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## **MILAN STATION HOLDINGS LIMITED**

**米蘭站控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1150)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the year ended 31 December 2022 was approximately HK\$233.3 million, representing a decrease of 4.8% from approximately HK\$245.0 million for the year ended 31 December 2021.
- Gross profit for the year ended 31 December 2022 was approximately HK\$54.8 million, representing a decrease of 22.7% from approximately HK\$70.9 million for the year ended 31 December 2021.
- Selling expenses for the year ended 31 December 2022 were approximately HK\$48.1 million, representing a decrease of 5.9% of approximately HK\$51.1 million for the year ended 31 December 2021.
- Loss attributable to the owners of the Company for the year ended 31 December 2022 turned around from profit of approximately HK\$20.5 million for the year ended 31 December 2021 to approximately HK\$45.9 million.
- The Board has resolved not to declare a final dividend for the year ended 31 December 2022.

## ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Milan Station Holdings Limited (the “Company”) presents the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022 together with the comparative figures for the preceding financial year as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>REVENUE</b>	<i>6</i>	<b>233,280</b>	245,018
Cost of sales		<u>(178,506)</u>	<u>(174,095)</u>
Gross profit		<b>54,774</b>	70,923
Provision for allowance for expected credit losses (“ECLs”)		<b>(8,920)</b>	(93)
Other income	<i>7</i>	<b>4,497</b>	3,214
Other (losses)/gains, net	<i>8</i>	<b>(16,501)</b>	20,259
Selling expenses		<b>(48,072)</b>	(51,139)
Administrative and other operating expenses		<b>(29,657)</b>	(19,867)
Finance costs	<i>9</i>	<u>(968)</u>	<u>(1,002)</u>
<b>(LOSS)/PROFIT BEFORE TAX</b>	<i>10</i>	<b>(44,847)</b>	22,295
Income tax expense	<i>11</i>	<u>(321)</u>	<u>(140)</u>
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<u><b>(45,168)</b></u>	<u>22,155</u>

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX:</b>			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		<u>7</u>	<u>(6)</u>
Other comprehensive income/(loss) for the year		<u>7</u>	<u>(6)</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<b><u>(45,161)</u></b>	<b>22,149</b>
(Loss)/profit for the year attributable to:			
Owners of the Company		<b>(45,855)</b>	20,530
Non-controlling interests		<u>687</u>	<u>1,625</u>
		<b><u>(45,168)</u></b>	<b><u>22,155</u></b>
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		<b>(45,848)</b>	20,524
Non-controlling interests		<u>687</u>	<u>1,625</u>
		<b><u>(45,161)</u></b>	<b><u>22,149</u></b>
<b>(LOSS)/EARNINGS PER SHARE</b>			
– Basic and Diluted (HK cent)	<i>13</i>	<b><u>(6.07)</u></b>	<b><u>2.88</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***31 December 2022*

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>4,983</b>	9,905
Intangible assets		–	–
Right-of-use assets		<b>15,233</b>	17,655
Deposits		<b>3,081</b>	2,563
		<hr/> <b>23,297</b>	<hr/> 30,123
<b>CURRENT ASSETS</b>			
Inventories		<b>44,497</b>	49,758
Trade receivables	<i>14</i>	<b>5,732</b>	4,782
Prepayments, deposits and other receivables		<b>15,655</b>	10,395
Loan receivables	<i>15</i>	<b>12,749</b>	13,076
Financial assets at fair value through profit or loss		<b>20,059</b>	36,162
Tax recoverable		<b>114</b>	96
Cash and cash equivalents		<b>18,479</b>	28,552
		<hr/> <b>117,285</b>	<hr/> 142,821
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>16</i>	<b>10,887</b>	16,674
Contract liabilities		<b>301</b>	2,299
Lease liabilities		<b>8,673</b>	12,268
Tax liabilities		<b>479</b>	541
		<hr/> <b>20,340</b>	<hr/> 31,782
<b>NET CURRENT ASSETS</b>		<hr/> <b>96,945</b>	<hr/> 111,039
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>120,242</b>	<hr/> 141,162

