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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 2020

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2020 was approximately HK\$176.0 million, representing a decrease of 24.0% from approximately HK\$231.6 million for the year ended 31 December 2019.
- Gross profit for the year ended 31 December 2020 was approximately HK\$42.5 million, representing a decrease of 11.1% from approximately HK\$47.8 million for the year ended 31 December 2019.
- Selling expenses for the year ended 31 December 2020 were approximately HK\$32.5 million, representing a decrease of 2.1% of approximately HK\$33.2 million for the year ended 31 December 2019.
- Loss attributable to the owners of the Company for the year ended 31 December 2020 was approximately HK\$3.1 million, representing a decrease of 86.8% from approximately HK\$23.5 million for the year ended 31 December 2019.
- The Board has resolved not to declare a final dividend for the year ended 31 December 2020.

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 2020 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
REVENUE	4	175,973	231,616
Cost of sales		<u>(133,513)</u>	<u>(183,821)</u>
Gross profit		42,460	47,795
Reversal of/(provision) for allowance for expected credit losses		20	(91)
Impairment loss on intangible asset		–	(2,508)
Other income and gains/(losses), net	5	8,719	(1,789)
Selling expenses		(32,460)	(33,228)
Administrative and other operating expenses		(20,963)	(32,911)
Finance costs	6	<u>(773)</u>	<u>(1,226)</u>
LOSS BEFORE TAX	7	(2,997)	(23,958)
Income tax (expense)/credit	8	<u>(158)</u>	<u>9</u>
LOSS FOR THE YEAR		<u>(3,155)</u>	<u>(23,949)</u>
Attributable to:			
Owners of the Company		(3,108)	(23,491)
Non-controlling interests		<u>(47)</u>	<u>(458)</u>
		<u>(3,155)</u>	<u>(23,949)</u>
			(Restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic and diluted	10	<u>HK(1.19 cent)</u>	<u>HK(10.62 cent)</u>

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 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
LOSS FOR THE YEAR	(3,155)	(23,949)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>14</u>	<u>(8)</u>
Other comprehensive income/(loss) for the year	<u>14</u>	<u>(8)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(3,141)</u>	<u>(23,957)</u>
Attributable to:		
Owners of the Company	(3,094)	(23,499)
Non-controlling interests	<u>(47)</u>	<u>(458)</u>
	<u>(3,141)</u>	<u>(23,957)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		4,441	3,626
Right-of-use assets		21,077	16,555
Deposits		2,981	1,439
Total non-current assets		28,499	21,620
CURRENT ASSETS			
Inventories		37,822	41,032
Trade receivables	<i>11</i>	2,773	3,883
Loan receivables	<i>12</i>	12,927	12,521
Prepayments, deposits and other receivables		4,181	5,249
Financial assets at fair value through profit or loss		12,191	9,250
Cash and cash equivalents		67,576	8,417
Total current assets		137,470	80,352
CURRENT LIABILITIES			
Trade and other payables	<i>13</i>	29,442	22,832
Contract liabilities		547	–
Lease liabilities		11,212	14,300
Provisions		1,360	–
Tax payable		442	578
Total current liabilities		43,003	37,710
NET CURRENT ASSETS		94,467	42,642
TOTAL ASSETS LESS CURRENT LIABILITIES		122,966	64,262
NON-CURRENT LIABILITIES			
Lease liabilities		10,220	3,465
Provisions		192	55
Total non-current liabilities		10,412	3,520
NET ASSETS		112,554	60,742
EQUITY			
Issued capital		28,477	8,136
Reserves		84,825	53,307
Equity attributable to owners of the Company		113,302	61,443
Non-controlling interests		(748)	(701)
TOTAL EQUITY		112,554	60,742

Notes:

1. CORPORATE INFORMATION

The Company was a public limited company incorporated in the Cayman Islands on 1 November 2007 as an exempted company with limited liability. The shares are listed on The Stock Exchange of Hong Kong Limited. 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. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and 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 fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

Basis of preparation (continued)

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

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

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

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

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	– Definition of Material
Amendments to HKFRS 3	– Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	– Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

Early adoption of amendments to HKFRSs

The following amendments to HKFRSs, which is applicable to the Group but are not yet effective for the current year, have been early adopted in current year:

Amendments to HKFRS 16	COVID-19-Related Rent Concession
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Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening accumulated losses at 1 January 2020. Details refer to the respective notes.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Reference to Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2020. 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.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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.

