Stock Code: 1150

米蘭站控股有限公司
MILAN STATION HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

ANNUAL REPORT
2020年報

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Bo
Mr. Li Zhongqi

Independent Non-executive Directors

Mr. Chan Chi Hung
Mr. Tou Kin Chuen
Mr. Choi Kam Yan, Simon

AUDIT COMMITTEE

Mr. Tou Kin Chuen
(Chairman of audit committee)
Mr. Chan Chi Hung
Mr. Choi Kam Yan, Simon

REMUNERATION COMMITTEE

Mr. Tou Kin Chuen
(Chairman of remuneration committee)
Mr. Chan Chi Hung
Mr. Hu Bo

NOMINATION COMMITTEE

Mr. Hu Bo
(Chairman of nomination committee)
Mr. Chan Chi Hung
Mr. Tou Kin Chuen

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

COMPANY SECRETARY

Mr. Yung Kai Wing

AUTHORISED REPRESENTATIVES

Mr. Hu Bo
Mr. Yung Kai Wing

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 13, 6/F, Block A
Hong Kong Industrial Centre,
489-491 Castle Peak Road,
Kowloon

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A,
Block 3, Building D,
P.O. Box 1586, Gardenia Court,
Camana Bay,
Grand Cayman, KY1-1100,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

COMPANY'S WEBSITE

www.milanstation.com.hk

STOCK CODE

1150

PRINCIPAL BANKERS

HONG KONG

OCBC Wing Hang Bank Limited
DBS Bank (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited

Financial Highlights

The following table sets forth certain financial ratio of Milan Station Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") as of the date for the years indicated:

	Notes	Year ended 31 December **2020**	 2019
Profitability ratio			
Gross profit margin *(%)*	1	**24.1%**	20.6%
Net loss margin *(%)*	2	**(1.8)%**	(10.3)%
Return on assets *(%)*	3	**(1.9)%**	(23.5)%
Return on equity *(%)*	4	**(2.8)%**	(39.4)%
Liquidity ratio			
Current ratio	5	**3.2**	2.1
Quick ratio	6	**2.3**	1.0
Gearing ratio *(%)*	7	**19%**	29.2%
Inventory turnover days	8	**107**	81

Notes:

1. Gross profit margin is calculated based on the gross profit for the year divided by revenue and multiplied by 100%.

2. Net loss margin is calculated based on the loss for the year divided by revenue and multiplied by 100%.

3. Return on assets is calculated based on the loss for the year divided by the total assets at the end of the year and multiplied by 100%.

4. Return on equity is calculated based on the loss for the year divided by total equity at the end of the year and multiplied by 100%.

5. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year.

6. Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities as at the end of the year.

7. Gearing ratio is calculated based on the borrowings and obligations under a finance lease divided by total equity at the end of the year and multiplied by 100%.

8. Inventory turnover days is calculated based on the average of opening and closing inventory balances for the year, divided by the total cost of sales during the year multiplied by the number of days for the respective year incurring cost of sales.

Director's Statement

Dear Shareholders,

The Hong Kong economy went through an extremely difficult year in 2020. Due to the rapid propagation of the COVID-19 pandemic, it dealt a heavy blow to global and local economic activities. Affected by the pandemic, Hong Kong's economy fell into a deep recession.

The Hong Kong government promulgated a series of measures to restrict cross-border mobility and social distance, carry out quarantine policies, and impose restrictions on restaurants and various entertainment venues, which resulted in sizable fall in mainland Chinese tourists' arrivals. Being closely related to the tourism market, the retail market has also taken a plunge. Local economic activities shrank dramatically, private consumption and social investment then dropped significantly.

Under the epidemic, all industries are in depression and the unemployment rate rises sharply. According to the data by industry, from the perspective of income levels, the unemployment rate is negatively correlated with industry median income. 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.

In view of the significant impact from the pandemic, the management kept monitoring and continued to strength our core business and seek for better growth prospects and returns. The Group continued to actively integrate traditional retail networks, enrich product portfolio to cater for consumers' changing preferences and actively identify business with profitability capabilities. The Group also kept abreast of the changes in the rental market, negotiated with landlords and adjusted the store portfolio from time to time to ensure that the site selected for the stores met the requirements for cost effectiveness.

During the year, the financial market in Hong Kong was volatile. The Group will closely monitor the performance of this business. The Group will 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.

Looking forward to 2021, the major focus will be the results of the mass vaccination campaigns around the world and China-US relations under the new US administration. It is believed that Hong Kong retail market will remain challenging in 2021, a series of measures to restrict cross-border mobility and social distance caused the tourism market is unlikely to recover in the near future. Containing the epidemic is pivotal to the recovery of local consumption activity. However, the Group will keep grasping up those favourable opportunity including but not limited to open a new retail shops in favourable area with lower rental cost.

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 2021. The recovery path going forward will hinge crucially on the development of the pandemic. Hong Kong economy therefore predict continue to recover in 2021. In the future, we will continue to monitor closely the market trends and take flexible measures and at the same time continue to invest resources on brands and businesses to achieve a long term and sustainable growth.

Director's Statement

Our core development strategies are to continue consolidating our leading position in the Hong Kong market, further promoting local consumption, expanding diversified businesses targeting at capturing the development potential of the second-hand handbags market, developing the trading of luxury watches market, developing the wholesales business and at the same time taking a prudent approach to develop the Mainland China market. Specifically, we will open retail stores in Hong Kong to cater for local consumer market, negotiate rent concessions with landlords aiming at controlling rental costs, focus on mid-priced brands sales to improve our gross profit margin, reposition our staff to enhance operation efficiency, actively search for the opportunities to acquire profitable businesses, enrich the brand portfolio of the Group to attract more potential customers. Going forward, the Group will continue to pursue opportunities to keep up with the evolving marketplace and optimize its corporate strategy of creating long-term value for shareholders.

Finally, I would like to take this opportunity to extend my sincere gratitude to the fellow members of the Board, the management and staff for their contribution to Milan Station in the past year and to shareholders and customers for their long-lasting support to Milan Station. In 2021, we will devote more energetic spirit and keep up our efforts to experiment with different approaches to business development with the aim of generating appropriate returns to our shareholders.

Hu Bo
Director

Hong Kong, 23 March 2021

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	Gain on disposal	Fair value gain/(loss)	As at 31 December 2020	Percentage of shareholding	Approximate percentage to the total assets
		HK$'000	HK$'000	HK$'000	HK$'000	(approximately)	
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%
		9,250	–	1,895	12,191		

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.

Management Discussion and Analysis

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				
	2020		2019		
		Percentage of total revenue		Percentage of total revenue	Percentage change in revenue
	HK$ million	%	HK$ million	%	%
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	**176.0**	**100**	231.6	100	(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	**176.0**	**100**	231.6	100	(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	**176.0**	**100**	231.6	100	(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	**176.0**	**100**	231.6	100	(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
	HK$'000	HK$'000
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
Total	**35,671**	38,320

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
	HK$'000	HK$'000
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
Total	**2,151**	2,712

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
	HK$'000	HK$'000
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
Total	**20,673**	23,700

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.

Management Discussion and Analysis

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.

EXECUTIVE DIRECTORS

Mr. Hu Bo, aged 44, was appointed as an Executive Director on 6 June 2016. He was graduated from Dongbei University of Finance and Economies in 2002. He has extensive experience in sales and marketing strategies and management. Prior joining to the Group, he was the Sales Director and Deputy General Manager at Shenzhen Huayi Technology Co., Limited（深圳華億信息科技有限公司）.

Mr. Li Zhongqi, aged 31, was appointed as an Executive Director on 16 April 2019. He was graduated from Guangdong University of Technology in 2011. He has extensive experience in management, formulating and implementing the strategic plan including overseeing the completion operation in accordance with the direction established in the strategic plans. Prior joining to the Group, he was the Chief Operating Officer at Guangdong Yili Engineering Co., Limited*（廣東宜利工程有限公司）.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Hung, aged 47, was appointed as an independent non-executive Director on 22 July 2015. He holds a Bachelor of Science Degree with major in Economics with University of Minnesota, and is an alumni of Stanford Graduate School of Business with a certificate of Stanford Executive Program. He is currently a non-executive director of Build King Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. He was an executive director of EPI (Holdings) Limited, an executive director and the managing director of China Financial Leasing Group Limited and an independent non-executive director of DTI Group Limited (formerly known as China Minsheng Drawin Technology Group Limited), all of the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chan was the investment manager of Springfield Financial Advisory Limited, in charge of private equity, fund-of-funds and fixed income investment portfolios. He started his career as a banker at J.P. Morgan Chase.

Mr. Tou Kin Chuen, aged 44, was appointed as an independent non-executive Director on 22 July 2015. He is the principal of Roger K.C. Tou & Co. Mr. Tou graduated from the Hong Kong Shue Yan University (formerly known as Hong Kong Shue Yan College) with a Honours Diploma in Accounting in 2001. He has over 19 years' experience in audit, taxation, company secretarial, insolvency and finance. Mr. Tou is a member of the Hong Kong Institute of Certified Public Accountants and an associate of the Taxation Institute of Hong Kong. He is currently an independent non-executive director of Suncity Group Holdings Limited (formerly known as Sun Century Group Limited), the shares of which are listed on the Main Board of the Stock Exchange, and Sun International Group Limited (formerly known as Sun International Resources Limited), the shares of which are listed on the GEM operated by the Stock Exchange.

Mr. Choi Kam Yan, Simon, aged 36, was appointed as an independent non-executive Director on 1 February 2018. He is currently working with Supreme China Securities Limited as the marketing manager. He is responsible for the managerial works and monitoring the overall business. Before Supreme China Securities Limited, he worked with China Information Technology Development Limited as the investment project consultant which is responsible for assessing expected return on individual investment projects. Mr. Choi obtained Bachelor Degrees in Business Administration-Finance and Economics from State University of New York at Stony Brook.

Biographical Details

SENIOR MANAGEMENT

Mr. Chan Hon Leung, aged 50, is the chief marketing officer of the Group. He joined the Group as a shop manager in 2001 and was responsible for purchasing procedures and sales transactions process; performing the product examination and reviewing daily reports. In 2007, he was promoted to a district manager of the Group and was responsible for supervising and monitoring the Group's retail operation and provide in-house training for the techniques to distinguish genuine products from counterfeit products and the procedures of checking anti-counterfeit features. Since 2009, he was appointed to be chief marketing officer of the Group. He is now responsible for the overall management of marketing department which includes determining the product portfolio, formulating the marketing and pricing strategies of the Group. In addition, he is currently in charge of the in-house training courses including product knowledge and techniques for product examination. He is also a member of the design team of the Group and is responsible for the development of products under "MS" brand. Through his employment with the Group, he has acquired about ten years of experience in the fashion retail industry.

