米蘭站控股有限公司

MILAN STATION HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

STOCK CODE : 1150

2022

ANNUAL REPORT

年報

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Bo
Mr. Li Zhongqi
Ms. Lin Mei Sze

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

McMillan Woods (Hong Kong) CPA Limited
24/F., Siu On Centre
188 Lockhart Road
Wanchai
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 2022	2021
Profitability ratio			
Gross profit margin *(%)*	1	**23.5%**	28.9%
Net (loss)/gain margin *(%)*	2	**(19.4)%**	9.0%
Return on assets *(%)*	3	**(32.1)%**	12.8%
Return on equity *(%)*	4	**(40.1)%**	16.4%
Liquidity ratio			
Current ratio	5	**5.8**	4.5
Quick ratio	6	**3.6**	2.9
Gearing ratio *(%)*	7	**14.1%**	13.7%
Inventory turnover days	8	**96**	91

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)/gain margin is calculated based on the (loss)/gain for the year divided by revenue and multiplied by 100%.

3. Return on assets is calculated based on the (loss)/gain 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)/gain 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,

In the early of 2022 was a particularly challenging time for the Hong Kong economy, especially to the retail industry since the new wave of COVID-19 outbroke which had a negative impact on consumer confidence and spending. The retail market was particularly hard-hit, with many stores closing and foot traffic declining. The restriction of cross-border mobility and social distance caused a significant impact on the retail market.

The inbound tourism remained frozen in 2022, the Group depended heavily on the local consumption as its core support. During the year, the Group implemented several marketing strategies in order to fasten the sales of slow moving inventories and increasing the brand awareness.

In view of the 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 2023, the major focus will be the results of the mass vaccination campaigns around the world, the cancellation of the restriction of cross-border mobility and China-US relations. The outlook for the retail market in Hong Kong is uncertain but the retail market is showing signs of recovery and improvement. The government's support measures and initiatives are expected to further boost the market. Additionally, the tourism industry is gradually recovering which is expected to drive growth in the retail sector.

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.

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 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 concession 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.

Director's Statement

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 2023, 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, 28 March 2023

Management Discussion and Analysis

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 outbroke. 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 revenues generated in the markets 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 and "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 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 As at 1 January 2022	Gain on disposal	Fair value loss	Fair value As at 31 December 2022	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	4,280	–	(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		
		36,162	599	(22,082)	20,059		

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.

Management Discussion and Analysis

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 approximately 100% 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$2.1 million during the last year to approximately HK$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				
	2022		2021		
		Percentage of total revenue		Percentage of total revenue	Percentage change in revenue
	HK$ million	%	HK$ million	%	%
By product categories (handbags and other products)					
Handbags	187.7	80.5	200.6	81.9	(6.4)
Other products*	45.6	19.5	44.4	18.1	2.7
Total	233.3	100	245.0	100	(4.8)
By product categories (unused and second-hand products)					
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	233.3	100	245.0	100	(4.8)
By price range of products					
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	233.3	100	245.0	100	(4.8)
By geographical locations					
Hong Kong	233.3	100	242.9	99.1	(4.0)
Macau	–	–	2.1	0.9	(100)
Total	233.3	100	245.0	100	(4.8)

* Other products include natural aroma and 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 by 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
	HK$'000	HK$'000
Aging of inventories (handbags products)		
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	**43,752**	46,930

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
	HK$'000	HK$'000
Aging of inventories (other products)		
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	**745**	2,828

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

Other income and gains

During the year ended 31 December 2022, other income and gains amounted to approximately HK$4.5 million, increased by HK$1.3 million as compared to other income and gains 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 respectively.

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 loss 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 decrease 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 bank borrowings and 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 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 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.

EXECUTIVE DIRECTORS

Mr. Hu Bo, aged 46, 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 33, 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）.

Ms. Lin Mei Sze, aged 37, was appointed as an Executive Director and Chairman on 13 July 2021. She had over 17 years of experience in the areas of retail and online marketing of fashionable and luxury products. She was familiar with retail business, personnel management and had rich experience in operations and marketing development. She also had extensive experience in financial investments. Prior joining to the Group, she was the senior management of a sizable financial firm who responsible for decision making on the operations including but not limited to financial, compliance control, risk management, business development and monitoring the performance of the management to ensure the proper planning, authorization and implementation of business operations.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Hung, aged 49, 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 46, 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 38, was appointed as an independent non-executive Director on 1 February 2018. He is currently an executive director of WWPKG Holdings Company Limited which the shares are listed on the Main Board of the Stock Exchange. Before WWPKG Holdings Limited, he worked with Supreme China Securities Limited as the marketing manager which was responsible for the managerial works and monitoring the overall business. 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 52, 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 49, is the General Manager of the Group. He joined the Group in 2013 and has over eighteen 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 2022 (the "Reporting Year"), the Company had complied with all applicable code provisions under the CG Code save as disclosed below.

CULTURES AND VALUES

A healthy corporate culture across the Group is integral to attain its vision and strategy. It is the Board's role to foster a corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

1. Integrity and code of conduct

The Group strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group's employee handbook (including therein the Group's code of conduct), the anti-corruption policy and the whistleblowing policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

2. Commitment

The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is one where people have a feeling of commitment and emotional engagement with the Group's mission. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in the business development and management are to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

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.

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 six members, including three Executive Directors and three Independent Non-executive Directors. The Board currently has one female Director which achieved the gender diversity in Board level. 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.

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	10/11
	Li Zhongqi	10/11
	Lin Mei Sze	10/11
Independent Non-executive Directors	Chan Chi Hung	11/11
	Tou Kin Chuen	11/11
	Choi Kam Yan, Simon	11/11

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 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors play a significant role in the Board as they bring an impartial view on the Group's strategies, performance and control, as well as ensure that the interests of all shareholders are considered. All Independent Non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the Independent Non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

In order to ensure that independent views and input of the Independent Non-executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assess the Directors' independence annually with regards to all relevant factors related to the Independent Non-executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as Independent Non-executive Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the Chairman meets with the Independent Non-executive Directors regularly without the presence of the executive Directors.

The Company has received from each Independent Non-executive director an annual confirmation of his independence, and the Company considers them to be independent in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

The attendance of the Directors at the Annual General Meeting ("AGM") held on 30 June 2022, are as follows:

	Directors	AGM
Executive Directors	Hu Bo	0/1
	Li Zhongqi	0/1
	Lin Mei Sze	0/1
Independent Non-executive Directors	Chan Chi Hung	1/1
	Tou Kin Chuen	1/1
	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 2022 is as follow:

	Directors	Course/seminar provided/ accredited by professional body	Reading materials
Executive Directors	Hu Bo	–	✓
	Li Zhongqi	–	✓
	Lin Mei Sze	–	✓
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 three 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)*	3/3
	Chan Chi Hung	3/3
Executive Director	Hu Bo	3/3

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 2022 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	4
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 2022 are set out in Note 12 to the consolidated 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 two 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;

(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; and

(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	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 2022 and the audited financial statements for the year ended 31 December 2021 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 2022 and the audited financial statements of the Group for the year ended 31 December 2021;

(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$620,000 for auditing services by the Company's auditors, McMillan Woods (Hong Kong) CPA Limited.

Services rendered	Fees/paid payable
	HK$'000
Audit services – annual audit	620
Non-audit services:	
Taxation services	–
	620

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 2022 and for the year ended 31 December 2022, 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 auditor, McMillan Woods (Hong Kong) CPA Limited, are stated in the "Independent Auditor's Report" on pages 55 to 58 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 2022, 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 whistle-blowing policy is reviewed annually by the Audit Committee to ensure its effectiveness.

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.

The Group has an anti-corruption policy (the "Anti-corruption Policy") as the Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting business. The Anti-corruption Policy sets out the specific behavioural guidelines that the Group's personnel and business partners must follow to combat corruption. It demonstrates the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group's practices, the Anti-corruption Policy has been prepared as a guide to all Group employees and third parties dealing with the Group. The Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

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 2022.

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.

The Company continues to promote investor relations and enhance communication with the existing shareholders and potential investors. The Company welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During the year, there was no change to the Company's memorandum and articles of association.

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 2022.

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 20 to the consolidated 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 2022 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 profit for the year ended 31 December 2022 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 59 to 129 of this annual report.

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

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	**Actual use of proceeds up to 31 December 2022**	**Use of proceed not yet utilized**
	HK$ million	HK$ million	HK$ million
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	–
	202.7	200.4	2.3

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:

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

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

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 consolidated financial statements and restated/reclassified as appropriate, is set out on page 130 of this annual report. This summary does not form part of the audited consolidated 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 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in Company's issued share capital during the year are set out in Note 32 to the consolidated financial statements.

Details of movements in the Company's share options during the year are set out in Note 33 to the consolidated financial statements and pages 33 to 34 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 2022, 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 2022 are set out in Note 40 to the consolidated financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2022, the Company's reserves available for distribution to owners of the Company comprising share premium account amounted to approximately HK$Nil (2021: HK$3,551,000).

DONATIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2022, 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
Ms. Lin Mei Sze

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	Mr. Hu Bo
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 2022, which may be terminated by not less than 1 month's notice in writing served by either party on the other.

Ms. Lin Mei Sze, an Executive Director and Chairman, has entered into a letter of appointment and is appointed for an initial term of 1 year commencing on 13 July 2022, 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 2022.

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 2022, 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 35 to the consolidated 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 2022.

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 2022.

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 2022, 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

Name of participants	Number of share held	Number of share options Personal Interest	Family Interest	Total	Approximate percentage of total number of issued shares
Executive Directors					
Mr. Hu Bo	2,210,000	7,119,200	–	9,329,200	1.27%
Mr. Li Zhongqi	2,210,000	7,119,200	–	9,329,200	1.27%
Ms. Lin Mei Sze	–	7,119,200	–	7,119,200	0.97%

Save as disclosed above, as at 31 December 2022, 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 OPTIONS

The Company operates a share option scheme adopted by the Company on 30 June 2021 (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 30 June 2021 to make an offer for the grant of a share option.

During the year ended 31 December 2022, 71,192,000 share options were granted by the Company under the scheme, 22,152,068 share options were lapsed and 22,060,000 share option were exercised. The outstanding number of the shares available for issue under the Scheme is 71,192,000, representing approximately 8.1% of the issued share capital of the Company as at 28 March 2022 (i.e. 880,786,650 shares).

The movements in share options granted under the Scheme during the year ended 31 December 2022 are shown below:

Name or category of participants	Number of share options At 1 January 2022	Granted during the year	Exercised during the year *(Note)*	Expired during the year	Reclassified during the year	Lapsed during the year	At 31 December 2022	Date of share options granted	Validity period of share options	Exercise price of share options HK$ per share
Director										
Hu Bo	2,175,400	–	–	–	–	(2,175,400)	–	12-4-19	12-4-19 to 11-4-22	0.434
	2,212,382	–	(2,210,000)	–	–	(2,382)	–	17-4-20	17-4-20 to 16-4-22	0.101
	–	7,119,200	–	–	–	–	7,119,200	27-4-22	27-4-22 to 26-4-24	0.183
Li Zhongqi	2,212,382	–	(2,210,000)	–	–	(2,382)	–	17-4-20	17-4-20 to 16-4-22	0.101
	–	7,119,200	–	–	–	–	7,119,200	27-4-22	27-4-22 to 26-4-24	0.183
Lin Mei Sze	–	7,119,200	–	–	–	–	7,119,200	27-4-22	27-4-22 to 26-4-24	0.183
Other employees/consultants										
In aggregate	19,911,980	–	–	–	–	(19,911,980)	–	12-4-19	12-4-19 to 11-4-22	0.434
	17,699,924	–	(17,640,000)	–	–	(59,924)	–	17-4-20	17-4-20 to 11-4-22	0.101
	–	49,834,400	–	–	–	–	49,834,400	27-4-22	27-4-22 to 26-4-24	0.183
	44,212,068	71,192,000	(22,060,000)	–	–	(22,152,068)	71,192,000			

The closing price of the Company's shares immediately before the date on which the share options were granted, i.e., 27 April 2022, was HK$0.190 per share.

The Directors have estimated the values of the share options granted on 27 April 2022, 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	71,192,000	6,056

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 33 to the consolidated 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 2022, 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

Nature of transaction	Amount owed by the Group as at 31 December		Related interest expense for the year ended 31 December	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Proceed from disposal of a subsidiary (Note (ii))	**3,500**	–	**–**	–
Payment for the lease liabilities (Note (i))	**3,197**	4,219	**218**	101

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"), who are directors of certain subsidiaries of the Company, 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. On 17 June 2022, the Group entered into a new lease agreement in respect of the same leasehold properties for three years with Mr. Yiu which is connected party. The amount of lease payable by the Group under the lease is HK$220,000 per month, which was determined with reference to market rent. The total amount of the lease payment is $7,920,000 and deposit is $660,000. In 5 June 2021, the Group entered into a lease in respect of the same leasehold properties for one year with Mr. Yiu. 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. The total amount of the lease payment is $4,320,000 and deposit is $1,080,000.