	<i>Notes</i>	<b>2022</b> <b><i>HK\$'000</i></b>	2021 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>7,272</b>	6,207
Provisions		<b>252</b>	252
		<u><b>7,524</b></u>	<u>6,459</u>
<b>NET ASSETS</b>		<u><b>112,718</b></u>	<u>134,703</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>35,231</b>	28,477
Reserves		<b>77,487</b>	105,349
		<u><b>112,718</b></u>	<u>133,826</u>
Equity attributable to owners of the Company		<b>112,718</b>	133,826
Non-controlling interests		<u><b>–</b></u>	<u>877</u>
<b>TOTAL EQUITY</b>		<u><b>112,718</b></u>	<u>134,703</u>

Notes:

## 1. GENERAL 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 Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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, natural aroma, skincare products and accessories.

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

## 3. APPLICATION OF NEW AND REVISED HKFRSs

### **New and revised to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project to HKFRS Standards 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41
Revised to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

## New and revised HKFRSs in issue but not yet effective

The Group has not applied any new amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. These new amendments to standards and interpretation include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 17 - Insurance contracts	1 January 2023
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These 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.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

## **Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the noncontrolling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.



## 5. 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, natural aroma, skincare products and accessories. 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.

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>Macau</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Year ended 31 December 2022</b>			
Revenue from external customers	<u>233,280</u>	<u>–</u>	<u>233,280</u>
Non-current assets	<u>23,297</u>	<u>–</u>	<u>23,297</u>
Addition to non-current assets (including right-of-use assets)	<u>21,238</u>	<u>–</u>	<u>21,238</u>
<b>Year ended 31 December 2021</b>			
Revenue from external customers	<u>242,900</u>	<u>2,118</u>	<u>245,018</u>
Non-current assets	<u>30,123</u>	<u>–</u>	<u>30,123</u>
Addition to non-current assets (including right-of-use assets)	<u>21,879</u>	<u>–</u>	<u>21,879</u>

### Information about major customers

No customer of the Group has individually contributed 10% or more of the Group's total revenue during the years ended 31 December 2022 and 2021 and no information about major customers is presented accordingly.

### Information about major products

	<b>2022</b> <i>HK\$'000</i>	<b>2021</b> <i>HK\$'000</i>
Handbags	<b>187,740</b>	200,601
Natural aroma, skincare products and accessories	<u>45,540</u>	<u>44,417</u>
	<u><b>233,280</b></u>	<u>245,018</u>

## 6. REVENUE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15:</b>		
Disaggregation of revenue from contracts with customers recognise at a point in time by major products for the year as follow:		
Sales of handbags	187,740	200,601
Sales of natural aroma, skincare products and accessories	45,540	44,417
	<u>233,280</u>	<u>245,018</u>
Geographical market:		
Hong Kong	233,280	242,900
Macau	–	2,118
	<u>233,280</u>	<u>245,018</u>

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

## 7. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	11	11
Interest income on loan receivables	200	190
Imputed interest – unearned finance income from rental lease liabilities	888	933
Covid-19-related rent concessions	115	373
Government grants ( <i>Note (i)</i> )	1,826	100
Consultancy fee income	432	420
Others ( <i>Note (ii)</i> )	1,025	1,187
	<u>4,497</u>	<u>3,214</u>

### Notes:

- (i) During the year ended 31 December 2022, the Group recognised government grants of HK\$1,826,000 (2021: HK\$100,000) in respect of Covid-19-related subsidies, of which HK\$1,376,000 (2021: HK\$100,000) and HK\$450,000 (2021: HK\$Nil) relates to Employee Support Scheme and Retail Sector Subsidy Scheme provided by the Hong Kong government respectively. At the end of reporting period, there is no unfulfilled conditions nor other contingencies attached to the government grants remain unsatisfied.
- (ii) Others income represent (i) benchmark income; (ii) management fee income and (iii) others.