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 is based on the locations of the customers, and the non-current assets is based on the locations of the property, plant and equipment, right-of-use assets and deposits.

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2020				
Revenue from external customers	<u>172,474</u>	<u>3,499</u>	<u>–</u>	<u>175,973</u>
Non-current assets	<u>28,499</u>	<u>–</u>	<u>–</u>	<u>28,499</u>
Capital expenditure	<u>2,865</u>	<u>–</u>	<u>11</u>	<u>2,876</u>
Year ended 31 December 2019				
Revenue from external customers	<u>216,972</u>	<u>14,644</u>	<u>–</u>	<u>231,616</u>
Non-current assets	<u>21,618</u>	<u>2</u>	<u>–</u>	<u>21,620</u>
Capital expenditure	<u>2,143</u>	<u>–</u>	<u>–</u>	<u>2,143</u>

Information about major customers

No customer of the Group has individually contributed 10% or more of the Group's total revenue during the year (2019: Nil) and no information about major customers is presented accordingly.

Information about major products

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Handbags	147,120	201,387
Other products	<u>28,853</u>	<u>30,229</u>
	<u><u>175,973</u></u>	<u><u>231,616</u></u>

4. REVENUE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Disaggregation of revenue from contracts with customers		
Revenue from contracts with customers:		
Sales of handbags	147,120	201,387
Sales of natural aroma, skincare products and accessories	<u>28,853</u>	<u>30,229</u>
	<u><u>175,973</u></u>	<u><u>231,616</u></u>
Timing of revenue recognition:		
A point in time	<u><u>175,973</u></u>	<u><u>231,616</u></u>
Geographical market:		
Hong Kong	172,474	216,972
Macau	<u>3,499</u>	<u>14,644</u>
	<u><u>175,973</u></u>	<u><u>231,616</u></u>

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.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income and gains/(losses), net		
Bank interest income	14	19
Fair value gain/(loss) on financial assets through profit or loss	1,890	(4,745)
Gain on disposal of right-of-use assets	326	310
Interest income	1,090	1,210
Covid-19-related rent concession	409	–
Government grants (<i>Note</i>)	3,920	–
Others	1,070	1,417
	<u>8,719</u>	<u>(1,789)</u>

Note: During the year ended 31 December 2020, the Group recognised government grants of HK\$3,920,000 in respect of Covid-19-related subsidies, of which HK\$2,731,000 and HK\$1,189,000 relates to Employee Support Scheme and Retail Sector Subsidy Scheme provided by the Hong Kong government respectively.

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expenses on loan payable	–	41
Interest expenses on lease liabilities	773	1,185
	<u>773</u>	<u>1,226</u>

7. LOSS BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories recognised as an expense	133,513	183,821
Write down for slow-moving inventories included in cost of sales recognised as an expense	–	2,506
Depreciation		
– owned assets	2,061	2,231
– right-of-use assets	15,284	21,192
	17,345	23,423
Amortisation of intangible assets	–	565
Expenses relating to short term lease	2,584	4,189
(Reversal of)/provision for allowance for expected credit losses	(20)	91
Impairment of intangible assets	–	2,508
Share-based payment expense		
Directors	252	433
Other employees	1,011	3,962
Auditors' remuneration	900	900
Provision for litigation	1,300	–
Employee benefit expenses (excluding directors' emoluments)		
Salaries, wages and other benefits	16,865	13,080
Pension scheme contributions	643	609
Equity-settled share option expense	1,011	3,962
	18,519	17,651

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 years.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The charge comprises:		
Current tax:		
Hong Kong profits tax	59	211
Under-provision in respect of prior years:		
Hong Kong profits tax	99	–
Deferred tax	–	(220)
Total tax expense/(credit) for the year	<u>158</u>	<u>(9)</u>

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020 (2019: 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\$3,108,000 (2019: HK\$23,491,000) and the weighted average of 261,470,570 ordinary shares (2019: restated 221,251,079) in issue during the year as adjusted to reflect the effect of the right issue. The weighted average number of ordinary shares for the year ended 31 December 2019 has been adjusted and restated for the right issue completed during the year ended 31 December 2020. The effect of the share consolidation had been adjusted during the year ended 31 December 2020.