(ii) On 11 October 2022, Milan Station (Mansion) Limited (the "Vendor"), an indirect wholly-owned subsidiary of the Company, and the Mr. Yiu Kwan Tat and Mr. Choi Wai Kei (the "Purchasers") who are directors of certain subsidiaries, 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) the entire equity interest of 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 of 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.

During the years ended 31 December 2022 and 2021, the Company and the Group had the above connected transactions, certain details of which are disclosed in compliance with the requirements of HKFRS 16 and Chapter 14A of 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 35 to the consolidated 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 2022, save for certain derivations. The Corporate Governance Report is set out on pages 15 to 27 of this annual report.

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 37 to the consolidated 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 33 to 34 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 2022 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 27 of this annual report.

AUDITORS

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. HLB Hodgson Impey Cheng Limited resigned as the auditor of the Company with effect from 18 January 2022 because, as part of their normal procedures including an annual consideration of whether they would wish to continue to act for their audit clients, having taken into account the level of audit fees and their available internal resources in light of their current work flows in respect of the professional risk associated with the audit, they decided to tender their resignation as the auditor of the Company. The Board has resolved that, with the recommendation of the audit committee of the Board, to appoint McMillan Woods (Hong Kong) CPA Limited as the new auditor of the Company with effect from 18 January 2022 to fill the causal vacancy left by the resignation of HLB Hodgson Impey Cheng Limited.

McMillan Woods (Hong Kong) CPA Limited will retire and being eligible, offer itself for re-appointment. A resolution for the re-appointment of McMillan Woods (Hong Kong) CPA Limited as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

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

Hong Kong, 28 March 2023

ABOUT THE GROUP

Milan Station Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is principally engaged in the retail of fashion accessories. Our competitive strength is the ability to provide timely and reliable products to consumers. Over the years, our solid track record and experienced management team have established an excellent reputation within the industry.

The Group understands that the Board of Directors ("the Board") has overall responsibility for decision making with respect to ESG management and reporting. The Board has reviewed the material ESG issues, and will manage and monitor these issues and take them into consideration in determining the Group's business directions and strategies. The Group will actively undertake social responsibility in pursuing a better environment.

ABOUT THIS REPORT

The Group is pleased to present its Environmental, Social and Governance ("ESG") Report (the "ESG Report") for the year ended 31 December 2022 (the "Reporting Period"). This ESG Report provides an annual update on the sustainability performance, accomplishments and challenges faced over the past years. It has been updated to reflect the interest of various stakeholders. The data included in the ESG Report covers Milan Station as at 31 December 2022 and THANN as at 27 October 2022 since THANN has ceased to be the subsidiary of the Group due to the disposal of issued share capital.

Reporting Principles

The ESG Report is prepared in accordance with Appendix 27 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). According to the guideline, the following principles are underpinned:

1. Materiality: ESG issues that have major impacts on investors and other stakeholders must be set out in this ESG Report.

2. Quantitative: If the key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions. They must also be able to describe the purpose and impacts of quantitative information.

3. Balance: This ESG Report must provide an unbiased picture of the ESG performance of the Group. It should avoid selecting, omitting, or presenting formats that may inappropriately influence a decision or judgement by the reader.

4. Consistency: This ESG Report should use consistent and statistical methodologies to allow meaningful comparisons of related data over time. Any changes to the methods used must be specified in the ESG Report.

Confirmation

The information documented in this ESG Report is sourced from official documents, statistical data, management and operation information and collected by the Group in accordance with relevant internal policies. The Group has established internal controls and a formal review process to ensure that any information presented in this ESG Report is as accurate and reliable as possible.

Feedback

The Group discloses the latest business information regularly to investors and the public. We also welcome investors and shareholders to share their views with the board of directors of the Company by emailing ms_ir@milanstation.net.

ESG GOVERNANCE

The Group strongly believes that a sound governance structure is critical to the effective management and implementation of ESG-related issues.

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Board leads and provides direction to management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The Board continues to explore ways to further strengthen the ESG governance of the Group. The Board reviews ESG affairs regularly and implements appropriate measures to enhance the ESG performance of the Group.

The Board has delegated the responsibility of data collection, preparation and review of the ESG Report to ESG working group. The ESG working group comprises representatives from various departments and has been established to plan and coordinate ESG initiatives within the Group. The everyday implementation of the Group's ESG approach relies on the ESG working group. Key responsibilities include implementing tailored policies and programmes in support of the Group's ESG objectives, strategies, priorities, initiatives and goals.

STAKEHOLDER ENGAGEMENT

As part of our business strategies, the Group communicates with the stakeholders in an open, honest and proactive way. To achieve this objective and improve transparency, we take active measures to promote investor relations and communication. In addition, we have developed the investor relations policy to ensure that investors have fair and timely access to the information of the Group.

Stakeholder engagement helps the Group review potential risks and business opportunities and also facilitates the mitigation of these risks as well as the identification of opportunities. Understanding stakeholders' views allow the Group to better fulfill their needs and expectations with the Group's business practices and also to manage different stakeholders' opinions.

MATERIALITY ASSESSMENT

Identifying the material ESG issues that matter the most to the Group is a prerequisite for setting the framework for the ESG Report and formulation of ESG management strategies. As such, the Group regularly conducts internal materiality assessments to determine the sustainability issues that matter the most to the Group, which will become the main focus of our sustainability strategy and facilitate the implementation of relevant initiatives.

Material topics are defined as any issues in which the Group's businesses have the most impact and influence on the operations and stakeholders. The Group prioritizes the ESG topics in the social aspects specified in the ESG Reporting Guide to be the material focus of this ESG Report. The material ESG topics of the Group were listed in the table below.

Aspects	Material ESG Issues
B. Social Aspect	
B1. Employment	• Employee welfare
	• Inclusion and equal opportunities
	• Talent attraction and retention
B2. Health and Safety	• Occupational health and safety
B3. Development and Training	• Development and training
B4. Labour Standards	• Prevention of child and forced labour
B6. Product Responsibility	• Protection of intellectual property rights
	• Customer satisfaction
	• Protection of customer privacy
B7. Anti-corruption	• Corporate governance
	• Anti-corruption
B8. Community Investment	• Community investment

ENVIRONMENTAL ASPECTS

As corporate citizen, we understand and respect that the Group has a responsibility for environmental protection and sustainable development. The Group is principally engaged in retailing, which does not generate any significant hazardous and non-hazardous emissions, wastes or pollutants. In order to pursue sustainable development, we are committed to eco-friendly operations and the conservation of resources.

Emissions

The Group complies strictly with relevant environmental laws, rules and regulations in all our locations and we do not directly produce any emissions, discharges into water or land, hazardous or non-hazardous waste. Our retail operations generate small amounts of packaging waste and indirect carbon emissions through the use of electricity, which is both monitored and regulated by our internal Group policies.

Air and Greenhouse Gas emissions
As the Group did not own vehicles and its operation did not involve the use of the fossil-fueled machinery, the emissions of air pollutants are negligible.

During the Reporting Period, the Group has indirectly, via the use of electricity ("Scope 2 emissions") and the paper waste disposed at landfills ("Scope 3 emissions"), generated 89.6 tonnes of carbon dioxide equivalent ("CO_2-e") (2021: 100.1 tonnes, 2020: 116.2 tonnes), with an intensity of 0.40 tonnes CO_2-e per million revenues in Hong Kong Dollar (2021: 0.41 tonnes CO_2-e per million revenues in HKD, 2020: 0.66 tonnes CO_2-e per million revenues in HKD). The Group is developing its long-term reduction targets. In short term, the Group targets to maintain or reduce the greenhouse gas emissions level during the Reporting Period by 2023.

Greenhouse gas emissions	**2022**	2021	2020	Unit
Scope 1 emissions	**–**	–	–	tonnes CO_2-e
Scope 2 emissions	**86.3**	96.5	116.2	tonnes CO_2-e
Scope 3 emissions	**3.3**	3.6	–	tonnes CO_2-e
Total greenhouse gas emissions	**89.6**	100.1	116.2	tonnes CO_2-e
Intensity (by revenue)	**0.40**	0.41	0.66	tonnes CO_2-e/HKD million

Hazardous and Non-hazardous Wastes
The Group did not generate any hazardous waste and a significant amount of non-hazardous waste during the daily operation. Non-hazardous wastes are generally gathered at a designated place as required by the property management office of the buildings or the shopping malls. Attention should be paid to waste utilization, reuse and recycling of the waste generated. Waste that cannot be further utilized is either sold to waste recycling companies or disposed of through the property management office. At this current stage, the Group has not been able to set a target for waste reduction as there is negligible waste generated from our operations.

During the Reporting Period, our administrative headquarters and retail locations did not have any record of any material non-compliance with relevant laws and regulations related to air, water or waste pollution and discharge from any environmental department or alerts from any environmental agencies, including but not limited to Air Pollution Control Ordinance, Waste Disposal Ordinance, Water Pollution Control Ordinance and Noise Control Ordinance.

Use of Resources

The Group is committed to conserving resources in order to minimize its impact on the environment as well as improve shareholder returns. We actively promote energy efficiency, conservation and environmental awareness to our employees and stakeholders.

Energy Consumption

As set out in our Employee Handbook, staff should pay attention to the use of air conditioning and electricity, and implement practices, such as turning off lights, air conditioning and computers when not in use.

To reduce energy consumption, the Group regularly monitors its electricity consumption in our headquarters and retail locations. During the Reporting Period, the Group consumed an aggregate of 186.7 MWh of electricity (2021: 213.7 MWh, 2020: 196.3 MWh) of which 140.6 MWh was for the Milan Station operations and 46.1 MWh was for the Thann operations. The Group is developing its long-term reduction targets. In short term, the Group targets to maintain or reduce the energy consumption level during the Reporting Period by 2023.

Direct and indirect energy consumption by type	2022	2021	2021	Unit
Direct energy consumption	**–**	–	–	GJ
Indirect energy consumption	**186.7**	213.7	196.3	MWh
Total energy consumption	**186.7**	213.7	196.3	MWh-e
Intensity (by revenue)	**0.8**	0.9	1.0	MWh-e/HKD million

Water Consumption

The Group does not consume material amounts of water in its operations and encourages water saving during the operation. Water is mainly used by revenues for drinking and hygiene needs and is supplied from and discharged into the city's water supply and treatment network. The Group, therefore, has no water supply problem nor any impact on the water resources.

While the Group has not set any targets for water consumption reduction due to its minimal impacts, the Group nonetheless promotes reasonable water use initiatives and water-saving measures among its employees.

Water consumption in total and intensity	2022	2021	2020	Unit
Total water consumption	**2.39**	2.02	2.38	m^3
Intensity (by revenue)	**0.011**	0.008	0.014	m^3/HKD million

Paper Consumption

Paper is one of the resources consumed in the daily operation and the Group is dedicated to the utilization of online communication and a paperless office. During work, drafts and non-approved reports should be circulated on the intranet, e-mail, etc., as much as possible. Manuscripts should be printed on both sides to save paper. Paper that has been used on one side should be reused for internal use or draft.

Packaging Materials Used

Most of the Group's packaging materials are paper and plastic sheets which are used to pack the main products of our retailing. The Group strictly complies with the Product Eco-responsibility (Amendment) Ordinance (Cap. 603) and the plastic shopping bag levy in Hong Kong. We will continue to investigate the design of environmentally friendly packaging materials for our products and encourage their use with our suppliers. We will also review our operations to minimize the use of packaging materials.

Packaging material for finished products	**2022**	2021	2020	Unit
Total packaging material used	**0.82**	0.64	0.59	tonnes
Intensity (by revenue)	**3.63**	2.62	3.33	kg/HKD million

THE ENVIRONMENT AND NATURAL RESOURCES

The Group disposes of its waste according to relevant rules and regulations and encourages its staff to pay close attention to the use of waste and recycling, and the preservation of office equipment for the sake of conservation. We encourage regular maintenance and prolonged use of our computers, printers, fax machines, photocopiers, POS machines and other common office and retail equipment to reduce the frequency of replacement.

