated at $431.2 billion, decreased by 11.1% in value and 12.3% in volume compared with 2018. Retail outlets selling items that feature prominently in visitors' shopping expenditure witnessed particularly noticeable sales declines in the second half of 2019.

The local social incidents dealt a severe blow to retail sales by weighing on inbound tourism and dampening local consumer sentiment. Since July 2019, mass demonstrations with violence have hurt Hong Kong's image as a safe city and severely deterred visitors. According to the statistics from Hong Kong Tourism Board, the number of visits by mainland Chinese tourists to Hong Kong in the year of 2019 recorded negative growth of 14.2% as compared with the same period last year, of which same-day visitors and overnight visitors decreased by 11.5% and 18.5% respectively. Retail business and total tourism expenditure severely affected by the sizable fall in mainland Chinese tourists arrivals.

The global economic slowdown and uncertainties stemming from Sino-US trade tensions which led to the slump of retail sales. The private consumption sector has been turning prudent and stayed cautious, and corporations may have to be more careful in their expanding business plans in the face of various headwinds and the weakened economic outlook. The continuous imposition of import tariff and delay in the implementation of tariff by the US government and the PRC government weakened the economy and posted evolving threats and uncertainties.

BUSINESS REVIEW

During the year, the Group's total revenue decreased by approximately 12.4% to approximately HK$231.6 million. The revenues generated in the markets of Hong Kong and Macau accounted for 93.7% and 6.3% respectively of the Group's revenue. The Group's gross profit at approximately HK$47.8 million, which was decreased by 7.4% as compared to last year. The net loss for the year decreased by 40.1% to HK$23.9 million mainly due to the decrease in rental expenses of retail stores due to elimination of unprofitable stores and decrease in fair value loss on financial assets through profit or loss of approximately HK$6.2 million.

Hong Kong

During the year, sales of the Group in Hong Kong decreased by 13.3% to approximately HK$217 million. The revenue came from the 6 "Milan Station" retail stores, the 7 "THANN" retail stores in Hong Kong and the online sales platform directly managed by the Group and the product sales in other new sales channels.

The Group adhered to the principle of providing genuine and certified products for its customers and formulated stringent and systematic product certification programs. During the year, the Group continued to devote more human resources to the management of merchandise quality, and strengthened the product certification programs with the finer division of labor to ensure that all the products were inspected by professional team. These measures helped the Group to maintain the "Milan Station" brand reputation and earn market recognition, pursuant to which it strengthened the Group's leading position in the luxury handbags trading industry under the adverse operating environment.

As at 31 December 2019, the Group held the listed securities in Hong Kong with the fair value of HK$9.3 million under financial assets at fair value through profit or loss. The Group recognised a unrealised loss on financial assets at fair value through profit or loss of approximately HK$4.7 million. In light of the recent volatile financial market in Hong Kong, the Group will closely monitor the performance of this business and keep adopting a prudent investment attitude with the aim to improve the capital usage efficiency and generate additional investment returns on the idle funds of the Group.

Mainland China

During the year, no revenue was generated in Mainland.

Macau

The gambling industry and tourism industry in Macau steadily improved during the year. The Group's revenue from the Macau market increased by 3.5% to approximately HK$14.6 million.

Significant Investments

The Group held significant investments under financial assets at fair value through profit or loss as below:

Company	Stock code	As at 1 January 2019 *HK$'000*	Gain on disposal *HK$'000*	Fair value gain/(loss) *HK$'000*	As at 31 December 2019 *HK$'000*	Percentage of shareholding *(approximately)*	Approximate percentage to the total assets
China e-Wallet Payment Group Limited	802	7,720	–	(3,200)	4,520	1.46%	4.4%
Others		6,275	–	(1,508)	4,730		4.6%
		13,995	–	(4,708)	9,250		

For the year ended 31 December 2019, the Group recognized an impairment loss on others financial assets at fair value through profit or loss of approximately HK$37,000.

Outlook

Hong Kong economy is extremely challenging in 2019, and subject to a high degree of uncertainty. It is believed that Hong Kong retail market is expected to face a further downturn in the year of 2020 with the ongoing Sino-US trade dispute, local social incidents and the spread of the novel coronavirus infection. The Group will adopt cautious flexible strategy to face the market changes and is prudent about its business performance in 2020.