No adjustment has been made to the basic loss per share for the years ended 31 December 2020 and 2019 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	<u>2,773</u>	<u>3,883</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	1,724	3,412
1 to 2 months	195	300
2 to 3 months	3	–
Over 3 months	<u>851</u>	<u>171</u>
	<u>2,773</u>	<u>3,883</u>

Customers are generally granted with credit term of 0-90 days during the year ended 31 December 2020 and 2019.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	–	463
3 to 6 months	–	463
6 months to 1 year	<u>12,927</u>	<u>11,595</u>
	<u>12,927</u>	<u>12,521</u>

13. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	9,317	6,894
Accrued liabilities	10,619	8,104
Other payables	2,626	1,171
Amount due to non-controlling interest	3,960	3,960
Deposit received	2,920	2,703
	<u>29,442</u>	<u>22,832</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	1,362	1,258
1 to 2 months	–	154
2 to 3 months	660	210
Over 3 months	7,295	5,272
	<u>9,317</u>	<u>6,894</u>

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

14. EVENTS AFTER THE REPORTING PERIOD

After an amicable negotiation with the Apex City Enterprises Limited (“Petitioner”), on 29 January 2021, Milan Station Properties Holdings Limited (“MS Properties”), an indirectly wholly-owned subsidiary of the Company, had paid an agreed amount of HK\$1,300,000 in full and final settlement of all matters of the petition (“Petition”) and the related High Court of the Hong Kong Special Administrative Region (the “High Court”) proceedings. MS Properties and the Petitioner have signed a Consent Summons, pursuant to which the Petitioner agreed to withdraw the Petition. In February 2021, the order of high court was granted, inter alia, that the Petition be withdrawn.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The Hong Kong economy went through an extremely difficult year in 2020. According to the Hong Kong Economy's economic report, real GDP contracted by 6.1% in 2020, due to the COVID-19 pandemic dealt a heavy blow to global and local economic activities. There was some improvements in the second half, but at a constrained pace. For 2020 as a whole, the economy recorded the sharpest annual decline.

The outbreak of COVID-19 imposed significant impact on Hong Kong retail market. The number of tourists slumped drastically because of stringent border control measures and quarantine measures. According to the statistics from Hong Kong Tourism Board, the number of visits by mainland Chinese tourists to Hong Kong in the year of 2020 recorded negative growth of 93.6% as compared with the same period last year, of which same-day visitors and overnight visitors decreased by 93.1% and 94.3% respectively.

Being closely related to the tourism market, the retail market has also taken a plunge. Retail business and total tourism expenditure severely affected by the sizable fall in mainland Chinese tourists' arrivals. 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 2020, provisionally estimated at \$31.4 billion, decreased by 13.2% compared with the same month in 2019. For 2020 as a whole, the value of total retail sales was provisionally estimated at \$326.5 billion, decreased by 24.3% in value and 25.5% in volume compared with 2019, reflecting a grave business environment for the retail industry.

The labour market in Hong Kong came under tremendous pressure and deteriorated sharply in 2020. The seasonally adjusted unemployment rate surged to 6.6% in the fourth quarter, the highest in 16 years, and reached 5.9% for the year as a whole. The underemployment rate averaged 3.3% in 2020. The unemployment rates of the consumption-and tourism-related sectors, the construction sector, and the lower-skilled segment all went up visibly. Consumer sentiment remained weak and further tumbles because of the COVID-19 pandemic with people being cautious when it comes to shopping as they concern over livelihood grows, even though have the government's payout scheme to stimulate consumption.

The government also introduced bans on gathering as well as social distancing initiatives to a varying extent, leading to low local traffic in the city. On top of that, local consumption activities were severely disrupted. The pace and degree of recovery of the retail industry will depend heavily on whether the city is able to bring the pandemic under control. If the pandemic cannot be contained in the foreseeable future, the business environment is expected to further deteriorate.

BUSINESS REVIEW

During the year, the Group's total revenue decreased by approximately 24.0% to approximately HK\$176.0 million. The revenues generated in the markets of Hong Kong and Macau accounted for 98.0% and 2.0% respectively of the Group's revenue. The Group's gross profit at approximately HK\$42.5 million, which was decreased by 11.1% as compared to last year. The net loss for the year decreased by 86.6% to HK\$3.2 million mainly due to the decrease in depreciation of right-of-use assets; the effective cost control on administrative expenses; the absence of impairment loss of intangible asset of approximately HK\$2.5 million, and the fair value gain on financial assets through profit or loss of approximately HK\$1.9 million.