CLIMATE CHANGE

The Group recognizes that the emissions of greenhouse gases through business activities contribute to climate change, which affects our livelihood and business operation. The climate-related risk of the Group includes the acute physical risks caused by extreme weather events.

Physical Risk

Extreme weather events, such as typhoons and rainstorms, have become more frequent due to climate change. The Group's services will be affected under extreme weather as the safety of our employees is threatened and they may not be able to perform daily business. To safeguard the safety of employees and reduce property loss, the Group has established an internal guideline on working arrangements in times of typhoons, rainstorms and extreme conditions after super typhoons. The Group would stay alert to any announcements by the local governments on weather conditions and prepare for emergency actions. Therefore, we are committed to lowering the level of greenhouse gas emissions and reviewing the current practices on energy-saving and resource utilization.

Annual incremental changes in the climate and weather pattern changes may impact the Group in the long run, such as rising sea levels and temperature changes. Since the Group's business nature is retail-orientated, these chronic physical risks will be relatively low.

Transition Risk

To follow the footprint of the global trend on carbon neutrality, the Group expects an evolution of the regulatory, technological and market landscape due to climate change, including the tightening of related policies and listing rules. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits, which might incur additional compliance costs.

In response to the political and legal risks as well as the reputation risks, the Group constantly monitors the changes in laws or regulations and global trends on climate change to avoid cost increments, non-compliance fines or reputational risks due to delayed response.

SOCIAL ASPECT

Employment and Labour Practices

Employment

The Group maintains an Employee Handbook and company guidelines for hiring and termination, working hours, attendance, holidays, performance assessment, awards and criteria, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

In Hong Kong, the Group complied with the Labour Law of Hong Kong and relevant employment laws and regulations throughout the Reporting Period, including the Mandatory Provident Fund Schemes Ordinance (Cap. 485) by participating in the Mandatory Provident Fund retirement benefit scheme for our eligible employees, Minimum Wage Ordinance (Cap. 608), Employment Ordinance (Cap. 57) and Employees' Compensation Ordinance (Cap. 282). During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in respect of employment.

The Group recognizes our employees are key stakeholders in our operations and key contributors to our business growth, and therefore we are committed to providing our staff with a satisfying and equitable workplace where our staff and our company can grow together. The Employee Handbook and company policies cover a wide range of employment protection and benefits and comply with labour laws, rules and regulations.

The Group values the career development of the employees and promotes the most qualified employees from within the company, to take over vacancies with higher grades and greater responsibility. Employees' remuneration is determined with reference to the prevailing market level as well as their competence, qualifications and experience. The Group also provides a range of incentives to staff including best staff awards, promotions, pay raises, annual bonuses and commissions based on the Employee Performance Review Report. Salary is credited to the bank account of the employee within five business days after the end of each month.

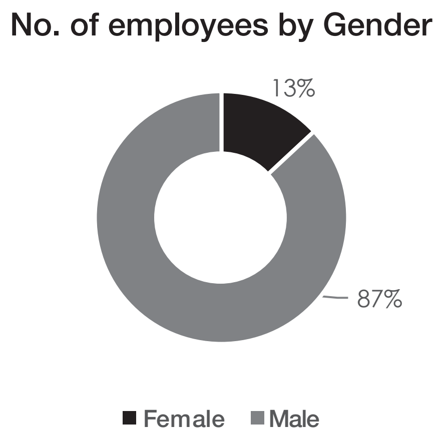
Employee leaves are divided into the following categories: annual leave, menstrual leave, sick leave, birthday leave, maternity leave, marriage leave, paternity leave, bereavement leave and compassionate leave.

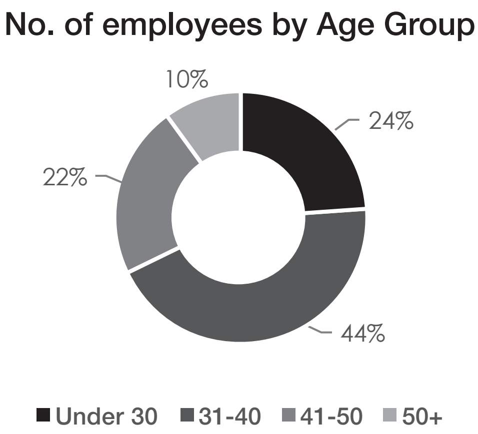
Any employee who resigns must notify the division manager/department head in writing. The division manager/department head will then submit the resignation letter to the Human Resources and Administration Department. Resignation interviews will be conducted with the resigned employees.

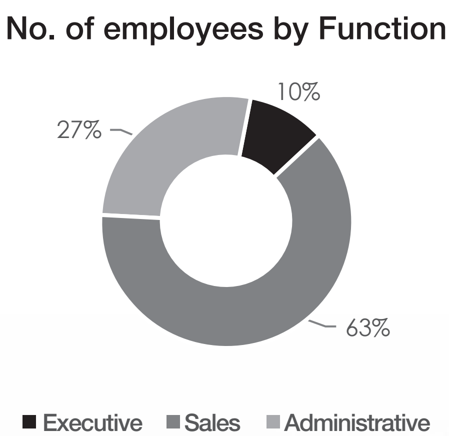
The Group is an employer providing equal opportunities. Employees are selected based on ability without discrimination on sex, religion, race, colour or age. The recruitment process and decision making involve both the related department head and the Human Resource Department.

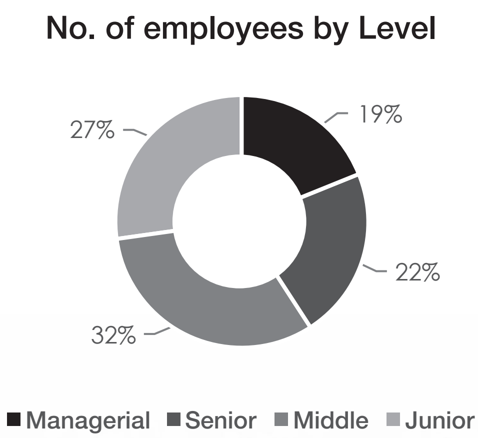
Our Employee Handbook requires that all management and employees actively ensure that the Group's working environment is not subject to any form of discrimination and harassment. The Group's Employment Handbook refers to the Sex Discrimination Ordinance (Cap. 480), the Disability Discrimination Ordinance (Cap. 487) and the Family Status Discrimination Ordinance (Cap. 527).

An "Employment Data" KPI with the breakdown of the total number of employees, gender ratio and age distribution has been set up to review the Group's employment status regularly. In 2022, we employed a total of 63 staff (2021: 69, 2020: 54) in Hong Kong, of which 12 were male (2021: 18, 2020: 11) and 51 were female (2021: 51, 2020: 43). As at 31 December 2022, the number of employee for Milan Station was 27. The number of employee for THANN was 36 at 27 October 2022. The majority of our employees being female employees was mainly due to the nature of our retailing business which is predominantly the sale of female-centric products.









Health and Safety

It is the responsibility of the Group to protect its staff and provide a safe working environment that is not dangerous or discriminatory. The Group complies with all relevant laws and regulations including the Occupational Safety and Health Ordinance to minimize the risk of any occupational hazards.

During the past three years, including the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury and did not identify any material non-compliance with laws and regulations relevant to the health and safety of employees.

	2022	2021	2020
Number of work-related fatalities	**0**	0	0
Rate of work-related fatalities	**0%**	0%	0%
Lost days due to work injury	**0**	0	0

Development and Training

To improve the efficiency and effectiveness of each employee and the long-term development of the Group, the Group encourages staff to participate in training courses related to their work and establish a training record. These records will be used to assess, in part, the employee's abilities.

For the improvement and job satisfaction of its employees, the Group provides an education allowance for the course fees of approved courses for its staff in service for over 4 years. The maximum entitlement of such allowance ranges from HK$10,000 to HK$30,000 per year depending on the staff's position.

In addition to the education allowance, the Group also offers in-house classrooms, providing occasional free training courses to shop staff, so that they can effectively learn sales skills, trend information, and product examination procedures of the Group.

The Group has established a "Staff Training Record" showing the number of staff, their positions and the amount of education allowance paid for the management's review regularly. During the Reporting Period, we provided education training for 14% of staff members with an average of 1.0 training hours per employee from operational and retailing divisions.

Labour Standards

The Group regulates the recruitment process in order to ensure compliance with relevant rules and regulations, and strongly forbids any child and forced labour. In order to prevent illegal use of child or forced labour, the human resource department of the Group requires candidates to provide effective identification certification before confirmation of employment to ensure they can be employed according to the law.

The Group strictly complied with the Labour Laws of Hong Kong and provided the required labour protection, safety and health conditions to ensure employees' safety during their services. The Group also paid wages and salaries, benefits and compensations on schedule. During the Reporting Period, there have been no cases of prosecution against the Group due to violation of any relevant laws related to forced or child labour.

Operating Practices and Social Investment

Supply Chain Management

The Group strives to manage risks in its supply chain through an established set of procedures. For its handbags, fashion accessories and embellishments products, the Group follows such procedures to determine whether its products are unused or second-hand and to ensure the products sold and distributed through the Group's retail shops are genuine and authentic products. All international luxury branded products sold by the Group undergo at least two product examinations before being sold at the Group's retail locations. The Group prepares a set of product examination guidelines and organizes in-house training sessions for relevant staff.

For the Reporting Period, there was 1 major supplier from Thailand and there were no environmental or social risks identified with the supplier. The Group maintains close communication with various suppliers to ensure that the suppliers' businesses comply with local environmental and social laws and regulations in their operating countries.

Product Responsibility

The Group is deeply aware of the importance of product quality on its reputation, brand name and the returns of its retail business. We are committed to ensuring the utmost confidence and satisfaction in our customers.

Since 2002, Milan Station has maintained its status as an accredited establishment under the Quality Tourism Services Scheme and has appeared in the Scheme's dedicated shopping directory on the Hong Kong Tourism Board's website. During the Reporting Period, the Group did not identify any material non-compliance with the laws and regulations related to the quality of products and services.

Product and Service Quality

Our handbags and fashion accessories are sold with a product quality warranty to our customers to assure they have confidence in our products, which are often second-hand items. Our spa and wellness products are also sold with an exchange policy in the case of any defective products.

In order to properly handle complaints from customers, the Group has established the mechanism and handling procedures for complaints. The colleagues of the Human Resources and Administrative Department are responsible for handling, recording, and filing the customer's complaints. The case will be referred to the relevant area manager and department head/store manager for investigation on the same day or the next day. The store manager needs to fill in a detailed investigation report within two days after receiving the case to explain the relevant matter to the regional manager. Within one day of receiving the store manager's report, the regional manager shall comment on the relevant report and suggest actions to be taken. The report will be referred to the Complaints Sub-Committee for decision.

The Group strongly believes that this practice preserves our brand image as a retailer of quality products our customers can trust. The Group did not receive any customers' complaints and sales returns during the Reporting Period.

Intellectual Property Rights

The Group recognizes intellectual property rights but does not own the intellectual property rights of the products we sell. The Group is also a member of the "No Fakes Pledge" scheme launched by the Hong Kong Intellectual Property Department. Under the scheme, the Group is required to sell only genuine goods and pledge not to sell or deal in counterfeit products.

For its handbags, fashion accessories and embellishments products, the Group uses the procedures stated in the "Supply Chain Management" section above to prevent the Group from purchasing counterfeit products from its suppliers. The Group did not receive any intellectual property rights complaints during the Reporting Period.

Consumer Data Protection

The Group's business operation has generated large volumes of private and confidential information of buyers and suppliers. We morally and legally treat these types of information and data seriously and safely and have committed to abiding by the requirements of the Personal Data (Privacy) Ordinance of Hong Kong and other relevant laws, regulations and requirements. The data of our customers and suppliers are kept under a secure system by our senior management, and employees have been warned not to access or use this information without approval. Directors and employees who have access to or manage internal information must take adequate precautions to prevent disclosure or misuse of information. The Group did not experience any private information leakage during the Reporting Period.

Anti-Corruption

The Group strictly prohibits all bribery and corruption, and all staff are required to comply with relevant laws and regulations in their place of employment which are laid out in our Employee Handbook. Directors and employees are required to comply with the Group's policy on the acceptance of benefits, and in any case, are required to discharge their duties with integrity and comply with relevant laws and regulations.

An ethical culture will become the basis for employees to make business decisions, which will help us win the trust of our stakeholders, build long-term customer relationships, improve the overall operating efficiency of the Group, promote mutual respect among employees, and naturally increase the company's profits.