The ongoing uncertainties surrounding the Sino-US trade relations and social instability in Hong Kong result in a more challenging external environment. The outlook for domestic demand in 2020 is also subdued, with the threat of the novel coronavirus infection severely hurting overall economic sentiment and disrupting such economic activities as trade, and tourism and consumption-related activities. The timing of withdrawal of the travel restrictions put in place by the governments of both the PRC and Hong Kong is still uncertain, resulting in the minimal tourism from PRC. The control of the novel coronavirus infection as well as the development of the local social incidents are thus critical to the recovery of domestic consumption. It is believed that the near-term outlook for the Hong Kong economy is extremely challenging and subject to downside risks.

Notwithstanding the prevailing challenges and uncertainties, with strong competitive edges and superb geographical location in the heart of Asia, Hong Kong is well-positioned to capitalise on the development and thus the medium-term outlook for the Hong Kong economy is still positive. Looking at the long-term macro environment, riding on the two national policies, namely the Belt and Road Initiative and the Guangdong-Hong Kong Macao Bay Area development, Hong Kong will further enhance its role as the business bridge between the Mainland and the rest of the world. The retail industry in Hong Kong and Macau will undoubtedly benefit from that.

The management will continue to monitor the effects from the potential global issues and social incidents in order to strength our core business and seek for better growth prospects and returns. The Group will also emphasis on costs control and review the retail strategy.

The management believes, with the tremendous efforts by all our staff, the Group is well positioned to turn challenges into opportunities and will strengthen our competitiveness overcome the challenges in the coming future and continue our growth with the diverting business model.

FINANCIAL REVIEW

Revenue

During the year, total revenue decreased to approximately HK$231.6 million, representing a decrease of 12.4% as compared to approximately HK$264.3 million recorded in last year. Handbags were the most important product category for the Group, representing over 87% of the total revenue of the Group. The revenue generated from the sales of unused products decreased to approximately HK$175.7 million recorded in last year, representing 75.9% of the total revenue of the Group.

Since most of the retail shops under the brand name of "Milan Station" are located in Hong Kong, the source of revenue also concentrates in the Hong Kong market. For the year ended 31 December 2019, the revenue generated from the Hong Kong market was approximately HK$217 million, representing approximately 93.7% of the total revenue of the Group. No revenue was generated from the Mainland China market during the year. Revenue generated from the Macau market increased from approximately HK$14.1 million during the last year to approximately HK$14.6 million during the year ended 31 December 2019.

The table below sets out the breakdown of the Group's revenue recorded for the years ended 31 December 2019 and 2018 by product categories, by price range of products and by geographical locations and their respective percentages to the total revenue of the Group:

	For the year ended 31 December				
	2019		2018		
		Percentage of total revenue		*Percentage of total revenue*	*Percentage change in revenue*
	HK$ million	***%***	*HK$ million*	*%*	*%*
By product categories (handbags and other products)					
Handbags	**201.4**	**87.0**	241.1	91.2	(16.5)
Other products*	**30.2**	**13.0**	23.2	8.8	30.2
Total	**231.6**	**100**	264.3	100.0	(12.4)
By product categories (unused and second-hand products)					
Unused products	**175.7**	**75.9**	187.5	70.9	(6.3)
Second-hand products	**55.9**	**24.1**	76.8	29.1	(27.2)
Total	**231.6**	**100**	264.3	100.0	(12.4)
By price range of products					
Within HK$10,000	**43.6**	**18.8**	52.8	20.0	(17.4)
HK$10,001 – HK$30,000	**41.7**	**18.0**	48.7	18.4	(14.4)
HK$30,001 – HK$50,000	**17.2**	**7.4**	20.8	7.9	(17.3)
Above HK$50,000	**129.1**	**55.8**	142.0	53.7	(9.1)
Total	**231.6**	**100**	264.3	100.0	(12.4)
By geographical locations					
Hong Kong	**217.0**	**93.7**	250.2	94.7	(13.3)
Macau	**14.6**	**6.3**	14.1	5.3	3.5
Total	**231.6**	**100**	264.3	100.0	(12.4)

* Other products include natural aroma and skincare products and others accessories.