Hong Kong

During the year, sales of the Group in Hong Kong decreased by 20.5% to approximately HK\$172.5 million. The revenue came from the 5 "Milan Station" retail stores, the 8 "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 2020, the Group held the listed securities in Hong Kong with the fair value of HK\$12.2 million under financial assets at fair value through profit or loss. The Group recognised a fair value gain on financial assets through profit or loss of approximately HK\$1.9 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 decreased by 76.0% to approximately HK\$3.5 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 2020 HK\$'000	Gain on disposal HK\$'000	Fair value gain/(loss) HK\$'000	As at 31 December 2020 HK\$'000	Percentage of shareholding (approximately)	Approximate percentage to the total assets
China e-Wallet Payment Group Limited	802	4,520	-	240	4,760	1.46%	2.9%
Others		4,730	-	1,655	7,431		4.5%
		<u>9,250</u>	<u>-</u>	<u>1,895</u>	<u>12,191</u>		

For the year ended 31 December 2020, the Group recognised an impairment loss on others financial assets at fair value through profit or loss of approximately HK\$5,400.

Outlook

The rapid propagation of the COVID-19 pandemic made Hong Kong's economy worse in 2020. The surge of COVID-19 pandemic infections and the resultant tightening of social distancing measures have heavily weighed on private consumption and business sentiment. It is believed that Hong Kong retail market will remain challenging in 2021 depending on the Progress and results of the mass vaccination campaigns around the world and China-US relations under the new US administration.

The global economy started to recover in the second half of 2020, but its recovery path going forward will hinge crucially on the development of the pandemic. The threat of the pandemic will continue to cloud the global economic outlook, the state of cross-border travel may take time to gradually return to normal until an effective vaccine is widely available. Containing the epidemic is pivotal to the recovery of local consumption activity. The Group does not anticipate a significant rebound of tourist arrivals or the retail environment to resume normal within a short period of time. If the Government's enhanced efforts to fight the virus and the local vaccination campaign can yield the intended results, there should be a more solid and broad-based revival of domestic economic activities in the second half of 2021.

The Hong Kong Government's latest forecast on economic growth for 2021 is forecast to grow 3.5-5.5%, compared with the record contraction of 6.1% in 2020. The range forecast is predicated on the assumptions that the global and local epidemic situations would gradually improve over the course of 2021 along with the progress of mass vaccinations and that China-US tensions would not escalate significantly. Therefore, the Hong Kong economy is expected to resume growth in 2021.

The management will continue to monitor the effects from the potential global issues and the development of pandemic in order to strength our core business and seek for better growth prospects and returns. At the same time, the Group will continue to adapt its operations to the 'new normal' of the post-COVID-19 world. Cost controls will be an ongoing focus, especially in terms of negotiating sharp deals for store leases and ensuring advertising is as targeted and cost-effective as possible.

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\$176.0 million, representing a decrease of 24.0% as compared to approximately HK\$231.6 million recorded in last year. Handbags were the most important product category for the Group, representing over 83.6% of the total revenue of the Group. The revenue generated from the sales of unused products decreased to approximately HK\$168.2 million recorded in last year, representing 95.6% 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 2020, the revenue generated from the Hong Kong market was approximately HK\$172.5 million, representing approximately 98.0% 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 decreased from approximately HK\$14.6 million during the last year to approximately HK\$3.5 million during the year ended 31 December 2020.

The table below sets out the breakdown of the Group's revenue recorded for the years ended 31 December 2020 and 2019 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				Percentage change in revenue %
	2020		2019		
	<i>HK\$ million</i>	Percentage of total revenue %	<i>HK\$ million</i>	Percentage of total revenue %	
By product categories (handbags and other products)					
Handbags	147.1	83.6	201.4	87.0	(27.0)
Other products*	28.9	16.4	30.2	13.0	(4.3)
Total	<u>176.0</u>	<u>100</u>	<u>231.6</u>	<u>100</u>	(24.0)
By product categories (unused and second-hand products)					
Unused products	168.2	95.6	175.7	75.9	(4.3)
Second-hand products	7.8	4.4	55.9	24.1	(86.0)
Total	<u>176.0</u>	<u>100</u>	<u>231.6</u>	<u>100</u>	(24.0)
By price range of products					
Within HK\$10,000	37.9	21.5	43.6	18.8	(13.1)
HK\$10,001 – HK\$30,000	34.1	19.4	41.7	18.0	(18.2)
HK\$30,001 – HK\$50,000	17.0	9.7	17.2	7.4	(1.2)
Above HK\$50,000	87.0	49.4	129.1	55.8	(32.6)
Total	<u>176.0</u>	<u>100</u>	<u>231.6</u>	<u>100</u>	(24.0)
By geographical locations					
Hong Kong	172.5	98.0	217.0	93.7	(20.5)
Macau	3.5	2.0	14.6	6.3	(76.0)
Total	<u>176.0</u>	<u>100</u>	<u>231.6</u>	<u>100</u>	(24.0)