Mr. Choi Wai Kei, aged 47, is the General Manager of the Group. He joined the Group in 2013 and has over seventeen years of experience in practical retail operations and sales management in Hong Kong, China and Southeast Asia. He is currently responsible for overseeing the Group's retail operation. Before joining the Group, he worked as the South China General Manager in High Fashion International Limited, a company listed on the Main Board of the Stock Exchange, from May 2011 to January 2013; National General Manager (Greater China) in Marchiori from October 2009 to April 2011; and Regional Sales Manager (China) in G2000 (Apparel) Limited from July 2005 to September 2009.

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.

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.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group (comprising the Company and its subsidiaries) and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management.

The Board currently consists of five members, including two Executive Directors and three Independent Non-executive Directors. At least one of our Independent Non-executive Directors has the professional and accounting qualifications as required by the Listing Rules.

The Board schedules at least four regular meetings a year and also meets as and when required. During the Reporting Year, the Board held four regular meetings. The Company Secretary assists the Chairman in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. 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. In addition to regular Board meetings, the Chairman of the Board met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors.

Corporate Governance Report

All Directors have given sufficient time and attention to the affairs of the Group. Each Executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

The members of the Board and the attendance of each member during the Reporting Year are as follows:

	Directors	**Number of attendance/ Eligible to attended**
Executive Directors	Hu Bo	9/13
	Li Zhongqi	9/13
Independent Non-executive Directors	Chan Chi Hung	12/13
	Tou Kin Chuen	11/13
	Choi Kam Yan, Simon	11/13

Board and committee minutes are recorded in appropriate detail and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board and relevant committees at their next immediate meeting or within the period accepted by them. All minutes are kept by the Company Secretary and are open for inspection by the Directors.

The Company has received annual confirmation of independence from each of the Independent Non-executive Directors and considers them to be independent.

The Board members have no financial, business, family or other material/relevant relationship with each other except those disclosed in the Directors' biographical details. Given the nature and business objectives of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of Directors and their respective biographies are set out on page 13 of this annual report.

Pursuant to Article 84 of the Articles of Association of the Company, at each annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting of the Company at least once every three year. All retiring Directors shall be eligible for re-election. All the Non-executive Directors (including the Independent Non-executive Directors) have been appointed for specific terms.

Article 83(3) of the Articles of Association of the Company provides that (i) any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the shareholders after his appointment and be subject to re-election at such meeting, and (ii) any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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.

The attendance of the Directors at the Annual General Meeting ("AGM") held on 9 June 2020, are as follows:

	Directors	AGM
Executive Directors	Hu Bo	0/1
	Li Zhongqi	0/1
Independent Non-executive Directors	Chan Chi Hung	1/1
	Tou Kin Chuen	0/1
	Choi Kam Yan, Simon	1/1

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. The Company has devised a training record in order to assist the Directors to record the training they have undertaken and they are asked to submit a signed training record to the Company on quarterly basis.

During the Reporting Year, each individual Director has attended training courses or workshops relevant to his/her professional and/or duties as Director. A summary of the training they have received for the year ended 31 December 2020 is as follow:

	Directors	Course/seminar provided/ accredited by professional body	Reading materials
Executive Directors	Hu Bo	–	✓
	Li Zhongqi	–	✓
Independent Non-executive Directors	Chan Chi Hung	✓	–
	Tou Kin Chuen	✓	–
	Choi Kam Yan, Simon	✓	–

BOARD NOMINATION POLICY

The Nomination Committee shall endeavor to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of the Group and its shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. Candidates also will be assessed in the context of the then-current composition of the Board, the operating requirements of the Group. In conducting this assessment, the Nomination Committee will, in connection with its assessment and recommendation of candidates for director, consider diversity (including, but not limited to, gender, race, ethnicity, age, experience and skills) and such other factors as it deems appropriate given the then current and anticipated future needs of the Board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the Board.

The Nomination Committee considers the following qualifications at a minimum to be required of any Board members in recommending to the Board potential new board members, or the continued service of existing members:

- the highest professional and personal ethics;
- broad experience in business;
- ability to provide insights and practical wisdom based on their experience and expertise;
- commitment to enhancing shareholder value;
- sufficient time to effectively carry out their duties; their service on other boards of public companies should be limited to a reasonable number;
- compliance with legal and regulatory requirements; and
- ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with senior management of the Group.

BOARD DIVERSITY POLICY

During the year, the Board adopted a Board diversity policy setting out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of diversity of Board members. It endeavors to ensure that the Board had a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background and professional experience. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. The Company will also take into account factors based on its own business model and specific needs from time to time.

The nomination committee reviewed the board diversity policy and achievement of objectives and effectiveness of the board diversity policy, and recommended the Board that the existing Board was appropriately structured and no change was required.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 28 April 2011 with specific written terms of reference in compliance with the CG Code. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The primary duties of the Remuneration Committee are to evaluate and make recommendations to the Board regarding the compensation of the Directors. In addition, the Remuneration Committee conducts reviews of the performance, and determines the compensation structure of the senior management.

During the Reporting Year, the Remuneration Committee comprises three Directors, a majority of whom are Independent Non-executive Directors. The Remuneration Committee held two meetings.

The members of the Remuneration Committee and the attendance of each member during the Reporting Year are as follows:

	Remuneration Committee Members	**Number of attendance/ Eligible to attended**
Independent Non-executive Directors	Tou Kin Chuen *(Chairman)*	2/2
	Chan Chi Hung	2/2
Executive Director	Hu Bo	2/2

During the Reporting Year, the Remuneration Committee performed the following duties:

(1) reviewed the year end bonus and remuneration packages (including salary adjustments) of the Executive Directors and senior management with recommendations to the Board for approval;

(2) reviewed the remuneration packages of the newly appointed Executive Director and Independent Non-executive Directors with recommendations to the Board for approval; and

(3) reviewed the proposals for the grant of the share options under the Company's share option scheme with recommendations to the Board for approval.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2020 is set out below:

Remuneration band	**Number of individuals**
Nil to HK$1,000,000	3
HK$1,000,001 to HK$3,000,000	1
HK$3,000,001 to HK$6,500,000	–

Details of the remuneration of each Director for the year ended 31 December 2020 are set out in note 9 to the financial statements.

NOMINATION COMMITTEE

The Nomination Committee was established on 20 January 2012 with specific written terms of reference in compliance with the CG Code. During the Reporting Year, the Nomination Committee comprises three Directors, a majority of whom are Independent Non-executive Directors. The Nomination Committee held six meetings.

The Company seeks to achieve Board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The members of the Nomination Committee and the attendance of each member during the Reporting Year are as follows:

	Nomination Committee Members	Number of attendance/Eligible to attended
Executive Director	Hu Bo *(Chairman)*	2/2
Independent Non-executive Directors	Chan Chi Hung	2/2
	Tou Kin Chuen	2/2

During the Reporting Year, the Nomination Committee performed the following duties:

(a) reviewed the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board;

(b) assessed the independence of all Independent Non-executive Directors;

(c) made recommendations to the Board on the nomination of Directors for re-election at the annual general meeting of the Company; and

(d) identified individual suitably qualified to become the Executive Director and Independent Non-executive Directors and made recommendation to the Board on the selection of individual nominated for the Executive Director and Independent Non-executive Directors.

(e) monitor the implementation of the board diversity policy.

(f) determine the policy, procedures and criteria for the nomination of directors.

AUDIT COMMITTEE

The Audit Committee was established on 28 April 2011 with specific written terms of reference in compliance with the CG Code. In December 2015, on the recommendation of the Audit Committee, the Board has approved and adopted the revised terms of reference of the Audit Committee in light of the amendments of CG Code, and the same published on the websites of the Stock Exchange and the Company.

The Audit Committee is responsible for reviewing and supervising the financial reporting process and internal control system as well as risk management function of the Group and providing advice and comments to the Board.

During the Reporting Year, the Audit Committee held two meetings.

The members of the Audit Committee and the attendance of each member during the Reporting Year are as follows:

	Audit Committee Members	**Number of attendance/Eligible to attended**
Independent Non-executive Directors	Chan Chi Hung	2/2
	Tou Kin Chuen (Chairman)	2/2
	Choi Kam Yan, Simon (appointed on 1 February 2018)	2/2

During the Reporting Year, the Audit Committee performed the following duties:

(a) reviewed and discussed with the management of the Company the accounting principles and practices adopted by the Group as well as financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2020 and the audited financial statements for the year ended 31 December 2019 with recommendation to the Board for approval;

(b) reviewed reports on internal control system covering corporate governance, internal control, financial, operational (including information security) and compliance functions;

(c) considered the independent auditor's independence and fee in relation to the unaudited interim financial statements of the Group for the six months ended 30 June 2020 and the audited financial statements of the Group for the year ended 31 December 2019;

(d) recommended the Board on the re-establishment of the Internal Audit Department of the Group; and

(e) recommended the Board on the adoption of the revised terms of reference of the Audit Committee.

All members of the Audit Committee possess in-depth experience in their own profession. The Chairman of the Audit Committee, Tou Kin Chuen, possesses appropriate professional qualifications in finance and accounting and meets the requirements of Rule 3.21 of the Listing Rules. No member of the Audit Committee is a former partner of the existing auditing firm of the Company during one year after he ceases to be partner of the auditing firm.

AUDITORS' REMUNERATION

During the Reporting Year, the Group was charged, HK$738,000 for auditing services and HK$162,000 for non-auditing services by the Company's auditors, HLB Hodgson Impey Cheng Limited.

Services rendered	Fees/paid payable
	HK$'000
Audit services – annual audit	738
Non-audit services:	
Taxation services	162
	900

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the executive of and discharge of their duties or in relation thereto, the Company has arranged insurance cover for this purpose.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the accounts for the six months ended 30 June 2020 and for the year ended 31 December 2020, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the Reporting Year have been prepared on a going concern basis.

The reporting responsibilities of the Company's external auditors, HLB Hodgson Impey Cheng Limited, are stated in the "Independent Auditors' Report" on pages 36 to 40 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss, and to mitigate rather than eliminate risks of failure in the operational systems and achievements of the Group's business objectives.

The Board has, engaged an independent internal control review advisor (the "Internal Control Advisor"), conducted interim and annual reviews of the effectiveness of the internal control system of the Group covering the Group's corporate governance, internal control, financial, operational (including information security), as well as risk management function and compliance functions. The Board as the ultimate responsible governing body of the Group monitors compliance with policies and procedures and the effectiveness of internal control structures across the Group and its principal divisions. The Board also ensures the internal controls are in place and functioning properly as intended. During the risk assessment process, the Internal Control Advisor interviewed the relevant personal and identified the business objectives and significant risks of the Group. A risk management report prepared by the Internal Control Advisor which sets out the risks, issues and recommended action plan was presented to the Board for review and endorsement. The Board considered that significant risks of the Group were managed within the acceptable level and the management will continue to monitor the residual risks and report to the Board on an ongoing basis.

In response to the risk management report, the management shall implement proper policies and procedures to review the effectiveness of risk management and internal control and remedy any defects of internal control, including conduct evaluation on a regular basis to keep abreast of the related information in a timely manner so as to facilitate the Audit Committee and the Board to evaluate the effectiveness of control and risk management of the Group.