Under the Prevention of Bribery Ordinance, it is an offence for any director or employee to solicit or accept any advantage without the permission of the Group as an inducement or reward for him/her to give any favourable treatment in relation to the principal's affairs or business. Any person who provides such benefits will also be in breach of the Prevention of Bribery Ordinance. Employees working in Mainland China or overseas must also comply with local laws on the prevention of bribery.

Under no circumstances shall a director or employee use bribes or similar payments to influence any person or other company in order to win, maintain or solicit business for the company. When any director or employee is required to pay any commission, money, or provide any preferential or other benefits during the handling of the company's business, they must comply with the company's current relevant policies and obtain written permission from the department heads or the board in advance. Department heads are required to keep records of any commissions or payments made for review purposes.

The Group strictly prohibits all bribery and corruption activities. Directors and employees are required to abide by the Group's policy on accepting benefits, and under no circumstances should they use the Group's inside information for personal gain. Directors and employees are encouraged to attend special anti-corruption training courses organised by professional bodies, such as the Independent Commission Against Corruption (ICAC).

During the Reporting Period, there have been no cases of prosecution against the Group due to violation of any relevant laws and regulations that had a significant impact on the Group relating to corruption, bribery, extortion, fraud and money laundering.

Community Investment

The Group is committed to improving our community and the lives of our stakeholders. The Group encourages its staff to participate in voluntary and charitable events to serve the community and society, and staff may apply for paid leave for volunteer work. During the Reporting Period, the Group has provided luxury good examination services for a charity function.

The Group works closely with the social enterprises and supports the needs of the community to fulfil the corporate social responsibilities. We highly encourage ethical consumption and changing the world by donating to social enterprises with positive impacts on underprivileged people. The Group will make additional provisions for donations to charity in the future.

SUMMARY OF KEY PERFORMANCE INDICATORS

Key Environmental Performance Indicators		2022	2021	2020	Unit
Aspect A1: Emissions					
A1.2	**Greenhouse gas emissions in total and intensity**				
	Scope 1 emissions	**–**	–	–	tonnes CO_2-e
	Scope 2 emissions	**86.3**	96.5	116.2	tonnes CO_2-e
	Scope 3 emissions	**3.3**	3.6	–	tonnes CO_2-e
	Total greenhouse gas emissions	**89.6**	100.1	116.2	tonnes CO_2-e
	Intensity (by revenue)	**0.40**	0.41	0.66	tonnes CO_2-e/ HKD million
Aspect A2: Use of Resources					
A2.1	**Direct and/or indirect energy consumption by type**				
	Direct energy consumption	**–**	–	–	GJ
	Indirect energy consumption	**186.7**	213.7	196.3	MWh
	Total energy consumption	**186.7**	213.7	196.3	MWh-e
	Intensity (by revenue)	**0.8**	0.87	1.1	MWh-e/ HKD million
A2.2	**Water consumption in total and intensity**				
	Total water consumption	**2.39**	2.02	2.38	m^3
	Intensity (by revenue)	**0.011**	0.008	0.014	m^3/HKD million
A2.5	**Packaging material used for finished products**				
	Total packaging material used	**0.82**	0.64	0.59	tonnes
	Intensity (by revenue)	**3.63**	2.62	3.33	kg/HKD million

Key Environmental Performance Indicators			2022	2021	2020	Unit
Social Aspects			**2022[1]**	2021	2020	**Unit**
Aspect B1: Employment						
B1.1	**Total workforce**					
	Total number of employees		**63**	69	54	employee
	By gender	Female	**51**	51	43*	employee
		Male	**12**	18	11*	employee
	By employment type	Permanent	**61**	66	51	employee
		Contractual	**2**	3	3	employee
	By age group	30 years old or below	**15**	17	10	employee
		31-40 years old	**28**	32	28	employee
		41-50 years old	**14**	15	15	employee
		Over 50 years old	**6**	5	1	employee
	By employment category	Managerial	**12**	11	–	employee
		Senior	**14**	24	–	employee
		Middle	**20**	18	–	employee
		Junior	**17**	16	–	employee
	By function	Executive	**6**	5	–	employee
		Sales	**40**	41	–	employee
		Administrative	**17**	23	–	employee
	By geographical region	Hong Kong	**51**	57	–	employee
		China	**12**	12	–	employee
B1.2	**Employee turnover rate**					
	Total employee turnover rate		**11%**	7%	54%	%
	By gender	Female	**14%**	10%	54%	%
		Male	**0%**	0%	55%	%
	By employment type	Permanent	**11%**	8%	51%	%
		Contractual	**0%**	0%	100%	%
	By age group	Under 30 years old	**0%**	12%	100%	%
		31-40 years old	**7%**	9%	54%	%
		41-50 years old	**0%**	0%	20%	%
		Over 50 years old	**0%**	0%	100%	%
	By employment category	Managerial	**0%**	–	–	%
		Senior	**0%**	–	–	%
		Middle	**5%**	–	–	%
		Junior	**35%**	–	–	%
	By geographical region	Hong Kong	**11%**	9%	–	%
		China	**–**	0%	–	%

1 The employee-related statistics in 2022 cover the data in Milan Station as at 31 December 2022 and THANN as at 27 October 2022 since THANN has ceased to be the subsidiary of the Group due to the disposal of issued share capital.

Key Environmental Performance Indicators			2022	2021	2020	Unit
Aspect B2: Health and Safety						
B2.1	Number of work-related fatalities		**0**	0	0	no.
	Rate of work-related fatalities		**0%**	0%	0%	%
B2.2	Lost days due to work injury		**0**	0	0	day
Aspect B3: Development and Training						
B3.1	**Percentage of trained employees**					
	Total number of trained employees		**9**	19	12	employee
	Percentage of total employees trained		**14%**	28%	22%	%
	By gender	Female	**78%**	84%	75%*	%
		Male	**22%**	16%	25%*	%
	By employment category	Managerial	**33%**	21%	0%	%
		Senior	**22%**	11%	0%	%
		Middle	**22%**	11%	0%	%
		Junior	**22%**	58%	100%	%
	By function	Executive	**33%**	16%	–	%
		Sales	**11%**	47%	–	%
		Administrative	**56%**	37%	–	%
B3.2	**Average training hours completed**					
	Average training hours per employee		**1.0**	13.2	–	hour/employee
	By gender	Female	**1.0**	17.1	20.4	hour/employee
		Male	**1.2**	2.0	15.6	hour/employee
	By employment category	Managerial	**1.8**	4.4	0	hour/employee
		Senior	**1.0**	1.0	0	hour/employee
		Middle	**0.7**	1.3	0	hour/employee
		Junior	**0.8**	50.9	105.0	hour/employee
	By function	Executive	**3.5**	7.2	–	hour/employee
		Technical	**0.2**	19.3	–	hour/employee
		Administrative	**2.1**	3.7	–	hour/employee
Aspect B5: Supply Chain Management						
B5.1	**Number of suppliers by geographical region**					
	Total number of suppliers		**1**	1	–	supplier
	By geographical region	Thailand	**1**	1	–	supplier
Aspect B6: Product Responsibility						
B6.1	Percentage of total products sold or shipped subject to recalls		**0%**	0%	–	%
B6.2	Number of products and service-related complaints received		**0**	0	–	no.
Aspect B7: Anti-corruption						
B7.1	Number of concluded legal cases regarding corruption		**0**	0	0	case

* The figures for the number of employees by gender and the percentage of trained employees by gender in 2020 have been restated.

Independent Auditor's Report

McMillanWoods
Professionalism at the forefront

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 (the "**Group**") set out on pages 59 to 129, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2022, 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 Auditor's 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 statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

(1) Allowance for expected credit losses ("**ECLs**") of loan receivables; and

(2) Valuation of inventories

Key audit matter	How our audit addressed the key audit matter
Allowance for ECLs of loan receivables	
Refer to Notes 4, 5, 25 and 37 to the consolidated financial statements.	
As at 31 December 2022, the Group's loan receivables amounted to approximately HK$12,749,000 and the allowance for ECLs of loan receivables of approximately HK$5,530,000 was recognised in the Group's consolidated statement of financial position. The allowance for ECLs of loan receivables represents the management's best estimates of ECLs at the end of the reporting period under Hong Kong Financial Reporting Standard 9: Financial Instruments ECLs 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 ECLs. The measurement models of ECLs 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 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 ECLs of loan receivables.	Our audit procedures in relation to management's assessment on the allowance for ECLs of loan receivables included: • Assessing the reasonableness of the expected credit loss model methodology; • Selecting samples to assess the reasonableness of management judgments on whether the credit risk has increased significantly since initial recognition and whether credit impairment has occurred; • Assessing and testing the design and operating effectiveness of controls over the measurement of expected credit losses for loan receivables at amortized cost; • Evaluating, together with valuation specialists, the reasonableness of related parameters, including the probability of default, exposure at default, and the significant increases in credit risk; • Assessing the forward-looking information management used to determine expected credit losses; • Evaluating the experience, independence, competence and integrity of the external appraiser engaged by the management; and • Checking the adequacy of related disclosure in the consolidated financial statements.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Allowance for inventories Refer to Note 4, 5 and 23 to the consolidated financial statements. Inventories are carried at the lower of cost and net realisable value in the consolidated financial statements. The carrying value of inventories at 31 December 2022 was approximately HK$44,497,000 which accounted for approximately 32% of the Group's total assets. The Group's inventories comprise handbags and other related products which future saleability of inventories is subject to changing consumer preferences and fashion trends. Allowance for inventories is based on management's estimate of the expected magnitude of write down of the Group's inventories to its net realisable value which involve the exercise of a significant degree of management judgement. We identified allowance for inventories as a key audit matter because of its significance of carrying amount to the consolidated financial statements and the significant judgements and estimates involved in determining the net realisable value of any provisions required at the end of the reporting period.	Our procedures in relation to this matter included: • Obtaining an understanding of management's process of reviewing and evaluating net realisable value of inventories; • Identifying and assessing slow-moving and obsolete inventories when attending physical inventory count; • Evaluating the allowance policy adopted by the management with reference to current market conditions, historical and current sales information, pricing policy and strategies, ageing and conditions of inventories; • Evaluating the historical accuracy of the allowance of inventories estimation by management; and • Evaluating net realisable value of inventories assessed by management, on a sample basis, with reference to the selling prices of similar products in the market.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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 Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company 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 and the directors are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement 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 auditor's 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 auditor's 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.

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 auditor's 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.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

XIA, YUNRAN
Audit Engagement Director
Practising Certificate Number: P07797

24/F, Siu On Centre
188 Lockhart Road
Wanchai, Hong Kong

Hong Kong, 28 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive income

Year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
REVENUE	7	**233,280**	245,018
Cost of sales		**(178,506)**	(174,095)
Gross profit		**54,774**	70,923
Provision for allowance for expected credit losses ("**ECLs**")		**(8,920)**	(93)
Other income	8	**4,497**	3,214
Other (losses)/gains, net	9	**(16,501)**	20,259
Selling expenses		**(48,072)**	(51,139)
Administrative and other operating expenses		**(29,657)**	(19,867)
Finance costs	10	**(968)**	(1,002)
(LOSS)/PROFIT BEFORE TAX	11	**(44,847)**	22,295
Income tax expense	14	**(321)**	(140)
(LOSS)/PROFIT FOR THE YEAR		**(45,168)**	22,155
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX:			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		**7**	(6)
Other comprehensive income/(loss) for the year		**7**	(6)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(45,161)**	22,149
(Loss)/profit for the year attributable to:			
Owners of the Company		**(45,855)**	20,530
Non-controlling interests		**687**	1,625
		(45,168)	22,155
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(45,848)**	20,524
Non-controlling interests		**687**	1,625
		(45,161)	22,149
(LOSS)/EARNINGS PER SHARE	16		
– Basic and Diluted (HK cent)		**(6.07)**	2.88

Consolidated Statement of Financial Position

31 December 2022

	Note	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**4,983**	9,905
Intangible assets	18	**–**	–
Right-of-use assets	19	**15,233**	17,655
Deposits	22	**3,081**	2,563
		23,297	30,123
CURRENT ASSETS			
Financial assets at fair value through profit or loss	21	**20,059**	36,162
Prepayments, deposits and other receivables	22	**15,655**	10,395
Inventories	23	**44,497**	49,758
Trade receivables	24	**5,732**	4,782
Loan receivables	25	**12,749**	13,076
Cash and cash equivalents	26	**18,479**	28,552
Tax recoverable		**114**	96
		117,285	142,821
CURRENT LIABILITIES			
Trade and other payables	27	**10,887**	16,674
Contract liabilities	28	**301**	2,299
Lease liabilities	29	**8,673**	12,268
Tax liabilities		**479**	541
		20,340	31,782
NET CURRENT ASSETS		**96,945**	111,039
TOTAL ASSETS LESS CURRENT LIABILITIES		**120,242**	141,162
NON-CURRENT LIABILITIES			
Lease liabilities	29	**7,272**	6,207
Provisions	30	**252**	252
		7,524	6,459
NET ASSETS		**112,718**	134,703
CAPITAL AND RESERVES			
Share capital	32	**35,231**	28,477
Reserves		**77,487**	105,349
Equity attributable to owners of the Company		**112,718**	133,826
Non-controlling interests		**–**	877
TOTAL EQUITY		**112,718**	134,703