Cost of sales

For the year ended 31 December 2019, cost of sales for the Group was approximately HK$183.8 million, decreased by 13.6% year-on-year. Cost of sales mainly consisted of cost of inventories sold by the Group's suppliers.

Gross profit and gross profit margin

Gross profit of the Group for the year under review decreased by HK$3.8 million to approximately HK$47.8 million, with its gross profit margin increased slightly from 19.5% to 20.6%.

Inventory

The Group's total inventories as at 31 December 2019 and 2018 were HK$41 million and HK$40.5 million respectively. The total inventories of the Group are recorded after netting of the provision for slow-moving inventories. Inventory turnover days of the Group changed to 81 days for the year ended 31 December 2019 (2018: 75 days).

The following table sets forth an aging analysis of inventories for the Group's handbag products as at 31 December of the two comparative years:

	31 December	
	2019	2018
	HK$'000	*HK$'000*
Aging of inventories (handbags products)		
0 to 90 days	**13,377**	12,549
91 to 180 days	**4,778**	8,410
181 days to 1 year	**9,289**	8,453
Over 1 year	**10,876**	8,456
Total	**38,320**	37,868

The following table sets forth an aging analysis of inventories for the Group's other products as at 31 December of the two comparative years:

	31 December	
	2019	2018
	HK$'000	*HK$'000*
Aging of inventories (other products)		
0 to 45 days	**281**	874
46 to 90 days	**684**	1,196
91 days to 1 year	**1,154**	375
Over 1 year	**593**	219
Total	**2,712**	2,664

The following table sets forth an aging analysis of inventories for the Group's premium priced handbag products over HK$50,000 as at 31 December of the two comparative years:

	31 December	
	2019	2018
	HK$'000	*HK$'000*
Aging of inventories (handbags products over HK$50,000)		
0 to 90 days	**9,556**	6,908
91 to 180 days	**2,877**	4,643
181 days to 1 year	**5,294**	4,373
Over 1 year	**5,973**	3,546
Total	**23,700**	19,470

Other (loss)/income and gains, net

During the year ended 31 December 2019, other loss amounted to approximately HK$1.9 million, significant decreased by HK$6.5 million as compared to other loss amounted to approximately HK$8.4 million in last year. It was mainly attributable to the decrease in fair value loss on financial assets through profit or loss of approximately HK$6.2 million.

Selling expenses

The major items of the Group's selling expenses include rent and rates, employee benefit expenses for sales staff and bank credit card charges. For the year ended 31 December 2019, selling expenses of the Group were approximately HK$33.2 million, representing 14.3% of the Group's revenue (2018: approximately HK$47.6 million, representing 18% of the Group's revenue). Selling expenses decreased mainly due to the decrease in rental expenses of the retail stores resulting from the elimination of unprofitable stores.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the year ended 31 December 2019 amounted to approximately HK$32.9 million, decreased by approximately HK$3.7 million as compared to last year on a year-on-year basis, representing approximately 14.2% of the revenue. The Group's administrative and other operating expenses mainly consisted of the expenses for the closure of certain retail shops, directors' remuneration, salaries and employee benefit expenses for the senior management and administrative staff, as well as legal and professional expenses. The decrease in administrative and other operating expenses was mainly due to the decrease in salaries expenses.

Finance costs

Finance costs of the Group mainly consisted of interest expenses on bank borrowings and finance lease. Finance costs amounted to approximately HK$1.2 million in 2019, increased by HK$0.9 million as compared to last year.

Loss attributable to the owners of the Company

Loss attributable to the owners of the Company for the year ended 31 December 2019 was approximately HK$23.5 million, representing an decrease of 41.3% from approximately HK$40 million for the year ended 31 December 2018. Loss per share attributable to the owners of the Company was approximately HK11.5 cents for the year ended 31 December 2019, as compared to approximately HK19.7 cents for the year ended 31 December 2018.

Employees and remuneration policy

As at 31 December 2019, the Group had a total of 68 employees (2018: 67 employees). The Group's remuneration policy was determined according to the position, performance and experience of the staff as well as the market trend. Staff benefits of the Group include basic salaries, subsidies, insurance and commission/bonus. The remuneration policy was reviewed by the Board from time to time. The emoluments of Directors were reviewed by the remuneration committee of the Company and recommended to the Board for approval after considering the Group's operating results, individual performance and comparing with marketing conditions.