## 8. OTHER (LOSSES)/GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fair value (loss)/gain on financial assets at fair value through profit or loss	(22,082)	14,161
Gain on disposal of financial assets at fair value through profit or loss	599	3,180
Gain on termination of right-of-use assets	–	18
(Loss)/gain on disposals of property, plant and equipment	(3)	2,900
Gain on disposal of subsidiaries	4,264	–
Exchange differences, net	721	–
	<u>(16,501)</u>	<u>20,259</u>

## 9. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expenses on bank overdrafts	–	4
Interest expenses on lease liabilities	968	998
	<u>968</u>	<u>1,002</u>

## 10. (LOSS)/PROFIT BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	178,506	174,095
Depreciation		
– property, plant and equipment	3,939	2,988
– right-of-use assets	15,050	16,193
	18,989	19,181
Expenses relating to short term lease	293	168
Provision for allowance for ECLs	8,920	93
Equity-settled share-based payments		
Directors	1,818	–
Employee	4,238	–
	6,056	–
Auditor's remuneration		
– Audit services	620	620
– Non-audit services	–	220
	620	840
Employee benefit expenses (excluding directors' emoluments)		
Salaries, wages and other benefits	21,499	24,746
Pension scheme contributions	793	873
Equity-settled share-based payments	4,238	–
	26,530	25,619

## 11. INCOME TAX EXPENSE

Under the two-tiered Hong Kong Profits Tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations, being one of the Group subsidiaries, 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% (2021: 16.5%).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Provision for the year	321	–
Under-provision in respect of prior years:		
Hong Kong Profits Tax	–	140
Total tax expense for the year	321	140

## 12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022 (2021: Nil), nor has any dividend been proposed since the end of the reporting period.

## 13. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share amount is based on the loss (2021: profit) for the year attributable to owners of the Company of HK\$45,855,000 (2021: HK\$20,530,000) and the weighted average of 755,327,583 (2021: 711,928,875) ordinary shares in issue during the year.

During the years ended 31 December 2022 and 2021, no adjustment has been made to the basic (loss)/earnings per share amounts presented in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic (loss)/earnings per share amounts presented.

## 14. TRADE RECEIVABLES

The Group's trading terms with its customers related to sales of handbags business 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	8,720	4,782
Less: Allowance for ECLs	<u>(2,988)</u>	<u>–</u>
	<u>5,732</u>	<u>4,782</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	2,919	4,494
1 to 2 months	32	119
2 to 3 months	255	30
4 to 6 months	66	139
7 to 12 months	<u>2,460</u>	<u>–</u>
	<u>5,732</u>	<u>4,782</u>

Customers are generally granted with credit term of 0-90 days during the years ended 31 December 2022 and 2021.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and measures the lifetime ECL on shared credit risk characteristics.

Most of the trade receivables are not past due or due within 30 days with a minimal expected loss rate, and have no material impact to the consolidated financial statements, no provision of ECLs on trade receivables was recognised as at 31 December 2021.

The carrying amounts of the Group's trade receivables in denominated in Hong Kong dollars.

## 15. LOAN RECEIVABLES

The Group's loan receivables, which arise from the money lending business in Hong Kong, are unsecured, interest-bearing at rate 8% (2021: 8%) per annum. The loan receivables are short-term loans and repayable by 1 year (2021: 1 year).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loan receivables	18,279	13,322
Less: Allowance for ECLs	<u>(5,530)</u>	<u>(246)</u>
6 months to 1 year	<u><u>12,749</u></u>	<u><u>13,076</u></u>

Loan receivables are denominated in Hong Kong dollars.

The Group's loan receivable bear interests at fixed interest rates and therefore are subject to fair value interest rate risk.

## 16. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	468	1,421
Accrued liabilities	7,153	8,696
Other payables	766	835
Amount due to non-controlling interests	–	3,222
Deposits received	<u>2,500</u>	<u>2,500</u>
	<u><u>10,887</u></u>	<u><u>16,674</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	<u><u>468</u></u>	<u><u>1,421</u></u>

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

Trade and other payables are denominated in Hong Kong dollars.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Market Overview**

The first quarter of 2022 remained a particularly challenging time for the Hong Kong economy, especially to the retail industry since the new wave of COVID-19 outbreak. Fortunately, the cancellation of the restriction of cross-border mobility and social distance released in 2023 which may cause the tourism market is likely to recover in the near future.