Approved and authorised for issue by the board of directors on 28 March 2023 and signed on its behalf by:

Hu Bo
Director

Li Zhongqi
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	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$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	28,477	251,857	10	(23,782)	30	502	5,658	(149,450)	113,302	(748)	112,554
Profit for the year	–	–	–	–	–	–	–	20,530	20,530	1,625	22,155
Other comprehensive loss for the year	–	–	–	–	–	(6)	–	–	(6)	–	(6)
Total comprehensive income for the year	–	–	–	–	–	(6)	–	20,530	20,524	1,625	22,149
At 31 December 2021 and 1 January 2022	28,477	251,857	10	(23,782)	30	496	5,658	(128,920)	133,826	877	134,703
Loss for the year	–	–	–	–	–	–	–	(45,855)	(45,855)	687	(45,168)
Other comprehensive loss for the year	–	–	–	–	–	7	–	–	7	–	7
Total comprehensive (loss)/income for the year	–	–	–	–	–	7	–	(45,855)	(45,848)	687	(45,161)
Recognition of share-based payments (Note 33)	–	–	–	–	–	–	6,056	–	6,056	–	6,056
Issued shares upon completion of placing (Note 32(b))	5,872	11,009	–	–	–	–	–	–	16,881	–	16,881
Share issue expense (Note 32(b))	–	(423)	–	–	–	–	–	–	(423)	–	(423)
Issued shares under share option scheme (Note 32(a))	882	2,607	–	–	–	–	(1,263)	–	2,226	–	2,226
Lapse of share options (Note 33)	–	–	–	–	–	–	(4,395)	4,395	–	–	–
Disposal of subsidiaries (Note 38)	–	–	–	–	–	–	–	–	–	(1,564)	(1,564)
	6,754	13,193	–	–	–	–	398	4,395	24,740	(1,564)	23,176
At 31 December 2022	35,231	265,050	10	(23,782)	30	503	6,056	(170,380)	112,718	–	112,718

* These reserve accounts comprise the consolidated reserves of HK$77,487,000 (2021: HK$105,349,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	2022	2021
	HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(44,847)	22,295
Adjustments for:		
Bank interest income	(11)	(11)
Loss/(gain) on disposals of property, plant and equipment	3	(2,900)
Gain on termination of right-of-use assets	–	(18)
Gain on disposal of subsidiaries	(4,264)	–
Covid-19-related rent concessions	(115)	(373)
Depreciation of property, plant and equipment	3,939	2,988
Depreciation of right-of-use assets	15,050	16,193
Equity-settled based payments	6,056	–
Provision for allowance for ECLs	8,920	93
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)
Finance costs	968	1,002
Operating profit before working capital changes	7,182	21,928
Decrease/(increase) in inventories	1,460	(11,936)
Increase in trade receivables	(5,778)	(2,009)
Increase in loan receivables	(5,057)	(253)
Increase in prepayments, deposits and other receivables	(10,664)	(5,785)
Increase in financial assets at fair value through profit or loss	(5,380)	(6,630)
Increase/(decrease) in trade and other payables	5,275	(12,768)
(Decrease)/increase in contract liabilities	(1,843)	1,752
Decrease in provisions	–	(1,300)
Cash used in operations	(14,805)	(17,001)
Hong Kong Profits Tax paid	(1)	(137)
Net cash used in operating activities	(14,806)	(17,138)

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**11**	11
Purchases of property, plant and equipment		**(231)**	(8,452)
Proceeds from disposals of property, plant and equipment		**–**	2,900
Net cash inflow arising from disposal of subsidiaries	38	**2,273**	–
Initial payment of acquiring right-of-use assets	39(b)	**(398)**	(174)
Net cash generated from/(used in) investing activities		**1,655**	(5,715)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issuing expenses		**(423)**	–
Proceeds from issue of shares from placing		**16,881**	–
Proceeds from exercise of share options		**2,226**	–
Interest paid on bank overdrafts		**–**	(4)
Interest elements on lease liabilities	39(a)	**(968)**	(998)
Capital elements on lease liabilities	39(a)	**(14,645)**	(15,163)
Net cash generated from/(used in) financing activities		**3,071**	(16,165)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(10,080)**	(39,018)
Cash and cash equivalents at the beginning of the year		**28,552**	67,576
Effect of foreign exchange rate changes, net		**7**	(6)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26	**18,479**	28,552

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 set out in note 20 to the consolidated financial statements.

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). Significant accounting policies adopted by the Group are set out in Note 4 below.

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. Note 3 provides information on 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 HKFRS1, HKFRS9, HKFRS16 and HKAS41
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.

3. APPLICATION OF NEW AND REVISED HKFRSs *(continued)*

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.

	Effective for accounting periods beginning on or after
Amendments to HKFRS17 - 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 new amendments to standards and interpretation is expected to be in the period of initial application. So far it has concluded that the adoption of them does not 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, as explained in the accounting policies set out below.

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(a) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment, if any. 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.

(c) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Business combinations *(continued)*

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.

(d) 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).

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Foreign currency translation *(continued)*

(ii) Transactions and balances in each entity's financial statements (continued)

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the profit or loss during the period in which they are incurred.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Depreciation is calculated on the straight-line basis sufficient 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% – 33%
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.

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leases *(continued)*

(i) The Group as a lessee (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by all of the subsidiaries, which does not have recent third-party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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 are 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.

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.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) 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.

Cost necessary to make the sale include incremental cost directly attributable to sales and non-incremental costs which the Group must incur to make the sales.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group's entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL are recognised immediately in profit or loss.

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.

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(j) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial assets *(continued)*

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Equity instruments

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

(o) 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.

(p) 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.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Impairment of financial assets *(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;

- significant increases in credit risk on other financial instruments of the same 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.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Impairment of financial assets *(continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, 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.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

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

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– 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 debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Impairment of financial assets *(continued)*

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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(q) Revenue

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.

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Revenue *(continued)*

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.

Consultancy fee income

Revenue from provision of services is recognised when services are rendered.

Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Management fee income

Revenue from management services are recognised when the services are rendered.

Benchmark income

Benchmark income represents licence fee received from the licensees who are granted to access the intellectual right, not limited to design, sales, distribution and marketing in foreign licensed territories.

(r) Employee benefits

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong. 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 it made contribution to the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in future years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Employee benefits *(continued)*

Pension scheme *(continued)*

The employees of the Company's subsidiaries which operate in the People's Republic of China (the "**PRC**") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. No forfeited contribution is available to reduce the contribution payable in future years.

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.

(s) 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 33 to the consolidated 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Share-based payments *(continued)*

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.

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.

Options which are cancelled prior to their exercise date or lapse are deleted from the register of outstanding options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to accumulated losses as a movement in reserves.

(t) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become 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.

(u) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(v) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount 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. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

(x) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(y) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Significant increase in credit risk
As explained in Note 4(p), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

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

(a) Allowance 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 and market trend in recent years and the latest experience of selling merchandise of similar nature. The Group makes provision of allowance 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 the net realisable value and the slow-moving and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. No allowance for inventories was provided during the years ended 31 December 2022 and 2021.

As at 31 December 2022, the carrying amount of inventories was approximately HK$44,497,000 (2021: HK$49,758,000).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(b) Allowance for ECLs of trade and loan receivables

The loss allowances for financial assets are based on assumptions 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.

As at 31 December 2022, the carrying amounts of trade receivables and loan receivables were approximately HK$5,732,000 (net of allowance for doubtful debt of HK$2,988,000 (2021: HK$4,782,000 (net of allowance for doubtful debts of HK$Nil) and HK$12,749,000 (net of allowance for doubtful debts of HK$5,530,000) (2021: HK$13,076,000) (net of allowance for doubtful debts of HK$246,000), respectively.

(c) 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. 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 to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amounts of property, plant and equipment and right-of-use assets as at 31 December 2022 were approximately HK$4,983,000 (2021: HK$9,905,000) and HK$15,233,000 (2021: HK$17,655,000) respectively.

6. 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 and skincare 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	Total
	HK$'000	HK$'000	HK$'000
Year ended 31 December 2022			
Revenue from external customers	233,280	–	233,280
Non-current assets	23,297	–	23,297
Additions to non-current assets (including right-of-use assets)	21,238	–	21,238
Year ended 31 December 2021			
Revenue from external customers	242,900	2,118	245,018
Non-current assets	30,123	–	30,123
Additions to non-current assets (including right-of-use assets)	21,879	–	21,879

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

	2022	2021
	HK$'000	HK$'000
Handbags	187,740	200,601
Sales of natural aroma, skincare products and fashion accessories	45,540	44,417
	233,280	245,018

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For the year ended 31 December 2022

7. REVENUE

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

	2022	2021
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
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 fashion accessories	45,540	44,417
	233,280	245,018
Geographical markets:		
Hong Kong	233,280	242,900
Macau	–	2,118
	233,280	245,018

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.

The accounting policies with respect to revenue recognition are disclosed in Note 4(q) to the consolidated financial statements.

8. OTHER INCOME

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

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 (a) benchmark income; (b) management fee income and (c) others.

9. OTHER (LOSSES)/GAINS, NET

	2022	2021
	HK$'000	HK$'000
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 of disposal of subsidiaries (Note 38)	4,264	–
Exchange differences, net	721	–
	(16,501)	20,259

10. FINANCE COSTS

	2022	2021
	HK$'000	HK$'000
Interest expenses on bank overdrafts	–	4
Interest expenses on lease liabilities	968	998
	968	1,002

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11. (LOSS)/PROFIT BEFORE TAX

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

	2022	2021
	HK$'000	HK$'000
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 (Note 33)		
Directors	1,818	–
Employees	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

12. DIRECTORS' 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 and allowances	Pension scheme contributions	Equity-settled share-based payments (Note 33)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2022					
Executive directors:					
Mr. Hu Bo	–	240	–	606	846
Mr. Li Zhongqi	–	180	–	606	786
Ms. Lin Mei Sze	–	800	18	606	1,424
	–	1,220	18	1,818	3,056
Independent non-executive directors:					
Mr. Choi Kam Yan, Simon	120	–	–	–	120
Mr. Chan Chi Hung	147	–	–	–	147
Mr. Tou Kin Chuen	200	–	–	–	200
	467	–	–	–	467
	467	1,220	18	1,818	3,523

12. DIRECTORS' EMOLUMENTS *(continued)*

	Fees	Salaries and allowances	Pension scheme contributions	Equity-settled share-based payments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2021					
Executive directors:					
Mr. Hu Bo	–	240	–	–	240
Mr. Li Zhongqi	–	180	–	–	180
Ms. Lin Mei Sze	–	234	9	–	243
	–	654	9	–	663
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	654	9	–	1,183

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services are directors of the Company and its subsidiary.

During the year ended 31 December 2022, no emolument (2021: Nil) was paid or payable by the Group to the directors, or any of the five highest paid individuals set out in Note 13 as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any emoluments for the both years.

Directors' material interests in transactions, arrangements or contracts

Save for disclosed in Note 35 to the consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included nil director (2021: Nil), details of whose remuneration are set out in Note 12 above. Details of the emoluments for the year of the five (2021: five) highest paid employees who are not a director of the Company are as follows:

	2022	2021
	HK$'000	HK$'000
Salaries, allowances and bonus	4,350	5,063
Pension scheme contributions	90	90
	4,440	5,153

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

	Number of employees	
	2022	2021
Nil to HK$500,000	–	1
HK$500,001 to HK$1,000,000	4	2
HK$1,000,001 to HK$1,500,000	–	1
HK$1,500,001 to HK$2,000,000	1	1
	5	5

During the year ended 31 December 2022, share options were granted to certain directors and employees in respect of their services to the Group (2021: Nil). Further details of which are included in the disclosures in Note 33 to the consolidated financial statements.