For the year ended 31 December 2020, the Board and Audit committee have reviewed and confirmed the effectiveness of the risk management and internal control systems.

The Group has a formal whistle-blowing policy to encourage and guide its staff to raise serious concerns internally in a responsible manner, without fear of retribution. During the year under review, the Board has not been informed any complaints or concerns over financial improprieties from staff.

The Group has the Inside Information Policy which sets out guidelines to the Directors and senior management of the Group to ensure inside information of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations.

COMPANY SECRETARY

Mr. Yung Kai Wing ("Mr. Yung") has been appointed as the company secretary of the Company since 1 September 2016. According to Rule 3.29 of the Listing Rules, Mr. Yung has taken no less than 15 hours of professional training during the year ended 31 December 2020.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company established a shareholders' communication policy and reviews it on a regular basis to ensure its effectiveness. The Company communicates with the shareholders (the "Shareholders"), the potential investors or the investment community (collectively, the "Investors") of the Company mainly in the following ways:

(a) the holding of annual general meetings and extraordinary general meetings, if any, which may be convened for specific purpose and provide opportunities for the Shareholders and Investors to communicate directly with the Board;

(b) the publication of interim and annual reports, circulars, announcements and notice of shareholder meetings as required under the Listing Rules and/or press releases of the Company providing updated information of the Group; and

(c) the latest information of the Group will be available on the websites of the Stock Exchange and the Company.

The annual general meetings shall be called by notice of not less than 21 clear days and not less than 20 clear business days prior to the date of meetings and any extraordinary general meetings at which the passing a special resolution is to be considered shall be called by notice of not less than 21 clear days and not less than 10 clear business days prior to the date of meetings. All other extraordinary general meetings may be called by notice of not less than 14 clear days and not less than 10 clear business days prior to the date of meetings.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by Shareholders

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Sending Enquiries and Proposals to the Board

Shareholder(s) may send in their enquiries and put forward proposals to the Board of the Company by sending the same to:

The Director
Milan Station Holdings Limited
Room 13, 6/F, Block A
Hong Kong Industrial Centre,
489-491 Castle Peak Road,
Kowloon

OR

Email: ms_ir@milanstation.net

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

INVESTOR RELATIONS

There is no significant change in the Company's constitutional documents during the Reporting Year.

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 are provided in the "Director's Statement" and "Management Discussion and Analysis" on pages 4 to 5 and pages 6 to 12, respectively, of this annual report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2020 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 41 to 116 of this annual report.

The Board has resolved not to declare a final dividend for the year ended 31 December 2020 (2019: Nil).

USE OF NET PROCEEDS

(i) As at 31 December 2020, the net proceeds of initial public offering ("IPO") had been utilised as follows:

	Actual net IPO proceeds upon the full exercise of the over-allotment option on 23 May 2011	Revised allocation on 2 November 2011	Amount utilised up to 31 December 2012	Balance as at 31 December 2012	Amount utilised for the year end 31 December 2013	Balance as at 31 December 2013	Amount utilised for the year end 31 December 2014	Balance as at 31 December 2014	Amount utilised for the year end 31 December 2015	Balance as at 31 December 2015	Amount utilised for the year end 31 December 2016	Balance as at 31 December 2016	Amount utilised for the year end 31 December 2017	Balance as at 31 December 2017	Amount utilises for the year end 31 December 2018	Balance as at 31 December 2018	Amount utilises for the year end 31 December 2019	Balance as at 31 December 2019	Amount utilises for the year end 31 December 2020	Balance as at 31 December 2020
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Expansion of retail network in the PRC market	148.0	113.5	41.7	71.8	24.7	47.1	8.9	38.2	–	38.2	30.0	8.2	–	8.2	–	8.2	3.0	5.2	0.3	4.9
Decorating new retail shops, relocating and redecorating several existing shops in Hong Kong, Mainland China and Macau	12.0	12.0	5.5	6.5	2.9	3.6	3.5	0.1	–	0.1	0.1	–	–	–	–	–	–	–	–	–
Marketing and promotion of the Group	17.0	17.0	2.9	14.1	6.6	7.5	7.2	0.3	0.3	–	–	–	–	–	–	–	–	–	–	–
Design and development of private label "MS" brand products	4.0	4.0	–	4.0	2.1	1.9	1.5	0.4	–	0.4	–	0.4	0.4	–	–	–	–	–	–	–
Exploration of online sales channel	2.4	2.4	2.4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Staff training and development	2.8	2.8	0.3	2.5	0.2	2.3	–	2.3	–	2.3	–	2.3	0.2	2.1	0.3	1.8	0.3	1.5	0.5	1
Upgrading of the Group's information technology system	3.2	3.2	1.9	1.3	0.8	0.5	–	0.5	–	0.5	–	0.5	0.5	–	–	–	–	–	–	–
General working capital	13.3	10.3	–	10.3	1.5	8.8	8.8	–	–	–	–	–	–	–	–	–	–	–	–	–
Acquisition of the property for own use	–	37.5	37.5	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	202.7	202.7	92.2	110.5	38.8	71.7	29.9	41.8	0.3	41.5	30.1	11.4	1.1	10.3	0.3	10.0	3.3	6.7	0.8	5.9

(ii) As at 31 December 2020, the net proceeds from the Rights Issue were applied as follow:

	Planned use of proceeds	Actual use of proceeds up to 31 December 2020
	HK$ million	HK$ million
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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 116 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in Company's issued share capital during the year are set out in note 29 to the financial statements.

Details of movements in the Company's share options during the year are set out in note 30 to the financial statements and pages 30 to 31 of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company (the "Shareholders") unless otherwise required by the Stock Exchange.

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2020 are set out in note 36 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2020, the Company's reserves available for distribution amounted to approximately HK$47,123,000, representing the share premium account and capital reserve of the Company of approximately HK$806,858,000 in aggregate less the accumulated losses as at 31 December 2020 of approximately HK$759,736,000. Under the Companies Law, Cap. 22 (as amended) of the Cayman Islands, the share premium account and capital reserve of the Company is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account and capital reserve may also be distributed in the form of fully paid bonus shares.

DONATIONS

During the year, the Group made charitable contributions totalling HK$nil.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2020, the Group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's turnover and purchases, respectively.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The Directors of the Company during the year were and up to the date of this annual report were:

Executive Directors:
Mr. Hu Bo
Mr. Li Zhongqi

Independent Non-executive Directors:
Mr. Chan Chi Hung
Mr. Tou Kin Chuen
Mr. Choi Kam Yan, Simon

Pursuant to Articles 84(1) and 84(2) of the Articles of Association, Mr. Hu Bo and Mr. Tou Kin Chuen shall retire by rotation from office at the forthcoming annual general meeting. Each of Mr. Hu Bo and Mr. Tou Kin Chuen, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

The directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report were:

Ms. Wang Xiaomei	Mr. Yiu Kwan Wai	Ms. Yiu Sau Wai	Mr. Hu Bo
Ms. Lou Sun Yee, Barbara	Mr. Loi Win Yen	Mr. Hau Wing Shing, Vincent	
Mr. Yiu Kwan Tat	Ms. Zhang Qin		

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its Independent Non-executive Directors an annual confirmation of their independence from the Group. Based on the confirmations, the Company considers that each of such Directors to be independent from the Group.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 13 and 14 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Hu Bo an Executive Directors, has renewed a letter of appointment and is appointed for an initial term of 1 year commencing on 6 June 2020, which may be terminated by not less than 1 month's notice in writing served by either party on the other.

Mr. Choi Kam Yan, Simon, an Independent Non-executive Directors, has renewed a letter of appointment and is appointed for an initial term of 1 year commencing on 1 February 2020.

Each of Mr. Chan Chi Hung and Mr. Tou Kin Chuen, both Independent Non-executive Directors, has renewed a service contract with the Company for another term of 1 year commenting on 22 July 2020, which may be terminated by not less than 1 month's notice in writing served by either party on the other.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Save as disclosed above, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

Directors are subject to retirement by rotation at least once every three years as required by the Articles of Association.

DIRECTORS' REMUNERATION

The Directors' ordinary remuneration shall be subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' contributions, experience, relevant duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions disclosed in note 32 to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year ended 31 December 2020.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2020.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2020, the Directors and the chief executive of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)(the "SFO")) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange.

Long positions in share options of the Company

	Number of share options			Approximate percentage of total number of issued shares
Name of participants	Personal Interest	Family Interest	Total	
Executive Directors				
Mr. Hu Bo	4,387,782	–	4,387,782	0.62%
Mr. Li Zhongqi	2,212,382	–	2,212,382	0.31%

Note: The allotment and issue of the Rights Shares pursuant to the Rights Issue was effective on 1 December 2020. The corresponding share option was adjusted.

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executive of the Company or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

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.

SHARE OPTIONS

The Company operates a share option scheme adopted by the Company on 28 April 2011 (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The Directors shall be entitled at any time within 10 years commencing on 28 April 2011 to make an offer for the grant of a share option.

During the year ended 31 December 2020, 20,340,800 share options were granted by the Company under the scheme, 16,855,000 share options were lapsed and no share option were exercised. The Share Consolidation of every four issued and unissued existing shares of par value of HK$0.01 each in the share capital of the Company into one consolidated share with a par value of HK$0.04 each was effective on 24 March 2020. The allotment and issue of the Rights Shares pursuant to the Rights Issue was effective on 1 December 2020. The outstanding number of the shares available for issue under the Scheme after the adjustment is 44,212,068, representing approximately 6.2% of the issued share capital of the Company as at 23 March 2020 (i.e. 711,928,875 shares).

The movements in share options granted under the Scheme during the year ended 31 December 2020 are shown below:

	Number of share options										
Name or category of participants	At 1 January 2020	Granted during the year	Exercised during the year (*Note*)	Expired during the year	Reclassified during the year	Lapsed during the year	Outstanding before rights issue	At 31 December 2020	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share
Director											
Hu Bo	2,000,000	–	–	–	–	–	2,000,000	2,175,400	12-4-19	12-4-19 to 11-4-22	0.434
	–	2,034,000	–	–	–	–	2,034,000	2,212,382	17-4-20	17-4-20 to 16-4-22	0.101
Li Zhongqi	–	2,034,000	–	–	–	–	2,034,000	2,212,382	17-4-20	17-4-20 to 16-4-22	0.101
Other employees											
In aggregate	16,855,000	–	–	–	–	(16,855,000)	–	–			
	18,306,500	–	–	–	–	–	18,306,500	19,911,980	12-4-19	12-4-19 to 11-4-22	0.434
	–	16,272,800	–	–	–	–	16,272,800	17,699,924	17-4-20	17-4-20 to 16-4-22	0.101
	37,161,500	20,340,800	–	–	–	(16,855,000)	40,647,300	44,212,068			

Note: The allotment and issue of the Rights Shares pursuant to the Rights Issue was effective on 1 December 2020. The corresponding share option and exercise price were adjusted.

