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MILAN STATION HOLDINGS LIMITED

米蘭站控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1150)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 51% OF ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE DISPOSAL

On 11 October 2022 (after the trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchasers entered into the S&P Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchasers conditionally agreed to purchase, (i) the Sale Shares, being 51% of issued share capital of the Target Company; and (ii) the Sale Loan, at the consideration of HK\$3,500,000, subject to the terms and conditions of the S&P Agreement.

Upon Completion, the Group will no longer have any interest in the Target Company and the Target Group will cease to be the subsidiaries of the Company. Hence, the assets, liabilities and the financial results of the Target Group will not be consolidated into the consolidated financial statements of the Company upon Completion.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but all of the ratios are less than 25%, the Disposal constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Yiu Kwan Tat and Mr. Choi Wai Kei, who are directors of certain subsidiaries of the Company. Hence, the Purchasers are connected persons of the Company at the subsidiary level and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios (as defined under Listing Rules) in respect of the Disposal is less than 25% and the Consideration is less than HK\$10,000,000, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A of the Listing Rules.

INTRODUCTION

On 11 October 2022 (after the trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchasers entered into the S&P Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchasers conditionally agreed to purchase, (i) the Sale Shares, being 51% of issued share capital of the Target Company; and (ii) the Sale Loan, at the consideration of HK\$3,500,000, subject to the terms and conditions of the S&P Agreement.

THE S&P AGREEMENT

The principal terms of the S&P Agreement are set out below:

Date

11 October 2022

Parties

Purchaser: (1) Mr. Yiu Kwan Tat; and

(2) Mr. Choi Wai Kei

Vendor: Milan Station (Mansion) Limited

As at the date of this announcement, Mr. Yiu Kwan Tat and Mr. Choi Wai Kei are directors of certain subsidiaries of the Group. Hence, the Purchasers are connected persons of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the S&P Agreement, the Vendor conditionally agreed to sell, and the Purchasers conditionally agreed to purchase, (i) the Sale Shares, being 51% of issued share capital of the Target Company; and (ii) the Sale Loan, subject to the terms and conditions of the S&P Agreement. Upon Completion, 16,400 ordinary shares and 4,000 ordinary shares of the Target Company will be transferred to Mr. Yiu Kwan Tat and Mr. Choi Wai Kei from the Vendor, respectively, and the Sale Loan will also be transferred to Mr. Yiu Kwan Tat and Mr. Choi Wai Kei in proportion to the percentage of Sale Shares as acquired by them.

Consideration

The Consideration is HK\$3,500,000 and shall be payable by Mr. Yiu Kwan Tat and Mr. Choi Wai Kei as to HK\$2,813,726 and HK\$686,274 to the Vendor in cash at the Completion Date, respectively. The Consideration is determined after arm's length negotiation between the Vendor and the Purchasers with reference to (i) the unaudited net liabilities of the Target Group of approximately HK\$360,000 as at 30 June 2022; (ii) the principal amount of the Sale Loan of approximately HK\$3,232,000 as at 30 June 2022, representing all obligations, liabilities and debts owing or incurred by the Target Group to the Group as at 30 June 2022; and (iii) the factors set out in the section headed "Reasons for and the benefits of the proposed Disposal" below.

Conditions precedent

Completion is conditional upon the satisfaction and/or (if applicable) waiver of conditions, which include:

- (a) the representations and warranties of each of the Vendor and the Purchasers contained in the S&P Agreement shall remain true and correct and not misleading in all material respects;
- (b) the passing of resolutions by the shareholders of the Target Company approving the S&P Agreement and the transactions contemplated thereunder;
- (c) the Board having approved the S&P Agreement and the transactions contemplated thereunder;
- (d) the Company having announced the Agreement and the transactions contemplated thereunder in accordance with the relevant requirements under the Listing Rules; and
- (e) other than the aforesaid, all requisite approvals, consents and waivers required to be obtained by the parties to the S&P Agreement in respect of the entering into of the S&P Agreement and the transactions contemplated thereunder having been obtained, and the parties have fully complied with all applicable laws and regulations (including but not limited to the Listing Rules).

If any of the conditions is not satisfied on or before the Long Stop Date, unless otherwise agreed in writing between the parties, the S&P Agreement and the terms and conditions hereof will immediately and automatically terminate, in which case, no party to the S&P Agreement shall have any further obligations or liabilities under or arising from the S&P Agreement.

Completion

Completion shall take place on the first business day following the date on which the last of the conditions precedent having been fulfilled or otherwise waived or such other date as the parties may agree in writing.

INFORMATION OF THE PARTIES

Information of the Vendor and the Group

The Vendor is an investment holding company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. The Group is principally engaged in retailing of handbags, fashion accessories, embellishments and spa and wellness products.

Information of the Purchasers

As at the date of this announcement, the Purchasers, namely Mr. Yiu Kwan Tat and Mr. Choi Wai Kei, are directors of certain subsidiaries of the Company. Therefore, the Purchasers are connected persons of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules.