14. 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	2021
	HK$'000	HK$'000
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

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

	2022	2021
	HK$'000	HK$'000
(Loss)/profit before tax	(44,847)	22,295
Tax at Hong Kong Profits Tax rate of 16.5% (2021: 16.5%)	(7,400)	3,679
Tax effect of income not taxable for tax purpose	(1,115)	(3,389)
Tax effect of expenses not deductible for tax purposes	8,509	1,232
Tax effect of tax losses not recognised	1,267	1,305
Tax effect of utilisation of tax losses not previously recognised	(957)	(2,814)
Effect of different tax rates of subsidiaries	17	(13)
Under-provision in respect of prior years	–	140
Income tax expense	321	140

15. 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.

16. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share 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 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.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, Fixtures and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost				
At 1 January 2021	23,516	12,789	6,000	42,305
Additions	1,214	7,238	–	8,452
Disposals/written off	(272)	(11)	(6,000)	(6,283)
At 31 December 2021 and 1 January 2022	24,458	20,016	–	44,474
Additions	87	144	–	231
Disposal of subsidiaries (Note 38)	(6,964)	(2,565)	–	(9,529)
Disposals/written off	–	(4)	–	(4)
At 31 December 2022	**17,581**	**17,591**	**–**	**35,172**
Accumulated depreciation				
At 1 January 2021	19,712	12,152	6,000	37,864
Depreciation charge for the year	2,069	919	–	2,988
Disposals/written off	(272)	(11)	(6,000)	(6,283)
At 31 December 2021 and 1 January 2022	21,509	13,060	–	34,569
Depreciation charge for the year	1,927	2,012	–	3,939
Disposal of subsidiaries (Note 38)	(6,280)	(2,038)	–	(8,318)
Disposals/written off	–	(1)	–	(1)
At 31 December 2022	**17,156**	**13,033**	**–**	**30,189**
Carrying amount				
At 31 December 2022	**425**	**4,558**	**–**	**4,983**
At 31 December 2021	2,949	6,956	–	9,905

18. INTANGIBLE ASSETS

	Goodwill	Exclusive distribution right	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 January 2021, 31 December 2021, 1 January 2022	2,013	2,826	4,839
Disposal of subsidiaries (Note 38)	(2,013)	(2,826)	(4,839)
At 31 December 2022	–	–	–
Accumulated amortisation and impairment			
At 1 January 2021, 31 December 2021, 1 January 2022	2,013	2,826	4,839
Disposal of subsidiaries (Note 38)	(2,013)	(2,826)	(4,839)
At 31 December 2022	–	–	–
Carrying amount			
At 31 December 2022	–	–	–
At 31 December 2021	–	–	–

19. RIGHT-OF-USE ASSETS

	Leased properties
	HK$'000
Cost	
At 1 January 2021	44,094
Additions *(Note)*	13,427
Termination	(5,529)
At 31 December 2021 and 1 January 2022	51,992
Additions *(Note)*	21,007
Disposal of subsidiaries (Note 38)	(16,209)
Termination	(23,873)
At 31 December 2022	**32,917**
Accumulated depreciation	
At 1 January 2021	23,017
Depreciation charge for the year	16,193
Termination	(4,873)
At 31 December 2021 and 1 January 2022	34,337
Depreciation charge for the year	15,050
Disposal of subsidiaries (Note 38)	(7,830)
Termination	(23,873)
At 31 December 2022	**17,684**
Carrying amount	
At 31 December 2022	**15,233**
At 31 December 2021	17,655

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

Lease liabilities of approximately HK$15,945,000 (2021: HK$18,475,000) are recognised with related right-of-use assets of approximately HK$15,233,000 (2021: HK$17,655,000) as at 31 December 2022.

	2022	2021
	HK$'000	HK$'000
Depreciation expenses on right-of-use assets	**15,050**	16,193
Interest expense on lease liabilities (included in finance costs)	**968**	998
Expenses relating to short-term lease (included in administrative expenses)	**293**	168
COVID-19-related rent concessions received	**(115)**	(373)

Details of total cash outflow for leases is set out in Note 39(b).

19. RIGHT-OF-USE ASSETS *(continued)*

During the current year, the Group leases properties of offices and retail stores for self-own use. Lease contracts are entered into for fixed term of two to three years (2021: two to five 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 2022, lessors of various offices and retail stores provided Covid-19-related rent concessions to the Group of approximately HK$115,000 (2021: HK$373,000).

The Group leased a number of retail stores and counters which contain variable lease payment terms that are based on sales generated from the retail stores and counters and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores and counters in Hong Kong where the Group operates. Since 2021 the Group has received rent concessions in the form of a discount on fixed payments as a result of severe social distancing and travel restriction measures imposed to contain the spread of COVID-19. The amount of fixed and variable lease payments recognised for the year is summarised below:

	2022			
	Fixed payments	**Variable payments**	**COVID-19 -related rent concessions**	**Total payments**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Retails stores, counters and offices				
– Hong Kong	**15,372**	**4,852**	**(115)**	**20,109**

	2021			
	Fixed payments	Variable payments	COVID-19 -related rent concessions	Total payments
	HK$'000	HK$'000	HK$'000	HK$'000
Retails stores, counters and offices				
– Hong Kong	17,158	4,119	(373)	20,904

At 31 December 2022, it is estimated that an increase in sales generated from these retail stores and counters by 5% would have increased the lease payments by approximately HK$344,000 (2021: approximately HK$229,000).

During the years ended 31 December 2022 and 2021, the Group assessed the recoverable amount of CGU of all components, no impairment loss in respect of right-of-use assets was recognised.

Due to uncertainty in the volatility of economic environment may progress and evolve, the directors of the Company conducted the impairment assessment and determined the recoverable amount of the cash generating unit is higher than the carrying amount. The recoverable recoverable amounts of the right-of-use assets have been determined on the basis of their value in use of the cash generating unit ("**CGU**") using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, budgeted gross margin and turnover during the period.

20. SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2022 and 2021 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		
			2022	2021	**2022**	2021	
Milan Station (BVI) Limited	British Virgin Islands ("**BVI**")/ Hong Kong	US$4	**100**	100	**–**	–	Investment holding
Milan Station (Hong Kong) Limited	Hong Kong	HK$10,000	**–**	–	**100**	100	Investment holding
Milan Station (Tsuen Wan) Limited	Hong Kong	HK$10,000	**–**	–	**100**	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (TST) Limited	Hong Kong	HK$10,000	**–**	–	**100**	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station Fashion (TST) Limited	Hong Kong	HK$10,000	**–**	–	**100**	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Causeway Bay) Limited	Hong Kong	HK$10,000	**–**	–	**100**	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station Trading Limited	Hong Kong	HK$10,000	**–**	–	**100**	100	Engaged in retailing and trading of handbags, fashion accessories and embellishments operation

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20. 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		
			2022	2021	**2022**	2021	
Milan Station (Central) Limited	Hong Kong	HK$10,000	**–**	–	**100**	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Trilink Global Limited	BVI/Hong Kong	US$1	**–**	–	**100**	100	Investment holding
Milan Station (Asia) Limited	Hong Kong	HK$10,000	**–**	–	**100**	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Macau) Limited	Macau	MOP30,000	**–**	–	**100**	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (PRC) Limited	BVI/Hong Kong	US$2	**–**	–	**100**	100	Investment holding
Milan Station (PRC) Limited	Hong Kong	HK$10,000	**–**	–	**100**	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Kwun Tong) Limited	Hong Kong	HK$10,000	**–**	–	**100**	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
米蘭站商業(上海)有限公司*	The PRC/ Mainland China	RMB34,000,000	**–**	–	**100**	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Standpoint Global Limited	BVI/Hong Kong	US$1	**–**	–	**100**	100	Investment holding

20. 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		
			2022	2021	**2022**	2021	
WLS Limited	Hong Kong	HK$40,000	**–**	–	**–#**	51	Engaged in retailing of spa and wellness products
Brenda Enterprises Limited	Hong Kong	HK$2	**–**	–	**100**	100	Engaged in money lending business
Wales Maple Limited	BVI	US$1	**–**	–	**100**	100	Engaged in securities investments

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

\# Entirely equity interest was disposed on 27 October 2022. Details refer to Note 38.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, 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.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	HK$'000	HK$'000
Listed securities held for trading, at fair value		
– Equity securities listed in Hong Kong	**20,059**	36,162

The carrying amounts of the above financial assets are measured at fair value through profit or loss in accordance with HKFRS 9 and determined with reference to quoted market bid prices. These financial assets are denominated in Hong Kong dollars.

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains.

There is no concentration of credit risk in respect of the financial assets at fair value through profit or loss because these financial assets are kept in well-established securities broker firms in Hong Kong.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	HK$'000	HK$'000
Prepayments	**1,055**	1,370
Deposits	**10,030**	10,606
Other receivables	**1,501**	1,062
Amount due from a related company *(Note)*	**6,744**	–
Less: Allowance of ECLs	**(594)**	(80)
	18,736	12,958
Less: Non-current portion	**(3,081)**	(2,563)
	15,655	10,395

Note: WLS Limited was a related company which Mr. Choi Wai Kei is a director of the Group's subsidiaries, also is a director of WLS Limited in 2022 and 2021. The amount due from a related company is unsecured, interest-free and repayable on demand. The maximum outstanding balance for the year is amounted to HK$6,744,000.

At 31 December 2022 and 2021, the financial assets included in above balances were non-interest bearing and unsecured.

The details of the ECLs assessment are set out in Note 37 to the consolidated financial statements.

Prepayments, deposits and other receivables are denominated in Hong Kong dollars.

23. INVENTORIES

	2022	2021
	HK$'000	HK$'000
Merchandise held for resale	**44,497**	49,758

The Group's inventories were stated at cost at the end of reporting period.

24. 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	2021
	HK$'000	HK$'000
Trade receivables	8,720	4,782
Less: Allowance for ECLs	(2,988)	–
	5,732	4,782

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	2021
	HK$'000	HK$'000
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	2,460	–
	5,732	4,782

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.

The details of the ECLs assessments are set out in Note 37 to the consolidated financial statements as at 31 December 2022 and 2021. 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 ECL estimation as at 31 December 2022 refer to Note 37 to the consolidated financial statements.

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

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25. 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	2021
	HK$'000	HK$'000
Loan receivables	**18,279**	13,322
Less: Allowance for ECLs	**(5,530)**	(246)
6 months to 1 year	**12,749**	13,076

The details of the ECL assessment on loan receivables are set out in Note 37 in the consolidated financial statements.

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.

26. CASH AND CASH EQUIVALENTS

	2022	2021
	HK$'000	HK$'000
Cash and bank balances	**18,479**	28,552

At the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$229,000 (2021: HK$379,000). The remaining balances are denominated in Hong Kong dollars.

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.

The bank balances are deposited with creditworthy banks with no recent history of default.

27. TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	HK$'000
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	2,500	2,500
	10,887	16,674

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

	2022	2021
	HK$'000	HK$'000
Within 1 month	468	1,421

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

Trade and other payables are denominated in Hong Kong dollars.

28. CONTRACT LIABILITIES

	HK$'000
At 1 January 2021	547
Decrease in contract liabilities as a result of recognising revenue during the year	(547)
Increase in contract liabilities as a result of consideration received from customers during the year	2,299
At 31 December 2021 and 1 January 2022	2,299
Decrease in contract liabilities as a result of recognising revenue during the year	(2,299)
Disposal of subsidiaries (Note 38)	(155)
Increase in contract liabilities as a result of consideration received from customers during the year	456
At 31 December 2022	301

28. CONTRACT LIABILITIES *(continued)*

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.

Contract liabilities at the reporting date mainly advance payments received by the retail stores for ordering of handbags and fashion accessories. In general, the Group receives certain percentage of the contract sum as advance payment from the customers for the sale of goods.

The decrease in contract liabilities for retailing of handbags and fashion accessories products was mainly due to reduced of advance payment from customers for ordering of handbags and fashion accessories resulting from the adverse impact from COVID-19 pandemic the retail store.

29. LEASE LIABILITIES

At 31 December 2022 and 2021, the total future minimum lease payments and their present values were as follows:

	Minimum lease payments 2022	Minimum lease payments 2021	**Present value of minimum lease payments 2022**	Present value of minimum lease payments 2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**9,234**	12,800	**8,673**	12,268
More than one year, but not exceeding two years	**5,300**	5,320	**5,050**	5,190
More than two years, but not more than five years	**2,250**	1,062	**2,222**	1,017
	16,784	19,182	**15,945**	18,475
Less: Future finance charges	**(839)**	(707)		
Present value of lease obligations	**15,945**	18,475		
Less: Amount for settlement within 12 months (shown under current liabilities)	**(8,673)**	(12,268)		
Amount due from settlement after 12 months (shown under non-current liabilities)	**7,272**	6,207		

The Group entered into lease arrangements with independent third parties in relation to certain retail store and counters. The lease terms ranged from 2-3 years (2021: 2-5 years). The weighted average incremental borrowing rates applied to lease liabilities range from 4.49% to 7.75% and 4.49% to 7.75% per annum as at 31 December 2022 and 2021, respectively.