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

Cost of sales

For the year ended 31 December 2020, cost of sales for the Group was approximately HK\$133.5 million, decreased by 27.4% 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\$5.3 million to approximately HK\$42.5 million, with its gross profit margin increased slightly from 20.6% to 24.1%.

Inventory

The Group's total inventories as at 31 December 2020 and 2019 were HK\$37.8 million and HK\$41.0 million respectively. Inventory turnover days of the Group changed to 107 days for the year ended 31 December 2020 (2019: 81 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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aging of inventories (handbags products)		
0 to 90 days	9,804	13,377
91 to 180 days	3,673	4,778
181 days to 1 year	6,873	9,289
Over 1 year	15,321	10,876
	<hr/>	<hr/>
Total	35,671	38,320
	<hr/> <hr/>	<hr/> <hr/>

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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aging of inventories (other products)		
0 to 45 days	977	281
46 to 90 days	579	684
91 days to 1 year	110	1,154
Over 1 year	485	593
	<hr/>	<hr/>
Total	2,151	2,712
	<hr/> <hr/>	<hr/> <hr/>

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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aging of inventories (handbags products over HK\$50,000)		
0 to 90 days	8,603	9,556
91 to 180 days	1,717	2,877
181 days to 1 year	4,338	5,294
Over 1 year	6,015	5,973
	<hr/>	<hr/>
Total	20,673	23,700
	<hr/> <hr/>	<hr/> <hr/>

Other income and gains/(losses), net

During the year ended 31 December 2020, other gain amounted to approximately HK\$8.7 million, significant increased by HK\$10.5 million as compared to other loss amounted to approximately HK\$1.8 million in last year. It was mainly attributable to the increase in fair value gain on financial assets through profit or loss of approximately HK\$1.9 million and the government grants of approximately HK\$3.9 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 2020, selling expenses of the Group were approximately HK\$32.5 million, representing 18.5% of the Group's revenue (2019: approximately HK\$33.2 million, representing 14.3% of the Group's revenue). Selling expenses decreased mainly due to the decrease in advertising expenses.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the year ended 31 December 2020 amounted to approximately HK\$21.0 million, decreased by approximately HK\$11.9 million as compared to last year on a year-on-year basis, representing approximately 11.9% of the revenue. The Group's administrative and other operating expenses mainly consisted of the depreciation of right-of-use assets, 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 depreciation of right-of-use assets and the effective cost control on the administrative expenses.

Finance costs

Finance costs of the Group mainly consisted of interest expenses on bank borrowings and lease liabilities. Finance costs amounted to approximately HK\$0.8 million in 2020, decreased by HK\$0.4 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 2020 was approximately HK\$3.1 million, representing an decrease of 86.8% from approximately HK\$23.5 million for the year ended 31 December 2019. Loss per share attributable to the owners of the Company was approximately HK1.19 cents for the year ended 31 December 2020, as compared to approximately HK10.62 cents for the year ended 31 December 2019.

Employees and remuneration policy

As at 31 December 2020, the Group had a total of 61 employees (2019: 68 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 2020 and 31 December 2019, the Group did not have any bank borrowing.

As at 31 December 2020, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK\$67.6 million, HK\$53.4 million and HK\$113.3 million respectively (2019: approximately HK\$8.4 million, HK\$41.2 million and HK\$61.4 million respectively). The Group's gearing ratio, current ratio and quick ratio as at 31 December 2020 were approximately 19%, 3.2 and 2.3 respectively (2019: 29.2%, 2.1 and 1.0 respectively).

Pledge of assets

As at 31 December 2020 and 31 December 2019, 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 2020, 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 2020 and 31 December 2019.

CORPORATE GOVERNANCE PRACTICE

The board of directors (the “Board”) of the Company is committed to maintaining high standards of corporate governance and recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company had adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange (the “Stock Exchange”) as its own code of corporate governance practice.