Although inbound tourism activities remained severely hindered amid widespread travel restrictions in 2022, local labour market saw some improvement lately. The seasonally adjusted unemployment rate fell to 3.5% in October to December 2022. Private consumption expenditure posted faster year-on-year growth alongside the receding local epidemic and improving labour market situation. The Census and Statistics Department has published Report on Monthly Survey of Retail Sales, which shows that the value of total retail sales in June 2022, provisionally estimated at HK\$33.6 billion, increased by 1.2% compared with the same month in 2021.

The global economy has continued to recover, thanks to the rollout of mass vaccinations and strong fiscal and monetary support in many major economies. Nevertheless, corporations may have to be more careful in their business plans in the face of various headwinds such as the uncertainty of the development and effect of China-US relations, geopolitical tensions and the evolving monetary policy stance of major central banks also warrant attention.

### **BUSINESS REVIEW**

During the year, the Group's total revenue decreased by approximately 4.8% to approximately HK\$233.3 million. The revenue generated in the market of Hong Kong only of the Group's revenue. The Group's gross profit at approximately HK\$54.8 million, which was decreased by 22.7% as compared to last year. The net loss for the year changed from profit of approximately HK\$22.2 million to net loss of approximately HK\$45.2 million mainly due to the increase in fair value loss on financial assets through profit or loss of approximately by HK\$22.1 million, share based payment expenses of approximately HK\$6.1 million and the provision for allowance for expected credit losses of approximately HK\$8.9 million respectively.

## Hong Kong

During the year, sales of the Group in Hong Kong decreased by 4.8% to approximately HK\$233.3 million. The revenue came from the 5 “Milan Station” 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 2022, the Group held the listed securities in Hong Kong with the fair value of HK\$20.1 million under financial assets at fair value through profit or loss. The Group recognised a fair value loss on financial assets through profit or loss of approximately HK\$22.1 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

During the year, no revenue was generated in Macau.

## Significant Investments

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

Company	Stock code	Fair value		Fair value		Percentage of shareholding (approximately)	Approximate percentage to the total assets
		As at 1 January 2022	Gain on disposal	Fair value loss	As at 31 December 2022		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000		
China e-Wallet Payment Group Limited	802	4,280	–	(3,213)	1,094	1.3%	0.8%
Tai Kam Holdings Limited	8321	11,580	–	(9,513)	2,067	3.6%	1.5%
Others		20,302	599	(9,356)	16,898		
		<u>36,162</u>	<u>599</u>	<u>(22,082)</u>	<u>20,059</u>		

For the years ended 31 December 2022 and 2021, the Group has no impairment loss was recognised on others financial assets at fair value through profit or loss.



At 31 December 2022, the Group held (i) approximately 8.1 million shares (approximately 1.34%) of China e-Wallet Payment Group Limited, (ii) approximately 8.9 million shares (approximately 3.62%) of Tai Kam Holdings Limited. Both companies were listed on the Hong Kong Stock Exchange. China e-Wallet Payment Group Limited is principally engaged in provision of internet and mobile application, developing interactive virtual reality technologies, and distribution of computer-related and mobile-related electronic products and accessories. Tai Kam Holdings Limited is principally engaged in construction business mainly site formation works and renovation works in Hong Kong. The investment cost of China e-Wallet Payment Group Limited and Tai Kam Holdings Limited is HK\$10 million and HK\$6.4 million respectively. The Group adopted a passive investment strategy for the investments and maintain a diversified investment portfolio to mitigate risks.

## **Outlook**

The global economy gathered steam entering 2022 thanks to strong fiscal and monetary support worldwide and the rollout of mass vaccination programs.