The closing price of the Company's shares immediately before the date on which the share options were granted, i.e., 12 April 2019 and 17 April 2020, were HK$0.439 per share and HK$0.084 respectively.

The Directors have estimated the values of the share options granted on 12 April 2019 and 17 April 2020, calculated using the binomial model as at the date of grant of the share options:

	Number of share options held during the year	Theoretical value of share options
		HK$'000
Director and other employees	44,212,068	5,658

The binomial model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the values of the share options included risk-free interest rate, expected life, expected volatility and expected dividend yield. The measurement dates used in the valuation calculations were the dates on which the options were granted. For the details of the assumptions, please refer to note 29 to the financial statements.

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, its holding company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person had, or was deemed or taken to have, an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

CONNECTED TRANSACTIONS

	Note	2020 HK$'000	2019 HK$'000
Rental expenses paid to related companies	(i)	–	5,748

Financing arrangement	Amount owed by the Group as at 31 December		Related interest expense for the year ended 31 December	
	2020	2019	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000
Lease liabilities (note ii)	1,781	–	111	–

Notes:

(i) Milan Station (Causeway Bay) Limited ("MS (CWB)"), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company, and Excel Trend Limited ("Excel Trend"), a company incorporated in Hong Kong with limited liability and indirectly beneficially wholly owned by Mr. Yiu Kwan Tat ("Mr. Yiu"), the former Chairman and an Executive Director, entered into a lease agreement in relation to the leasing of the premises situated at Areas E and F on the Ground Floor of Percival House, No. 83 Percival Street, Causeway Bay, Hong Kong for retail uses.

(ii) In June 2020, the Group entered into a lease in respect of the same leasehold properties. The amount of lease payable by the Group under the lease is HK$360,000 per month, which was determined with reference to market rent. At the date of the lease, the Group recognised a right-of-use asset and a lease liability of HK$4,219,000.

During the years ended 31 December 2020 and 2019, the Company and the Group had the following connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the year are set out in note 32 to the financial statements and include transactions that constitute continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by public as at the date of this annual report.

DEED OF NON-COMPETITION

Each of the controlling shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under the Deed of Non-competition (as defined in the Prospectus). The Independent Non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by the controlling shareholders.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2020, save for certain derivations. The Corporate Governance Report is set out on pages 15 to 24 of this annual report.

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.

ENVIRONMENTAL POLICIES AND SOCIAL RESPONSIBILITIES

In 2020, the Group has actively responded to the general direction of social development, strived to meet the demands of environmental and social responsibility, strengthened our group's and employees' awareness of the environment and society, and actively participated in environmental and social issues. To better protect natural resources, we have taken various measures to save energy, reduce waste and consumption, and promote the use of environmentally friendly products in our daily business operations. In terms of social issues, the Group attaches great importance to the cultivation of knowledge and talent in order to establish a safe and honest working environment that bears social responsibilities to our employees. Meanwhile, we would like to share our ideas and concepts with our stakeholders. Through these practices, the Group has achieved encouraging results regarding environmental and social aspects.

Detail information regarding the environmental, social and governance practices adopted by the Group is set out in the Environmental, Social and Governance Report which will be disclosed as a separate report and published on the websites of the Stock Exchange and the Company within the period as required by the Listing Rules.

RELATIONSHIPS WITH EMPLOYEES

The employees of the Group are one of the most important assets and stakeholders of the Group and their contribution and support are values at all times. The Group regularly reviews compensation and benefits policies accordingly to industry benchmark as well as the individual performance of employees. Other fringe benefits, mandatory provident fund and share options are provided to retain loyal employees with the aim to form a professional staff and management team that can bring the Group to different levels of success.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Directors believe that maintaining good relationships with customers has been one of the critical reasons for the Group's success. Our business model is to maintain and build on our strong relationships within our client base. Our mission is to provide the finest service to our customers and the Group is constantly looking ways to improve customer relations through enhanced services. Regarding the retail businesses, the Group has no major suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group include strategic, operational and financial risks.

Strategic risks

The Directors maintain a strategic plan based on the knowledge to the external environments. The Group will invest in projects and investments based on the strategic plan in order to cope with the market demand and expectation. Given the rapid change of unforeseeable external environments in the financial and equity markets, the Group is facing significant strategic risks on its investments when changing the strategic plans to adopt the unexpected changes of external environments.

Operational risks

Management regularly reviews the Group's operations to ensure that the Group's risk of losses, whether financial or otherwise, resulting from fraud, errors, omissions and other operational and compliance matters, are adequately managed.

Financial risks

The principal financial risks are set out in note 34 to the financial statements headed "FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES".

DIVIDEND POLICY

The Company has adopted a dividend policy pursuant to which the Company may declare and distribute dividends to the shareholders of the Company.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors it may deem relevant at such time. Any payment of the dividend by the Company is also subject to any restrictions under the articles of association of the Company and all applicable laws and regulations.

The dividend policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

EQUITY-LINKED AGREEMENTS

Save for disclosed in the sections headed "Share Options" on pages 30 to 31 of this report, the Company has not entered into any equity-linked agreements during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, the Directors, secretary and every auditor for the time being of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by or by reasons of any act done, concurred in or omitted in or about the execution of their duties, or supposed duty, in their respective offices or otherwise in relation thereto.

The Company has taken out insurance against all losses and liabilities associated with defending any proceedings which may be brought against Directors and other officers of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

AUDIT COMMITTEE

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, internal control, financial reporting matters as well as risk management function. Information on the composition of the Audit Committee is set out in the Corporate Governance Report on pages 15 to 24 of this annual report.

AUDITORS

The financial statements for the years ended 31 December 2013 were audited by Messrs. Ernst & Young and that for the year ended 31 December 2014 and 2015 were audited by Crowe Horwath (HK) CPA Limited.

Crowe Horwath (HK) CPA Limited resigned as auditors of the Company with effect from 5 December 2016 and HLB Hodgson Impey Cheng Limited was appointed on 15 December 2016 as the new auditors to fill the cause vacancy. The financial statements for the year ended 31 December 2017, 2018, 2019 and 2020 was audited by HLB Hodgson Impey Cheng Limited whose term of office will be expired upon the forth coming annual general meeting. An ordinary resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditor of the Company for the subsequent year will be proposed at the forthcoming annual general meeting.

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

Hong Kong, 23 March 2021

Independent Auditors' Report

国衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

To the Shareholders of Milan Station Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Milan Station Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 115, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion in these matters.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses of loan receivables	
Refer to notes 3 and 22 to the consolidated financial statements.	
As at 31 December 2020, the Group's loan receivables amounted to HK$12,927,000 and a provision for impairment of loan receivables of HK$142,000 was recognised in the Group's consolidated statement of financial position. The allowance for expected credit losses of loan receivables represents the management's best estimates of expected credit losses at the end of the reporting period under Hong Kong Financial Reporting Standard 9: Financial Instruments expected credit losses models. Management assesses whether the credit risk of loan receivables have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their expected credit losses. The measurement models of expected credit losses involves significant management judgments and assumptions, primarily including the following: – Selection of appropriate model and determination of relevant key measurement parameters, including probability of default, loss given default and exposure at default; – Criteria for determining whether or not there was a significant increase in credit risk or a default; and – Economic indicator for forward-looking measurement, and the application of economic scenarios and weightings. We focus on this area due to the significant estimates and judgement involved in determining the allowance for expected credit losses of loan receivables.	Our audit procedures in relation to management's assessment on the allowance for expected credit losses of loan receivables included: • obtained understanding of the key control procedures performed by management, including its procedures on periodic review on overdue receivables and the assessment of allowance for expected credit losses of loan receivables; • obtained understanding and evaluated the modelling methodologies for expected credit losses measurement, assessed the reasonableness of the model selection and key measurement parameters determination; • for the historical information, discussed with management to obtained understanding of the management's identification of significant increase in credit risk, defaults and credit-impaired loans, corroborated management's explanation with supporting evidence; • for forward-looking measurement, assessed the reasonableness of economic indicator selection, economic scenarios and weightings application, assessed the reasonableness of the estimation by comparing with industry data; and • checked major data inputs used in the expected credit losses models on sample basis to the Group's record. Based on the above, we found that the estimates and judgement made by management in respect of the allowance for expected credit losses and the collectability of the loan receivables were supportable by the available evidence.

Independent Auditors' Report

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and the Audit Committee for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditors' Report

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Wong Sze Wai, Basilia.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 23 March 2021

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	5	**175,973**	231,616
Cost of sales		**(133,513)**	(183,821)
Gross profit		**42,460**	47,795
Reversal of/(provision for) allowance for expected credit losses		**20**	(91)
Impairment loss on intangible assets	15	**–**	(2,508)
Other income and gains/(losses), net	6	**8,719**	(1,789)
Selling expenses		**(32,460)**	(33,228)
Administrative and other operating expenses		**(20,963)**	(32,911)
Finance costs	7	**(773)**	(1,226)
LOSS BEFORE TAX	8	**(2,997)**	(23,958)
Income tax (expense)/credit	11	**(158)**	9
LOSS FOR THE YEAR		**(3,155)**	(23,949)
Attributable to:			
Owners of the Company		**(3,108)**	(23,491)
Non-controlling interests		**(47)**	(458)
		(3,155)	(23,949)
			(Restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic and diluted	13	**HK(1.19 cent)**	HK(10.62 cent)

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020

	2020	2019
	HK$'000	HK$'000
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 arising on translation of foreign operations	14	(8)
Other comprehensive income/(loss) for the year	14	(8)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(3,141)	(23,957)
Attributable to:		
Owners of the Company	(3,094)	(23,499)
Non-controlling interests	(47)	(458)
	(3,141)	(23,957)

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**4,441**	3,626
Right-of-use assets	16	**21,077**	16,555
Deposits	19	**2,981**	1,439
Total non-current assets		**28,499**	21,620
CURRENT ASSETS			
Inventories	20	**37,822**	41,032
Trade receivables	21	**2,773**	3,883
Loan receivables	22	**12,927**	12,521
Prepayments, deposits and other receivables	19	**4,181**	5,249
Financial assets at fair value through profit or loss	18	**12,191**	9,250
Cash and cash equivalents	23	**67,576**	8,417
Total current assets		**137,470**	80,352
CURRENT LIABILITIES			
Trade and other payables	24	**29,442**	22,832
Contract liabilities	25	**547**	–
Lease liabilities	26	**11,212**	14,300
Provisions	27	**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	26	**10,220**	3,465
Provisions	27	**192**	55
Total non-current liabilities		**10,412**	3,520
NET ASSETS		**112,554**	60,742
EQUITY			
Issued capital	29	**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

Approved and authorised for issue by the board of directors on 23 March 2021 and signed on its behalf by:

Hu Bo	**Li Zhongqi**
Director	*Director*

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

Year ended 31 December 2020

	Attributable to owners of the Company										
	Issued Capital	Share premium account	Capital reserve	Merger reserve	Statutory reserve fund	Exchange fluctuation reserve	Share option reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000 (note 31)	HK$'000 (note 31)	HK$'000 (note 31)	HK$'000	HK$'000 (note 31)	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	8,136	218,508	10	(23,782)	30	496	10,047	(132,898)	80,547	(243)	80,304
Loss for the year	–	–	–	–	–	–	–	(23,491)	(23,491)	(458)	(23,949)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(8)	–	–	(8)	–	(8)
Total other comprehensive loss	–	–	–	–	–	(8)	–	–	(8)	–	(8)
Total comprehensive loss for the year	–	–	–	–	–	(8)	–	(23,491)	(23,499)	(458)	(23,957)
Transfer of share option reserve upon the lapse of share options	–	–	–	–	–	–	(3,662)	3,662	–	–	–
Equity-settled share-based payment	–	–	–	–	–	–	4,395	–	4,395	–	4,395
At 31 December 2019 and 1 January 2020	8,136	218,508	10	(23,782)	30	488	10,780	(152,727)	61,443	(701)	60,742
Loss for the year	–	–	–	–	–	–	–	(3,108)	(3,108)	(47)	(3,155)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	14	–	–	14	–	14
Total other comprehensive income	–	–	–	–	–	14	–	–	14	–	14
Total comprehensive income/(loss) for the year	–	–	–	–	–	14	–	(3,108)	(3,094)	(47)	(3,141)
Transfer of share option reserve upon the lapse of share options	–	–	–	–	–	–	(6,385)	6,385	–	–	–
Equity-settled share-based payment	–	–	–	–	–	–	1,263	–	1,263	–	1,263
Issue of shares upon right issue	20,341	33,349	–	–	–	–	–	–	53,690	–	53,690
At 31 December 2020	28,477	251,857	10	(23,782)	30	502	5,658	(149,450)	113,302	(748)	112,554

These reserve accounts comprise the consolidated reserves of HK$84,825,000 (2019: HK$53,307,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(2,997)**	(23,958)
Adjustments for:			
Bank interest income	6	**(14)**	(19)
Gain on disposal of right-of-use assets	6	**(326)**	(310)
Covid-19-related rent concessions	6	**(409)**	–
Impairment loss on intangible assets	8	**–**	2,508
Write down for slow-moving inventories, net	8	**–**	2,506
Depreciation of property, plant and equipment	8	**2,061**	2,231
Depreciation of right-of-use assets	8	**15,284**	21,192
Amortisation of intangible assets	8	**–**	565
(Reversal of)/provision for allowances for expected credit losses	8	**(20)**	91
Fair value (gain)/loss on financial assets at fair value through profit or loss	6	**(1,890)**	4,745
Equity-settled share-based payment		**1,263**	4,395
Finance costs	7	**773**	1,226
Operating cash flows before movements in working capital		**13,725**	15,172

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Decrease/(increase) in inventories		3,210	(3,006)
Decrease/(increase) in trade receivables		1,110	(122)
Increase in loan receivables		(400)	(4,169)
(Increase)/decrease in prepayments, deposits and other receivables		(719)	6,455
Increase in trade and other payables		6,610	9,931
Increase in contract liabilities		547	–
Increase/(decrease) in provisions		1,347	(47)
Cash generated from operations		25,430	24,214
Hong Kong profits tax (paid)/refunded		(294)	40
Net cash generated from operating activities		25,136	24,254
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		14	19
Purchases of items of property, plant and equipment		(2,876)	(2,147)
Purchase of financial assets at fair value through profit or loss		(1,051)	–
Proceeds from disposal of right-of-use assets		156	310
Initial payment of acquiring right-of-use asset		(60)	–
Net cash used in investing activities		(3,817)	(1,818)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares upon right issue		53,690	–
Interest paid	35	–	(41)
Interest elements on lease liabilities	35	(773)	(1,185)
Repayment of loan payable	35	–	(14,500)
Capital elements on lease liabilities	35	(15,091)	(20,839)
Net cash generated from/(used in) financing activities		37,826	(36,565)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		59,145	(14,129)
Cash and cash equivalents at the beginning of the year		8,417	22,554
Effect of foreign exchange rate changes, net		14	(8)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23	67,576	8,417

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*.

2.1 BASIS OF PREPARATION *(continued)*

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.

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

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 Concessions

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 concessions 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.

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

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	Intester 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Business Combinations or Asset Acquisitions

Optional concentration test
Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions
When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business Combinations or Asset Acquisitions *(continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of items of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	20%
Motor Vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

As a lessee *(continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

As a lessee *(continued)*

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- 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 if the changes are 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised in profit or loss.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gains/(losses), net" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposits and other receivables, loan receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Significant increase in credit risk *(continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Definition of default *(continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 90 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Definition of default *(continued)*

Measurement and recognition of ECL (continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, accruals and other payables) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good (or a bundle of goods) that is distinct or a series of distinct goods that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Sale of goods
Revenue from sales of handbags, natural aroma, skincare products and accessories are recognised when control of the products has transferred, being when the products are delivered and the customers have inspected and accepted the products.

Payment of the transaction price is due immediately when the customers purchase the goods and takes delivery in store.

Employee benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government. The subsidiaries operating in Mainland China are required to make contributions for their employees who are registered as permanent residents in Mainland China. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

The employees of the Group's subsidiary which operates in Macau are required to participate in a central social security scheme operated by the Macao Special Administrative Region Government. The subsidiary operating in Macau is required to make contributions for its employees who are registered as residents to the central social security scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central social security schemes.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

The employees of the Group's subsidiary which operates in Singapore are required to participate in a central provident fund operated by the local government. The subsidiary operating in Singapore is required to make contributions for its employees who are registered as residents to the central provident fund. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central provident fund.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for obsolete and slow-moving inventories

At the end of the reporting period, the management assessed the provision of estimation for obsolete and slow-moving inventories due to a change in products sold in recent years and the latest experience of selling merchandise of similar nature. No inventory provision was provided during the year ended 31 December 2020 (2019: HK$2,506,000). The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimation uncertainty *(continued)*

Valuation of share options

As explained in note 30, share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the profit or loss and share-based payment reserve.

Allowance for expected credit losses of trade and loan receivables

The loss allowances for financial assets are based on assumption about risk of default and expected loss rates. The Group use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset including right-of-use assets, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2020, the carrying amounts of property, plant and equipment and right-of-use assets amounted to HK$4,441,000 and HK$21,077,000, No impairment losses were recognised during the year ended 31 December 2020. Details of the property, plant and equipment and right-of-use assets are disclosed in notes 14 and 16.

4. 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	Macau	Mainland China	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2020				
Revenue from external customers	172,474	3,499	–	175,973
Non-current assets	28,499	–	–	28,499
Capital expenditure	2,865	–	11	2,876
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

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: HK$Nil) and no information about major customers is presented accordingly.

Information about major products

	2020	2019
	HK$'000	HK$'000
Handbags	147,120	201,387
Other products	28,853	30,229
	175,973	231,616

5. REVENUE

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

	2020	2019
	HK$'000	HK$'000
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	**28,853**	30,229
	175,973	231,616
Timing of revenue recognition:		
A point in time	**175,973**	231,616
Geographical market:		
Hong Kong	**172,474**	216,972
Macau	**3,499**	14,644
	175,973	231,616

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 statements.

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

	2020	2019
	HK$'000	HK$'000
Other income and gains/(losses), net		
Bank interest income	14	19
Fair value gain/(loss) on financial assets at fair value 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 concessions	409	–
Government grants (Note)	3,920	–
Others	1,070	1,417
	8,719	(1,789)

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.

7. FINANCE COSTS

	2020	2019
	HK$'000	HK$'000
Interest expenses on loan payable	–	41
Interest expenses on lease liabilities	773	1,185
	773	1,226

8. LOSS BEFORE TAX

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

	2020	2019
	HK$'000	HK$'000
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 ECL	(20)	91
Impairment of intangible assets	–	2,508
Equity-settled share-based payment		
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-based payment	1,011	3,962
	18,519	17,651

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9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments is as follows:

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Pension scheme contributions	Equity-settled share-based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2020						
Executive directors:						
Mr. Hu Bo	–	229	–	22	126	377
Mr. Li Zhongqi	–	180	–	–	126	306
	–	409	–	22	252	683
Independent non-executive directors:						
Mr. Choi Kam Yan, Simon	120	–	–	–	–	120
Mr. Chan Chi Hung	200	–	–	–	–	200
Mr. Tou Kin Chuen	200	–	–	–	–	200
	520	–	–	–	–	520
	520	409	–	22	252	1,203

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Pension scheme contributions	Equity-settled share-based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2019						
Executive directors:						
Mr. Hu Bo	–	240	–	12	433	685
Mr. Cao Huijuan (resigned on 16 April 2019)	–	71	–	–	–	71
Mr. Li Zhongqi (appointed 16 April 2019)	–	128	–	–	–	128
	–	439	–	12	433	884
Independent non-executive directors:						
Mr. Choi Kam Yan, Simon	120	–	–	–	–	120
Mr. Chan Chi Hung	200	–	–	–	–	200
Mr. Tou Kin Chuen	200	–	–	–	–	200
	520	–	–	–	–	520
	520	439	–	12	433	1,404

There was no arrangement under which a director and chief executive has waived or agreed to waive any emoluments during the year (2019: Nil).

During the year ended 31 December 2020, no emoluments was paid by the Group to the directors and chief executive as an inducement to join or upon joining the Group or as compensation for loss of office (2019: HK$Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included Nil director (2019: one director), details of whose remuneration are set out in note 9 above. Details of the emoluments for the year of the remaining five (2019: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	3,558	3,388
Discretionary bonus	–	–
Pension scheme contributions	90	84
Equity-settled share-based payment	–	433
	3,648	3,905

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
Nil to HK$1,000,000	4	3
HK$1,000,001 to HK$1,500,000	1	1
	5	4

During the year ended 31 December 2020, share options were granted to directors in respect of their services to the Group. In prior years, no share options were granted to non-director and non-chief executive highest paid employees, further details of which are included in the disclosures in note 30 to the consolidated financial statements.

During the year ended 31 December 2020, no remuneration was paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2019: HK$Nil).

11. 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%.

11. INCOME TAX EXPENSE/(CREDIT) *(continued)*

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	2019
	HK$'000	HK$'000
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	**158**	(9)

A reconciliation of the income tax expense/(credit) applicable to loss before tax at the statutory tax rates is as follows:

	Group	
	2020	2019
	HK$'000	HK$'000
Loss before tax	**(2,997)**	(23,958)
Tax at the rate applicable in the countries concerned	**(508)**	(3,977)
Under-provision in respect of prior years	**99**	–
Tax effect of income not taxable for tax purpose	**(1,420)**	(1,324)
Tax concession	**(10)**	(60)
Tax effect of expenses not deductible for tax purposes	**543**	1,868
Tax effect of tax losses not recognised	**1,454**	3,484
Actual tax expense/(credit)	**158**	(9)

12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020 (2019: HK$Nil), nor has any dividend been proposed since the end of the reporting period.

