MILAN STATION HOLDINGS LIMITED
米 蘭 站 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1150)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT 2022

Reference is made to the annual report of Milan Station Holdings Limited (the "**Company**" together with its subsidiaries, the "**Group**") for the year ended 31 December 2022 published on 27 April 2023 (the "**Annual Report 2022**"). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the Annual Report 2022.

In addition to the information disclosed in the Annual Report under the section headed "**SHARE OPTIONS**" and "**MANAGEMENT DISCUSSION AND ANALYSIS**", the board of directors of the Company (the "**Board**") would like to provide to the shareholders of the Company and the potential investors with the following supplementary information.

SHARE OPTIONS

The Company would like to provide additional information as follow:

The number of options available for grant under the scheme mandate at 1 January 2022 and 31 December 2022 was 71,192,887 and 73,398,887 respectively.

During the year, the number of shares that may be issued in respect of options granted under all schemes of the Company divided by the weighted average number of shares was 0.09.

MONEY LENDING BUSINESS

Business Model

The Group's money lending business is managed through a wholly-owned subsidiary with money lenders license issued under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group target to provide both secured or unsecured loans to different customers which included individuals and corporations mainly in Hong Kong and PRC. The source of customers is mainly past customers which consists of entrepreneurs and sizable enterprises or referrals by the directors. The source of funds for the money lending business is funded by the internal resources of the Group.

Major Terms of Loans Granted

As at 31 December 2022, the loan receivables were due from sixteen independent third parties. The interest rates of the loan receivables are 8% per annum. The total loan receivables are HK$12.7 million. All of the loan receivables are unsecured, of which the largest loan receivables of approximately HK$4.5 million and the five largest loan receivables represent 73% of the total loan receivables. The interest receivables arising from the unsecured loans are in the good standing and no occurrence on the default of interests. All loan receivables were matured within twelve months as of 31 December 2022. The aged analysis of the loan receivables as at 31 December 2022 is 6 months to 1 year.

Risk management policies

The Group manages credit risk through review and credit approval and post-transaction monitoring processes. An independent credit risk assessment has been performed before granting the loans which including but not limited to the background check, income or asset proof of individual customers and financial reports of corporate customers. Besides, verification of the authenticity of the information will be performed. Upon the completion of credit assessment procedures, the Group will propose loan terms, which include loan size, loan tenure, interest rate, guarantee and collateral, with reference to the prime lending rate offered by commercials banks, prevailing interest rates offered by other money lending institutions in the market and internal credit risk rating of the borrowers and ensure that the Company complies with the Money Lenders Ordinance. The proposed loans will then be passed to the directors for review and approval.

The Company has also adopted the procedures on monitoring loan repayment and recovery which involve (a) finance department is required to submit management accounts to the board of directors of the Company and report on the financial and business performance quarterly; (b) finance department required to report the repayment status of all loans to the board of directors of the Company quarterly and report for any material defaulted loans immediately upon occurrence; In respect of overdue loans, the finance managers will proactively contact the borrowers to understand the reasons for overdue repayments and assess the repayment ability of the borrowers by considering factors including but not limited to the business, financial and economic conditions that may affect the repayment ability of the borrowers; actual and expected financial performance and cashflows of the borrowers; and probability of the borrowers entering into bankruptcy or other financial reorganisation. After assessing the repayment ability of the borrowers, the directors may choose to negotiate new repayment schedules with the borrowers if the underlying default risk is considered to be acceptable. In respect of delinquent loans with significant default risk, the standard demand letters will be issued. If no satisfactory response is received, formal legal demand letters will be issued. Thereafter formal legal proceedings may be issued where appropriate.

Loan impairments

The Group will consider both general and specific provision on the impairment of the loan receivables. Specific provision will be considered when the customers are bankrupt, liquidation or any probably events which indicate the occurrence on the default of payments. The Group based on the borrowers' current financial status by communicating with the borrowers, referring to their past and current repayment records, loan terms, and the value of the collaterals, and will make further additional independent adjustments, to calculate the loan impairment for the year.

In 2022, the loan impairment is assessed by three-stage model for impairment based on changes in credit quality since initial recognition which outlined by HKFRS 9. Since the economic downturn continued due to the continuation of the epidemic which may affect the repayment ability of the borrower, thus affecting the Group's expectation to each of the borrowers on their ability to repay their debts. Therefore, the Group considered that the default rate of each borrowers increased, thus general provision on the loan impairment was recognized due to the expected credit losses. The Group has appointed an independent valuer to assess the impairment of the loan receivables. General approach is adopted to assess the expected credit losses of loan receivables in which the loss rate is derived from the probability of default and loss given default. The probability of default is extracted from Refinitiv, Moody's or other public sources are assumed to be unbiased. The credit loss rate applied is 30.15% (2021: 1.8%) and the expected credit losses of loan and interest receivables is approximately HK$5.5 million (2021: HK$0.2 million). The increase in expected credit losses was mainly due to the increase in the default rate of certain borrowers as the economic downturn affect the ability to repay their debts. And the high credit loss rate was mainly due to the default rate of one of the borrowers has increased significantly due to the limited repayment of debts has been received during the year while the credit loss rate of others borrowers was ranged from 1.25% and 16.63%, therefore the grants of loans were fair and reasonable.

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

Hong Kong, 21 July 2023

As at the date of this announcement, the Board comprises Mr. HU Bo and Mr. LI Zhongqi as Executive Directors; Mr. CHAN Chi Hung, Mr. TOU Kin Chuen and Mr. Choi Kam Yan Simon as Independent Non-executive Directors.