Domestically, the government launched consumption voucher scheme, applicants are able to receive electronic consumption vouchers which encourage the public to spend in local retail, consumption-related sectors, hence stimulating local consumer sentiment. The improved local business sentiment, coupled with the support from various government relief measures, should help domestic demand to improve in the period ahead and accelerating local economic recovery.

Looking ahead, local consumption may rebound further on the back of declining unemployment rate, high vaccination rate and the cancellation of the restriction of cross-border mobility and social distance as well as the launch of the e-consumption vouchers. However, various uncertainty such as China-US relations, geopolitical tensions and the evolving policy stance of major central banks has cast uncertainty over the global economic outlook. The management therefore should continue to catch up any opportunities arose in this market and continued to strengthened our resources in order to maintain the leading position in the luxury handbags and accessories trading industry. Simultaneously, the management will also impose more prudent business policy to operate with great caution and lead the Group through unprecedented challenges.

## **FINANCIAL REVIEW**

### **Revenue**

During the year, total revenue decreased to approximately HK\$233.3 million, representing a decrease of 4.8% as compared to approximately HK\$245 million recorded in last year. Handbags were the most important product category for the Group, representing over 80.5% of the total revenue of the Group. The revenue generated from the sales of unused products decreased to approximately HK\$181.7 million recorded in last year, representing 77.9% of the total revenue of the Group.

Since most of the retail shops under the brand name of “Milan Station” are located in Hong Kong, the source of revenue also concentrates in the Hong Kong market. For the year ended 31 December 2022, the revenue generated from the Hong Kong market was approximately HK\$233.3 million, representing 100% of the total revenue of the Group. No revenue was generated from the Mainland China and Macau markets during the year. Revenue generated from the Macau market decreased from approximately HK\$2.1 million during the last year to HK\$Nil during the year ended 31 December 2022.

The table below sets out the breakdown of the Group's revenue recorded for the years ended 31 December 2022 and 2021 by product categories, by price range of products and by geographical locations and their respective percentages to the total revenue of the Group:

	For the year ended 31 December				Percentage change in revenue %
	2022		2021		
	<i>HK\$ million</i>	Percentage of total revenue %	<i>HK\$ million</i>	Percentage of total revenue %	
<b>By product categories</b>					
<b>(handbags and other products)</b>					
Handbags	187.7	80.5	200.6	81.9	(6.4)
Other products*	45.6	19.5	44.4	18.1	2.7
Total	<u>233.3</u>	<u>100</u>	<u>245.0</u>	<u>100</u>	(4.8)
<b>By product categories (unused and second-hand products)</b>					
Unused products	181.7	77.9	192.4	78.5	(5.6)
Second-hand products	51.6	22.1	52.6	21.5	(1.9)
Total	<u>233.3</u>	<u>100</u>	<u>245.0</u>	<u>100</u>	(4.8)
<b>By price range of products</b>					
Within HK\$10,000	57.8	24.8	64.5	26.3	(10.4)
HK\$10,001 – HK\$30,000	37.9	16.3	44.2	18.0	(14.3)
HK\$30,001 – HK\$50,000	34.8	14.9	33.0	13.5	5.5
Above HK\$50,000	102.8	44.0	103.3	42.2	(0.5)
Total	<u>233.3</u>	<u>100</u>	<u>245.0</u>	<u>100</u>	(4.8)
<b>By geographical locations</b>					
Hong Kong	233.3	100	242.9	99.1	(4.0)
Macau	–	–	2.1	0.9	(100)
Total	<u>233.3</u>	<u>100</u>	<u>245.0</u>	<u>100</u>	(4.8)

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

## Cost of sales

For the year ended 31 December 2022, cost of sales for the Group was approximately HK\$178.5 million, increased by 2.5% 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 from HK\$70.9 million to approximately HK\$54.8 million, with its gross profit margin decreased slightly from 28.9% to 23.5%.