13. 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, Fixtures and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2020				
Cost				
At 1 January 2019	19,136	12,146	–	31,282
Additions	1,715	432	–	2,147
At 31 December 2019 and 1 January 2020	20,851	12,578	–	33,429
Additions	2,665	211	–	2,876
Transfer from right-of-use assets	–	–	6,000	6,000
At 31 December 2020	**23,516**	**12,789**	**6,000**	**42,305**
Accumulated depreciation				
At 1 January 2019	15,877	11,695	–	27,572
Depreciation charge for the year	2,002	229	–	2,231
At 31 December 2019 and 1 January 2020	17,879	11,924	–	29,803
Depreciation charge for the year	1,833	228	–	2,061
Transfer from right-of-use assets	–	–	6,000	6,000
At 31 December 2020	**19,712**	**12,152**	**6,000**	**37,864**
Carrying amount				
At 31 December 2020	**3,804**	**637**	**–**	**4,441**
At 31 December 2019	2,972	654	–	3,626

15. INTANGIBLE ASSETS

	Goodwill	Exclusive distribution right	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	2,013	2,826	4,839
Accumulated amortisation and impairment			
At 1 January 2019	–	1,766	1,766
Charge for the year	–	565	565
Impairment	2,013	495	2,508
At 31 December 2019, 1 January 2020 and 31 December 2020	2,013	2,826	4,839
Carrying amount			
At 31 December 2020 and 31 December 2019	–	–	–

Amortisation of exclusive distribution right of HK$Nil (2019: HK$565,000) has been recognised in selling expenses and exclusive distribution right is calculated using the straight-line method over its useful lives of 5 years according to the contract.

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to spa and wellness products CGU for impairment testing.

Spa and wellness products – Hong Kong

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate stated below. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates.

15. INTANGIBLE ASSETS *(continued)*

Impairment testing of goodwill *(continued)*

Spa and wellness products – Hong Kong *(continued)*

The key assumptions, long-term growth rate and discount rate used in the value-in-use calculations are as follows:

	2019
	%
Gross margin	69.0
Long-term growth rate	3
Pre-tax discount rate	15.27

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections covering a 5-year period, based on financial budgets approved by management and a discount rate of 15.27% per annum. Cash flows beyond the 5-year period are extrapolated with growth rate of 3%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Based on the value-in-use calculation, the directors determine that there is no impairment.

Impairment loss of approximately HK$2,508,000 was recognised during the year ended 31 December 2019 as spa and wellness products business operation does not turn out as previously expected, due to the downturn of Hong Kong retail market.

16. RIGHT-OF-USE ASSETS

	Motor vehicle	Leased properties	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 January 2019	12,893	23,465	36,358
Additions	–	19,839	19,839
Disposals	(710)	(18,558)	(19,268)
At 31 December 2019 and 1 January 2020	12,183	24,746	36,929
Additions *(Note)*	–	24,968	24,968
Disposals/termination	(6,183)	(5,620)	(11,803)
Transfer to property, plant and equipment	(6,000)	–	(6,000)
At 31 December 2020	**–**	**44,094**	**44,094**
Accumulated depreciation			
At 1 January 2019	7,488	–	7,488
Depreciation charge for the year	2,828	18,364	21,192
Disposals	(710)	(7,596)	(8,306)
At 31 December 2019 and 1 January 2020	9,606	10,768	20,374
Depreciation charge for the year	–	15,284	15,284
Disposals/termination	(3,606)	(3,035)	(6,641)
Transfer to property, plant and equipment	(6,000)	–	(6,000)
At 31 December 2020	**–**	**23,017**	**23,017**
Carrying amount			
At 31 December 2020	**–**	**21,077**	**21,077**
At 31 December 2019	2,577	13,978	16,555

Note: Amount includes right-of-use assets resulting from new lease entered and lease modification.

Total cash outflow of leases is approximately HK$18,448,000 including payments of principal and interest portion of lease liabilities and short-term leases.

During the current year, the Group leases properties for self-own use. Lease contracts are entered into for fixed term of two to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2020, lessors of various offices and retail stores provided Covid-19-related rent concessions to the Group of approximately HK$409,000.

17. SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2020 and 2019 are as follows:

Name	Place of Incorporation/ Establishment and business	Issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Milan Station (BVI) Limited ("MS (BVI)")	British Virgin Islands ("BVI")/ Hong Kong	US$4	100	–	Investment holding
Milan Station (Hong Kong) Limited ("MS (HK)")	Hong Kong	HK$10,000	–	100	Investment holding
Milan Station (Tsuen Wan) Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (TST) Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station Fashion (TST) Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Causeway Bay) Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station Trading Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation

17. SUBSIDIARIES *(continued)*

Name	Place of Incorporation/ Establishment and business	Issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Milan Station (Central) Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Trilink Global Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Milan Station (Asia) Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Macau) Limited ("MS (Macau)")	Macau	MOP30,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (PRC) Limited	BVI/Hong Kong	US$2	–	100	Investment holding
Milan Station (PRC) Limited ("MS (PRC)")	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Kwun Tong) Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
米蘭站（上海）有限公司* ("MS (SH)")	The PRC/ Mainland China	RMB34,000,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Standpoint Global Limited ("Standpoint Global")	BVI/Hong Kong	US$1	–	100	Investment holding

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17. SUBSIDIARIES *(continued)*

Name	Place of Incorporation/ Establishment and business	Issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
WLS Limited	Hong Kong	HK$40,000	–	51	Engaged in retailing of spa and wellness products
Brenda Enterprises Limited	Hong Kong	HK$2	–	100	Engaged in money lending business
Wales Maple Limited	BVI	US$1	–	100	Engaged in trading securities

* Registered as wholly-foreign-owned enterprises under the laws of the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	HK$'000
Listed securities		
– Equity securities listed in Hong Kong	12,191	9,250

Financial assets at fair value through profit or loss are stated at fair value which are determined with reference to quoted market bid prices.

At 31 December 2020, the fair value of suspended trading security listed in Hong Kong with the amount of approximately HK$176,000 (2019: HK$181,000) was reference to the valuation carried by Peak Vision Appraisals Limited, an independent qualified professional valuers. The fair value of suspended trading security listed in Hong Kong was valued by using the market approach at 31 December 2020 and 2019. The discount rate is used to reflect the risk of exposure to corporate governance, illiquidity and financial distress etc.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	HK$'000	HK$'000
Prepayments	699	326
Deposits	5,477	5,476
Other receivables	986	886
	7,162	6,688
Less: Non-current portion	(2,981)	(1,439)
	4,181	5,249

Details of assessment of ECL are set out in note 34.

20. INVENTORIES

	2020	2019
	HK$'000	HK$'000
Goods held for resale	37,822	41,032

As at 31 December 2020, the carrying values of inventories are HK$37,822,000 (2019: HK$41,032,000), which are net of provision for obsolete and slow moving inventories HK$Nil (2019: HK$2,506,000).

21. 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	2019
	HK$'000	HK$'000
Trade receivables	2,773	3,883

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

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

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

Movement in lifetime ECL that has been recognised for trade receivables is as below:

	Total
	HK$'000
At 1 January 2019	46
Reversal of ECL	(46)
At 31 December 2019, 1 January 2020 and 31 December 2020	–

22. 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	2019
	HK$'000	HK$'000
Within 3 months	–	463
3 to 6 months	–	463
6 months to 1 year	12,927	11,595
	12,927	12,521

Details of impairment assessment on loan receivables are set out in note 34.

23. CASH AND CASH EQUIVALENTS

	2020	2019
	HK$'000	HK$'000
Cash and bank balances	67,576	8,417

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$527,000 (2019: HK$673,000). RMB is not freely convertible into other currencies. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposits rates. The bank balances are deposited with creditworthy banks with no recent history of default.

24. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	HK$'000
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
	29,442	22,832

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

	2020	2019
	HK$'000	HK$'000
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
	9,317	6,894

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

25. CONTRACT LIABILITIES

	HK$'000
At 1 January 2019, 31 December 2019 and 1 January 2020	–
Increase in contract liabilities as a result of consideration received from customers during the year	547
At 31 December 2020	547

The contract liabilities represent the Group's obligation to transfer goods for which the Group has received consideration. The contract liabilities would be recognised as revenue within one year. The Group recognises revenue when "control" of goods is transferred to the customers.

In general, the Group receives certain percentage of the contract sum as advance payment from the customers for the sale of goods.

26. LEASE LIABILITIES

At 31 December 2020 and 2019, the total future minimum lease payments and their present values were as follows:

	Minimum lease payments 2020	Minimum lease payments 2019	Present value of minimum lease payments 2020	Present value of minimum lease payments 2019
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts payable:				
Within one year	11,875	14,798	11,212	14,300
In the second year	6,988	3,232	6,709	3,068
In the third to fifth years, inclusive	3,561	416	3,511	397
Total minimum lease payments	22,424	18,446	21,432	17,765
Future finance charges	(992)	(681)		
Total lease liabilities	21,432	17,765		
Portion classified as current liabilities	(11,212)	(14,300)		
Non-current portion	10,220	3,465		

The Group entered into lease arrangements with independent third parties in relation to certain properties and motor vehicles. The lease terms ranged from 2-5 years (2019: 3-5 years). The weighted average incremental borrowing rates applied to lease liabilities range from 3.38% to 7.75% and 3.95% to 7.75% per annum as at 31 December 2020 and 2019, respectively.

At the end of reporting period, the net carrying value of leased assets used to secure the lease obligations was HK$Nil (2019: HK$2,577,000).

27. PROVISIONS

	2020	2019
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Non-current liabilities	**192**	55
Current liabilities	**1,360**	–
	1,552	55

	Litigation	**Provision for reinstatement costs**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2019	–	102	102
Amount utilised during the year	–	(47)	(47)
At 31 December 2019 and 1 January 2020	–	55	55
Provision made during the year	1,300	197	1,497
At 31 December 2020	1,300	252	1,552

For the details of provision for litigation, please refer to note 39 to the consolidated financial statements.

28. DEFERRED TAX

a) Deferred tax liabilities recognised

The movements in deferred tax liabilities during the year are as follows:

	Depreciation allowance in excess of related depreciation	Fair value adjustment on exclusive distribution right upon business combination	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2019	(33)	(187)	(220)
Credited to profit or loss during the year *(note 11)*	33	187	220
At 31 December 2019, 1 January 2020 and 31 December 2020	–	–	–

b) Deferred tax assets not recognised

Certain subsidiaries of the Group have tax losses arising in Hong Kong in total of approximately HK$110,551,000 (2019: HK$101,741,000) as at 31 December 2020 that are available indefinitely for offsetting against their future taxable profits. Deferred tax assets have not been recognised in respect of these losses as these subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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29. SHARE CAPITAL

	Number of shares		Amount	
	2020	2019	**2020**	2019
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 January	**2,000,000**	2,000,000	**20,000**	20,000
Share consolidation *(Note (i))*	**(1,500,000)**	–	**–**	–
Increase during the year *(Note (ii))*	**1,500,000**	–	**60,000**	–
At 31 December	**2,000,000**	2,000,000	**80,000**	20,000

	Number of shares in issue	**Share capital**
	'000	HK$'000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 1 January 2020	813,633	8,136
Consolidation of shares *(Note (i))*	(610,225)	–
Issue of shares upon right issue *(Note (iii))*	508,521	20,341
At 31 December 2020	711,929	28,477

Notes:

(i) 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").