Liquidity and financial resources

As at 31 December 2019 and 31 December 2018, the Group did not have any bank borrowing.

As at 31 December 2019, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK$8.4 million, HK$41.2 million and HK$61.4 million respectively (2018: approximately HK$22.6 million, HK$34.4 million and HK$80.5 million respectively). The Group's gearing ratio, current ratio and quick ratio as at 31 December 2019 were approximately 29.2%, 2.1 and 1.0 respectively (2018: 7.8%, 3.3 and 1.9 respectively).

Pledge of assets

As at 31 December 2019 and 31 December 2018, the Group had no assets and bank deposits were pledged to banks to secure the bank borrowing and general banking facilities granted to the Group.

Foreign exchange policy

The Group carried on its trading transactions mainly in Hong Kong dollars and Renminbi ("RMB"). It is the Group's policy to continue maintaining the balance of its sales and purchases in the same currency. The Group did not have any hedging arrangement on foreign exchange. The Directors are of the view that the transactional exposure of the Group in currencies other than the functional currencies is maintained at an acceptable level.

Contingent liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities.

Capital commitments

The Group did not have any capital commitments regarding any for purchase of property, plant and equipment as at 31 December 2019 and 31 December 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the code of conduct regarding securities transactions by the Directors (the "Model Code"). Having made specific enquiries to the Directors, all the Directors confirmed that they complied with the required standards as set out in the Model Code throughout the year ended 31 December 2019.

CAPITAL STRUCTURE AND TREASURY POLICIES

The Group consistently employed a prudent treasury policy during its development and generally financed its operations and business development with internally generated resources and equity and/or debt financing activities. The Group also adopted flexible and prudent fiscal policies to effectively manage the Group's assets and liabilities and strengthen the Group's financial position.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Tou Kin Chuen (chairman), Mr. Chan Chi Hung and Mr. Choi Kam Yan, Simon. The Audit Committee has reviewed with the management of the Company the financial statements of the Group for the year ended 31 December 2019 and discussed with the management of the Company on auditing, risk management, internal control and financial reporting matters.

EVENTS AFTER THE REPORTING PERIOD

On 24 March 2020, the Company completed the consolidation of shares in the issued shares of the Company whereby every four issued and unissued ordinary shares of HK$0.01 each are consolidated into one consolidated ordinary share of HK$0.04 each (the "Share Consolidation").

Since January 2020, the outbreak on Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of these financial statements, COVID-19 has significant decrease in the Group's revenue. Pending the development and spread of COVID-19 subsequent to the date of the financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITION OR DISPOSAL

There was no material acquisitions or disposal of subsidiaries and affiliated companies by the Group for the year ended 31 December 2019.

USE OF NET PROCEEDS

(i) The proceeds from the listing, after deduction of related issuance expenses, amounted to HK$6.7 million.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2019, the Company complied with all applicable code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules except for the following deviations.

Under code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to all Directors to give all Directors an opportunity to attend. During the Reporting Year, certain Board meetings were convened with less than 14 days' notice to facilitate the Directors' timely reaction and expeditious decision making process in respect of investment opportunity and internal affairs of the Group. All Board meetings, nevertheless, were duly convened and held in the way prescribed by the Articles of Association of the Company. The Board will use reasonable endeavour to meet the requirement of code provision A.1.3 of the CG Code in future. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 of the Group as set out in the preliminary announcement have been agreed by the Company's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2019 and the accounting principles and practices adopted by the Group during the year under review and matters of auditing, internal controls and financial reporting have been discussed with the management and reviewed by the Audit Committee of the Company.

DIVIDENDS

The Board has resolved not to declare a final dividend for the year ended 31 December 2019 (2018: Nil).

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.milanstation.com.hk. The 2019 annual report containing all information required by the Listing Rules will be published on the above websites and dispatched to the shareholders of the Company by the end of April 2020.

By Order of the Board
Milan Station Holdings Limited
Hu Bo
Director

Hong Kong, 26 March 2020

As at the date of this announcement, the Board comprises Mr. HU Bo and Mr. LI Zhongqi as Executive Directors; Mr. CHAN Chi Hung, Mr. TOU Kin Chuen and Mr. Choi Kam Yan Simon as Independent Non-executive Directors.