All finance lease payables are denominated in Hong Kong dollars.

30. PROVISIONS

	2022	2021
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Non-current liabilities	**252**	252

	Litigation	Provision for reinstatement costs	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2021	1,300	252	1,552
Amounts utilized during the year (Note)	(1,300)	–	(1,300)
At 31 December 2021 and 1 January 2022 and 31 December 2022	–	252	252

Note: In September 2020, MS Properties was entitled to the claims by Apex City Enterprises Limited ("the Petitioner") for the guaranteed payment of rent of the lease, amounted to a total claim of approximately HK$1,700,000. On 23 December 2020, a winding-up petition (the "Petition") had been filed by the Petitioner that MS Properties might 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 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 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. No any further cost or provision arised during the year ended 31 December 2022.

31. DEFERRED TAX

Deferred tax assets not recognised

At the end of the reporting period, the Group has unused tax losses in total of approximately HK$139,057,000 (2021: HK$137,161,000) that are available for offsetting against their future taxable profits. Deferred tax assets have not been recognised in respect of these losses due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$614,000 (2021: HK$742,000) from Macau and PRC operations that will expire in three years and five years respectively, from year the losses were incurred. Other tax losses may be carried forward indefinitely.

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32. SHARE CAPITAL

	Number of shares		Amount	
	2022	2021	**2022**	2021
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.04 each				
At 1 January and 31 December	**2,000,000**	2,000,000	**80,000**	80,000

	Number of shares in issue	Amount
	'000	HK$'000
Issued and fully paid:		
Ordinary shares of HK$0.04 each		
At 1 January 2021, 31 December 2021 and 1 January 2022	711,929	28,477
Issue of shares under share option scheme (Note (a))	22,060	882
Issue of shares upon completion of placing (Note (b))	146,798	5,872
At 31 December 2022	880,787	35,231

Notes:

(a) On 16 April 2022, the Company's certain directors and employees have exercised the share options which were granted on 17 April 2020 under the share option scheme (Note 33).

(b) On 5 September 2022, the Company entered into a placing agreement with a placing agent in respect of of 146,797,775 ordinary shares issue to not less than six placees at a placing price of HK$0.115 per placing share (the "Placement"). The Placement was completed on 19 September 2022. The proceeds from the Placement was approximately HK$16,881,000, deducting directly attributable costs of approximately HK$423,000, the net proceeds approximately HK$10,586,000 was credited to Company's share premium. Details of the Placement were disclosed in the Company's announcements dated 5 September 2022 and 19 September 2022.

33. SHARE-BASED PAYMENT TRANSACTIONS

On 28 April 2011, the Company operates a share option scheme (the "Old 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, employees of the Group, suppliers of goods or services to the Group, customers of the Group, consultants, advisers and the Company's shareholders. The Old Scheme became effective on 23 May 2011 upon the listing of the Company's shares on the Stock Exchange. The Old Scheme was in force for a period of 10 years commencing on the date on which the Old 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.

The Old Scheme was expired on 27 April 2021 and replaced by a new share option scheme (the "New Scheme") adopted by the Company on 30 June 2021 ("Adoption Date"). Pursuant to the terms of the Old Scheme, no further share options will be granted thereunder after its expiry but in all other respects the provisions of the Old Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted thereunder (if any) prior to such expiry or otherwise as may be required in accordance with the provisions of the Old Scheme, and all share options granted thereunder (if any) prior to such expiry shall continue to be exercisable subject to and in accordance with their terms of grant. The outstanding share options granted under the Old Scheme will remain valid and exercisable after the termination of the Old Scheme.

The New Scheme, which will be valid for a term of 10 years from the Adoption Date.

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

(a) Purpose of the New Scheme

The purpose of the New Scheme is to provide incentive or reward to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group.

(b) Who may join

Subject to the provisions in the New Scheme, the Board shall be entitled at any time and from time to time within the period of 10 years after the Adoption Date of the New Scheme to make an offer to any of the following classes of persons:

(i) any employees (including full time and part time employee) of the Company or its subsidiaries;

(ii) any directors (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries;

(iii) any executive or officers of the Company or its subsidiaries;

(iv) any consultants or advisers that provides advices or other technological support which will contribute or have contributed to the Group.

The basis of eligibility of any of the eligible participants to the grant of share options shall be determined by the Board from time to time on the basis of their contribution or potential contribution to the development and growth of the Group.

(c) Maximum number of Shares

(i) Notwithstanding anything to the contrary herein, the maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of shares in issue from time to time.

(ii) The total number of shares in respect of which options may be granted under the New Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme unless the Company obtains the approval of the Shareholders in general meeting for refreshing the 10% limit ("Scheme Mandate Limit") under the New Scheme provided that options lapsed in accordance with the terms of the New Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.

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

(c) Maximum number of Shares *(continued)*

(iii) The Company may seek approval of the shareholders in general meeting for refreshing the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the New Scheme and any other share option schemes of the Company as "refreshed" shall not exceed 10% of the total number of shares in issue as at the date of the approval of the shareholders on the refreshment of the Scheme Mandate Limit provided that options previously granted under the New Scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed in accordance with the terms of the New Scheme or any other share option scheme of the Company or exercised) will not be counted for the purpose of calculating the limit as "refreshed". For the purpose of seeking the approval of the Shareholders, a circular containing the information as required under the Listing Rules must be sent to the Shareholders.

(iv) The Company may seek separate approval of the shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided that the proposed grantee(s) of such option(s) must be specifically identified by the Company before such approval is sought. For the purpose of seeking the approval of the shareholders, the Company must send a circular to the shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and the information as required under the Listing Rules.

(d) Maximum entitlement of each eligible person

No option shall be granted to any eligible person if any further grant of options would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of shares in issue, unless: (1) such further grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of the shareholders in general meeting, at which the eligible person and his close associates shall abstain from voting; (2) a circular regarding the further grant has been despatched to the shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the eligible person, the number and terms of the options to be granted and options previously granted to such eligible person); and (3) the number and terms (including the subscription price) of such option are fixed before the general meeting of the Company at which the same are approved.

Details of the New Scheme are set out in the Company's circular dated 31 May 2021.

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

The movements in share options granted under the schemes during the years ended 31 December 2022 and 2021 are shown below:

	Number of share options									
Name or category of participants	At 1 January 2022	Granted during the year	Exercised during the year	Expired during the year	Reclassified during the year	Lapsed during the year	At 31 December 2022	Date of share options granted	Validity period of share options	Exercise price of share options *HK$ per share*
Director										
Hu Bo	2,175,400	–	–	–	–	(2,175,400)	–	12-4-19	12-4-19 to 11-4-22	0.434
	2,212,382	–	(2,210,000)	–	–	(2,382)	–	17-4-20	17-4-20 to 16-4-22	0.101
	–	7,119,200	–	–	–	–	7,119,200	27-4-22	27-4-22 to 26-4-24	0.183
	4,387,782	7,119,200	(2,210,000)	–	–	(2,177,782)	7,119,200			
Li Zhongqi	2,212,382	–	(2,210,000)	–	–	(2,382)	–	17-4-20	17-4-20 to 16-4-22	0.101
	–	7,119,200	–	–	–	–	7,119,200	27-4-22	27-4-22 to 26-4-24	0.183
	2,212,382	7,119,200	(2,210,000)	–	–	(2,382)	7,119,200			
Lin Mei Sze	–	7,119,200	–	–	–	–	7,119,200	27-4-22	27-4-22 to 26-4-24	0.183
Sub total	6,600,164	21,357,600	(4,420,000)	–	–	(2,180,164)	21,357,600			
Employees										
In aggregate	19,911,980	–	–	–	–	(19,911,980)	–	12-4-19	12-4-19 to 11-4-22	0.434
	17,699,924	–	(17,640,000)	–	–	(59,924)	–	17-4-20	17-4-20 to 11-4-22	0.101
	–	49,834,400	–	–	–	–	49,834,400	27-4-22	27-4-22 to 26-4-24	0.183
Sub total	37,611,904	49,834,400	(17,640,000)	–	–	(19,971,904)	49,834,400			
	44,212,068	71,192,000	(22,060,000)	–	–	(22,152,068)	71,192,000			
Exercisable at the end of the year							71,192,000			
Weighted average exercise price (HK$)	0.267	0.0183	0.101	–	–	0.433	0.183			

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

Name or category of participants	Number of share options: Outstanding 1 January 2021	Granted during the year	Exercised during the year	Expired during the year	Reclassified during the year	Lapsed during the year	Outstanding at 31 December 2021	Date of share options granted	Validity period of share options	Exercise price of share options *HK$ per share*
Directors										
Hu Bo	2,175,400	–	–	–	–	–	2,175,400	12-4-19	12-4-19 to 11-4-22	0.4339
	2,212,382	–	–	–	–	–	2,212,382	17-4-20	17-4-20 to 16-4-22	0.1011
	4,387,782	–	–	–	–	–	4,387,782			
Li Zhongqi	2,212,382	–	–	–	–	–	2,212,382	17-4-20	17-4-20 to 16-4-22	0.1011
Sub total	6,600,164	–	–	–	–	–	6,600,164			
Employees										
In aggregate	19,911,980	–	–	–	–	–	19,911,980	12-4-19	12-4-19 to 11-4-22	0.4339
	17,699,924	–	–	–	–	–	17,699,924	17-4-20	17-4-20 to 16-4-22	0.1011
Sub total	37,611,904	–	–	–	–	–	37,611,904			
	44,212,068	–	–	–	–	–	44,212,068			
Exercisable at the end of the year							44,212,068			
Weighted average exercise price (HK$)	0.267	–	–	–	–	–	0.267			

The options outstanding at 31 December 2022 had exercise prices of HK$0.183 (2021: HK$0.1011 or HK$0.4339) and a weighted average remaining contractual life of 1.32 years (2021: 0.28 years).

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

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

2022 Number of options	Exercise price	Exercise period
’000	HK$ per share	
71,192	0.183	27 April 2022 to 26 April 2024

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

	New Scheme	**Old Scheme**	
	27 April 2022	17 April 2020	12 April 2019
Dividend yield *(%)*	**0**	0	0
Expected volatility *(%)*	**90.851**	121.244	70.33
Risk-free interest rate *(%)*	**2.094**	0.529	1.566
Expected life of options *(years)*	**2**	2	3
Price of the Company’s shares at the date of grant *(HK$ per share)*	**0.183**	0.11	0.472
Estimate fair value at measurement date *(HK$)*	**6,056,000**	1,263,000	4,395,000

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 71,192,000 (2021: 44,212,068) share options outstanding under the Scheme.

At the date of approval of these financial statements, the Company had 71,192,000 (2021: 44,212,068) share options outstanding under the Scheme, which represented approximately 8.08% (2021: 6.21%) of the Company’s shares in issue as at that date.

During the year ended 31 December 2022, there were 71,192,000 (2021: Nil) share options granted and HK$6,056,000 (2021: HK$Nil) were recognised to the consolidated statement of profit or loss.

During the year ended 31 December 2022, there were 22,152,068 (2021: Nil) share option lapsed or cancelled.

34. 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.

Share premium

The share premium account of the Group includes: (i) the premium arising from the issue of new shares in prior years; (ii) the expense incurred in connection with issuance of new shares in prior years; (iii) dividends declared and paid in prior years; and (iv) amount transferred from share-based compensation reserve upon exercise of share options.

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 33.

35. MATERIAL RELATED PARTY TRANSACTIONS

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

	Amount owed by the Group as at 31 December		Related interest expense for the year ended 31 December	
Nature of transaction	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Proceed from disposal of a subsidiary (Note (ii))	**3,500**	–	**–**	–
Payment for the lease liabilities (Note (i))	**3,197**	4,219	**218**	101

35. 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**"), who are directors of certain subsidiaries of the Company, 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. On 17 June 2022, the Group entered into a new lease agreement in respect of the same leasehold properties for three years with Mr. Yiu which is connected party. The amount of lease payable by the Group under the lease is HK$220,000 per month, which was determined with reference to market rent. The total amount of the lease payment is $7,920,000 and deposit is $660,000. In 5 June 2021, the Group entered into a lease in respect of the same leasehold properties for one year with Mr. Yiu. 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. The total amount of the lease payment is $4,320,000 and deposit is $1,080,000.