During the year ended 31 December 2020 (the “Reporting Year”), the Company had complied with all applicable code provisions under the CG Code save as disclosed below.

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 2020.

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 2020 and discussed with the management of the Company on auditing, risk management, internal control and financial reporting matters.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE CONSOLIDATION

An extraordinary general meeting (the "EGM") was held on 20 March 2020 in which the resolutions regarding the proposed share consolidation involving the consolidation of every four (4) issued and unissued existing shares of par value of HK\$0.01 each in the share capital of the Company into one (1) consolidated share with a par value of HK\$0.04 each (the "Share Consolidation") was passed by the shareholders of the Company. The Share Consolidation became effective on 24 March 2020. Upon completion of the Share Consolidation, the authorised share capital of the Company was HK\$20,000,000 divided into 5,000,000 Shares, of which 203,408,250 Shares are in issue and fully paid. Details of the Share Consolidation were disclosed in the Company's announcements dated 20 February 2020, 24 March 2020 and the circular of the Company dated 4 March 2020.

RIGHTS ISSUE

On 28 August 2020, the Company proposes to raise not less than approximately HK\$55.9 million and not more than approximately HK\$67.1 million by way of the Rights Issue, whereby not less than 508,520,625 Rights Shares and not more than 610,138,875 Rights Shares shall be allotted and issued on the basis of five (5) Rights Shares for every two (2) existing Shares.

On 1 December 2020, a total of 508,520,625 shares have been allotted. The gross proceeds raised from the rights issue are approximately HK\$55.9 million before expenses. Details were disclosed in the Company's announcements dated 28 August 2020, 18 September 2020, 27 October 2020, 30 November 2020; the circular of the Company dated 9 October 2020 and the prospectus of the Company dated 9 November 2020.

LITIGATION

In September 2020, Milan Station Properties Holdings Limited ("MS Properties"), an indirectly wholly-owned subsidiary of the Company is entitled to the claims by Apex City Enterprises Limited ("the Plaintiff") for the guaranteed payment of rent of the lease, amounting to a total claim of approximately HKD1.7 million. On 23 December 2020, a winding-up petition has been filed by the Plaintiff that MS Properties may be wound up by the High Court under Companies (Winding-up) Proceedings No. 385 of 2020. After an amicable negotiation with the Petitioner, on 29 January 2021, MS Properties had paid an agreed amount of HK\$1,300,000 in full and final settlement of all matters of the Petition and the related High Court proceedings. MS Properties and the Petitioner have signed a Consent Summons, pursuant to which the Petitioner agreed to withdraw the Petition. In February 2021, the order of high court was granted, inter alia, that the Petition be withdrawn.

Save as disclosed above, there is no occurrence of events that had a significant impact on the Group's operation, financial and trading prospects since 31 December 2020 and up to the date of this result announcement which the Board is aware of.

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 2020 and 31 December 2019.

USE OF NET PROCEEDS

- (i) The unused proceeds from the listing, after deduction of related issuance expenses, amounted to HK\$5.9 million.
- (ii) As at 31 December 2020, the net proceeds from the Rights Issue were applied as follow:

	Planned use of proceeds <i>HK\$ million</i>	Actual use of proceeds up to 31 December 2020 <i>HK\$ million</i>
Settlement of rental expenses and management fee of the Group's retail stores	27.6	2.7
Payment of salaries of the Group's employees	17.3	1.9
Settlement of the Group's trade payables	4.9	–
Opening and operating a new retail store in Tsimshatsui	4.0	0.7

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.

Pursuant to Code Provision A.6.7, independent non-executive directors should attend general meetings of the Company. Owing to other business engagements, one independent non-executive director, Mr. Tou Kin Chuen was unable to attend the annual general meeting of the Company held on 9 June 2020; Two independent non-executive director, Mr. Chan Chi Hung and Mr. Choi Kam Yan, Simon were unable to attend the extraordinary general meeting of the Company held on 7 October 2020; and two independent non-executive director, Mr. Tou Kin Chuen and Mr. Choi Kam Yan, Simon were unable to attend the extraordinary general meeting of the Company held on 27 October 2020.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 of the Group as set out in the 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 announcement.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2020 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 2020 (2019: 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 2020 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 2021.

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

Hong Kong, 23 March 2021

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.