(ii) On 27 October 2020, the authorised share capital of the Company was increased from HK$20,000,000 divided into 500,000,000 shares to HK$80,000,000 divided into 2,000,000,000 shares by the creation of additional 1,500,000,000 shares of par value of HK$0.04 each.

(iii) On 1 December 2020, the Company completed a rights issue of 508,520,625 rights shares at a subscription price of HK$0.11 per rights share on the basis of five rights shares for every two existing ordinary shares of the Company held on 6 November 2020. The net proceeds from the rights issue, after deducting directly attributable costs were approximately HK$53,690,000. Details of the rights issue were disclosed in the Company's circular dated 8 October 2020, prospectus dated 9 November 2020 and announcements dated 28 August 2020, 18 September 2020, 27 October 2020 and 30 November 2020.

30. SHARE-BASED PAYMENT TRANSACTIONS

On 28 April 2011, the Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, consultants, advisers and the Company's shareholders. The Scheme became effective on 23 May 2011 upon the listing of the Company's shares on the Stock Exchange. The Scheme will be in force for a period of 10 years commencing on the date on which the Scheme was adopted.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors, and shall commence at the grant date or commence after a vesting period of one year and end on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

30. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The movements in share options granted under the Scheme during the year ended 31 December 2020 are shown below:

	Number of share options											
Name or category of participants	Outstanding at 1 January 2020 *(Note (i))*	Granted during the year	Exercised during the year	Expired during the year	Reclassified during the year	Lapsed during the year	Adjustments due to rights issue during the year *(Note (ii))*	Outstanding at 31 December 2020	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share	Adujsted exercise price of share options HK$ per share (Note (ii))
Directors												
Hu Bo	2,000,000	–	–	–	–	–	175,400	2,175,400	12-4-19	12-4-19 to 11-4-22	0.472	0.4339
	–	2,034,000	–	–	–	–	178,382	2,212,382	17-4-20	17-4-20 to 16-4-22	0.11	0.1011
	2,000,000	2,034,000	–	–	–	–	353,782	4,387,782				
Li Zhongqi	–	2,034,000	–	–	–	–	178,382	2,212,382	17-4-19	17-4-20 to 16-4-22	0.11	0.1011
Sub total	2,000,000	4,068,000	–	–	–	–	532,164	6,600,164				
Other employees												
In aggregate	16,855,000	–	–	–	–	(16,855,000)	–	–	27-7-17	27-7-17 to 26-7-22	0.7	–
	18,306,500	–	–	–	–	–	1,605,480	19,911,980	12-4-19	12-4-19 to 11-4-22	0.472	0.4339
	–	16,272,800	–	–	–	–	1,427,124	17,699,924	17-4-20	17-4-20 to 16-4-22	0.11	0.1011
Sub total	35,161,500	16,272,800	–	–	–	(16,855,000)	3,032,604	37,611,904				
	37,161,500	20,340,800	–	–	–	(16,855,000)	3,564,768	44,212,068				
Exercisable at the end of the year								44,212,068				
Weighted average exercise price (HK$)	0.575	0.11				0.7		0.267				

The options outstanding at 31 December 2020 had exercise prices of HK$0.1011 or HK$0.4339 (2019: HK$0.7 or HK$0.472) and a weighted average remaining contractual life of 1.28 years (2019: 3.46 years).

Notes:

(i) Adjustment are made for share consolidation.

(ii) Adjustment are made for rights issue.

30. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

As a result of the right issue on 2 December 2020, the exercise price of the share option granted on 12 April 2019 and 17 April 2020 was adjusted from HK$0.472 to HK$0.4339 and HK$0.11 to HK$0.1011 respectively.

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

2020 Adjusted number of options	**Adjusted exercise price**	**Exercise period**
'000	**HK$ per share**	
22,087	**0.4339**	**12 April 2019 to 11 April 2022**
22,125	**0.1011**	**17 April 2020 to 16 April 2022**
44,212		

2019 Number of options	Exercise price	Exercise period
'000	HK$ per share	
16,855	0.7	27 July 2017 to 10 July 2022
20,307	0.472	12 April 2019 to 11 April 2022
37,162		

The fair value of share options were calculated using Binomial Model. The input into the model were as follow:

	17 April 2020	12 April 2019
Dividend yield *(%)*	**0**	0
Expected volatility *(%)*	**121.244**	70.33
Risk-free interest rate *(%)*	**0.529**	1.566
Expected life of options *(years)*	**2**	3
Price of the Company's shares at the date of grant *(HK$ per share)*	**0.11**	0.472

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

No other feature of the options granted was incorporated into the measurement of fair value. At the end of the reporting period, the Company had 44,212,068 (2019: 37,161,500) share options outstanding under the Scheme.

At the date of approval of these financial statements, the Company had 44,212,068 (2019: 37,161,500) share options outstanding under the Scheme, which represented approximately 6.21% (2019: 18.27%) of the Company's shares in issue as at that date.

During the year ended 31 December 2020, there were 20,340,800 (2019: 81,226,000) share options granted and HK$1,263,000 (2019: HK$4,395,000) were recognised to the consolidated statement of profit or loss.

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31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity in the consolidated financial statements.

Capital Reserve

The capital reserve capital reserve represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the group reorganisation on 28 April 2011 and the nominal value of the ordinary shares of a subsidiary of the Company in exchange therefor.

Merger Reserve

The merger reserve represents the excess of the consideration for acquiring subsidiaries over the nominal value of the paid-up capital of the subsidiaries acquired.

Statutory Reserve Fund

In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the subsidiaries' registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

Share Option Reserve

The share option reserve relates to share options granted to directors and employees under the Company's share option scheme. Further information about share option is set out in note 30.

32. MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the year:

		2020	2019
	Note	**HK$'000**	HK$'000
Rental expenses paid to related companies	(i)	**–**	5,748

	Amount owed by the Group as at 31 December		Related interest expense for the year ended 31 December	
Financing arrangement	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Lease liabilities (note ii)	**1,781**	–	**111**	–

32. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(a) The Group had the following material transactions with related parties during the year: *(continued)*

Notes:

(i) Milan Station (Causeway Bay) Limited ("MS (CWB)"), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company, and Excel Trend Limited ("Excel Trend"), a company incorporated in Hong Kong with limited liability and indirectly beneficially wholly owned by Mr. Yiu Kwan Tat ("Mr. Yiu"), the former Chairman and an Executive Director, entered into a lease agreement in relation to the leasing of the premises situated at Areas E and F on the Ground Floor of Percival House, No. 83 Percival Street, Causeway Bay, Hong Kong for retail uses.

(ii) In June 2020, the Group entered into a lease in respect of the same leasehold properties with Mr. Yiu which is connected party. The amount of lease payable by the Group under the lease is HK$360,000 per month, which was determined with reference to market rent. At the date of the lease, the Group recognised a right-of-use asset and a lease liability of HK$4,219,000.

During the years ended 31 December 2020 and 2019, the Company and the Group had the following connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

(b) Compensation of key management personnel of the Group:

	2020	2019
	HK$'000	HK$'000
Short-term employee benefits	3,511	3,584
Equity-settled share option expense	252	433
Post-employment benefits	94	66
	3,857	4,083

Further details of directors' and chief executive's emoluments are included in note 9 to the consolidated financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2020	2019
	HK$'000	HK$'000
Financial assets at FVTPL	12,191	9,250
Financial assets at amortised cost:		
Trade receivables	2,773	3,883
Loan receivables	12,927	12,521
Financial assets included in deposits and other receivables	6,463	6,362
Cash and cash equivalents	67,576	8,417
	89,739	31,183
	101,930	40,433

Financial liabilities

	2020	2019
	HK$'000	HK$'000
Financial liabilities at amortised cost:		
Trade payables	9,317	6,894
Financial liabilities included in accrued liabilities and other payables	20,125	15,938
Lease liabilities	21,432	17,765
	50,874	40,597

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank balances. The Group has various other financial assets and liabilities such as financial assets at FVTPL, trade receivables, loan receivables, financial assets included in deposits and other receivables, trade payables, financial liabilities included in accrued liabilities and other payables, and lease liabilities.

It is, and has been, throughout the year, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, price risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities and loan receivables. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. At 31 December 2020 and 31 December 2019, the Group has no borrowing at variable interest rate and fixed interest rate that expose the Group's cash flow interest rate risk and fair value interest rate risk.

At 31 December 2020 and 2019, the Group assesses the exposure to interest rate risk is insignificant and thus no sensitivity analysis is presented.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Price Risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The directors of the Company manage this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated in equity securities listed in Hong Kong industry sector quoted in The Stock of Exchange of Hong Kong Limited for the year ended 31 December 2020. The directors of the Company will monitor the risks and consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices had been 15% higher/lower:

- Profit or loss for the year ended 31 December 2020 would increase/decrease by HK$1,829,000 (2019: HK$1,388,000) as a result of change in fair value of financial assets at FVTPL.

Foreign currency risk

The Group carries on its trading transactions mainly in HK$. Since HK$ is pegged to US dollars, there is no significant exposure expected on US dollars transactions conducted by entities which functional currency is HK$. The Company is mainly operated in its local jurisdiction with most of the transactions settled in its functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange risk. The exposure of foreign currency risk is insignificant to the Group. Accordingly, no sensitivity analysis is presented.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the exposure to bad debts is not significant.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking information.

The Group's exposure to credit risk is influenced by the individual characteristic of each customers of retail store. The Group has worked with a large number of individual customer of retail store and there is no significant concentration of credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Quantitative information related to allowance for ECL of trade receivables was details in note 21.

Money lending business

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken for the recoverable amount. In addition, the Group reviews the recoverable amount of each individual's loan receivables at the end of each reporting period to ensure that adequate impairment loss are made for irrecoverable amounts. As at 31 December 2020, based on past experience adjusted for factors that are specific to the general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions, the directors of the Company are of the opinion that provision for impairment of HK$142,000 (2019: HK$148,000) was recognised as at 31 December 2020.

The Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. Individual risk limits are set based on the value of collaterals provided by customers and internal or external ratings in accordance with limits set by the directors. The utilisation of credit limits is regularly monitored.