Information of the Target Group

The Target Company is incorporated in Hong Kong with limited liability and is owned by (i) the Vendor as to 51%; (ii) Mr. Hau Wing Shing Vincent, an Independent Third Party, as to 24.5%; and (iii) Ms. Lou Sun Yee Barbara, an Independent Third Party, as to 24.5% as at the date of this announcement. The Group has been holding the Sale Shares for more than twelve months before the date of the S&P Agreement. The Target Group is principally engaged in retailing of spa and wellness products and is currently operating a total of eleven retail stores and pop-up stores with the brand name of “THANN” in Hong Kong.

Financial information of the Target Group

Based on the unaudited management accounts of the Target Group for the years ended 31 December 2020 and 2021 and the six months ended 30 June 2022, the turnover and the net (loss)/profit (before and after taxation) of the Target Group are as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the six months ended 30 June 2022
	(unaudited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	21,377	41,212	19,326
(Loss)/profit before taxation	(111)	3,317	335
(Loss)/profit after taxation	(111)	3,317	335

According to the unaudited management accounts of the Target Group, the Target Group recorded net liabilities of approximately HK\$360,000 as at 30 June 2022.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Under several waves of outbreak of the novel coronavirus (COVID-19) (the “Epidemic”) and the deterioration of the global economic environment, the business sentiment has been low and the sluggish consumer spending has negatively affected the retail industry in Hong Kong. The business prospects of the Target Group have become uncertain under the prevailing market conditions and the prolonged outbreak of the Epidemic. Although the Hong Kong Government is currently relaxing the isolation and quarantine arrangements as well as the social distancing measures, the Target Group’s business operation is still facing significant challenges and its financial performance struggles to resume to normal level. Having considered the Target Group is in net liabilities position and the limited financial contribution potential to the Group, the Directors believe that the Disposal represents a good opportunity for the Group to settle the shareholder loan advanced to the Target Group since 2015 and will provide immediate cash inflow to enhance the Group’s liquidity positions. As such, the Group can reallocate its financial and management resources to the other businesses of the Group so as to better adapt to existing challenges and any unforeseen circumstances by maintaining financial flexibility under the volatile business environment.

Taking into consideration the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the S&P Agreement are fair and reasonable, the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. None of the Directors has any material interest in the S&P Agreement and none of them is required to abstain from voting on the relevant resolutions of the Board.

FINANCIAL EFFECTS ON THE DISPOSAL AND INTENDED USE OF PROCEEDS

It is estimated that the Group will record a gain from the Disposal of approximately HK\$1,669,000, which is calculated with reference to the unaudited consolidated net liabilities of the Target Group as at 30 June 2022 attributable to the Vendor of approximately HK\$1,401,000, the amount of Sale Loan of approximately HK\$3,232,000 and the Consideration of approximately HK\$3,500,000. The actual gain arising from the Disposal will be subject to audit and may be different from the amount stated.

Upon Completion, the Group will no longer have any interest in the Target Company and the Target Group will cease to be the subsidiaries of the Company. Hence, the assets, liabilities and the financial results of the Target Group will not be consolidated into the consolidated financial statements of the Company upon Completion.

The Group intends to use the net proceeds from the Disposal as general working capital or for future investment opportunities should such opportunities arise.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but all of the ratios are less than 25%, the Disposal constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Yiu Kwan Tat and Mr. Choi Wai Kei are directors of certain subsidiaries of the Company. Hence, the Purchasers are connected persons of the Company at the subsidiary level and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios (as defined under Listing Rules) in respect of the Disposal is less than 25% and the Consideration is less than HK\$10,000,000, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)” has the meaning ascribed to it under the Listing Rules

“Board” the board of Directors

“business day(s)”	any day(s) except Saturday, Sunday or public holiday on which banks are open in Hong Kong to the general public for business
“Company”	Milan Station Holdings Limited (米蘭站控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal pursuant to the terms and conditions of the S&P Agreement
“Completion Date”	the date of Completion, which shall take place on the first business day following the date on which the last of the conditions precedent having been fulfilled or otherwise waived or such other date as the parties may agree in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$3,500,000 payable by the Purchasers to the Vendor for the Sale Shares and the Sale Loan under the S&P Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan as contemplated under the S&P Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of China
“Independent Third Party(ies)”	individual(s) or company(ies) who or which as far as the Directors are aware after having made all reasonable enquiries is/are not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Long Stop Date”	31 October 2022
“Purchasers”	Mr. Yiu Kwan Tat and Mr. Choi Wai Kei

“S&P Agreement”	the conditional sale and purchase agreement dated 11 October 2022 entered into between the Purchasers and the Vendor in relation to the Disposal
“Sale Loan”	the shareholder’s loan owed by the Target Group to the Group at Completion
“Sale Shares”	the shares of the Target Company held by the Vendor, representing 51% of the issued share capital of the Target Company at Completion
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	WLS Limited, a company incorporated in Hong Kong with limited liability and is owned as to 51% by the Vendor as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Milan Station (Mansion) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 11 October 2022

As at the date of this announcement, the Board comprises Mr. HU Bo, Mr. LI Zhongqi and Ms. LIN Mei Sze as executive Directors; Mr. CHAN Chi Hung, Mr. TOU Kin Chuen and Mr. CHOI Kam Yan, Simon as Independent non-executive Directors.