## Inventories

The Group's total inventories as at 31 December 2022 and 2021 were HK\$44.5 million and HK\$49.8 million respectively. Inventory turnover days of the Group changed to 96 days for the year ended 31 December 2022 (2021: 91 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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Aging of inventories (handbags products)</b>		
0 to 90 days	9,394	16,039
91 to 180 days	6,215	7,989
181 days to 1 year	9,724	9,095
Over 1 year	18,419	13,807
Total	<u>43,752</u>	<u>46,930</u>

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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Aging of inventories (other products)</b>		
0 to 45 days	125	1,144
46 to 90 days	104	774
91 days to 1 year	228	572
Over 1 year	288	338
Total	<u>745</u>	<u>2,828</u>

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:

	<b>31 December</b>	
	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Aging of inventories (handbags products over HK\$50,000)</b>		
0 to 90 days	<b>5,539</b>	10,678
91 to 180 days	<b>3,511</b>	5,276
181 days to 1 year	<b>7,448</b>	5,767
Over 1 year	<b>9,555</b>	4,687
	<hr/>	<hr/>
Total	<b>26,053</b>	26,408
	<hr/> <hr/>	<hr/> <hr/>

### **Other income**

During the year ended 31 December 2022, other income amounted to approximately HK\$4.5 million, increased by HK\$1.3 million as compared to other income amounted to approximately HK\$3.2 million in last year. It was mainly attributable to the increase in government grant of approximately HK\$1.8 million.

### **Other (losses)/gains, net**

During the year ended 31 December 2022, other losses amounted to approximately HK\$16.5 million, as compared to other gain amounted to approximately HK\$20.3 million in last year. It was mainly attributable to the increase in fair value on financial assets at fair value through profit or loss.

### **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 2022, selling expenses of the Group were approximately HK\$48.1 million, representing 20.6% of the Group's revenue (2021: approximately HK\$51.1 million, representing 20.9% of the Group's revenue). Selling expenses decreased mainly due to the decreased in credit card charges, salaries and marketing expenses.

### **Administrative and other operating expenses**

Administrative and other operating expenses of the Group for the year ended 31 December 2022 amounted to approximately HK\$29.7 million, increased by approximately HK\$9.8 million as compared to last year on a year-on-year basis, representing approximately 12.7% 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 increase in administrative and other operating expenses was mainly due to the increase share-based payment expenses.

## **Finance costs**

Finance costs of the Group mainly consisted of interest expenses on lease liabilities. Finance costs amounted to approximately HK\$0.9 million in 2022, decreased by HK\$0.1 million as compared to last year.

## **Loss attributable to the owners of the Company**

Loss attributable to the owners of the Company for the year ended 31 December 2022 turned around from profit of approximately HK\$20.5 million for the year ended 31 December 2021 to approximately HK\$45.9 million. Loss per share attributable to the owners of the Company was approximately HK60.7 cents for the year ended 31 December 2022, as compared to earnings per share attributable to the owners of the Company of approximately HK28.8 cents for the year ended 31 December 2021.

## **Employees and remuneration policy**

As at 31 December 2022, the Group had a total of 63 employees (2021: 69 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 2022 and 31 December 2021, the Group did not have any bank borrowing.

As at 31 December 2022, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK\$18.5 million, HK\$27.9 million and HK\$112.7 million respectively (2021: approximately HK\$28.6 million, HK\$38.2 million and HK\$133.8 million respectively). The Group's gearing ratio, current ratio and quick ratio as at 31 December 2022 were approximately 14.1%, 5.8 and 3.6 respectively (2021: 13.7%, 4.5 and 2.9 respectively).

## **Pledge of assets**

As at 31 December 2022 and 31 December 2021, the Group had no assets and bank deposits which were pledged to banks to secure the bank borrowing or 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 2022, 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 2022 and 31 December 2021.

## **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 2022 (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 2022.