(ii) On 11 October 2022, Milan Station (Mansion) Limited (the "**Vendor**"), an indirect wholly-owned subsidiary of the Company, and the Mr. Yiu Kwan Tat and Mr. Choi Wai Kei (the "**Purchasers**") who are directors of certain subsidiaries, 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) the entire equity interest of 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.

During the years ended 31 December 2022 and 2021, the Company and the Group had the following connected transactions, certain details of which are disclosed on the announcements dated 7 June 2022 and 10 October 2022 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:

	2022	2021
	HK$'000	HK$'000
Short-term employee benefits	5,857	6,057
Equity-settled share-based payments	1,818	–
Post-employment benefits	108	99
	7,783	6,156

Further details of directors' emoluments are included in Note 12 to the consolidated financial statements.

(c) Amount due from a related company

	2022	2021
	HK$'000	HK$'000
Other receivables (Note 22)		
WLS Limited	6,744	–

36. 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

	2022	2021
	HK$'000	HK$'000
Financial assets measured at FVTPL:		
Listed securities	20,059	36,162
Financial assets measured at amortised cost:		
Trade receivables	5,732	4,782
Loan receivables	12,749	13,076
Deposits and other receivables	17,681	11,588
Cash and cash equivalents	18,479	28,552
	54,641	57,998
	74,700	94,160

Financial liabilities

	2022	2021
	HK$'000	HK$'000
Financial liabilities at amortised cost:		
Trade payables	468	1,421
Financial liabilities included in other payables	7,919	12,753
Lease liabilities	15,945	18,475
	24,332	32,649

37. 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 other payables.

It is, and has been, throughout the year, the Group's policy that 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 2022 and 31 December 2021, 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 2022 and 2021, the Group assesses the exposure to cash flow interest rate risk is insignificant and thus no sensitivity analysis is presented.

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 for the year ended 31 December 2022 and 2021. 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 18% higher/lower:

- Loss for the year ended 31 December 2022 would decrease/increase by HK$3,611,000 as a result of fair value gain/loss of financial assets at FVTPL.

- Profit for the year ended 31 December 2021 would increase/decrease by HK$6,509,000 as a result of fair value gain/loss of financial assets at FVTPL.

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

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.

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 due to a short credit term were granted for sales of handbags.

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 related to the sales of natural aroma, skincare products and accessories. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. The expected loss rate are estimated based on the historical analysis and the key economic variables impacting credit risk. 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.

Gross carrying amount of trade receivables for the year ended 31 December 2022

	2022		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	HK$'000	HK$'000
Within 1 month	N/A	2,919	–
1 to 2 months	N/A	32	–
2 to 3 months	N/A	255	–
4 to 6 months	N/A	66	–
7 to 12 months	54.8	5,448	2,988
		8,720	2,988

The directors of the Company considered the ECL on trade receivables of HK$4,782,000 for the year ended 31 December 2021 was insignificant.

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

Credit risk *(continued)*

Movement for ECL of trade receivables are as follow:

	Trade receivables
	HK$'000
At 1 January 2021, 31 December 2021 and 1 January 2022	–
Allowance for ECL	3,022
Disposal of subsidiaries	(34)
At 31 December	2,988

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. 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 the allowance for ECLs of approximately HK$5,530,000 (2021: HK$246,000) was recognised as at 31 December 2022.

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 internal or external ratings in accordance with limits set by the directors. The utilisation of credit limits is regularly monitored.

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

Credit risk *(continued)*

Money lending business *(continued)*

Loan receivables

	At 31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Loan receivable , gross	**5,096**	**9,144**	**4,039**	**18,279**
Less: ECL on loan receivables	**(64)**	**(1,521)**	**(3,945)**	**(5,530)**
Loan receivables, net	**5,032**	**7,623**	**94**	**12,749**
Expected loss rate	**1.3%**	**16.6%**	**97.7%**	

	At 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Loan receivable , gross	13,322	–	–	13,322
Less: ECL on loan receivables	(246)	–	–	(246)
Loan receivables, net	13,076	–	–	13,076
Expected loss rate	1.8%	N/A	N/A	

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 2021	142	–	–	142
Allowance for ECL	104	–	–	104
At 31 December 2021 and 1 January 2022	246	–	–	246
Written off	(100)	–	–	(100)
New financial assets originated	64	–	–	64
Transfer for the year				
From Stage 1 to Stage 2	(101)	1,521	–	1,420
From Stage 1 to Stage 3	(45)	–	3,945	3,900
At 31 December 2022	64	1,521	3,945	5,530

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

Credit risk *(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 ECL 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.

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

Credit risk *(continued)*

Other receivables *(continued)*

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

	Other receivables
	HK$'000
At 1 January 2021	91
Reversal of allowance for ECL	(11)
At 31 December 2021 and 1 January 2022	80
Allowance for ECL	514
At 31 December 2022	594

Amount due from related company

The management of the Company estimates the amount of impairment loss for ECLs on amounts due from related company based on the credit risk of amounts due from a related company. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

For amount due from related company, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on these receivables has not increased significantly since initial recognition the Company measures loss allowance for these receivables equal to 12-months ECL. The directors make periodic collectively assessments as well as individual assessment on the recoverability of those receivables. No ECLs was recognised under 12-months ECL model during the years ended 31 December 2022 and 2021.

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.

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

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 2022					
	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	–	468	–	–	468	468
Financial liabilities included in accrued liabilities and other payables	–	7,919	–	–	7,919	7,919
Lease liabilities	4.49%-7.75%	9,234	5,300	2,250	16,784	15,945
		17,621	5,300	2,250	25,171	24,332

	At 31 December 2021					
	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	–	1,421	–	–	1,421	1,421
Financial liabilities included in accrued liabilities, other payables and amount due to non-controlling interests	–	12,753	–	–	12,753	12,753
Lease liabilities	4.49%-7.75%	12,800	5,320	1,062	19,182	18,475
		26,974	5,320	1,062	33,356	32,649

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

Fair value of financial instrument

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.

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 2022 and 2021.

- 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).

37. 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).

	Fair value measurements using			
At 31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurement				
Financial assets at fair value through profit or loss				
Listed equity securities	**20,059**	**–**	**–**	**20,059**

	Fair value measurements using			
At 31 December 2021	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss				
Listed equity securities	36,162	–	–	36,162

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.

During the years ended 31 December 2022 and 2021, there were no transfers between level 1 and 2, or transfer into or out of level 3.

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 2022 and 2021.

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 2022, the Group's current ratio was 5.8 (2021: 4.5).

The only externally imposed capital requirement for the Group is that in order to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of shares. The Group has maintained a sufficient public float to comply with the Listing Rules.

38. NOTES TO THE DISPOSAL OF SUBSIDIARY

Disposal of entire 51% of equity interest in WLS Limited (the "Disposal of WLS")

On 11 October 2022, Milan Station (Mansion) Limited (the "Vendor"), an indirect wholly-owned subsidiary of the Company, and the Mr. Yiu Kwan Tat and Mr. Choi Wai Kei (the "Purchasers"), 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 of WLS was completed on 27 October 2022.

Net liabilities at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	1,211
Right-of-use assets	8,379
Inventories	3,801
Trade receivables	1,806
Deposits, prepayments and other receivables	4,442
Cash and cash equivalents	1,227
Other payables	(11,043)
Lease liabilities	(8,468)
Contract liabilities	(155)
Tax liabilities	(400)
Non-controlling interests	(1,564)
Net liabilities disposed of	(764)
Gain on disposal of subsidiaries (Note 9)	4,264
Total consideration	3,500
Consideration satisfied by	
Cash	3,500
Net cash inflow arising on disposal:	
Cash consideration received	3,500
Cash and cash equivalents disposed of	(1,227)
	2,273

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) 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.

	Lease liabilities
	HK$'000 *(note 28)*
At 1 January 2021	21,432
Accrued interest	998
Interest elements on lease liabilities	(998)
Additions to lease liabilities	13,253
Termination of lease liabilities	(674)
Covid-19 related rent concessions	(373)
Capital elements on lease liabilities	(15,163)
At 31 December 2021 and 1 January 2022	18,475
Accrued interest	968
Interest elements on lease liabilities	(968)
Additions to lease liabilities	20,698
Termination of lease liabilities	(8,468)
Covid-19-related rent concessions	(115)
Capital elements on lease liabilities	(14,645)
At 31 December 2022	**15,945**

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2022	2021
	HK$'000	HK$'000
Within operating cash flows	293	168
Within investing cash flows	398	174
Within financing cash flows	15,613	16,161
	16,304	16,503

These amounts relate to the following:

	2022	2021
	HK$'000	HK$'000
Lease rental paid	16,304	16,503

(c) Major non-cash transactions

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$21,007,000 (2021: HK$13,427,000) and lease liabilities of HK$20,698,000 (2021: HK$13,253,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Statement of financial position of the Company

	Note	2022	2021
		HK$'000	HK$'000
Non-current assets			
Investments in subsidiaries		43,700	43,700
Property, plant and equipment		2,995	3,794
		46,695	47,494
Current assets			
Prepayments, deposits and other receivables		979	265
Amounts due from subsidiaries		450	719
Cash and cash equivalents		8,412	10,478
		9,841	11,462
Current liabilities			
Amounts due to subsidiaries		20,065	20,065
Accrued liabilities and other payables		3,223	1,203
		23,288	21,268
Net current liabilities		(13,447)	(9,806)
Net assets		33,248	37,688
Capital and reserves			
Share capital	32	35,231	28,477
Reserves		(1,983)	9,211
Total equity		33,248	37,688

Approved and authorised for issue by the board of directors on 28 March 2023 and signed on its behalf by:

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

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

(continued)

Reserve movement of the Company

	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 2021	251,857	555,000	5,658	(757,808)	54,707
Loss and total comprehensive loss for the year	–	–	–	(45,496)	(45,496)
At 31 December 2021 and 1 January 2022	251,857	555,000	5,658	(803,304)	9,211
Loss and total comprehensive loss for the year	–	–	–	(29,180)	(29,180)
Recognition of share-based payments	–	–	6,056	–	6,056
Issued shares upon completion of placing	11,009	–	–	–	11,009
Share issue expenses	(423)	–	–	–	(423)
Issued shares under share option scheme	2,607	–	(1,263)	–	1,344
Lapse of shares option	–	–	(4,395)	4,395	–
	13,193	–	398	4,395	17,986
At 31 December 2022	265,050	555,000	6,056	(828,089)	(1,983)

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.

41. COMPARATIVE FIGURES

Certain of the comparative figures have been restated to conform with current year's presentation. The changes mainly included separate disclosure of items under "other income" and "other (losses)/gains, net".

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				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**233,280**	245,018	175,973	231,616	264,293
Cost of sales	**(178,506)**	(174,095)	(133,513)	(183,821)	(212,654)
Gross profit	**54,774**	70,923	42,460	47,795	51,639
(Provision for)/reversal of allowance for ECLs	**(8,920)**	(93)	20	(91)	63
Impairment loss on intangible assets	**–**	–	–	(2,508)	–
Other income and gains/(losses), net	**(12,004)**	23,473	8,719	(1,789)	(8,450)
Selling expenses	**(48,072)**	(51,139)	(32,460)	(33,228)	(47,574)
Administrative and other operating expenses	**(29,657)**	(19,867)	(20,963)	(32,911)	(36,656)
Finance costs	**(968)**	(1,002)	(773)	(1,226)	(361)
(LOSS)/PROFIT BEFORE TAX	**(44,847)**	22,295	(2,997)	(23,958)	(41,339)
Income tax (expense)/credit	**(321)**	(140)	(158)	9	1,379
(LOSS)/PROFIT FOR THE YEAR	**(45,168)**	22,155	(3,155)	(23,949)	(39,960)
Attributable to:					
Owners of the Company	**(45,855)**	20,530	(3,108)	(23,491)	(40,012)
Non-controlling interests	**687**	1,625	(47)	(458)	52
	(45,168)	22,155	(3,155)	(23,949)	(39,960)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**140,582**	172,944	165,969	101,972	114,698
TOTAL LIABILITIES	**(27,864)**	(38,241)	(53,415)	(41,230)	(34,394)
Sub-total	**112,718**	134,703	112,554	60,742	80,304
NON-CONTROLLING INTERESTS	**–**	(877)	748	701	243
	112,718	133,826	113,302	61,443	80,547

Note:

The consolidated results of the Group for each of the two years ended 31 December 2022 and 2021 and the consolidated assets and liabilities of the Group as at 31 December 2022 and 2021 are those set out on pages 59 to 60 of this annual report.

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

米蘭站 Milan Station

米蘭站控股有限公司

MILAN STATION HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

STOCK CODE : 1150

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