Quantitative information related to allowance for ECL of loan receivables was details in note 22.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Money lending business *(continued)*

Loan receivables

	At 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Loan receivable , gross	12,669	–	–	12,669
Less: ECL on loan receivables	(148)	–	–	(148)
Loan receivables, net	12,521	–	–	12,521

	At 31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Loan receivable , gross	**13,069**	**–**	**–**	**13,069**
Less: ECL on loan receivables	**(142)**	**–**	**–**	**(142)**
Loan receivables, net	**12,927**	**–**	**–**	**12,927**

Movement for ECL of loan receivables are as follow:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	108	–	–	108
Allowance for ECL	40	–	–	40
At 31 December 2019 and 1 January 2020	148	–	–	148
Reversal of allowance for ECL	(6)	–	–	(6)
At 31 December 2020	142	–	–	142

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Money lending business *(continued)*

Loan receivables are categorised into the following stages by the Group:

Stage 1

Loan receivables have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months ECL (12-month ECLs).

Stage 2

Loan receivables to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime ECL (Lifetime ECLs non credit-impaired).

Stage 3

Loan receivables that are in default and considered credit impaired (Lifetime ECLs credit impaired).

In assessing whether the credit risk of loan receivables has increased significantly since initial recognition, the Group compares the risk of default occurring on the loan receivables assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is past due for more than 90 days. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in a loan receivables's external or internal credit rating (if available);

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group; and

– the financial asset is past due.

Other receivables

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Other receivables *(continued)*

The movement of loss allowances for other receivables are as follows:

	Other receivables
	HK$'000
At 1 January 2019	8
Allowance for ECL	97
At 31 December 2019 and 1 January 2020	105
Reversal of allowance for ECL	(14)
At 31 December 2020	91

Bank Balances

The credit risk on bank balances are limited because the majority of the counterparties are bank with high credit-ratings assigned by International credit-ratio agencies. The Group has no other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	At 31 December 2020					
	Weighted average effective interest rate	On demand and less than 1 year	Over 1 year but less than 2 years	Over 2 years but less than 5 years	Total undiscounted cash outflows	Carrying amount
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	–	9,317	–	–	9,317	9,317
Financial liabilities included in accrued liabilities and other payables	–	20,125	–	–	20,125	20,125
Lease liabilities	3.38%-7.75%	11,875	6,988	3,561	22,424	21,432
		41,317	6,988	3,561	51,866	50,874

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

	At 31 December 2019					
	Weighted average effective interest rate	On demand and less than 1 year	Over 1 year but less than 2 years	Over 2 years but less than 5 years	Total undiscounted cash outflows	Carrying amount
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	–	6,894	–	–	6,894	6,894
Financial liabilities included in accrued liabilities and other payables	–	15,938	–	–	15,938	15,938
Lease liabilities	3.95%-7.75%	14,798	3,232	416	18,446	17,765
		37,630	3,232	416	41,278	40,597

Fair value of financial instrument

The fair values of financial assets and financial liabilities are determined as follows:

i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 December 2020 and 2019.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Fair value of financial instrument *(continued)*

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

At 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at fair value through profit or loss	**12,015**	**–**	**176**	**12,191**

At 31 December 2019	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss	9,069	–	181	9,250

At 31 December 2020 and 2019, one of the Group's equity securities listed in Hong Kong classified as financial asset at fair value through profit or loss was suspended in trading, therefore, no unadjusted quoted price in an active market is available. The Group's then measured fair value of suspended trading security by reference to the valuation carried by Royson Valuation Advisory Limited in which fair value was measured by using significant unobservable inputs, thus, the fair value of suspended trading security was classified to Level 3 fair value hierarchy.

In estimating the fair value of an asset, the directors of the Company work closely with Royson Valuation Advisory Limited to establish the appropriate valuation techniques and inputs to the model as at 31 December 2020 and 2019. The management reports the findings to the directors at the end of each reporting period to explain the cause of fluctuations in fair value of the asset.

Information about the valuation techniques and inputs used in determining the fair value of equity investment are disclosed below.

The Group's policy is to recognise transfer into and out of fair value hierarchy levels as of the date of the events or change in circumstances that caused the transfer.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Fair value of financial instrument *(continued)*

The following table presents the changes in fair value of available-for-sale financial assets and financial assets at fair value through profit or loss which are classified as Level 1 and Level 3 valuations for the year ended 31 December 2020 and 2019:

Financial assets	**Fair value at 31 December** 2020	2019	**Fair value Hierarchy**	**Valuation technique(s) and key input(s) and sensitivity**
	HK'000	HK'000		
Financial assets at fair value through profit or loss	12,015	9,069	Level 1	Quoted bid prices in active market
	176	181	Level 3	Market approach Key Inputs: Discount of 2.7% (2019: 17.1%) The discount is negatively correlated to the fair value measurement of suspended trading security and comparable listed companies. No sensitivity analysis is disclosed as the management considers that the exposure is insignificant to the Group.

Reconciliation of Level 3 fair value measurements	**Financial asset at fair value through profit or loss**
	HK$'000
At 1 January 2019	218
Loss on fair value change on financial assets at fair value through profit or loss	(37)
At 31 December 2019 and 1 January 2020	181
Loss on fair value change on financial assets at fair value through profit or loss	(5)
At 31 December 2020	176

There were no transfer between level 1, 2 and 3 during the year.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1. As at 31 December 2020, the Group's current ratio was 3.2 (2019: 2.1).

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Loan payable included in trade and other payable	**Lease liabilities**	**Total**
	HK$'000	HK$'000 *(note 26)*	HK$'000
At 1 January 2019	14,500	6,262	20,762
Accrued interest	41	1,185	1,226
Interest elements on lease liabilities	–	(1,185)	(1,185)
Interest paid	(41)	–	(41)
Additions to lease liabilities	–	32,342	32,342
Capital elements on lease liabilities	–	(20,839)	(20,839)
Other financing cash outflows	(14,500)	–	(14,500)
At 31 December 2019 and 1 January 2020	–	17,765	17,765
Accrued interest	–	773	773
Interest elements on lease liabilities	–	(773)	(773)
Additions to lease liabilities	–	24,466	24,466
Disposal of lease liabilities	–	(5,299)	(5,299)
Covid-19-related rent concessions	–	(409)	(409)
Capital elements on lease liabilities	–	(15,091)	(15,091)
At 31 December 2020	**–**	**21,432**	**21,432**

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020	2019
	HK$'000	HK$'000
Non-current asset		
Investments in subsidiaries	43,700	43,700
Current assets		
Prepayments, deposits and other receivables	114	114
Amounts due from subsidiaries	13,018	26,762
Cash and cash equivalents	54,888	90
Total current assets	68,020	26,966
Current liabilities		
Amounts due to subsidiaries	27,333	28,724
Accrued liabilities and other payables	1,203	1,279
Total current liabilities	28,536	30,003
Net current asset/(liabilities)	39,484	(3,037)
Net assets	83,184	40,663
Equity		
Issued capital	28,477	8,136
Reserves	54,707	32,527
Total equity attributable to owners of the Company	83,184	40,663

Approved and authorised for issue by the board of directors on 23 March 2021 and signed on its behalf by:

Hu Bo
Director

Li Zhongqi
Director

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

A summary of the Company's reserves is as follows:

	Share premium account	Capital reserve	Share option reserve	Accumulated losses	Total
	HK$'000	HK$'000 *(Note (a))*	HK$'000	HK$'000	HK$'000
At 1 January 2019	218,508	555,000	10,047	(748,384)	35,171
Loss for the year and total comprehensive loss for the year	–	–	–	(7,039)	(7,039)
Transfer of share option reserve upon the lapse of share options	–	–	(3,662)	3,662	–
Equity-settled share-based payment	–	–	4,395	–	4,395
At 31 December 2019 and 1 January 2020	218,508	555,000	10,780	(751,761)	32,527
Loss for the year and total comprehensive loss for the year	–	–	–	(12,432)	(12,432)
Transfer of share option reserve upon the lapse of share options	–	–	(6,385)	6,385	–
Equity-settled share-based payment	–	–	1,263	–	1,263
Issue of shares upon right issue	33,349	–	–	–	33,349
At 31 December 2020	251,857	555,000	5,658	(757,808)	54,707

Note:

(a) The Company's capital reserve represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation prior to the shares of the Company were listed on the Stock Exchange on 23 May 2011 (the "Listing"), over the nominal value of the Company's shares issued in exchange therefor.

37. 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.

38. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, the equity-settled share-based payment were approximately HK$1,263,000 (2019: HK$4,395,000).

During the year, the Group entered into new lease agreements for the use of leased properties for 2-3 years. On the lease commencement, the Group recognised right-of-use assets of HK$24,968,000 and lease liabilities of HK$24,466,000.

39. LITIGATION

In September 2020, MS Properties is entitled to the claims by Apex City Enterprises Limited ("the Petitioner") for the guaranteed payment of rent of the lease, amounting to a total claim of approximately HK$1,700,000. On 23 December 2020, a winding-up petition has been filed by the Petitioner 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.

40. COMPARATIVE FIGURES

Certain comparative figures have been adjusted on the assumption that the right issue had been effective in the prior period.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 23 March 2021.

Five Years Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the notes below.

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	175,973	231,616	264,293	318,619	318,802
Cost of sales	(133,513)	(183,821)	(212,654)	(253,645)	(252,154)
Gross profit	42,460	47,795	51,639	64,974	66,648
Reversal of/(provision for) allowance for expected credit losses	20	(91)	63	–	–
Impairment loss on intangible assets	–	(2,508)	–	–	–
Other income and gains/(losses), net	8,719	(1,789)	(8,450)	(21,687)	(628)
Selling expenses	(32,460)	(33,228)	(47,574)	(67,508)	(69,788)
Administrative and other operating expenses	(20,963)	(32,911)	(36,656)	(56,127)	(70,098)
Finance costs	(773)	(1,226)	(361)	(944)	(206)
LOSS BEFORE TAX	(2,997)	(23,958)	(41,339)	(81,292)	(74,072)
Income tax (expense)/credit	(158)	9	1,379	(144)	287
LOSS FOR THE YEAR	(3,155)	(23,949)	(39,960)	(81,436)	(73,785)
Attributable to:					
Owners of the Company	(3,108)	(23,491)	(40,012)	(80,784)	(72,820)
Non-controlling interests	(47)	(458)	52	(652)	(965)
	(3,155)	(23,949)	(39,960)	(81,436)	(73,785)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	165,969	101,972	114,698	150,150	291,470
TOTAL LIABILITIES	(53,415)	(41,230)	(34,394)	(30,280)	(28,969)
Sub-total	112,554	60,742	80,304	119,870	262,501
NON-CONTROLLING INTERESTS	748	701	243	295	(2,799)
	113,302	61,443	80,547	120,165	259,702

Note:

The consolidated results of the Group for each of the two years ended 31 December 2020 and 2019 and the consolidated assets and liabilities of the Group as at 31 December 2020 and 2019 are those set out on pages 41 to 43 of this annual report.

The summary above does not form part of the audited consolidated financial statements.

米蘭站 Milan Station

Stock Code: 1150

米蘭站控股有限公司
MILAN STATION HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

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