## **AUDIT COMMITTEE**

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Tou Kin Chuen (chairman), Mr. Chan Chi Hung and Mr. Choi Kam Yan, Simon. The Audit Committee has reviewed with the management of the Company the financial statements of the Group for the year ended 31 December 2022 and discussed with the management of the Company on auditing, risk management, internal control and financial reporting matters.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## MATERIAL ACQUISITION OR DISPOSAL

On 11 October 2022, Milan Station (Mansion) Limited (the "Vendor"), an indirect wholly-owned of the Group subsidiary of the Company, and the Mr. Yiu Kwan Tat and Mr. Choi Wai Kei (the "Purchasers") who are directors of certain subsidiaries, who are directors of certain subsidiaries of the Company, entered into the conditional sales and purchase agreement ("S&P Agreement") pursuant to which the Vendor conditionally agreed to sell, and the Purchasers conditionally agreed to purchase, (i) entire equity interest, being 51% of issued share capital of the WLS Limited (the "Target"); and (ii) the Sale Loan defined as the shareholder's loan owned by the Target and its subsidiary to the Group; at the consideration of HK\$3,500,000, subject to the terms and conditions of the S&P Agreement. The Target was principally engaged in retailing of spa and wellness products and was operating a total of eleven retail stores and pop-up stores with the brand name of "THANN" in Hong Kong. The Disposal was completed on 27 October 2022.

## USE OF NET PROCEEDS

- (i) As at 31 December 2022, the net proceeds of initial public offering ("IPO") had been utilised as follows:

	Planned use of proceeds <i>HK\$ million</i>	Actual use of proceeds up to 31 December 2022 <i>HK\$ million</i>	Use of proceed not yet utilized <i>HK\$ million</i>
Expansion of retail network in the PRC market	113.5	111.2	2.3
Decorating new retail shops, relocating and redecorating several existing shops in Hong Kong, Mainland China and Macau	12.0	12.0	–
Marketing and promotion of the Group	17.0	17.0	–
Design and development of private label "MS" brand products	4.0	4.0	–
Exploration of online sales channel	2.4	2.4	–
Staff training and development	2.8	2.8	–
Upgrading of the Group's information technology system	3.2	3.2	–
General working capital	10.3	10.3	–
Acquisition of the property for own use	37.5	37.5	–
	<u>202.7</u>	<u>200.4</u>	<u>2.3</u>

The use of proceeds from the IPO are proposed to be used as intended and the unutilized proceeds are expected to be used in next 12 months.

- (ii) As at 31 December 2022, the net proceeds from the Placing under general mandate were applied as follow:

	<b>Planned use of proceeds</b> <i>HK\$ million</i>	<b>Actual use of proceeds up to 31 December 2022</b> <i>HK\$ million</i>	<b>Use of proceed not yet utilized</b> <i>HK\$ million</i>
Payment of salaries of the Group's employees	6.5	4.5	2.0
Payment of rental expenses	10.0	4.5	5.5
	<u>16.5</u>	<u>9.0</u>	<u>7.5</u>

The use of proceeds from the Placing are proposed to be used as intended and the unutilized proceeds are expected to be used in next 6 months.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the year ended 31 December 2022, the Company complied with all applicable code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules except for the following deviations.

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

## **SCOPE OF WORK OF MCMILLAN WOODS (HONG KONG) CPA LIMITED**

The figures in respect of the consolidated statement of financial position as at 31 December 2022 and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 of the Group as set out in the announcement have been agreed by the Group's auditor, McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by McMillan Woods in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by McMillan Woods on the announcement.



## **REVIEW OF FINANCIAL STATEMENTS**

The preliminary results announcements and consolidated financial statements of the Group for the year ended 31 December 2022 and the accounting policies and practices adopted by the Group during the year under review and matters of auditing, internal controls and financial reporting have been discussed with the management and reviewed by the Audit Committee.

## **DIVIDENDS**

The Board has resolved not to declare a final dividend for the year ended 31 December 2022 (2021: Nil).

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the website of the Company at [www.milanstation.com.hk](http://www.milanstation.com.hk). The 2022 annual report containing all information required by the Listing Rules will be published on the above websites and dispatched to the shareholders of the Company by the end of April 2023.

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

Hong Kong, 28 March 2023

*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*